

7.5x upside potential based on GCC Management™ analysis

"Rental management platform" strategy that solves the problems of self-managed landlords to achieve a different dimension of growth

This report analyzes corporate value from the perspective of GCC Management™, a framework developed by J. Phoenix Research Corporation ("JPR") that emphasizes three elements: Growth (sales growth), Connection (improved human and business connections = higher return on capital), and Corporate value analysis from the perspective of GCC Management™, which emphasizes the three

Challenging new market development with an IT planning and developing company, recently joined to the existing rent guarantee business

Casa Inc. went public in October 2017. The company provides rent guarantee services to property management companies, property owners, and tenants. The group is operated by (1) Casa, which provides rent guarantee services to landlords and tenants on behalf of management companies; (2) COMPASS Corporation, which provides a rental management platform for self-managed landlords; and (3) GoldKey Co., Ltd, which provides real estate-related DX services. GoldKey is an IT planning, development, and management company with DX technology that was acquired by Casa in May 2023.

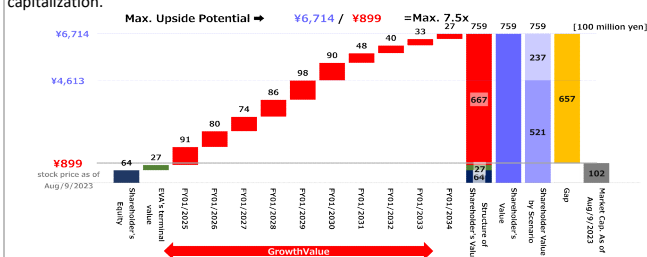
Implementation and realization of the value creation process concept is in full swing

Casa's sales and operating income growth for the period January 2019-January 2023 lagged that of its listed peers. This trend could change significantly. There are five short-term factors: (1) recovery in the number of new contracts, which declined due to the review of some major clients with poor profitability; (2) completion of investment to replace the core IT system; (3) review of collection methods and reduction in allowance for doubtful accounts due to improved screening accuracy; (4) improvement in work efficiency through the introduction of contract management tools; and (5) strengthening of sales force through hiring sales personnel and area expansion. Long-term factors include: (1) full-fledged development of self-managed landlords and DX-related services. Specifically, (1) the acquisition of GoldKey, which possesses DX technology for the real estate business, (2) the full-scale launch of services for self-managed landlords*1 operated by subsidiary COMPASS, and (3) the diversification of Casa's workload reduction services for property management companies, leveraging services for self-managed landlords. The implementation and realization of the value creation process concept is about to begin in earnest: "enhancement of existing rent guarantees" + "full-fledged expansion of business for self-managed landlords and real estate DX" + "diversification of services for property management companies" = full-fledged implementation of the "rental management platform" strategy = realization of "growth with a different dimension".

*1: From "Survey on Trends and Future Prospects of the Rental Housing Market" (December 2020) by Public Corporation for Housing Improvement and Development, based on "1,226,300 households nationwide that own rental housing other than their current address" on page 36 and "33% of households are self-managed" on page 53, 33% x 1,226,300 households = approximately 400,000 landlords. Estimated that about 400,000 landlords are self-managing.

Maximum upside of 7.5 times depending on the 10-year growth scenario

Shareholder value was estimated using the "excess profit method" (see "Reference 2") according to the GCC Management™ framework. As a result, assuming that the concept of the value creation process is implemented and realized, if 10 years of growth value is factored in, shareholder value is JPY 75.9 billion. This is approximately 7.5 times the current market capitalization.



Basic Report

Written and Edited by
J-Phoenix Research Inc.
Osamu Miyashita, CFA

Company Profile

Location of Head Office	Shinjuku-ku, Tokyo
Representative	Seigo Miyaji
Date of Establishment	August 27, 2013
Paid-in Capital	JPY 1,595 millions
Date of Listing	October 31, 2017
URL	https://casa-inc.co.jp/
Type of Business	Other financial services

Key Indicators As of August 9, 2023

Stock Price	JPY 889
52-week high	JPY 943
52-Week Low	JPY 785
Number of Shares Outstanding	11,300,100 stocks
Trading Unit	100 stocks
Market Capitalization	JPY 10,046 million
Company Projected Dividend	JPY 30
Estimated Net Income Base EPS	JPY 54.45
Forecast PER	16.33 times
Actual BPS	JPY 683.61
(2023/1/31)	
Actual PBR	1.30 times

Performance Trends	Sales	YoY	Operating income	YoY	Ordinary income	YoY	net income	YoY	EPS	Stock price	
	(JPY 1 mil.)	%	(JPY 1 mil.)	%	(JPY 1 mil.)	%	(JPY 1 mil.)	%	(JPY)	High price (JPY)	Low price (JPY)
Results for FY 1 2021	10,226	8.4%	1,031	-32.3%	1,090	-30.9%	611	-34.1%	60.36	1,650	733
Results for FY 1 2022	10,340	1.1%	1,037	0.5%	1,145	5.1%	647	6.0%	64.90	1,076	733
Results for FY 1 2023	10,286	-0.5%	785	-24.3%	895	-21.9%	245	-60.7%	25.61	913	733
Results for FY 1 2023 1Q	2,555	-3.8%	45	-66.4%	78	-51.7%	24	-73.9%	2.48	856	733
Results for FY 1 2024 1Q	2,724	6.6%	-144	-	-122	-	-107	-	-10.79	867	793
Plans for FY 1 2024	11,276	9.6%	838	6.7%	929	3.8%	544	113.9%	54.45	-	-

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1. Investment Summary

Shareholder value analysis

Maximum Upside in Market Capitalization Estimated

Estimation using the excess profit method

Maximum upside depending on realization of growth scenario

JPR estimated shareholder value using the "excess profit method" (see "Reference 2") based on the GCC Management™ framework, taking into account the future prospects regarding Casa's business development. The following chart visualizes the framework of the qualitative and quantitative stories and the results of the estimation. Assumptions are explained on the following pages.

Shareholder Value Analysis (Unit: JPY 100 million)

Qualitative Story Outline

Growth: "Rental management platform" strategy to achieve a different dimension of growth

Connection: GoldKey's technology is the key to providing services.

Growth: "Rental management platform" strategy to achieve a different dimension of growth

Quantitative Story Outline

Maximum upside with 10-year growth value

$$\textcircled{3} 759 \div \textcircled{1} 102 = 7.5x$$

① Market capitalization

① 102

② Value gap

$$\textcircled{3} 759 - \textcircled{1} 101 = \textcircled{2} 657$$

③ Shareholder value reflecting a 10-year growth scenario to the maximum extent possible¹

$$\textcircled{4} 64 + \textcircled{5} 27 + \textcircled{6} 667 = \textcircled{3} 759$$

④ Shareholders' Equity

④ 64

⑤ Excess profit

⑤ 27

⑥ Growth value

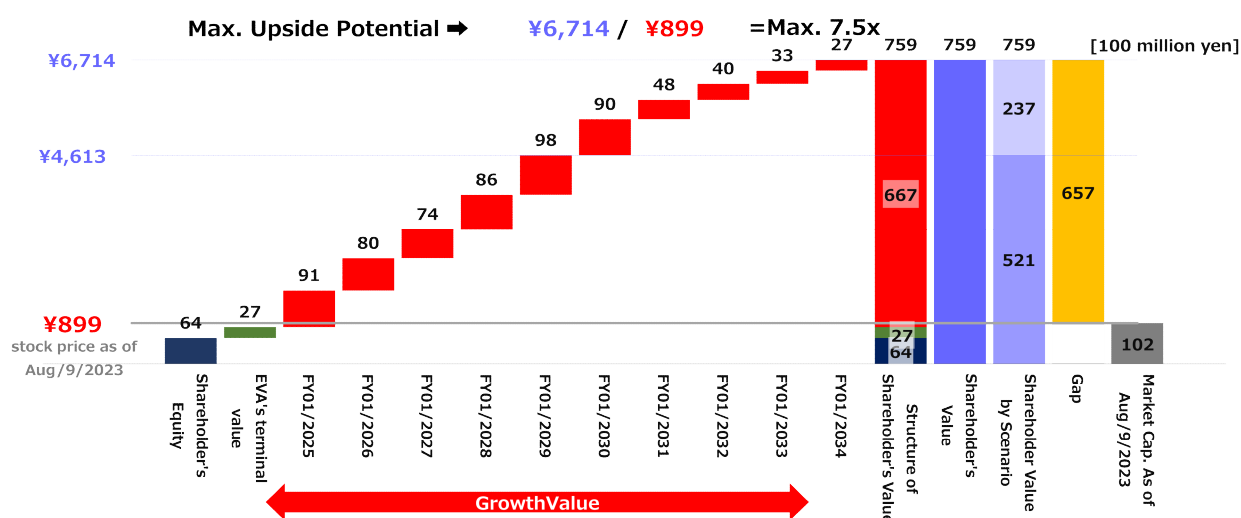
⑥ 667

[Source] Created by JPR

1: Fractions do not match due to rounding.

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Shareholder Value Structure and Value Gap Analysis Using the Excess Profit Method



Source: JPR

Shareholder Value Structure and Value Gap Analysis Using the Excess Profit Method (details)

[¥100mn]	Current Year 2024.01	1 year later 2025.01	2 years later 2026.01	3 years later 2027.01	4 years later 2028.01	5 years later 2029.01	6 years later 2030.01	7 years later 2031.01	8 years later 2032.01	9 years later 2033.01	10 years later 2034.01
Sales	113	126	154	181	211	247	281	311	339	362	382
Operating income	8.4	16.4	25.8	34.9	46.1	59.7	72.9	80.8	87.9	94.0	99.2
Operating margin	7.4%	13.0%	16.7%	19.3%	21.8%	24.2%	26.0%	26.0%	26.0%	26.0%	26.0%
Sales growth rate	9.6%	11.7%	22.6%	17.0%	17.0%	17.0%	13.6%	10.9%	8.7%	7.0%	5.6%
NOPAT margin	5.1%	9.0%	11.5%	13.4%	15.1%	16.7%	17.9%	17.9%	17.9%	17.9%	17.9%
Invested capital turnover ratio	57.3%	43.8%	43.9%	44.0%	43.8%	43.9%	44.0%	43.8%	43.9%	44.0%	43.8%
Percentage-of-year invested capital net sales ratio	43.8%	43.9%	44.0%	43.8%	43.9%	44.0%	43.8%	43.9%	44.0%	43.8%	43.8%
WACC	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%
ROIC = NOPAT margin ÷ invested capital net sales ratio	9.0%	20.5%	26.3%	30.4%	34.4%	38.1%	40.8%	41.0%	40.9%	40.8%	41.0%
ROIC / WACC (value created with the original hand of 1)	¥1.4	¥3.3	¥4.2	¥4.8	¥5.5	¥6.0	¥6.5	¥6.5	¥6.5	¥6.5	¥6.5
NOPAT	5.79	11.31	17.80	24.14	31.89	41.31	50.41	55.89	60.76	64.99	68.61
Invested capital × WACC	4.07	3.47	4.27	5.01	5.83	6.84	7.78	8.59	9.36	10.03	10.55
EVA	1.72	7.83	13.54	19.14	26.06	34.47	42.63	47.30	51.40	54.96	58.06
EVA = NOPAT - invested capital × WACC	1.72	7.83	13.54	19.14	26.06	34.47	42.63	47.30	51.40	54.96	58.06
Value created in each year	27	97	91	89	110	134	129	74	65	56	49
Discount Rate	100%	94%	88%	83%	78%	74%	69%	65%	61%	58%	54%
Present value of EVA	27	91	80	74	86	98	90	48	40	33	27
Invested capital ① Origin	65										
Over profit value (Permanent value of EVA of this ten)	27										
Growth value (Present value of increase in EVA) ②	667										
Non-business asset value ④	0										
Corporate value = ① + ② + ③ + ④	759										
Interest-bearing debt, etc.	-0										
Shareholder value	759										

Source: JPR

*An effective corporate tax rate of 30.9% is applied for NOPAT. A detailed financial model is provided in Appendix 2: Details of the financial model.

