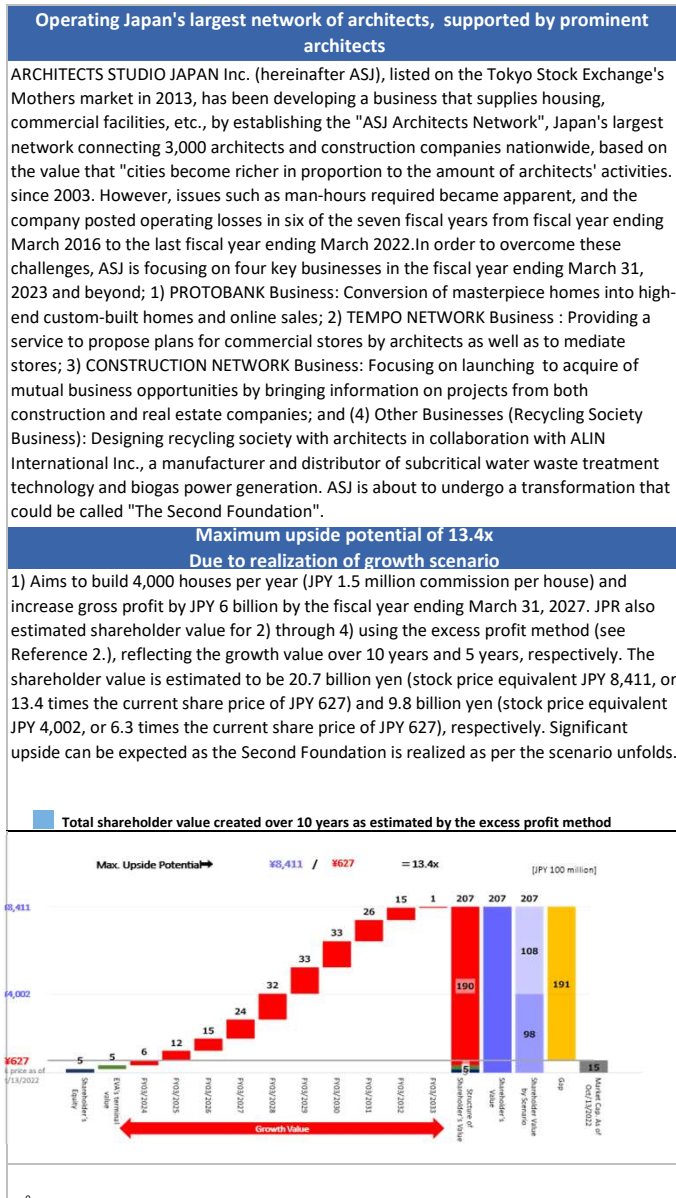


13.4x upside potential based on GCC Management™ analysis

Transformation through 4 new focused businesses utilizing Japan's largest network of architects

This report analyzes corporate value based on the GCC Management TM perspective, which emphasizes three elements: Growth (sales growth), Connection (strategic connection of all stakeholders, leading to improved stability), and Confidence (enhanced trust and lowered business risks).



Basic report	
Written and Edited by J-Phoenix Research Inc. Yosuke Kashiwao www.j-phoenix.com	
Corporate Profile	
Headquarters	Chiyoda-ku, Tokyo
President & CEO	Yuhei Maruyama
Established	2007/11/9
Capital	JPY 704 million
Listed	December 18, 2013
URL	https://www.asj-net.com/
Industry	service business
Key Indicators (as of October 20, 2022)	
Stock price	JPY 627
Highest in 52 weeks	JPY 1,169
Lowest in 52 weeks	JPY 548
Outstanding Shares	2,455,399 stocks
Trading Units	100 stocks
Market Capitalization	JPY 1,540 million
Prospective Dividend	JPY 0.00
Estimated EPS	JPY 41.42
Estimated PER	17.78 times
Actual BPS (Mar 2022)	JPY 185.61
Actual PBR	3.38 times

Performance Trends	Sales	YoY	erating inco	YoY	dinary inco	YoY	Net income	YoY	EPS	Stock Price	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY	High price(JPY)	Low price(JPY)
Results for FY 3, 2019	1,253	-2.6%	34	-	31	-	30	-	18.68	2,020	1,331
Results for FY 3, 2020	890	-29.0%	△ 445	-	△ 452	-	△ 524	-	-332.87	1,734	362
Results for FY 3, 2021	675	-24.1%	△ 260	-	△ 248	-	△ 272	-	-164.44	1,094	397
Results for FY 3, 2022 ¹	737	-	△ 260	-	△ 318	-	△ 348	-	-166.50	1,169	548
Plans for FY 3, 2023	1,166	58.2%	123	-	120	-	86	-	41.42	-	-
Results for FY 3, 2022 1Q	122	2.6%	△ 113	-	△ 113	-	△ 119	-	-68.44	1,034	715
Results for FY 3, 2023 1Q	105	-	△ 124	-	△ 124	-	△ 131	-	-53.76	754	555

1. Since consolidated financial statements are prepared from the fiscal year ending March 31, 2022, figures for the fiscal year ending March 31, 2021 and percentage change from the previous fiscal year are not shown.

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Index

1. Investment Summary	P. 3
Shareholder value analysis	P. 3
Assumptions for quantification of shareholder value	P. 4
Future Story	P. 5
Background of Shareholder Value Estimates	P. 8
Reference for shareholder value creation	P. 9
2. Future Story Details	P. 10
Worldview & Values	P. 10
Strategies and Business Models	P. 12
Sustainability	P. 23
3. Overviews	P. 25
4. ROIC Analysis	P. 27
5. Results for the FY 03, 2023 1Q and Company Plan for the same period	P. 28
6. External Environment Analysis	P. 29
Market environment	P. 29
PEST analysis	P. 30
5 Force Analysis	P. 31
Appendix 1. Information on Partner Companies	P. 32
LibWork.	P. 32
ALIN International Inc.	P. 35
Appendix 2. Partnership with SCALA	P. 40
Appendix 3. Detailed Assumptions for Quantifying Shareholder Value	P. 42
Reference 1. For those new to JPR reports	P. 43
Reference 2. Basis of Calculation	P. 45

1. Investment Summary

Shareholder value analysis

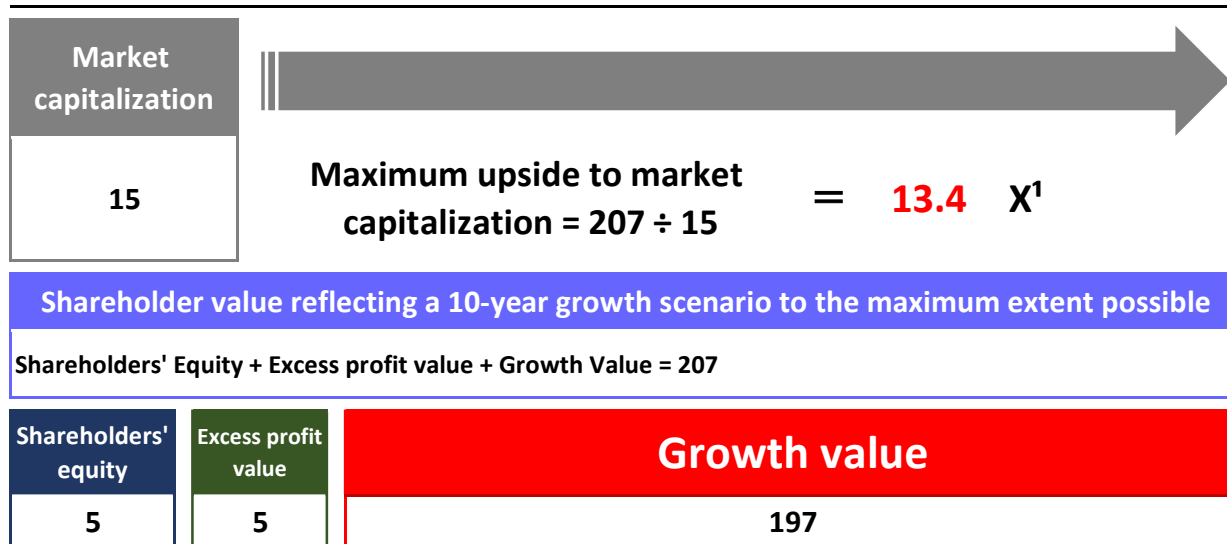
Maximum Upside 13.4x
in Market Capitalization
Estimate

Estimation using the excess profit method

Potential for a big leap

JPR estimated shareholder value using the "Excess Profit Method" (see "Appendix2. Basis of Calculation") based on the GCC Management™ framework. The following chart visualizes the results of the estimation. The prerequisites are explained on the next page and beyond.

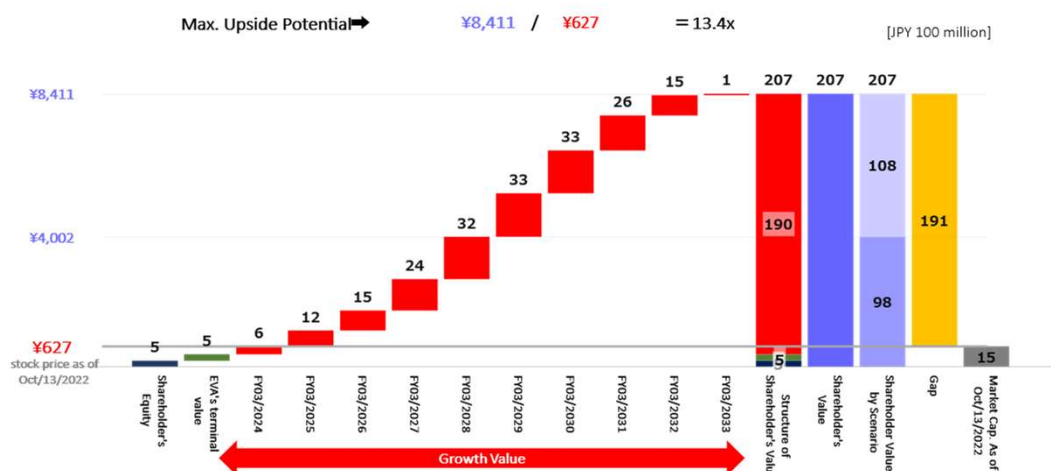
Shareholder Value Analysis(Unit: JPY 100 million)



Source: JPR

1: Fractions do not match due to rounding

Visualization of Shareholder Value



Source: JPR

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Assumptions for quantification of shareholder value

PROTO BANK business to drive sales in particular

ROIC to exceed 130% through expansion of scale and improvement of efficiency

WACC to remain at 8.5%

Assumptions made by GCC Management™ framework analysis

Growth: Various policies flourish, and sales will grow more than 10 times in 10 years

Existing business is conservatively assumed to remain flat (JPY 740 million). For the four new focus areas, JPR estimates that sales for the fiscal year ending March 2033 will total JPY 8.05 billion: (1) PROTO BANK business, JPY 6 billion; (2) TEMPO NETWORK business and (3) Construction Network business, a total of JPY 740 million; and (4) Recycling and Social Infrastructure business, JPY 570 million.

Connection: ROIC improvement through scale expansion and efficiency improvement

ASJ's sales are almost exclusively gross profit. ROIC is calculated based on the assumption that SG&A expenses and invested capital increase at the 0.6 power of sales growth due to economies of scale and efficiency gains. As a result, the ROIC is estimated to be 132.4% in fiscal year ending March 2033.

Confidence: WACC remains flat at a high 8.5%, reflecting risk

ASJ's sustainability will improve with stabilization due to scale expansion and increase in social contribution through recycling society, etc., but conservatively assumed a high cost of capital of 8.5%.

Summary of Financial Analysis of 10-Year Future Story with GCC Management™ Analysis

Growth	Connection	Confidence
Sales	ROIC	WACC
JPY 1170 million →JPY 8050 million	12.3% → 132.4%	Maintain 8.5% due to high risk

[Source] Prepared by JPR *Comparison between the company's announced plan for FY2023 and JPR's estimated 10-year forecast

Quantification of shareholder value

[JPY 100 million]	Current Year 2023.03	1 year later 2024.03	2 years later 2025.03	3 years later 2026.03	4 years later 2027.03	5 years later 2028.03	6 years later 2029.03	7 years later 2030.03	8 years later 2031.03	9 years later 2032.03	10 years later 2033.03
Sales	12	14	18	23	31	42	53	64	74	80	81
Operating income	1.2	2.4	4.2	6.8	11.1	17.3	24.2	31.5	38.0	42.0	42.3
Operating margin	10.5%	16.6%	23.3%	29.3%	35.8%	41.6%	45.9%	49.1%	51.3%	52.4%	52.5%
Sales growth rate	58.2%	22.5%	27.4%	27.3%	34.0%	33.9%	26.8%	21.9%	15.3%	8.3%	0.5%
NOPAT margin	7.3%	11.5%	16.1%	20.3%	24.8%	28.8%	31.7%	33.9%	35.5%	36.2%	36.3%
Invested capital turnover ratio	43.8%	54.7%	49.6%	45.0%	40.1%	35.7%	32.4%	30.0%	28.3%	27.4%	27.4%
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
ROIC = NOPAT margin ÷ Invested capital net sales ratio	16.7%	21.0%	32.5%	45.0%	61.7%	80.6%	97.9%	113.2%	125.3%	132.2%	132.5%
ROIC / WACC (value created with the original hand of 1)	¥2.0	¥2.5	¥3.8	¥5.3	¥7.3	¥9.5	¥11.5	¥13.3	¥14.7	¥15.6	¥15.6
NOPAT	0.85	1.64	2.93	4.69	7.68	11.95	16.73	21.81	26.27	29.06	29.27
Invested capital × WACC	0.43	0.66	0.77	0.89	1.06	1.26	1.45	1.64	1.78	1.87	1.88
EVA	0.42	0.98	2.16	3.81	6.63	10.69	15.27	20.17	24.49	27.20	27.39
EVA = NOPAT - invested capital × WACC	0.42	0.98	2.16	3.81	6.63	10.69	15.27	20.17	24.49	27.20	27.39
Value created in each year	5	7	14	19	33	48	54	58	51	32	2
Discount Rate	100%	92%	85%	78%	72%	67%	61%	56%	52%	48%	44%
Present value of EVA	5	6	12	15	24	32	33	33	26	15	1
Invested capital: ① Origin	5										
Over profit value (Permanent value of EVA of this ten-)	5										
Growth value (Present value of increase in EVA) ③	197										
Non-business asset value ④	3										
Corporate value = ① + ② + ③ + ④	210										
Interest-bearing debt, etc.	-3										
Shareholder value	207										

[Source] Prepared by JPR * Figures for FY03/2023 plan (company-announced figures) and those for FY03/2024 and beyond are 10-year forecasts estimated by JPR; fractions do not match due to rounding.

