



F I R S T   B R O T H E R S

**Q2 FY11/24**  
**Financial Earnings Summary**

**July 9, 2024**

**First Brothers Co., Ltd.**

**(Tokyo Stock Exchange Standard Market: 3454)**

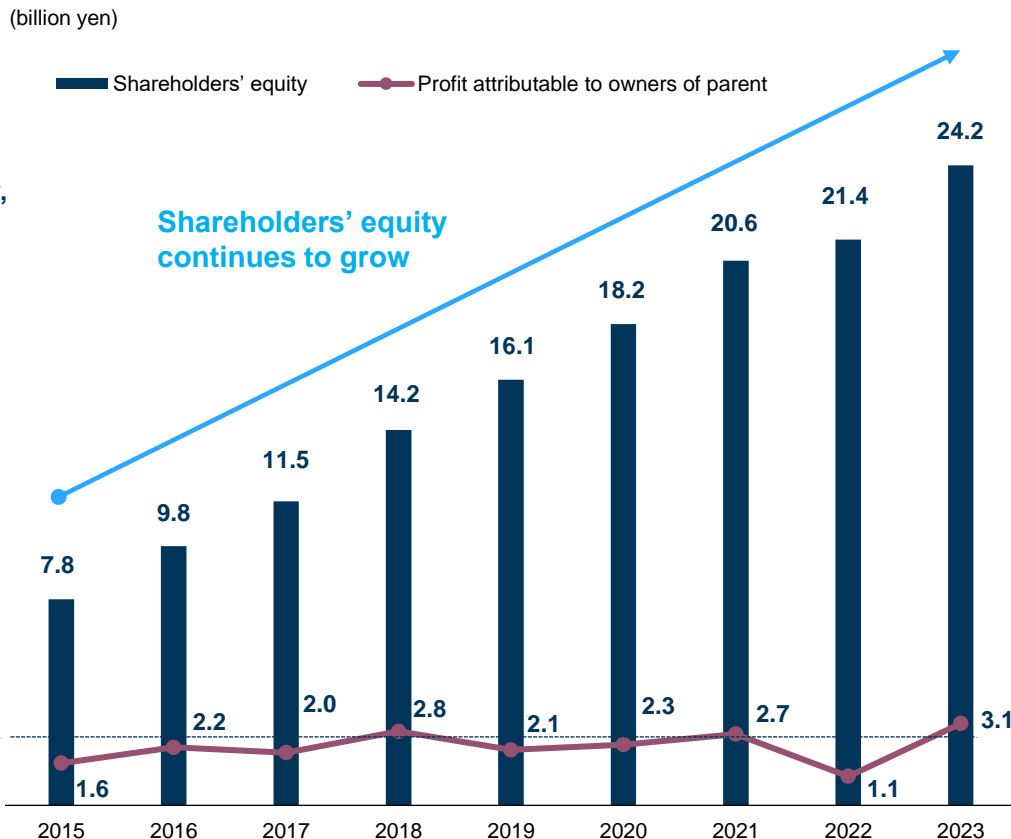
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## We believe stable and sustainable growth of shareholders' equity will directly lead to maximization of shareholder value

- We intend to increase shareholders' equity every year, and commensurate with this growth, pay year-end dividends based on a target dividend on equity ratio (DOE) of 2.0%
- Profit tends to fluctuate sharply from year to year due to our policy of maximizing profit by selling highly individualized properties at optimal timing. However, when performance is strong, we intend to pay interim dividends in addition to the usual year-end dividends, flexibly returning profits to shareholders.



Shareholders' equity continues to grow

**If profit attributable to owners of parent exceeds 2.0 billion yen in the immediately preceding fiscal year**  
**Pay interim dividends equivalent to 40% of the profit in excess**  
 (implemented in FY11/24)

- In the Investment Banking business, lease income from properties held by the Group continued to increase steadily
- Profits declined YoY, due to sales of high-margin large properties in cumulative Q2 FY11/23

## Consolidated results

<p><b>Gross profit</b></p> <p><b>1,765</b> million yen</p> <p>-59.3% YoY ↓</p>	<p><b>Operating profit</b></p> <p><b>603</b> million yen</p> <p>-80.3% YoY ↓</p>	<p><b>Ordinary profit</b></p> <p><b>377</b> million yen</p> <p>-86.1% YoY ↓</p>	<p><b>Profit attributable to owners of parent</b></p> <p><b>179</b> million yen</p> <p>-91.9% YoY ↓</p>
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## Investment Management

Sales fell due to the transfer of the CRE business  
Recorded commissions for multiple property sales in Q2 FY12/24

**Gross profit**

**33** million yen

-58.2% YoY ↓

## Investment Banking

Lease income from properties held by the Group, a stable earnings source, increased  
Unrealized gain, a future earnings source, also grew firmly YoY

**Unrealized gains in real estate**

**16,940** million yen

+2,512 million yen YoY ↑

**Gross profit from real estate leasing**

**1,471** million yen

+17.1% YoY ↑

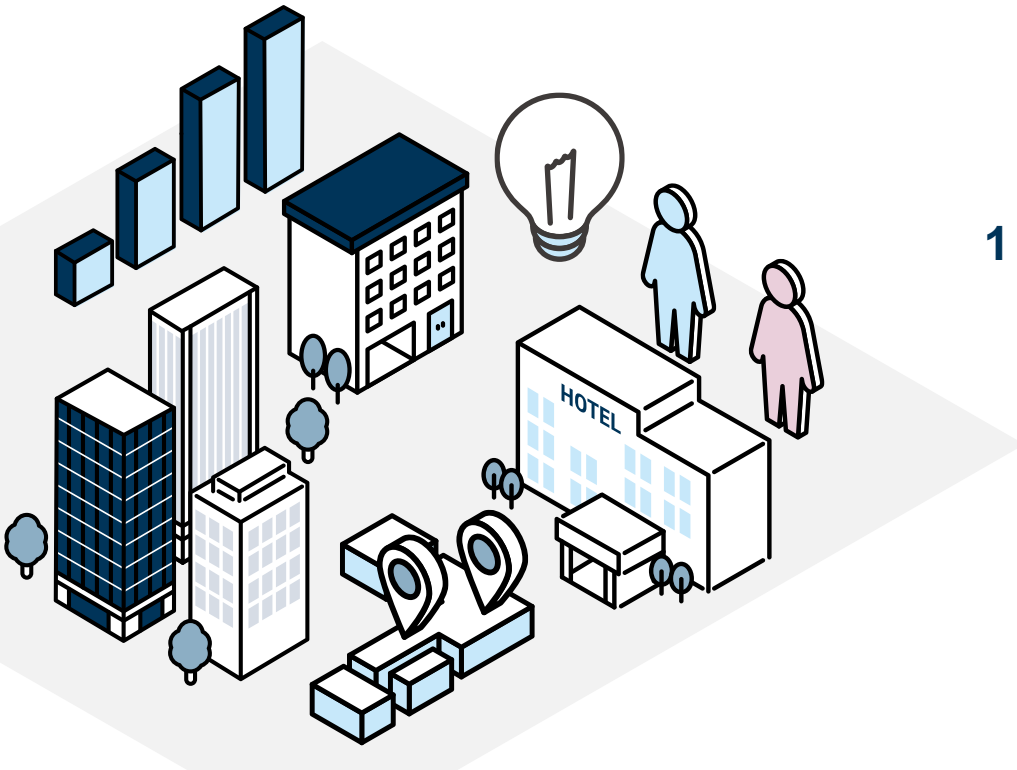
## Facility Operation

Captured robust tourism demand  
Improved operational efficiency also contributed to results

