



F I R S T B R O T H E R S

FY11/24
Financial Earnings Summary

January 10, 2025

First Brothers Co., Ltd.

(Tokyo Stock Exchange Standard Market: 3454)

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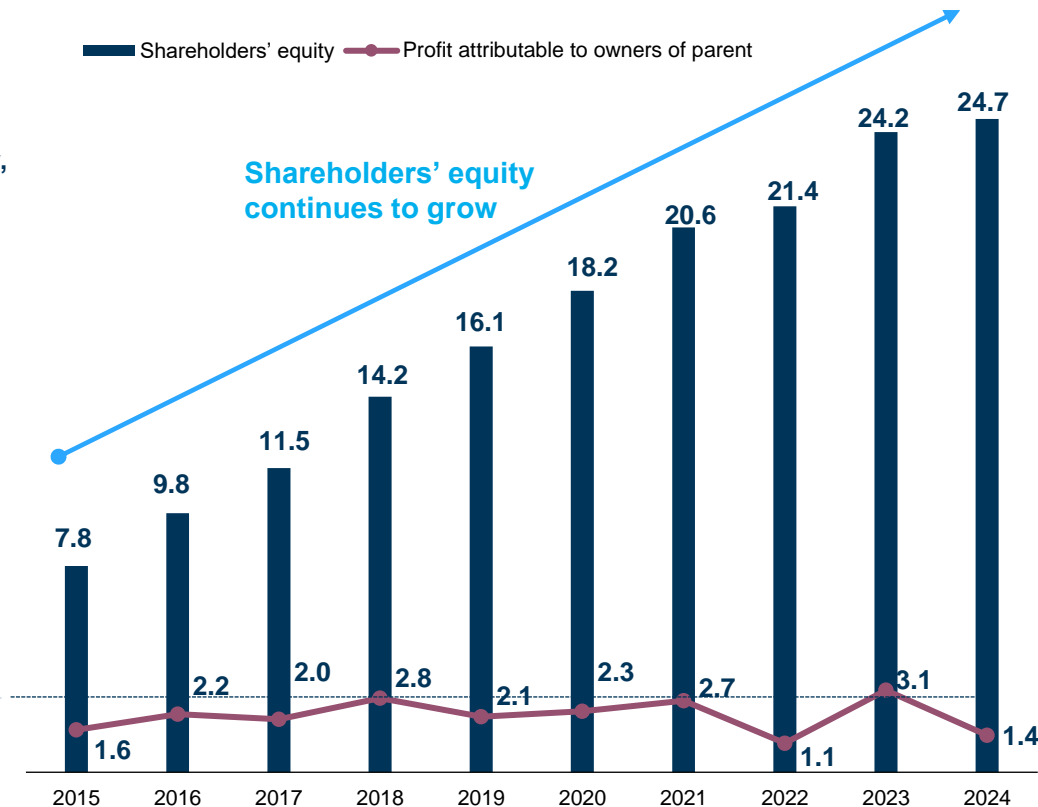


We believe stable and sustainable growth of shareholders' equity will directly lead to maximization of shareholder value

- 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

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)

(billion yen)



- We realized gains on the sale of properties through the Investment Banking business. Meanwhile, lease income from properties held by the Group increased steadily
- Profits declined YoY, due to sales of high-margin large properties in FY11/23

Consolidated results

Gross profit	Operating profit	Ordinary profit	Profit attributable to owners of parent
5,104 million yen	2,838 million yen	2,193 million yen	1,416 million yen
-26.9% YoY ↓	-36.4% YoY ↓	-42.8% YoY ↓	-55.5% YoY ↓

Investment Management

Received asset management fees from investment funds

YoY gross profit decline attributable to the absence of contract fee income from SPCs within the Group.

Gross profit

51 million yen

-55.6% YoY ↓

Investment Banking

Lease income from properties held by the Group, a stable earnings source, increased

Unrealized gains in real estate

21,211 million yen

+4,031 million yen
versus end-FY11/24 ↑

Gross profit from real estate leasing

3,080 million yen

+13.7% YoY ↑

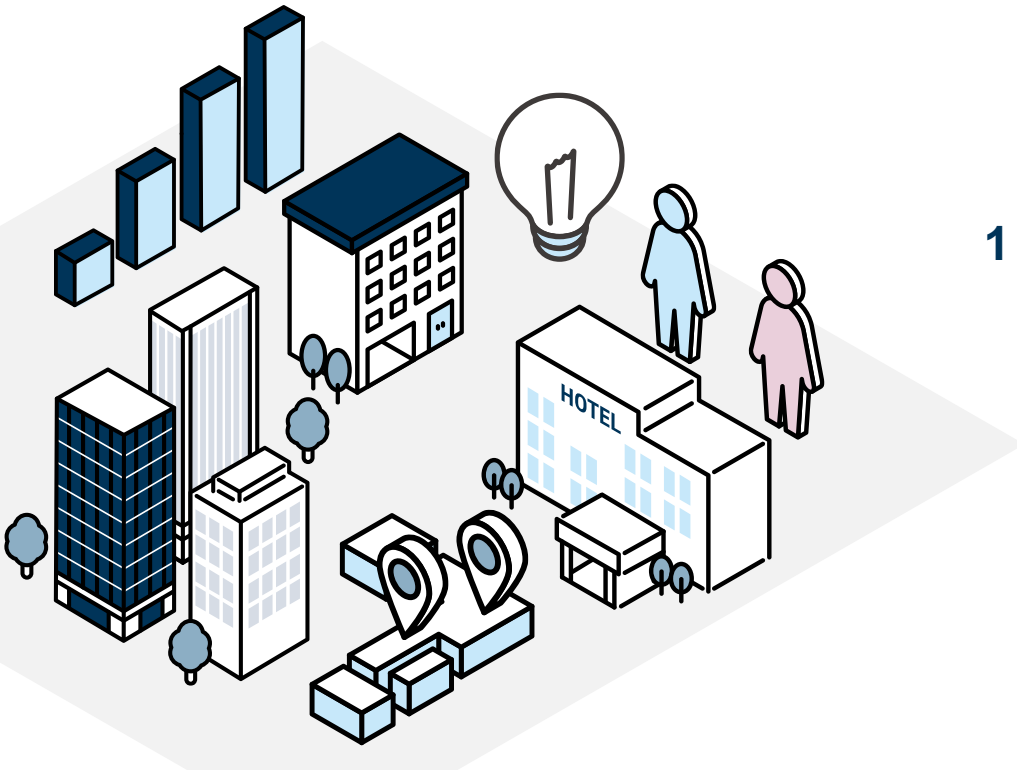
Facility Operation

Captured robust tourism demand
Improved operational efficiency also contributed to results

