STAR MICA HOLDINGS

FY Nov 2020

Financial Result Summary

January 13, 2021

STAR MICA HOLDINGS

1. Executive Summary

2. Business Outline

3. Corporate Strategy

4. Environment, Society and Governance

5. Shareholder Returns

6. Company Profile

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Financial Result (P/L)

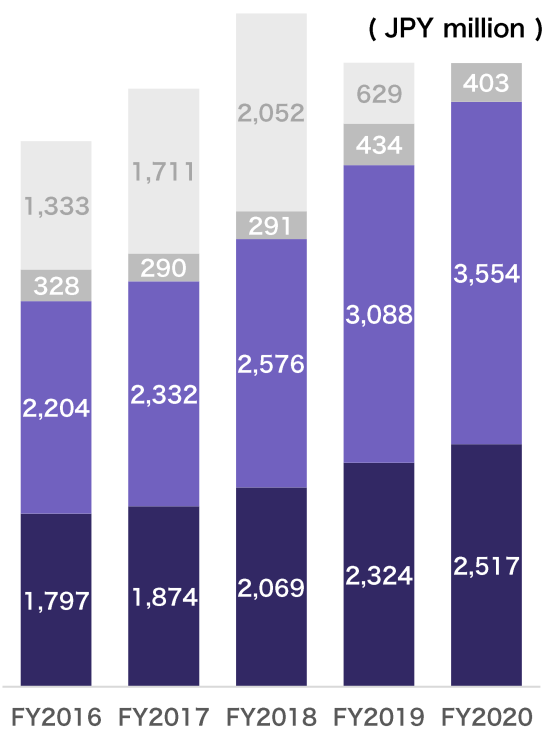
- Pre-owned condominium business remains robust despite concerns from COVID-19 pandemic.
- Proactive marketing strategies contributed to sales and gross profit.

Consolidated P/L (Summary)

	FY Nov 2019 (JPY million)	FY Nov 2020 (JPY million)	YoY Change
Sales	32,164	39,568	+23.0%
Renovated condominium business	28,861	38,858	+34.6%
Investment business	2,412	-	-
Advisory business	890	709	-20.3%
Gross profit	6,297	5,971	-5.2%
Renovated condominium business	5,302	5,568	+5.0%
Investment business	559	-	-
Advisory business	434	403	-7.3%
SG&A	2,670	2,689	+0.7%
Operating profit	3,627	3,281	-9.5%
Recurring profit	2,925	2,496	-14.7%
Net income	2,023	1,729	-14.5%

*1 Include MTM loss (FY2019 : 109 million, FY2020 : 504 million)

Gross Profit (Business Segment) *2



Investment

Advisory

Renovated Condos (Sales)

YoY Change +15.1%
Profit Margin 10.2%

Profit Margin (Adjusted) *3
12.2%

Renovated Condos (Rent)

YoY Change +8.3%
Profit Margin 62.0%

*2 MTM loss in each business segment is not shown in this figure.
*3 Profit margin excluding transaction cost from cost of sales.

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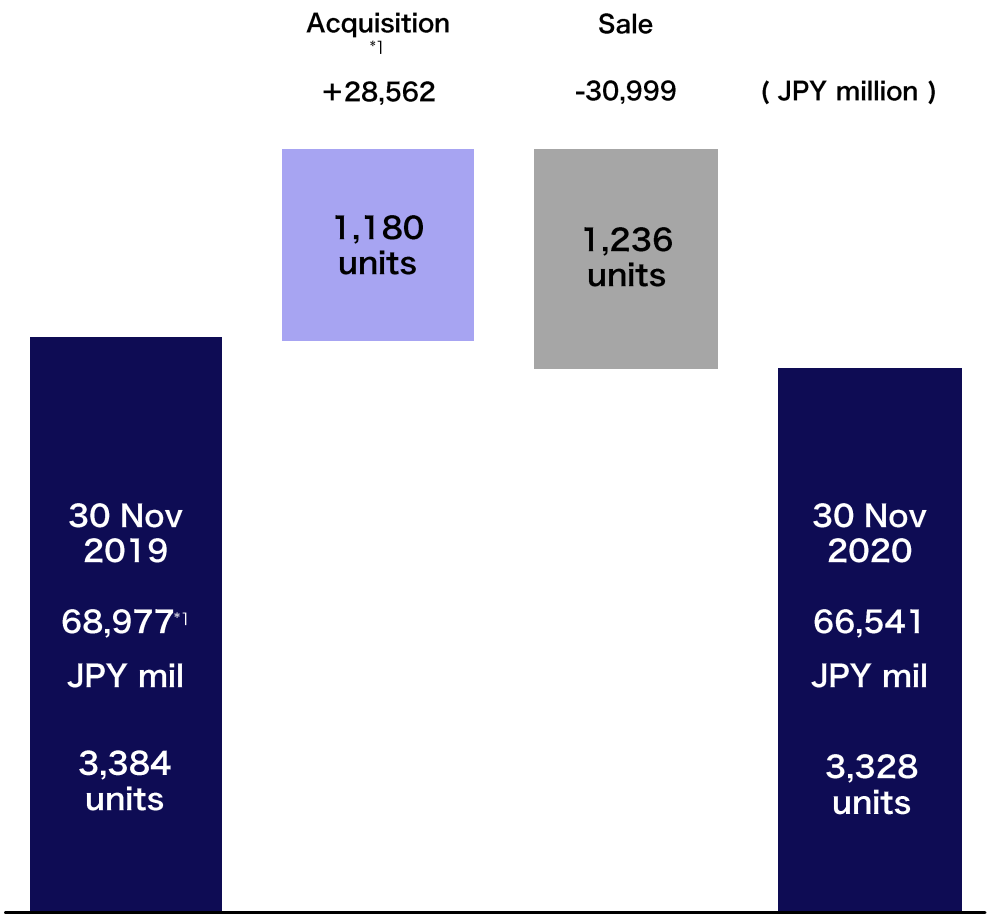
Financial Result (BS)

- Preserving cash to prepare for unexpected business environment changes.
- Capital-to-asset ratio rose from 24.3% to 25.6% from robust condominium sales.

Consolidated BS (Summary)

	FY Nov 2019 (JPY million)	FY Nov 2020 (JPY million)	YoY Change
Current assets	75,180	75,342	+0.2%
Cash and deposits	4,330	7,405	+71.0%
Inventories	68,977	66,541	-3.5%
Fixed assets	940	1,414	+50.5%
Tangible fixed assets	49	43	-11.9%
Total assets	76,123	76,758	+0.8%
Short-term liabilities	10,160	10,107	-0.5%
Long-term liabilities	47,388	46,938	-0.9%
Shareholder's equity	18,498	19,637	+6.2%
Capital-to-asset ratio	24.3%	25.6%	

Change in Inventories



*1 Including increase in book value as a result of renovation.

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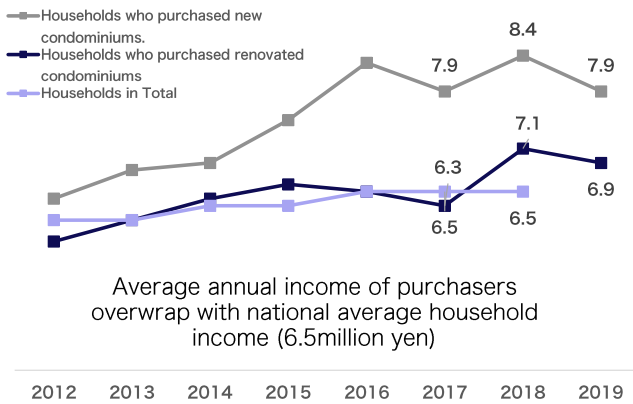
- Price surge in new condominiums and low mortgage rate remains the same under pandemic.
- We believe demand for pre-owned condominiums will stay solid.

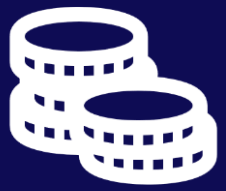
Average middle-class household in the main purchaser of renovated condominiums.

<Average household annual income (JPY million)>

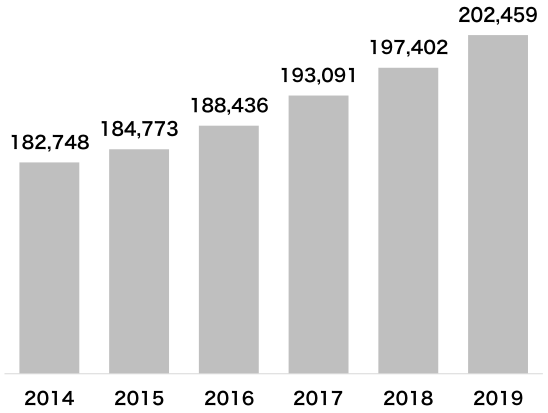


(Source) Ministry of Land and Transport, housing market survey, Ministry of welfare national basic lifestyle survey, Starmica.