Entering the stage of implementation of technologicalization of business and expansion of growth potential

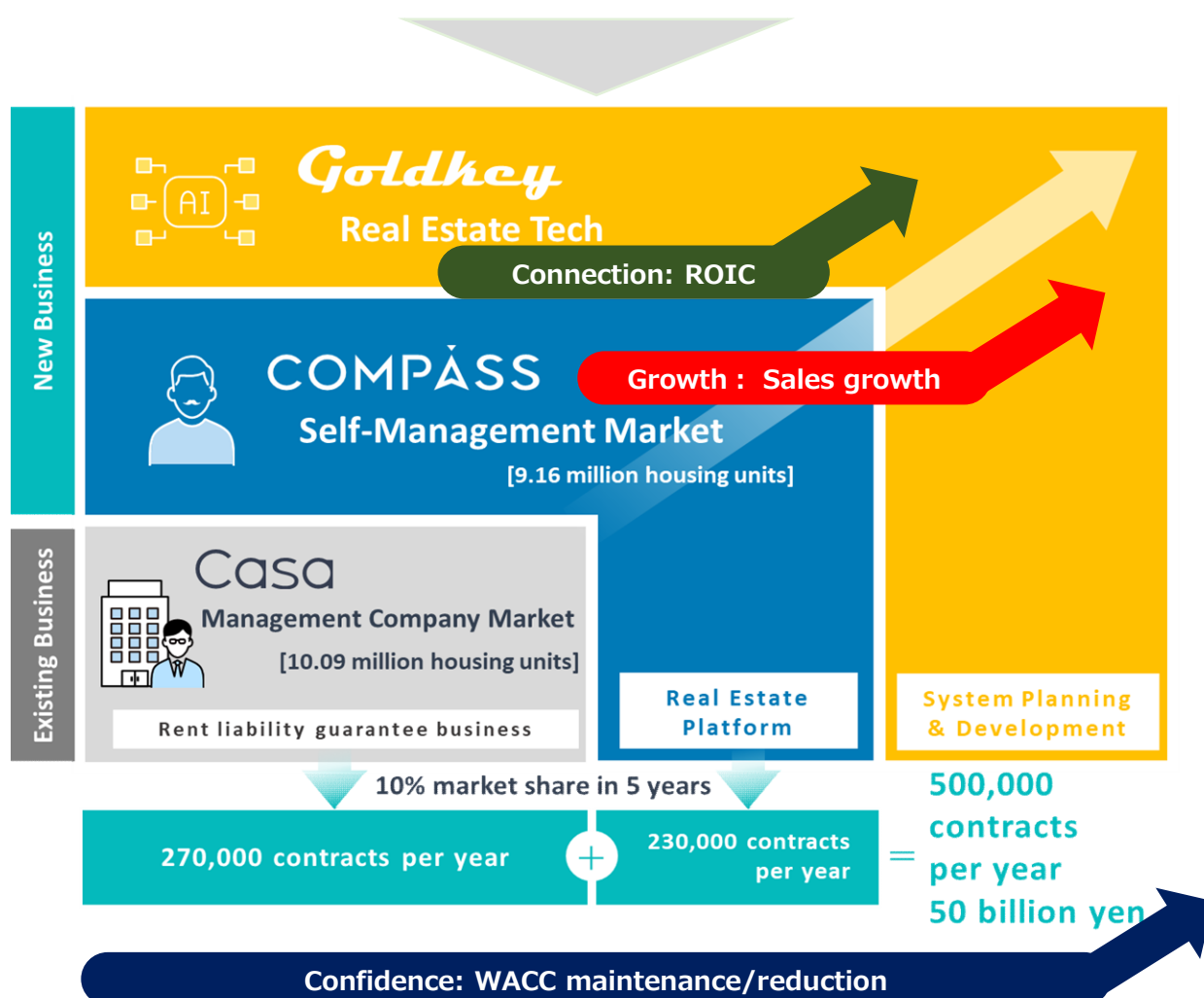
The following chart shows the relationship between Casa, COMPASS, and GoldKey and the Growth, Connection, and Confidence storyline. The implementation of growth of a different dimension will progress in the future. A major change is underway, as Casa moves into a stage where its business is becoming more tech-enabled and its growth potential is expanding.

Growth, Connection, Confidence story is realized through the collaboration of the three companies

Growth: "Rental Management Platform" strategy to achieve dimensionally different growth

Connection: Providing services with GoldKey's technology as the key

Confidence: High stability and contribution to society by revitalizing the real estate market



Source: JPR's additions to the data provided by Casa

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Three qualitative and quantitative information assumptions set for estimating shareholder value*1 (in billions of yen)

Growth: "Rental management platform" strategy to achieve a different dimension of growth

Values and Worldviews	Value provided and Growth Potential	Sales
Toward a Society Where Everyone Can Live with Peace of Mind	Optimal Collaboration for an Ideal Co-Creation System	CAGR 13.0% is expected
The use of rent guarantees is expanding in the real estate rental market. In addition, the needs of Property management companies and self-managed landlords are changing. In response, the Casa Group will develop and provide "the creation of new customer experiences through real estate DX that connects stakeholders" to realize "a society where everyone can live with peace of mind" through its rent guarantee business, business and real estate DX for self-managed landlords, and services for property management companies.	Tenants → Credit guarantee in families. Property management companies and self-managed landlords → Guarantee, digitalization, and provision of peripheral services to improve work efficiency, reduce workload, and increase profitability. Government → Contribute to solving social issues and revitalize the real estate market. Because management company market is in the mMature phase with competition for market share, started to focus on business guarantees. A blue ocean with very high growth potential is the self-management market, where there are about 400,000 people in Japan and about 9 million rental contracts,	<div>2023.3</div> <div>104</div> <div>▶</div> <div>356</div> <div>2023.3</div>
		Achieve No. 1 growth in the industry by refining DX, the blue ocean of self-management by landlords, and the capability to value unmet needs through DX.
		Growth Value
		667

Connection: GoldKey's technology is the key to providing services.

Strategy	Business Model	ROIC
"Rental management platform" strategy to achieve a different	To provide services by leveraging technology	Expected to improve by 29.7 points
In order to realize "creating new customer experiences through real estate DX that connects stakeholders," two strategies are expected to be realized in the short term. Strategy 1) "expand Casa's rent guarantee service as a foundation" and strategy 2) "establish COMPASS as a service provider for self-managed landlords" by utilizing GoldKey, which has become a subsidiary. In the medium to long term, the company expects to realize strategy 3), "Value creation cycle centered on self-managed landlord services," by combining strategies (1) and (2).	Strategy 1) aims to increase market share by investing in hiring sales staff and opening new stores, expanding business guarantees and providing high value-added services, and improving profitability by increasing operational efficiency and strengthening debt collection management through guarantee tech. In strategy 2), replace OwnerWEB with GoldKey and expand the number of users, and provide a real estate management platform for the self-management market. Strategy 3) is expected to provide a variety of services to management companies based on the know-how cultivated through services for self-managed landlords.	<div>2023.3</div> <div>7.3 %</div> <div>▶</div> <div>37.0 %</div> <div>2023.3</div>
		ROIC is estimated based on the assumption that invested capital will increase at an average annualized rate of 9-10% from FY01/2023 to FY01/2033, which is less than sales growth.
		Excess Profit
		27

Growth: "Rental management platform" strategy to achieve a different dimension of growth

Financial Sustainability	Contribution to Social Sustainability	WACC
Robust stock + flow earnings	Solving social issues in rental real estate	Maintenance of the status quo
The rent guarantee business, which currently accounts for most of the company's revenues, consists of initial guarantee commissions as flow revenue and annual guarantee commissions as stock revenue, enabling the company to accumulate stable sales. In addition, the realization of the Casa Group's strategy is expected to increase the robustness of these barriers.	Casa's rent guarantee service, in partnership with COMPASS' real estate DX platform and GoldKey's DX technology, addresses social issues related to rent guarantees. It tackles issues like "demand fees collection from tenants," "guarantee contract cancellations during management company changes," and "requirement of joint guarantors by guarantee companies," among others. By understanding landlords' needs and providing effective solutions, this platform aims to improve rental real estate quality, enhance safety measures, and solve problems like vacancy concerns.	<div>6.3</div> <div>%</div>
		Due to the rising barriers to entry, the accumulation of stable income from stock-type businesses, and the high social contribution of the businesses themselves, there are few factors that increase business risk and capital costs.
		Shareholders' Equity
		64

*1Compiled by JPR based on its own projections of post-company plan estimates based on company hearings.

Points of Interest

Casa's Growth Trend Could Change Significantly

Trends and Future Outlook Compared to 3 Companies in the Same Industry

Casa's sales and profit growth from 5 fiscal years ago to the most recent fiscal year was inferior to that of 3 listed companies in the same industry

Compared to the three listed companies¹ in the same industry in the five preceding periods, Casa's sales growth and operating profit growth were inferior to the three listed companies in the same industry. This is mainly due to (1) temporary factors such as the review of some major clients with poor profitability, (2) higher costs due to core IT system replacement investments and DX-related investments, and (3) higher cost of sales due to bad debt provisions and other factors.

1: Anshin Guarantor Service (7183), J-LEASE (7187), Entrust (7191)

It is quite possible that the trend will change and that Casa's medium-term growth and profitability will be No. 1 in the industry.

This trend is likely to change significantly. The following table summarizes the factors. If all of these factors are realized, Casa could become the No. 1 company in the industry in terms of medium-term growth and profitability.

