

# Financial Result Summary

## For FY Nov 2015

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January 8, 2016



STAR MICA CO.,LTD.

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## -PL- Sales and Recurring Profit up by 40%. Profit reached new record high.

- Record profit was led by sales of renovated pre-owned condominium.
- Sale of properties by investment business also contributed to sales and profit.

	FY Nov 2013	FY Nov 2014	FY Nov 2015	YoY Change
	(JPY million)	(JPY million)	(JPY million)	
<b>Sales</b>	13,543	<b>13,901</b>	<b>19,333</b>	<b>+39.1%</b>
<b>Gross profit</b>	3,239	<b>3,531</b>	<b>4,600</b>	+30.3%
<b>Operating income</b>	1,803	<b>1,903</b>	<b>2,465</b>	+29.5%
<b>Recurring profit</b>	1,230	<b>1,286</b>	<b>1,797</b>	<b>+39.7%</b>
<b>Net income</b>	744	<b>772</b>	<b>1,114</b>	+44.2%
<b>Depreciation/Amortization</b>	257	<b>451</b>	<b>332</b>	-26.3%
<b>EBITDA (※)</b>	2,061	<b>2,354</b>	<b>2,798</b>	+18.8%

※ EBITDA = Operating income + Depreciation / Amortization

## Pre-owned Condominium Business made good contribution as our main business.

- Rent revenue and profit increased from acquisition of properties.
- Sales increased in both number of properties and margin, whole building renovation project has contributed.

	FY Nov 2013	FY Nov 2014	FY Nov 2015	YoY Change	Explanation of business units
	(JPY million)	(JPY million)	(JPY million)		
<b>Sales</b>	13,543	13,901	19,333	+39.1%	
Pre-owned Condominium business	12,410	12,253	15,497	+26.5%	Revenue from pre-owned condominium rent/sales
Rent	1,854	2,120	2,363	+11.4%	
Sales	10,556	10,132	13,134	+29.6%	
Investment business	762	1,199	3,419	+185.0%	Revenue excluding pre-owned condominium rent/sales ※FY Nov 2015 : including sale of properties (2,433 JPY mil)
Advisory business	369	448	416	-7.2%	Revenue from real estate brokerage, management fee, etc

	FY Nov 2013	Profit Margin	FY Nov 2014	Profit Margin	FY Nov 2015	Profit Margin	YoY Change	Explanation of business units
	(JPY million)		(JPY million)		(JPY million)			
<b>Gross profit</b>	3,239	23.9%	3,531	25.4%	4,600	23.8%	+30.3%	
Pre-owned Condominium business	2,765	22.3%	2,932	23.9%	3,627	23.4%	+23.7%	Profit from pre-owned condominium rent/sales
Rent	1,359	73.3%	1,558	73.5%	1,719	72.8%	+10.4%	
Sales	1,434	13.6%	1,385	13.7%	1,947	14.8%	+40.6%	
Mark-to-market loss	-28	-	-11	-	-40	-	-	
Investment business	167	22.0%	242	20.2%	668	19.5%	+176.0%	Profit from pre-owned condominium rent/sales ※FY Nov 2015 : including profit of properties (276 JPY mil)
Advisory business	305	82.7%	356	79.6%	305	73.4%	-14.5%	Profit from real estate brokerage, management fee, etc

**-BS- Total real estate holdings expanded by JPY4,642million, will become future income source.**

- We are on track with medium term business plan of reaching JPY53.0 billion in total real estate holdings by Nov. 2017.

	FY Nov 2014	FY Nov 2015	YoY Change
	(JPY million)	(JPY million)	
<b>Current assets</b>	33,636	<b>39,315</b>	+16.9%
<b>Cash and deposits</b>	2,037	<b>1,933</b>	-5.1%
<b>Inventories (※)</b>	31,170	<b>36,890</b>	+18.4%
<b>Fixed assets</b>	10,590	<b>9,477</b>	-10.5%
<b>Tangible fixed assets (※)</b>	10,144	<b>9,067</b>	-10.6%
<b>Total assets</b>	44,229	<b>48,802</b>	+10.3%
<b>Short-term liabilities</b>	5,213	<b>6,094</b>	+16.9%
<b>Long-term liabilities</b>	27,393	<b>30,154</b>	+10.1%
<b>Shareholder's equity</b>	11,554	<b>12,486</b>	+8.1%
<b>Capital-to-asset ratio</b>	26.1%	<b>25.6%</b>	
<b>Total real estate holdings</b>	41,315	<b>45,957</b>	+11.2%

(inventories + Tangible fixed assets)

+ 4,642

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

# FY 2015 Highlights

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- 2015.2 Hosted 1<sup>st</sup> Design Contest by students.
- 2015.2 Started sales of “Stella Residence Yokohama” after renovation of the whole building.
- 2015.6 Revised up FY result forecast. (1<sup>st</sup> revision)
- 2015.6 Revised up dividend per share forecast.(1<sup>st</sup> revision from 22 yen to 25 yen)
- 2015.8 Started sales of “Stella Residence Hikawadai” after renovation of the whole building.
- 2015.11 Moved the listing of shares to Tokyo Stock Exchange 2nd Section. (Nov.25)
- 2015.12 Revised up FY result forecast. (2<sup>nd</sup> revision)
- 2015.12 Revised up dividend per share forecast.(2<sup>nd</sup> revision from 25 yen to 29 yen)

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# Corporate Philosophy

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STAR MICA

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



# “Renovation” improves asset value.

- Utilize what we have now, adapt recycle, eco-friendly concept to housing.
- Improve asset value by renovating the condominium functionally to almost brand new.
- We have a track record of supplying over 400 condominiums in a year.



before



after

# Example of product concept: Renovation that supports women.

- Pursue comfortable living from women's perspective.
- Product planning focused in storage, line of human flow, and ease of maintenance.

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

✓ Easy-care sink



✓ Pantry  
(oversized storage space in kitchen)



✓ Storage cabinet for  
big-size stuff



✓ Straight route from  
entrance to kitchen



# Renovation of the entire building

- Renovate condominium unit and also the entire building by large scale.
- Consider not only building exterior or facility but also softwares such as security service and living environment.
- Successful sales as “Stella” brand, 8 buildings in Tokyo and Kanagawa.

Before



After



Stella Residence Hikawadai



Stella Residence Koenji



Stella Garden Mizonokuchi



# Working with external vendors to revitalize renovation market

- Lifestyle proposal with house facility providers, interior designers, renovation service providers.
- Diverse offering in renovation plan to meet wide variety of lifestyles.



## 3 key reasons why pre-owned condominiums are preferred

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### **(1) Reasonable price**

- ✓ To be able to own and live in an affordable condominium, less expensive than newly built condominium.

### **(2) Wide variety of choices**

- ✓ To be able to select from large pool, according to one's preference of location, grade, floor plan, etc.

### **(3) Satisfaction of purchasing the condominium after viewing**

- ✓ To be able to visit, and confirm living space, window view, maintenance, and neighborhood before making purchase decision.

# We offer assurance and security in pre-owned condominium.

**Renovation based on our long-term experience.**

We supply 400 condominiums/year, approximately 4,000 condominiums to date.

**We offer warranty after purchase to buyers.**

We offer warranty to condominium to make sure the quality is up to our standard.

Started to provide “**existing home purchase/sale guarantee liability insurance**” service from April 2014, a challenge that leads the industry.

**We offer total service in pre-owned condominium universe.**

We offer variety of services including brokerage, reform, and management through group companies.