Low interest rate promoting mortgage loan growth.



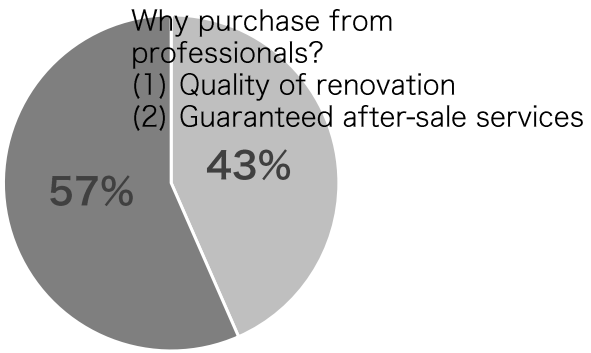
<Mortgage loan balance (JPY billion)>



(Source) The Real Estate Transaction Promotion Center, real estate business statistics, Starmica.

Renovated Condominium (sold by real estate professionals) is gaining market share.

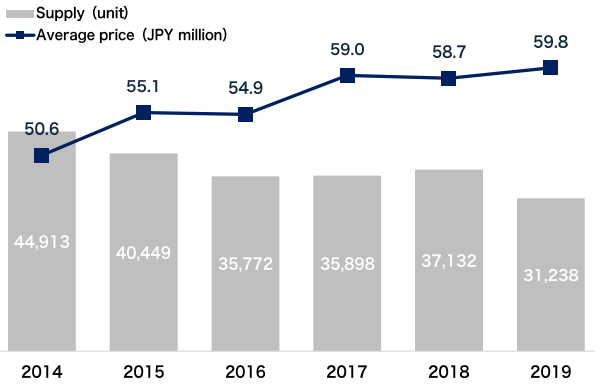
<Sellers of renovated condominium>



(Source) Ministry of Land and Transport, housing market survey, Starmica, data limited to transactions made by intermediaries.

Rising price and tightening supply of new condominiums.

<New condominiums market (Tokyo Metro Area)>



(Source) Real Estate Economic Institute Co., Ltd. condominium market research Tokyo Metro area, Starmica.

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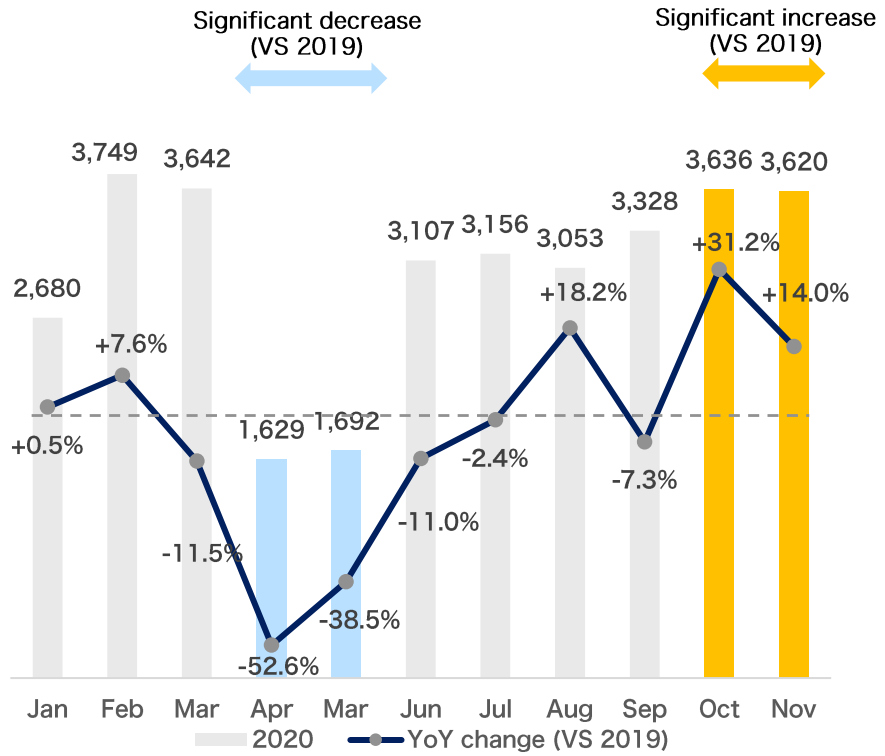
- Active demand pushed up sales, while inventory went down.
- Acquisition and sales outlook continue to look less transparent.

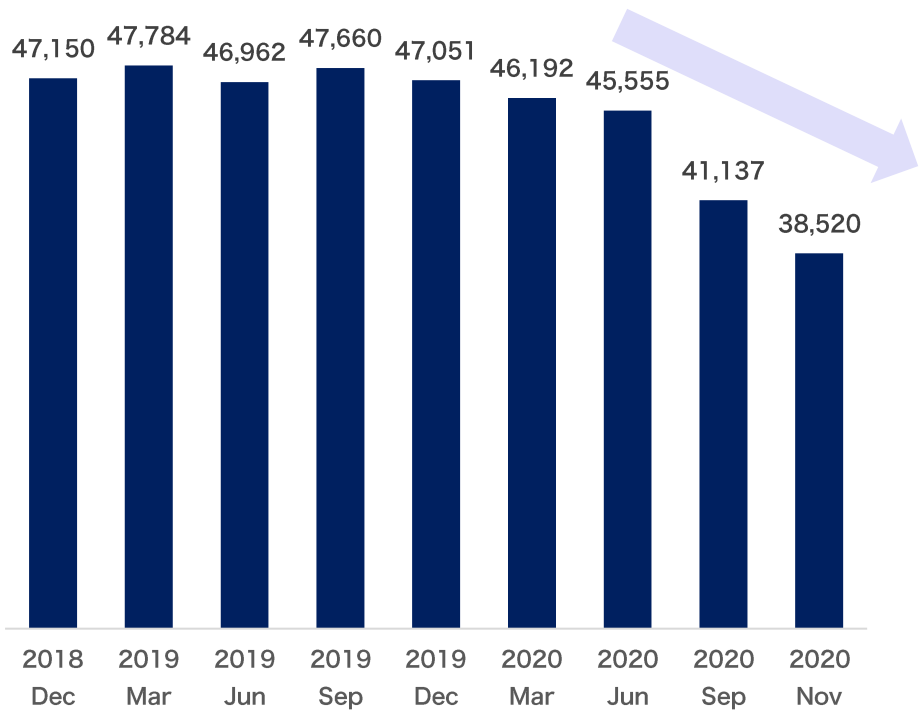
Sales declined from April to May, and showed recovery in recent months.

<Number of units (pre-owned condominium) sold in Tokyo Metropolitan Area (units, %) >



Inventory declined significantly from June to November.

< Number of stocks (pre-owned condominium) in market of Tokyo Metropolitan Area (units)>



(Source) Monthly Market Watch from Real Estate Information Network System, Starmica

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- "Keep-It-Steady Strategy" at times of "With Corona", and focus on strengthening our operation platform.

Aging population, increasing dual income households will support demand for urban residences.

Surge in new condominium prices, low mortgage rates will likely keep demand for pre-owned condominium high.

Expectation towards Tokyo Olympics, rise in real estate market. → "With Corona", changes in the real estate market → "After Corona", changes in the economic environment and real estate market. (?)

Continue to make constant acquisitions to build inventory for future sales.

Number of pre-owned condominium stocks

Flow (purchase and sale) x Stock (rent income)

Hybrid business model enables us to continue to grow as we enter "Keep-It-Steady Strategy".

Number of acquisition and sales

5-year Business Development Plan: More Volume (2017～2020) → "Keep-It-Steady Strategy" : Stable growth → No.1 supplier of pre-owned condominiums

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Business Strategy in FY Nov 2021①

- For FY 2021, amid "With Corona", we will strive to meet our pre-owned condominium business goals while constructing an operation platform to work in uncertain business climate.

	Before FY Nov 2020	FY Nov 2021
Goal	Reengineer Japanese housing through renovation × Change the real estate industry through innovation	
Strategy	● We will actively acquire properties to build inventory. ● We will boost sales and profit.	● Focus on keeping good balance between acquisition and sales. ● Keep up capital-to-asset ratio and cash level for solid growth.
Sales and Gross Profit (Renovated condominium business)	↑	↗
Inventories (Pre-owned Condos)	↑	↗
Capital-to-asset ratio Cash and deposits	↓	↗

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Business Strategy in FY Nov 2021②

- We aim for gross profit increase by utilizing our full line of inventories to under supplied market.
- We estimate decline in net income from increase in SG&A impacted by VAT tax hike.