Factors that will make us No. 1 in the industry in terms of medium-term growth and profitability

Short-term factors	① Improvement of negative impact of temporary factors such as review of some major customers with poor profitability
	② End of increased cost burden due to replacement of core IT systems and DX-related investments
	③ Decrease in allowance for doubtful accounts due to reduced occurrence of bad debts by utilizing financial screening and AI collection scores
	④ Cost reduction through introduction of CasaWEB, a contract management tool for agents
	⑤ Reinforcement of sales force through aggressive hiring of sales personnel and area expansion
Long-term factors	Self-managed landlords and DX-related services in full swing
	① Acquisition of GoldKey, a DX technology company in the real estate business, as a subsidiary
	② Full-scale development of services for self-managed landlords operated by subsidiary COMPASS
	③ Reduce the workload of Casa's property management companies by leveraging its services for self-managed landlords

Source: Compiled by JPR based on interviews

Long-Term Growth Image

The following chart shows JPR's long-term growth image. The short-term and long-term factors described on the previous page have become apparent, and the implementation and realization of the value creation process concept of "powering up existing rent guarantees" + "full-fledged expansion of business for self-managed landlords and real estate DX" + "diversification of services for property management companies" = "growth of a different dimension" is about to get underway.

Current valuation in the stock market and its prospects

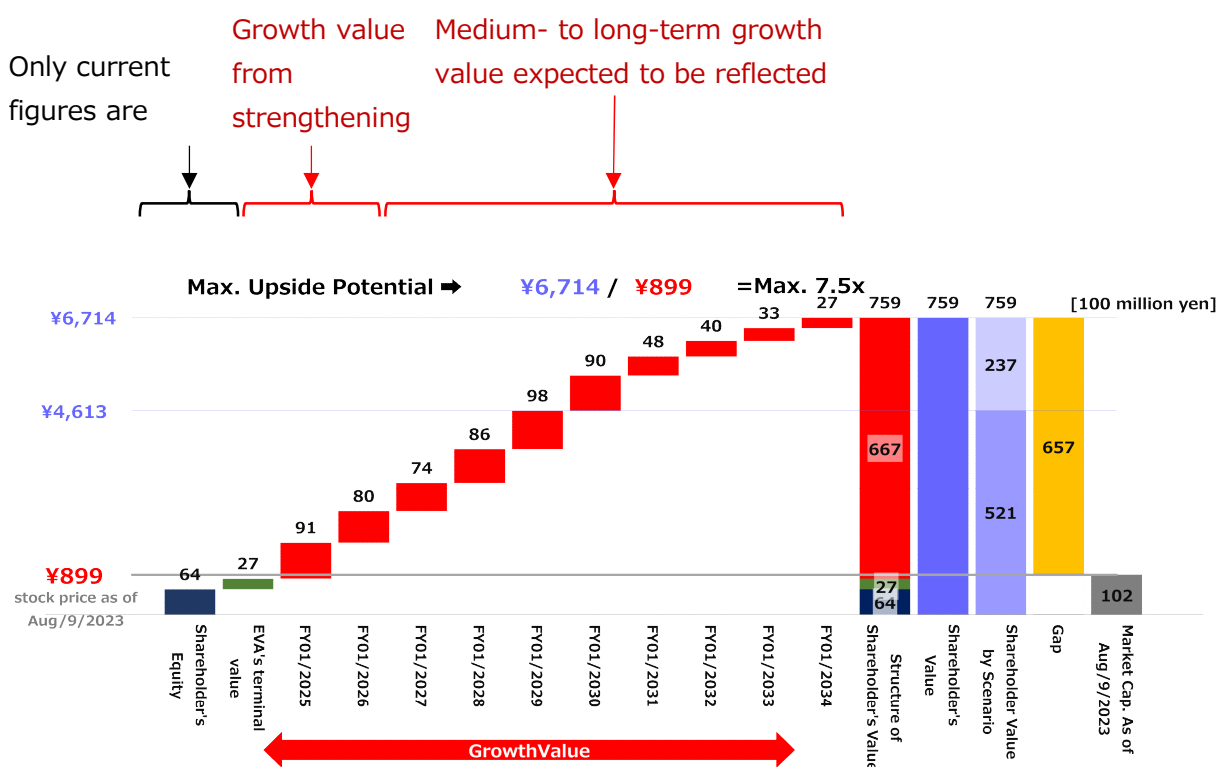
The future prospect of the Casa group are not well reflected in their market capitalization.

The market capitalization of Casa is based on current figures, and medium- to long-term shareholder value is not reflected in their share prices. The market capitalization of Casa only reflects the shareholder value that will be formed in the current fiscal year and a portion of the value for the next fiscal year.

Casa Group expects COMPASS and GoldKey to reflect the future potential of the company in its market capitalization.

On the other hand, in terms of future potential, Casa Group is expected to achieve higher growth, as it will work to fully launch the DX service developed with GoldKey, which has become a subsidiary, to fully launch the business for self-managed landlords, and to add more value and diversify its services to management companies. In particular, the DX service for self-management offered by COMPASS, introduced on the next page, is expected to grow rapidly in FY01/2023, with approximately 5,800 accounts (+147% YoY)*². With an estimated 400,000 self-managed landlords*¹, the company is ahead of its competitors in terms of commercialization, and is therefore expected to experience strong growth. In addition, as the company expands its expertise in developing services that directly reflect the needs of self-managed landlords, it can be expected to improve the attractiveness of its services for property management companies that serve landlords as customers. Furthermore, Casa is expected to make a significant contribution to the acquisition of rent guarantee services for the 9 million units*² under self-management. The future growth value of Casa due to these developments may be reflected in the current market capitalization.

Image of Casa Group's medium to long term growth value and its reflection in market capitalization



Source: Compiled by JPR

¹: indicated at the bottom of the cover

²: Casa Corporation, "Financial Results for the Fiscal Year Ended January 31, 2023"

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Expansion of Business Domain

Rental Management Platform for Self-Managed Landlords

Challenges and value propositions addressed by COMPASS and GoldKey

COMPASS identifies landlord needs and plans solutions

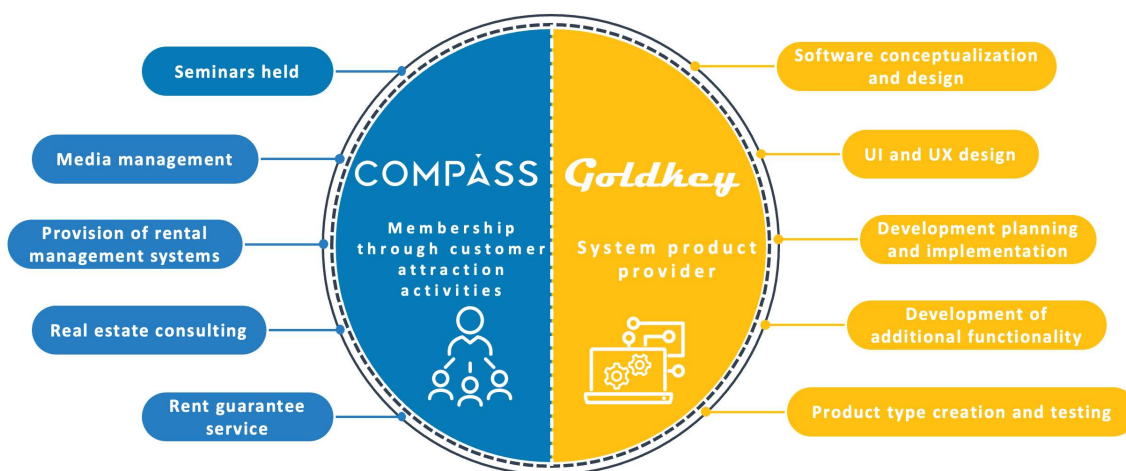
As a landlord who earns rental income and aims to maximize the return on the rental property, it is not enough to simply provide rental management support, but knowledge of real estate investment and asset management is also important. COMPASS provides information to landlords and prospective landlords on the secrets of successful rental management, the latest trends, investment, inheritance, and other asset management topics. The company creates a system to understand the needs of owners, plan solutions, and promote permanent solutions to issues that owners have.

GoldKey plans and develops COMPASS planning as a system

GoldKey plans and develops systems to solve COMPASS issues as DX services, and Casa Group will integrate GoldKey as a subsidiary with COMPASS to bring DX development in-house and accelerate the implementation of services that provide new experiences that will win the hearts and minds of homeowners. Casa Group has been developing DX solutions for the past several years. Until now, Casa Group has relied on outsourcing IT development of DX solutions, but through the collaboration between COMPASS and GoldKey, the group aims to quickly establish its position as the market leader in rental market DX.

Role of subsidiaries - DXing of rental management platform for self-managed landlords

Provide value-added services by leveraging each other's strengths



Source: From Casa

2. Overview

Company overview

Company Name	Casa Inc. (In Japanese : 株式会社Casa)
Establishment	August 27, 2013
Representative	Seigo Miyaji
Head Office Location	6-1, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo
Capital	JPY 1,595 millions
Number of Employees	285 (As of 1-31 2023)
Fiscal Year End	January
Business	Rent obligation guarantee business, Child support guarantee business, Platform business
Date of Listing	October 31, 2017
Stock Exchange Listing	Tokyo Stock Exchange Prime [Securities code: 7196]

Source: Compiled by JPR based on company data.

History

Year	Month	Contents
2013	8	Established in Marunouchi, Chiyoda-ku, Tokyo as C for One Holdings, Inc. with capital of 25 thousand yen.
	9	Acquired all shares of the former Casa Co.
2014	2	Merged with former Casa Co., Ltd. with Casa Co., Ltd. as the surviving company and changed the company name to Casa Inc.
2017	10	Shares listed on the Second Section of the Tokyo Stock Exchange
2018	10	Designated to the First Section of the Tokyo Stock Exchange.
2019	6	COMPASS Corporation (consolidated subsidiary) is established
	8	Ant Catalyzer No.4 Private Equity Investment Limited Partnership, a major shareholder and the largest shareholder, and Japan Best Rescue System Co., Ltd. agreed to transfer a part of the shares of Casa common stock held by Ant Catalyzer No.4 Private Equity Investment Limited Partnership to Japan Best Rescue System Co. Ltd. in a negotiated transaction.
2023	5	Acquired GoldKey Co., Ltd. as a subsidiary.

Source: Compiled by JPR based on company data.

Main Consolidated Subsidiaries and Group Companies

Company Name	Business Overview	Capital stock	Investment Ratio
COMPASS Corporation	Provision of real estate management platform	30 million yen	100%
GoldKey Co., Ltd.	Planning and development of systems	100 million yen	51.0%

Source: Compiled by JPR based on company data.