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Future Story

Maximize the use of
Japan's largest architects
platform

From housing to
infrastructure such as
biomass power generation

Growth: Worldviews and Values

"Cities become richer in proportion to the amount of architects' activities"

ASJ aims to realize "cities become richer in proportion to the amount of architects' activities" by maximizing the use of Japan's largest architects platform with approximately 3,000 registered architects, which has been built since its establishment.

Connection: Strategy & Business Model

Promote scale expansion in existing 2 businesses + 4 ones

ASJ aims to become the No. 1 platform for architects to support urban development, from housing to infrastructure such as biomass power generation, through its core businesses to date (two existing businesses) and future focus, four businesses.

Business Portfolio Overview

core businesses to date ASJ Architects Network Business	Studio Network Business Developing with franchise construction companies	ASJ aims to become the No. 1 platform for architects to support urban development, from housing to infrastructure such as biomass power generation, through its core businesses to date (two existing businesses) and four future focused businesses.
	Producing Business Developing in-house	
Future Focused Businesses	PROTO BANK Business	Conversion of masterpiece homes into a luxury Prêt-à-Porter custom homes
	TEMPO NETWORK Business	Store brokerage as well as architectural plan proposal service for commercial stores. Subsidiary TEMPO NETWORK, Inc. expanding business.
	Construction Network Business	By bringing together information on projects from both construction and real estate companies, ASJ is focusing on launching the acquisition of business opportunities for both parties. Subsidiary CONSTRUCTION NETWORK INC. expanding business.
	New Business (recycling-oriented society business)	Designing a recycling society with architects in Collaborating with ALIN International, Inc. for the production and sale of subcritical water waste treatment technology and biogas power generation. ALIN International Inc.

[Source] Prepared by JPR based on interviews with the company

Improving Trust and Sustainability

Significantly improved sustainability




The expansion of scale is expected to improve the stability of business performance. In addition, ASJ will contribute to the realization of a human-centered society designed by architects in the JPY 62.5 trillion*¹ construction investment market and the JPY 3 trillion*² real estate market, and further contribute to the establishment of a recycling society using biomass. These are expected to significantly improve sustainability.

*1: Source: Ministry of Land, Infrastructure, Transport and Tourism, "FY2021 Construction Investment Outlook," *2: Source 1: Total revenue from real estate transactions and real estate leasing in 2021 from the "Survey of Service Industry Trends" by the Ministry of Internal Affairs and Communications.

Contribution to SDGs

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Summary of shareholder value analysis of ASJ (integration of quantitative and qualitative analysis)

Growth	Connection	Confidence
Growth through Values and Worldviews	Strategy & Business Model	Improving Confidence and Sustainability
Establishment of the architects platform	Business Infrastructure	Confidence Establishment
Cities become richer in proportion to the amount of activity of architects	Japan's largest network connecting architects, construction companies, and clients	Establishing a trusting relationship between architects, construction companies, and clients until they are satisfied
Optimal meeting with architects to meet the architectural needs		Establishing a trusting relationship between architects, construction companies, and clients until they are satisfied
		
Maximizing platform utilization	Launching New Businesses	Human-centered, recycling society
Reusing drawings of past masterpiece houses The first prêt-à-porter in the housing industry	①PROTO BANK Business	Reuse of construction drawings to streamline the process and save resources
Providing a set of store and land information and development plans from the most suitable architects	②TEMPO NETWORK Business ③Construction Network Business	Achieving high customer satisfaction in store and land development
Subcritical water waste treatment technology contributes to biogas power generation and organic farming	④Recycling Society Business	Contributing to environmental sustainability through advanced recycling of organic materials
Sales Growth	Return on Invested Capital	Business Risk
JPY 8.05 billion in sales	ROIC of 132.4%	WACC will probably decline, but conservatively estimated at 8.5%
Shareholder Value Estimated	Conditions of Feasibility	Investment Risk
JPY 20.7 billion	Successful Marketing Strategy for New Business Expansion	Risk of Transformation Setbacks

[Source] Prepared by JPR based on interviews with the company

Assumption Details

The following table shows the detailed assumptions of the quantification data. Qualitative details are provided in "2. Future Story Details". For detailed quantification assumptions, please refer to "Appendix 3."

Assumptions for future projections for each business

Business Name		Assumption
Main Businesses to Date	Studio Network Business	Flat at ASJ's planned value for the fiscal year ending March 31, 2023.
	Production Business	
Future Focused Businesses	PROTO BANK Business	Supporting the construction of 4,000 buildings in the fiscal year ending March 31, 2033, at an average commission of JPY 1.5 million per building.
	TEMPO NETWORK Business	Growth in Studio Network and Production businesses from sales for the fiscal year ending March 31, 2023 onward through the fiscal year ending March 31, 2033.
	Construction Network Business	
	Recycling Society	ASJ also expects to generate sales of about three projects in fiscal year ending March 31, 2023, from introductions of companies handling biomass processing facilities as referral commissions. Thereafter, five new contracts will be signed each year through the fiscal year ending March 2032. After that, it is conservatively assumed that no projects will be acquired. Since there were 1,067 (https://www.env.go.jp/press/109290.html) waste incineration facilities in Japan as of the end of FY2019 according to the Ministry of the Environment, it is assumed to introduce the system to about 5% of the national market share in 10 years. Fees for maintenance costs are also expected.

[Source] Prepared by JPR based on interviews with the company

Assumptions for fixed costs and invested capital

SG&A Expenses	The effect of the so-called economies of scale is calculated using the law of 0.6 power. For example, the assumption that even if sales double, fixed costs and invested capital increase only to the 0.6 power of 2. For example, the assumption that even if sales double, fixed costs and invested capital increase only to the 0.6 power of 2. As sales increase, the operating profit margin increases.
Invested Capital	

[Source] Prepared by JPR based on interviews with the company

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Background of Shareholder Value Estimates

Three key points for future leaps in shareholder value

Strengthen sales force through partnership with LibWork.

The most important issue is the sales force, although the details of ASJ's existing business challenges will be discussed later in this report. The market for architecturally esigned housing is mainly a passive market where people who want to build a house seek out architects, and although ASJ has established a network of architects, until now it has not been able to devote much effort to sales. In this respect, ASJ aims to grow through mutual complementation with LibWork. (TSE Growth Listing, Securities Code 1431, hereinafter "LibWork"), which has strengths in sales capabilities with architect homes that lean toward ASJ's strong luxury line, a portfolio that they have not held. If this alliance goes forward, the potential of the market that ASJ is targeting will be highlighted, and the shareholder value expected from further progress will become clearer.

Merged with a subsidiary of Apaman Network and entered the commercial facilities field

In October 2021, ASJ conducted a third-party allotment to Apaman Network Co., Ltd. (hereafter, Apaman Network) (subsidiary of APAMAN Co., Ltd. (TSE Standard Listing, Securities Code 8889)) in addition to raising funds for the expansion of this business, ASJ simultaneously took over the business of Apaman Network's subsidiary, TEMPO NETWORK Inc. TEMPO NETWORK Inc.'s business was launched in July 2021 as a franchise business for commercial occupancy brokerage stores. Utilizing ASJ's network of architects and studios for this project, ASJ was able to provide a full range of support from move-in to store design, store construction, and maintenance. This project is expected to significantly expand ASJ's assets not only for consumers but also for businesses, and is expected to serve as a new business platform for ASJ.

Entering environment-related fields

In its financial results for the fiscal year ending March 31, 2022, ASJ disclosed, "ASJ will expand into new markets such as the environment by proposing the introduction of advanced organic material utilization system equipment that contributes to reducing environmental impact through the marketing expertise developed in the ASJ Architects Network business." This move is expected to go into full swing.

Reference for shareholder value creation

LibWork's market capitalization reflects 10-year growth value

ASJ could reflect growth value as LibWork does

JPR structured and visualized LibWork's shareholder value and compared its market capitalization. It is inferred that the market capitalization as of September 9, 2022 reflects the 10-year growth value, as shown in the graph and table below. As ASJ works with LibWork and concrete results are realized, the 10-year growth value could be factored into ASJ's stock price, as it has been with LibWork.

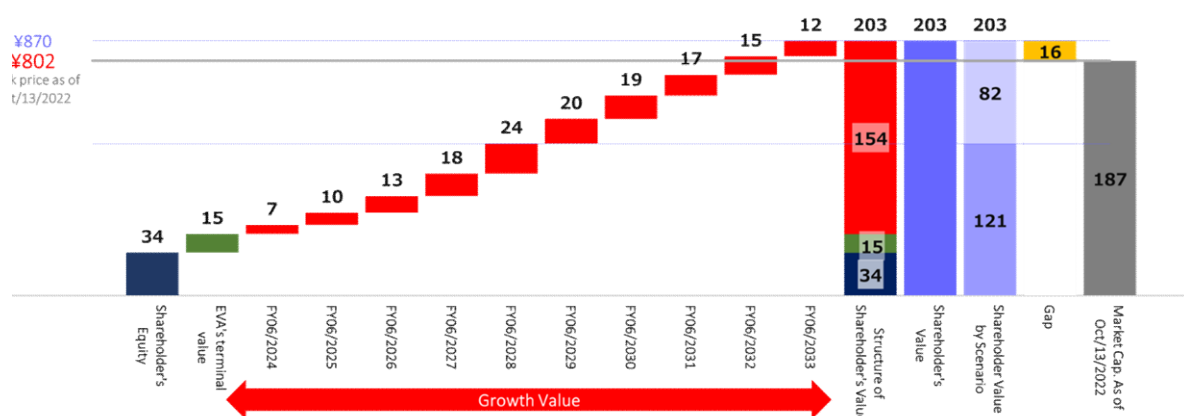
Estimated quantification and visualization of shareholder value for LibWork

[JPY 100 million]	Current Year 2023.06	1 year later 2024.06	2 years later 2025.06	3 years later 2026.06	4 years later 2027.06	5 years later 2028.06	6 years later 2029.06	7 years later 2030.06	8 years later 2031.06	9 years later 2032.06	10 years later 2033.06
Sales	170	231	314	428	582	791	1,019	1,253	1,484	1,703	1,904
Operating income	9.0	12.6	17.5	24.4	34.0	47.5	61.1	75.2	89.1	102.2	114.3
Operating margin	5.3%	5.4%	5.6%	5.7%	5.9%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Sales growth rate	23.5%	36.0%	36.0%	36.0%	36.0%	36.0%	28.8%	23.0%	18.4%	14.7%	11.8%
NOPAT margin	3.7%	3.8%	3.8%	3.9%	4.0%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Invested capital turnover ratio	32.6%	32.6%	32.6%	32.6%	32.6%	32.6%	32.6%	32.6%	32.6%	32.6%	32.6%
WACC	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%
ROIC = NOPAT margin × Invested capital net sales ratio	11.2%	11.5%	11.8%	12.1%	12.4%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%
ROIC / WACC (value created with the original hand of 1)	¥1.3	¥1.3	¥1.3	¥1.4	¥1.4	¥1.4	¥1.4	¥1.4	¥1.4	¥1.4	¥1.4
NOPAT	6.22	8.68	12.10	16.87	23.53	32.81	42.26	52.00	61.58	70.66	79.00
Invested capital × WACC	4.90	6.67	9.07	12.34	16.78	22.82	29.39	36.16	42.83	49.14	54.94
EVA	1.32	2.01	3.03	4.54	6.75	9.99	12.87	15.83	18.75	21.52	24.06
EVA = NOPAT - Invested capital × WACC	1.32	2.01	3.03	4.54	6.75	9.99	12.87	15.83	18.75	21.52	24.06
Value created in each year	15	8	12	17	25	37	33	34	33	31	29
Discount Rate	100%	92%	84%	78%	71%	65%	60%	55%	51%	47%	43%
Present value of EVA	15	7	10	13	18	24	20	19	17	15	12
Invested capital ① Origin	55										
Over profit value (Permanent value of EVA of this term)	15										
Growth value (Present value of increase in EVA) ③	-154										
Non-business asset value ④	0										
Corporate value = ① + ② + ③ + ④	224										
Interest-bearing debt, etc.	-21										
Shareholder value	203										

Max. Upside Potential ➡

¥870 / ¥802 = 1.1

[100 million yen]



[出所]JPR

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2. Future Story Details

Worldview & Values

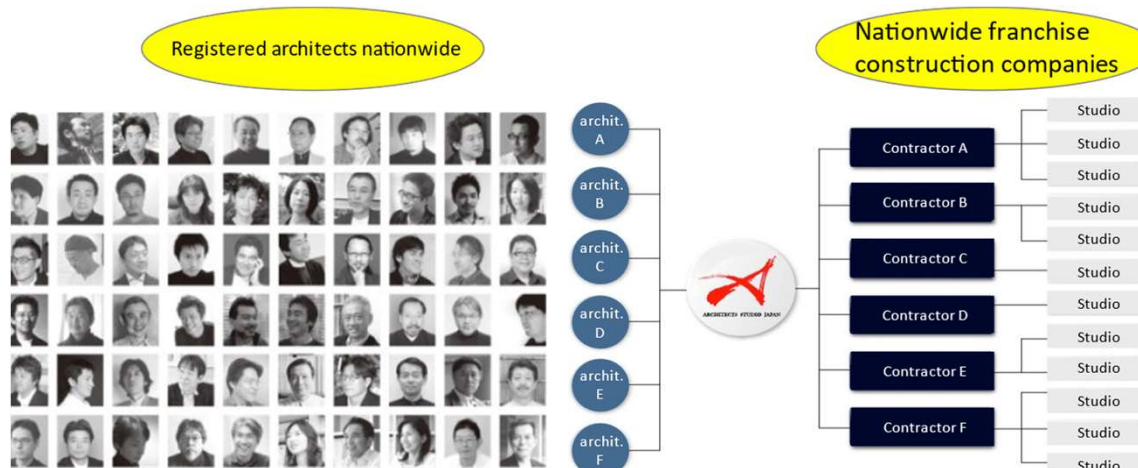
Supporting Architects' Activities

Japan's largest network of architects

"Cities grow richer in proportion to the amount of activity of the architects"

Since 2003, ASJ has been developing its business by registering and networking architects nationwide, franchising construction companies, linking architects and construction companies, building a platform (the environment that serves as a business foundation) under the cooperation of both parties, and supplying housing, commercial facilities, etc. as desired by customers, and the company supports architects' activities based on the theme, "Cities become richer in proportion to the amount of architects' activities".