	FY2020 Result (JPY million)	FY2021 Forecast (JPY million)	YoY Change
Sales	39,568	40,013	+1.1%
Renovated condominium business	38,858	39,420	+1.4%
Investment business	-	-	-
Advisory business	709	593	-16.4%
Gross profit	5,971	6,157	+3.1%
Renovated condominium business	5,568	5,864	+5.3%
Investment business	-	-	-
Advisory business	403	293	-27.3%
SG&A	2,689	3,174	+18.0%
Operating income	3,281	2,982	-9.1%
Recurring profit	2,496	2,269	-9.1%
Net income	1,729	1,571	-9.1%

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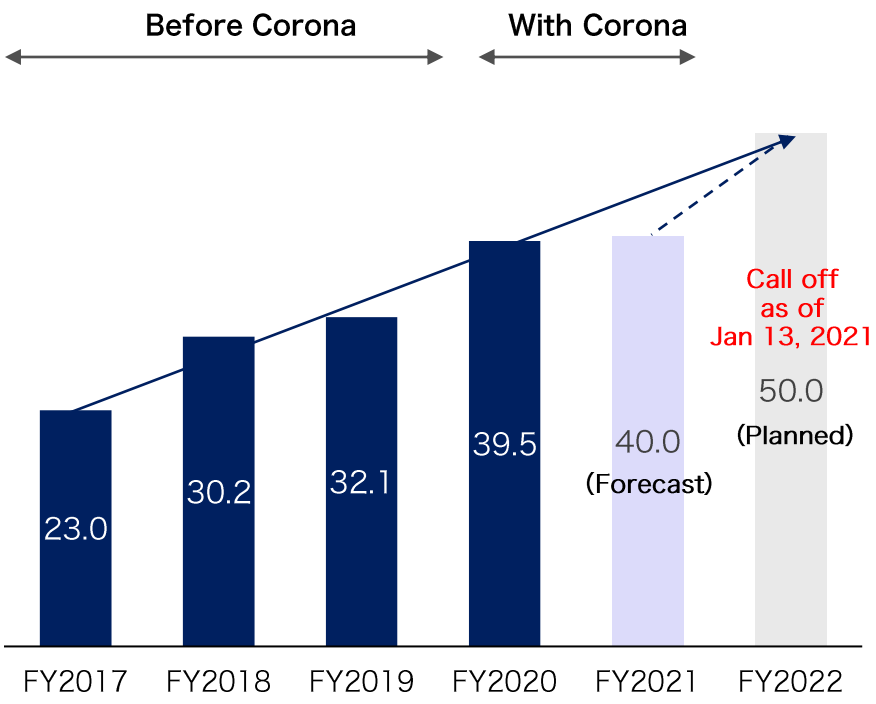
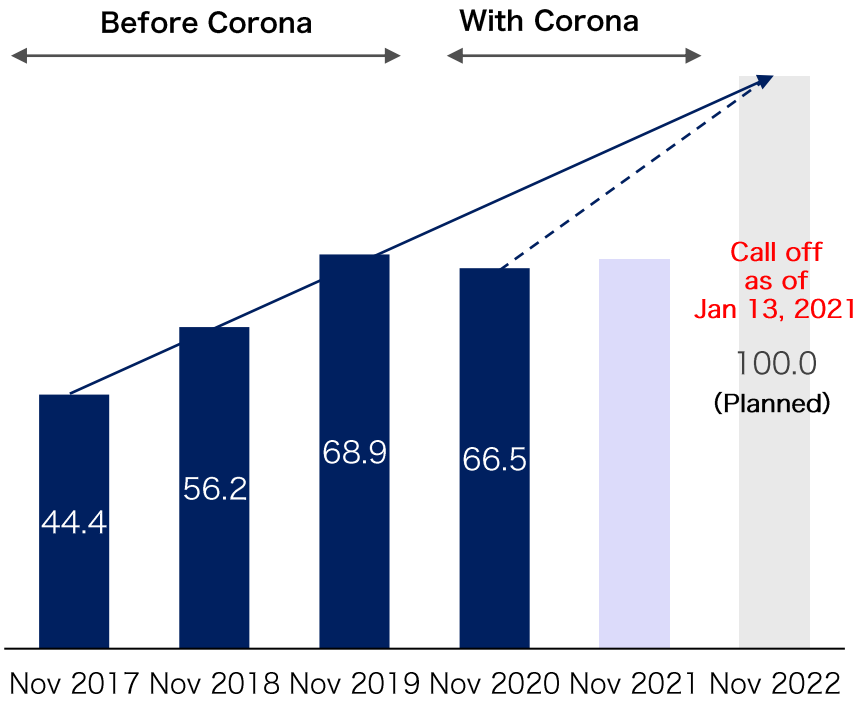
Calling Off Financial Target in 5-year Business Development Plan

- 5-year business development plan was progressing as planned "Before Corona".
- As we shift our gear to "Keep-It-Steady Strategy" under "With Corona", we are calling off our milestone plan for review.

<Sales of renovated condominium business[*1] (JPY bn) >



<Inventories in renovated condominium business [*2] (JPY bn) >



[*1] Information before FY2018 is from Star Mica before transition to holding company structure, unless otherwise noted. (applied in all pages of this material).

[*2] Forecast of inventories as of Nov 2021 is not disclosed.

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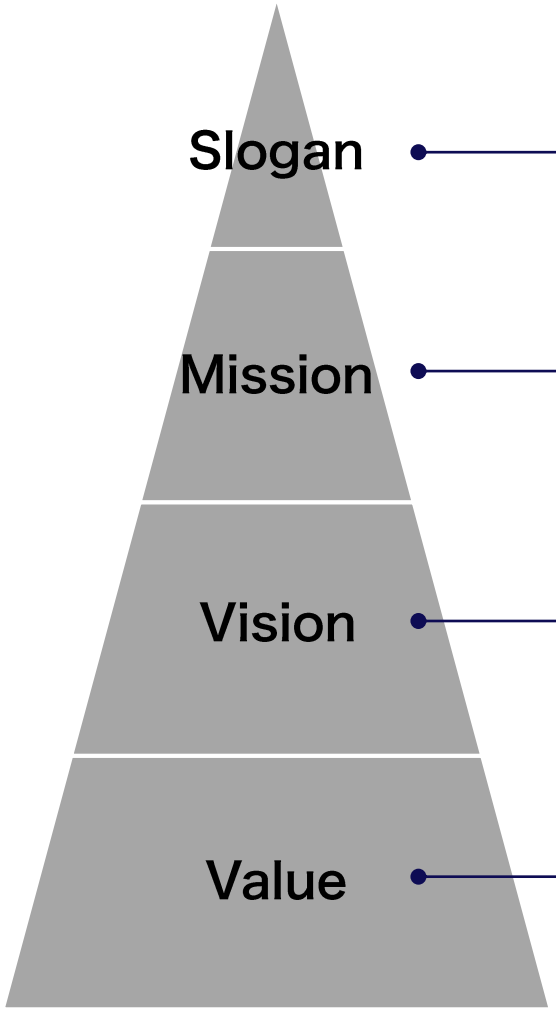
Corporate Slogan

- Strive to be a creative business innovator, and become a leader in the industry.



Slogan — Find the Value

Mission — Realize society from build to utilize

Vision — Create business by thinking outside of the box

Value — STARMICA Way

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Business Domain

- In addition to core business, seek new opportunities in non-asset business.

STARMICA HOLDINGS
Find the Value

Strategic planning of Starmica Group / General management

STARMICA	STARMICA Residence	STARMICA Property	STARMICA Asset Partners	STARMICA Asset Management	Smai+
Purchase and Sale of Renovated condominium	Intermediary of renovated condominium	Property management	Real estate investment consulting	Investment advisory Wealth management	Real estate investment management
Core Business			**Non-asset Business**		
Sales and marketing of condominiums to real demand			Residential real estate, condominiums to HNW clients, investors		
Acquisition, hold and sales cycle Balance sheet business			Fee business		

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Core Business (Overview)

- Our idea of value chain to add value to the market.

Acquisition/Entry

- Acquire mainly family-type, owner-change condominium.
- Owner-change condominiums have limited market.
- We provide liquidity to this limited market.