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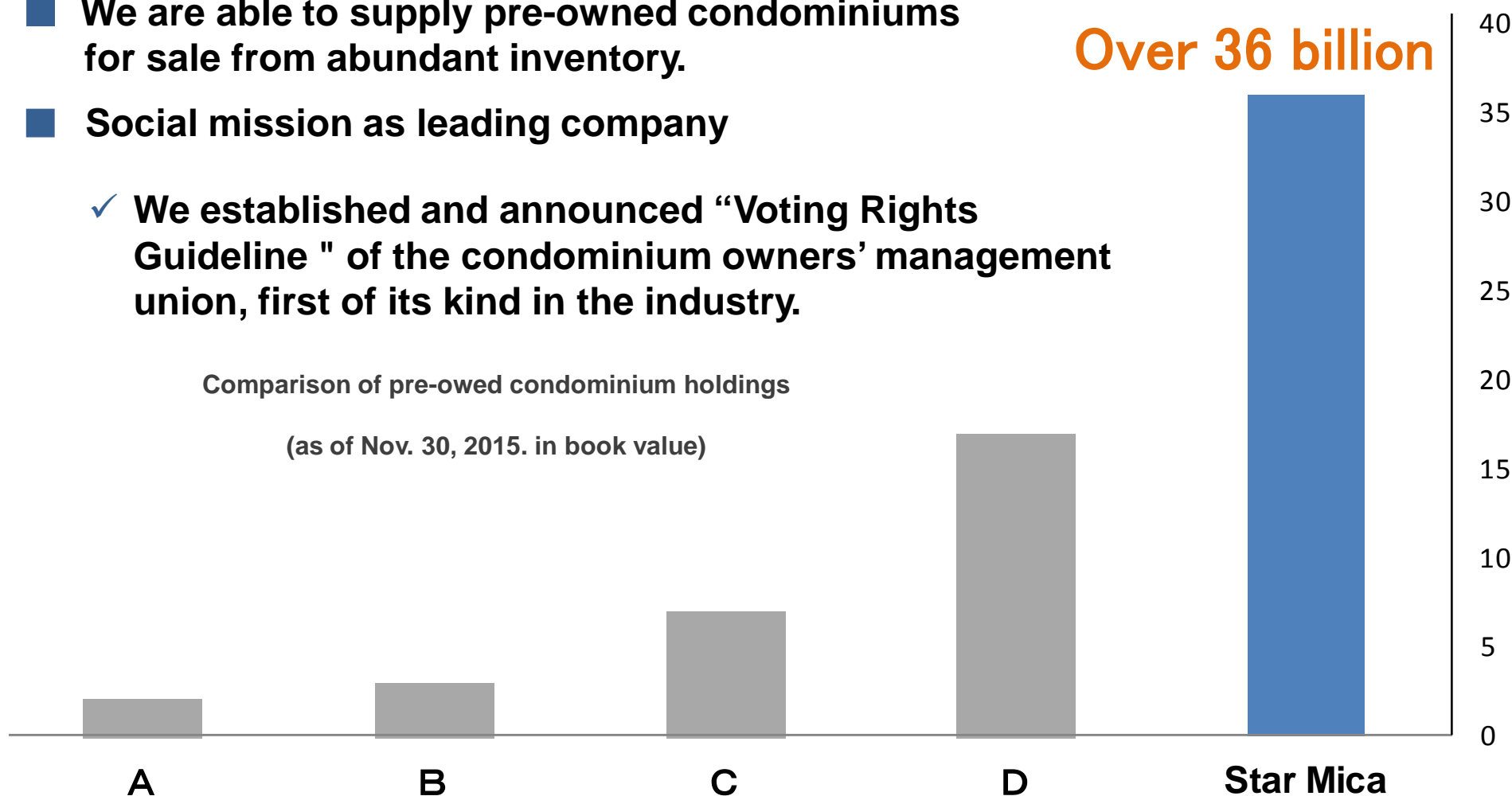
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# We own largest number of pre-owned condominiums in the industry.

- We are able to supply pre-owned condominiums for sale from abundant inventory.
- Social mission as leading company
- ✓ We established and announced "Voting Rights Guideline " of the condominium owners' management union, first of its kind in the industry.

(Unit : JPY billion)

Over 36 billion



Comparison of pre-owed condominium holdings

(as of Nov. 30, 2015. in book value)

※Summarized by Star Mica from corporate fiscal reports





# 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.

## Past awards

YKK “Fastener Business”

Kakaku.com, Inc.

Komatsu

Kirin Brewery

Gourmet Navigator

Fast Retailing Co., Ltd.

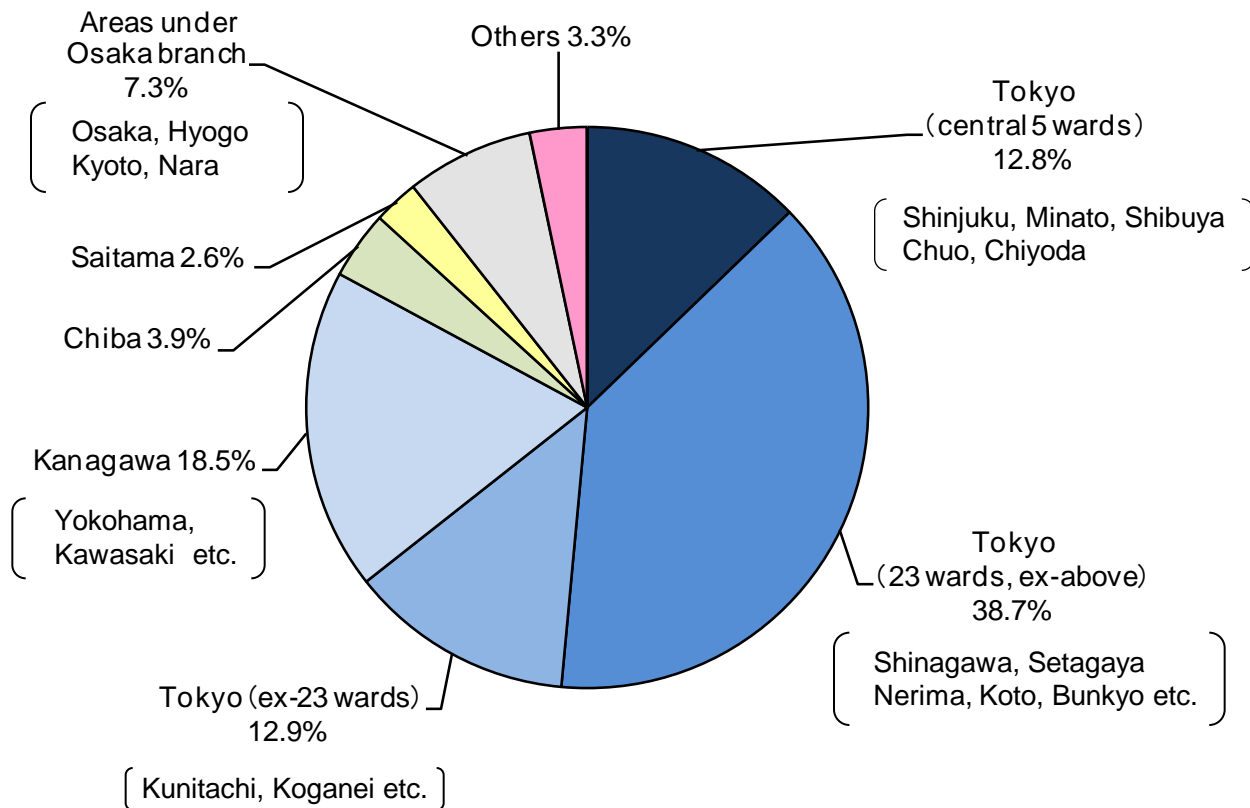
Oisix Inc.

etc.