3. Growth Story and Assessment through the GCC Management™ Framework

Growth

"Rental management platform" strategy to achieve a different dimension of growth

Conceptual design: Realization of a society where everyone can live with peace of mind

Conceptual Design

Progress: 90%

In the real estate rental market, the number of elderly single-person households is increasing and relationships are becoming weaker among tenants, rental management companies are seeing a decrease in the supply of new buildings and an increase in the percentage of older properties, and landlords are experiencing generational change and demand for cost reductions. In response, the government is working to solve the vacancy problem and expand the safety net to replace the family. In response, the Casa Group aims to realize its corporate philosophy of "Creating a society where everyone can live with peace of mind" through co-creation with all stakeholders in the real estate rental market, centered on its rent guarantee business and management tools for self-managed landlords.

Growth potential in the real estate rental market

Casa's direct customers are mainly property management companies, and the rent guarantee business is in a mature stage of growth, as they compete for a share of 52.4% of the rental housing market, or approximately 10.09 million units. In recent years, the market for business guarantees has also attracted attention: there are an estimated 400,000*¹ self-managed landlords in Japan who are customers of COMPASS, with approximately 9 million rental contracts*². Currently, this is a blue ocean market with very high growth potential.

Implementation Design: Casa and COMPASS to an ideal co-creation system

Implementation Design

Progress: 50%

Casa Group has established a new subsidiary, COMPASS, to expand its support services for landlords, with the aim of creating value for all stakeholders, starting with landlords.

Casa's rent guarantee service is a solid source of stock revenue and will be strengthened for management companies by utilizing the landlord service know-how cultivated by COMPASS. This is expected to establish an ideal co-creation system.

Track record: largest sales in the rent guarantee industry

Reflection of results Progress: 30%

Casa's growth over the past five years has lagged that of its three peers, but as a publicly traded company in the rent guarantee industry, it can take advantage of its market dominance. However, once the service for self-managed landlords is fully established, the long-term trend of sales growth is likely to improve significantly. The company's performance will start to be reflected in its financial results from now on, and our assessment is around 30%.

*1: See bottom of front cover

*2: Casa Corporation, "Financial Results for the Fiscal Year Ended January 31, 2023."

Connection

GoldKey's technology is the key to providing services.

Conceptual Design

Conceptual Design: Value Creation Cycle Centered on Self-Managed Landlord Services

Progress: 90%

By becoming the overwhelming leader in the self-management market, the Casa Group has the potential to become the company that best understands the issues faced by homeowners in Japan. Once this is achieved, the company will be able to understand the issues faced by the landlords who use the management companies that are Casa's clients, and thus be able to provide high value-added services for management companies that will satisfy landlords and diversify its services. In addition, by strengthening the relationship between tenants, landlords, and management companies, the company will be able to quickly identify unmet needs and develop services ahead of the competition.

Implementation Design

Implementation Design: Expansion of Casa / Establishment of COMPASS and Goldkey

Progress: 30%

Casa

Casa aims to become No.1 not only in market share but also in growth rate by expanding its area through investment in human resources and new store openings, and by reducing costs and increasing market share through the introduction of the guarantee technology. Furthermore, the company will further differentiate itself by expanding its warranty +α services for tenants.

COMPASS/Goldkey

COMPASS will develop and expand the use of its rental management system for self-managed landlords with GoldKey. By subsequently monetizing the system, COMPASS aims to achieve high growth in the blue ocean self-management market of 400,000 landlords*¹ and 9 million rental contracts*². By improving the quality of services for landlords, the service will be convenient not only for self-managed landlords, but also for landlords who use management companies. Implementation will begin in earnest. The evaluation is 30%.

Achievements: Expansion of highly profitable products and cost reduction/acquisition of landlords*².

Reflection of results
Progress: 10%

Casa has seen an increase in the number of companies introducing various rent guarantee products, especially the Direct Series, a special product that uses financial screening to improve the accuracy of credit decisions and debt collection. The number of new contracts in 1Q of the fiscal year ending January 2024 was 4,435 for "Direct S" for large and medium-sized agencies (YoY +155%), and 2,695 for Direct Wide for small agencies (offered from the middle of the previous year). In addition, the collection rate and collection costs have been improved by establishing collection methods for each debt category through reminders using digital channels and strengthening debt collection management, reducing the percentage of claims for compensation to 8.3%. Through the expansion of Direct Series, the percentage of claims is expected to be lower. COMPASS is focusing on acquiring landlords registered to use OwnerWEB, and has acquired 6,382 landlords (+45% YoY). However, the

*¹: Listed at the bottom of the front cover. *²: Casa Inc. Financial Results for the Fiscal Year Ended January 31, 2023"

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Confidence

Current stability is
70%

Social contribution
is 90%

High stability and contribution to society by revitalizing the real estate market

Financial Stability: Improvement of credibility by establishing barriers to entry and building up a stock of achievements

Barriers to Entry

The rent guarantee business is in the process of becoming an oligopoly, and the market is becoming increasingly important for the accumulation of trust. The realization of the Casa Group's worldview will create a competitive advantage, which will raise the barriers to entry.

Stock Revenues

Casa's rent guarantee revenues can be broadly divided into initial guarantee fees and annual guarantee fees. The former is flow revenue, while the latter is stock revenue. The COMPASS rental management support system for self-managed landlords is stock revenue. Therefore, the expansion of COMPASS is expected to increase the Casa Group's stock revenue ratio.

Social Contribution: Contribution to SDGs through revitalization of the real estate market

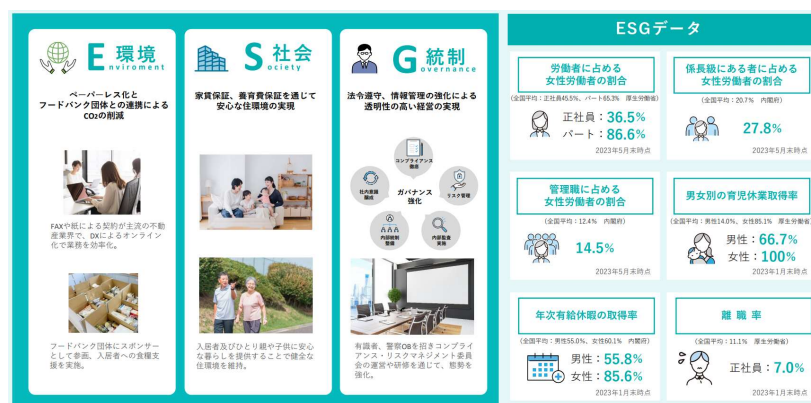
Expansion of various types of guarantees to realize comfortable

The rent and child support guarantees offered by Casa are services that form the foundation of people's housing life. By eliminating the need for tenants to have a guarantor, landlords can not only avoid the risk of delinquency, but also contribute to the realization of a society in which everyone can safely choose the room they want to live in.

Co-creation society realized by the real estate DX platform

In the real estate DX platform provided by COMPASS, tenants, landlords, management companies, and governments will be connected, and new customer experiences will be created for each. This will not only improve the efficiency of operations and communication through online and systemization, but will also address unmet needs through tie-ups with other industries and enable management with built-in ESG.

Casa's ESG Management (Japanese Only)



Source: Casa's financial results for the first quarter of the fiscal year ending January 31, 2024

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4. Future History

Values

Rent Guarantees
are an Important
Financial
Infrastructure for
the Rental Real
Estate Market

The rental real
estate industry is at
a turning point

The number of
landlords
embarking on self-
management will
increase in the
future

Rental housing
policies have
shifted from
ensuring quantity

1. Toward the future with all stakeholders in the real estate rental market

1-1. Changing Trends in the Real Estate Rental Market

Change for tenants: Expanding rent guarantee business

Due to the increase in the number of elderly single-person households and the weakening of personal relationships, the number of cases in which tenants use rent guarantee companies instead of individual joint guarantees is increasing every year, and will reach approximately 80%*¹ in FY2022. The number is expected to continue to increase in the future due to the social significance of the rule to set the maximum amount of the revolving guarantee in accordance with the revision of the Civil Code. The use of guarantors allows tenants to supplement their own credit and increase the closing rate of lease contracts, while landlords can stabilize their rental income. These factors indicate that they will become an indispensable part of the financial infrastructure of the rental real estate market.

Changes for Rental Managers: Traditional Rental Management Services Shrink

Japan's real estate rental industry is at a turning point. The number of properties is aging, and the overall number of properties is not increasing due to the declining birthrate and aging population. With traditional businesses shrinking, the key for rental-related operations will be how to improve operational efficiency and earn money from peripheral businesses. Rental management companies are trying to survive by outsourcing as much of their staff as possible and earning revenue from all kinds of peripheral services such as insurance premiums, warranty fees, and remodeling.

Change for Landlords: Increasing Percentage of Self-Management

The generational shift of landlords will change the criteria for selecting a management company and the choice of whether to utilize a management company in the first place. With demand shrinking and supply outstripping it, there is an increasing need to offer more attractive conditions, such as improved facilities and lifestyle support, in order to reduce vacancies in properties other than those near train stations and newer buildings, and to generate the costs to do so. Therefore, the number of homeowners who are embarking on self-management instead of going through a management company to reduce costs is expected to increase in the future, and it will be difficult to resist this trend.

Currently, there are approximately 400,000*² self-managed landlords, and the most promising growth is expected in this expanding blue ocean.

Change for the government: from quantity to quality, expanding the safety net

The Japanese government's policy on rental housing will shift from ensuring quantity to ensuring quality in the context of these changing trends. Policies that promote a more affluent living environment and expand various safety nets for rental housing, as opposed to families, are expected to move forward.

1: Real Estate Information Institute, Inc. "Rent Obligation Guarantee Business, 90 companies registered / Ministry of Land, Infrastructure, Transport and Tourism"

<https://www.re-port.net/article/news/0000071036/>

*2: Listed at the bottom of the cover page.

COMPASS to
Operate as a
Separate Company
for Self-Managed
Landlord Services
to Create a World
View Focused on

COMPASS' services
for self-managed
landlords to be
commercialized in
an untapped and
potentially huge
market

2. Maximize intergroup synergies

2-1. Clarify the vision to create the future with landlords by cutting out COMPASS

Casa's vision of the world and the management company's vision of the world

Casa's vision is "a society where everyone can live with peace of mind," and in order to realize this worldview, it is essential to expand support services for landlords. However, in order to support homeowners' self-management, it is necessary to develop the business from a different perspective (worldview) from that of management companies, which are currently key partners in the company's main business. For this reason, the business for self-managed landlords will be operated by COMPASS as a separate company.

2-2. COMPASS and Goldkey to be Growth Drivers

COMPASS has the potential to become the largest company in the Casa group.

COMPASS provides landlords with the tools and knowledge they need to manage their own rentals. The relationship between Casa and COMPASS within the Casa group will be extremely important to the growth of Casa's shareholder value, as it is important to design the best possible relationship between Casa and COMPASS within the Casa group from the viewpoint of various stakeholders. It will be extremely important for the growth of Casa Group's shareholder value to design an optimal relationship between Casa and COMPASS from the viewpoints of various stakeholders, and to create a state of co-creation of use with all stakeholders.