ASJ Architects Network connecting architects and studios (construction companies) nationwide

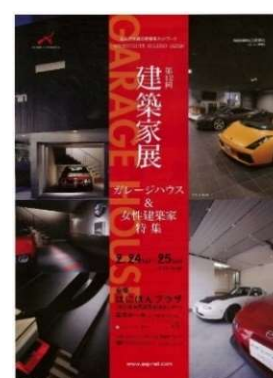


[Source] Prepared by JPR based on business plan and growth potential presentation materials as of May 31, 2022

Marketing Activities



Housing consultation with architects



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Decompose organic waste into fuel

Participation in large-scale projects such as urban planning in the recycling society business

Unparalleled Efficiency of Biogas Power Generation with ALIN Platform

ALIN International, Inc. (hereinafter referred to as ALIN International, Inc.), with which ASJ has concluded a business partnership agreement, offers the ALIN platform, which considers collected garbage as a resource and uses the primary residue, which is reduced in molecular weight by subcritical water, as raw material for methane fermentation, thereby greatly improving the efficiency of biogas power generation compared to conventional systems. ASJ plans to provide the ALIN platform as a special agent, making full use of its network of architects and studios, which is one of its strengths. In the mid- to long-term, the ALIN platform will be deployed at waste incineration plants nationwide (≒ 1,100 plants) to gradually reduce Japan's waste incineration rate (currently 80%) and improve the efficiency of the infrastructure system by reducing the burden on the government and providing municipalities with increased revenue through electricity sales.

Incorporating the ALIN platform into urban planning

Creating a huge market by combining with one of the largest networks of architects in Japan

ASJ plans to promote these new infrastructure systems by leveraging its network of 3,000 architects and world-renowned architects, which it has built since its establishment, not only to generate revenue from plant sales, but also to participate in large-scale projects such as urban planning. Although there are issues to be addressed, including 1) standardization of subcritical water technology and development of production lines, 2) ensuring productivity through linkage with biogas power generation, 3) development of legal barriers, and 4) collaboration with industry, there are high expectations for the creation of a huge market in the decarbonization era for the combination of new technology and Japan's largest architects network.

New concept of urban planning aimed at ALIN platform

Garbage is something that can be taken somewhere else.

Electricity is given



No garbage

Covering its own power



Building a self-sustaining community

[Source] Prepared by JPR based on interviews with company officials

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Strategies and Business Models

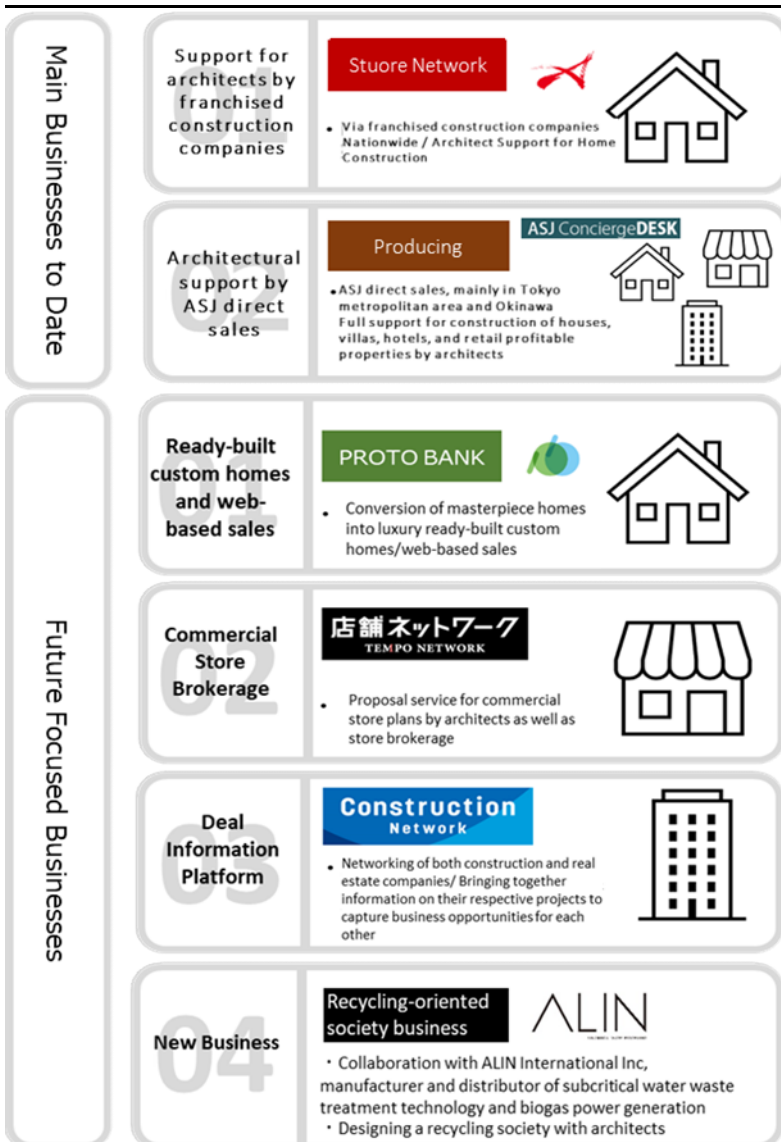
Expanding the architect platform to custom-built homes as well as ready-built homes, commercial facilities, and urban development

Business Portfolio Overview

Existing Core Businesses and Four Future Focused Businesses

The following chart shows ASJ's main businesses to date and the four businesses it will focus on in the future. While the company has so far focused on providing construction support for custom-built houses by utilizing one of the largest networks of architects in Japan, it will expand its business into a wide range of areas, including reproduction of past masterpiece houses, commercial facilities, and contribution to a recycling-oriented society.

Main Businesses to Date and Future Focused Businesses



[Source] Prepared by JPR based on business plan and growth potential presentation materials as of May 31, 2022

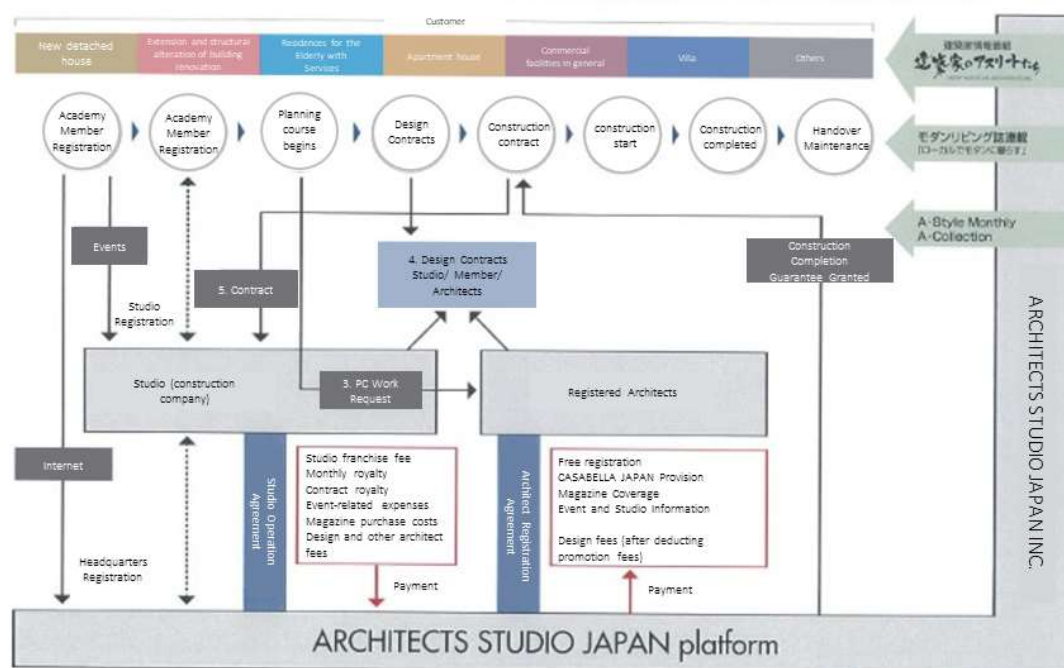
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Easy comparison of
multiple architects'
proposals

Overview of Main Businesses to Date

The two main businesses to date are collectively known as the ASJ Architects' Network Business. Of these, the Studio Network business is developed by franchised construction companies, and the Produce business is developed by the company itself. With the workflow illustrated in the figure below, the client enjoys the convenience of easily making a decision by comparing multiple architects' proposals.

ASJ Architects Network Project Structure



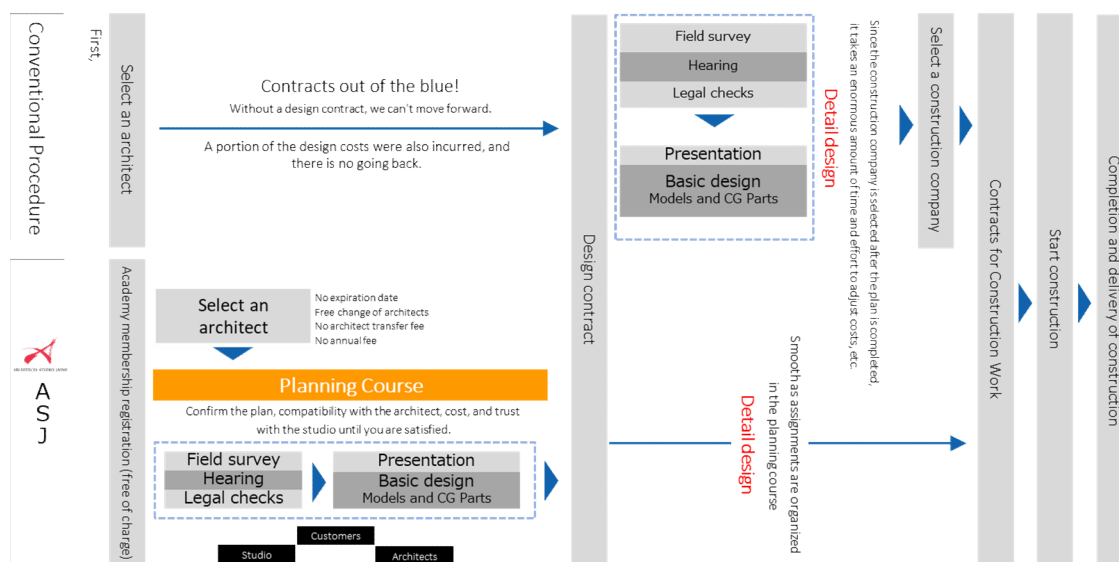
[Source] Prepared by JPR based on business plan and growth potential presentation materials as of May 31, 2022

Studio Network Business

Providing risk mitigation mechanisms

In ASJ's studio network business, ASJ acts as an intermediary between people who want to build a house and architects. Traditionally, people who want to build a house look for an architect of their choice, and contracts and costs are incurred from the design stage, making it difficult to backtrack. On the other hand, ASJ's planning service, which is free of charge up to basic design, allows the client to proceed to a design contract once they are satisfied and have established a relationship of trust with the architect and the studio (franchise construction company) that will construct the building, thereby reducing risk.

Differences between the conventional process of building a house with an architect and the processes in the ASJ Architects' Network Project



[Source] Prepared by JPR based on business plan and growth potential presentation materials as of May 31, 2022

Producing business

Direct sales by the company

Since fiscal 2016, the company has been developing a business that directly produces for clients (producing business) as a concierge service for wealthy clients in particular, based on the architect information space "ASJ TOKYO CELL" and other locations. The company has a sales force that provides detailed and consistent services (from architect consultation to construction company selection and delivery) to members who join through events, seminars, and the Web, covering a wide range of projects from general housing to villas, income-producing properties, resort hotel construction, and more.

ASJ Concierge Site



[Source] Prepared by JPR based on business plan and growth potential presentation materials as of May 31, 2022

Challenges Emerge

Challenges in the main business to date

Burdensome and time-consuming process for construction firms

Since its establishment, ASJ has provided proposals from architects through the "studio" model, in which it franchises construction firms nationwide in the form of the "PLANNING COURSE" service, and the "produce" model, based on the architect information space CELL, which is offered to affluent customers mainly in the Tokyo area, but the company has experienced business setbacks over the past few years due to the issues outlined in the table below.

Studio Network Business and Producing Business Issues

Studio Network Business Issues	① Take time ② Significant price deviations ③ Design fees are a heavy burden ④ Frequent quotes with construction firms ⑤ Difficulties in construction ⑥ Hard to remain profitable ⑦ Maintenance cost issues, etc. → A number of studio operators are withdrawing from the market
Producing Business Issues	① Tokyo-centered business with certain growth potential, but with a strong competitive edge ② Long time from admission to design contract and contractor agreement for many profitable properties, villas, etc. ③ Heavy burden on construction companies ④ Difficult to handle a large number of projects due to the involvement of sales until handover

[Source] Prepared by JPR based on business plan and growth potential presentation materials as of May 31, 2022

Transforming to a business model maximizing platform utilization

To overcome these challenges, the company will work to reform its business model from the following three perspectives.