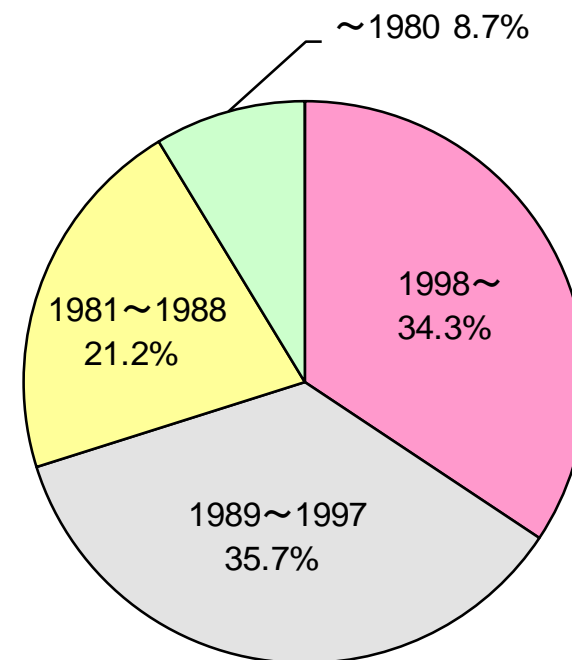


# A well diversified condominium portfolio

Composition by region



Composition by year built



Average unit data

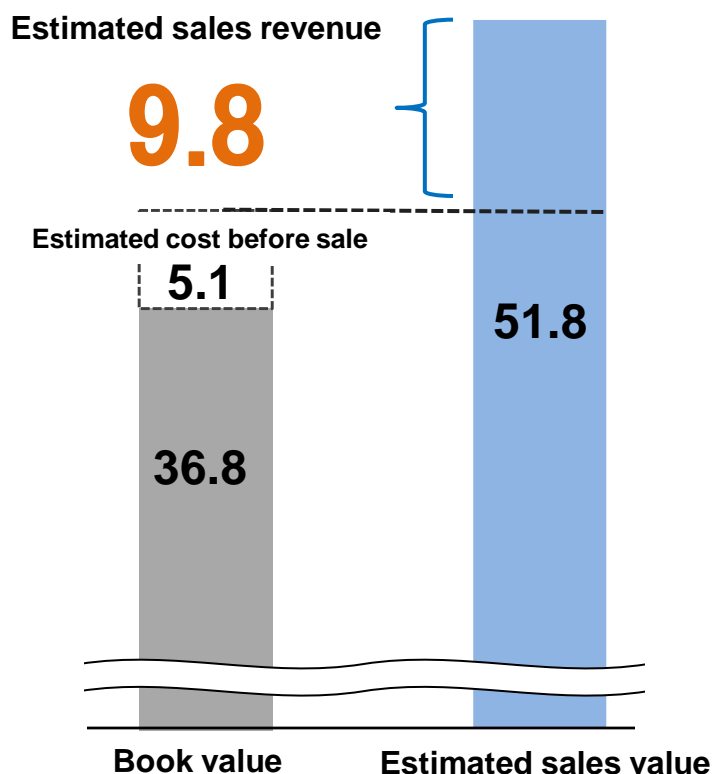
Avg size	62.84 m <sup>2</sup>
Avg age	23.5 year
Avg acquisition price	19,378 K

※ Above figures are as of November 2015.  
 ※ 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 approximately 10 billion yen.

- Appraisal from third party appraiser reveals inventory value (Estimated sales value) of **JPY51.8billion**.
- Estimated profit from sales will be **JPY9.8billion**, increase by **JPY2.0billion** 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.

# Medium term business plan(2015-2017) to reach ROE of 10%

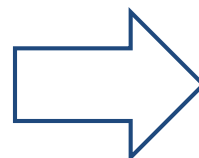
## Goal

### ■ Expansion in business size

- ✓ Increase in acquisition.

### ■ Improvement in capital efficiency

- ✓ Increase productivity through management of business project timeline.
- ✓ Strengthen fee business.



Provide high quality housing in  
**short, medium, and in long term.**

## Fiscal Target

FY Nov 2014

FY Nov 2017 (E)

FY Nov 2015

**Sales**

**13** JPY Bil

**20** JPY Bil

**19** JPY Bil

**Total real  
estate holdings**  
(end of period )

**41** JPY Bil

**53** JPY Bil

**45** JPY Bil

**EBITDA**

**2.3** JPY Bil

**3.3** JPY Bil

**2.7** JPY Bil

**ROE**

**6.9**%

**10.0**%

**9.3**%

# Results of Strategic Emphasis in FY2015

## Emphasis

## Results

### Pre-owned condominium

Expand area of acquisition.  
Enhance product quality.

Ready to open Saitama branch.  
Expanded product offerings

### Investment

Invest in real estate restoration  
projects.

Invested 1.6billion yen.  
Realized sales of 740 million yen.

### Advisory

Reinforce real estate brokerage,  
property management.

Strengthened renovation proposal ability.  
Enhanced services to tenants.

### Finance/Corporate management

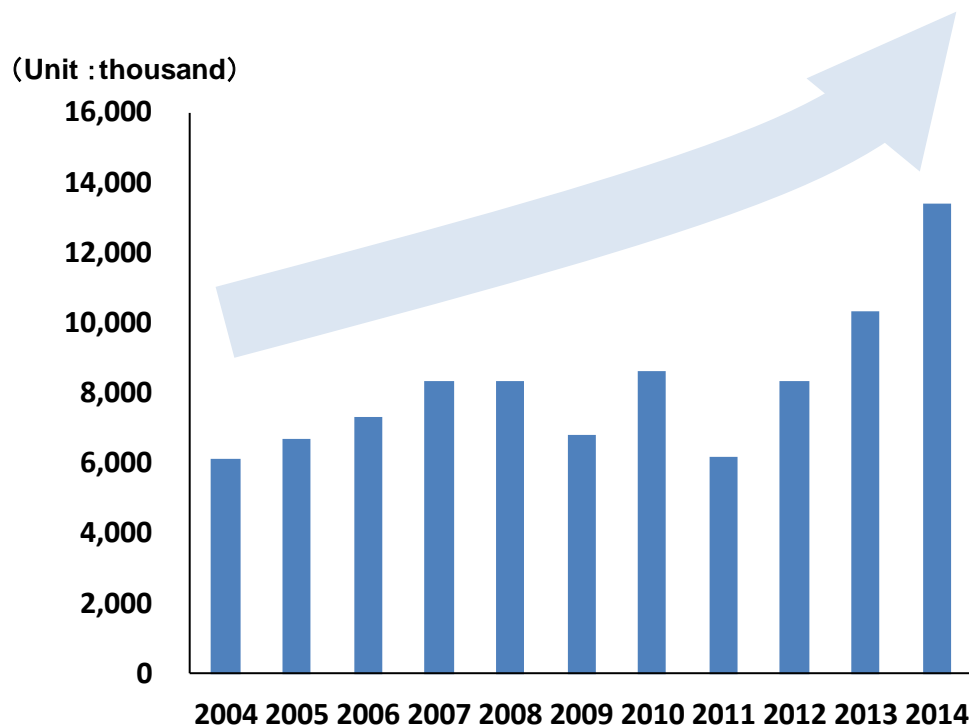
Increase corporate publicity  
through change in listed market,  
recruiting efforts.