Manage and Hold

- We manage and hold the condominium until tenant vacates.
- We support tenants' lifestyle by our own property management solutions.

Renovation

- We will renovate vintage property to high quality property in a short period of time.
- We preserve and utilize what can be renovated, consider environmentally friendly renovation.

Sale/Exit

- We bring to market high quality renovated condominiums in major cities.
- We respond to variety of consumers' needs in our product design.

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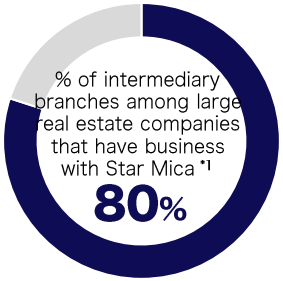
- Systematic operation to make solid and aggressive acquisitions.

< Operational flow (example) >

Access to Information

3,000units/month

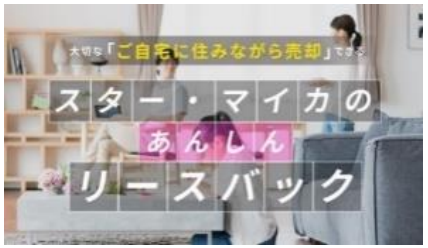
POINT①： Strong relationship with intermediaries.



We have been successful in building relationships as a pioneer in the market for over 20 years.

POINT②： Diversified acquisition channel.

Able to meet and discuss sale and lease back requests.
Able to proceed with purchase and sale from web-based inquires.



Selection of properties for acquisition

POINT③： Strict process for property acquisition.

We check property from actual consumers' perspective anti-earthquake, supplemental construction, exterior maintenance level etc.

Final check for acquisition

POINT④： Valuation of condominium from proprietary database and extensive market experience.

Total number of units purchased
over 11,000unit

3% of initial number of property information

100units/ month

POINT⑤： We have sufficient capital to make multiple acquisitions with short notice.

Our cash position is over
7 billion yen.

*1 (Source) The Real Estate Transaction Promotion Center "Statistics of Real Estate Industry"

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Core Business (Hold and Manage)

- We produce hybrid revenue of rent and sales, derived from #1 property holdings in Japan.

Number of properties

3,400 units

		Profit to Sales Ratio (%)	
on sale / preparing for sale	■ After tenant vacates, renovate and sell.	Profit from purchase and sale (flow revenue) 58%	Profit from renovated condominiums **5.8 Billion yen** (FY Nov 2021 forecast)
on rent	■ Receive rent during tenancy, until tenant vacates. ■ Stable cash flow regardless of market fluctuations.	Profit from rent (stock revenue) 42%	

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- Manage cost and time for large volume of renovation while keeping up the quality.

Planning to achieve maximum comfort.

- Design for working women, to offer comfort around the bathroom, kitchen, and flow line.

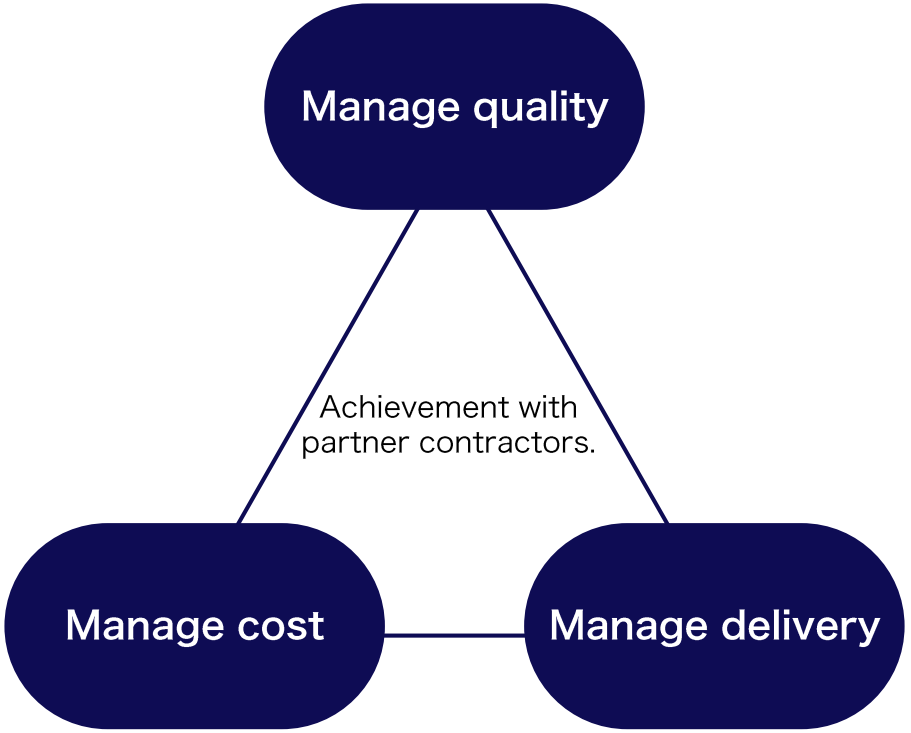
Propose various style to meet consumer taste.

Cowork with housing facility, interior design companies.

Offering of self-renovation services.

Strong network with contractors to optimize quality, cost and time required for renovation.

- Partnership with wide variety of contractors in major cities.
- Promote standardization to meet increasing number of renovation.



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- We offer renovated condominiums at reasonable price.

Residents will be able to live in a higher spec condominiums designed for ownership, with same monthly cost of rent.

Standard monthly rent[*1]

121

thousand yen

Monthly mortgage repayment[*2]

84

thousand yen

*1 Based on our corporate results at FY Nov 2020, average sales price of 30.0million yen, average space of 71.48 square meters.
*2 Assumed mortgage loan of 30 million yen, at 1%, for 35 years.

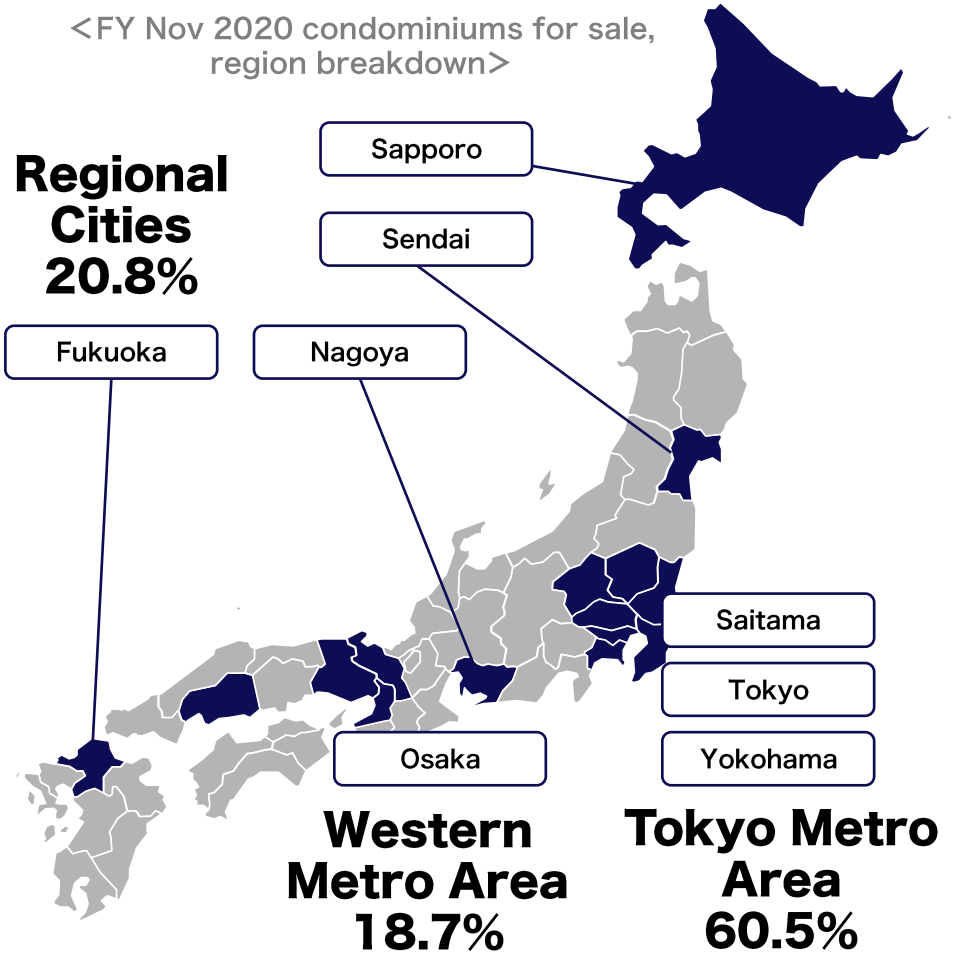
<Range of sales price (JPY million) [*3]>

under 20.0	20.0 - 30.0	30.0~40.0	40.0 or over
21.1%	35.7%	26.2%	16.9%
56 thousand yen[*4]	84 thousand yen[*4]	112 thousand yen[*4]	

*3 Based on the sales price in FY Nov 2020 (proportion of units sold) .
*4 Assumed mortgage loan of 20/30/40 million yen at 1%, for 35 years.