Three Perspectives on Business Model Transformation

① Utilization of design information accumulated in the past	Developing the PROTO BANK business, which compresses design time and reduces the burden on construction firms by using design information from past masterpiece custom-built homes.
② Application in commercial buildings	Commercial buildings have a faster decision-making speed than individual custom homes, so the architects platform will be utilized in this area. Operation in the TEMPO NETWORK and CONSTRUCTION NETWORK businesses.
③ Utilized for building a recycling society	Applying architectural wisdom to urban development that contributes to a recycling society based on biomass utilization projects. Developing in the recycling society business.

Source: Prepared by JPR based on company interviews

Logic to overcome challenges

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Future Focused Businesses

PROTO BANK Business

Work on system for an early contracting and increase the number of users

ASJ has brought to market PROTO BANK, a service that reuses drawings designed by past architects in FY2021. Architectural homes are time-consuming, expensive, and difficult to construct because issues cannot be found until they are built. However, since PROTO BANK is a collection of previously constructed houses, construction issues as well as the drawings are recorded. Under the banner of "The first prêt-à-porter market in the housing industry," this new service targets the digital native generation who imagine that "the house they like best has arrived from their smartphone."

Providing "light" and "fastest" authentic architect homes

Creating the housing industry's first prêt-à-porter market by reusing drawings of past masterpiece homes

There is no Prêt-à-Porter market in the housing industry



[Source] Prepared by JPR based on business plan and growth potential presentation materials as of May 31, 2022

Select architect-designed homes as model homes

Stable income for builders and ease of construction

Building a new market to replace the "custom-built housing" market

Re-use of previous drawings designed by the architects to shorten the contract flow

"PROTO BANK" was fully launched in the market in 2021 as a new service to provide architect homes in the "lightest" and "fastest" way. This is a system that allows customers to freely select an architect-designed house that fits their budget on the Web, just as if they were choosing a model house, by using drawings of masterpieces built in the past by the ASJ Architects Network Project. Design fees and time to start construction is reduced while the post-completion image becomes clearer.

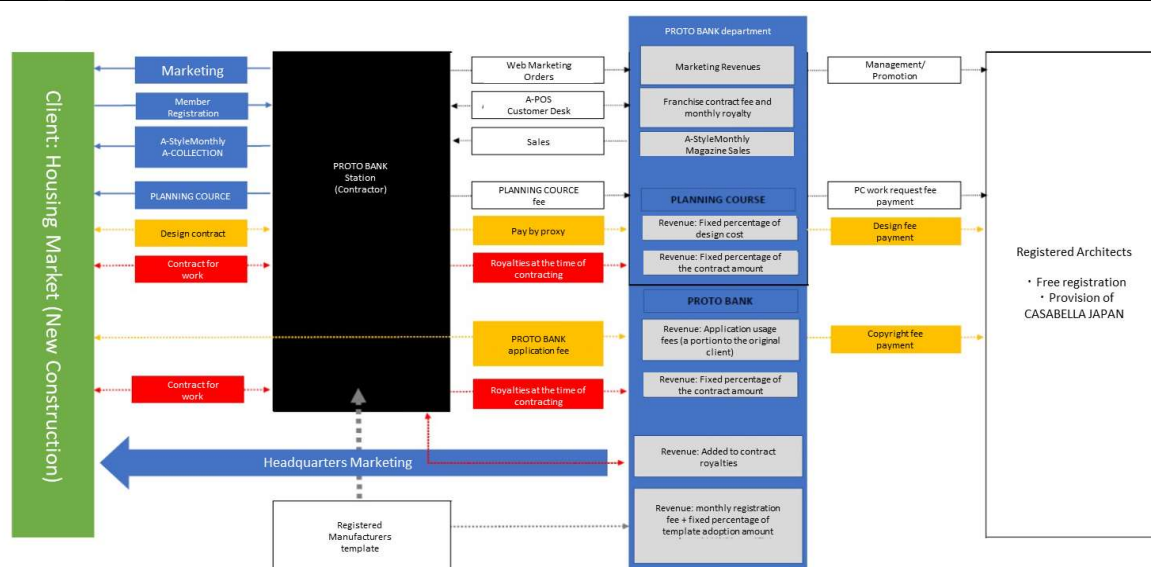
Early contracting by reusing previous drawings designed by the architects

Utilization of past drawings will benefit architects and contractors. When the drawings are used, a commission is paid to the architect, stabilizing income. In addition, construction companies will be able to automatically estimate material prices accurately, making it easier to secure profits, and construction will be easier because they can use accurate design data drawings and completion/construction photos.

Reusing past drawings designed by architects to build new markets

"PROTO BANK" will provide "priced architect homes: Prêt-à-Porter homes," which are luxury architect homes that have never existed before, and will create the "housing industry's first Prêt-à-Porter market" from scratch. As of FY2022, the top 10 housebuilders comprise a market supplying approximately 100,000 custom-built housing units. "PROTO BANK" will play a leading role in an era in which the "prêt-à-porter" market is replacing the traditional "custom-built" market of approximately 100,000 homes, which is mainly driven by salespeople who sell mainly at home showrooms.

"PROTO BANK" revenue flow



[Source] Prepared by JPR based on business plan and growth potential presentation materials as of May 31, 2022

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Expectations for Store Network Business

Utilizing the
architects network
for commercial
facilities in addition
to housing

Website already up
and running

Store Network Business

Took over the store network business of a subsidiary of Apaman Network Co., Ltd.

On August 27, 2021, ASJ resolved to issue new shares through a third-party allotment to Apaman Network Co., Ltd. (a subsidiary of APAMAN Co., Ltd. (TSE Standard Listing, Securities Code 8889)), and at the same time, At the same time, ASJ resolved to merge with TEMPO NETWORK Inc. ("TEMPO NETWORK"), a subsidiary of Apaman Network, to make ASJ the surviving company and TEMPO NETWORK the dissolving company (the "Merger"), and disclosed that it concluded a merger agreement for the Merger on the same date. Subsequently, through a simplified corporate split, effective December 1, 2021, the rights and obligations related to the Company's store network business were transferred to a wholly owned subsidiary of the Company to be newly established through a corporate split.

Businesses such as tenant mediation for commercial facilities, etc.

Developing business such as tenant mediation for commercial facilities, etc. as the franchise headquarters of tenant mediation stores for commercial facilities, etc. Synergy with existing businesses is expected since the contact point for store architectural design and construction contracting will be member studios (including PROTO BANK STATION) or registered construction companies of the Produce Business Headquarters.

Website for store network business



Source: Company Website

Aiming to build a
cross-industry
information platform

Aiming for early
network expansion
by making it possible
to join for free

Construction Network Business

ASJ announced that on April 21, 2022, it established a new subsidiary, CONSTRUCTION NETWORK Corporation (the "Subsidiary"), which provides information services to construction companies and real estate companies nationwide. This subsidiary has established a network with both construction companies and real estate companies, and is developing nationwide operations in the following business areas with the aim of capturing mutual business opportunities by bringing information on their respective projects to each other. As for the subsidiary's revenue, it is expected to send customers to member companies (construction companies and real estate companies) and receive a contingency fee when a contract is signed.

Construction Network Business Model and Revenue Structure

No registration fee for membership

Attract customers through website and send them to member companies

Member companies are provided with services and training opportunities on the website that are useful for their business operations, and regular seminars are held to share best practices and provide a forum for information exchange among member companies

Use of the company's original "PLANNING COURSE" service and studio management training

By providing the company's "Architect Network Service" widely to owners of income-producing properties, creating demand for reconstruction and renovation of income-producing properties, and providing a new market for member construction companies

Creating demand by providing a one-stop service for those who want to acquire a new income-producing property and start businesses

Source: Prepared by JPR based on company interviews

Became an exclusive agent of ALIN platform utilizing 6 patents related to subcritical water

Explaining efforts toward a recycling society at the financial results briefing

Strengthening Deployment Capabilities by Commercializing ALIN Technology

New Business (Recycling Business): Subcritical water waste treatment technology contributes to biogas power generation and organic farming

Collaboration with ALIN International, Inc. a manufacturer and marketer of subcritical water waste treatment technology and biogas power generation

Partnership with newly established ALIN International Inc.

ASJ has been working on environmental issues in cooperation with PCS CO., LTD. ("PCS") (represented by Toshikatsu Suzuki, a scientist) for the past three years, and ALIN International (Representative: Seiichi Takahashi), which was established in February 2022, has concluded a business alliance agreement with PCS for exclusive non-exclusive licenses for six subcritical water-related patents held by PCS. With this agreement, ASJ plans to strengthen its ALIN business in earnest by strengthening its ties with ALIN International.

Declaration of Entry into the Recycling Business

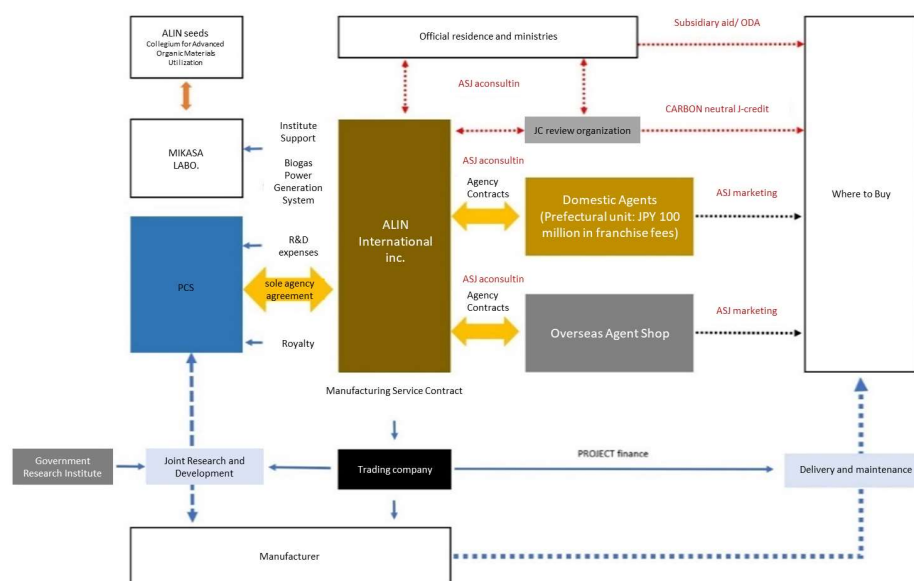
In the financial report for the fiscal year ending March 31, 2022, the company disclosed that it would "expand into new markets such as the environment by proposing the introduction of advanced organic material utilization system equipment that contributes to reducing the environmental burden, using the marketing expertise accumulated through the ASJ Architects Network business. In the "Business Plan and Growth Potential," disclosed on May 31, 2022, the company listed the recycling society business as a new business. Hearings were held to determine how specifically to address this issue.

Development using network of strengths

In March 2022, ASJ signed three contracts in the three Tokai prefectures (Mie, Aichi, and Gifu) as the beginning of the ALIN business and recorded referral commissions.

In the future, the company intends to secure commission revenues by (1) concluding distributorship contracts, (2) selling plant facilities such as subcritical water ALIN, and (3) providing consulting services such as the use of subsidies and the introduction of an operational royalty system, making full use of its strong network of architects and studios. As for (3), JPR is told that the system is still being designed, but as for (1) and (2), JPR expects fee revenue in FY2022 against the backdrop of the scheme shown on the next page.

ALIN Business Scheme



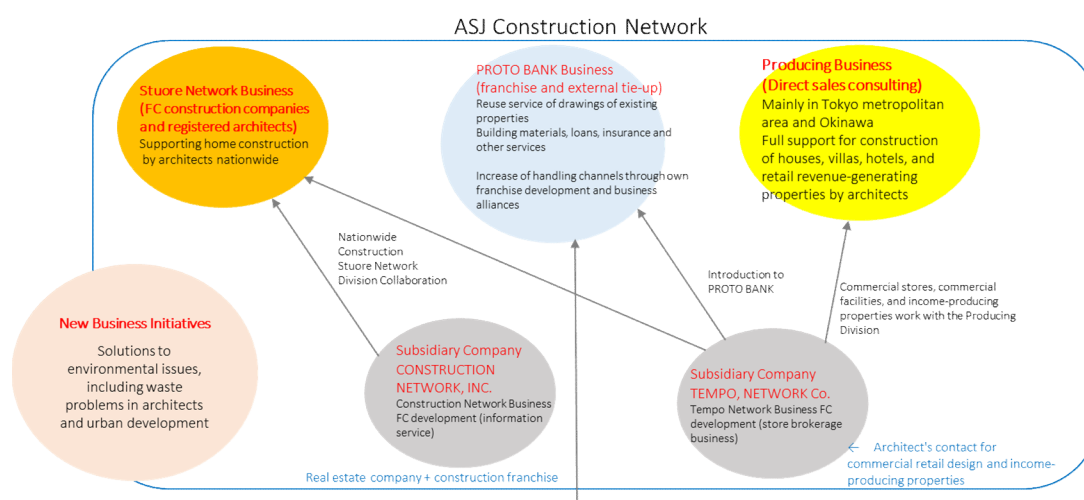
Source: Prepared by JPR based on company interviews

Synergies among businesses

Maximizing the ASJ Architects Network

Expansion of channels for handling PROTO BANK through business alliances with external companies, etc., increase in membership through alliances with various organizations, and increase in the number of contracts through the use of planning courses. It is expected to facilitate the transition to the studio and PROTO BANK STATION.

Structure of Business Synergies



[Source] Prepared by JPR based on business plan and growth potential presentation materials as of May 31, 2022

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Sustainability

Architects play an active role in improving the sustainability of society

Contribution to a human-centered and recycling society

Architects will contribute to the realization of an affluent society by promoting the creation of living spaces and towns with the utmost emphasis on the values of the people who live in these spaces and on the sustainability of the natural environment. ASJ's business development will contribute to the realization of the following SDG goals.

