

Industry-classified analysis report about corporate value Condominium development /sales/real estate agency

Written by J-Phoenix Research, Inc. 2020/10/28.

Analyze based on the scenario of the double market capitalization compared to the present.

In this report, J-Phoenix Research Co., Ltd. (JPR) ranks by ROIC for each specific industry, and shows the prerequisites for the double market capitalization about the top companies below. This time, we are targeting companies with company planned sales of 30 billion yen or more in classified as condominium development / sales / real estate agency in the industry classification by Nikkei at the time of analysis.

Analysis list in this report

code	name	company overview	Last fiscal year	Last term sales	Planned sales for this term	Last term operating income	Company plan operating income	Profit for the previous period	Company plan net income	Market Value	Profit-based PER for the previous period
8850	STARTS CORPORATION	The rental brokerage business and the sales brokerage business will open a real estate business store "Pitot House", manage rental apartments and condominiums, and sell housing.	2020/03	209,091	190,000	23,912	15,500	15,059	10,000	129,164	12.9
8909	Shinoken Group	The main business is the real estate sales business, which proposes investment apartment management for the purpose of "asset building" for office workers.	2019/12	95,787	102,000	9,754	10,500	5,875	7,000	37,981	5.4
8928	Anabuki Kosan	Engaged in real estate related businesses centered on condominium sales such as the "Alpha" series and real estate brokerage in the Chugoku and Shikoku regions.	2020/06	95,379	99,000	5,744	4,500	3,282	2,700	17,996	6.7
3244	Samty	"Comprehensive real estate business". Based on rental income, it plans, develops and sells rental condominiums, manages assets, manages properties, manages properties, and plans, develops, owns and operates business hotels.	2019/11	85,552	95,500	15,395	15,300	9,740	9,100	69,652	7.7
8935	FJNext	Planning, development and sale of urban condominiums mainly for asset management in the Tokyo metropolitan area.	2020/03	84,840	71,000	10,412	7,500	6,732	5,000	33,053	6.6
8881	Nisshin Group HD	A condominium developer business that plans and sells condominiums, rents and manages real estate, etc., based in the Tokyo metropolitan area.	2020/03	82,116	75,000	5,058	4,500	3,949	3,800	18,781	4.9
8892	Escon Japan	Real estate developer business that develops commercial development, hotel development, etc. with the development of condominiums at the core	2019/12	72,106	86,000	12,912	13,300	8,155	8,500	69,160	8.1
8877	ESLEAD CORPORATION	A condominium developer based in Kansai.	2020/03	61,638	64,000	7,948	7,200	5,070	4,050	20,879	5.2
3491	GA technologies	Operates "RENOSY" that matches used real estate with those who wish to purchase it on its website.	2019/10	39,286	61,000	1,193	1,800	510	770	99,945	129.8

(Source) Created by JPR from FactSet, Nikkei Needs data, as of October 20, 2020, all sources are the same

Important message

At the time of analysis(2020/10/20), we analyze following three companies according to ROIC ranking based on each planning companies especially based on the scenario of the double market capitalization compared to the present; the first place is Shinoken Group Co.,Ltd. (policy number : 8909), the second place is GA technologies(3491) and the third place ES-CON JAPAN Ltd. (8892). As a result, we conclude those three companies can realize the scenario of the double market capitalization compared to the present. When ranking by feasibility of the senario, Shinoken Group Co.,Ltd.＞ ES-CON JAPAN Ltd.＞ GA technologies are.

Feasibility of the senario of the double market capitalization

Shinoken Group Co.,Ltd. is the feasiblest companies in the three companies, as a result of Stress Test. Even if profits declined 10% compared to the company's plan in the fiscal year ending December 2020 (then decreased by 10% from the forecast until 2031) and sales decreased by 5% (similarly after that, the shareholder value decreased by 5%), shareholder value is estimated to be more than double the market capitalization.

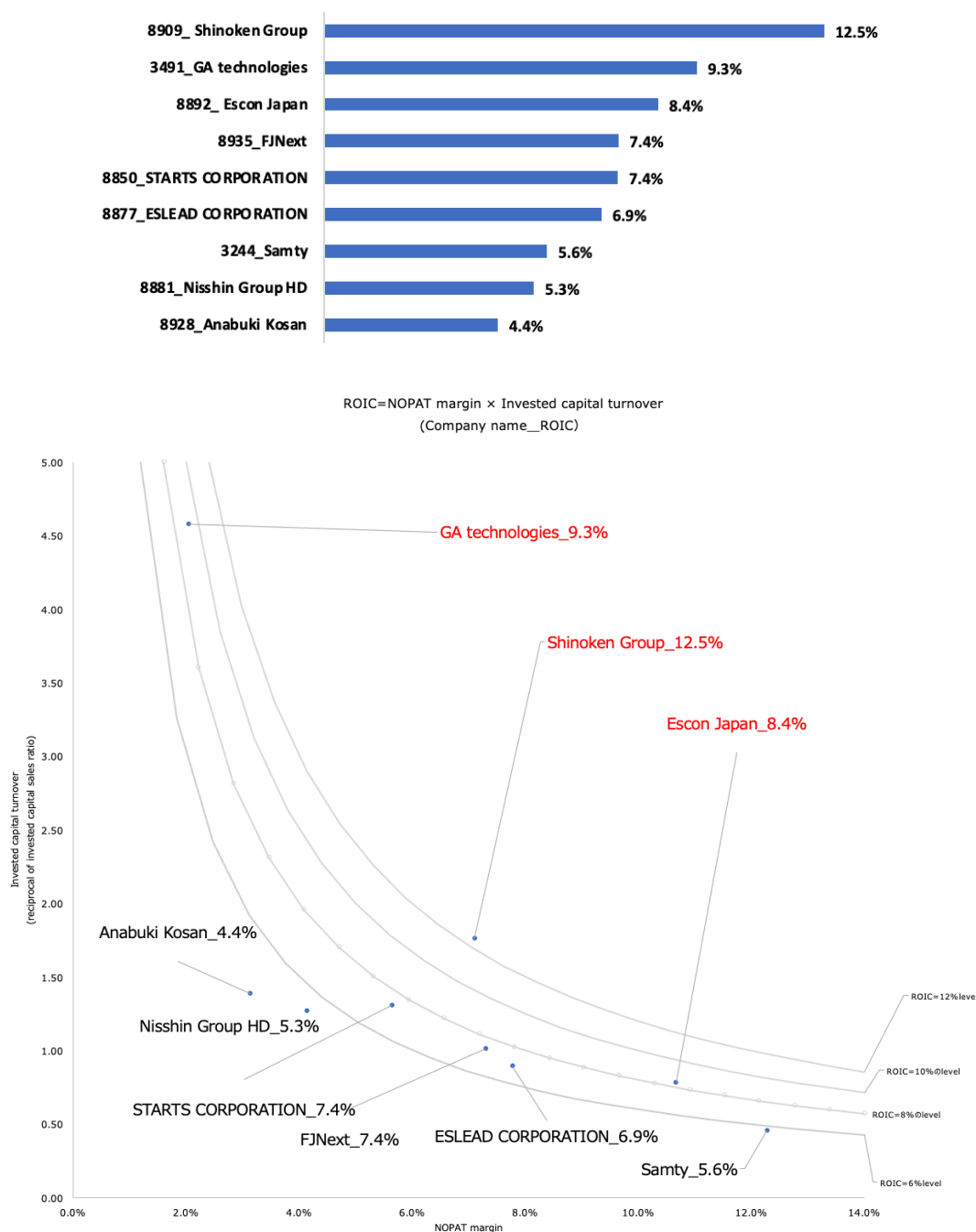
Shinoken Group Co.,Ltd. has a strong image of an "apartment" and seems to be underestimated due to fraudulent issues in the industry. However, when analyzing the latest releases and explanatory materials in recent years, it has a wide range of business structures such as nursing care and energy business. We are also focusing on real estate tech and achieving results overseas (especially Indonesia). When these objective facts are widely recognized by general investors, it can be said that the double scenario is fully feasible.

On the other hand, GA technologies is less feasible than Shinoken Group Co.,Ltd., because it is necessary for GA technologies to continue to significantly improve its business performance. It is also necessary to improve the profit margin. It is possible in view of the current trend, but it is judged that the feasibility is relatively low compared to the Shinoken Group, which will realize a double scenario even if profits decline and realize the double market capitalization. About GA technologies, it seems that the growth value of the current stock price has already been incorporated in considerably. Also, there is a risk that the stock price will drop significantly if expectations fall.

ROIC ranking

Looking at the ROIC rankings, the first place is Shinoken Group Co.,Ltd. (8909), the second place is GA technologies (3491), and the third place is ES-CON JAPAN Ltd. (8892). We analyze the shareholder value on the premise of WACC 5% and make a hypothesis that the scenario of doubling the market capitalization at the time of analysis.

ROIC (Invested capital is analyzed based at the end of the most recent quarter, and operating income after tax is analyzed based on this term's plan)



(Source) Created by JPR from FactSet, Nikkei Needs data, as of October 20, 2020, all sources are the same.