**Gross profit**

**155** million yen

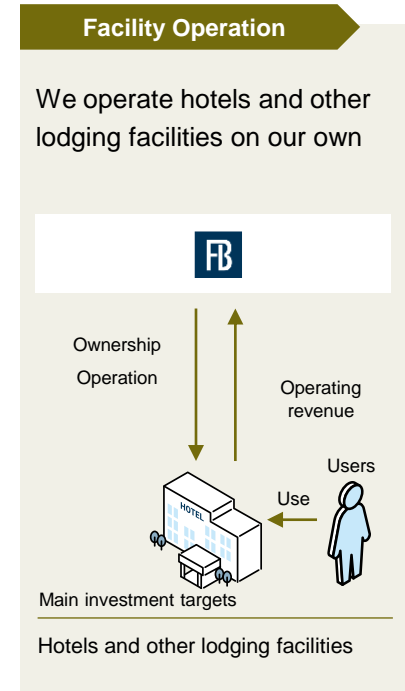
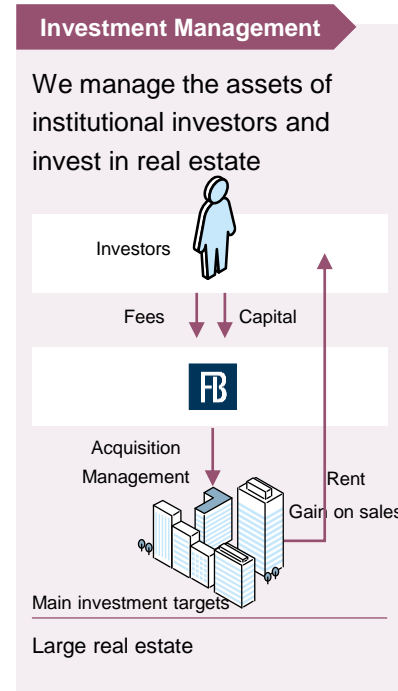
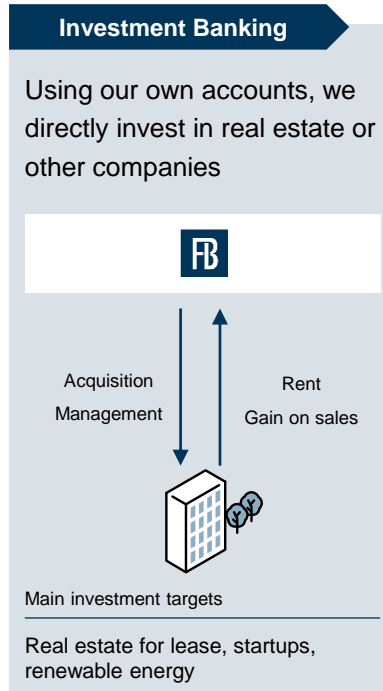
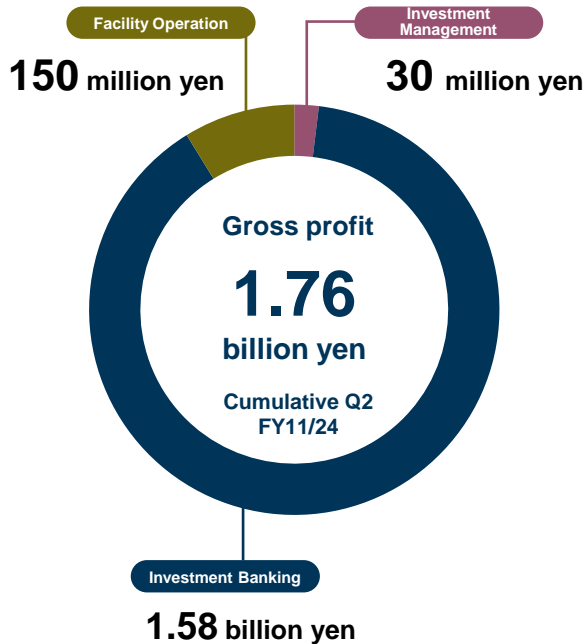
+273.6% YoY ↑

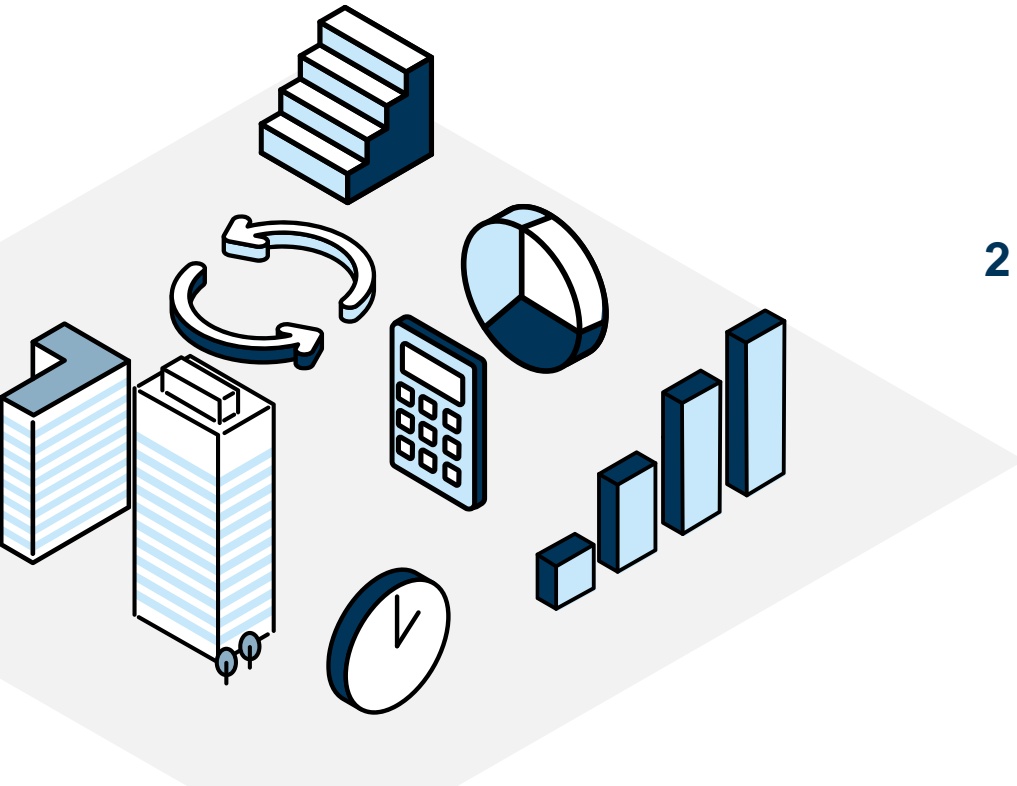


# 1 — First Brothers' business

Leveraging our strengths, we operate three businesses centered on real estate investment

The Investment Banking business, a principal investment business, has grown to be an earnings pillar





## 2 — Earnings highlights

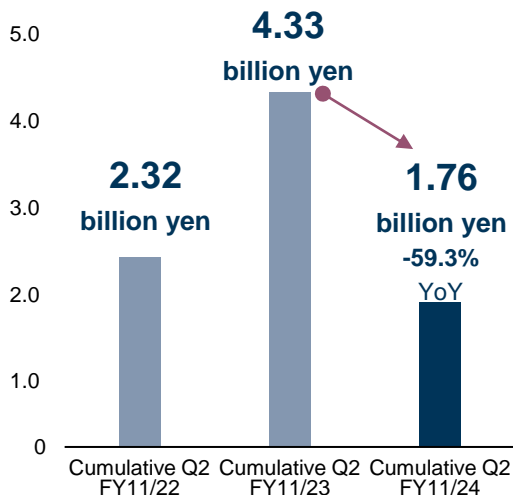
Although there were no high-margin large property sales, lease income, a stable source of earnings, steadily increased. Earnings in the Facility Operation business also grew

As a result, gross profit was down 59.3% YoY, and ordinary profit was down 86.1% YoY

## Gross profit

Down 59.3% YoY, despite growth in lease income and earnings in the Facility Operation business, due to sales of large properties in cumulative Q2 FY11/23

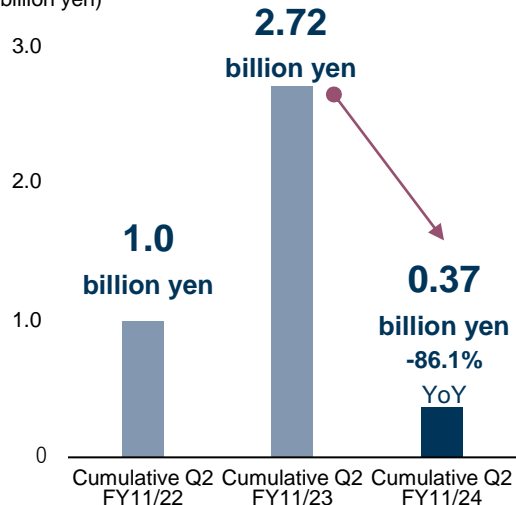
(billion yen)



## Ordinary profit

Down 86.1% YoY, in reaction to sales of large properties in cumulative Q2 FY11/23

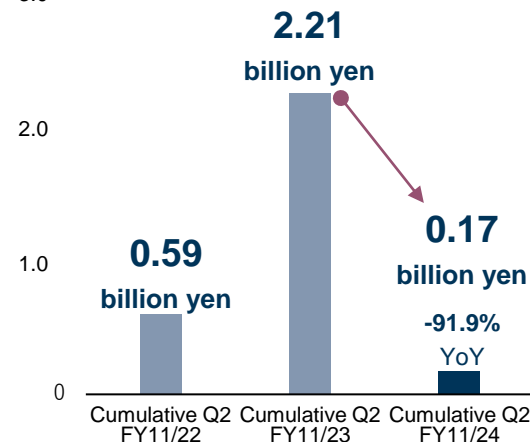
(billion yen)