Examples of SDGs to which ASJ is expected to contribute

	<p>Promote the effective use of biomass through recycling society projects. Because of the cost and small size of the facility, it is expected to be installed in many directions, for example, on condominium premises or on remote islands, thus reducing the travel distance between the source of biomass and the processing facility and contributing to total energy conservation. In particular, the use of the system on remote islands without waste treatment facilities is expected to be a great leap forward.</p>
	<p>Architects will contribute to the realization of an affluent society by promoting the creation of living spaces and towns with the utmost emphasis on the values of the people who live in these spaces and on the sustainability of the natural environment.</p>
	<p>Reusing design information for custom-built homes will make it easier to overcome past problems in construction and strengthen the responsibility of the builder. Reusing design information will also reduce the total construction time, reduce costs, and increase productivity, while making more visible the responsibility for the building process.</p>
	<p>Increase in biomass processing facilities will contribute to the reduction of CO2</p>
	<p>Collaborating with construction companies, architects, and various other real estate professionals to build a total win-win relationship.</p>

Source: Prepared by JPR based on company interviews, financial results presentation materials.

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Corporate Governance: Strengthening Corporate Governance

Active appointment of outside directors (more than half are outside directors)

The Board of Directors, consisting of six members, four of whom are outside directors, is positioned and operated as an organization that makes decisions on management policy and business operations and supervises business execution through mutual checks and balances among the directors. The corporate auditors' attendance at Board of Directors meetings serves as an appropriate check on management. Four outside directors make up half of the Board of Directors, and oversight is provided by persons with experience in the corporate finance field, certified public accountant, and certified tax accountant.

ASJ Shareholder Composition

Name or Designation	Number of shares owned (shares)	Percentage (%)
Apaman Network Co., Ltd.	712,249	29.01
Yuhei Maruyama	373,600	15.22
Akihiko Kinoshita	367,100	14.95
Takuyoshi Nakatani	148,300	6.04
SCSV No. 1 Investment Business Limited Liability Partnership	108,400	4.41
KEIAI Holdings Ltd.	94,900	3.86
PURE CREATE Co., Ltd.	78,500	3.2
Hiroshi Mizoe	55,900	2.28
NOMURA SECURITIES CO., LTD.	52,900	2.15
Masamitsu Mizoe	42,900	1.75

Source: Prepared by JPR based on shareholder meeting materials, as of March 31, 2022.

Utilization of external human resources

Masaaki Shinjo, who became a director at the 15th Annual General Meeting of Shareholders held in June 2022, is the representative director of Apaman Network's group companies, wepark and Apaman Energy Corporation. Hiroyuki Kurogi, who also became a director, is the representative director of KEIAI HOLDINGS. With the participation of these two directors, the company expects to expand its business into the construction of rental housing as well as owner-occupied housing.

3. Overviews

Company Overviews

Name	ARCHITECTS STUDIO JAPAN INC.
Representative	Yuhei Maruyama
Year Established	9-Nov-2007
Business Purpose	Networking of architects and member construction companies to provide custom-built housing
Head Office Location	Shin-Nisseki Building 1F, 3-4-2 Marunouchi, Chiyoda-ku, Tokyo
Capital stock	JPY 740,753 thousand
Number of Employees	49
Fiscal Year End	March 31
Listing Date	18-Dec-2013
Stock Exchange Listing	TSE Growth Market

[Source]Prepared by JPR based on company data

Affiliated Companies Overviews

Name	TEMPO NETWORK, INC.
Representative	Representative director Yuhei Maruyama
Year Established	1-Dec-2021
Business Purpose	Recruitment of franchisees in the real estate and civil engineering construction contracting business through franchise chain system, guidance and training and sales of promotional tools
Head Office Location	3-4-2 Marunouchi, Chiyoda-ku, Tokyo
Capital stock	JPY 10 million (as of May 31, 2022)
Shareholders	ASJ 100%
Fiscal Year End	March 31

Name	CONSTRUCTION NETWORK, INC.
Representative	Representative director Kokichi Morita
Year Established	27-Apr-2022
Business Purpose	Recruitment of franchisees in the real estate and civil engineering construction contracting business through franchise chain system, guidance and training and sales of promotional tools
Head Office Location	3-4-2 Marunouchi, Chiyoda-ku, Tokyo
Capital stock	JPY 10 million (as of May 31, 2022)
Shareholders	ASJ 100%
Fiscal Year End	March 31

[Source]Prepared by JPR based on company data

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Company History

Year	Month	Details
2007	11	Established in Chuo-ku, Osaka for the main purpose of operating the ASJ Architects Network Project. Relocated Head office to Konan, Minato-ku, Tokyo, and the Osaka Branch is established at the location of the former head office
2008	1	Acquired ASJ Architects Network business from E-kensetsu Dot-Com, Inc. (Liquidated in October 2010)
2009	4	Relocated head office to Takanawa, Minato-ku, Tokyo
2011	5	Relocated Osaka branch office to Kakudacho, Kita-ku, Osaka ASJ permanent exhibition hall (ASJ UMEDA CELL) established at the Osaka Branch
2013	12	Listed on the TSE Mothers Market
2014	4	ASJ permanent exhibition hall (ASJ YOKOHAMA CELL) opened in Nishi-ku, Yokohama City
2016	4	ASJ permanent exhibition hall (ASJ TOKYO CELL) opened in Chiyoda-ku, Tokyo
2017	1	Relocated head office to Hamamatsucho, Minato-ku, Tokyo Relocated Osaka branch to Doyama-cho, Kita-ku, Osaka
2019	5	ASJ permanent exhibition hall (ASJ YOKOHAMA Satellite) opened in Nishi-ku, Yokohama City
2020	10	Relocated head office to Marunouchi, Chiyoda-ku, Tokyo
2020	12	Signed a business alliance agreement with SCALA, INC.
2021	8	Issued shares through a third-party allocation to Apaman Network Co., Ltd., a subsidiary of APAMAN Co., Ltd., and at the same time, the merger was executed with ASJ as the surviving company and TEMPO NETWORK Inc., a subsidiary of Apaman Network, as the dissolving company.
2021	12	Established consolidated subsidiary TEMPO NETWORK Inc. through a corporate split-off
2022	4	Moved from the Mothers market to the Growth market following the reorganization of the Tokyo Stock Exchange market Established consolidated subsidiary CONSTRUCTION NETWORK INC.

[Source] Prepared by JPR based on company data

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4. ROIC Analysis

Summary

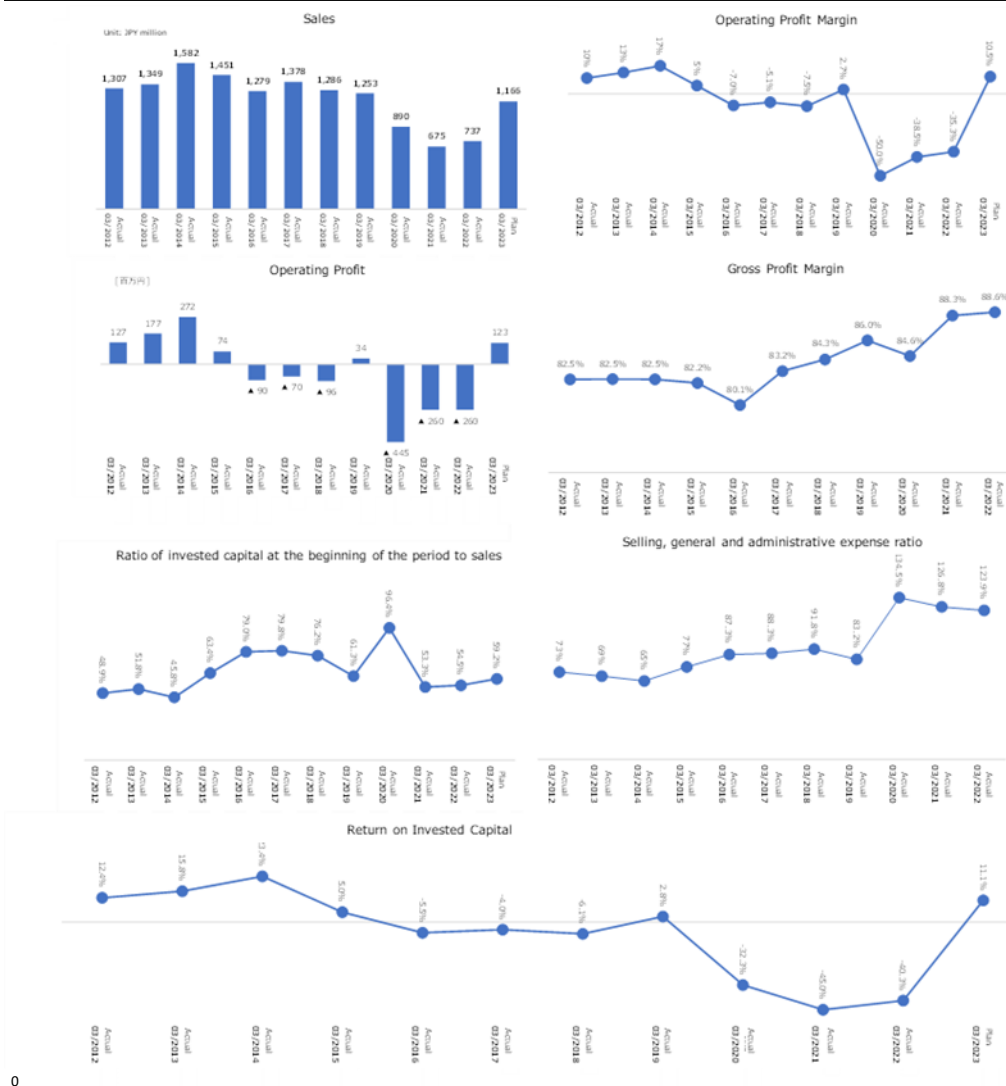
ROIC once
exceeded 20%

Recovery process from less than half of peak sales

Pursuit of economies of scale through four future focus businesses

ASJ posted operating losses in six of its seven fiscal years from FY03/2016 through FY03/2022, when challenges to existing businesses became apparent in the future story. The key to recovering profitability is the launch of four focused businesses that maximize the value of the architects platform.

ROIC Analysis



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5. Results for the FY 03, 2023 1Q and Company Plan for the same period

Summary

Results for the first quarter of the fiscal year ending March 31, 2023

Continued challenging conditions

Amid the uncertain outlook mainly in overseas markets, both construction contract royalty sales and architects' fee sales remained sluggish due to a slowdown in the number of construction contracts and architectural design/supervision service contracts, affected by the cancellation and postponement of events, although they are on a recovery trend. On the other hand, marketing sales were generally favorable due to a recovery in the number of events held. PROTO BANK Station, which had been focused on acquiring new franchisees, failed to sign any new franchisees, resulting in a significant slump in sales. As a result of the above, net sales, operating loss, and recurring losses came to JPY 105 million, JPY 124 million, and JPY 124 million, respectively, for the consolidated cumulative first quarter. In addition, the entire book value of software in progress was recognized an impaired loss and an extraordinary loss of JPY 5 million was recorded, resulting in a net loss belonging to parent company shareholders of JPY 131 million for the quarter.

Corporate Plan for the fiscal year ending March 31, 2023

Aiming for 58% increase in sales and operating income profit from the previous year

In the PROTO BANK business, ASJ aims to grow by strengthening the PROTO BANK business in addition to its two main businesses. In the PROTO BANK business, ASJ will increase the number of franchisees by holding seminars and providing services that offer competitive products, as well as increase customer acquisition through business development with its sales partner (LibWork.). Existing businesses will promote order receipt through merit restructuring + capture demand through community-based business, and collaboration with local real estate companies + capture demand through community-based business. In addition, the company will seek to expand the number of users in the Construction Network business and, at the same time, increase the number of franchised construction companies in the Studio Network business. ASJ will also promote proposals for the introduction of advanced organic material utilization system equipment. Through these efforts, ASJ aims for a 58.2% year-on-year increase in sales to JPY 1,166 million in the fiscal year ending March 31, 2023. ASJ aims to achieve an operating profit of JPY 123 million.

Results for 1Q of the fiscal year ending March 31, 2022, 1Q of the fiscal year ending March 31, 2023, and company plan for the same period

	Non-Consolidated	Consolidated		Consolidated	
	Results for 1Q of ending Mar. 31, 2022	Results for 1Q of ending Mar. 31, 2023	YoY	Corporate Plan for FY Mar. 2023	YoY
Sales	122	105	—	1,166	58.2%
Operating income	▲ 113	▲ 124	—	123	—
Recurring profit	▲ 113	▲ 124	—	120	—
Current income	▲ 119	▲ 131	—	86	—

※Since the quarterly consolidated financial statements are prepared from the 3Q of the fiscal year ending March 31, 2022, the percentage change from the same period of the previous year for the 1Q of the fiscal year ending March 31, 2022 is not shown.

[Source] Prepared by JPR based on financial statements for the fiscal year ended March 31, 2022.

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6. External Environment Analysis

Market environment

Recovering from the effects of COVID-19

Market analysis

Trends in the overall housing construction market

The number of new housing starts in FY2021, announced by the Ministry of Land, Infrastructure, Transport and Tourism in April 2022, was 865,909 units, up 6.6% from the previous year. Although the number of units increased 6.6% from the previous year, it was the third consecutive year that the number of units fell below 900,000, and in each use relationship, the number of units was positive except for salary housing (company housing and dormitories). Although the market fell below the level for consecutive years in FY2019 and FY2020 due to the impact of the consumption tax hike and the spread of the COVID-19 infection, in FY2021 the market continued to pick up, mainly for detached houses, supported by the economic recovery and demand for a review of the living environment due to the growing need for home living.

New Housing Starts Statistics in the Last 10 Years (Number of Units by Type of Use)

Statistics on new housing starts for the last 10 years (units by use)

Units: houses, %.