Copyright © J-Phoenix Research, Inc. All rights reserved

Shareholder value of the top three ROIC companies

8909: Shareholder of Shinoken Group Co.,Ltd.

Analyze the scenario of double market capitalization

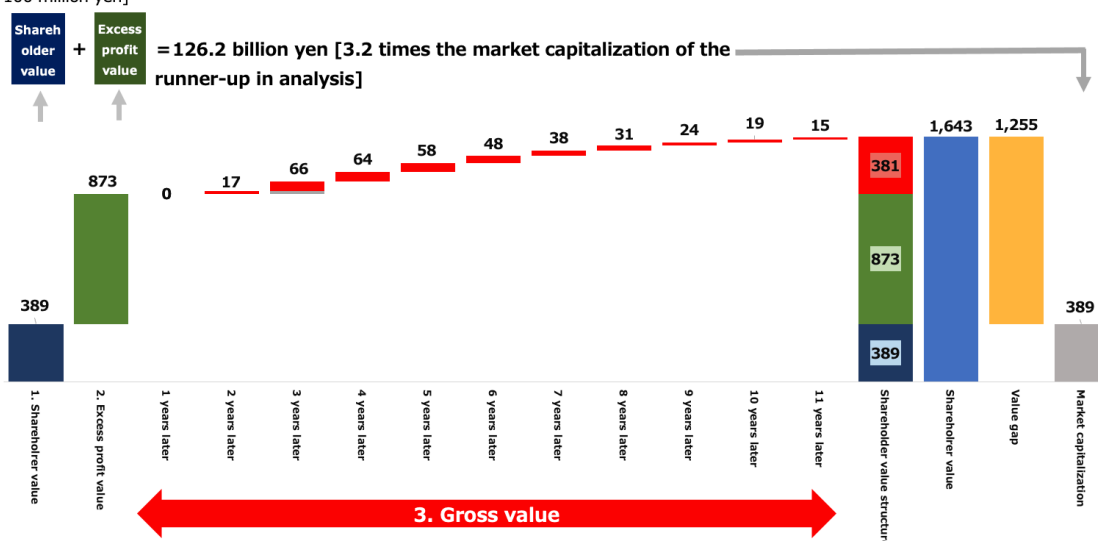
Simulation based on Company-planned value: assumption of WACC 5%

Even if it does not grow after the fiscal year ending December 2021, the shareholder value is estimated to be 3.2 times, and the double scenario will have been achieved.

Despite being the top ROIC in the industry, Shinoken Group Co.,Ltd. (8909) 's PBR is less than 1 times, which means cheap stocks. The reason for this is that sales in FY12/2019 were -14% YoY. It is evaluated low by investors, and it is estimated that the excess profit value of 87.3 billion yen + the book value of shareholders' equity of 38.9 billion yen (=shareholder value is zero growth) is 126.2 billion yen, but the market capitalization is less than 40 billion yen.

Based on Company-planned value: Current shareholder value VS Market capitalization analysis

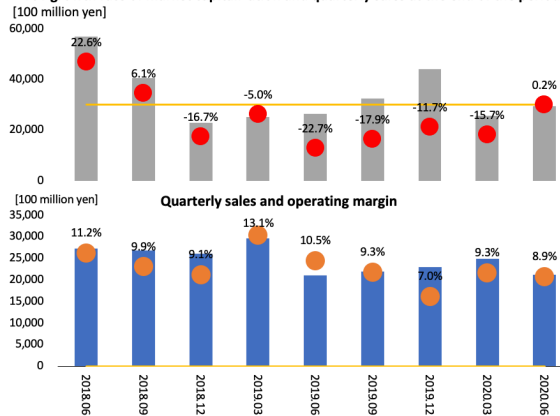
[Unit: 100 million yen]



year	JPR forecast 1 year later 2021.12	JPR forecast 2 year later 2022.12	JPR forecast 3 year later 2023.12	JPR forecast 4 year later 2024.12	JPR forecast 11 year later 2031.12
Sales	1,020	1,230	1,338	1,444	1,901
Y-o-Y growth rate	0.0%	20.6%	8.8%	7.9%	1.9%
Operation profit	105.0	115.0	125.0	135.0	177.8
Operating profit margin	10.3%	9.3%	9.3%	9.3%	9.3%
NOPAT	72.6	79.5	86.4	93.3	122.9
NOPAT margin	7.1%	6.5%	6.5%	6.5%	6.5%
Invested capital / sales	56.8%	56.8%	56.8%	56.8%	56.8%
ROIC	12.5%	11.4%	11.4%	11.4%	11.4%
Effective tax rate	30.9%	30.9%	30.9%	30.9%	30.9%
WACC	5.0%	5.0%	5.0%	5.0%	5.0%

	2016.12	2017.12	2018.12	2019.12	2020.12
Sales	813	1,059	1,114	958	1,020
Growth rate	47.6%	30.3%	5.1%	-14.0%	6.5%
Operation profit	105.7	129.2	118.4	97.5	105.0
Operating profit margin	13.0%	12.2%	10.6%	10.2%	10.3%
NOPAT margin	9.0%	8.4%	7.4%	7.1%	7.1%
Invested capital / sales	51.2%	53.6%	59.0%	77.0%	56.8%
ROIC	17.6%	15.7%	12.5%	9.2%	12.5%

YoY growth rate of market capitalization and quarterly sales at the end of the period



[Created using FactSet, Nikkei Needs, company disclosure materials, etc., as of October 20, 2020]

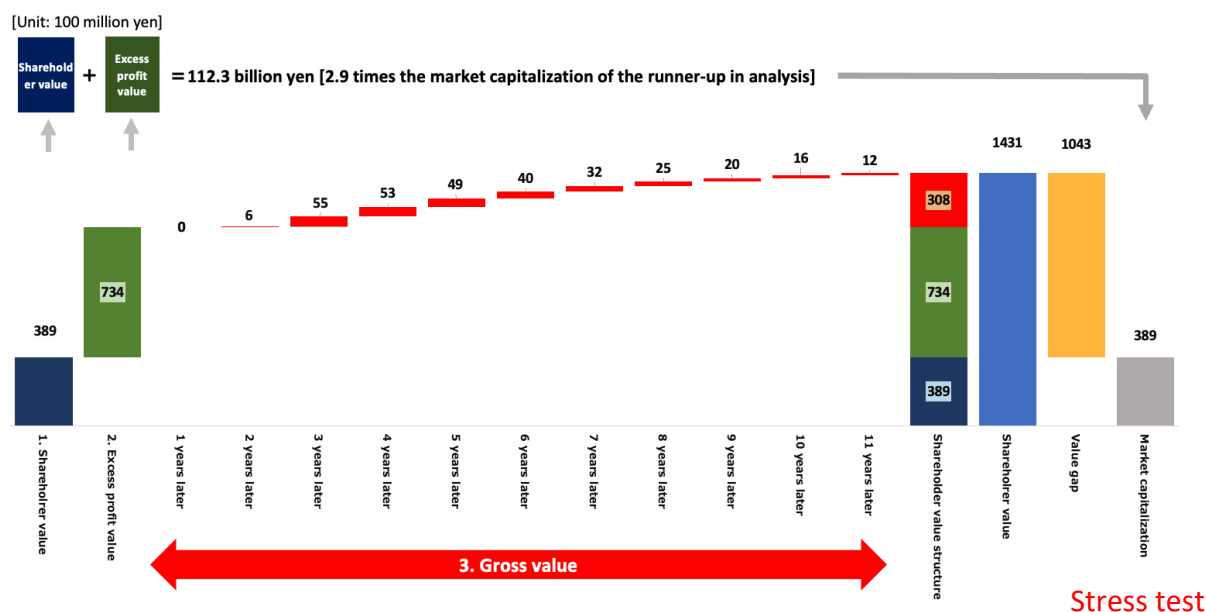
Copyright © J-Phoenix Research, Inc. All rights reserved

Stress test: Operating income decreased by 10% from the company plan, and then it decreased by 10% decreased (WACC 5%)

Shareholders' equity + excess profit value is estimated to be 2.9 times the market capitalization. Achieved double scenario even in stress test

Based on the assumptions on the previous page (company forecasts up to 11 years after 2031), we conducted a stress test assuming that operating income would decrease by 10% and sales would decrease by 5% until 2031. Even so, the sum of excess profit value + book value of shareholders' equity is 112.3 billion yen, which is 2.9 times the market capitalization at the time of analysis. Even if the company plan falls by 10%, it can be said that double the market capitalization is theoretically feasible. (the simulation analysis of "shareholder value = market capitalization double scenario" is omitted.)