Casa is the foundation of stock income and trust for COMPASS

The linkage with Casa's rent guarantee business will provide COMPASS with a solid base of recurring revenue and a foundation of trust as a financial function, and by making Casa the foundation of recurring revenue and trust, COMPASS will be able to develop services for self-managed landlords to realize "a society where everyone can live with peace of mind. The optimal collaboration between Casa and COMPASS will enable the pursuit of an ideal co-creation system with self-managed landlords."

Goldkey is a DX implementation platform for COMPASS to address social issues

As mentioned above, Goldkey will promote the planning and development of systems to implement COMPASS's solutions for landlords, and COMPASS and Goldkey will be the growth drivers for the CASA Group.

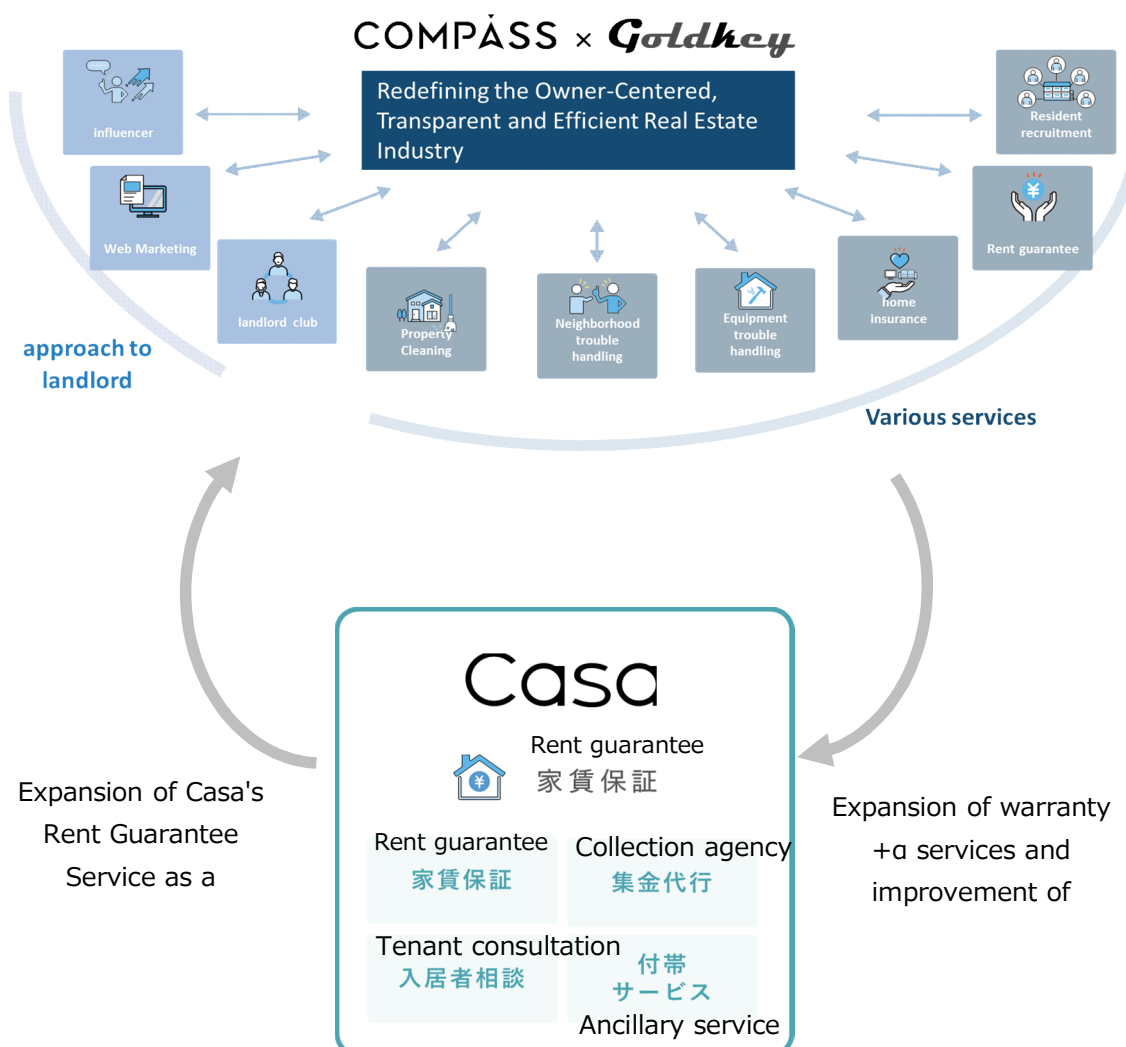
Strategic Business Model

1. Prospects for the development stage of the value creation cycle

1-1. Roadmap to Industry No.1 Growth

The roadmap for the entire Casa Group to create new customer experiences through real estate DX that connects stakeholders is to "expand Casa's rent guarantee service as a foundation" and "establish COMPASS as a service provider for self-managed landlords," and to expand the guarantee +α service and improve the quality of services for landlords in response to this. The roadmap for creating new customer experiences is to "expand Casa's rent guarantee service as a foundation" and "establish COMPASS as a service provider for self-managed landlords". In response to this, Casa will expand its guarantee +α services and improve the quality of its services for landlords, thereby realizing a "value creation cycle centered on self-managed landlord services".

Value creation cycle for industry No. 1 growth based on self-managed landlord services



[Source]: Compiled by JPR

High added value is realized by providing services that reduce the high workload for management companies

Full-scale efforts to reduce internal costs and increase market share

1-2. Short-term expansion strategies

Short-term Strategy for Existing Businesses (1): Options to Look to Management Companies

Currently, the rent guarantee market is in a mature stage where management companies are competing for market share. Since there is no major differentiation in the settlement function itself that makes rent guarantees possible, the biggest differentiator from a management company perspective is the amount of commission as a source of revenue. Other than this, the service can also incorporate operations that management companies have trouble with, mainly those that they do not want to do due to high costs and time and effort.

The options that focus on management companies are price competition and high value-added services. In order to succeed in price competition by raising commissions, it is important to become the price leader by gaining a dominant market share. Casa Group will add value by offering services that reduce the burden of work for management companies. A robust growth scenario will be realized through so-called guarantee + α services.

Short-Term Strategy for Existing Businesses (2): the option to look internally

The internally focused options for Casa Group will be to reduce internal costs and increase market share. Cost reduction in the guarantee business, which consists of collections and examination, would mean reducing collection costs and improving the quality and cost of examination leading to this reduction. In the short term, it will be important for J-LEASE to make progress in this area in comparison with other companies.

J-LEASE's efforts to expand its market share are instructive. The absolute number of employees and the rate of increase in the number of offices are not significantly different between the two companies. However, J-LEASE has increased the number of employees while having approximately 2.5 times as many locations as Casa, which means that J-LEASE has increased its efficiency per employee while expanding its area. This could be achieved by investing in hiring and area expansion and improving management capabilities.

Short-term strategy to medium- to long-term strategy (1): Cultivate COMPASS

As a starting point for the medium- to long-term strategy, COMPASS aims to achieve high growth in the blue ocean self-management market of 400,000 landlords*¹ and 9 million rental contracts*². Here, improving the quality of services for landlords will make it more convenient not only for self-managed landlords, but also for landlords who use management companies. This will also enable the company to offer this service to management companies in combination with Casa's guarantee service. In this way, the unmet needs of all stakeholders can be addressed.

Short-term strategy to medium- to long-term strategy (2): Linkage of COMPASS and Goldkey

Another short-term strategy leading to the medium- to long-term strategy is the establishment of an optimal collaboration between Casa and COMPASS. This structure will create a real estate DX platform that is easy for self-managed landlords to use, and by deepening understanding of landlords, will create an easy-to-use service for the management companies that serve landlords as clients. Ultimately, a value creation cycle linking the four stakeholders will be completed.

Goldkey's acquisition will accelerate digitalization, which is ahead of the three listed companies in the same industry.

Building a real estate DX platform that connects four stakeholders

1-3. Medium- to long-term DX promotion to realize the Casa Group's worldview

Digitization and Digitalization for DX Realization

Establishing competitive advantage through DX realization requires digitalization, which improves efficiency through the use of data and digital technology, and digitalization, which transforms products, services, business models, operations themselves, organizations, processes, corporate culture, and climate based on customer and social needs. Competitors are considered to be focusing on digitization, as their ultimate goal is to save manpower and improve operational efficiency. Meanwhile, Casa Group is making progress in establishing a structure to provide new services to tenants, landlords, and management companies through digitalization, and GoldKey will accelerate this movement.

Co-creating new customer experiences with each stakeholder

Casa is ahead of the other three listed companies in its industry in terms of DX. It is building a real estate DX platform that connects four stakeholders-landlords, tenants, management companies, and the government-through the use of online tools and AI to reduce manpower and improve operational efficiency. This will establish a system to share information between Casa and each stakeholder and to always be ahead of the curve in addressing unmet needs. By leveraging this competitive advantage, the company expects to further expand its market share.

Sustainability

Contribution to the SDGs through revitalization of the real estate market**1-1. Social contribution of the business itself****Expansion of various types of guarantees to realize comfortable living**

The rent guarantees and child support guarantees provided by Casa are services that form the foundation of people's housing life. By eliminating the need for tenants to have a guarantor, landlords can not only avoid the risk of delinquency, but also contribute to the realization of a society in which everyone can choose the room they want to live in with peace of mind.

Co-creation society realized by the real estate DX platform

The real estate DX platform provided by COMPASS connects stakeholders such as tenants, landlords, management companies, and governments, creating a new customer experience for each. This will not only improve the efficiency of operations and communication through online and systemization, but also address unmet needs through tie-ups with other industries as well.

1-2. ESG Initiatives**E: Environmental Contribution**

As part of its real estate DX initiative, Casa Group is promoting the use of online and the accompanying paperless system, and in this respect is contributing to the reduction of CO2 emissions. In addition, the company is reducing food loss by providing food assistance to tenants in cooperation with food bank organizations.

S: Contribution to Society

The guarantee business and rental management support provided by the Casa Group will provide a secure living environment and stable asset management. In addition, the resettlement service for rent delinquents will not only enable the utilization of idle low-rent properties, but also stabilize the asset management of landlords who are behind in their rent payments. This will in turn contribute to the revitalization of the real estate market.

Casa Group does not engage in questionable practices such as "collection of demand fees from tenants," "cancellation of guarantee contracts when changing management companies," and "guarantors being required by guarantee companies." based on its corporate philosophy, "Toward a society where everyone can live with peace of mind". If the use of Casa's rent guarantees expands, these issues will be resolved and contribute to the healthy development of the industry.

G: Contribution to Governance

Casa Group has strengthened its system by inviting experts and former police officers to run the Compliance and Risk Management Committee and through training.

2. Building Barriers to Entry and Building a Track Record of Achievements in the Stock Market to Enhance Credibility

2-1. Barriers to Entry

Barriers to entry for rent guarantees themselves are not high, but success is not easy.