Changed listing to Tokyo Stock Exchange  
2<sup>nd</sup> Section.  
Total number of management/employees  
from 81 to 90

# Preparing to meet demand in “Minpaku” (Short-term hotel-like stay service)

- Shortage of hotel rooms due to increase of international visitors to Japan.
- Government is considering launch of Minpaku service, utilizing existing houses/condominiums.

Number of international visitors to Japan



Source: Star mica based on the statistical data about number of international Visitors from Japan National Tourism Organization

## Our Strength

- ✓ We own condominiums in Tokyo metropolitan area.
- ✓ We manage over 3,000 tenants within our group.
- ✓ We started to offer furnished rooms for short-term rent demand.

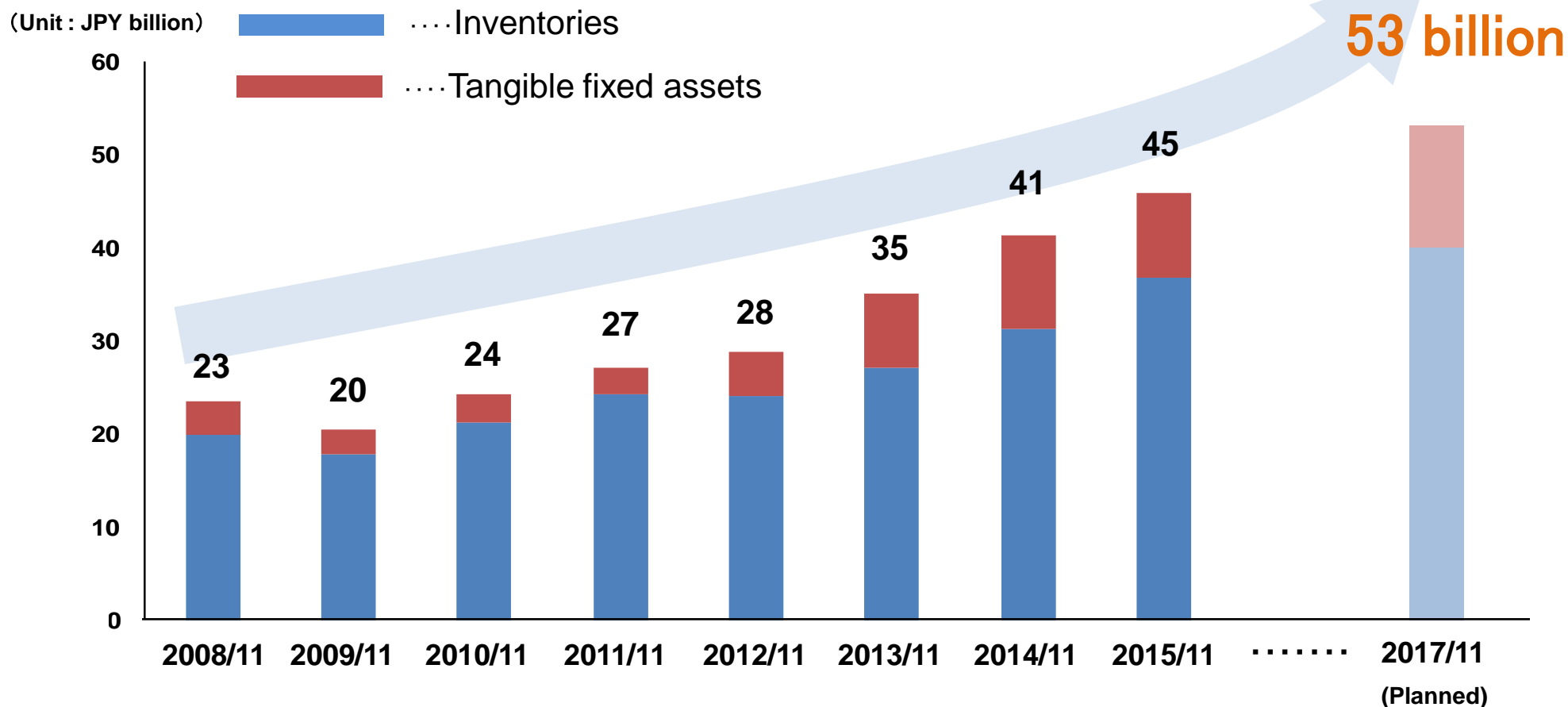
## Challenges of Minpaku

- ✓ Regulatory issues (may need new hotel regulation)
- ✓ Acceptance from neighbors, compliance of room usage rules
- ✓ Security issues, ID check, operation management

# We plan to make aggressive acquisition in pre-owned condominiums.

- From increased inventory of pre-owned condominiums, we anticipate improvement in rent revenue and sales revenue.

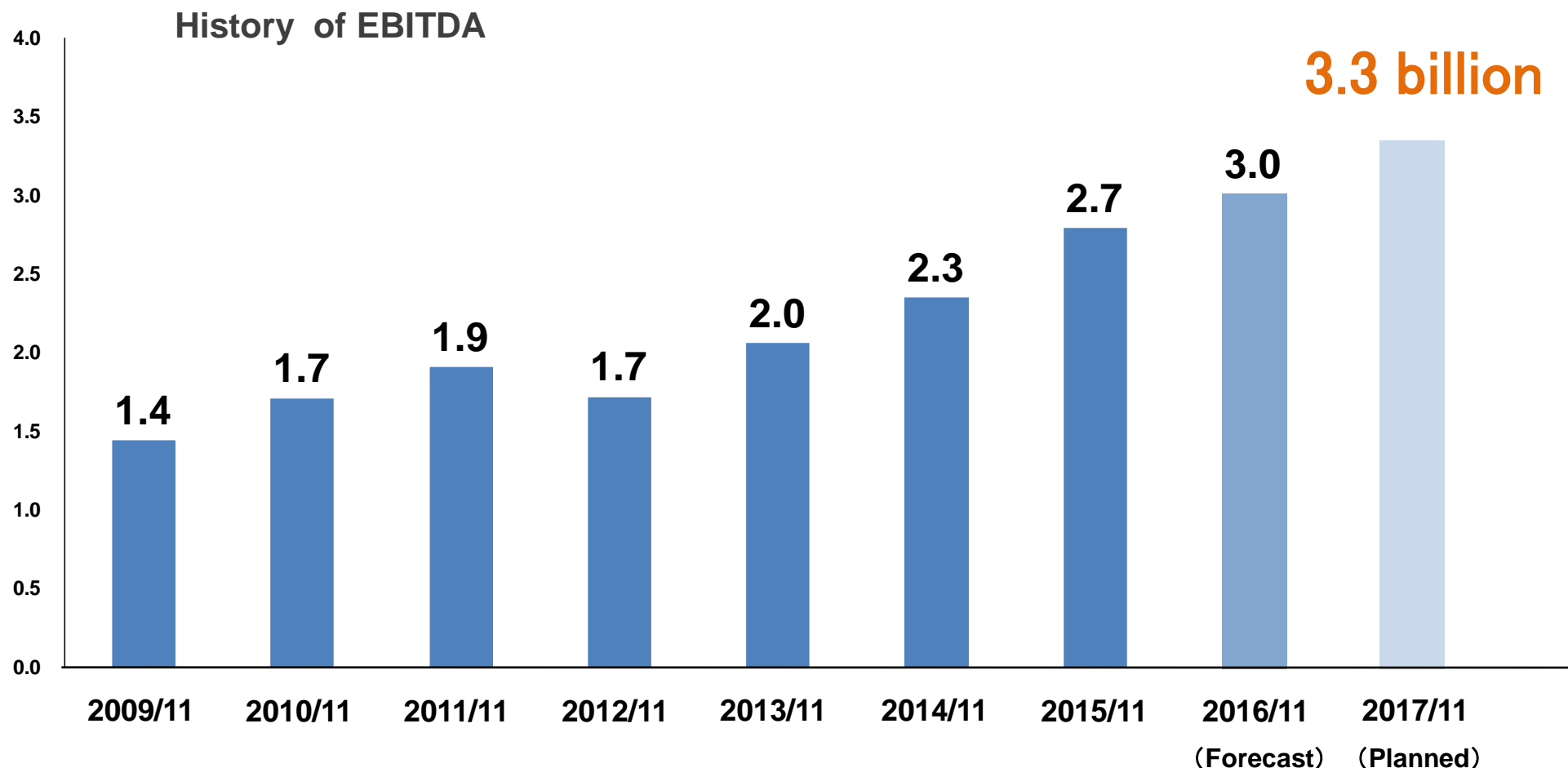
Transition of real estate holdings (at end of each year)