We offer renovated condominiums in Tokyo metropolitan area and in major regional cities.

<FY Nov 2020 condominiums for sale, region breakdown>



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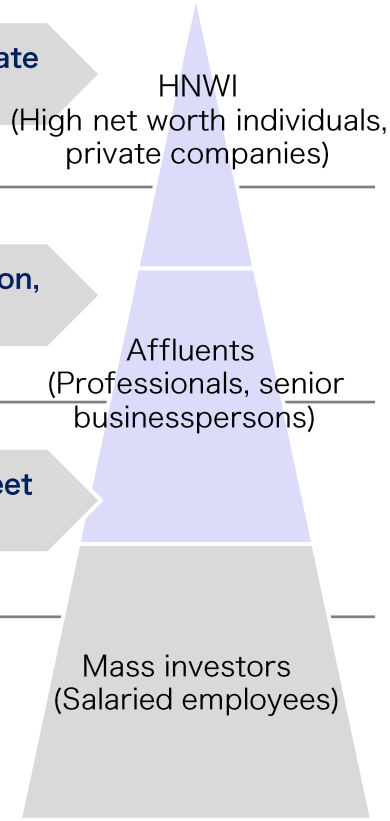
Non-asset Business (Wealth management/Investor services business)

- Service offering in wealth management/investor services business by 3 group companies.
- Aim to create unique value in the market with experienced professionals.

Investment advisory/ Wealth management	STARMICA Asset Management	Advisory service in financial and real estate investments.
Property management with elements of asset management solutions	Smait	Unique additional value through renovation, short-term leasing, budgetary control.
Real estate investment consulting	STARMICA Asset Partners	Tailor-made real estate investment to meet clients' investment needs.
Sales and marketing of original real estate investment products	N/A	



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Business Development to Date①

- Read the current flow of the market, play a leadership role in the industry.

STAR MICA HOLDINGS

Our footprints

2012	2013	2014	2015	2016	2017	2018	2019	2020
Launch investment business, acquired properties.		Started "Renovating the whole building" projects.		Prepared to enter Minpaku business and Real Tech solutions "Real estate x Technology".		Exit strategy for properties acquired by investment business.		Secure cash, improved capital-asset ratio to prepare for the unexpected.

Footprints of real estate industry (Japan)

2013	2014	2016	2018	2020
Appreciation of price in real estate investment market.	"Renovating the whole building" became increasingly popular in the industry.	Launch of Minpaku business and Real Tech solutions.	Market price of residential property declines in Tokyo metropolitan area*1.	Covid-19 pandemic continues to affect business sentiment.

*1 Real estate information web site, Kenbiya, most recent quarterly property market report for investments.

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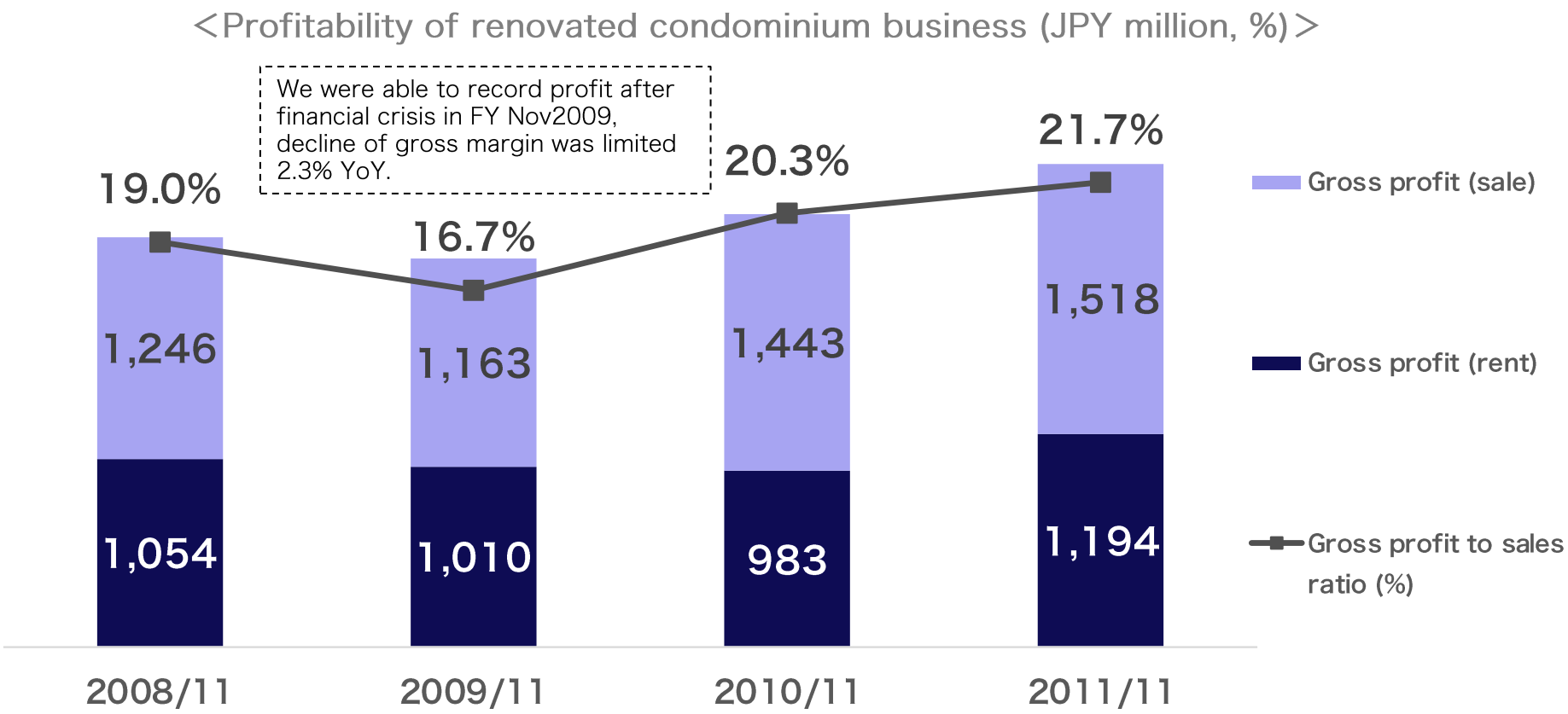
Business Development to Date②

- Strong business model that worked through the period of financial crisis.



Three key strength that led us to survive financial crisis.

- Stable rent income.
- Selling properties that are merely affected by business fluctuation.
- Solid corporate finance with strong tie to banks.