Fiscal year	Total number of units started	YoY	breakdown							
			Owner-occupied		For rent		Salaried housing		For installment sale	
			No. of houses	YoY	No. of houses	YoY	No. of houses	YoY	No. of houses	YoY
Apr, 2012- Mar, 2013	893,002	106.2%	316,532	103.9%	320,891	110.7%	5,919	78.1%	249,660	104.4%
Apr, 2013- Mar, 2014	987,254	110.6%	352,841	111.5%	369,993	115.3%	5,272	89.1%	259,148	103.8%
Apr, 2014- Mar, 2015	880,470	89.2%	278,221	78.9%	358,340	96.9%	7,867	149.2%	236,042	91.1%
Apr, 2015- Mar, 2016	920,537	104.6%	284,441	102.2%	383,678	107.1%	5,832	74.1%	246,586	104.5%
Apr, 2016- Mar, 2017	974,137	105.8%	291,783	102.6%	427,275	111.4%	5,793	99.3%	249,286	101.1%
Apr, 2017- Mar, 2018	946,396	97.2%	282,111	96.7%	410,355	96.0%	5,435	93.8%	248,495	99.7%
Apr, 2018- Mar, 2019	952,936	100.7%	287,710	102.0%	390,093	95.1%	7,958	146.4%	267,175	107.5%
Apr, 2019- Mar, 2020	883,687	92.7%	283,338	98.5%	334,509	85.8%	6,108	76.8%	259,732	97.2%
Apr, 2020- Mar, 2021	812,164	85.2%	263,097	91.4%	303,018	77.7%	6,908	86.8%	239,141	89.5%
Apr, 2021- Mar, 2022	865,909	106.9%	281,279	106.9%	330,752	109.2%	5,494	79.5%	248,384	103.9%

[Source]Construction Economics Statistics and Research Bureau, Policy Bureau, Ministry of Land, Infrastructure, Transport and Tourism (released April 28, 2022)

Expectations for Expanding Demand for Architectural Houses

Current Status and Future Prospects of the Architectural Housing Market

Although the number of housing starts is gradually declining according to statistical figures published by the Ministry of Land, Infrastructure, Transport and Tourism, in the ASJ's architectural housing market, the number of new architectural housing starts in FY2019 was 11,200 units according to Yano Research Institute Ltd., with architectural housing maintaining a constant level of around 11,000 units almost since FY2016. This is due to the fact that the client (customer) base, which seeks design and functionality rather than low-cost, standardized custom-built housing, is increasingly focusing on housing that utilizes architects. According to the same Yano Research Institute Ltd. survey report, the increasing use of architect matching services and architect utilization platforms will increase awareness of "architect homes" and make architects more accessible, gradually establishing architect homes as an option for clients who place importance on their lifestyles and who seek designs and features that they are particular about.

PEST analysis

Trend toward building a human-centered society is positive for ASJ Inc.

A tailwind for the recycling society business

A tailwind for the recycling society business

Energy saving, resource saving, and IoT trends are positive

PEST analysis

P: Politics & Law

Although there are no developments that have a direct impact on ASJ's efforts, since energy conservation, resource conservation, and building a human-centered society are political themes, it can be inferred that political and legal developments will have a positive impact on ASJ's efforts as a major trend.

E: Economy

General waste treatment facilities, which are responsible for incinerating waste, have a shorter service life than other municipal facilities, and those facilities that began operation before the beginning of the Heisei period are reaching the point of renewal. However, the huge costs involved in the frequent renewal of such facilities have created a need for low-cost alternatives. ALIN International's biomass-based organic waste treatment technology is expected to replace waste incineration facilities while reducing costs.

S: Society

General waste treatment facilities, which are responsible for incinerating waste, have a shorter service life than other municipal facilities, and those facilities that began operation before the beginning of the Heisei period are reaching the point of renewal. However, the huge costs involved in the frequent renewal of such facilities have created a need for low-cost alternatives. ALIN International's biomass-based organic waste treatment technology is expected to replace waste incineration facilities while reducing costs.

T: Technology

Technological changes in the building industry are expected to accelerate in the future, such as more advanced energy saving, resource saving, and the movement toward IoT for the entire house.

5 Force Analysis

High barriers to entry

Platforms are difficult to replace

Prospects for improvement through the establishment of branding

Expecting to strengthen negotiating power through new business

Small risk of increased competition

5 Force Analysis

Threat of new entrants

ASJ's network of 3,000 architects has been built up over many years through strong relationships of trust, making it difficult to enter the market.

Threat of replacements

Replacing the ASJ platform, which is built on a solid foundation, will not be easy.

Negotiating power of the buyer (customer)

Since branding has not been established, the company's appeal to clients is currently weak. However, ASJ is expected to expand its scale, increase its name recognition, build more attractive architect homes in addition to its traditional custom-built homes, increase the number of constructions of ready-built housing built by PROTO BANK, improve brand power to increase appeal to clients and, as a result, solidify the improvement of bargaining power.

Negotiating power of the seller (supplier)

For architects, the ASJ network is attractive and there is not much reason to leave. On the other hand, ASJ has a cooperative relationship with the construction companies that contribute to the building of houses, but its current bargaining power is not strong, as there have been a number of departures. However, the launch of the new business is expected to improve the bargaining power over construction companies by making the platform more attractive than it is now.

Competition within the industry

At present, competition with housebuilders and other companies is intense. However, since the company is promoting business development based on Japan's largest network of architects, there are no completely similar businesses, and when the brand is established, it is likely to exhibit a monopolistic advantage.

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Appendix 1. Information on Partner Companies

LibWork.

"Customers First"
since the
company's
founding

Efficiently attract
customers through
web marketing

Attract customers
at low cost with
useful information

Increase the
number of fans and
lead to orders

Breakthrough from Digital Marketing to Detached Platformer

Values

Providing people with a rich life and happiness through housing

LibWork. began in 1997 in Yamaga City, Kumamoto Prefecture, when President Seguchi's own father founded Seguchi Komuten Ltd. to pursue customer satisfaction as a "town construction company". In response to this, LibWork.'s current management philosophy is to "put the customer first" with an internal rule of immediate response in shifts, "deliver products that inspire the world," aiming to exceed satisfaction, and "help customers realize their dreams," increasing design freedom.

Pursuit of cost reductions that combine excitement and dreams

LibWork. is a house builder and operates a platform for a detached house-related category portal site. By attracting customers on the web through this, the company is able to lower the cost of attracting customers and provide houses with high cost performance. As a housing tech company with core competence in web marketing, which has been cultivated for about 20 years since President Seguchi took office in 1999, LibWork. will innovate the housing industry with technology that provides a valuable lifestyle to each and every person in the world.

Strategy & Business Model

Attracting customers on the web regardless of area by utilizing a web platform

One of LibWork.'s strengths is its unique method of attracting customers by sending them to venues that meet their needs after attracting them via the Internet. In particular, the company has an overwhelming advantage in the quantity and quality of information on portal sites categorized as "land search," "architect search," and "comparison of houses for sale" because, unlike other companies that use an advertising model, there is no charge for posting information and no brokerage fees are required. Furthermore, due to the good relationship built by the specialized inside sales department, the percentage of customers who are sent to model houses from web-based customer acquisition is close to 50%¹. In addition, the Youtube channel "LibWork ch," which introduces completed properties and other information twice a week, had 37,000 registered users and 13 million total views² by March 2022. With the growing tendency to inquire about one's own requests to manufacturers after checking them on the Web, the promotion of fanning and contribution to orders is accelerating, while generating several hundred thousand yen per month in income instead of paying advertising fees.

1. Forbes JAPAN BrandVoice Studio <https://forbesjapan.com/articles/detail/44110>

2. Company data <https://contents.xj->

Horizontal development of area-independent expertise

Outstanding cost performance

Driving the Future of Kumamoto Prefecture

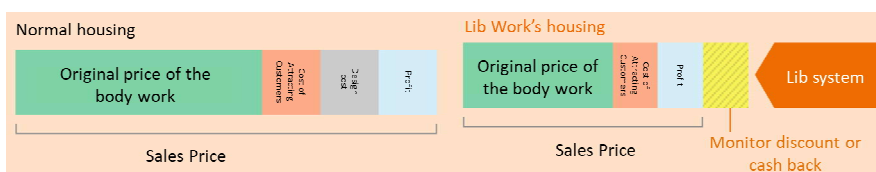
Expansion of area, stores, and online customer attraction for stable growth

LibWork. has achieved significant cost reductions in advertising costs by accumulating expertise in attracting web customers. Since this is not dependent on area, as a method of attracting customers, the company will horizontally expand the areas handled by the website nationwide in parallel with the stores. Specifically, the company aims to expand the area where "e-land net" stores are located, release two to three new customer-attracting websites a year, gradually increase the number of stores to 100 by moving northward from Kyushu, and furthermore, expand the number of customers attracted by the website up to 10 times by 2030.

Lib Systems and Housing Monitoring Programs reduce costs

LibWork. has developed the "Lib System," which produces well-designed, high-performance homes at low cost. This system significantly reduces costs by attracting customers via the web, in-house design, and bulk purchasing of building materials at headquarters. In addition, the company has introduced a "housing monitor system" under which completed houses are rented as viewing sites for two weeks before they are delivered, and discounts or cash back are offered. Tours that allow visitors to visualize realistic living conditions are possible, eliminating the need to tear down and rebuild model homes every few years. This allows for construction cost reductions and sales price containment while reducing environmental impact and saving social resources.

The secret to building a "cost-effective house"



Sustainability

Addressing the SDGs through DX, environmental measures, and partnerships

LibWork. promotes DX by opening Internet-based home exhibition sites. The company also contributes to environmental issues by building houses using recycled resources, installing free solar panels on all houses, and procuring wood from planned tree plantations. In addition, the company is promoting partnerships to facilitate these efforts. As a result, the company is listed in the "SDGs Edition 2: The kind of company I want to work for" as a company that is proactively addressing the SDGs.

Selection as a Regional Future Driving Company

LibWork. has been selected by the Ministry of Economy, Trade and Industry as a "Regional Future Driving Company. As a company that promotes businesses that drive economic activities in the region by creating high added value by taking advantage of regional characteristics (industrial clusters, tourism resources, specialty products, technology, human resources, information, and other characteristics from a natural, economic, or social perspective), and by expanding transactions within the region, increasing orders, and having other substantial economic effects on local businesses, Kumamoto Prefecture will contribute to economic development in Kumamoto Prefecture.

Acquiring
relationship-
building skills

Sorting out
concerns and
offering solutions is
what housing sales
is all about

Utilization of
databases and
networks

Prospects for partnership with ASJ, INC.

Strengthening sales force that ASJ lacked

Attracting customers with web marketing expertise

ASJ's PROTO BANK is a system that allows the company to offer a large number of well-designed and convenient architect homes at low prices. This alone, although relatively inexpensive, does not resolve concerns about an expensive purchase in one's life and does not lead to a contract. Here, LibWork's expertise in building good relationships with customers via the Internet can be utilized to lead to tours.

Strengthening sales force to connect tours to contracts

Lib Work's in-house VR/CG and housing monitoring system are expected to enable Protobank to realize a realistic evocation of living while keeping costs down. In addition, Lib Work's specialty of gaining the client's understanding and trust by sorting out their concerns and presenting solutions will be demonstrated, and it is believed that it will be possible to acquire contracts that have been missed so far.

ASJ database contributes to LibWork. goals

Accelerating Googlization of detached plans

LibWork. is about to launch "My Robo," a "Googlization of detached house plans," which will create a database of all detached house floor plans and provide an AI-based optimal plan based on the customer's requests. The addition of ASJ's database of architectural homes will enrich "My Robo" proposals in terms of design, convenience, and price. In addition, the use of the ASJ architect network, which connects architects and franchisee construction companies nationwide, is expected to facilitate smooth construction and provision.

PROTO BANK homes on LibWork Ch



Source: LibWork ch. <https://youtu.be/2ymzw7vYDGw>

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ALIN International
Inc.

Promoting
advanced use of
organic materials

Realizing an Organic Material Recycling Society with Subcritical Water Technology

A beautiful earth for our children

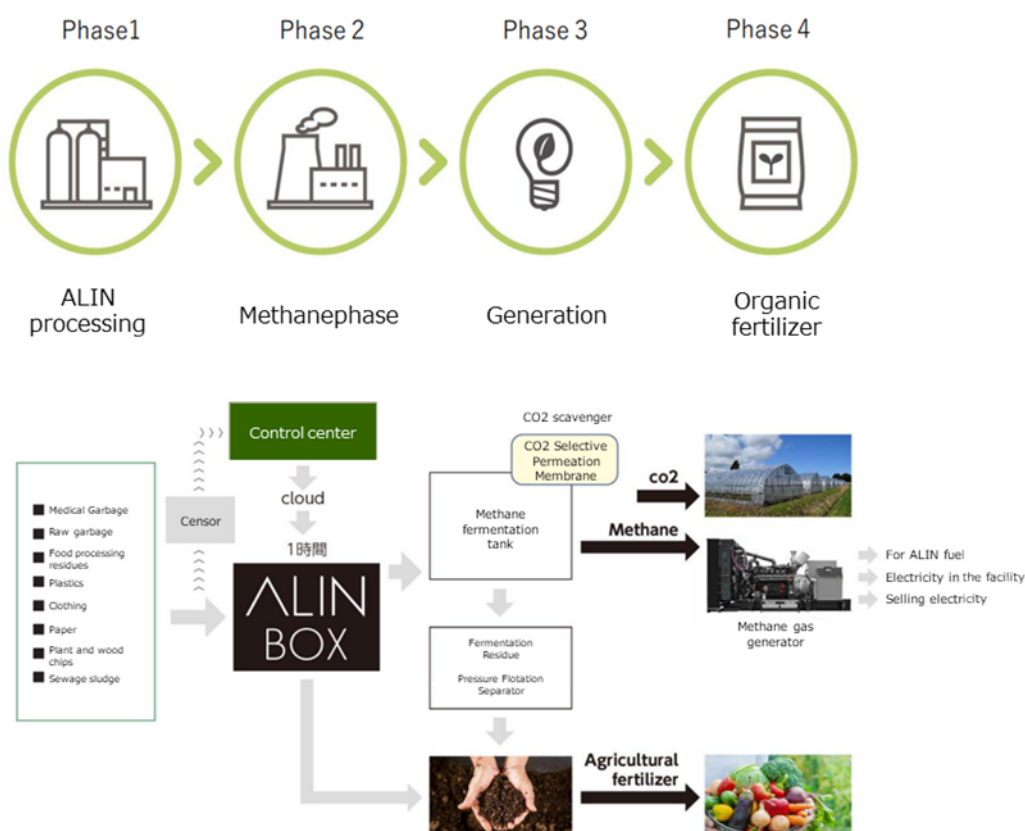
"ALIN", a platform for circulating organic materials

ALIN International is considering the global waste problem by bringing together the most advanced technologies under the theme of "Advanced Utilization of Organic Materials".