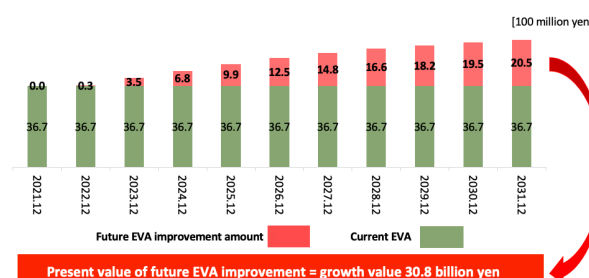
Stress test : Current shareholder value VS Market capitalization analysis



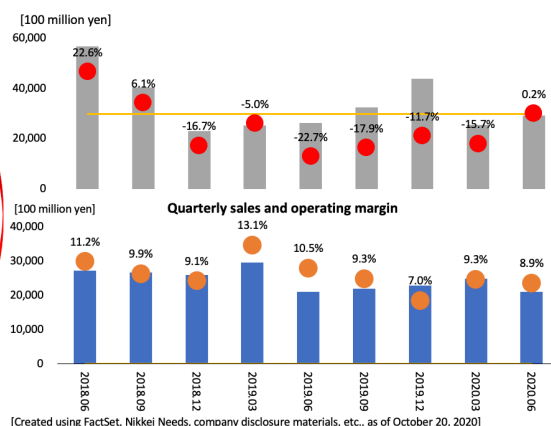
	JPR forecast 1 year later	JPR forecast 2 year later	JPR forecast 3 year later	JPR forecast 4 year later	JPR forecast 11 year later
year	2021.12	2022.12	2023.12	2024.12	2031.12
Sales	969	1,169	1,271	1,372	1,806
Y-o-Y growth rate	0.0%	20.6%	8.8%	7.9%	1.9%
Operation profit	94.5	103.5	112.5	121.5	160.0
Operating profit margin	9.8%	8.9%	8.9%	8.9%	8.9%
NOPAT	65.3	71.6	77.8	84.0	110.6
NOPAT margin	6.7%	6.1%	6.1%	6.1%	6.1%
Invested capital / sales	59.1%	59.1%	59.1%	59.1%	59.1%
ROIC	11.4%	10.4%	10.4%	10.4%	10.4%
Effective tax rate	30.9%	30.9%	30.9%	30.9%	30.9%
WACC	5.0%	5.0%	5.0%	5.0%	5.0%

	2016.12	2017.12	2018.12	2019.12	2020.12
Sales	813	1,059	1,114	958	969
Growth rate	47.6%	30.3%	5.1%	-14.0%	1.2%
Operation profit	105.7	129.2	118.4	97.5	94.5
Operating profit margin	13.0%	12.2%	10.6%	10.2%	9.8%
NOPAT margin	9.0%	8.4%	7.4%	7.1%	6.7%
Invested capital / sales	51.2%	53.6%	59.0%	77.0%	59.1%
ROIC	17.6%	15.7%	12.5%	9.2%	11.4%

YoY growth rate of market capitalization and quarterly sales at the end of the period



The growth rate beyond the above period will decrease by 20%, and the growth value is estimated on the assumption that the growth will be zero in 2028.



[Created using FactSet, Nikkei Needs, company disclosure materials, etc., as of October 20, 2020]

3491: Shareholder of GA technologies

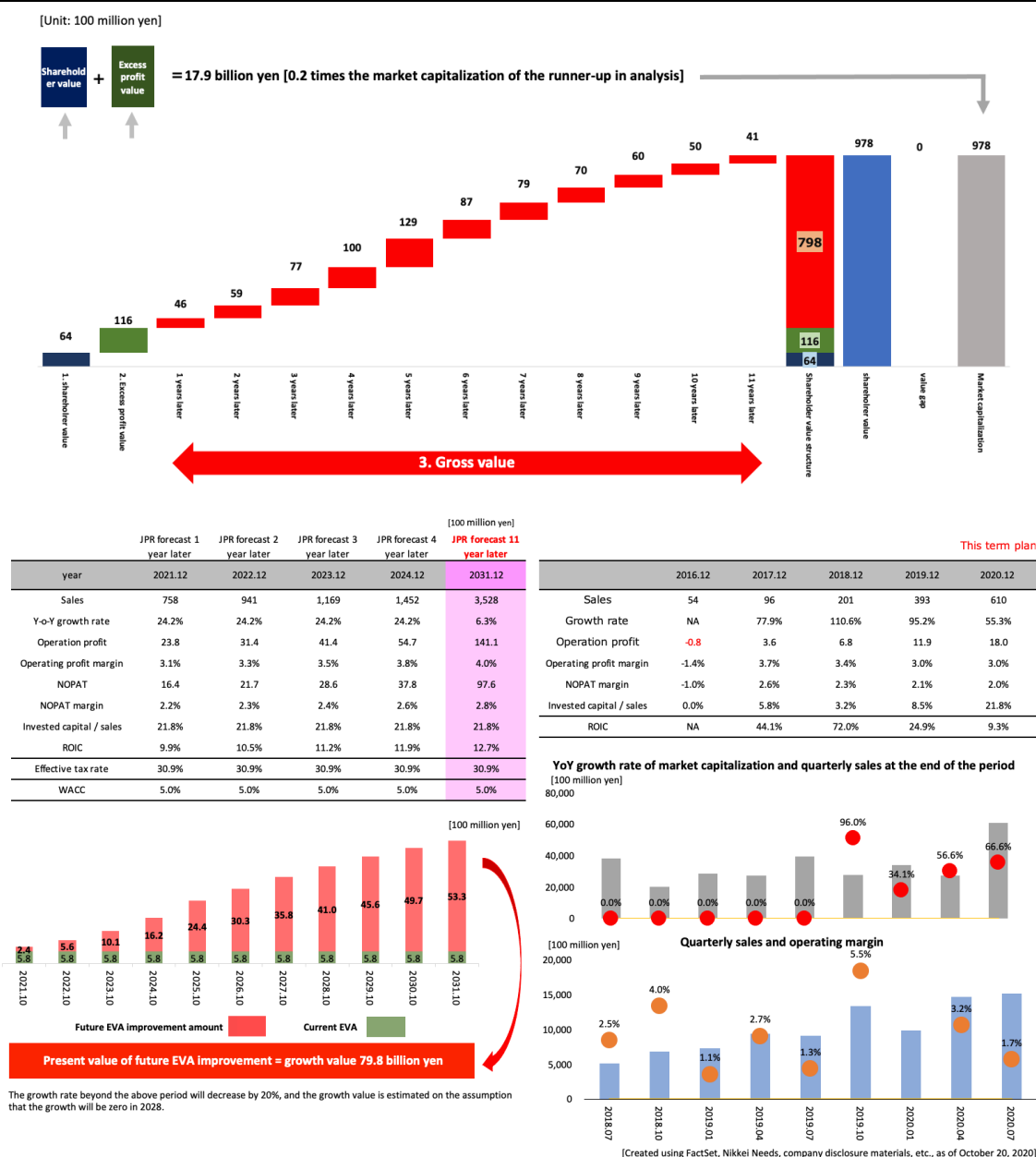
Analyze the scenario of double market capitalization

Simulation based on Company-planned value: assumption of WACC 5%

The total of shareholders' equity + excess profit value is 20 billion, but high growth is evaluated, and the growth value becomes 80 billion yen.

GA technologies(3491) has a total of shareholders' equity + excess profit value of less than 20 billion yen, but its potential growth value is close to 80 billion yen, and it is also estimated, and the market capitalization became 97.8 billion yen. Before analyzing the scenario of shareholder value = double market capitalization, we explain estimated the financial assumptions. It is assumed that the market capitalization of 97.8 billion yen will be explained by maintaining sales growth of 24% year-on-year for 5 years, and improving the operating profit margin from the current 3.0% to nearly 4% by the fiscal year ending October 2024. However, there is a potential risk that the growth value will drop significantly if doubts arise in the growth scenario.

Based on Company-planned value: : Current shareholder value VS Market capitalization analysis



Scenario of shareholder value = double market capitalization

If it maintains sales growth of 30% year-on-year for 5 years and improve the operating profit margin to 5% in 5 years, we can see a scenario where shareholder value = market capitalization is doubled. The scenario is within the realm of possibility in view of the past achievements.

■ Scenario of shareholder value = double market capitalization

3491:GA technologies

result

item		Prerequisites
Sales [100 million yen]	610	Based on the FY October 2020 (company plan value)
Operating profit [100 million yen]	18	Based on the FY ending October 2020 (company plan value)
Operating profit margin	3%	Based on the fiscal year ending October 2020 (company plan value)
Sales growth rate for 3 years	74.1%	Operating profit margin for the current fiscal year October 2020 sales (actual) to October 2020 sales (company plan)
Stock price [yen]	9,980	October 20, 2020 closing price base
Market capitalization [100 million yen]	978	October 20, 2020 closing price base