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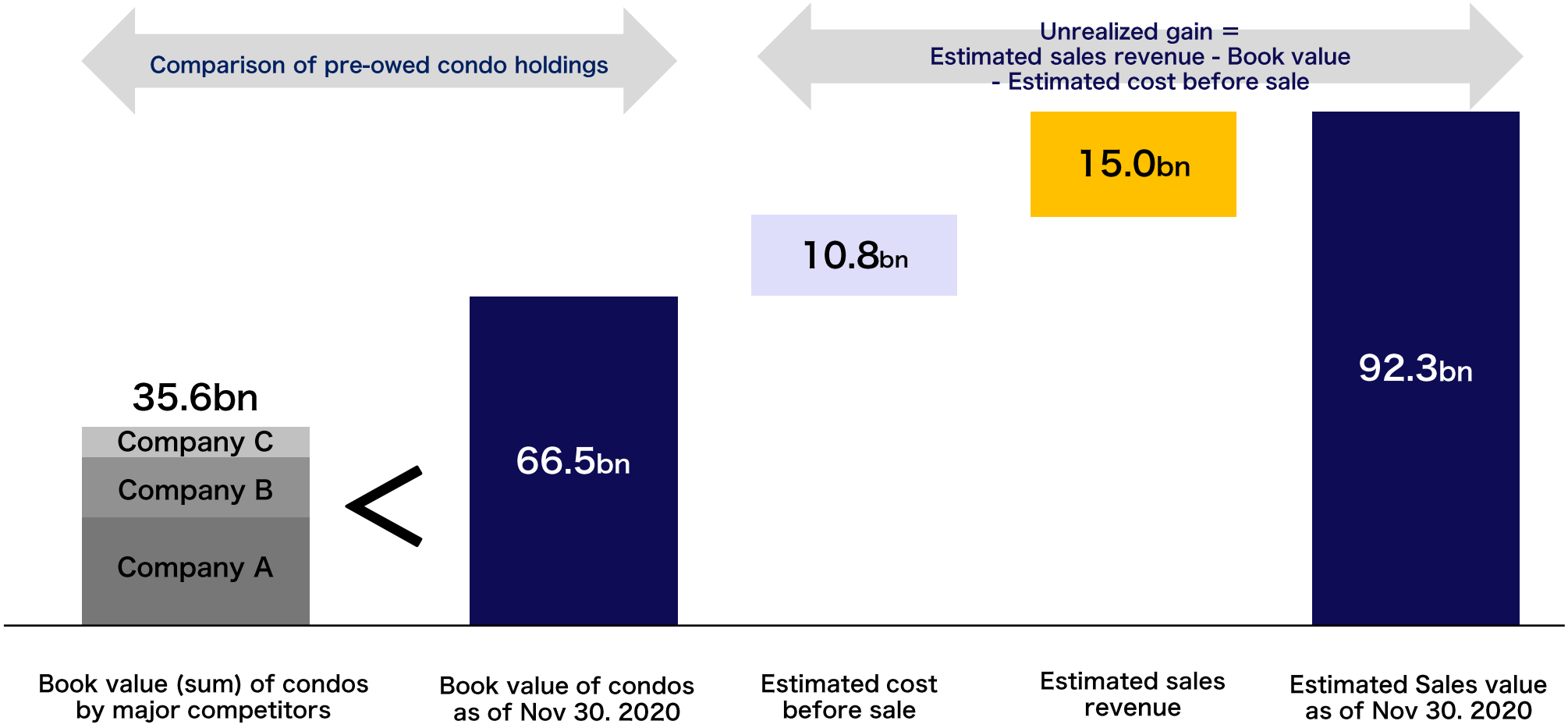
Business Achievement ①

- We own more than 3,400 pre-owned condominiums, the largest owner in Japan.
- Unrealized gain in pre-owned condominiums are estimated to be nearly 15 billion yen.



(Source) Listed comparable companies, gross profit margin of consolidated financial results for the recent year.

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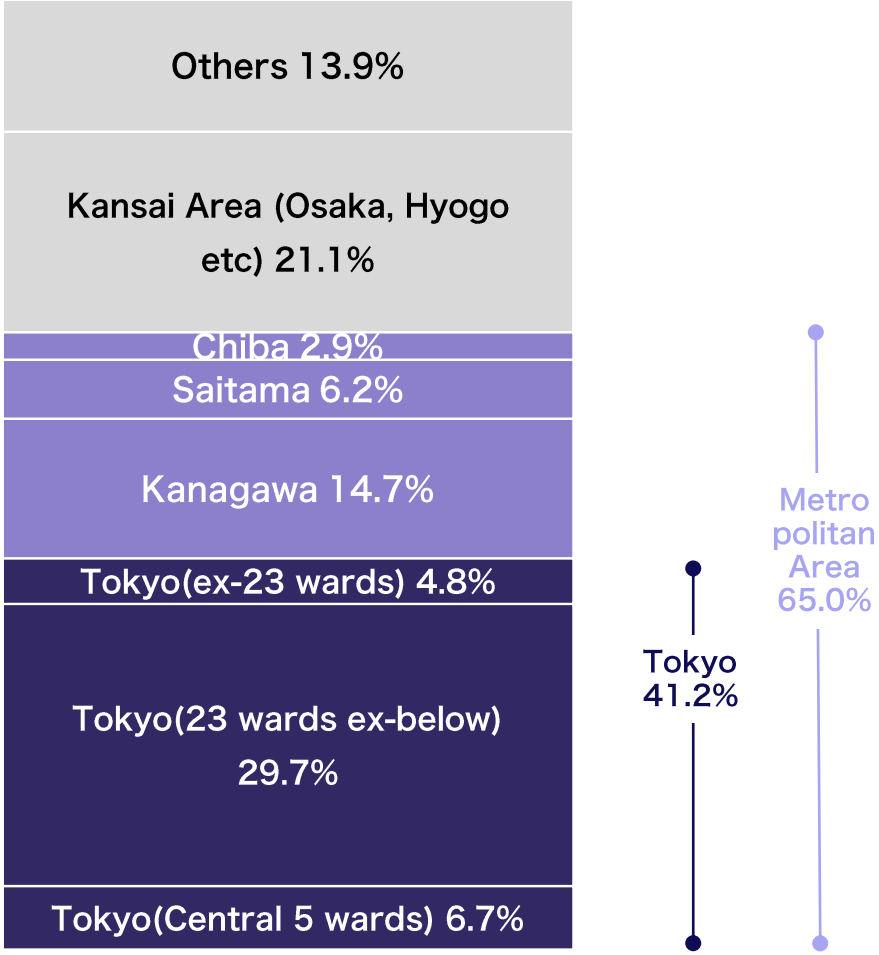
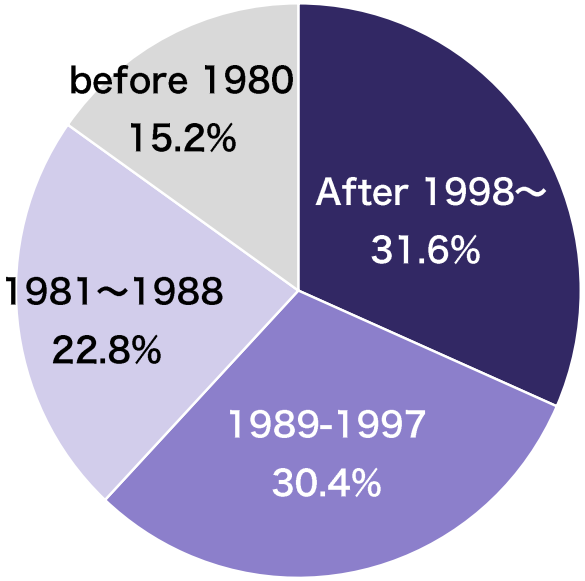
Business Achievement ②

- A well diversified condominium portfolio.

Composition by region[*1]



Composition by year built[*2]



Average size[*3]	66.70	㎡
Average age[*3]	29.8	year
Average acquisition[3]	19,401	K(JPY)

[*1] Above figures are as of November 2020.

[*2] Average property figures are based on number of properties. (all unit based)

[*3] Regional and Age segregation are based on acquisition amount. (all unit based)

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- Our business is highly recognized socially.

Business model valued globally

We were rewarded Porter Prize in 2011, for the business model and social contribution, first from real estate industry.

The Porter Prize was established to bestow recognition on Japanese companies that have achieved and maintained superior profitability in a particular industry by implementing unique strategies based on innovations in products, processes, and ways of managing.
The name of the award is derived from Professor Michael E. Porter of Harvard University, a leading authority on strategy with a longstanding interest in Japan.

(cited from the website
https://www.porterprize.org/english/about/index.html)

Social contribution①
For the next generation entrepreneurs

■ Contribution to Academia

- Held entrepreneur courses in Kyoto University, Gakushuin University.
- Sent guest lecturer to MBA programs in both domestic and international schools.
- Accept college student interns from both domestic and international schools.

■ Feedback of intelligence we gained through our business

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- Transparency in governance, consideration of work environment will contribute to our offering of high-quality properties.

Framework to share group values

Credo for all group members, "STARMICA Way"

Quarterly town hall meeting, share corporate strategy

<Examples of STARMICA Way>

- Open and flat communication
- Let's work smart
- Surprise the others with speed
- Stay cool

etc....