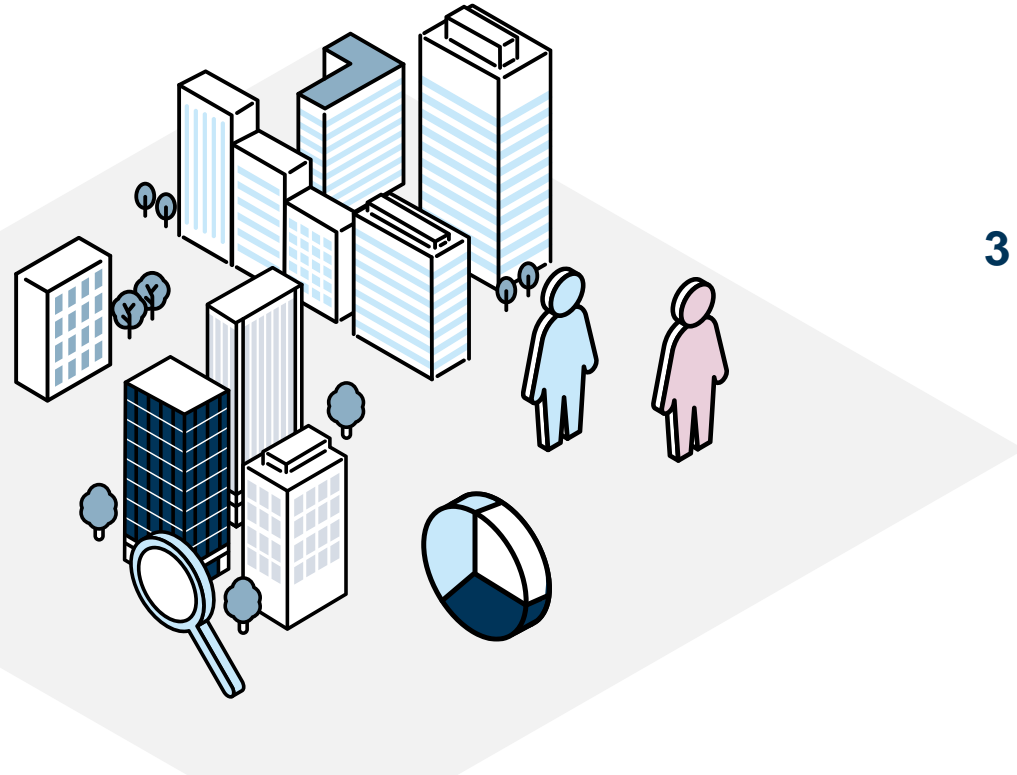
## Profit attributable to owners of parent

In cumulative Q2 FY11/23, recorded a gain on sale of an affiliate company (extraordinary income)

(billion yen)







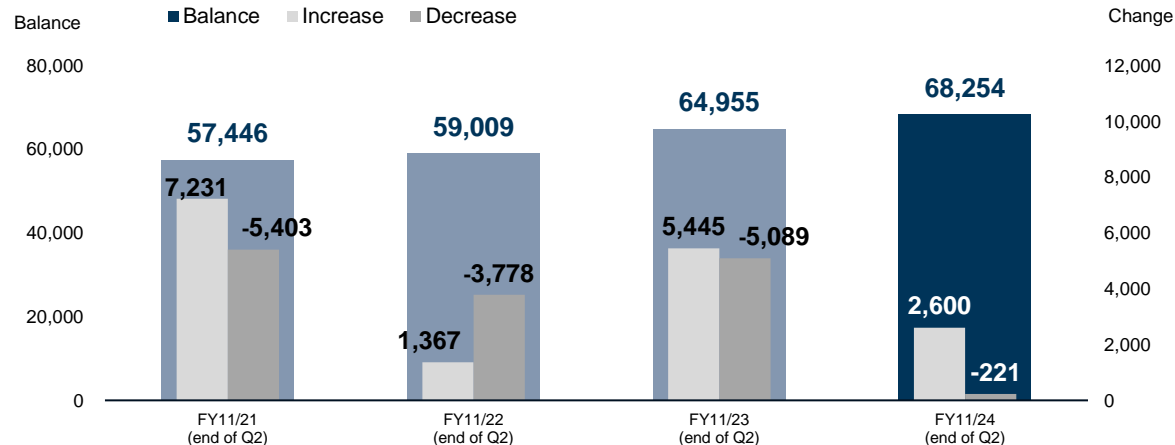
### 3 ——— Investment Banking business

We work to acquire properties for lease expected to generate stable earnings in the medium to long term as a core component of earnings

Despite some fluctuations, the balance and number of properties for lease steadily increased

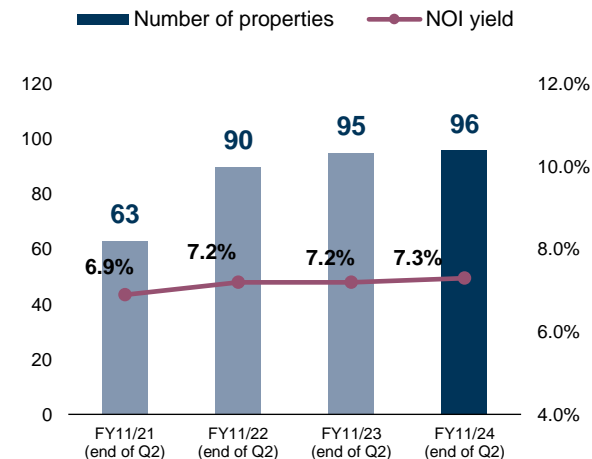
## Balance of properties for lease

(million yen)



Note: Balance and increase/decrease values are based on acquisition price. Increase values include increases from M&A and from completion of development projects.

## No. of properties/NOI yield



Note: NOI yield is the assumed APR for stable operation (cash flow-based net income / acquisition price)

Acquired new properties for lease in Q2 as well. Unrealized gains grew YoY, owing to the ongoing enhancement of the value of real estate holdings

Unrealized gains are realized at the time of property sales, contributing to future profit and providing funds for reinvestment

(million yen)

100,000

80,000

60,000

40,000

20,000

0

FY11/21  
(end of Q2)

FY11/22  
(end of Q2)

FY11/23  
(end of Q2)

FY11/24  
(end of Q2)

Market value  
**68,249**

**10,294**

**57,955**

Market value  
**69,880**

**10,475**

**59,404**

Market value  
**79,959**

**14,428**

**65,530**

Market value  
**85,593**

**16,940**

**68,856**

+5,634 million yen

+7.0%

YoY

+2,512 million yen

+17.4%

YoY

+3,326 million yen

+5.1%

YoY

Unrealized gain  
**16,940**  
million yen

\*In Q2, unrealized gains decreased QoQ, as we revised the value of some properties to more conservative estimates

← Book value

## Book value

- + Acquisition price
- + Transaction cost at the time of acquisition
- + Capital expenditures during the period
- Depreciation

## Market value and unrealized gain

**Market value:**  
Most recent appraised value (or an equivalent value)

**Unrealized gain:**  
Market value – book value

## Items recorded

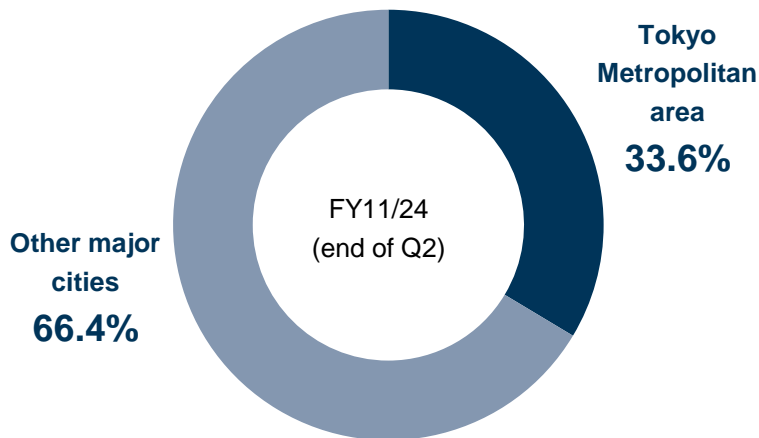
<In principle>  
Real estate for sale (current assets)  
<Properties with high yield>  
Recorded as non-current assets, as we intend to generate lease income from these properties over the long term

With small and medium-sized properties in the Tokyo Metropolitan area and regional cities as investment targets, we ensure stable operations while securing high yields

We expand and flexibly rotate the portfolio in response to changes in the market environment