# EBITDA growth is consistent with the growth of our business size.

- Cash flows from operating activities may show negative figures at times for aggressive acquisition. Therefore, we focus on EBITDA as our business indicator.

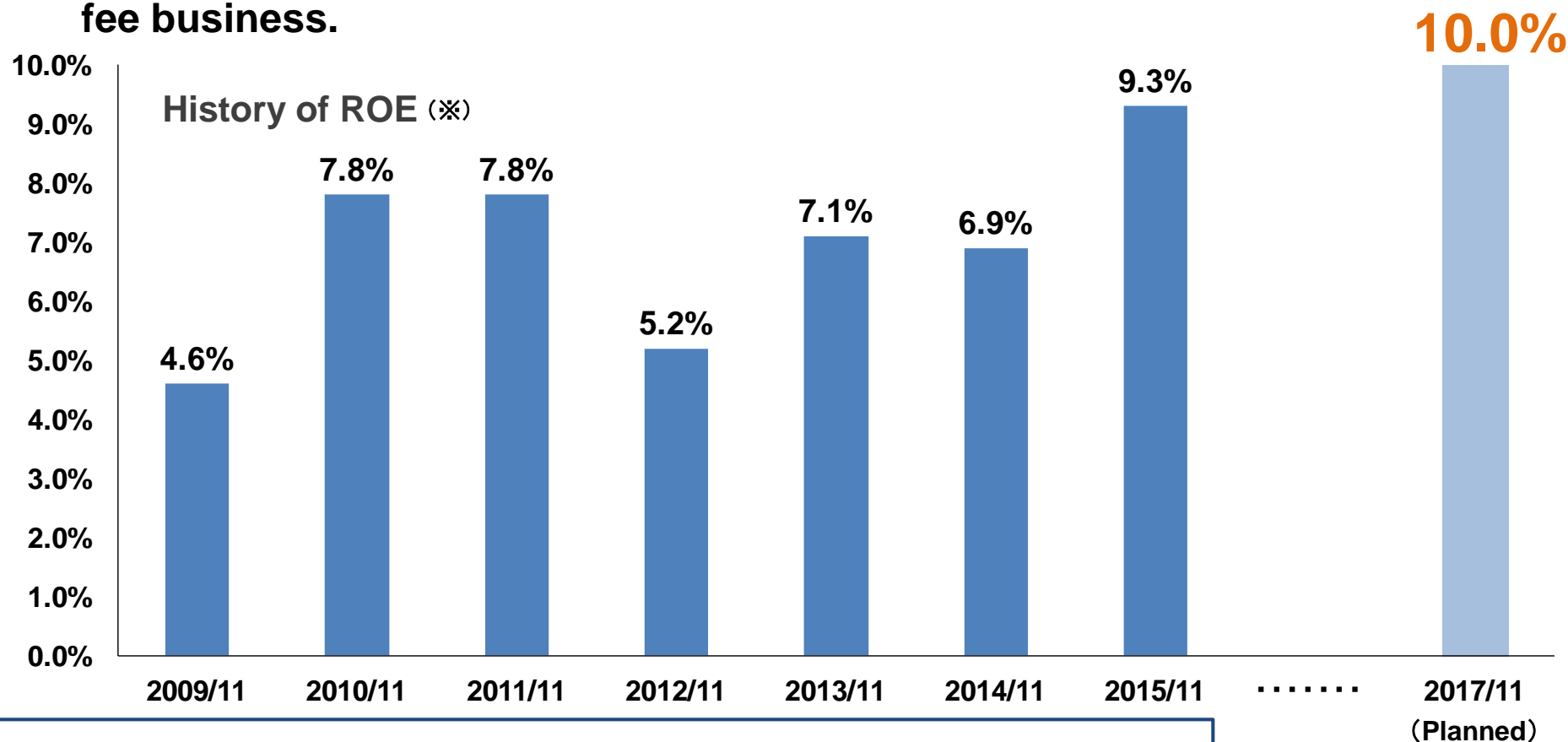
(Unit: JPY billion)





# Strive to achieve ROE 10% goal

■ Improve capital efficiency by reducing project timeline and strengthening fee business.



Owned Capital  
(JPY million)

8,027

8,601

10,489

10,151

10,903

11,554

12,486

Net Profit  
(JPY million)

359

650

740

538

744

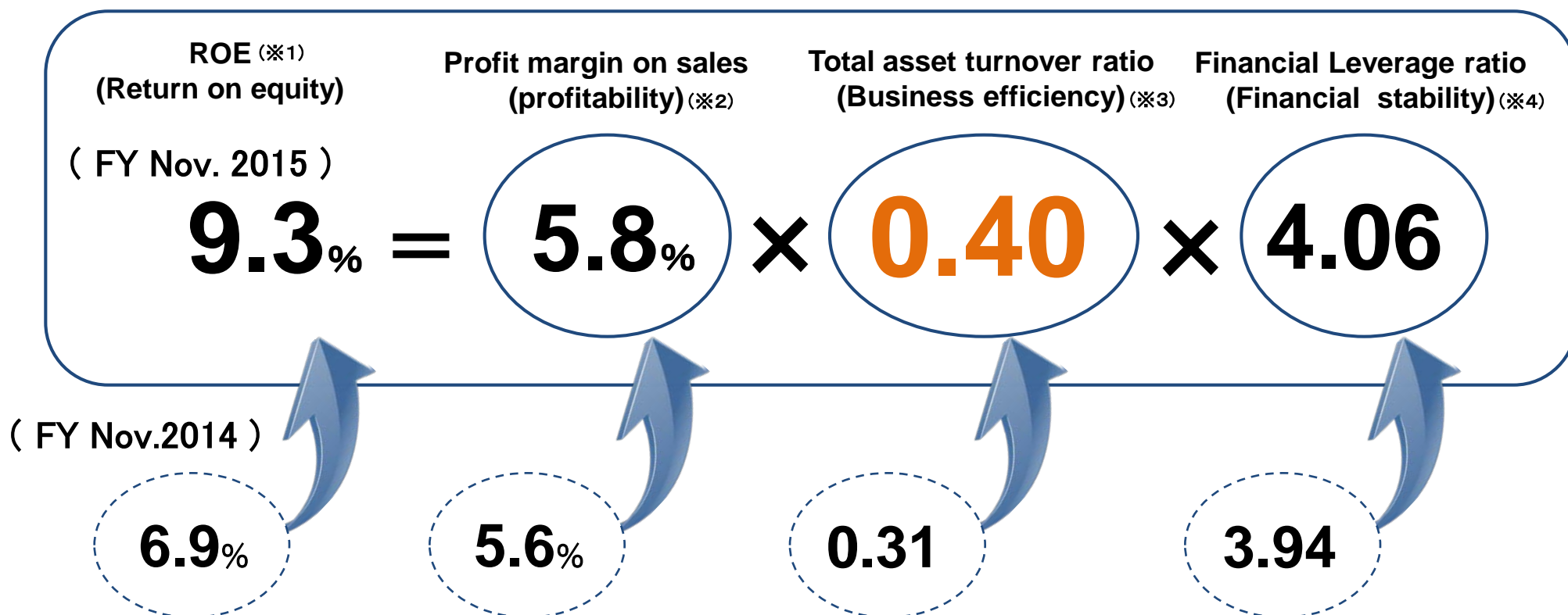
772

1,114

※ ROE (Return on Equity) = Net Income / Shareholder's Equity at beginning and end of the period