Gross profit

255 million yen

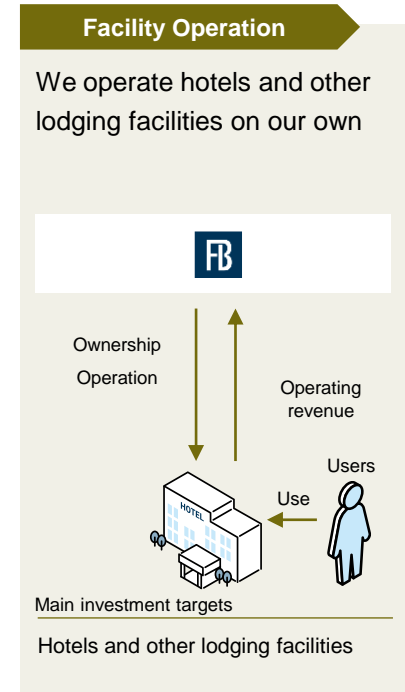
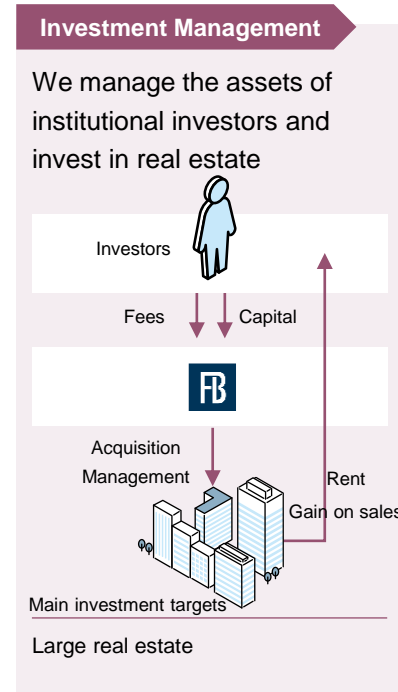
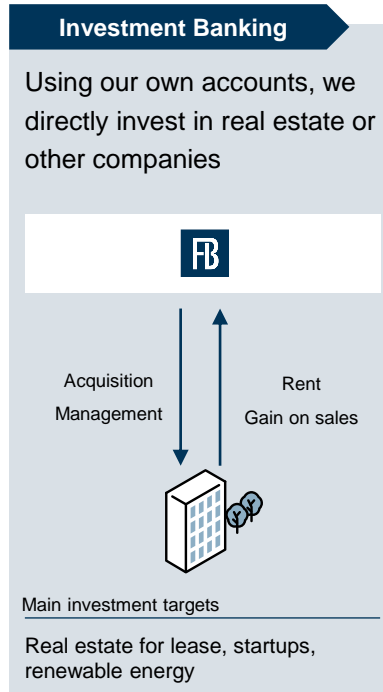
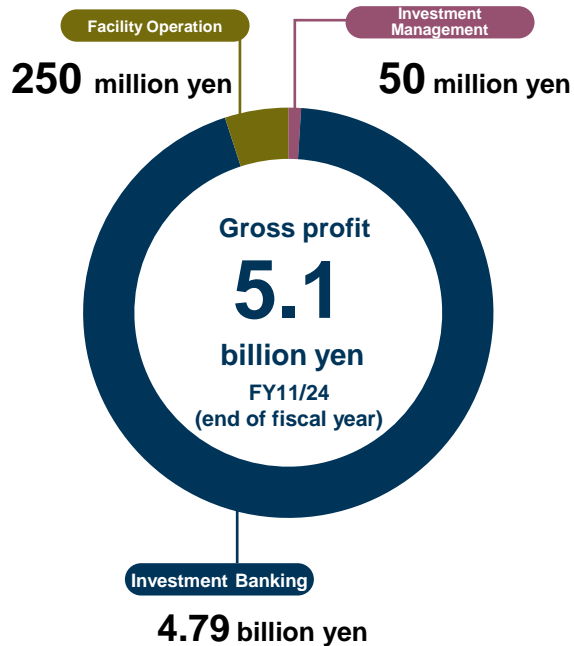
+62.2% YoY ↑

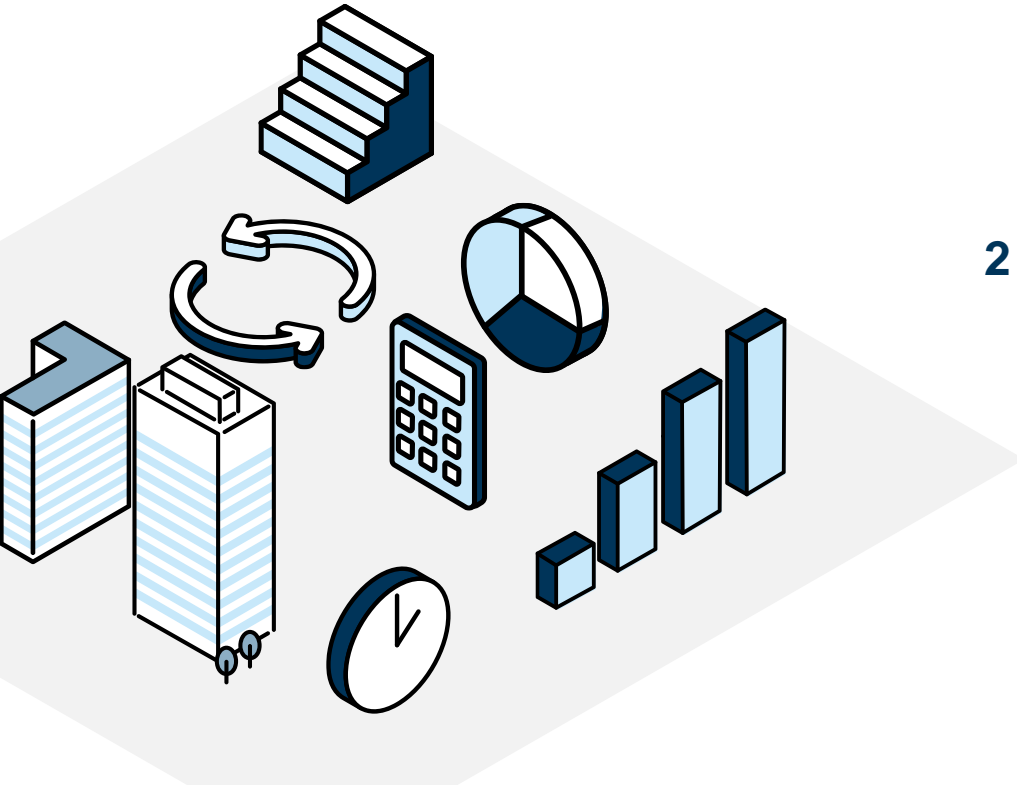


1 — First Brothers' business

Leveraging our proprietary investment as a central foundation, we operate three businesses that draw on the strengths characterizing First Brothers

The Investment Banking business, a principal investment business, is a core earnings pillar





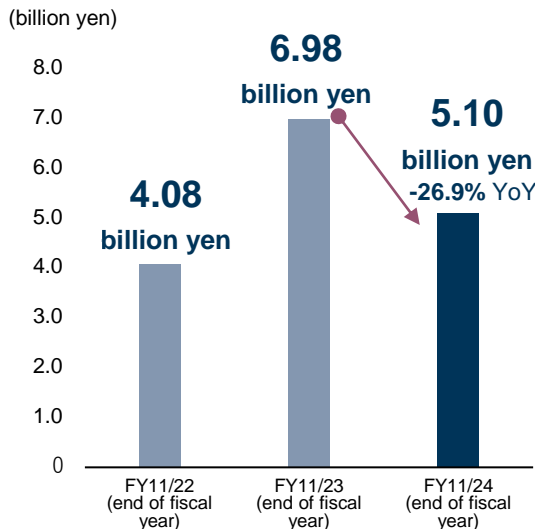
2 — Earnings highlights

We continued to sell properties, realizing previously unrealized gains, in FY11/24. Lease income, a stable source of earnings, also grew steadily

However, gross profit and ordinary profit declined 26.9% and 42.8% YoY, respectively, due to sales of large properties in FY11/23

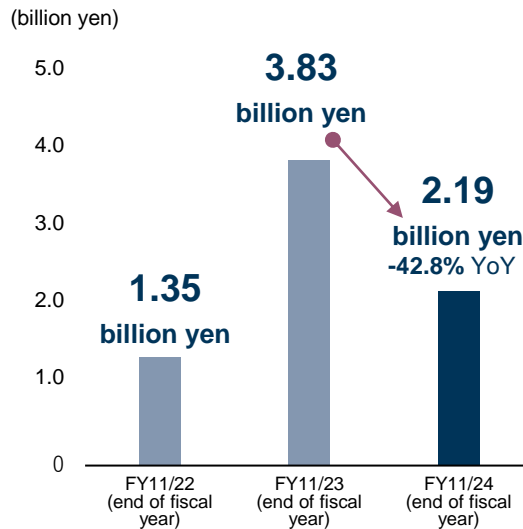
Gross profit

Down 26.9% YoY, despite sales of some properties and growth in lease income, due to sales of large properties in FY11/23