The core technology is based on a patent held by Toshikatsu Suzuki, president of PCS CO., LTD. (<http://www.pcs-sapporo.com/company.php>), a company established in 1979 that develops environmental improvement technologies, and is developed under the theme of "Advanced Utilization of Organic Materials". The company will make full use of "ALIN," a platform for circulating organic materials.

Overview of ALIN, a platform for circulating organic materials

ALIN highly circulates organics.



Source: Prepared by JPR based on company interviews, financial results presentation materials.

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Subcritical water
waste treatment
plant "ALIN-BOX"
as the nucleus for
building a recycling
society

Decentralized
processing by
downsizing waste
treatment facilities
significantly
reduces logistics
energy costs
associated with
collection

Trying to resolve
issues related to
biogas power
generation to date

Proposal for a new waste treatment process with "Advanced Utilization of Organic Materials"

The basic technical structure of ALIN is that all organic waste is first converted to low molecular weight in about one hour by the "subcritical water waste treatment plant (ALIN-box)", and at the same time, it is made odorless and harmless. The primary residue discharged from the ALIN-box is then fed into a methane gas fermenter for methane fermentation in an optimal environment, and the carbon dioxide contained and strong odor are removed by a "carbon dioxide separation membrane" to generate electricity in a state similar to that of natural gas. The secondary residue after methane fermentation is utilized in agriculture as an amino acid-based organic fertilizer, and the carbon dioxide extracted by the separation membrane is provided to plastic greenhouses and factories that require carbon dioxide in this organic materials recycling technology.

Collaboration with PCS and other companies

ASJ will work with the aforementioned PCS and ALIN International, which promotes its manufacturing and sales of ALIN, and will work with architects to support the construction of waste treatment facilities to contribute to urban development using ALIN's technology.

Creating a virtuous cycle of flora and fauna and leaving a beautiful planet

To begin with, the garbage problem stems from population growth and morale, but it also has its causes in the garbage disposal process, such as the complexity of problem solving that arises from the fact that garbage collection is carried out over a wide area. The "ALIN" proposed by ASJ is envisioned as a single condominium unit and ultimately a single household unit. ALIN" not only brings about more efficient waste disposal, but also creates a virtuous cycle of flora and fauna, since organic waste is recycled into energy and fertilizer. It restores the energy of degraded agricultural soil and produces healthy, disease-resistant vegetables, which in turn has a positive impact on livestock. Today, when the world population is expected to surpass 10 billion by 2050, "ALIN" is expected to be an organic materials recycling platform that will leave a beautiful planet for our children.

Dream Organic Material Recycling Technology to Solve Biogas Power Generation Issues

Biogas power generation that was not worth the investment and could not be turned into a business

Conventional biogas power generation has the following five major issues, which make it difficult to develop as a business because it is not worth the investment. (1) Raw materials are limited to cattle manure, bacteria beds, and food residues. (2) Cattle manure, particularly, is inefficient because of its low fermentation volume. (3) The amount of fermentation can be expected from domestic waste, but it is difficult to use because it contains nylon and other materials. (4) It takes more than 30 days for the raw materials to become low molecular weight and start fermentation. and (5) It costs a lot of money to dispose of digested liquid. "ALIN" solves these problems and provides business-oriented biogas power generation.

The advantage of
not having to
separate is
appealing

Disposal at the
source of waste is a
key

Distributed
processing in
condominiums,
restaurants, etc.

Solving Manure
Disposal Issues on
Ranches

Addressing energy
savings issues

Solving issues with three technologies

ALIN" is characterized by its "subcritical water plant," "hydrogen sulfide and carbon dioxide separation equipment," and "pressurized floating equipment. The power of subcritical water makes food waste, waste plastic, medical waste, clothes, wood chips, etc. into low molecular weight without sorting and starts fermentation in around 10 days. The ALIN residue generated is refined into methane gas, which can be liquefied and stored almost like natural gas, using the "hydrogen sulfide and carbon dioxide separator". The digested liquid is separated into water and organic agricultural residues that can be reused or treated with sewage through a "pressurized floatation system". These steps solve the problems of conventional biogas power generation.

Smaller "ALIN-boxes" keep trash from being transported too far

The first step of "ALIN," low molecular weight conversion by subcritical water, can be processed in the boiler room of an apartment building due to the compact size of the "ALIN-box. This means that ALIN residuals need only be provided to the power plant and eliminates the need to transport the waste to a distant treatment plant. Ultimately, the goal is to achieve a society in which people do not have to carry waste, with miniaturized waste disposal equipment to a level that can be handled by each household and food and beverage outlets.

Bringing Revolution to Facility Operations, Restaurant Management, and Dairy Business

Income source without waste from facilities and restaurants

With the miniaturization of the "ALIN-box," condominiums, various facilities, and even restaurant operations will be able to provide ALIN residue to power plants without generating waste and receive dividends from the power generation income. It can also lead to recycling services, such as the distribution to users of organic vegetables made possible by the provision to farmers of organic agricultural residues processed at the power plant.

Increased production and additional sources of income while reducing dairy odors

The introduction of the "ALIN-box" to the farms solves the odor problem by allowing existing compost and manure generated to be converted into ALIN residue in a low molecular weight form. The necessary portion of this residue can be used as bedding for the barn, and the remainder can be used to generate electricity by using it to generate methane gas, sold to power generation companies, or to earn dividends by providing it to power plants. This will increase production by improving and expanding the barn environment while reducing odors, and will enable the company to acquire a new source of electricity-related income.

Converting garbage into stockpileable electric power resources for storage and organic fertilizers

ALIN treatment and methane fermentation to convert garbage into a stockpileable electric power resource

The subcritical water treatment technology reduces CO2 content and lowers the molecular weight of food waste, waste plastics, medical waste, clothes, wood chips, etc. without sorting them. Then, through methane fermentation and removal of hydrogen sulfide and carbon dioxide, methane gas, which is close to natural gas and can be liquefied for storage, can be produced. This allows the utilization of garbage into an electric power resource while overcoming the problem of savings, which is an issue with other renewable energy sources.

Effective utilization of residues

Contributing to the formation of self- sustaining communities by integrating into urban planning

Wide range of spillover areas

Industrial waste from power generation to organic agricultural residues

In general, materials fed into biogas power generation end up as industrial waste (digested liquid), which is expensive to process externally. The digested liquid can be separated into reusable water and organic agricultural residues by the "pressurized floatation system," resulting not only in the recycling of waste into electric power resources and organic agricultural residues, but also in the reduction of previous disposal costs and more efficient recycling.

Contributing to the formation of self-sustaining communities by integrating into urban planning

Until now, cities have been designed on the premise that garbage is transported far away to be disposed of and that the power given by power plants is utilized. However, by downsizing the "ALIN-box" and incorporating biogas power generation, it is possible to build a self-sustaining community that does not produce waste in the first place and covers its own power supply. In addition, the organic farming that will take place here, which will clear the odor problem, is expected to reduce energy consumption for transportation and create a more sustainable city with stronger connections within the community.

Turning industrial waste during power generation into residues for organic agriculture

ALIN is expected to revolutionize a variety of business models. Examples include the following.

Possibility of revolutionizing the business model by "miniaturization of ALIN-box"

- ◇Resort Development
- ◇Alternatives to waste incineration plants
- ◇Propose business models to industrial waste companies
- ◇Combination to City Planning Proposals
- ◇Paper sludge treatment for a paper manufacturing companies
- ◇Dairy manure disposal
- ◇Post-processing of fish and shellfish
- ◇Sewage sludge treatment

[Source] Prepared by JPR based on interviews with company officials

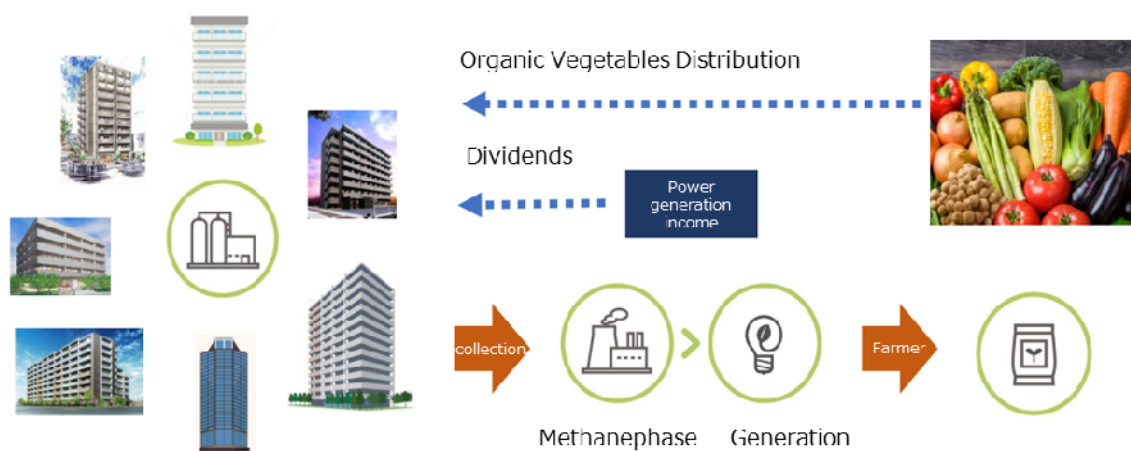
Potential impact on condominium operations and dairy business

In the future, it is also expected to promote reform of waste management operations in condominiums by installing "ALIN-boxes" in condominiums through miniaturization as shown below, as well as reform of the dairy farming business.

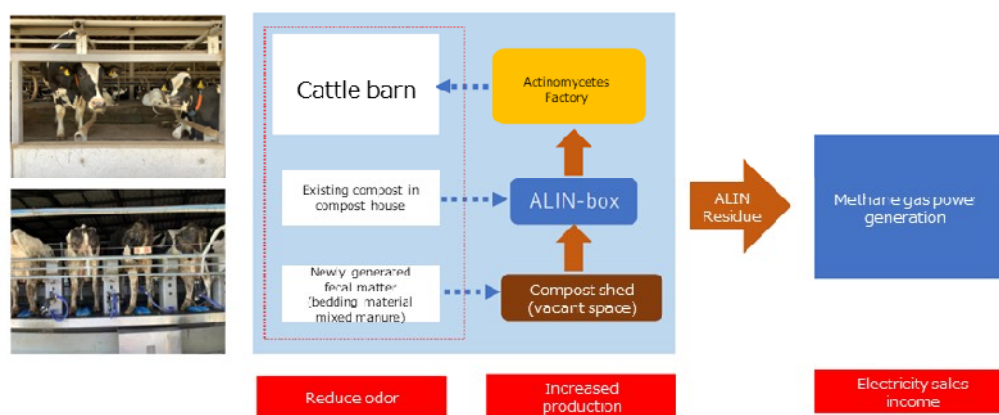
Overview of "ALIN", a platform for circulating organic materials

SDGs for condominium management through “downsizing of ALIN-boxes”

Reinforcing management association fees to provide new condominium services



"ALIN" will transform the dairy business



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Appendix 2. Partnership with SCALA

Marketing with maximum use of the Web

The partnership with SCALA will enable PROTO BANK to jointly build an optimal platform for its customers and other related parties by promoting DX, including the provision of web marketing tools that utilize the company's advanced AI / IoT / IT technologies and the joint development of call center-related solutions that make full use of IT technologies.

Partnership with Scala

Partnership Content	Content	Outcome/Goal to be attained
Contract for call center operations to acquire PROTO BANK franchise	LEOCONNECT Inc., a consolidated subsidiary of Scala, promotes contact setting services to obtain franchise agreements with construction companies	To acquire franchise contractors in cities, towns, villages, and wards in government-decreed cities throughout Japan within 1-2 years in order to build a nationwide network
Contract for call center operations to support the acquisition of clients who use PROTO BANK	LEOCONNECT Inc., a consolidated subsidiary of Scala, promotes call center operations for interviewing client needs and contract promotion to acquire clients.	Ensure efficient customer interaction to contribute to lower cost-per-acquisition. Lower acquisition costs for gross profit of about 1.5 million yen per case.
Support a business alliance with a major online bank	Support partnerships with major online banks by arranging meetings, etc. between the company and a major online bank	Facilitate loan selection opportunities for clients by connecting them with a major online bank through ASJ's platform
Support for marketing strategy development	Support for insight analysis of target customers for the new "PROTO BANK" business and introduction of synergistic providers	Formulate and implement strategies to promote broad recognition of PROTO BANK's attractiveness, and aim to increase sales of PROTO BANK business as soon as possible.