# Key to improve ROE is to strengthen profitability.

- Asset turnover ratio increased from strong sales and contribution from investment business.
- Higher added-value products and growth of fee business will be more important to improve profitability.



※1 ROE = Net Income / Shareholder's Equity at beginning and end of the period

※3 Total assets turnover ratio = Sales / Total assets

※2 Profit margin on sales = Net Income / Sales

※4 Financial leverage ratio = Total assets / Shareholder's Equity at beginning and end of the period

# We forecast to break record high earnings again in FY2016.

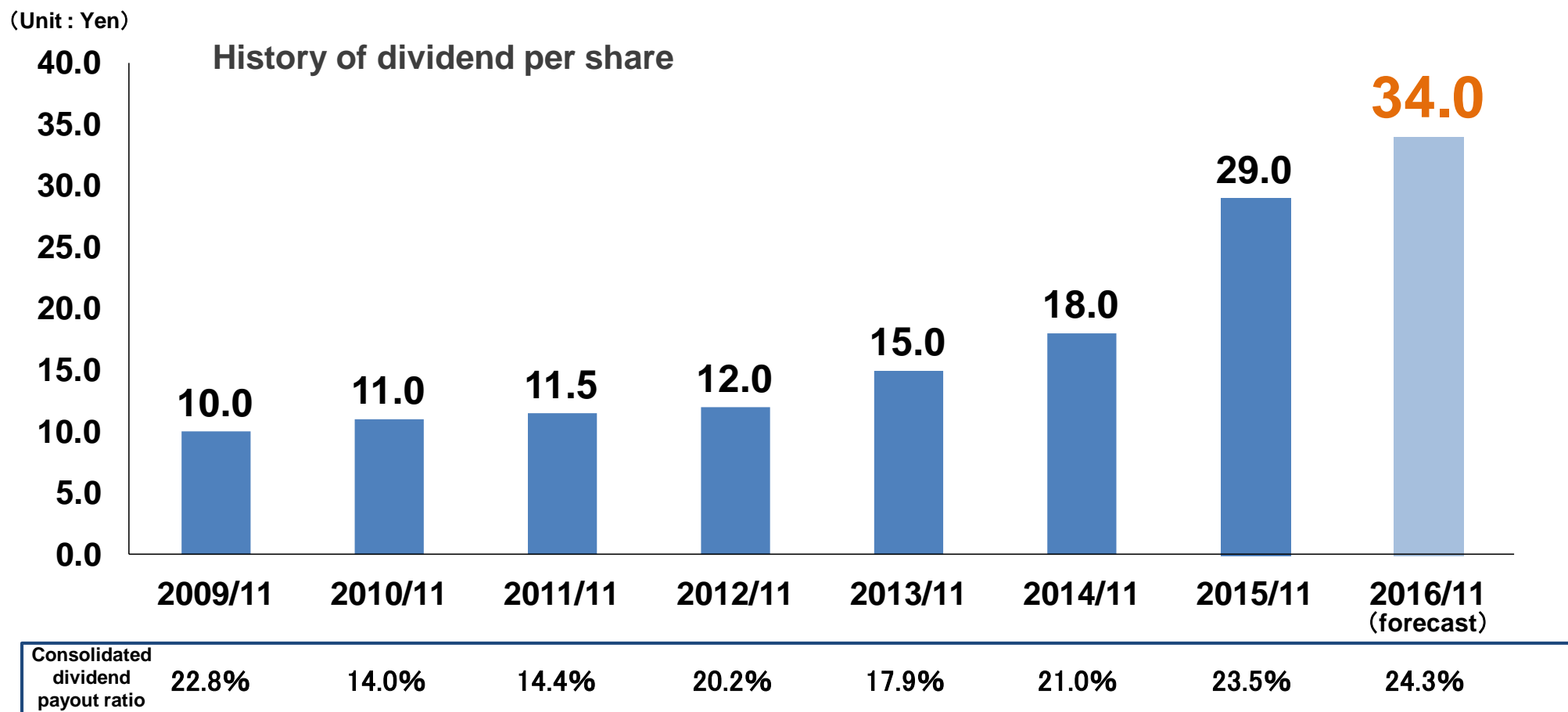
- Our profits will increase from continued acquisition and associated rent, sales.
- Property portfolio adjustment (purchase/sale of properties ) of Investment Business was considerably completed in FY2015.

	FY Nov 2015	FY Nov 2016 Forecast	YoY Change
	(JPY million)	(JPY million)	
<b>Sales</b>	19,333	19,336	+0.0%
<b>Pre-owned     Condominium business</b>	15,497	16,309	+5.2%
<b>Gross profit</b>	4,600	4,964	+7.9%
<b>Pre-owned     Condominium business</b>	3,627	3,797	+4.7%
<b>Operating income</b>	2,465	2,727	+10.6%
<b>Recurring profit</b>	1,797	2,019	+12.4%
<b>Net income</b>	1,114	1,266	+13.6%
<b>EBITDA (※)</b>	2,798	3,018	+7.9%

※ EBITDA = Operating income + Depreciation/Amortization

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

- FY2015 annual dividend is 29 yen, increase of 11 yen YOY.
- Goal of dividend payout ratio is 30%, long-term.
- We continue to plan on increase in dividends.



※ Due to stock split of 1-100 in December 2012, past per share dividends are adjusted

# Semi-annual shareholder benefit plan.

■ Number of shareholders reached over 8,000.