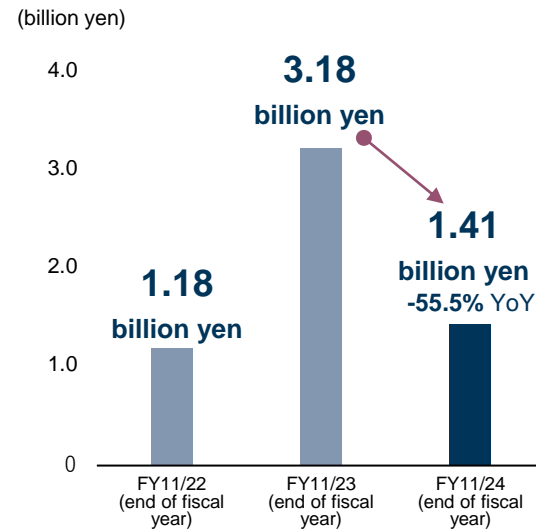
Ordinary profit

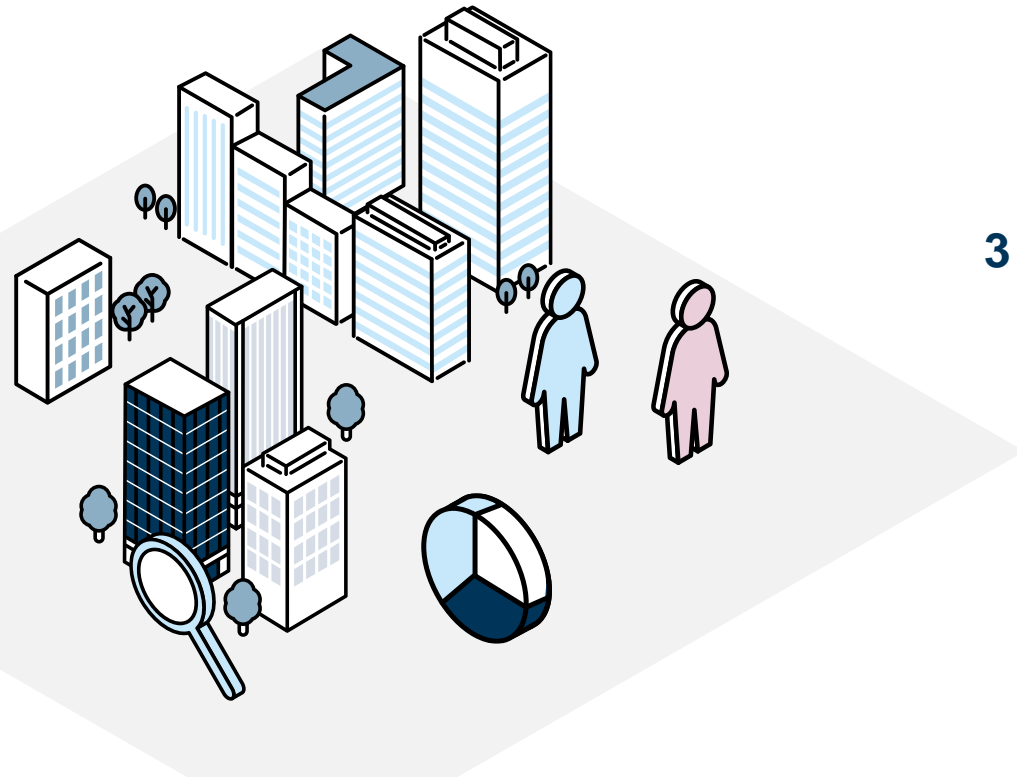
Down 42.8% YoY, in reaction to sales of large properties in FY11/23



Profit attributable to owners of parent

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



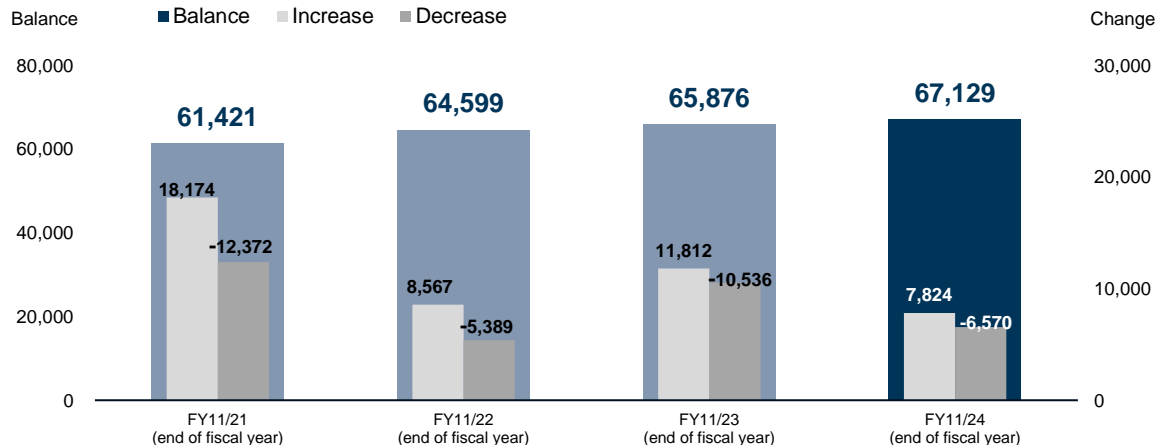


3 ——— Investment Banking business

We have established a portfolio of properties for lease expected to generate stable earnings over the medium to long term
 This steadily increased the balance and yields despite some fluctuations, boosting shareholders' equity

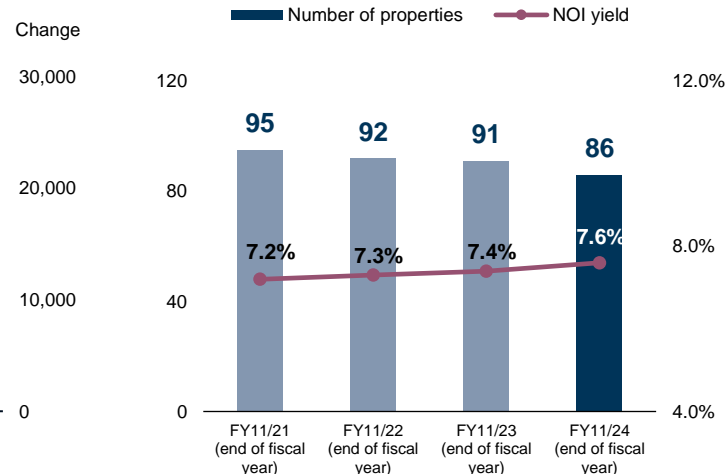
Balance of properties for lease

(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.

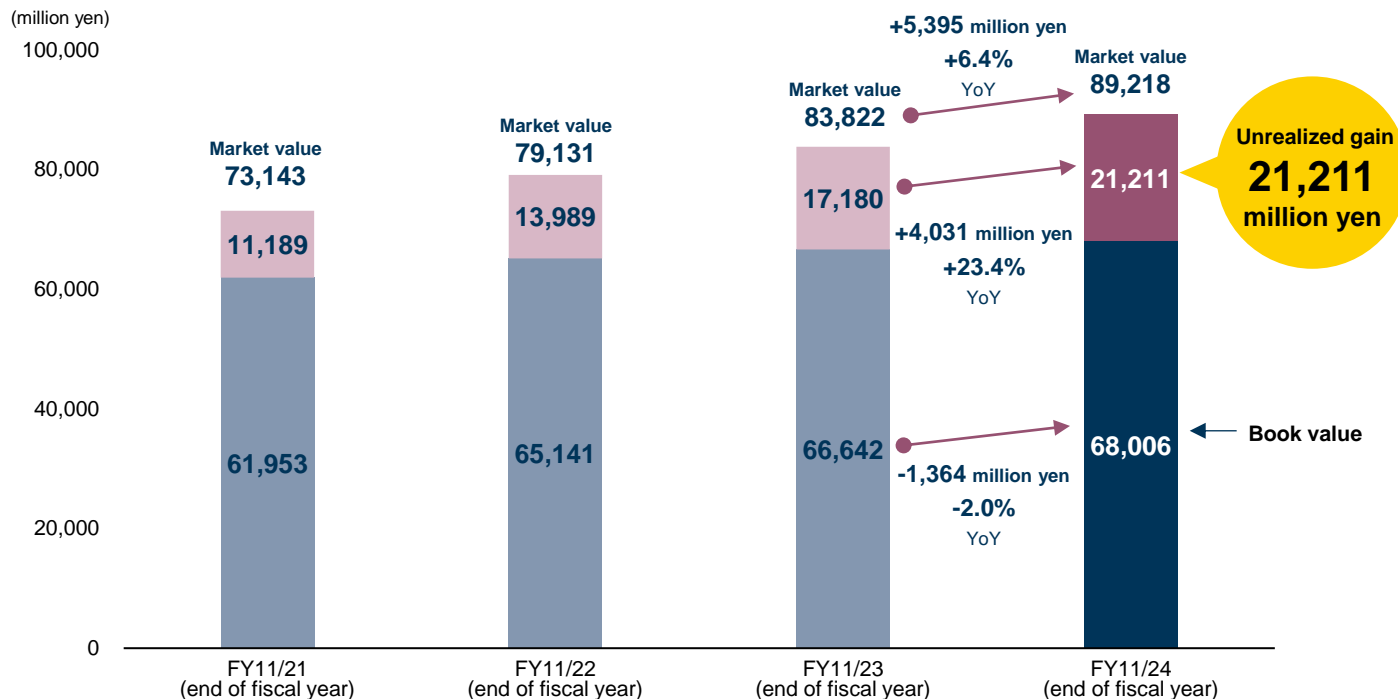
No. of properties/NOI yield



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

Expanding unrealized gains by continuously improving the value of real estate holdings while also acquiring new properties for lease