In the rent guarantee business, it is easy to start the business itself in a financially formal manner because it does not require a lot of resources. On the other hand, it is not easy to ensure profitability while meeting the needs of management companies. The accumulation of know-how to answer needs has become a barrier to entry, resulting in an oligopoly as a market. Moreover, if Casa's worldview is realized, the barriers to entry will be even higher because it will create a loop of competitive advantage that is difficult to imitate due to the connections among a wide range of stakeholders, including tenants, landlords, management companies, and the government.

2-2. Stock Revenues

Roughly half of Casa's rent guarantees are stock revenues.

Casa's rent guarantee revenues can be roughly divided into initial guarantee fees and annual guarantee fees. The former is flow revenue, while the latter is stock revenue. Therefore, continuous growth in the number of contracts will increase stock revenues.

Rental management support for self-managed landlords is stock revenue

COMPASS's rental management support systems for self-managed landlords, such as "OwnerWEB," currently offered by COMPASS, can be considered stock revenue. The real estate DX platform, which is formed by linking various stakeholders around this platform, also generates stock revenue, and the expansion of COMPASS is expected to increase the stock revenue ratio of the Casa Group.

2-3. Financial Strategy

Dividends

Casa's basic dividend policy is to pay a year-end dividend once a year. The company plans to pay a dividend of 30 yen per share in FY01/2024, the same as in the past.

5. ROIC Analysis

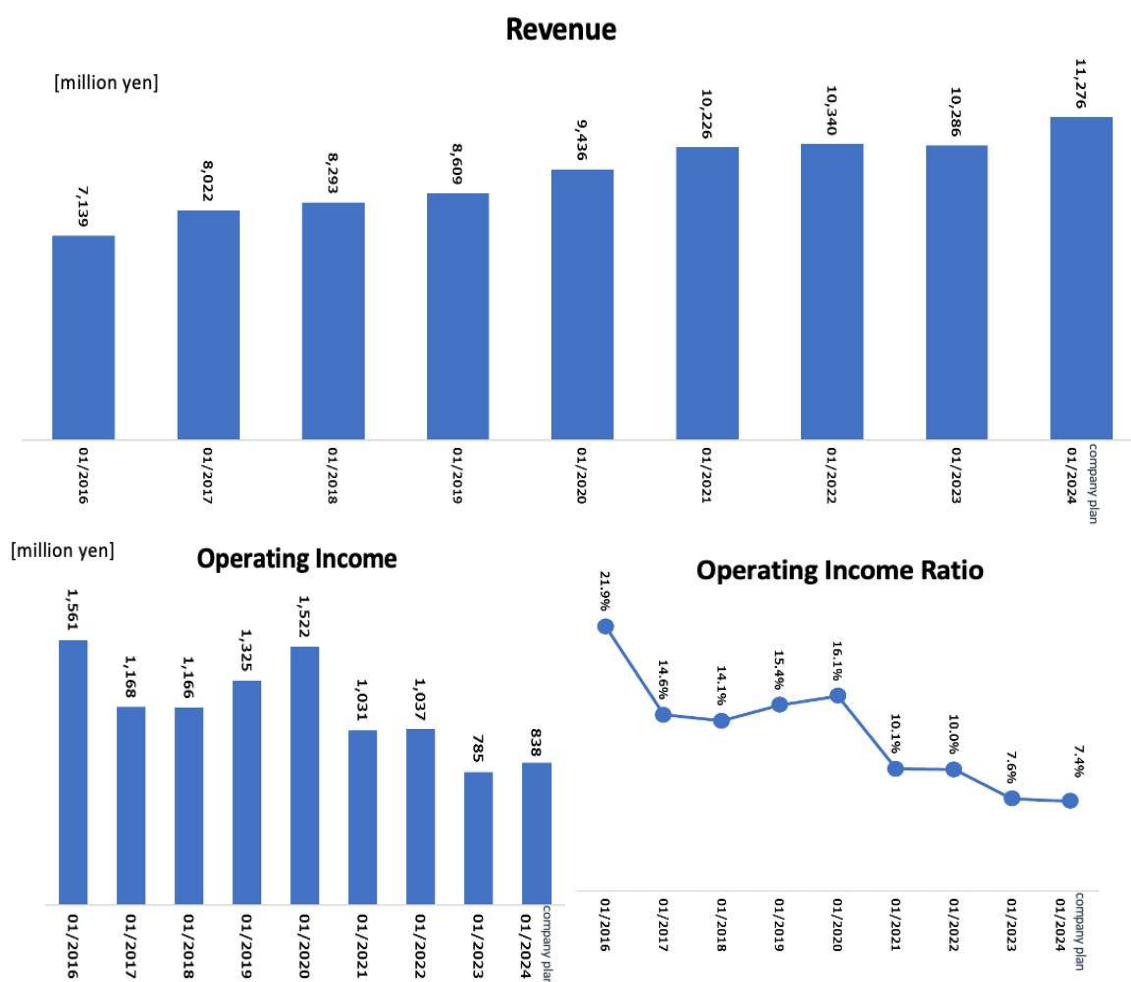
Net sales Operating Income

Trends in Net Sales and Operating Income

Improvement of Operating Profit Margin is Important to Accompany Future Rapid Growth

Casa's sales growth rate in recent years has remained at about the industry average, while its operating profit has been on a downward trend. With regard to sales, the company expects to acquire significant new sales through aggressive hiring of sales personnel and area expansion. Therefore, more emphasis is expected to be placed on improving operating profit, which is picking up.

Net Sales, Operating Income, and Operating Income Margin



[Source]: Compiled by JPR

Operating Profit Margin Analysis

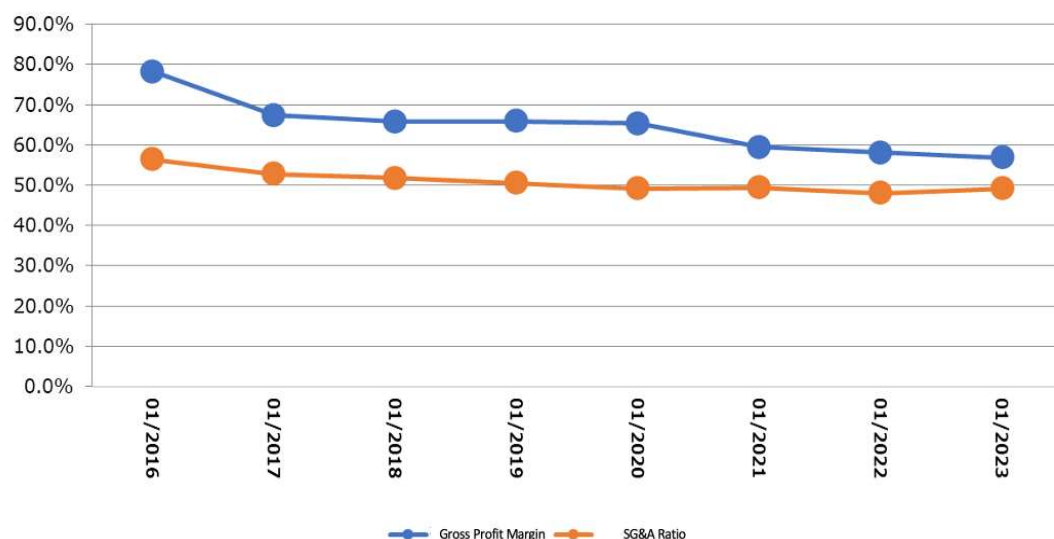
Trends in Gross Profit Margin and SG&A Ratio

Need to Enjoy Economies of Scale through Expansion

Casa's gross profit margin has been gradually declining in recent years. On the other hand, the SG&A-to-sales ratio is also trending slightly lower, but not by more than the amount of the decline in gross profit margin. If the gross profit margin can be put on an upward trend by reducing cost of sales through reduction of receivables and developing platform businesses such as COMPASS, and if SG&A expenses can be maintained by DXing, the operating profit margin will improve significantly.

Gross Profit Margin and SG&A Ratio

Gross Profit Margin, SG&A Ratio



Source: Compiled by JPR

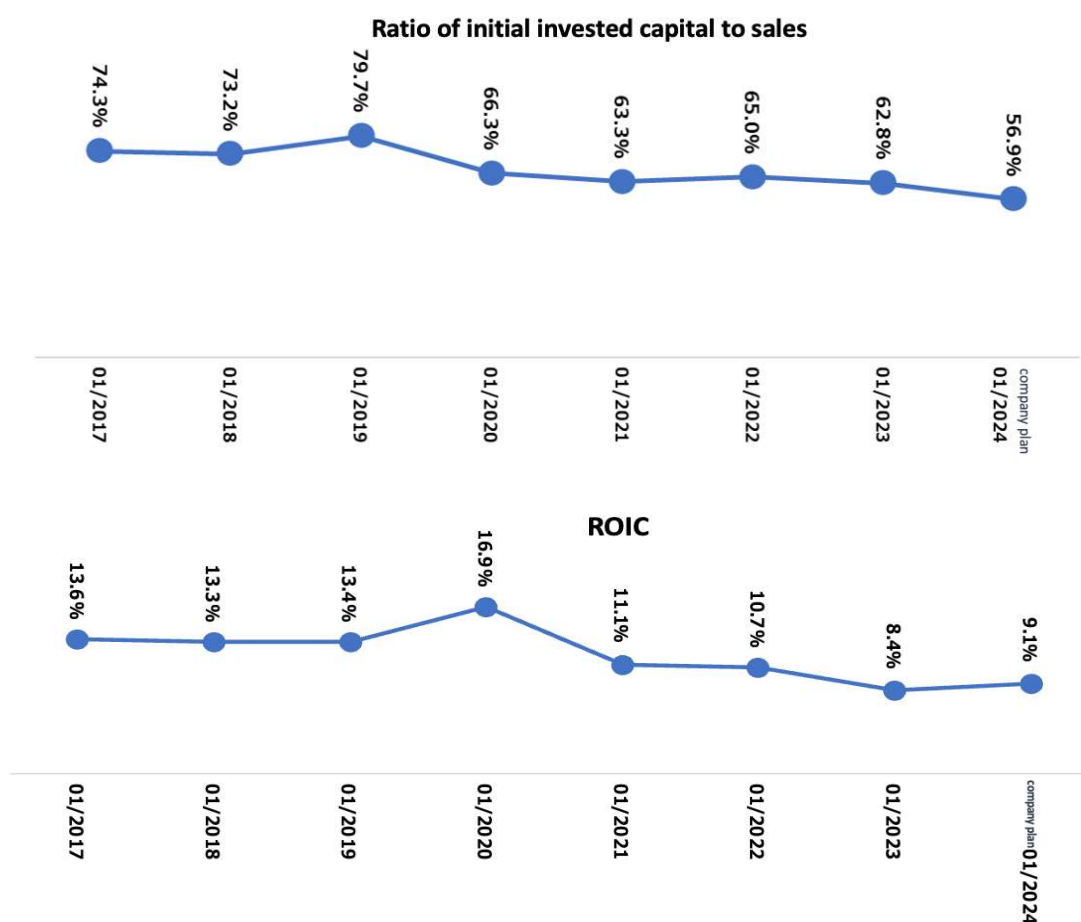
Shareholder Value Analysis

ROIC

Improving the operating profit margin is of paramount importance

Casa's capital-to-sales ratio has been on a slight downtrend in recent years, hovering around 60%. ROIC has been declining, and this is due to a weak operating margin. Therefore, improvement in the operating profit margin is necessary to improve ROIC, and for this purpose, product development that enables an increase in gross profit margin is important, and if growth can be achieved while holding down the increase in invested capital, an even more rapid improvement will be possible.