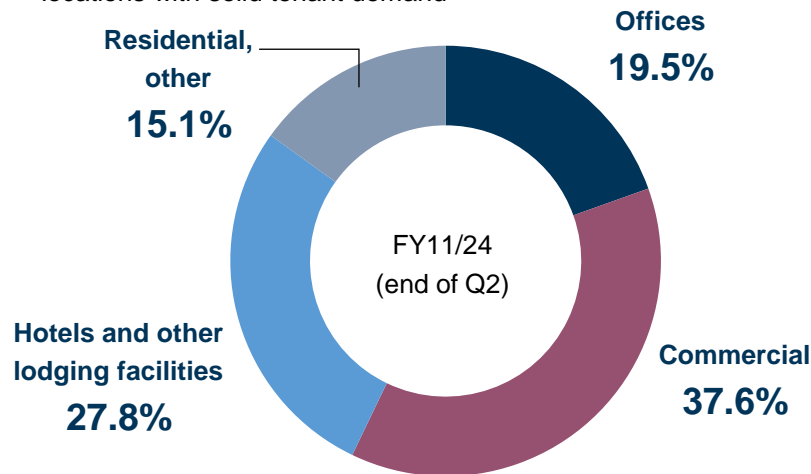
## By location

Carefully select prime investment properties in the Tohoku region, the base for Higashinihon Fudosan, and other regions throughout the nation, in addition to the Tokyo Metropolitan area



## By use\*

Acquired hotels and other lodging facilities during the COVID-19 pandemic, in addition to office buildings and commercial facilities in locations with solid tenant demand



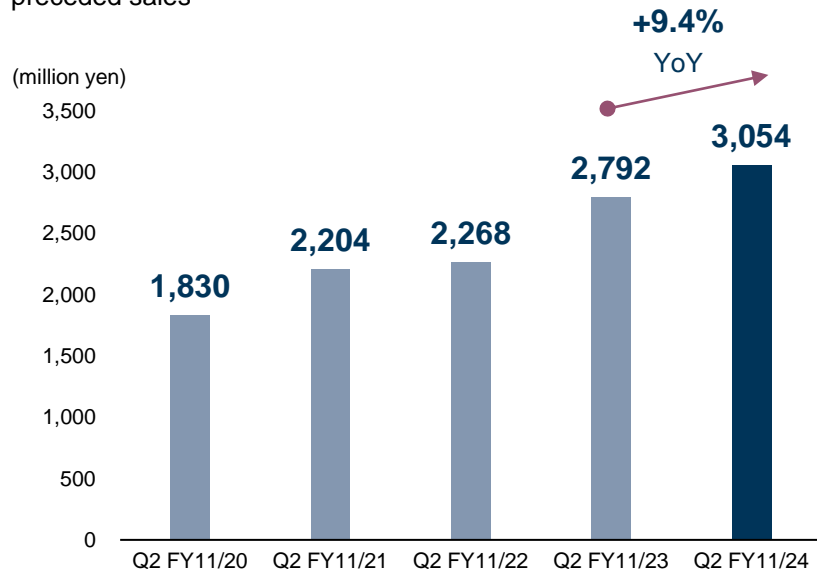
\* Mixed-use properties are calculated based on primary usage.

We secure stable earnings by selectively acquiring quality properties for lease expected to generate stable lease income and enhancing the value of properties held

In Q2, we verified and implemented measures to improve earnings for each property held while working to acquire new properties, leading to solid growth in lease income

## Revenue from real estate leasing (cumulative)

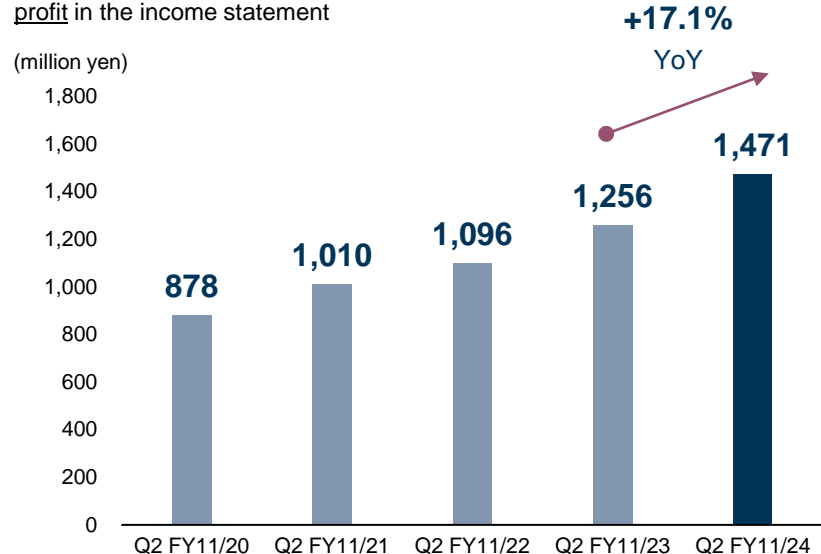
Revenue was on an uptrend due to growth in the balance of real estate. In 1H FY12/24, revenue increased YoY, in part because acquisitions preceded sales.



## Gross profit from real estate leasing (cumulative)

In Q2, as in Q1, gross profit from leasing increased, in tandem with growth in revenue from leasing.

Note: From FY11/24, we have disclosed gross profit from leasing as actual gross profit in the income statement.



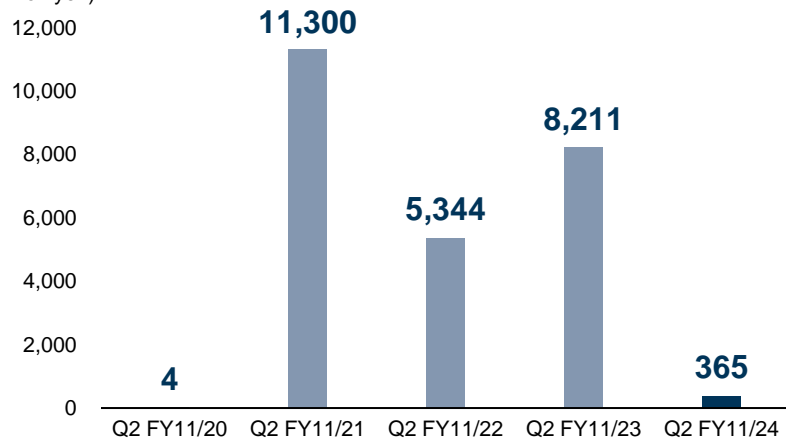
We aim for a virtuous cycle in which we enhance the value and earnings potential of properties held and sell them at an opportune time to realize unrealized gains, which are then used to fund reinvestment

Under this cycle, we expect full-scale property sales from Q3 onward

## Revenue from real estate sales (cumulative) <sup>\*1\*2</sup>

While we sold large properties in Q2 FY11/23, sales of small properties preceded in Q2 FY11/24  
 Expect full-scale property sales from Q3 onward, with sales of several projects already underway

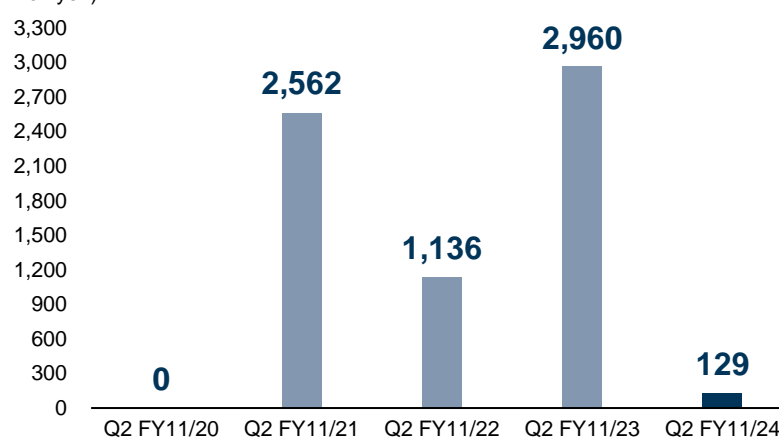
(million yen)



## Gross profit from real estate sales (cumulative) <sup>\*1\*2</sup>

Gross profit decreased YoY, due to the absence of large property sales  
 (The high GPM in Q2 FY12/24 was a one-time phenomenon caused by extraordinary factors)

(million yen)



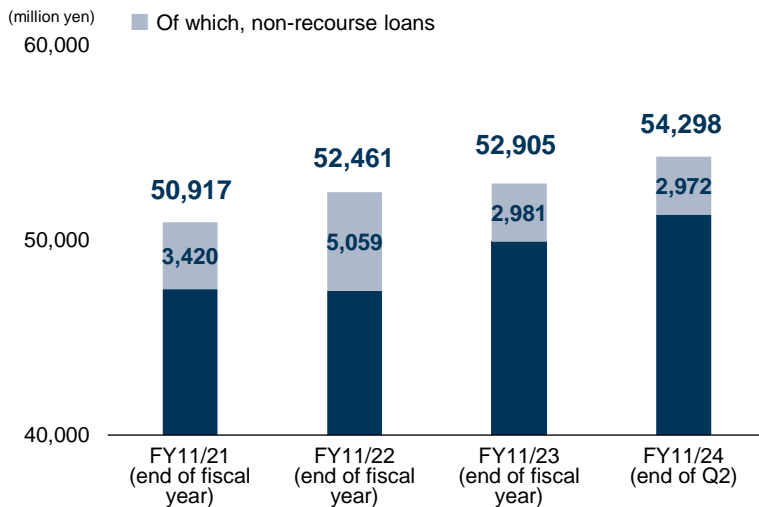
\*1 Includes sales of real estate for sale in process (including land for development of properties for lease)