**Benefit : Lifestyle Goods  
(2,000 yen)**

**Record date : Nov end**

**Stock Holding: over 100shares**

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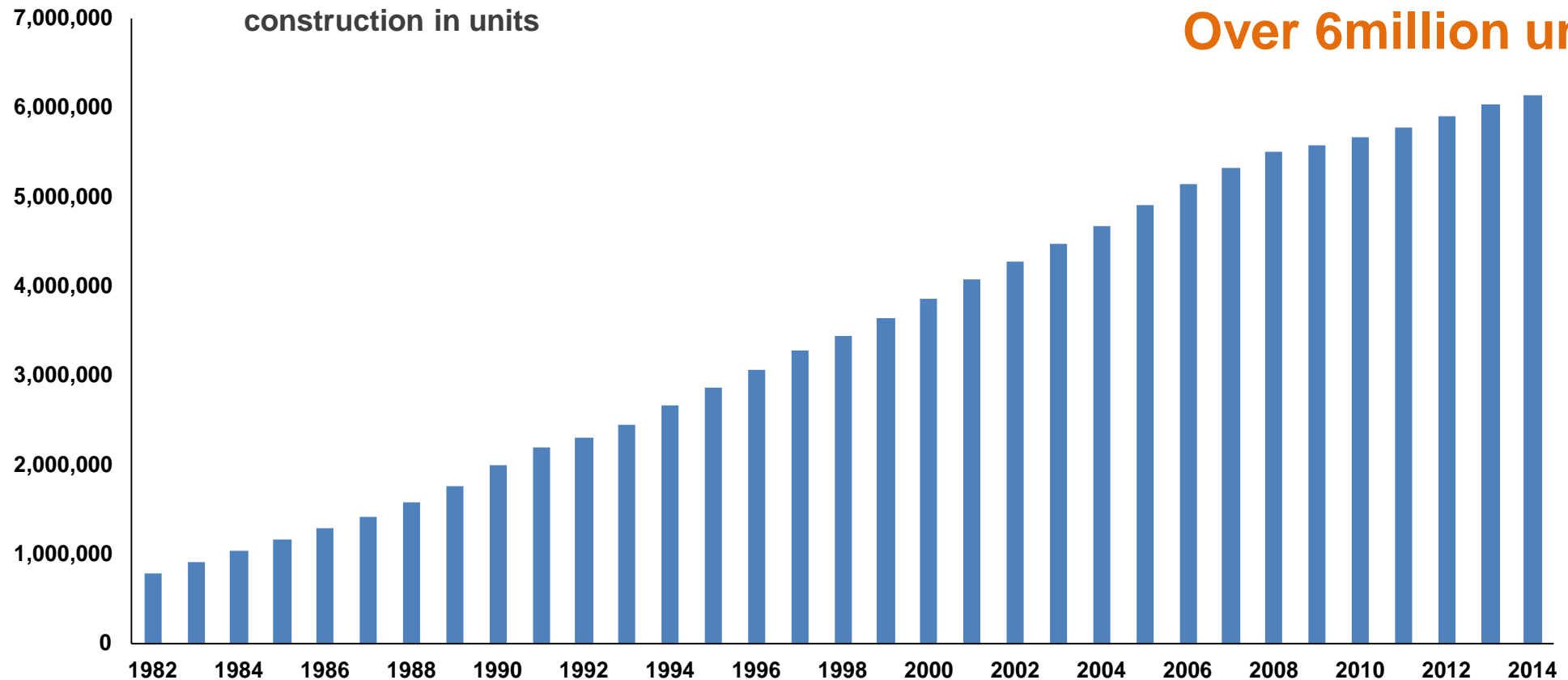
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# Japanese pre-owned condominium stock now over 6 million units.

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

Number of new condominiums  
construction in units

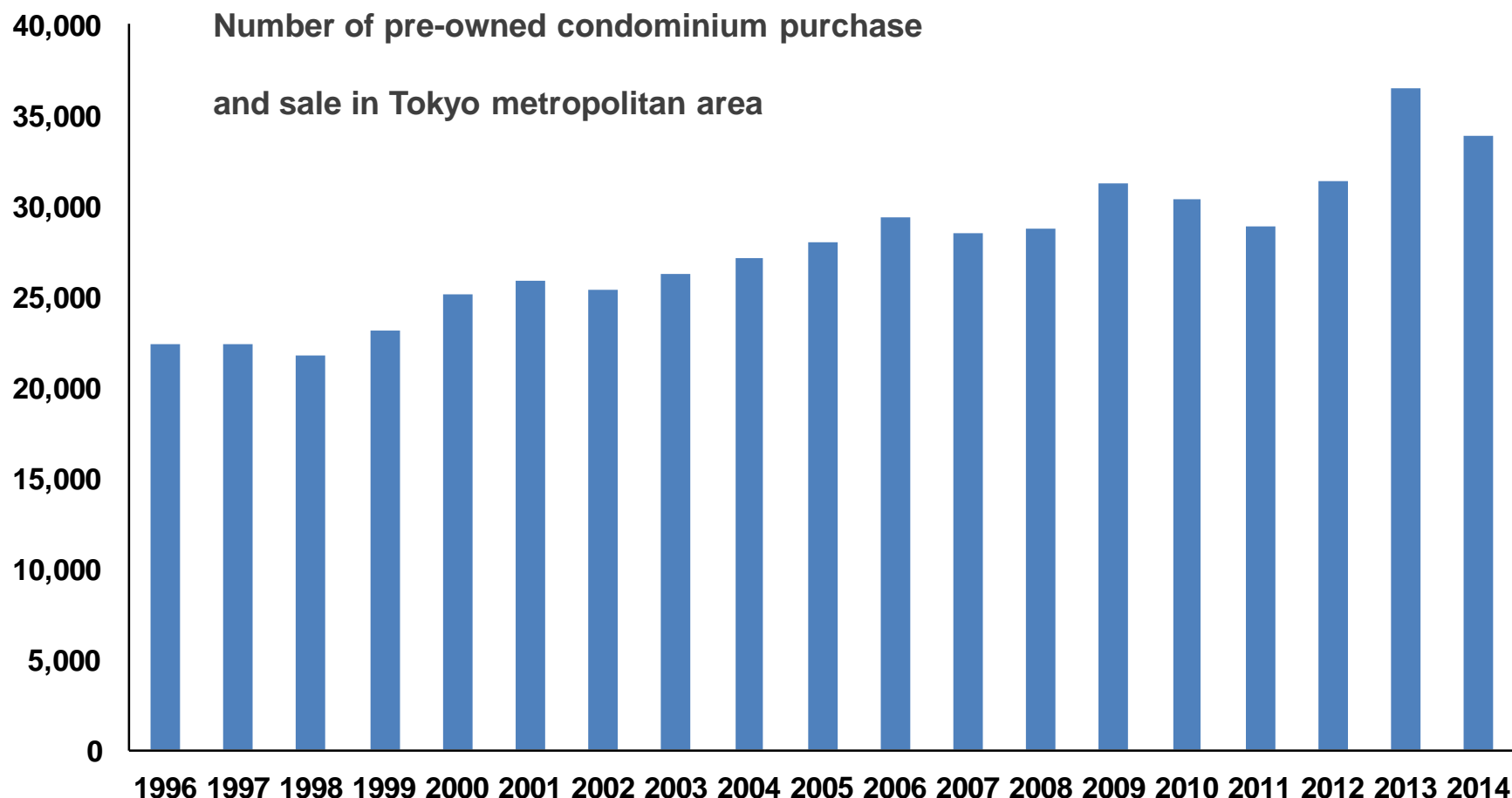


Source: Star Mica, based on the statistical data from Ministry of Land, Infrastructure, and Transport data

# Condominium market is shifting towards pre-owned.

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

(Unit : one contract)