Corporate culture of teamwork

3 stages for all group members

Variety of intra-divisional projects

360° evaluation system

High level compliance consciousness

× No individual goal

× No over-incentivized compensation

Strong compliance operation

Outside directors (at Star Mica Holdings): 75%

Nomination and Remuneration Committee governed by outside directors

Smart-Work with IT

Enhanced cloud system
Mobilization and remote work
↓
increased productivity per head

Average overtime 17.1hours/month

Friendly work environment for women

Product development team led by women

女性の"ウレシイ"をかたちに。
しあわせリノベ研究所
"Shiawase (Happy) Renovation"

Ratio of women group members : 45%

Ratio of women taking maternity leave, childcare leave:100%

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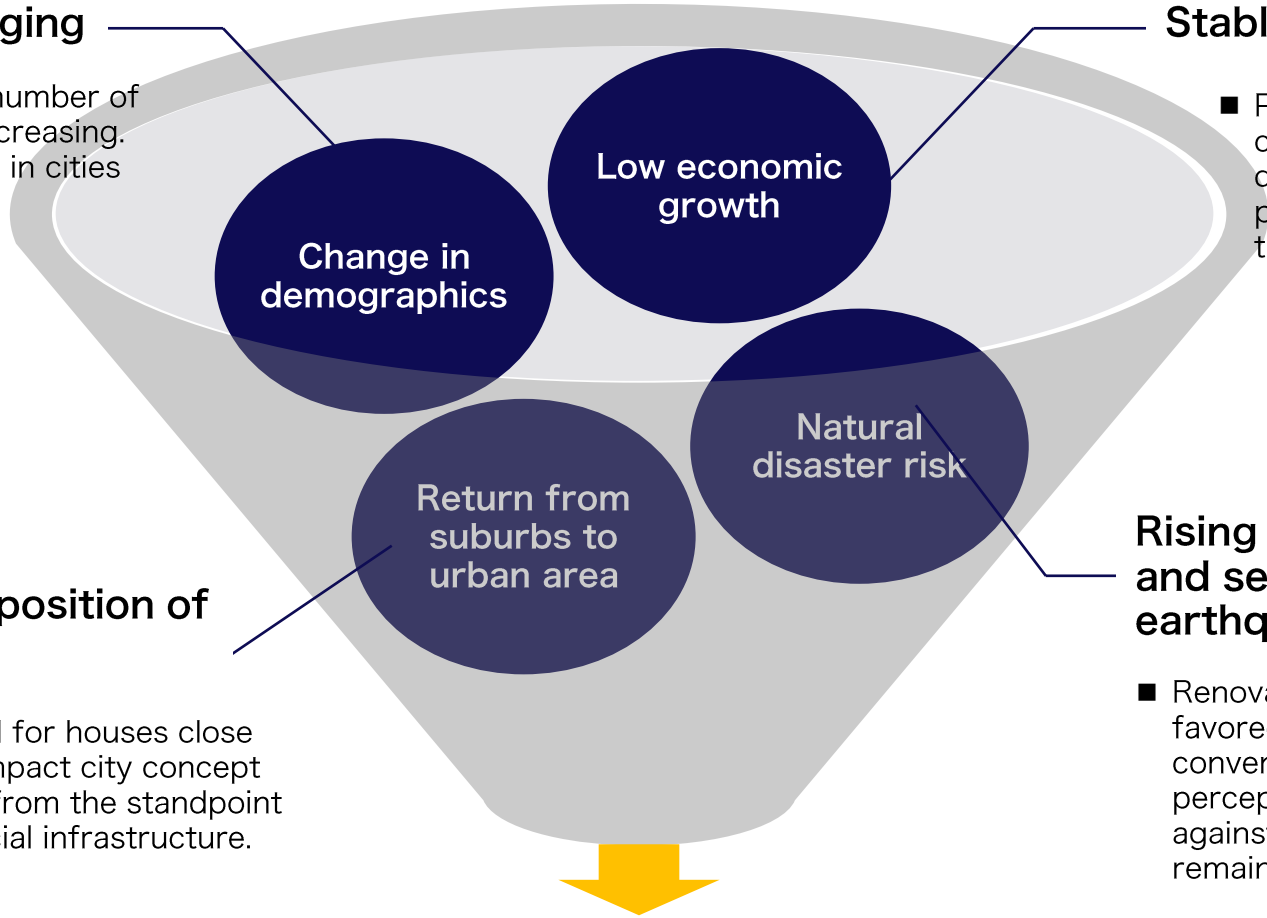
- Offer solutions to challenges of Japan, by promoting renovated condominiums in Tokyo metropolitan area and major cities.
- Strive to become "Star Mica Group" to meet the needs of times.

Depopulation・Aging

■ On the other hand, number of households in still increasing. Demand for housing in cities remains strong.

Stable overall income

■ Pricey newly built condominiums turns down demand of mainstream population wishing to buy them in cities.



Change in composition of households

■ Results in demand for houses close to workplace. Compact city concept would accelerate from the standpoint of maintaining social infrastructure.

Rising desire for safety and security after major earthquake

■ Renovated condominiums are favored for its affordability and convenience, however general perception of uncertainty against earthquake resistance remains.

Star Mica Group offers safety, security and convenience at a reasonable price.

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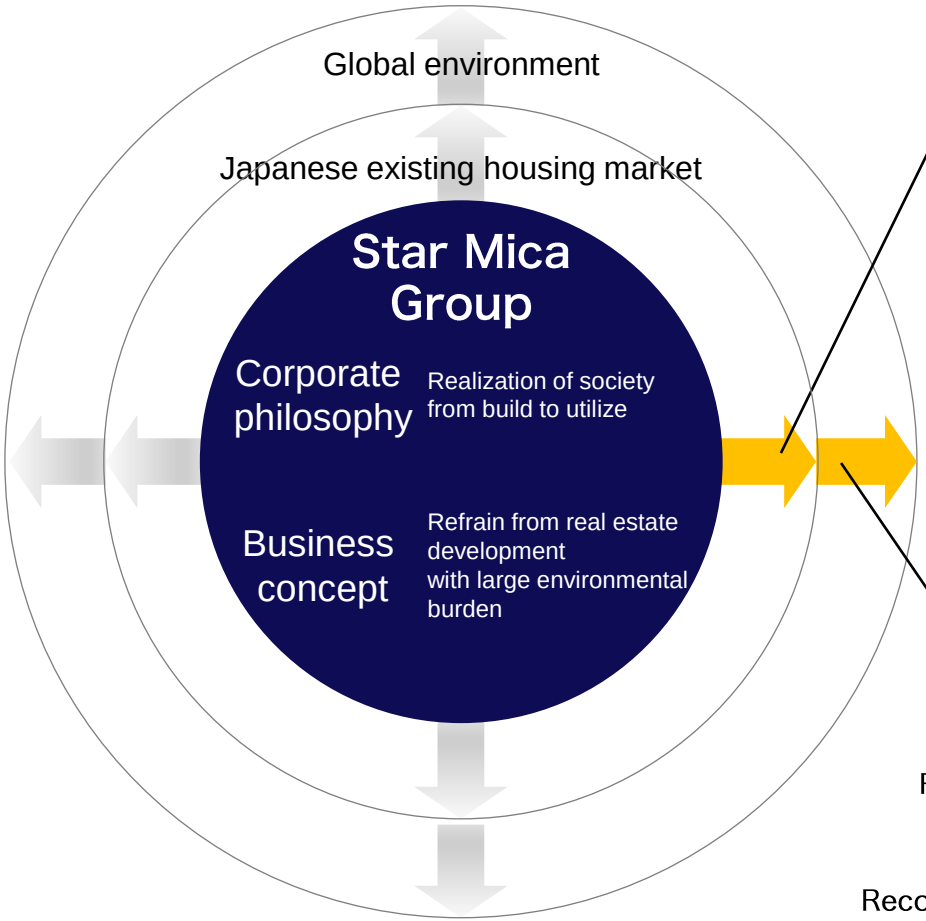
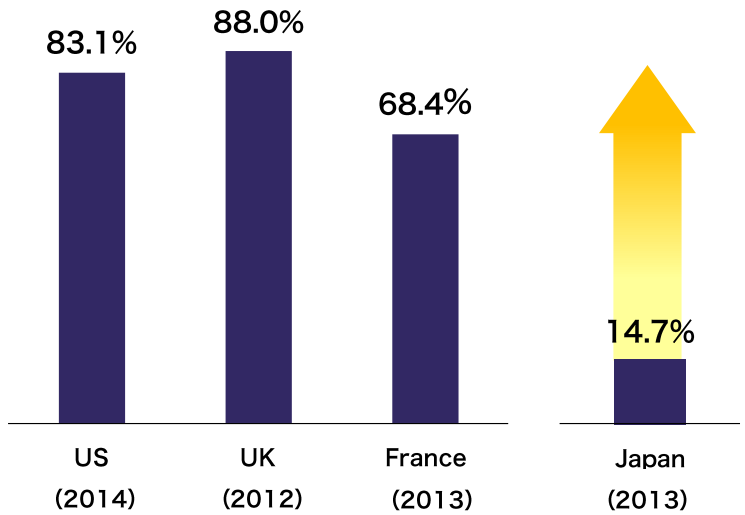
- Business model to reduce environmental burden, realize recycling society.