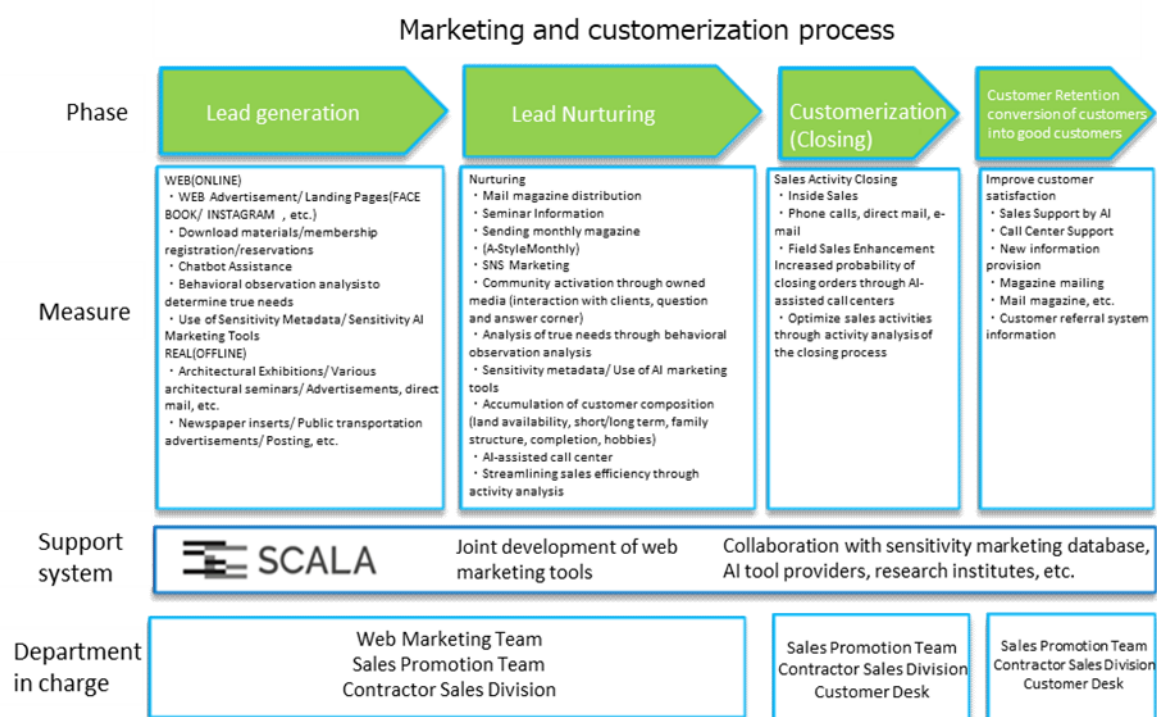
[Source] Prepared by JPR based on business plan and growth potential presentation materials as of May 31, 2022

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Final Direction

The following diagram shows the final goal of the business alliance between ASJ and Scala. We will optimize the flow of customer acquisition and seek to maximize gross margins. We will continue to disclose progress as soon as it becomes clear.

Possible support through business alliance with Scala



[Source] Prepared by JPR based on business plan and growth potential presentation materials as of May 31, 2022

Appendix 3. Detailed Assumptions for Quantifying Shareholder Value

	2023.3	2024.3	2025.3	2026.3	2027.3	2028.3	2029.3	2030.3	2031.3	2032.3	2033.3
Store network + Producing	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4
TENPO network + Construction network	1.1	1.5	2.0	2.7	3.7	4.6	5.5	6.4	6.9	7.1	7.4
PROTO BANK	1.7	2.9	5.0	8.7	15.0	24.0	33.6	43.7	52.4	57.7	60.0
Recycling	1.5	2.5	3.76	4.36	4.96	5.56	6.16	6.76	7.36	7.96	8.56
Net Sales	11.7	14.3	18.2	23.1	31.0	41.5	52.7	64.2	74.0	80.1	80.5
Gross profit	10.3	12.6	16.1	20.5	27.4	36.7	46.6	56.8	65.5	70.9	71.2
Fixed cost	9.1	10.3	11.9	13.7	16.3	19.5	22.4	25.3	27.5	28.9	28.9
Operating income	1.2	2.4	4.2	6.8	11.1	17.3	24.1	31.5	38.0	42.0	42.3
Growth Rate		1.22	1.27	1.27	1.34	1.34	1.27	1.22	1.15	1.08	1.00
Scale effect (expansion at 0.6 power of growth rate)		1.13	1.16	1.16	1.19	1.19	1.15	1.13	1.09	1.05	1.00
Invested capital	6.9	7.8	9.0	10.4	12.4	14.8	17.1	19.2	20.9	22.0	22.0
Percentage of net sales	59.3%	54.7%	49.6%	45.0%	40.1%	35.7%	32.4%	30.0%	28.3%	27.4%	27.4%

[Source]: Compiled by JPR * Figures for FY03/2023 plan (company-announced figures) and those for FY03/2024 and beyond are 10-year forecasts estimated by JPR; fractions do not match due to rounding.

Reference 1. For those new to JPR reports

GCC Management™ Analysis

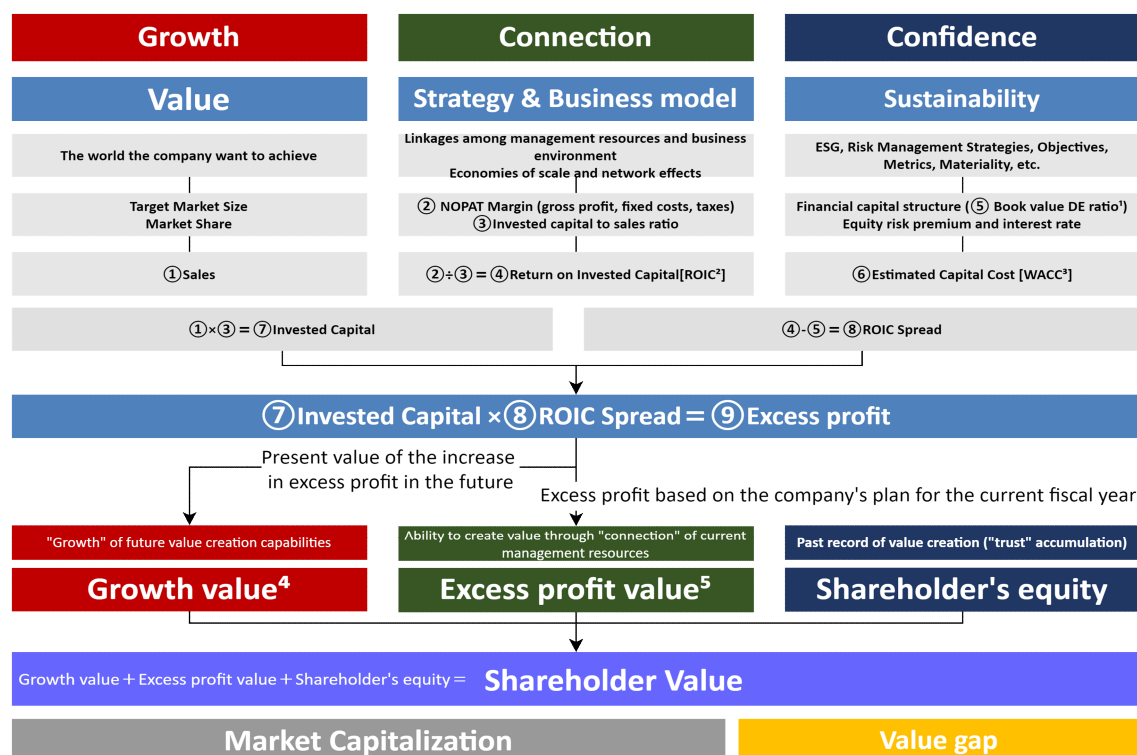
Visualize the value gap between theoretical shareholder value and market capitalization

Analyze by the three elements of Growth, Connection, and Confidence.

A framework for directly linking qualitative stories to shareholder value

This report analyzes corporate value from the perspective of GCC Management™, a framework developed by J-Phoenix Research Corporation ("JPR"), emphasizing three elements: Growth (sales growth), Connection (improved human and business connections = higher return on capital), and Confidence (improved trust = lower business risk). The following chart shows the overall picture of the GCC Management™ framework. The following diagram shows the overall picture. The qualitative future story is linked to financial indicators, which are finally integrated to estimate shareholder value. Using the excess profit method (see "Appendix 3. Basis of Calculation" at the end of this report), JPR estimates the final theoretical shareholder value and visualize the value gap by comparing it with the market

GCC Management™ Analysis Framework



[Source: JPR] [Notes] 1. Book value DE ratio: Ratio of interest-bearing debt to shareholders' equity.

2. ROIC: Return on Invested Capital, See "Appendix 3." at the end of this document. 3. WACC: Weighted Cost of Capital, see "Appendix 3." at the end of this document. 4. growth value = cumulative present value of the perpetuity value of the excess profit increment through year X. The perpetuity value is calculated as the excess profit increment divided by WACC. The present value of that amount is discounted by the WACC. Cumulative future value up to year X as assumed by the growth scenario. 5. Excess profit value = the perpetual value of excess profit based on the current year's company plan. The excess profit value is estimated by dividing the excess profit calculated from the current year's company plan and the invested capital at the beginning of the period by the WACC.

Visualization of value gap through 10-year growth scenario analysis

Comparison of increase in shareholder value by year and market capitalization

The potential increase in shareholder value generated by a 10-year growth scenario based on the future story is visualized for each year and compared to the market capitalization. This allows us to visualize how many years of the future story are reflected in the market capitalization. 10 years of shareholder value is expected to be reflected in the market capitalization as the expectations for the achievability of the 10-year future story increase. The difference between the market capitalization and the estimated shareholder value reflecting up to 10 years of future story is the estimated upside potential. As investors' expectations of the feasibility of the future story are raised by the specific current performance, the likelihood of the realization of that value gap increases.

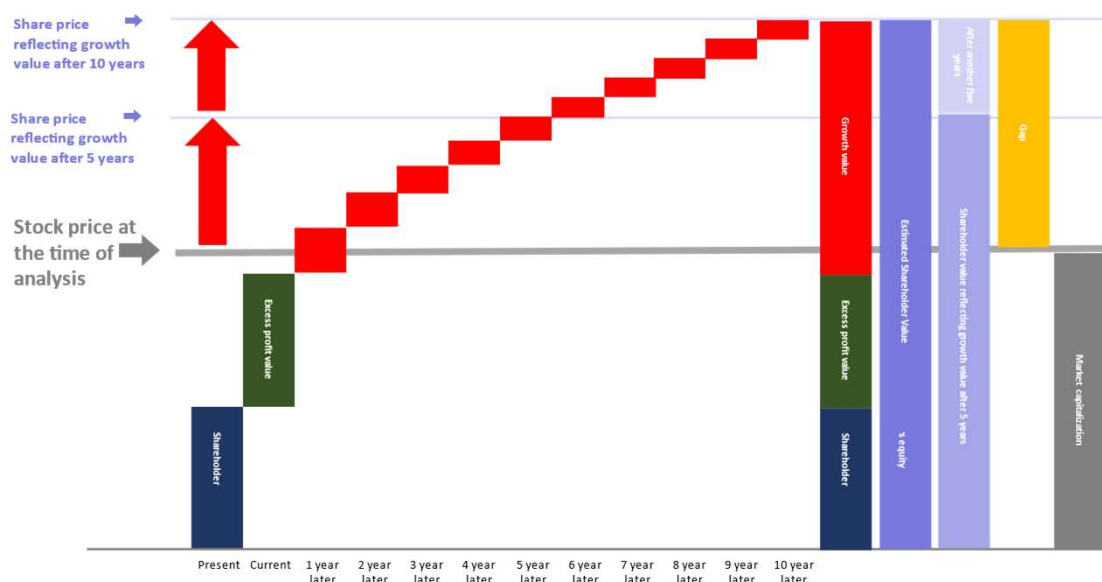
Conservative growth scenarios and scenarios reflecting changes in future stories

This analysis is useful when the firm's strategy undergoes significant change. As shown in the figure below, it is also possible to visualize separately the growth potential under the conservative scenario and the growth potential under the change. Shareholder value without incorporating change represents a conservative amount.

Visualize the value gap between theoretical shareholder value and market capitalization

Visualization of various scenario analysis

Visualizing the Value Gap



[source] JPR

Reference 2. Basis of Calculation

Corporate value
estimated by use of
ROIC and excess return

Excess return analysis framework

Excess profit or economic value added is globally used as an indicator to estimate corporate value, evidenced by its adoption by Kao Corporation, a Grand Prix winner of the Tokyo Stock Exchange Fifth Corporate Value Improvement Award (FY2016). In the calculation of excess return, corporate value can be broken down into four elements: invested capital, excess return value, growth value, and non-business assets. This facilitates a better understanding of the structure that creates corporate value. A company might be overvalued or undervalued when its market cap is higher or is lower than its theoretical corporate value, respectively. The contribution of each year's corporate value can be visualized in the following figure, wherein shareholders' equity is simply represented as a sum of invested capital and non-business asset, subtracting interest-bearing debts. The figure below allows us to estimate how many years of growth might be incorporated into the stock price.

Breakdown of corporate value using excess return



[source] JPR

Estimated excess return is profit that exceeds investors' return expectations against invested capital. Its present value is "excess return value," while a potentially growing portion of excess return is "growth value." Moreover, assets not used in business are added as non-business asset value in estimating a theoretical corporate value. Theoretically, the estimated corporate value using excess return should be the same as the value estimated using the discount cash flow (DCF) model. This report calculates excess return by using the following figures in a simplified manner.

- ② Excess return = NOPAT – Invested capital X WACC
- ② Net Operating Profit After Tax (NOPAT) = Operating profit X (1 - Effective tax rate)
- ② Invested capital = Total assets – Non-business assets – Current liabilities excluding Interest-bearing debt
- ② Non-business assets = Cash and deposits exceeding 10% of sales + Short-term investment securities + Investment securities + Deferred gains or losses on hedges + Land revaluation difference + Foreign currency translation adjustments
- ② Weighted average cost of capital (WACC) = After-tax interest rate of interest-bearing debt X (D / (E+D)) + Cost of shareholders' equity X (E / (D+E))
- ② Cost of shareholders' equity = 0.5% + 5% X β
- ② β = Slope of a linear regression line of five-year daily returns of TOPIX and the stock price of the target company
- ② E = Market cap at the time of calculation
- ② D = Short-term interest-bearing debt + Long-term liabilities + Minority interests in the latest financial statements at the time of calculation

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