Simulation results / estimates

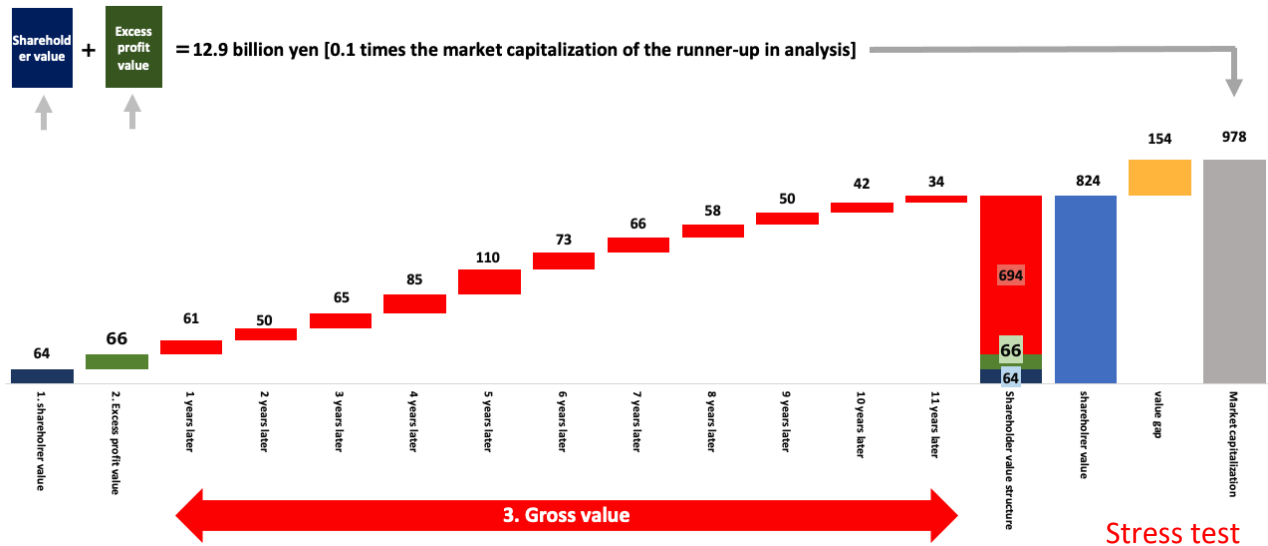
Estimated time axis	Annual sales growth rate for the period from October 2020 (planned value) to October 2025	Estimated target	Operating income margin for the fiscal year ending October 2025				
			3.0%	4.0%	5.0%	6.0%	7.0%
End of October 2025	30.0%	Sales [100 million yen]	2,264.9	2,264.9	2,264.9	2,264.9	2,264.9
	20.0%		1,517.9	1,517.9	1,517.9	1,517.9	1,517.9
	10.0%		982.4	982.4	982.4	982.4	982.4
	2.0%		637.5	637.5	637.5	637.5	637.5
	30.0%	Operating profit [100 million yen]	67.9	90.6	113.2	135.9	158.5
	20.0%		45.5	60.7	75.9	91.1	106.3
	10.0%		29.5	39.3	49.1	58.9	68.8
	2.0%		20.2	26.9	33.7	40.4	47.1
	30.0%	Operating income increase rate [Compared to the planned value for this term, double]	3.8	5.0	6.3	7.5	8.8
	20.0%		2.5	3.4	4.2	5.1	5.9
	10.0%		1.6	2.2	2.7	3.3	3.8
	2.0%		1.1	1.5	1.9	2.2	2.6
Assumption that the simulation result is woven into the stock price at this time	30.0%	Market capitalization [100 million yen]	835	1,361	1,886	2,410	2,933
	20.0%		485	767	1,048	1,328	1,608
	10.0%		289	435	580	724	868
	2.0%		199	283	366	448	531
	30.0%	Stock price [yen]	8,520	13,889	19,245	24,593	29,933
	20.0%		4,950	7,828	10,695	13,555	16,410
	10.0%		2,950	4,437	5,917	7,391	8,861
	2.0%		2,031	2,885	3,733	4,576	5,415
	30.0%	Stock price increase rate [Assumed closing price ratio, double]	0.85	1.39	1.93	2.46	3.00
	20.0%		0.50	0.78	1.07	1.36	1.64
	10.0%		0.30	0.44	0.59	0.74	0.89
	2.0%		0.20	0.29	0.37	0.46	0.54

Stress test: Operating income decreased by 10% from the company plan, and then it decreased by 10% decreased (WACC 5%)

We conducted a stress test in which operating income decreased by 10% and sales decreased by 5% compared to the assumptions on the previous page. As a result, the shareholder value will be 82.4 billion yen, which is 15% lower than the current market capitalization.

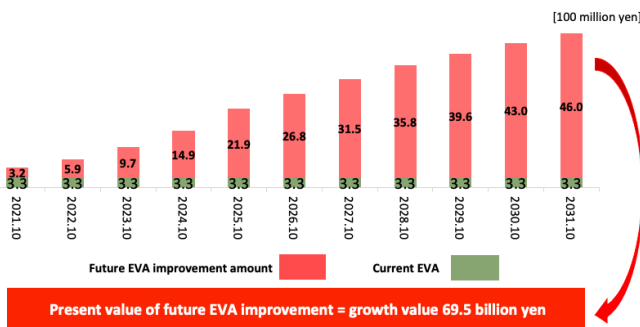
Stress test ; Current shareholder value VS Market capitalization analysis

[Unit: 100 million yen]

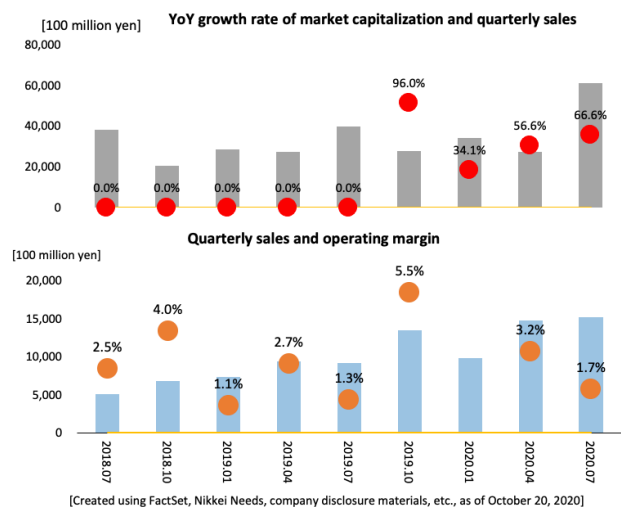


	JPR forecast 1 year later	JPR forecast 2 year later	JPR forecast 3 year later	JPR forecast 4 year later	JPR forecast 11 year later
year	2021.12	2022.12	2023.12	2024.12	2031.12
Sales	720	894	1,111	1,380	3,352
Y-o-Y growth rate	24.2%	24.2%	24.2%	24.2%	6.3%
Operation profit	21.4	28.2	37.3	49.2	127.0
Operating profit margin	3.0%	3.2%	3.4%	3.6%	3.8%
NOPAT	14.8	19.5	25.8	34.0	87.8
NOPAT margin	2.1%	2.2%	2.3%	2.5%	2.6%
Invested capital / sales	23.0%	23.0%	23.0%	23.0%	23.0%
ROIC	8.9%	9.5%	10.1%	10.7%	11.4%
Effective tax rate	30.9%	30.9%	30.9%	30.9%	30.9%
WACC	5.0%	5.0%	5.0%	5.0%	5.0%

	2016.12	2017.12	2018.12	2019.12	2020.12
Sales	54	96	201	393	610
Growth rate	NA	77.9%	110.6%	95.2%	55.3%
Operation profit	-0.8	3.6	6.8	11.9	14.4
Operating profit margin	-1.4%	3.7%	3.4%	3.0%	2.5%
NOPAT margin	-1.0%	2.6%	2.3%	2.1%	1.7%
Invested capital / sales	0.0%	5.8%	3.2%	8.5%	23.0%
ROIC	NA	44.1%	72.0%	24.9%	7.5%



The growth rate beyond the above period will decrease by 20%, and the growth value is estimated on the assumption that the growth will be zero in 2028.



8892: Shareholder of ES-CON JAPAN Ltd.

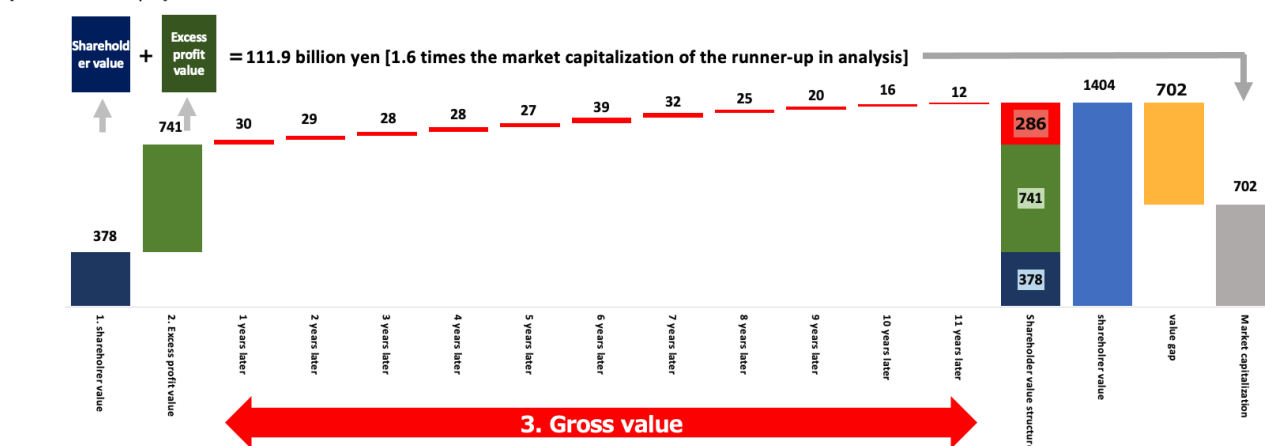
Analyze the scenario of double market capitalization

Simulation based on Company-planned value: assumption of WACC 5%

ES-CON JAPAN Ltd. has a PBR more than 1, but its market capitalization is less than the total of shareholders' equity + excess profit value of 111.9 billion yen. Therefore, we estimated that in the next five years or so, the sales growth rate will be around 7%, and the operating profit margin will gradually decline to the 14% level. Considering that sales growth is currently improving more than 20% and the operating income margin has been 14% for the fourth consecutive year, the scenario of shareholder value = double market capitalization is sufficiently realistic.