Ratio of capital invested to sales at the beginning of the period and return on invested capital (ROIC)



Source: Compiled by JPR

6. Summary of Business Results for 1Q FY1/2024

Overview

New store openings and aggressive hiring of personnel contributed to an increase in new contracts

Status of various services

Profit and Loss Summary

Number of new policies and policies in force

While there are signs of movement toward normalization of economic activities due to the easing of restrictions on activities in response to the new type of coronavirus infection, the future remains uncertain due to soaring resource prices and rising concerns about inflation caused by the yen's depreciation. In the rental real estate market, the number of new construction starts of rental housing is on an increasing trend, and other factors are showing steady movement. Against this backdrop, the company sought to increase profits by expanding its sales areas through new store openings and actively hiring personnel, while at the same time working to reduce operating costs. In addition, the company focused on sales of its guarantee services for commercial properties by enhancing guarantee contents. As a result, the number of new contracts increased 17.6% YoY to 2,143, and the number of contracts in force increased to 598,968, up 12,492 from the end of the previous consolidated fiscal year.

Net Sales and Various Profits

Net sales were 2,724,644 thousand yen (+6.6% YoY), operating loss was 144,183 thousand yen (vs. operating income of 45,059 thousand yen in the same period of the previous year), ordinary loss was 122,649 thousand yen (vs. ordinary income of 78,043 thousand yen), and net loss attributable to owners of the parent was 107,998 thousand yen (vs. net income attributable to owners of the parent was 24,754 thousand yen in the same period of the previous year). Amortization of goodwill of 65,475 thousand yen was recorded as selling, general and administrative expenses.

New services released were strong

Guarantee services for large and medium-sized agencies

Large and medium-sized agencies have a need to improve their profitability, and in response to this need, the company has developed "Direct S," which aims to improve the accuracy of screening. This product utilizes Casa's database (rent information and payment history) and credit card and loan card transaction information held by personal credit information agencies. The number of new contracts increased 154.6% YoY to 4,435, a high rate of growth.

Guarantee Service for Small Agents

The number of new contracts for "Landlord Direct," a guarantee service for small-scale management companies, increased steadily by 14.8% YOY to 14,104, contributing to an increase in new contracts.

Business Guarantee Services

Demand for business guarantee services has been growing in line with the increase in the number of corporate bankruptcies in the Corona Disaster. In response to this need, Casa has released two new guarantee services for businesses, "Tenant Guarantee Lite" and "Tenant Guarantee Wide" Compared to guarantees for residential tenants, tenant guarantees are attractive due to their higher unit price and lower delinquency rate, and with new contracts up 17.6% YoY to 2,143, the company expects significant growth going forward.

Rental Management Support Tools for Self-Managed Landlords

The number of landlords using "Owner WEB," a rental management support tool for self-managed landlords, increased 45.3% YoY to 6,382, showing steady growth.

Child Support Guarantee

The company has been proposing initiatives to local governments nationwide to prevent unpaid child support payments, and as of May 2023, 259 local governments have introduced subsidy programs for users of the child support guarantee.

Appendix 1: Possibility of Reflecting Growth Value in Market Capitalization

Potential from
Benchmark
Analysis

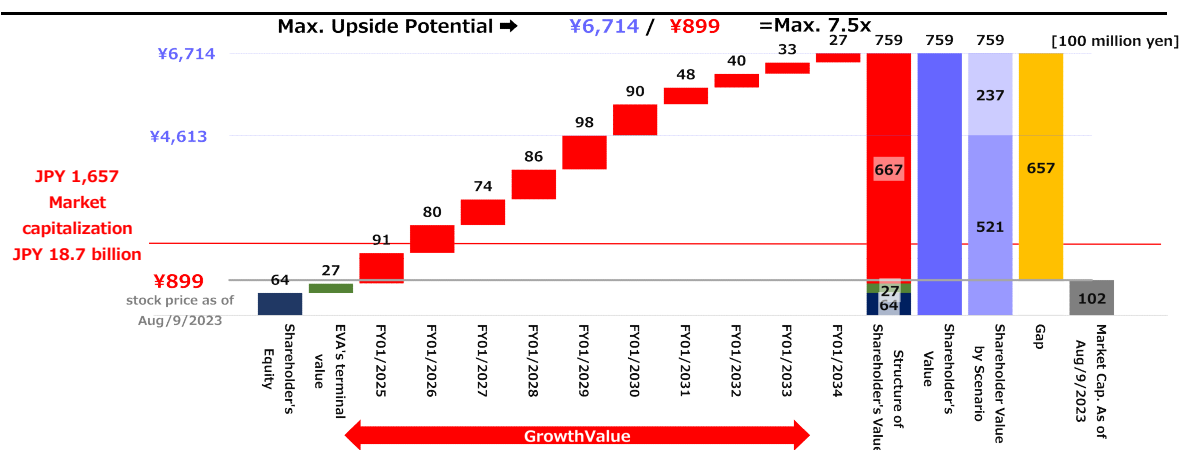
Market
capitalization of
JPY 18.7 billion is
achievable

Prospective Stories and Prior Disclosure of Feasibility

Market capitalization may exceed JPY 18 billion

If the shareholder value as of FY01/2025, as indicated in "1. Investment Summary," is recognized by investors and reflected in the share price, a market capitalization of JPY 18.2 billion yen, almost the same level with 18.7 billion that clears the condition of the market capitalization of the Tokyo Stock Exchange Prime, can be achieved. To achieve this, it will be important to invest the management resources necessary to realize the values and worldview ahead of time.

Shareholder Value Structure and Value Gap Analysis Using the Excess Profit Method



Source: JPR

Simultaneous fundraising and share price growth through co-creation with equity investors

For example, upfront investment through large-scale equity financing will accelerate the speed at which the values and worldview that the Casa Group is aiming for are realized. To this end, it will be important to conduct "strategic IR" to provide quantitative and qualitative information that will win the hearts and minds of shareholders and investors. If strategic IR succeeds, the increase in shareholder value that outweighs the negative effects of dilution will be recognized, and it will be possible to raise funds and increase the share price at the same time. In this case, the number of outstanding shares will also increase, and market capitalization will grow at an even faster pace. While there are variety of methods for strategic IR, JPR believes it is useful to utilize the GCC Management™ framework, which consistently presents "sales, ROIC, and WACC," "values/worldview, strategy/business model, and financial stability/social contribution". GCC Management™ is built on a quantitative theory of shareholder value, yet systematically links qualitative stories. JPR looks forward to Casa's implementation of strategic IR that is both theoretical and practical.

Expect Casa to
actively promote
strategic IR based
on ROIC/WACC-
driven GCC
Management™

Learning from GA Tech precedents

GA Tech-like "strategic IR" is well within Casa's capability to tackle.

Fundraising that does not mimic the strategy is also possible.

Government support is also an important factor.

Scenarios for Increasing Shareholder Value Based on Prior Examples of Strategic IR

M&A

Real estate tech driven companies in general primarily focus on strengthening its AI domain by becoming the first company in the real estate industry to establish an AI strategy office. Furthermore, those companies conduct a strategic IR presentation showing the quantitative potential for increased sales and a qualitative story through the provision of new added value in the real estate tech domain using AI. The effect of these efforts was to successfully raise funds, and by pushing forward with M&A, those companies are able to implement in a short period of time the management resources necessary for a "fusion of technology and real estate" value chain that also provides a one-stop service from matching real estate properties to contract support. As a result, Tech driven companies quickly established its brand as a real estate tech company in the stock market and achieved a significant increase in market capitalization.

IR strategy with GoldKey and COMPASS at the forefront

In Casa it is fully possible to promote strategic IR quantitatively and qualitatively with regard to the provision of real estate DX services centered on GoldKey and COMPASS. Therefore, it is quite possible for the company to achieve fundraising that leads to an increase in share price through strategic IR, and to promote M&A to invest management resources necessary for high value-adding in advance. This move would enable the early realization of market capitalization growth.

Possibility of using third-party allotment of new shares

In order to raise funds without being imitated regarding Casa's strategy, it is assumed that a third-party allotment of new shares will be used after signing a confidentiality agreement with investors. A third-party allotment allows a company to raise funds while keeping the specifics of its M&A strategy to insiders. If growth is expected to accelerate as a result of this fundraising, the increase in shareholder value is expected to outweigh the negative effects of dilution.

Strategies for engaging the government as a stakeholder

Casa's M&A strategy will clearly contribute to solving social issues from the perspective of revitalizing the rental industry, addressing properties that are not being properly managed, and eliminating vacancy problems. This would enable Casa to expand its business, which would effectively be supported by the government, including the Ministry of Land, Infrastructure, Transport and Tourism. This move would also be positive in terms of fundraising and increasing shareholder value.