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



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

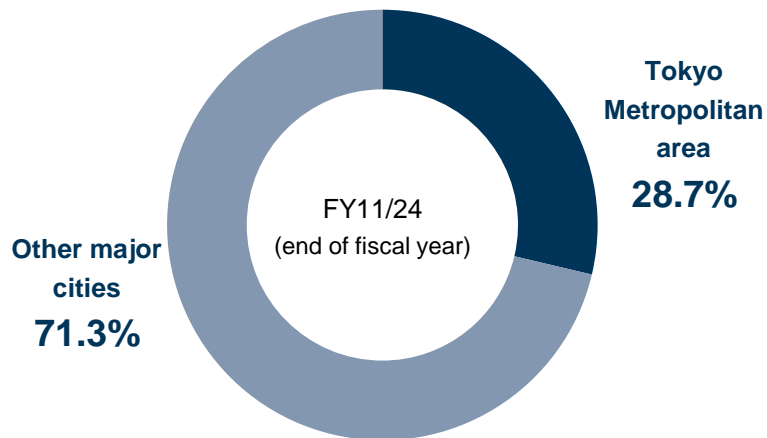
<In principle>
Real estate for sale (current assets)
<Properties with high yield>
Recorded as non-current assets, as we intend to generate lease income from these properties over the long term

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

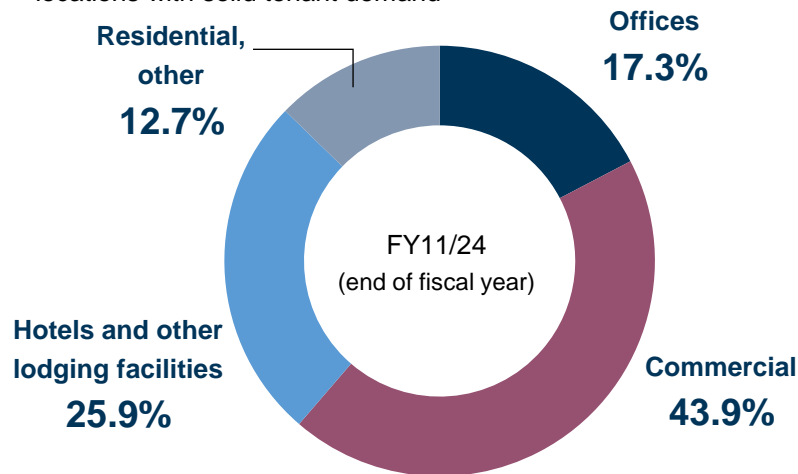
By location

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



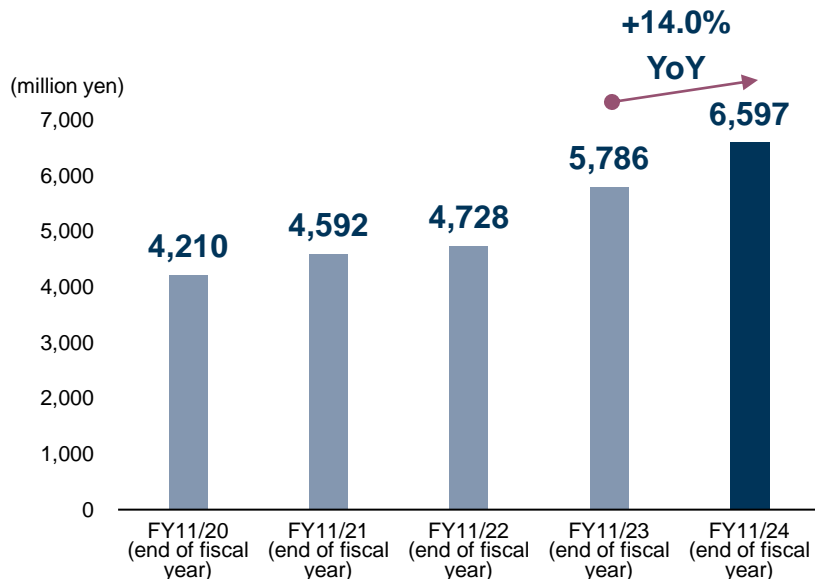
* Mixed-use properties are calculated based on primary usage.

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 FY11/24, 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)

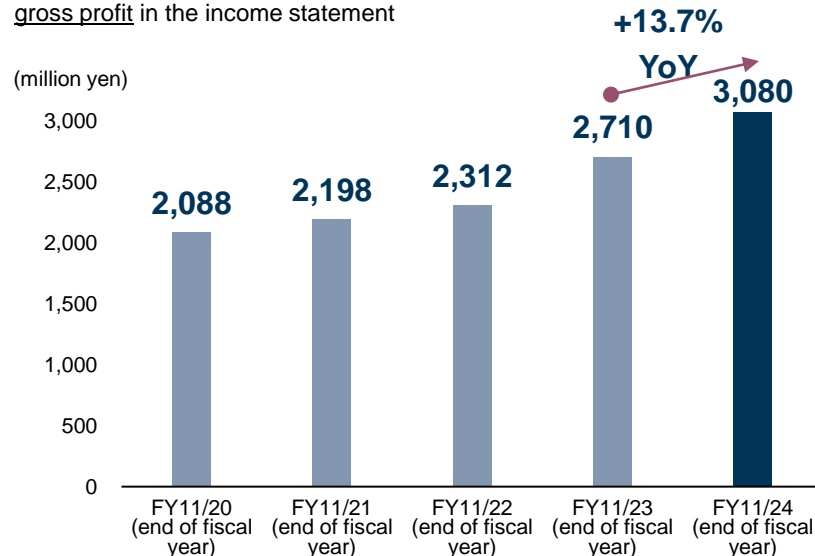
Revenue was on an uptrend due to growth in the balance of real estate



Gross profit from real estate leasing (cumulative)

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

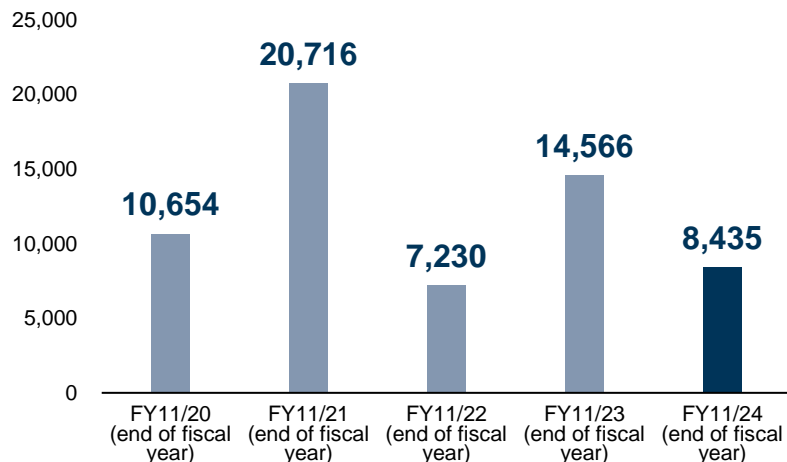


We aim for a virtuous cycle in which we enhance the value and earnings potential of properties held and sell them at an opportune time to realize unrealized gains, which are then used to fund reinvestment

In FY11/24, while acquiring prime properties for lease, we sold some properties, realizing unrealized gains