Based on Company-planned value: Current shareholder value VS Market capitalization analysis

[Unit: 100 million yen]



	JPR forecast 1 year later	JPR forecast 2 year later	JPR forecast 3 year later	JPR forecast 4 year later	JPR forecast 11 year later	This term plan
year	2021.12	2022.12	2023.12	2024.12	2031.12	
Sales	922	989	1,061	1,137	1,504	
Y-o-Y growth rate	7.2%	7.2%	7.2%	7.2%	1.9%	
Operation profit	141.0	149.5	158.5	168.0	219.6	
Operating profit margin	15.3%	15.1%	14.9%	14.8%	14.6%	
NOPAT	97.5	103.3	109.6	116.1	151.8	
NOPAT margin	10.6%	10.4%	10.3%	10.2%	10.1%	
Invested capital / sales	127.7%	127.7%	127.7%	127.7%	127.7%	
ROIC	8.3%	8.2%	8.1%	8.0%	7.9%	
Effective tax rate	30.9%	30.9%	30.9%	30.9%	30.9%	
WACC	5.0%	5.0%	5.0%	5.0%	5.0%	

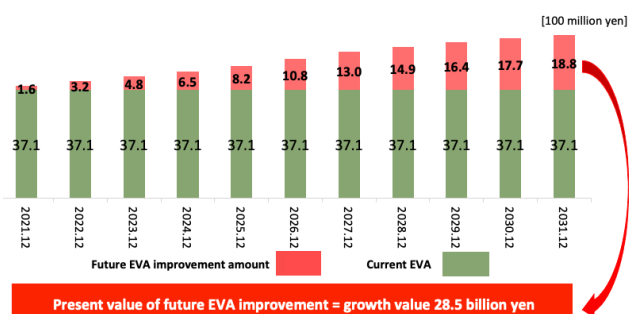
[100 million yen]

	2016.12	2017.12	2018.12	2019.12	2020.12
Sales	343	447	543	721	860
Growth rate	24.0%	30.2%	21.5%	32.7%	19.3%
Operation profit	46.8	70.4	115.6	129.1	133.0
Operating profit margin	13.6%	15.7%	21.3%	17.9%	15.5%
NOPAT margin	9.4%	10.9%	14.7%	12.4%	10.7%
Invested capital / sales	155.3%	154.0%	135.2%	124.4%	127.7%
ROIC	6.1%	7.1%	10.9%	10.0%	8.4%

YoY growth rate of market capitalization and quarterly sales at the end of the period

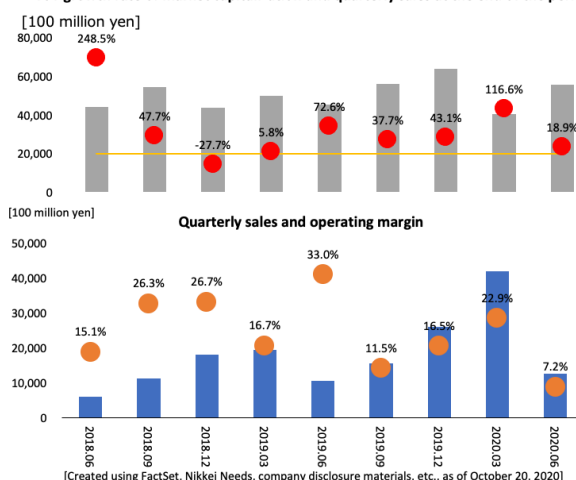
[100 million yen]

80,000 248.5%



The growth rate beyond the above period will decrease by 20%, and the growth value is estimated on the assumption that the growth will be zero in 2028.

YoY growth rate of market capitalization and quarterly sales at the end of the period



Scenario of shareholder value = double market capitalization

8892:ES-CON JAPAN

result

item		Prerequisites
Sales [100 million yen]	860	Based on the FY December 2020 (company plan value)
Operating profit [100 million yen]	133	Based on the FY ending December 2020 (company plan value)
Operating profit margin	15.3%	Based on the fiscal year ending December 2020 (company plan value)
Sales growth rate for 3 years	25.8%	Operating profit margin for the current fiscal year December 2020 sales (actual) to December 2020 sales (company plan)
Stock price [yen]	976	December 20, 2020 closing price base
Market capitalization [100 million yen]	702	December 20, 2020 closing price base

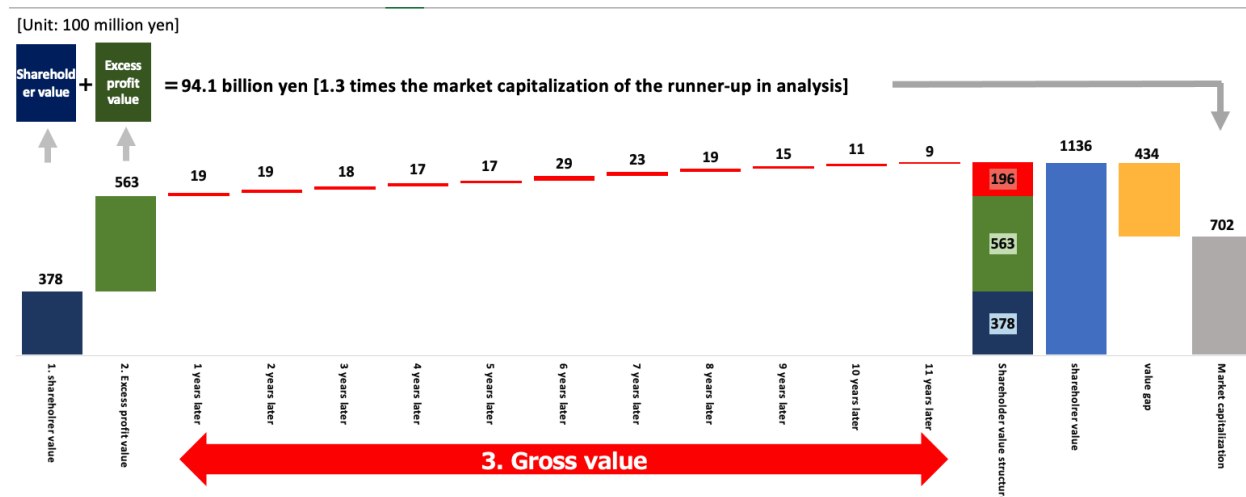
Simulation results / estimates

Estimated time axis	Annual sales growth rate for the period from October 2020 (planned value) to October 2025	Estimated target	Operating income margin for the fiscal year ending October 2025				
			12.0%	14.0%	16.0%	18.0%	20.0%
End of October 2025	30.0%	Sales [100 million yen]	3,193.1	3,193.1	3,193.1	3,193.1	3,193.1
	20.0%		2,140.0	2,140.0	2,140.0	2,140.0	2,140.0
	10.0%		1,385.0	1,385.0	1,385.0	1,385.0	1,385.0
	2.0%		949.5	949.5	949.5	949.5	949.5
	30.0%	Operating profit [100 million yen]	383.2	447.0	510.9	574.8	638.6
	20.0%		256.8	299.6	342.4	385.2	428.0
	10.0%		166.2	193.9	221.6	249.3	277.0
	2.0%		113.9	132.9	151.9	170.9	189.9
	30.0%	Sales [Compared to the planned value for this term, double]	3.7	3.7	3.7	3.7	3.7
	20.0%		2.5	2.5	2.5	2.5	2.5
	10.0%		1.6	1.6	1.6	1.6	1.6
	2.0%		1.1	1.1	1.1	1.1	1.1
	30.0%	Operating income increase rate [Compared to the planned value for this term, double]	2.9	3.4	3.8	4.3	4.8
	20.0%		1.9	2.3	2.6	2.9	3.2
	10.0%		1.2	1.5	1.7	1.9	2.1
	2.0%		0.9	1.0	1.1	1.3	1.4
Assumption that the simulation result is woven into the stock price at this time	30.0%	Market capitalization [100 million yen]	2,576	4,065	5,552	7,036	8,519
	20.0%		1,606	2,406	3,203	3,999	4,793
	10.0%		1,060	1,474	1,887	2,299	2,710
	2.0%		807	1,045	1,283	1,520	1,755
	30.0%	Stock price [yen]	3,581	5,651	7,717	9,780	11,841
	20.0%		2,233	3,344	4,452	5,559	6,663
	10.0%		1,473	2,049	2,623	3,195	3,766
	2.0%		1,121	1,453	1,783	2,112	2,440
	30.0%	Stock price increase rate [Assumed closing price ratio, double]	3.67	5.79	7.91	10.02	12.13
	20.0%		2.29	3.43	4.56	5.70	6.83
	10.0%		1.51	2.10	2.69	3.27	3.86
	2.0%		1.15	1.49	1.83	2.16	2.50

Stress test: Operating income decreased by 10% from the company plan, and then it decreased by 10% decreased (WACC 5%)

We conducted a stress test that operating profit decreased by 10% and sales decreased by 5% compared to the assumption of P8. As a result, the shareholder value was estimated to be 113.6 billion yen, and 1.6 times the market capitalization. It can be said that there is sufficient upside even if there is a stress test.