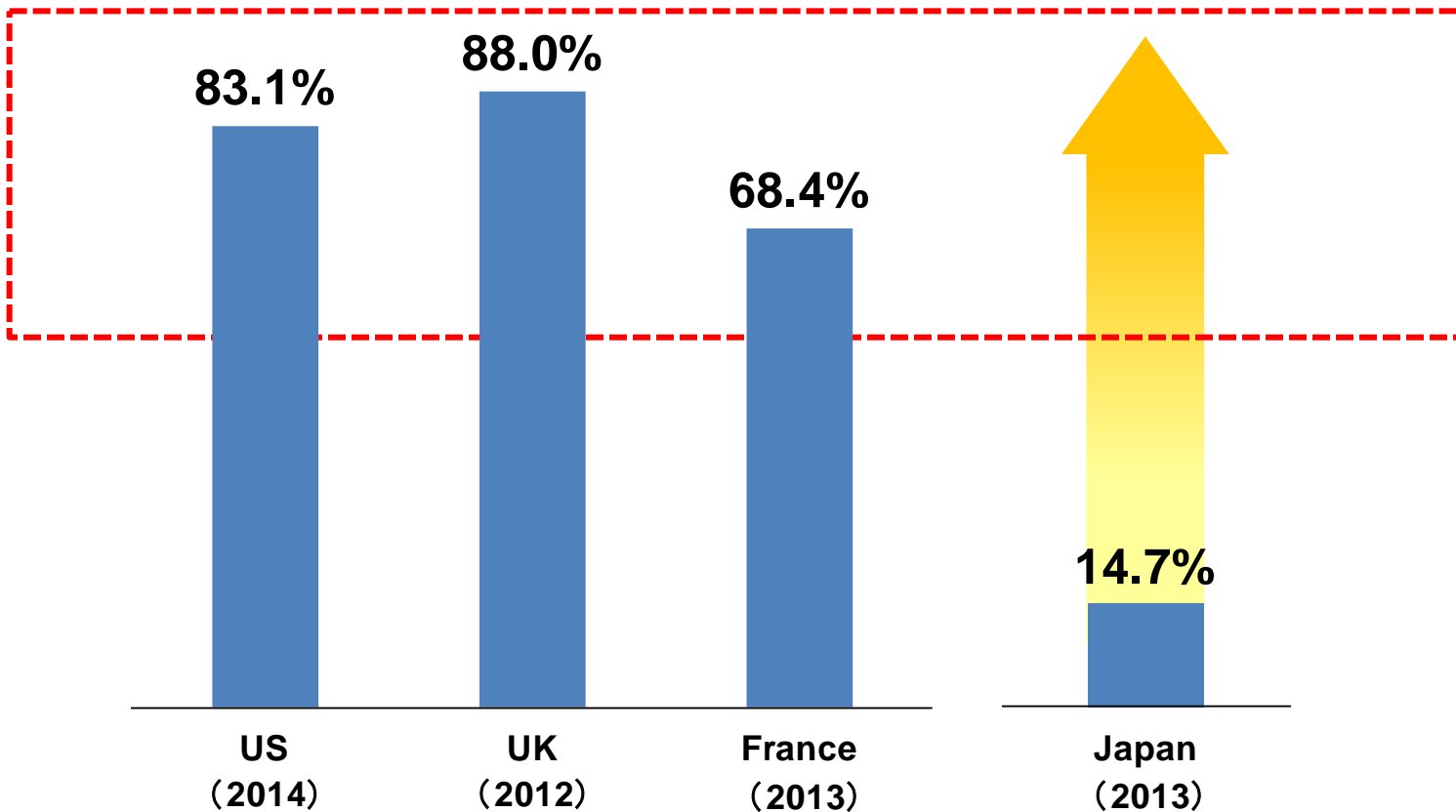
Source: Star Mica, based on the statistical data from REINS Market Trend



# 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 prefigure 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

# Future outlook of renovation business

- Households can own higher grade “for-sale condominiums” compared to lower grade “for-rent condominiums”, with better economics.
- Planning, renovating and warranty by experienced company like us can offer reliable housing to households.

Standard monthly rent (※1)

**145**  
thousand yen



Monthly mortgage repayment (※2)

**85**  
thousand yen



※1 Based on our corporate results at November 2015, Average sales price of 29.9million yen, average space of 67.66 square meters

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

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# Company profile (as of 30 Nov. 2015)

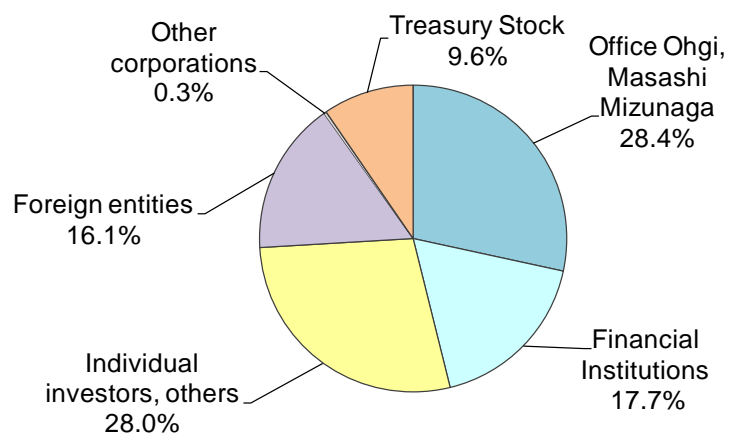
<b>Company name</b>	Star Mica Co., Ltd.
<b>Representative</b>	Chairman / Representative Director Masashi Mizunaga President / Representative Director Shoichi Akisawa
<b>Date of incorporation</b>	May 1, 2001
<b>Listing date</b>	October 2, 2006
<b>Listed market</b>	Tokyo Stock Exchange 2nd Section (stock code: 3230)
<b>Capital</b>	3,573 million yen
<b>Offices</b>	Tokyo head office ( Minato Ward ) , Yokohama branch ( Yokohama City ) , Osaka branch ( Osaka City )
<b>Main Bank</b>	Bank of Tokyo-Mitsubishi UFJ, Sumitomo Mitsui Banking Corporation, Aozora Bank, Resona Bank, Ltd., Mizuho bank, Ltd.
<b>Auditor</b>	KPMG AZSA LLC
<b>Employees</b>	90
<b>Businesses</b>	Pre-owned Comdominium business, Investment business, Advisory business

# Major shareholders (as of 30 Nov. 2015)

## Major Shareholders (Unit : Shares )

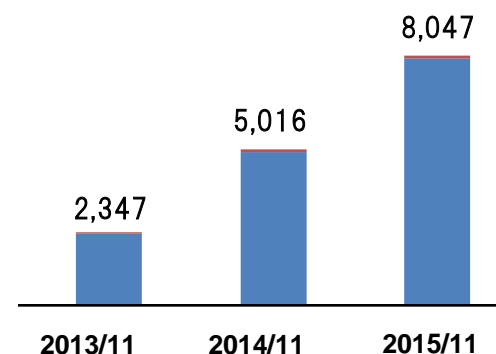
Shareholder	May 2015	Nov 2015	% Holdings	% Voting Rights	Notes
Office Ohgi	1,497,000	1,497,000	15.0%	16.6%	Private Company of Masashi Mizunaga
Masashi Mizunaga	1,339,100	1,343,900	13.4%	14.9%	Chairman / Representative Director
Star Mica Co., Ltd	957,763	957,799	9.6%	—	Treasury stock
Hiroshi Taguchi	900,000	900,000	9.0%	10.0%	
Japan Trustee Services Bank, Ltd. (Account in trust)	827,700	897,400	9.0%	9.9%	
The Master Trust Bank of Japan, Ltd. (Account in trust)	409,700	527,000	5.3%	5.8%	
Royal Bank of Canada Trust Company (Cayman) Ltd.	466,000	466,000	4.7%	5.2%	
Goldman Sach & Co. (Regular Account )	284,100	284,100	2.8%	3.1%	
The Nomura Trust and Banking Co., Ltd.	*	240,300	2.4%	2.7%	*excluded since not within top 10
Citibank London KIA FUND 136	277,700	140,300	1.4%	1.6%	
Others	3,040,937	2,746,201	27.5%	30.4%	
<b>Total</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>100.0%</b>	<b>100.0%</b>	

## Distribution of share ownership



## Transition in number of shareholders

■ ... Individual investors  
■ ... Non-individual investors



# Cautionary Statement / Contact Information



- 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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