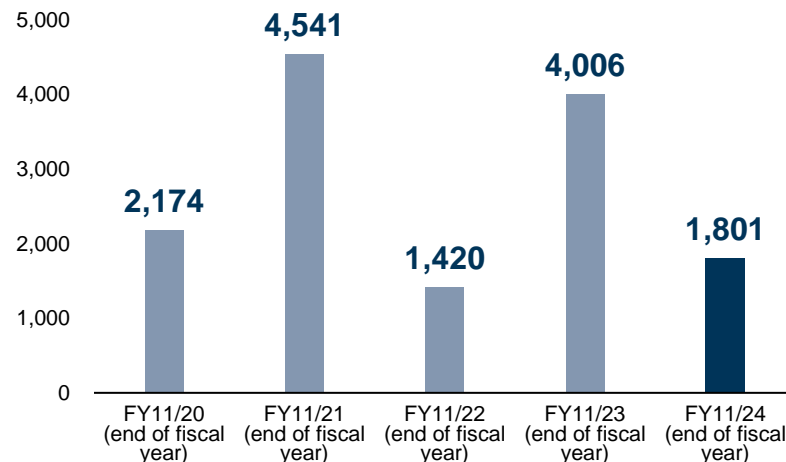
Revenue from real estate sales (cumulative) ^{*1*2}

(million yen)



Gross profit from real estate sales (cumulative) ^{*1*2}

(million yen)



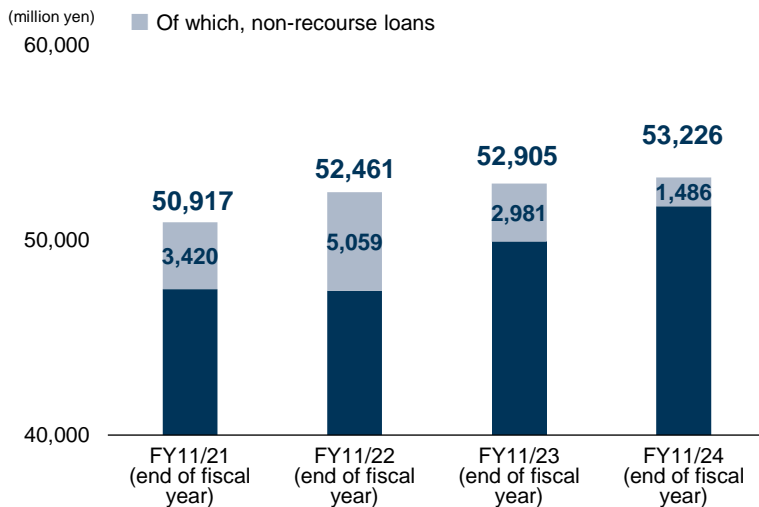
*1 Includes sales of real estate for sale in process (including land for development of properties for lease)

*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

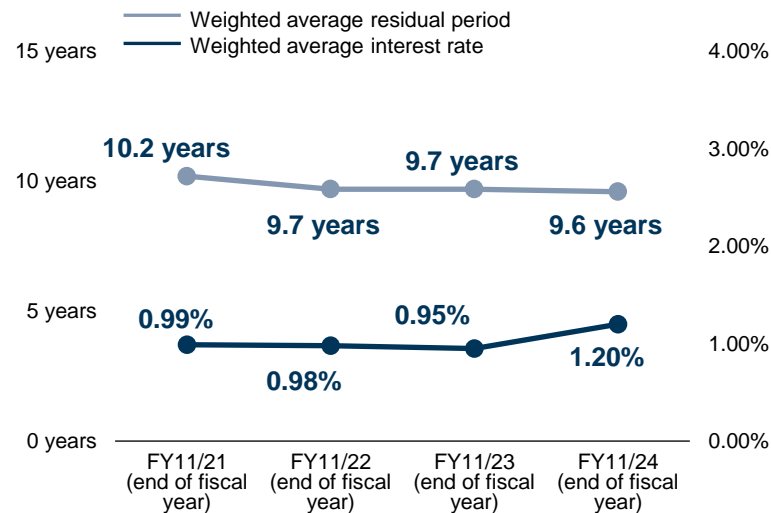
In principle, we take out ultra long-term loans of over 10 years with low interest rates, and prepare for refinancing and interest rate hike risks

Loan balance *1



*1 Loans to fund acquisitions of properties for lease

Weighted average residual period/ Weighted average interest rate *2



Interest rate trends

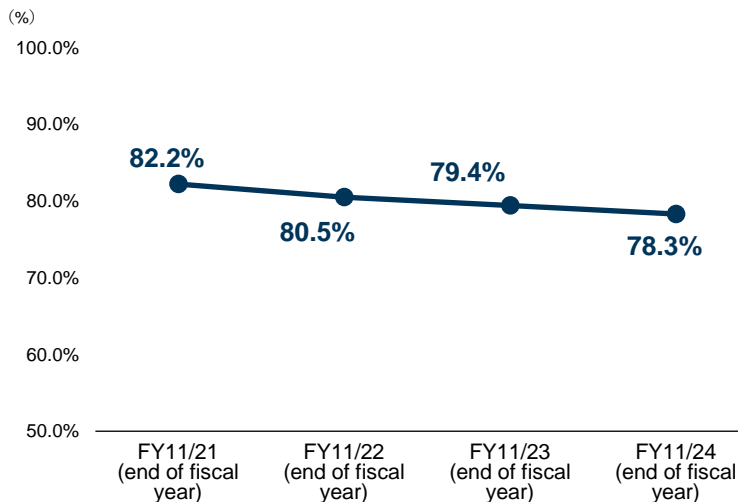
Long-term interest rates are increasing due to the end of the BOJ's negative interest rate policy. Meanwhile, the change in the base interest rate for floating rates has been moderate, and while we are closely monitoring the situation, we have seen no major impact so far.

*2 Before fixing interest rates

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

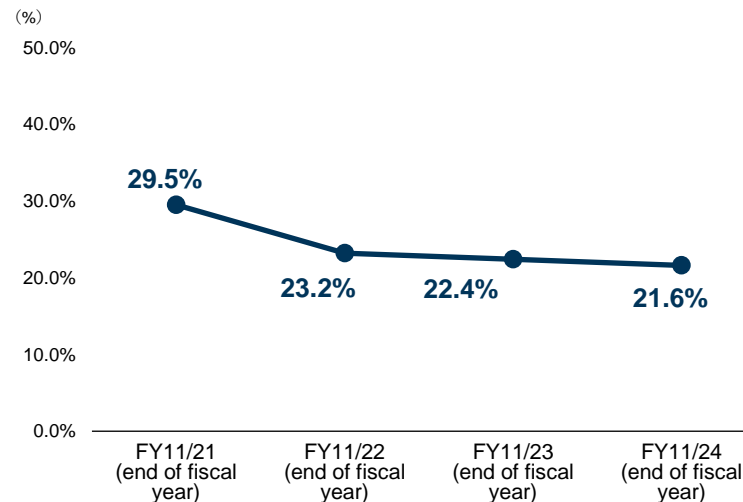
Most loans have floating interest rates, and so using interest rate swaps, we exchange some floating rates with fixed rates