Stress test : Current shareholder value VS Market capitalization analysis



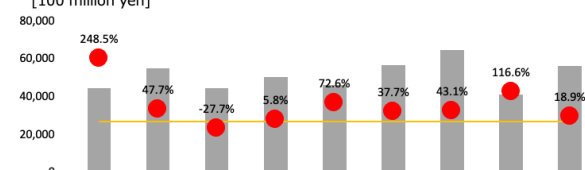
Stress test

This term plan

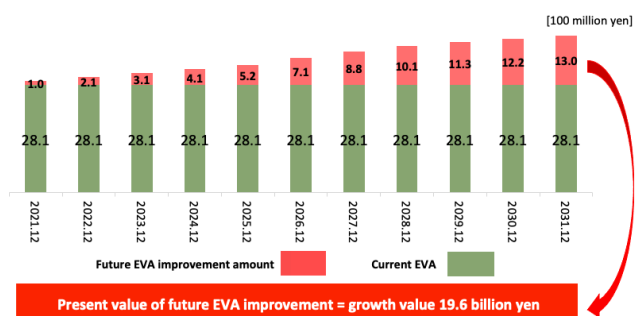
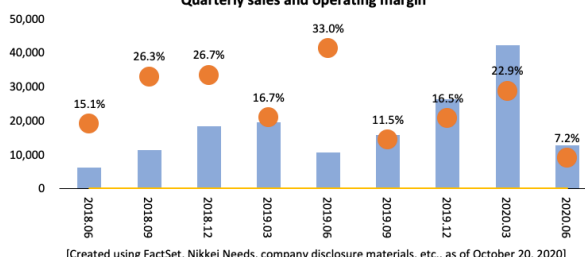
	JPR forecast 1 year later	JPR forecast 2 year later	JPR forecast 3 year later	JPR forecast 4 year later	JPR forecast 11 year later
year	2021.12	2022.12	2023.12	2024.12	2031.12
Sales	876	940	1,008	1,081	1,429
Y-o-Y growth rate	7.2%	7.2%	7.2%	7.2%	1.9%
Operation profit	126.9	134.5	142.6	151.2	197.6
Operating profit margin	14.5%	14.3%	14.2%	14.0%	13.8%
NOPAT	87.7	93.0	98.6	104.5	136.6
NOPAT margin	10.0%	9.9%	9.8%	9.7%	9.6%
Invested capital / sales	133.7%	133.7%	133.7%	133.7%	133.7%
ROIC	7.5%	7.4%	7.3%	7.2%	7.2%
Effective tax rate	30.9%	30.9%	30.9%	30.9%	30.9%
WACC	5.0%	5.0%	5.0%	5.0%	5.0%

	2016.12	2017.12	2018.12	2019.12	2020.12
Sales	343	447	543	721	817
Growth rate	24.0%	30.2%	21.5%	32.7%	13.3%
Operation profit	46.8	70.4	115.6	129.1	119.7
Operating profit margin	13.6%	15.7%	21.3%	17.9%	14.7%
NOPAT margin	9.4%	10.9%	14.7%	12.4%	10.1%
Invested capital / sales	155.3%	154.0%	135.2%	124.4%	133.7%
ROIC	6.1%	7.1%	10.9%	10.0%	7.6%

YoY growth rate of market capitalization and quarterly sales at the end of the period
[100 million yen]



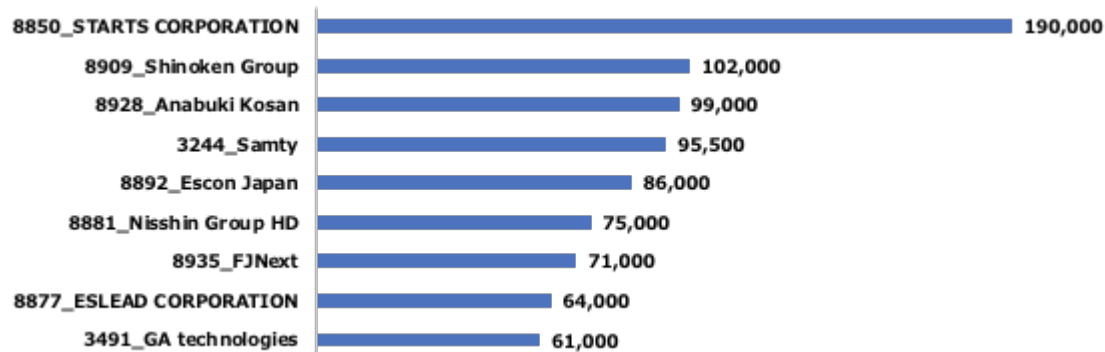
Quarterly sales and operating margin



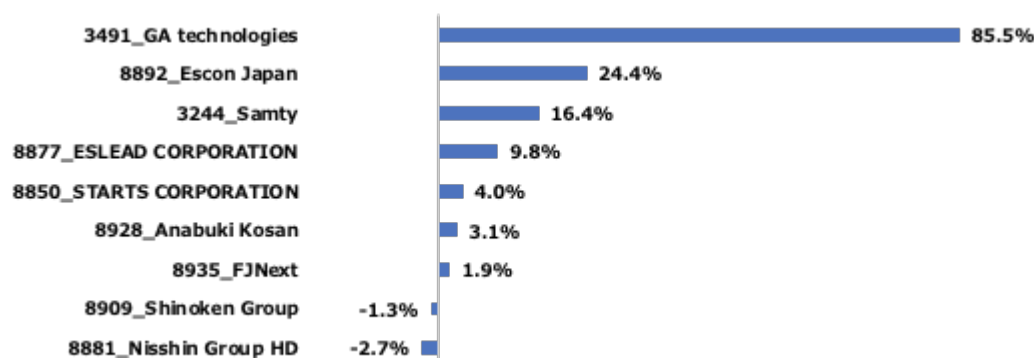
The growth rate beyond the above period will decrease by 20%, and the growth value is estimated on the assumption that the growth will be zero in 2028.

Shareholder value index ranking

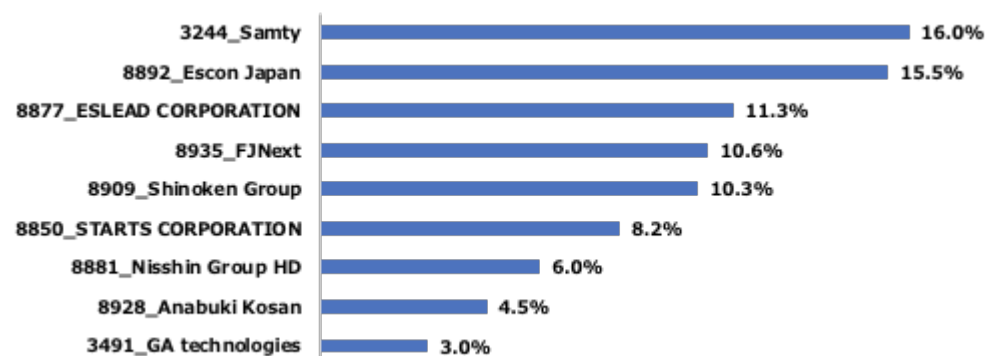
Company plan / sales for this term(million yen)



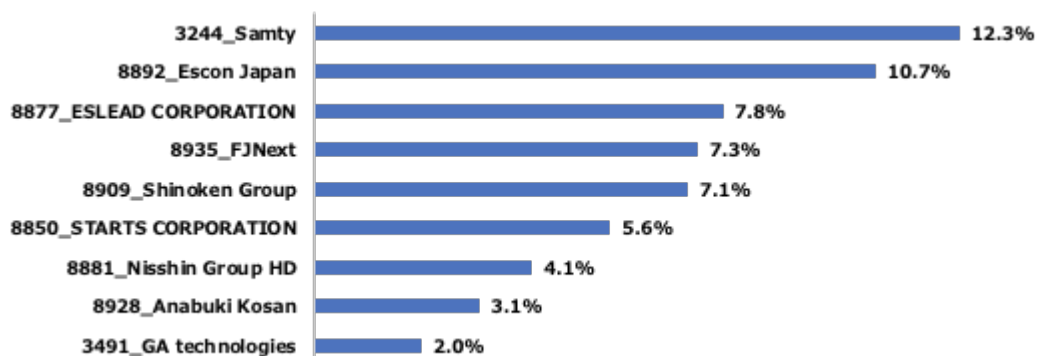
Sales growth rate (2nd term before to this term, annualized)