\*2 Includes sales of real estate for lease recorded as non-current assets in the consolidated balance sheet (recorded as extraordinary income/losses)

Our loan balance tends to increase as investment progresses, as we fund lease property acquisitions with loans

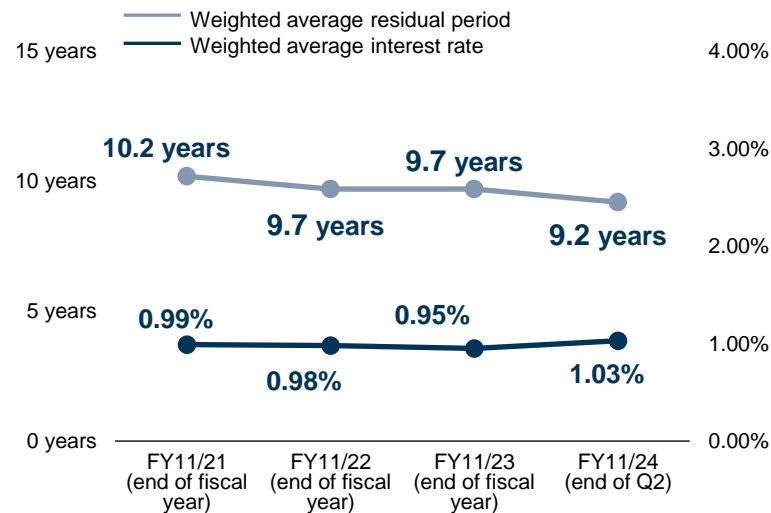
In principle, we take out ultra long-term loans of over 10 years with low interest rates, and prepare for refinancing and interest rate hike risks

### Loan balance \*1



\*1 Loans to fund acquisitions of properties for lease

### Weighted average residual period/ Weighted average interest rate\*2



#### Interest rate trends

Long-term interest rates are increasing due to the end of the BOJ's negative interest rate policy. Meanwhile, the change in the base interest rate for floating rates has been moderate, and while we are closely monitoring the situation, we have seen no major impact so far.

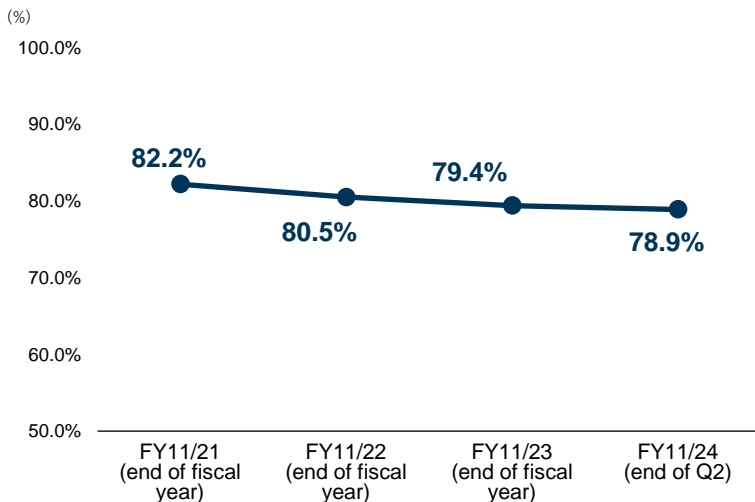
\*2 Before fixing interest rates

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Leverage hovers around 80%, as we utilize loans with low procurement costs as much as possible to increase capital efficiency

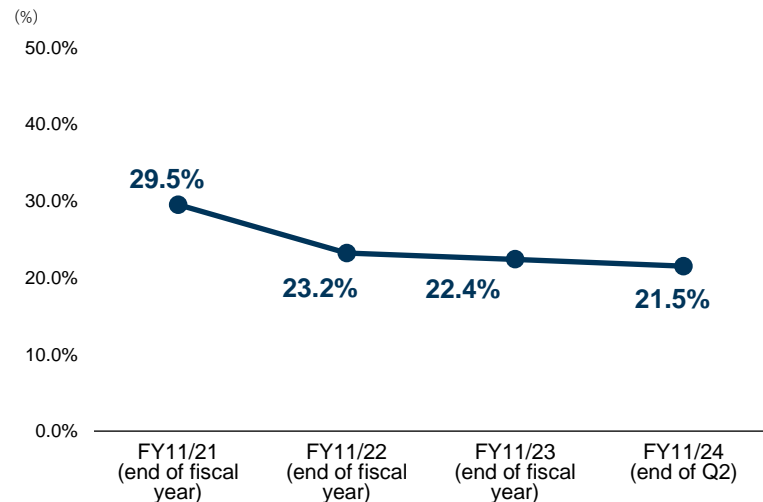
Most loans have floating interest rates, and so using interest rate swaps, we exchange some floating rates with fixed rates

### Leverage\*1



\*1 Loan balance / Book value of properties for lease

### % of loans with fixed interest rates

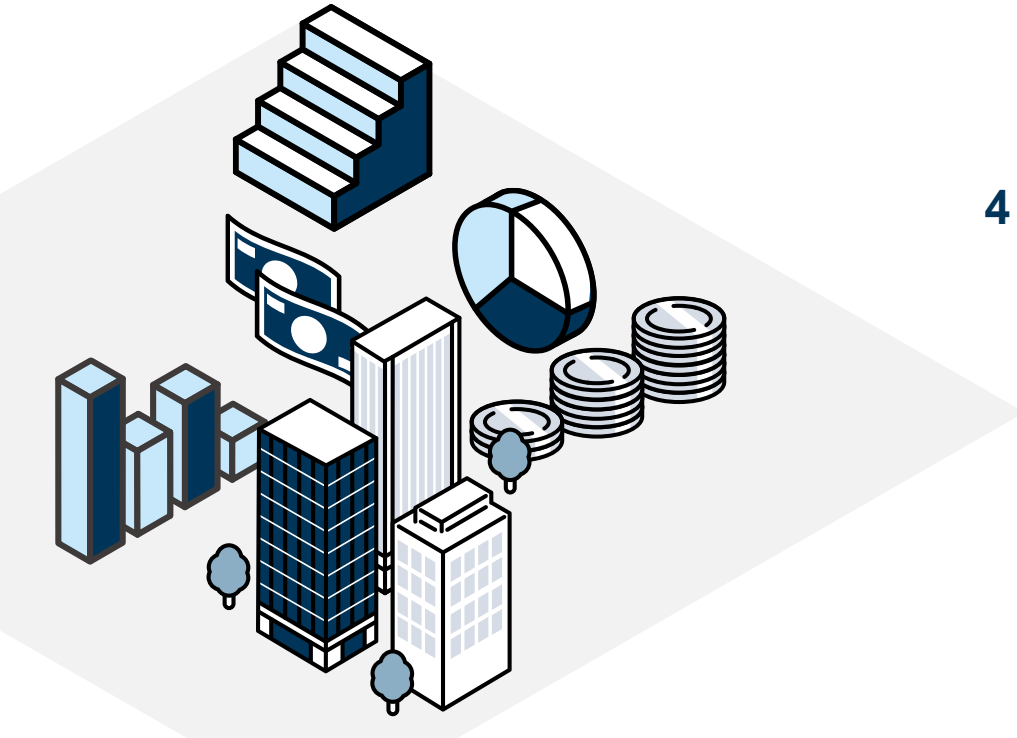


#### Interest rate swaps

We exchange floating interest rates with fixed rates to avert the risk of interest rate hikes.

While market value fluctuates in line with changes in the market interest rate and affects non-operating income/expenses, interest rate swaps contribute to stabilizing cash flows.