Leverage*1



*1 Loan balance / Book value of properties for lease

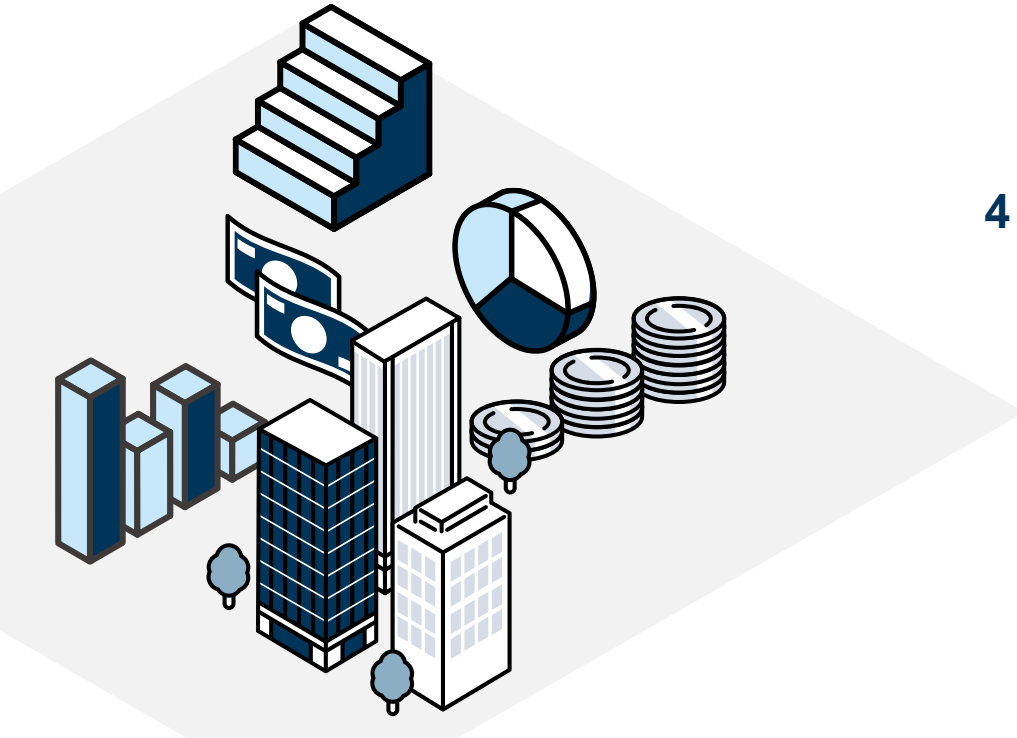
% of loans with fixed interest rates



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.

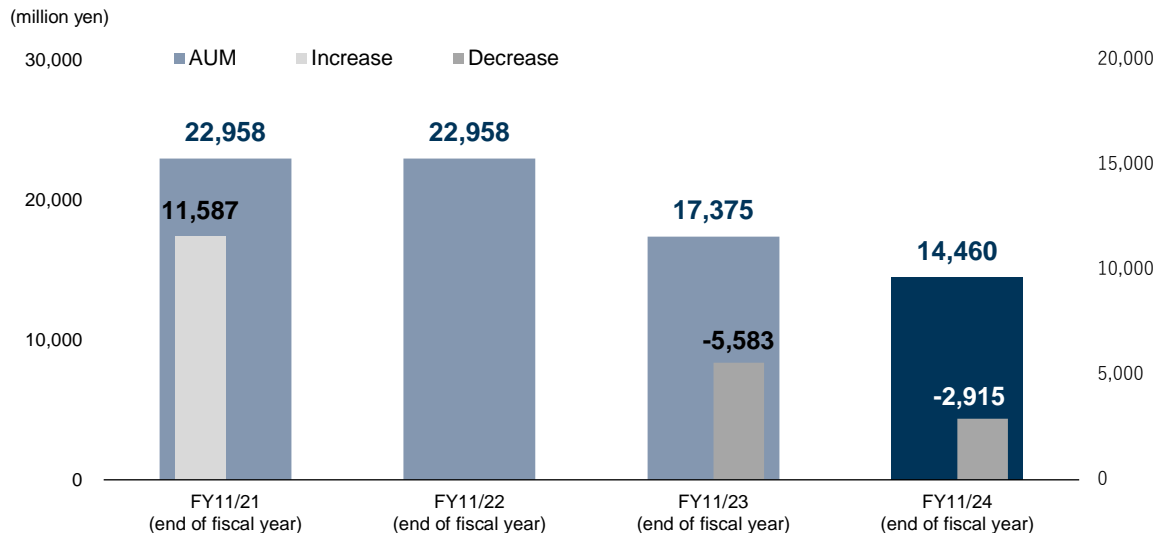


4 — Investment Management business

Competition surrounding large properties, the investment targets of funds arranged by the Group, remains fierce. Taking a cautious stance, we acquired no new properties

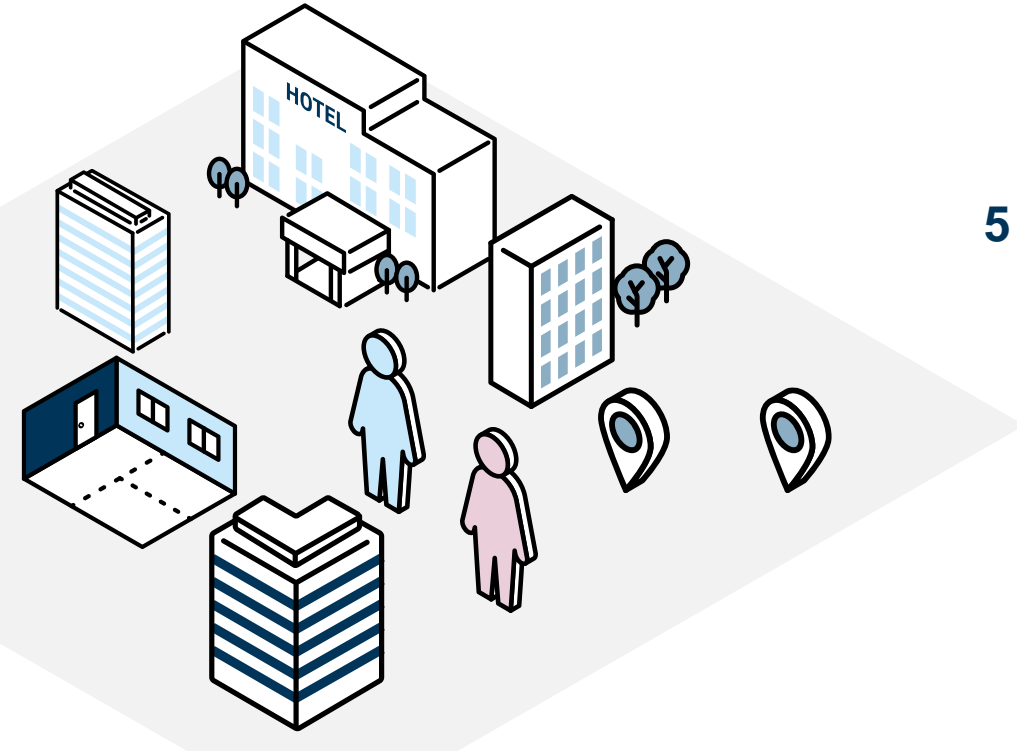
Meanwhile, we won management contracts for properties acquired by investors, primarily, as appropriate, and earned asset management fees

Balance of assets under management



Key takeaways

- The decline in balance was due to portfolio rotation by investors
- Earned asset management fees through contract properties
- 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

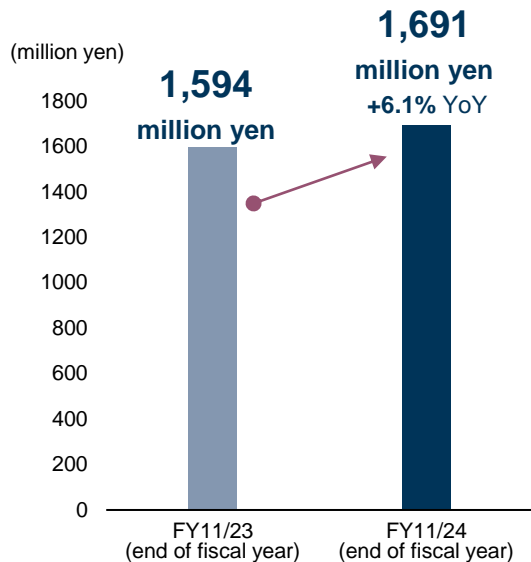


5 — Facility Operation business

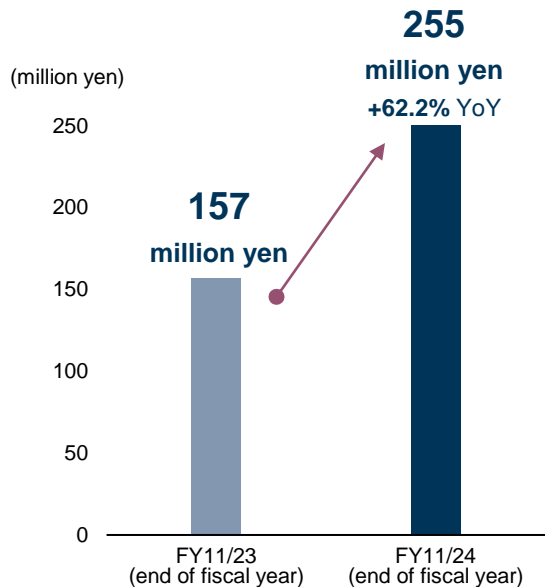
Sales were up YoY, owing to the success of measures to capture robust tourism demand, including inbound demand, at facilities under operation