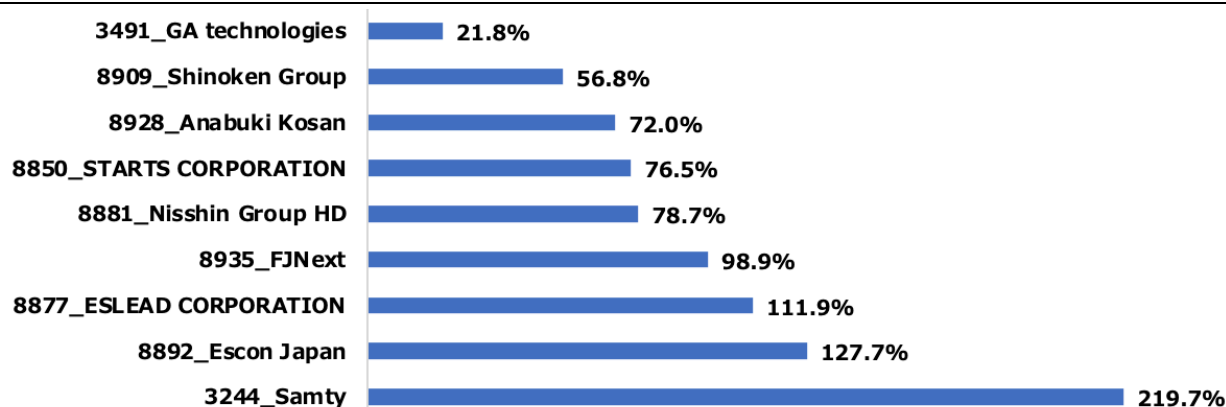
Operating income margin (company plan for this term)



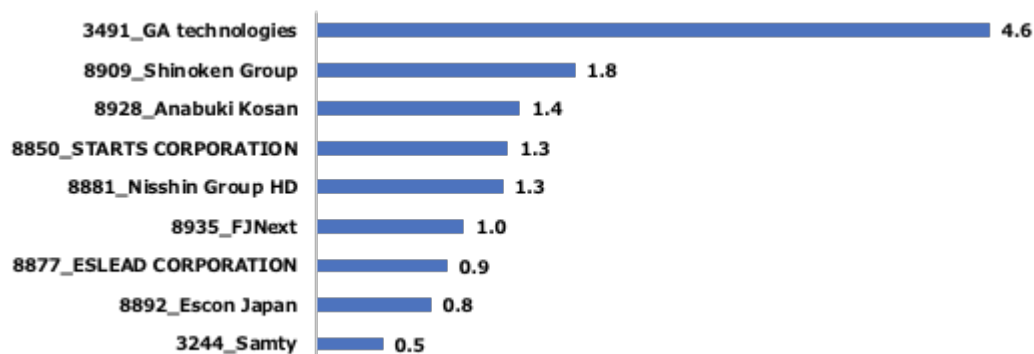
After-tax operating income margin (company plan for the current term)



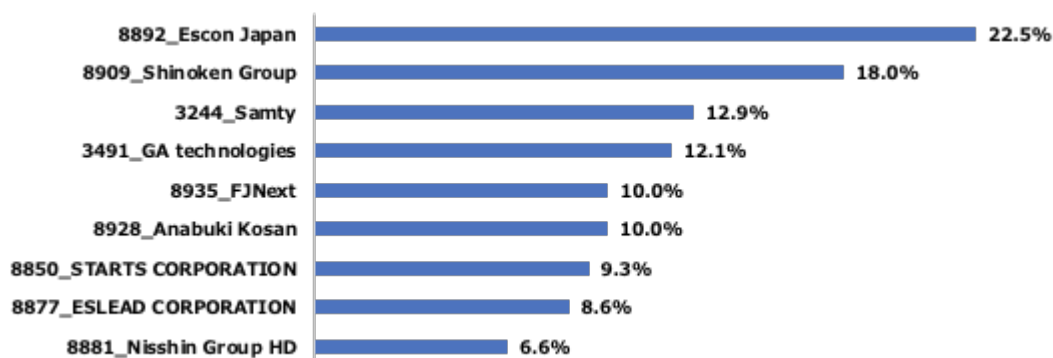
Invested capital to sales ratio (Invested capital is at the end of the last quarter, sales are based on the planned value for this term)



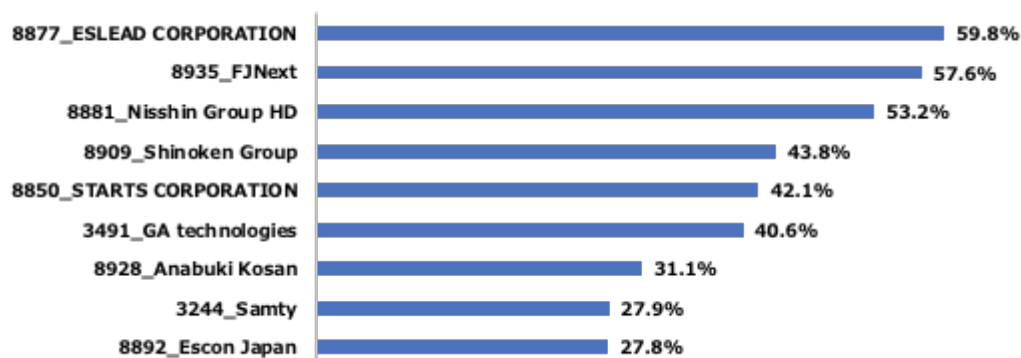
Invested capital turnover period (Invested capital at the end of the most recent quarter, sales based on this term's plan)



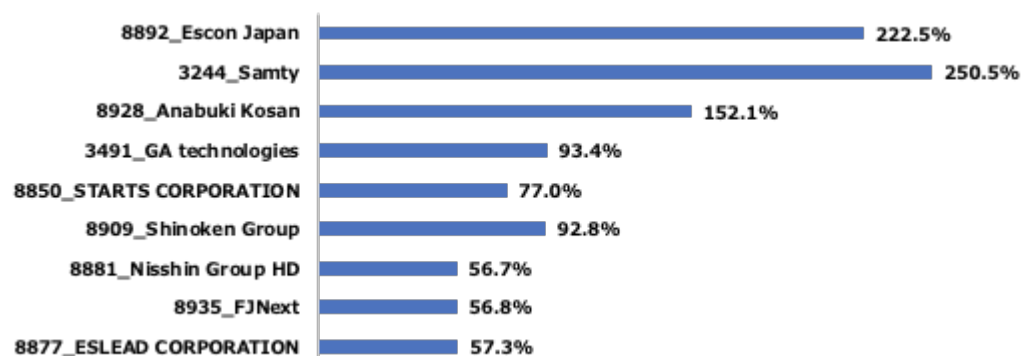
- ROE (Invested capital is analyzed based at the end of the most recent quarter, and operating income after tax is analyzed based on this term's plan)



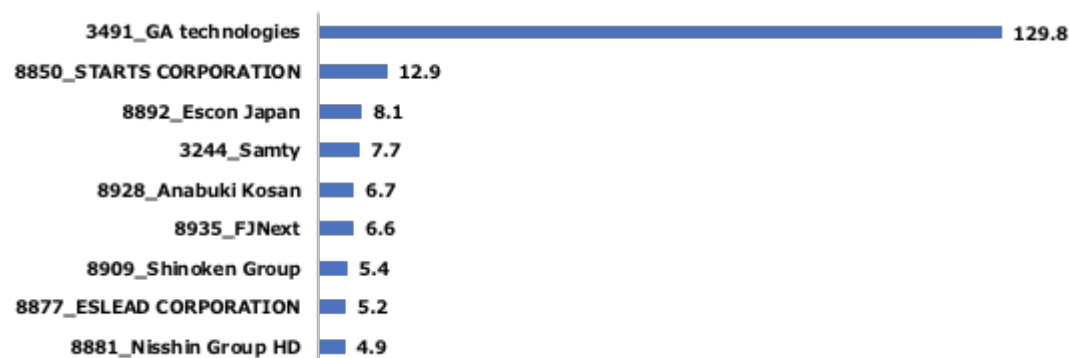
- Shareholders' equity ratio (end of last quarter)



■ Debt to Equity ratio (double, end of last quarter)



■ PER (double, market capitalization closing price on October 20, 2020, net income based on company plan for this term)



Reference Material 1: What is the element of shareholder value?

It is useful to organize shareholder value by the following four factors.

1. Achieving high sales growth
2. Achieving high profit margins
3. Earn more sales with less capital
4. Lowering business risk

In addition, when ② and ③ are combined, it can be rephrased as obtaining higher profits with less capital. Each measurement method is as follows.