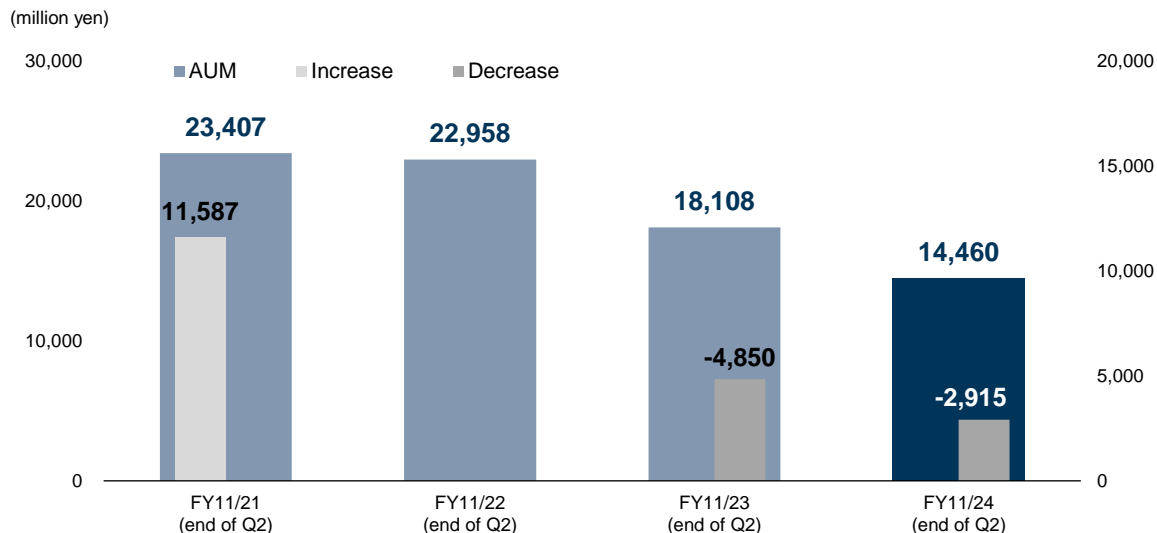


## 4 — Investment Management business

Competition surrounding large properties, the investment targets of funds arranged by the Group, is fierce, with their prices continuing to rise. Taking a cautious stance, we acquired no new properties.

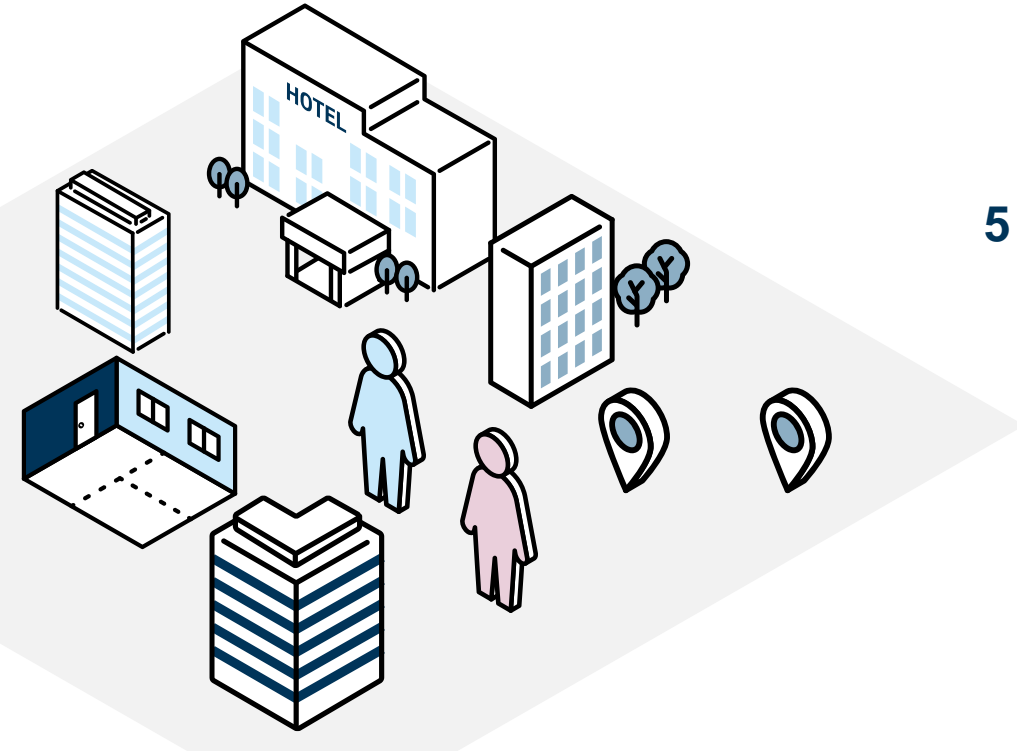
Meanwhile, we won management contracts for properties acquired by investors, primarily, as appropriate, and earned asset management fees.

### Balance of assets under management



### Key takeaways

- The decline in balance was due to portfolio rotation by investors
- In Q2 FY11/24, we recorded commissions for the sale of some properties under management
- We will continue to consider new property acquisitions in response to requests from investors
- We are also considering to form a new fund with properties held by the Group as investment targets

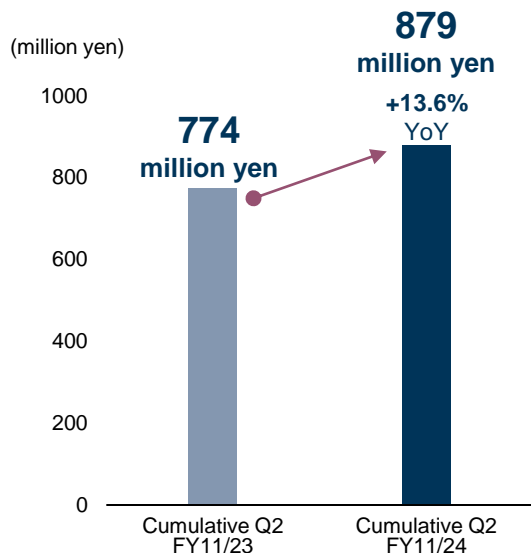


## 5 — Facility Operation business

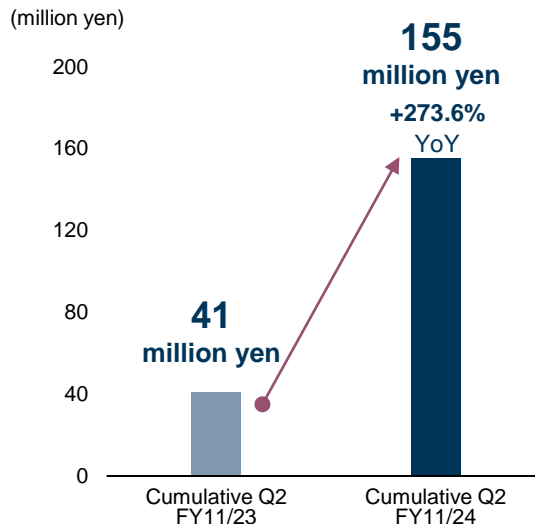
Sales were up sharply YoY, owing to the success of measures to capture robust tourism demand, including inbound demand, at facilities under operation

Weighed down by the burden of goodwill amortization, the business has yet to turn a profit at the operating profit level

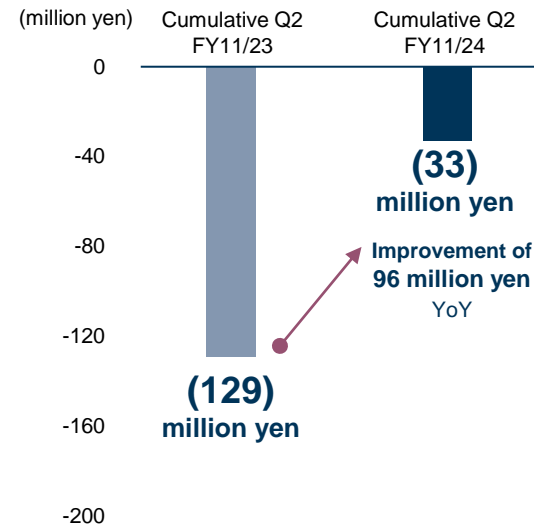
### Sales



### Gross profit

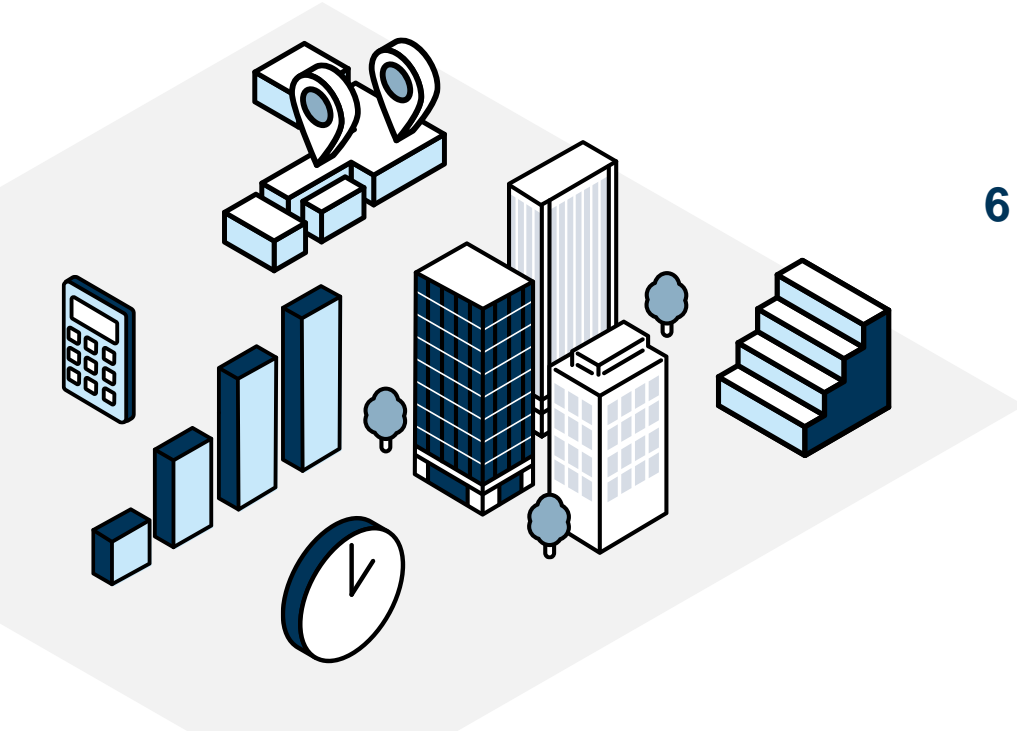


### Operating profit



#### Facility Operation

In this business, we operate hotels and other lodging facilities on our own. Currently, we own all facilities under operation.