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

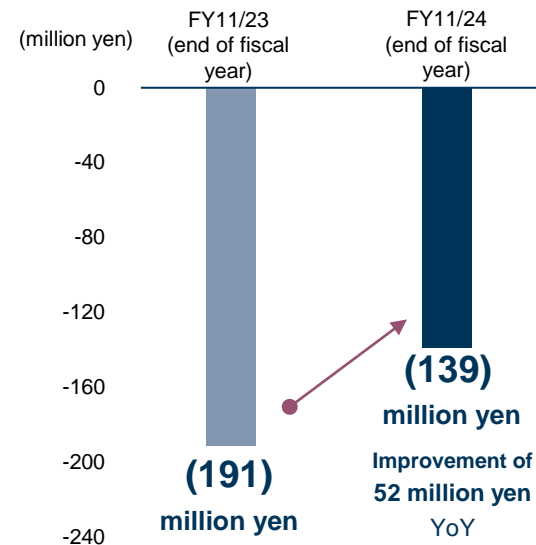
Sales



Gross profit

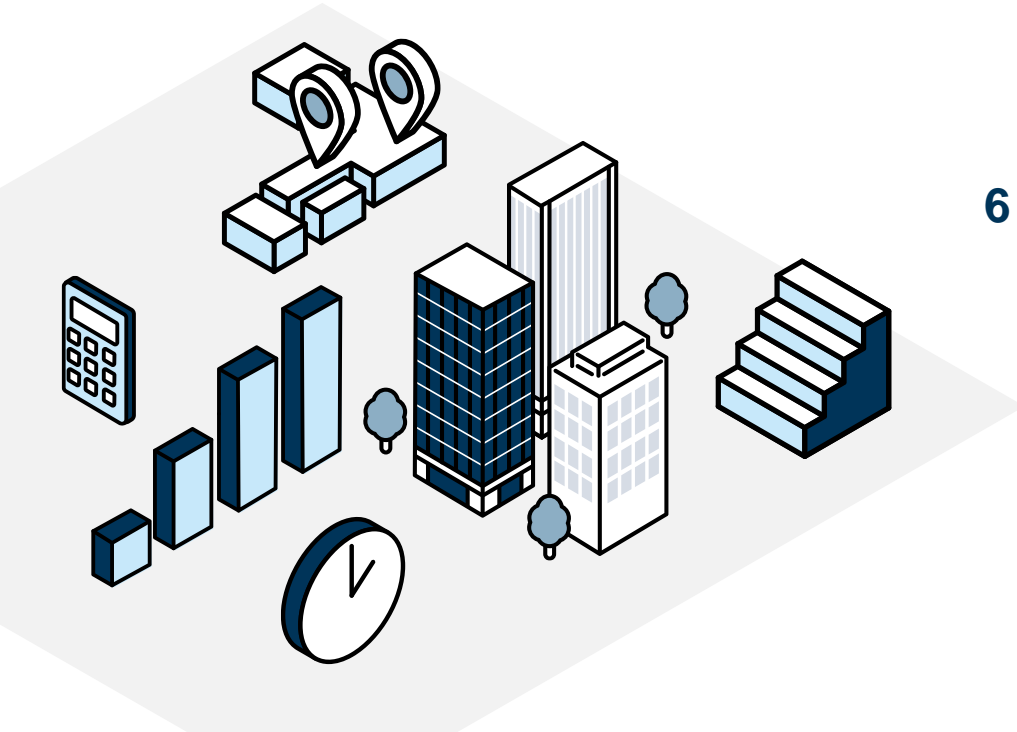


Operating profit



Facility Operation

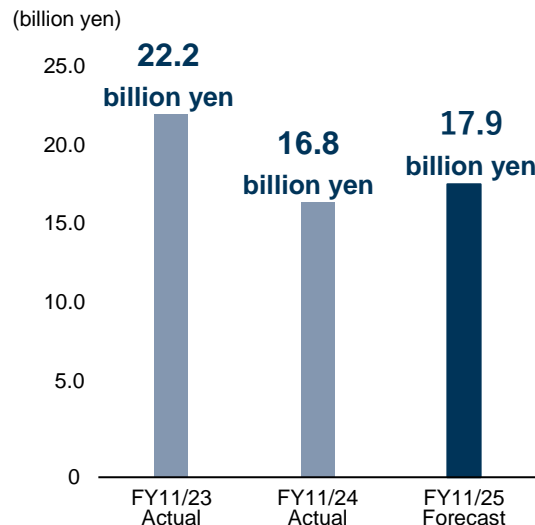
In this business, we operate hotels and other lodging facilities on our own. Currently, we own all facilities under operation.



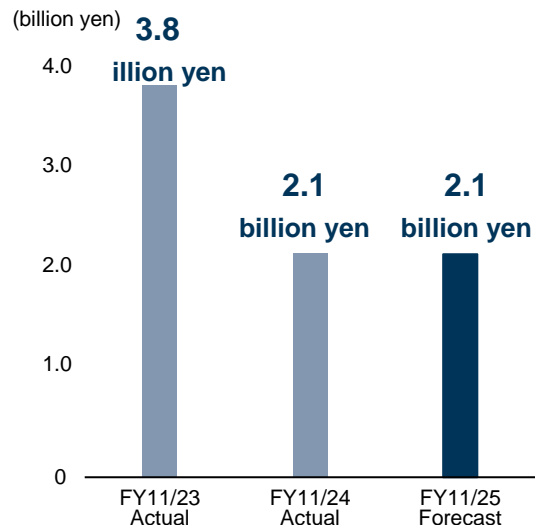
6 — Earnings forecast

- Currently, our performance is heavily dependent on real estate sales; accordingly, results tend to fluctuate significantly with each fiscal year
- During FY11/24, we made careful investment decisions amid significant changes in economic conditions, which included shifts in domestic and international interest rates, inflation rates, and monetary policy. We anticipate these uncertain conditions will persist in FY11/25
- In FY11/25, we will carefully monitor market trends and make prudent decisions regarding the acquisition and sale of real estate. Additionally, we will continue holding high-yield real estate properties for lease, which remain a stable source of our earnings, while ensuring investment decisions take place with optimal timing