① = Sales growth rate

② = NOPAT margin(Operating margin after tax)

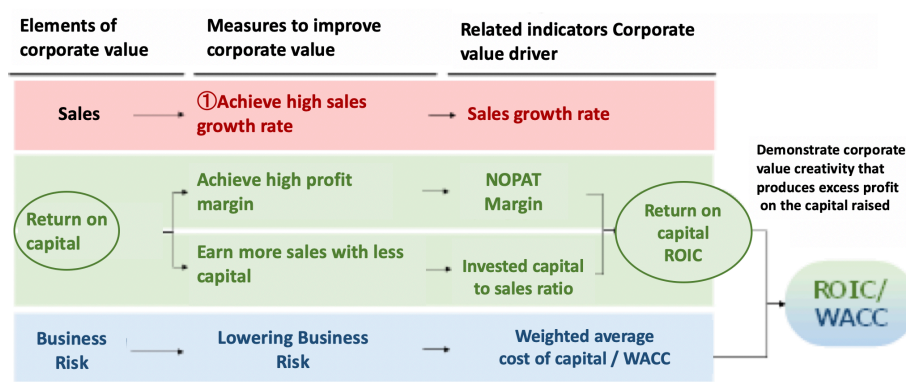
③ = Invested capital sales ratio

④ = WACC (Weighted Average Cost of Capital)

ROIC (Return On Invested Capital) is calculated by ②/③, and the profitability of invested capital can be grasped. ROIC / WACC also shows the creativity of corporate value that generates excess profit for the capital raised.

In order to improve corporate value, it is necessary to achieve higher ROIC / WACC and establish a difficult-to-mimic differentiation and competitive advantage that sustains higher sales growth.

Elements of corporate value and the basic principles of improving corporate value



Principle of improving corporate value Achieve high ROIC / WACC and sustain high sales growth
 Establish differentiation and competitive advantage that are difficult to imitate

(Source) Created by JPR

Reference material 2: EVA analysis framework

How much excess profit is generated each year and how much it theoretically contributes to the improvement of shareholder value can be measured by using **an index that combines NOPAT, ROIC, and WACC**. The index is derived as **EVA (economic value added, registered trademark of Stern Stewart & Co.)**, and is calculated by **"EVA = NOPAT-WACC x invested capital"**.

EVA shows how much cash flow contributes to shareholder value each period. By dividing the EVA of each period by WACC, the permanent value of the EVA of each period is calculated, and by combining them, a staircase graph as shown on p7 can be created and the structure of shareholder value can be visualized.

EVA calculation framework

- $EVA = \text{Operating income after tax} - \text{Invested capital} \times \text{Weighted average cost of capital}$
- $NOPAT (\text{Operating profit after tax: Net Operating Profit After Tax}) = \text{Operating profit} \times (1 - \text{Effective tax rate})$
- $\text{Invested capital} = \text{total assets} - \text{value of non-business assets} - \text{current liabilities other than interest-bearing liabilities}$
- $\text{Non-business asset value} = \text{cash and deposits that exceed the monthly sales ratio of 1.5 months of company-planned sales} + \text{short-term securities} + \text{Investment securities} + \text{Deferred hedge profit / loss} + \text{Land revaluation amount} + \text{Foreign exchange adjustment account}$
- $\text{Interest-bearing debt, etc.} = \text{Short-term interest-bearing debt} + \text{other fixed liabilities} + \text{minority interests}$
- $\text{Shareholders' equity} = \text{Invested capital} - \text{Interest-bearing debt, etc.} + \text{Non-business asset value}$
- $\text{Weighted average cost of capital} = \text{Interest-bearing debt after tax Interest rate} \times D / (E + D) + \text{Cost of shareholders' equity} \times E / (D + E)$
- $\text{Cost of shareholders' equity} = 0.3\% + (5\% - 9\%) \times \beta$

β = TOPIX and the slope of the first regression equation of the daily return of the target company's stock

Copyright © J-Phoenix Research, Inc. All rights reserved

price for 5 years(See listed companies in similar formats)

E = market capitalization at the time of calculation

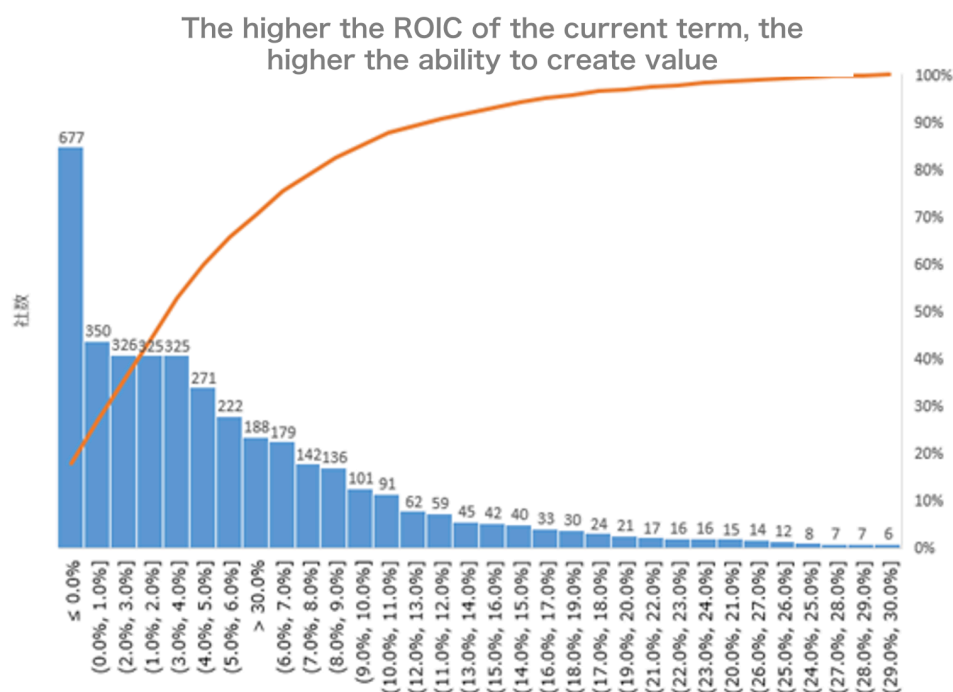
D = Short-term interest-bearing debt + fixed liabilities + minority interests at the time of calculation

0.3% is the average yield of 10-year JGBs over the past five years as of the end of July 2020.

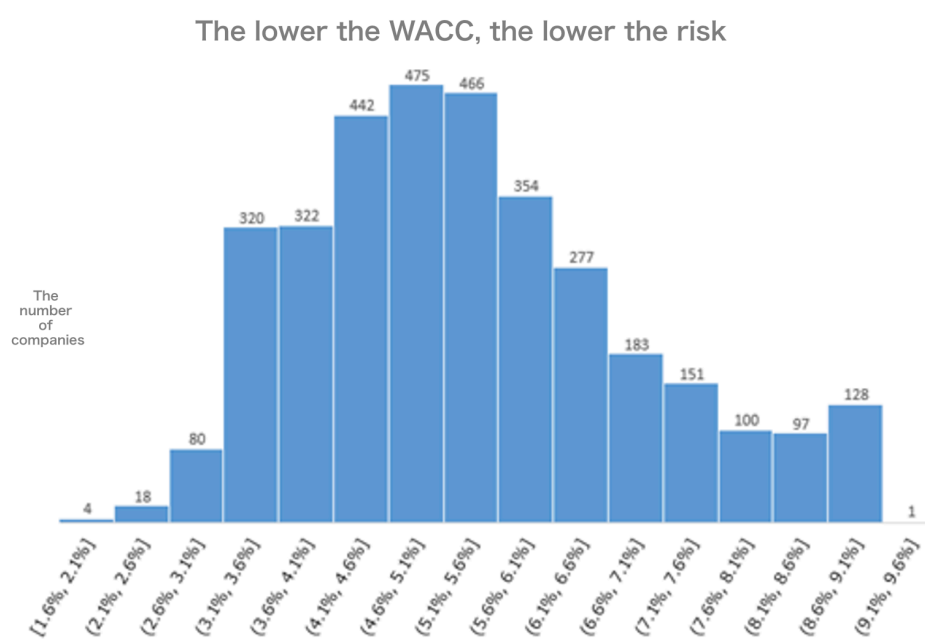
5% to 9% estimates the risk premium on equity investment as of June 2020, and estimates the risk premium included on the assumption that the market capitalization of all listed companies except deficit companies and financial sector is appropriate. And it is estimated to be 5% to 9% considering the liquidity discount according to the size of the market capitalization.

Reference material 3: ROIC, WACC distribution of Japanese companies

ROIC distribution



WACC distribution



Target: Listed companies excluding the financial sector among companies that announced company plans that were in the black at the time of analysis

Disclaimer

This document contains future-related matters such as forecasts, outlooks, goals, and plans related to the companies analyzed. These are based on the information obtained by JPR at the time of preparation of this material, and are based on the forecasts at that time. Certain assumptions and assumptions are adopted for these matters, and certain assumptions and assumptions include those that include the judgment or subjective expectations of the management of Medical Net.

In addition, various risks and uncertainties may prove inaccurate in the future or may not be realized in the future. Therefore, the actual performance, operating results, financial position, etc. of the analysis target company may differ from the forecast, outlook, target, and plan of the analysis target company.

Therefore, JPR has no obligation or policy to update the information on future matters such as forecasts, outlooks, goals, plans, etc. contained in this material from time to time.

The information contained in this material is for informational purposes only and is not intended to solicit, solicit investment or recommend buying or selling any securities, financial instruments or transactions. At the same time, we do not guarantee the accuracy, completeness, fairness and certainty of the content. Therefore, JPR is not responsible for any damage caused as a result of using this material.

The copyright of this material and all other rights related to this material belong to JPR.