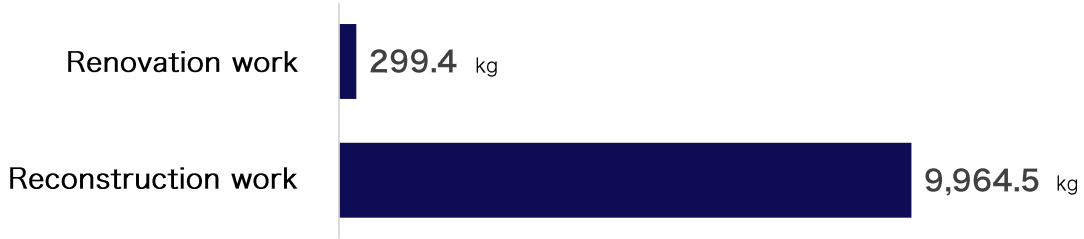


Contributing to existing home sales.
70-90% of housing market in developed countries are used(pre-owned) properties, whereas 10% in Japan.



(Source) Ministry of Land, Infrastructure and Transport Housing Economics Report 2014

By promoting existing home sales, environmental burden will decline.
CO2 emission of renovation is 3% of reconstruction



(Source) Renovation Council web site "What is renovation?"

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Enhancing Shareholder Value

- We will focus on profitability and asset efficiency.

		FY Nov 2020	On-going strategy
ROE[*1]		9.1%	Maintain and improve ROE
		=	
Profitability	Net profit margin[*2]	4.4%	Improve product appeal, increase value add and reduce SG&A (sales, general and administrative costs).
		×	
Asset efficiency	Asset turnover ratio[*3]	0.52	Focus on balance between acquisition and sales volume. Reduce property hold time from acquisition to sale.
		×	
Financial stability	Leverage[*4]	4.0x	Upper limit of 5 times leverage, for financing by interest-bearing debt.

*1 Return on Equity（ROE） = Net income / Average shareholder's equity
*2 Net profit margin= Net income / Sales
*3 Asset turnover ratio = Sales / Total assets
*4 Leverage = Total assets / Average shareholder's equity

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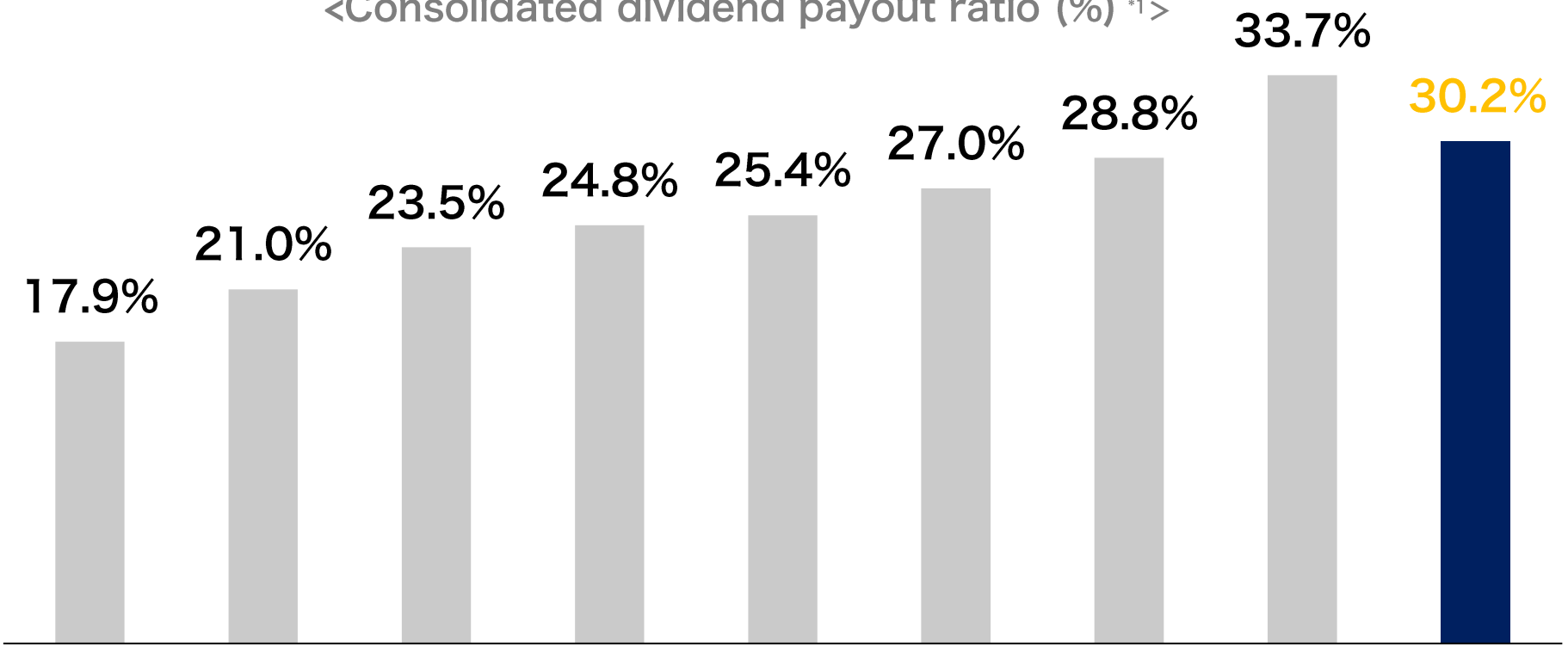
Shareholder Returns (Dividends)

- Dividend payout ratio for FY2021 will be kept at 30%.
- Discontinue shareholder benefit plan and focus on cash dividends.

<Consolidated dividend payout ratio (%) *1>



2013/11	2014/11	2015/11	2016/11	2017/11	2018/11	2019/11	2020/11	2021/11
7.5	9.0	14.5	23.0	29.0	32.0	32.0	32.0 (result)	26.0 (forecast)

History of dividend per share (unit : yen) *1

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

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Shareholder Returns (Share Buyback)

- We plan to make stock buy-back to increase shareholder value.

Class of shares	Ordinary stock
Number of shares (Maximum)	250,000 stocks Ratio to the total number of issued shares (excluding treasury stock)・・1.4%
The amount of acquisiton price of shares (Maximum)	JPY 300,000,000
Acquisition Period	From March 31st 2020 to March 30th 2021

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Shareholders[*1] (as of Nov 30, 2020)

- Over 16,000 individuals exist as loyal shareholders.
- 20% held by overseas investors, Star Mica business being recognized in global market.

Number of stocks 18,228,656 (Treasury stocks : 55) Number of investors 16,355	Overseas Investors 19.2%	- State Street Bank And Trust Company 505019・・・2.1% - JP Morgan Chase Bank 380646・・・2.0% - Banque Pictet and Cie SA ・・・1.7% - BBH/Sumitomo Mitsui Trust (UK) Limited (Japan Small Cap Fund) ・・・1.7%
	Individual Investors (Japan) 26.6%	- Number of individual investors : 16,115
	Institutional Investors (Japan) 28.0%	- Custody Bank of Japan. (Account in trust) ・・・10.0% - The Master Trust Bank of Japan, Ltd. (Account in trust) ・・・6.3% - Custody Bank of Japan. (Account in trust No. 9) ・・・4.0% - The Nomura Trust and Banking Co., Ltd (Account in investment trust)・・・1.4%
	CEO 26.2%	- Masashi Mizunaga ・・・26.2%

[*1] Listed major shareholders of Star Mica Holdings Co., Ltd.

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Company Profile[*1] (as of Nov 30. 2020)

Company name	Star Mica Holdings Co., Ltd.
Representative	Chairman and CEO Masashi Mizunaga
Date of incorporation	July 24, 1998
Listing date	June 1, 2019
Listed market	Tokyo Stock Exchange 1st Section (stock code: 2975)
Shareholders' equity	19,671 million yen
Offices	Tokyo head office (Minato Ward), Sapporo branch (Sapparo City), Sendai branch (Sendai City), Saitama branch (Saitama City), Yokohama branch (Yokohama City), Osaka branch (Osaka City), Fukuoka Branch (Fukuoka City) ,, Nagoya Office (Nagoya City)
Main Bank	MUFG Bank,Ltd, Sumitomo Mitsui Banking Corporation, Aozora Bank, Mizuho bank, Ltd, Resona Bank, Ltd.
Auditor	KPMG AZSA LLC
Employees	147
Businesses	Renovated Condominium business, Investment business, Advisory business

*1 Consolidated basis unless otherwise noted

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STARMICA HOLDINGS

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- 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.

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