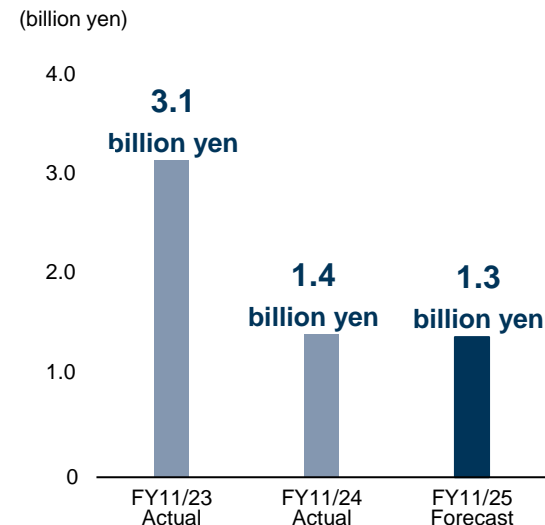
Net sales



Ordinary profit



Profit attributable to owners of parent



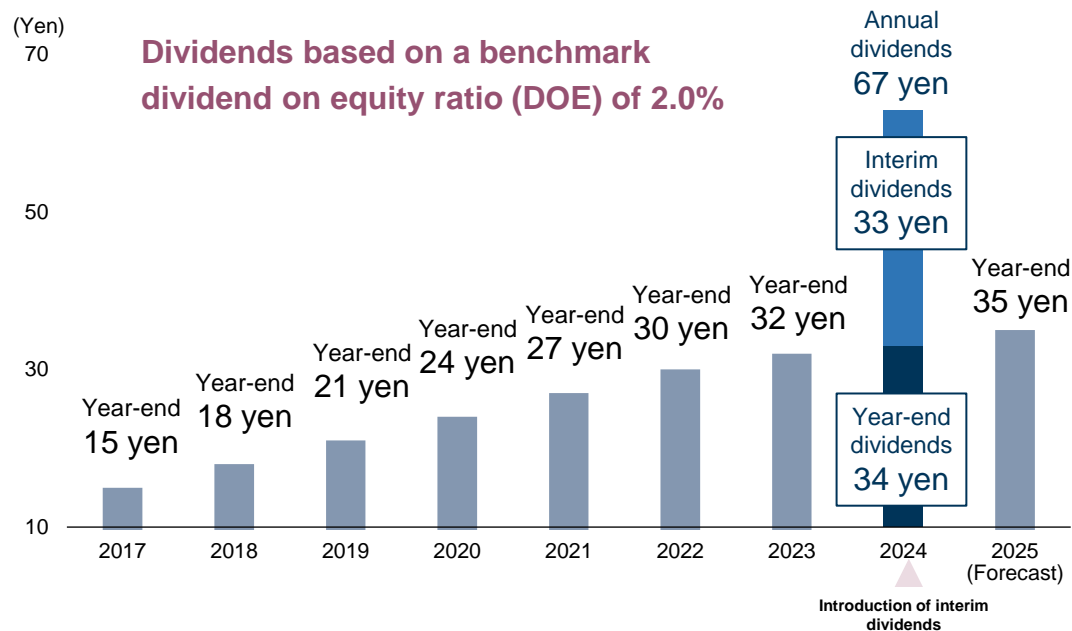


7 — Shareholder returns

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)

Dividend per share



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

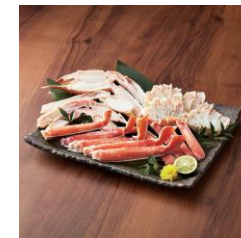
The plan extends shareholder benefit points to shareholders commensurate with the quantity and duration of their holdings. Shareholders can exchange their points for Amazon gift certificates, food products, electrical appliances, and various opportunities for travel and personal experiences through a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

(million yen)	End FY11/22	End FY11/23	End FY11/24	Change
Total current assets	61,666	63,621	58,651	-4,970
Cash and deposits	7,306	7,531	4,817	-2,714
Deposits in trust	921	1,204	1,242	+37
Real estate for sale	46,956	50,184	47,366	-2,818
Real estate for sale in process	3,479	3,268	3,327	+59
Other	3,002	1,431	1,897	+465
Total non-current assets	25,977	26,319	30,490	+4,171
Total assets	87,643	89,940	89,141	-799
Total liabilities	65,997	65,512	64,234	-1,278
Total current liabilities	5,585	8,437	5,747	-2,690
Short-term borrowings	1,156	91	71	-20
Current portion of long-term borrowings	2,339	5,128	3,462	-1,665
Current portion of long-term non-recourse loans payable	119	23	0	-23
Other	1,969	3,194	2,213	-981
Total non-current liabilities	60,411	57,075	58,487	+1,411
Long-term borrowings	50,678	50,252	53,154	+2,901
Long-term non-recourse loans payable	4,940	2,958	1,486	-1,471
Other	4,793	3,864	3,846	-18
Total net assets	21,646	24,427	24,907	+479
Total shareholders' equity	21,469	24,235	24,740	+505
Other	176	192	166	-26
Total liabilities and net assets	87,643	89,940	89,141	-799
Net D/E ratio ¹	2.14	1.93	2.05	+0.12pt

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

Comments

- **Cash and deposits declined in FY11/24 due to tax and interim dividend payments**
- **YoY decline in real estate for sale due to the sale of properties**

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**

Consolidated income statement

	(million yen)	End FY11/22	End FY11/23	End FY11/24	Change
Consolidated income statement (summary)	Net sales	14,284	22,268	16,865	-24.3%
	Gross profit	4,089	6,980	5,104	-26.9%
	Selling, general and administrative expenses	2,273	2,519	2,266	-10.0%
	Operating profit	1,816	4,461	2,838	-36.4%
	Ordinary profit	1,356	3,837	2,193	-42.8%
	Profit attributable to owners of parent	1,180	3,186	1,416	-55.5%
	Gross profit breakdown	Investment Management business	222	115	51
Investment Banking business		3,766	6,698	4,798	-28.4%
Gross profit from sale		1,420	4,006	1,802	-55.0%
Gross profit from leasing		2,312	2,710	3,080	+13.7%
Other		33	(18)	(84)	N/A
Facility Operation business		(46)	157	255	+62.2%
Other business		147	9	0	N/A
Total gross profit		4,089	6,980	5,104	-26.9%
Selling, general and administrative expenses breakdown	Personnel expenses	1,232	1,264	1,064	-5.8%
	Rent	195	173	172	-0.6%
	Commission expenses / remuneration	368	359	310	-13.8%
	Taxes and dues	66	153	49	-67.9%
	Amortization of goodwill	108	115	115	+0%
	Other	302	452	554	+22.6%
	Total selling, general and administrative expenses	2,273	2,519	2,266	-10.0%

Comments

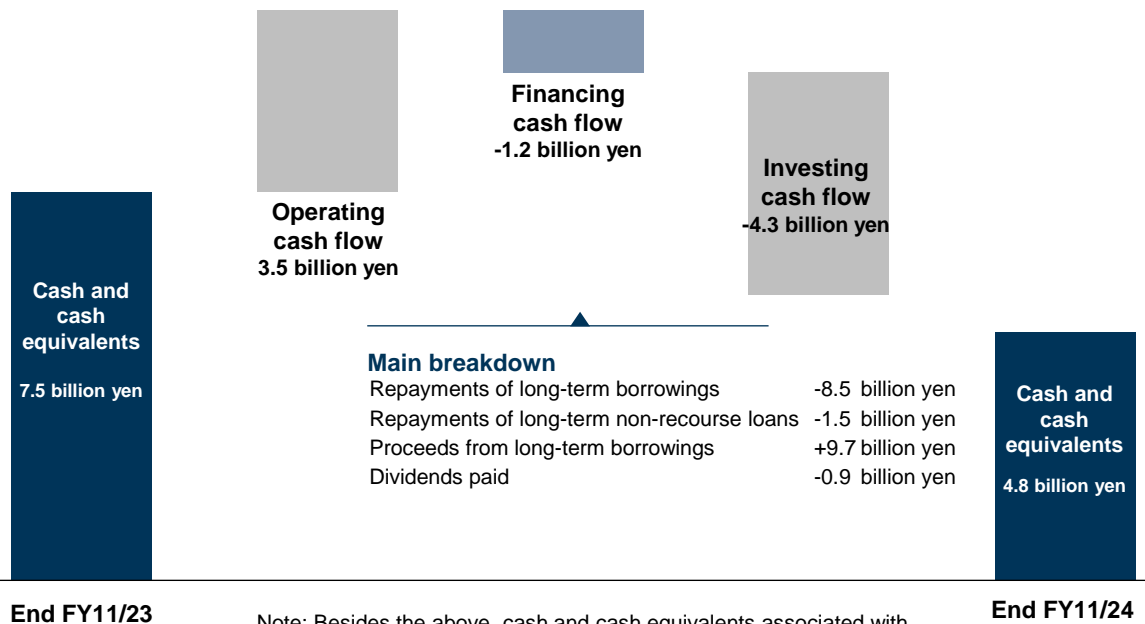
- **Sold properties in FY11/24, realizing unrealized gains**
 - **Lease income steadily increased**
-
- **In the Facility Operation business, we have improved our operations and secured a YoY increase in gross profit**

Main breakdown

Profit before income taxes	+2.1 billion yen
Depreciation	+1.2 billion yen
Decrease in inventories	+2.1 billion yen
Income taxes paid	-1.9 billion yen

Main breakdown

Purchase of property, plant and equipment	-4.8 billion yen
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Note: Besides the above, cash and cash equivalents associated with changes in the scope of consolidation -0.78 billion yen

Comments

- Acquired prime real estate utilizing borrowings
- Cash decrease due to payment of income tax and dividends
- Cash and cash equivalents down 2.7 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 161 (as of November 30, 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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- Forward-looking statements by the Group contained in these materials were based on information available at the time of writing. As these statements come with inherent risks or uncertainties such as changes in the internal or external environment, actual earnings performance may differ from the forward-looking statements contained in these materials.
- Even in the event of new information or future developments, the Group undertakes no obligation to update or revise any information contained in these materials.
- These materials were not prepared for the purpose of soliciting investment. We ask that investors do not rely solely on these materials and instead use their own judgement and discretion when making investment decisions.

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