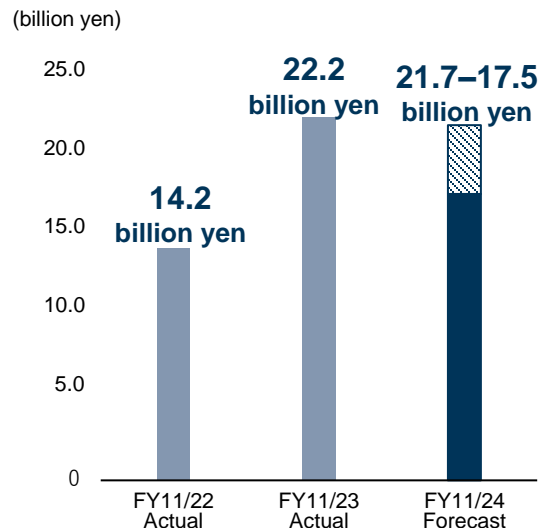


## 6 — Earnings forecast

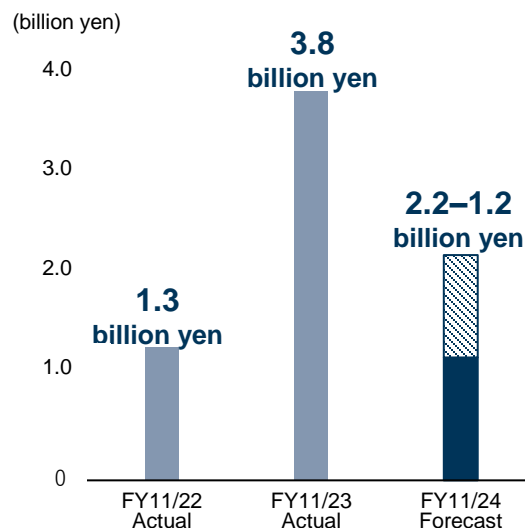
While we expect sales and profits to decline for the fiscal year, we will continue working to acquire prime properties for lease and in the Facility Operation business, develop attractive facilities and provide services tailored to customers' needs, with the aim of achieving medium- to long-term growth

- Our strategy is to sell properties at the most optimal timing, and in this fiscal year, we expect to sell only a modest number of properties. For this reason, we expect each profit category to decline.
- We intend to expand unrealized gains for our property portfolio overall, by increasing unrealized gains for each property for lease and acquiring new properties, and aim to maximize shareholders' equity in the medium to long term. While we hold these properties, we intend to maintain profit by continuing to earn lease income.

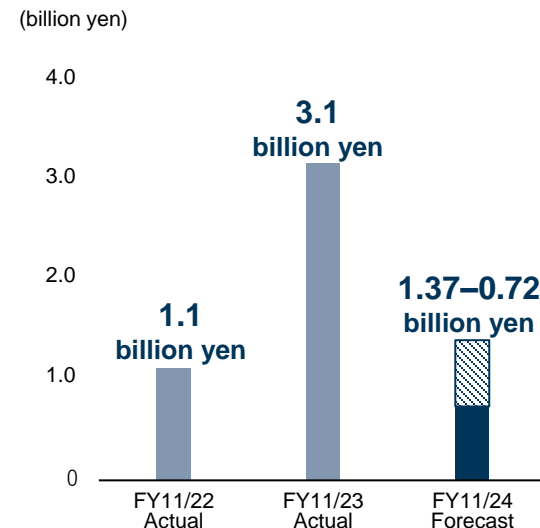
## Net sales



## Ordinary profit



## Profit attributable to owners of parent



In cumulative Q2, property sales have been limited to small properties in the Investment Banking business, resulting in the progress rate of 37.2% for gross profit

We expect full-scale property sales to take place from Q3 onward, with sales of several projects already underway

(million yen)	FY11/23 Actual	Cumulative Q2 FY11/24 Actual	Progress rate	FY11/24 Forecast (YoY change)
Net sales	22,268	4,368	25.0%	17,500 (-21.4%)
Gross profit	6,980	1,765	37.2%	4,750 (-32.0%)
Investment Management business	115	33	89.2%	38 (-67.0%)
Investment Banking business	6,698	1,576	35.9%	4,388 (-34.5%)
Facility Operation business	157	155	47.9%	324 (+105.9%)
Other	9	0		0 (-%)
Operating profit	4,461	603	28.7%	2,100 (-52.9%)
Ordinary profit	3,837	377	31.5%	1,200 (-68.7%)
Profit attributable to owners of parent	3,186	179	24.9%	720 (-77.4%)

### Key takeaway 1

Prioritize gross profit growth because net sales fluctuate sharply depending on the size of properties sold

### Key takeaway 2

Property sales (or the lack thereof) significantly affect each profit category

### Key takeaway 3

Forecasts are prepared and managed on an annual basis, as quarterly results largely fluctuate depending on the timing of property sales



## 7 — Shareholder returns



## We consider returning profits to shareholders a management priority

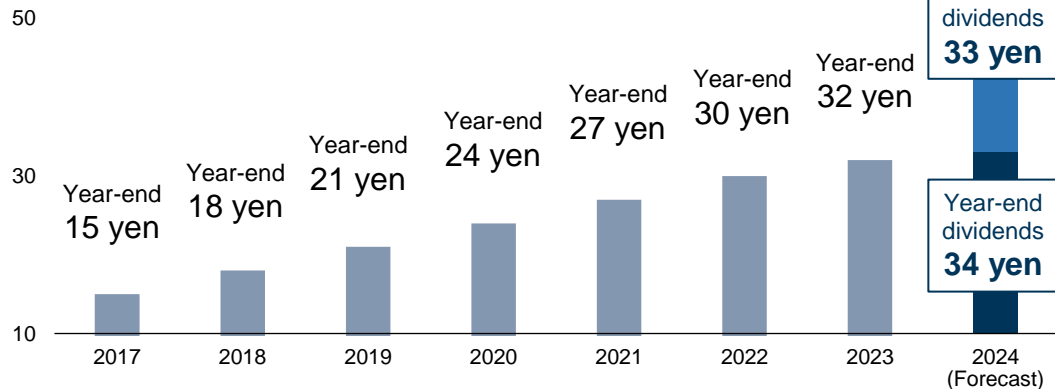
- We pay stable dividends, primarily in the form of year-end dividends, once a year, based on a target dividend on equity ratio (DOE) of 2.0%, instead of a profit-linked payout ratio
- If profit attributable to owners of parent in the immediately preceding fiscal year exceeds 2.0 billion yen, we pay interim dividends equivalent to 40% of the profit in excess (implemented in FY11/24)

We plan to pay an interim dividend (33 yen/share), effective August 5, 2024. Please see the “Notice on Dividend Payment (Interim Dividend),” dated July 9, 2024 for details.

## Dividend per share

(Yen)  
70  
50  
30  
10

**Dividends based on a benchmark dividend on equity ratio (DOE) of 2.0%**



### Performance-linked interim dividend

If profit attributable to owners of parent exceeds 2.0 billion yen in the immediately preceding fiscal year, we return 40% of the profit in excess as interim dividends

Profit attributable to owners of parent in FY11/23	<b>3,186 million yen</b>
Profit exceeding 2.0 billion yen	<b>1,186 million yen</b>
40% of profit in excess	<b>474 million yen</b>
<b>33 yen per share (forecast)</b>	

We have introduced a shareholder benefit plan to thank our shareholders for their support, increase the appeal of investing in our stock, and encourage investors to hold our stock for the medium to long term

amazon gift card

### Eligible shareholders

Shareholders who are recorded in the shareholder register as of November 30 of each year and meet certain conditions

### Shareholder benefits

#### First Brothers Premium Benefits Club

The plan extends shareholder benefit points to shareholders commensurate with the quantity and duration of their holdings. Shareholders can exchange their points for Amazon gift certificates, food products, electrical appliances, and various opportunities for travel and personal experiences through a dedicated site

#### Shareholders with shares held continuously for at least one year\*

No. of shares held	Benefits
At least 500 shares	5,000 points
At least 600 shares	6,000 points
At least 700 shares	7,000 points
to	Additional 1,000 points for each additional 100 shares
At least 5,000 shares	50,000 points

#### Shareholders with shares held for less than one year

No. of shares held	Benefits
At least 3,000 shares	5,000 points
At least 3,100 shares	6,000 points
At least 3,200 shares	7,000 points
to	Additional 1,000 points for each additional 100 shares
At least 5,000 shares	25,000 points



Notes: For inquiries regarding products for which benefit points can be redeemed, please contact First Brothers Premium Benefits Club (TEL: 0120-980-965). Amazon, Amazon.co.jp, and their logos are trademarks of Amazon.com, Inc. or affiliated companies.

\* Recorded in the shareholder register at least three consecutive times under the same shareholder number each year on May 31 and November 30.



## 8 — Appendix

# Consolidated balance sheet

	End FY11/22	End FY11/23	End Q2 FY11/24	Change
Total current assets	61,666	63,621	62,665	-955
Cash and deposits	7,306	7,531	3,929	-3,601
Deposits in trust	921	1,204	1,186	-18
Real estate for sale	46,956	50,184	52,389	+2,204
Real estate for sale in process	3,479	3,268	3,547	+278
Other	3,002	1,431	1,612	+180
Total non-current assets	25,977	26,319	26,261	-57
<b>Total assets</b>	<b>87,643</b>	<b>89,940</b>	<b>88,927</b>	<b>-1,013</b>
Total liabilities	65,997	65,512	64,744	-768
Total current liabilities	5,585	8,437	6,773	-1,663
Short-term borrowings	1,156	91	270	+179
Current portion of long-term borrowings	2,339	5,128	5,170	+41
Current portion of long-term non-recourse loans payable	119	23	37	+13
Other	1,969	3,194	1,295	-1,898
Total non-current liabilities	60,411	57,075	57,971	+895
Long-term borrowings	50,678	50,252	51,131	+878
Long-term non-recourse loans payable	4,940	2,958	2,935	-22
Other	4,793	3,864	3,904	+40
Total net assets	21,646	24,427	24,182	-245
Total shareholders' equity	21,469	24,235	23,965	-269
Other	176	192	216	+23
<b>Total liabilities and net assets</b>	<b>87,643</b>	<b>89,940</b>	<b>88,927</b>	<b>-1,013</b>
Net D/E ratio <sup>*1</sup>	2.14	1.93	2.15	+0.22pt

## Comments

- **In 1H, cash and deposits declined due to tax and dividend payments**
- **Real estate for sale increased, due to the accumulation of prime real estate for sale through Q2**

## Key takeaways

- **Loan ratio tends to be high, because in principle, we fund our investments with loans. However, we primarily take out long-term loans and thoroughly manage the loan balance.**

\*1 Net D/E ratio = (Interest-bearing debt excluding non-recourse loans – [cash and deposits + deposits in trust]) / Shareholders' equity

# Consolidated income statement

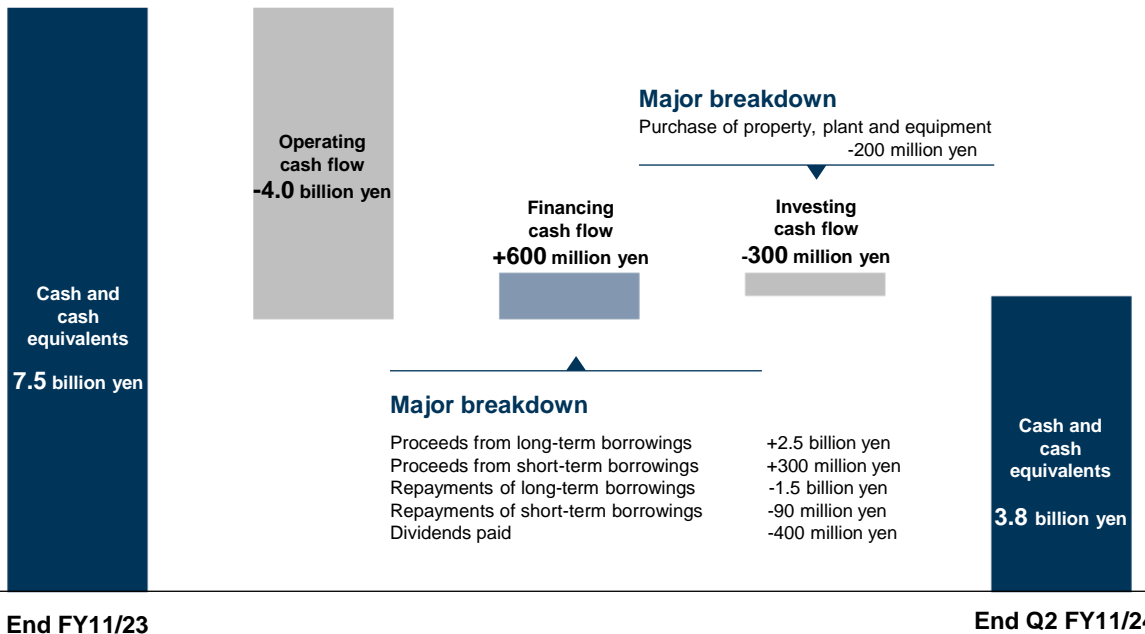
	Cumulative Q2 FY11/22	Cumulative Q2 FY11/23	Cumulative Q2 FY11/24	YoY change	
<b>Consolidated income statement (summary)</b>	Net sales	8,600	11,987	4,368	-63.6%
	Gross profit	2,323	4,338	1,765	-59.3%
	Selling, general and administrative expenses	1,129	1,271	1,161	-8.6%
	Operating profit	1,193	3,066	603	-80.3%
	Ordinary profit	1,007	2,726	377	-86.1%
	Profit attributable to owners of parent	593	2,214	179	-91.9%
	<b>Gross profit breakdown</b>	Investment Management business	72	81	33
Investment Banking business		2,270	4,205	1,576	-62.5%
Gross profit from sale		1,136	2,960	129	-95.6%
Gross profit from leasing		1,096	1,256	1,471	+17.1%
Other		37	(12)	(24)	N/A
Facility Operation business		(62)	41	155	+273.6%
Other business		42	9	0	N/A
Total gross profit		2,323	4,338	1,765	-59.3%
<b>Selling, general and administrative expenses breakdown</b>	Personnel expenses	609	683	600	-12.2%
	Rent	97	87	86	-1.5%
	Commission expenses / remuneration	198	200	154	-23.2%
	Taxes and dues	43	67	18	-72.4%
	Amortization of goodwill	50	57	57	± 0%
	Other	130	174	245	+40.4%
	Total selling, general and administrative expenses	1,129	1,271	1,161	-8.6%

## Comments

- Sales of small properties preceded in cumulative Q2 FY11/24, while sales of high-margin large properties buoyed results in cumulative Q2 FY11/23
- Lease income steadily increased
- In the Facility Operation business, gross profit grew firmly, owing to measures to capture inbound demand

## Major breakdown

Profit before income taxes	+400 million yen
Depreciation	+600 million yen
Decrease (increase) in inventories	-2.8 billion yen
Income taxes paid	-1.3 billion yen



## Comments

- Acquired prime real estate (inventories) utilizing borrowings
- Cash tends to decrease in 1H due to income tax and dividend payments
- As a result of the above, cash and cash equivalents at end-Q2 FY11/24 fell 3.7 billion yen from end-FY11/23

## Key takeaways

For the Company, real estate for lease is an operating asset that generates income, but most of it is recorded as “real estate for sale (inventories)” for accounting purposes. Hence, when acquisitions precede sales, operating cash flow tends to be negative

## Company overview

**Company name** First Brothers Co., Ltd.

**Stock code** 3454 (TSE Standard Market)

**Established** February 4, 2004

**Address** Marunouchi Bldg., 25th Fl., 2-4-1 Marunouchi, Chiyoda-ku, Tokyo

**Capital** 100,000,000 yen

**Number of staff** 180 (as of February 29, 2024; consolidated group basis)

**Major subsidiaries** First Brothers Capital Co., Ltd.  
First Brothers Asset Management Co., Ltd.  
First Brothers Development Co., Ltd.  
Higashinihon Fudosan Co., Ltd.  
From First Hotels Co., Ltd.

## Group's major businesses

### Ownership and management of real estate for lease

Own and manage properties for lease expected to generate stable earnings over the medium to long term

### Real estate asset management

Manage assets of institutional investors and invest in relatively large properties valued at several tens of billions of yen

### Renewable energy

Develop and operate renewable energy, centered on geothermal power generation

### Facility Operation (hospitality services)

Operate lodging facilities on our own

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