Appendix 2: Details of the financial model

Detailed financial model of actual results, company plan and JPR forecast 10-year forecast

[Millions of yen]		Corporate Plan JPR Forecast										
FY		2024.1	2025.1	2026.1	2027.1	2028.1	2029.1	2030.1	2031.1	2032.1	2033.1	2034.1
PL	Net sales	11,276	12,592	15,436	18,060	21,130	24,722	28,084	31,140	33,850	36,207	38,224
	Cost of sales	4,867	5,004	6,134	7,177	8,397	9,825	11,161	12,375	13,452	14,389	15,190
	Selling, general and administrative expenses	5,571	5,953	6,726	7,391	8,121	8,923	9,633	10,248	10,775	11,219	11,590
	EBITDA	899	1,707	2,661	3,592	4,729	6,109	7,442	8,250	8,967	9,590	10,119
	Total Depreciation and Amortization	61	72	86	100	117	135	151	166	179	190	195
	Operating income	838	1,635	2,575	3,492	4,612	5,974	7,291	8,084	8,788	9,400	9,923
	Interest expense	0	0	1	4	7	8	5	2	0	0	0
	Other non-operating income	91	0	0	0	0	0	0	0	0	0	0
	Ordinary income	929	1,635	2,574	3,488	4,605	5,967	7,286	8,083	8,788	9,400	9,923
	Extraordinary gains/losses	0	0	0	0	0	0	0	0	0	0	0
	Income taxes	385	500	788	1,067	1,409	1,826	2,229	2,473	2,689	2,876	3,036
	Comprehensive income attributable to owners of the parent	544	1,135	1,786	2,421	3,196	4,141	5,056	5,609	6,099	6,523	6,887
	Number of shares issued at the beginning of the period (thousand shares)	11,300	11,300	11,300	11,300	11,300	11,300	11,300	11,300	11,300	11,300	11,300
	Number of shares issued (thousand shares)	0	0	0	0	0	0	0	0	0	0	0
	Number of shares issued at end of period (thousand shares)	11,300	11,300	11,300	11,300	11,300	11,300	11,300	11,300	11,300	11,300	11,300
BS	Number of treasury stock at the end of the period (thousand shares)	1,295	1,295	1,295	1,295	1,295	1,295	1,295	1,295	1,295	1,295	1,295
	EPS (yen)	54	113	179	242	319	414	505	561	610	652	688
	Dividend	30	63	99	134	176	228	279	309	336	360	380
	Dividends paid	339	712	1,119	1,514	1,989	2,576	3,153	3,492	3,797	4,068	4,294
	Retained earnings	205	423	668	907	1,207	1,564	1,904	2,118	2,302	2,455	2,593
	liquidity on hand	1,574	1,929	2,257	2,641	3,090	3,511	3,892	4,231	4,526	4,778	4,778
	Working capital	3,848	4,717	5,519	6,457	7,555	8,583	9,517	10,345	11,065	11,682	11,682
	Property, plant and equipment subject to amortization	52	64	75	88	103	117	129	141	150	159	159
	Investment securities	473	473	473	473	473	473	473	473	473	473	473
	Other assets	7,114	7,889	8,257	8,522	8,638	8,300	7,525	6,356	4,848	3,058	3,058
	Total assets	14,157	15,328	16,581	18,181	19,859	20,983	21,536	22,085	22,835	23,560	26,153
	Current liabilities other than interest-bearing debt	7,075	7,824	8,164	8,452	8,534	8,156	7,422	6,214	4,662	2,932	2,932
	Short-term debt	0	0	246	651	1,039	977	360	0	0	0	0
	Long-term debt	34	34	34	34	34	34	34	34	34	34	34
	Other long-term liabilities	0	0	0	0	0	0	0	0	0	0	0
CF	Capital stock, etc.	3,190	3,190	3,190	3,190	3,190	3,190	3,190	3,190	3,190	3,190	3,190
	Retained earnings, etc.	3,857	4,279	4,947	5,854	7,061	8,625	10,529	12,647	14,948	17,404	19,996
	Net Assets and Liabilities	14,157	15,328	16,581	18,181	19,859	20,983	21,536	22,085	22,835	23,560	26,153
	liquidity on hand	▲ 165	▲ 355	▲ 328	▲ 384	▲ 449	▲ 420	▲ 382	▲ 339	▲ 295	▲ 252	0
	Working capital	▲ 402	▲ 869	▲ 802	▲ 938	▲ 1,098	▲ 1,028	▲ 934	▲ 828	▲ 720	▲ 616	0
	Current liabilities other than interest-bearing debt	739	748	340	288	82	▲ 378	▲ 734	▲ 1,209	▲ 1,551	▲ 1,730	0
	Investment in property, plant and equipment	▲ 66	▲ 83	▲ 96	▲ 113	▲ 132	▲ 149	▲ 164	▲ 177	▲ 189	▲ 198	▲ 195
	Depreciation of property, plant and equipment	61	72	86	100	117	135	151	166	179	190	195
	Short-term marketable securities	0	0	0	0	0	0	0	0	0	0	0
	Investment securities	0	0	0	0	0	0	0	0	0	0	0
	Other assets	▲ 743	▲ 775	▲ 368	▲ 265	▲ 117	338	775	1,169	1,508	1,790	0
	Retained earnings, etc.	205	423	668	907	1,207	1,564	1,904	2,118	2,302	2,455	2,593
	Operating CF	▲ 371	▲ 840	▲ 501	▲ 405	▲ 389	63	616	899	1,234	1,638	2,593
	Short-term debt	▲ 13	0	246	405	389	▲ 63	▲ 616	▲ 360	0	0	0
	Long-term debt	0	0	0	0	0	0	0	0	0	0	0
Other Long-term Liabilities	0	0	0	0	0	0	0	0	0	0	0	
Equity financing	0	0	0	0	0	0	0	0	0	0	0	
KPI	Financing CF	▲ 13	0	246	405	389	▲ 63	▲ 616	▲ 360	0	0	0
	Surplus Cash and Deposits	▲ 384	▲ 840	▲ 255	0	▲ 0	0	▲ 0	539	1,234	1,638	2,593
	Surplus Cash and Deposits BS	▲ 384	▲ 840	▲ 255	0	0	0	0	539	1,234	1,638	2,593
	High ratio of capital sold under the first investment in the period	43.8%	43.8%	43.9%	44.0%	43.8%	43.9%	44.0%	43.8%	43.9%	44.0%	43.8%
	Initial Capital	4,937	5,513	6,776	7,944	9,256	10,852	12,354	13,641	14,859	15,927	16,744
	High sales growth rate	9.6%	11.7%	22.6%	17.0%	17.0%	13.6%	10.9%	8.7%	7.0%	5.6%	
	NOPAT	582	1,135	1,787	2,423	3,201	4,146	5,060	5,610	6,099	6,523	6,887
	ROIC	11.8%	20.6%	26.4%	30.5%	34.6%	38.2%	41.0%	41.1%	41.0%	41.0%	41.1%
	Operating capital to day ratio (days)	112	112	112	112	112	112	112	112	112	112	112
	Original selling price rate	43.2%	39.7%	39.7%	39.7%	39.7%	39.7%	39.7%	39.7%	39.7%	39.7%	39.7%
	Management fee rate	49.4%	47.3%	43.6%	40.9%	38.4%	36.1%	34.3%	34.3%	34.3%	34.3%	34.3%
	Operating Profit Ratio	7.4%	13.0%	16.7%	19.3%	21.8%	24.2%	26.0%	26.0%	26.0%	26.0%	26.0%
	Current liabilities other than interest-bearing liabilities (per day)	205	205	185	165	146	126	106	87	67	47	28
	Monthly liquidity ratio (month)	2	2	2	2	2	2	2	2	2	2	2
	Short-term borrowing rate	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Long-term borrowing rate	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	
Effective tax rate	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	
Dividend Payout Ratio	55.2%	55.2%	55.2%	55.2%	55.2%	55.2%	55.2%	55.2%	55.2%	55.2%	55.2%	
Gross DE Ratio	0.5%	0.5%	3.4%	7.6%	10.5%	8.6%	2.9%	0.2%	0.2%	0.2%	0.1%	
Net DE ratio	-37.4%	-28.8%	-24.3%	-21.6%	-19.7%	-21.2%	-25.5%	-29.9%	-34.5%	-39.6%	-46.4%	
Property, plant and equipment depreciation ratio	76.2%	76.2%	76.2%	76.2%	76.2%	76.2%	76.2%	76.2%	76.2%	76.2%	76.2%	

Source: JPR

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Reference 1. For those new to JPR reports

GCC Management™ Analysis

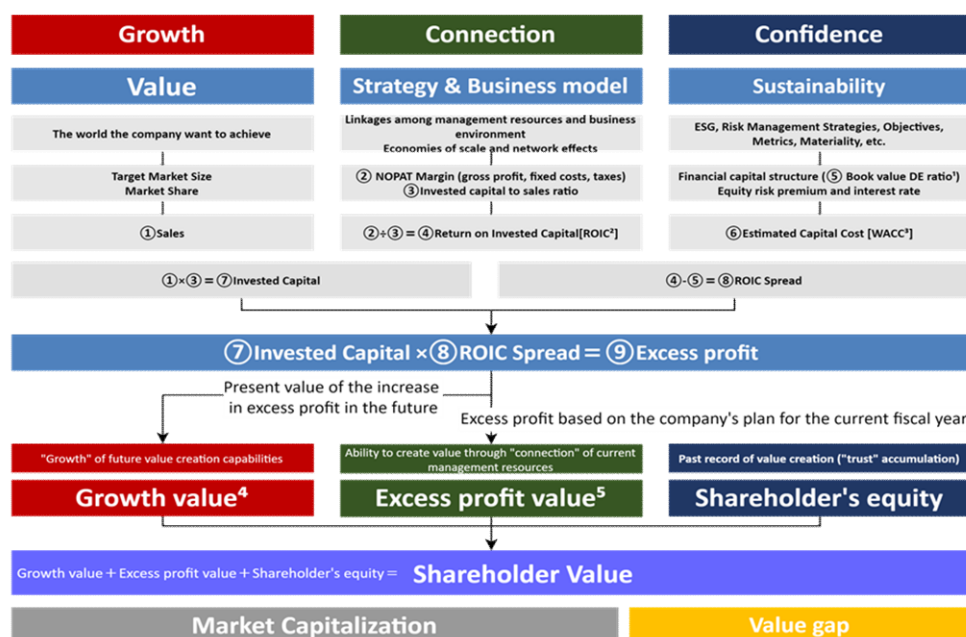
Visualize the value gap between theoretical shareholder value and market capitalization

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 capitalization.

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.

Source: JPR

GCC Management ™ Evaluation System

Evaluate the feasibility of the Growth and Connection story of the value creation process from three perspectives

Evaluation of Growth and Connection

Evaluate the feasibility of qualitative stories from three perspectives

JPR evaluates the feasibility of the value creation process based on GCC analysis from three perspectives: conceptual design, implementation design, and actual performance. "Conceptual design" is defined as "conceptualizing the concept of the value creation process" and "implementation design" is defined as "creating and operating a system to systematize and implement the management resources necessary to realize the concept of the value creation process. Value creation becomes an "achievement" only when "conceptual design" becomes "implementation design. JPR conducts subjective evaluations of "conceptual design," "implementation design," and "performance," which are then rated in an easy-to-understand manner at 90%, 70%, 50%, 30%, and 10%. Specifics are described below.

Conceptual Design, "Implementation Design," and "Performance" Evaluation Framework

% indication	90%	70%	50%	30%	10%
"Conceptual design"	Conceptual design is very logically organized	Conceptual design is approximately logically organized	Conceptual design is about halfway organized	Conceptual design is organized to a certain degree	Conceptual design is organized to a certain degree
"Implementation design"	Conceptual design is almost implemented	Conceptual design is almost implemented	Conceptual design is about half implemented	Conceptual design is implemented to a certain degree	Conceptual design has been implemented, albeit marginally.
"Performance"	Targeted outcomes are observed as actual results almost exactly as intended by the conceptual design	Targeted outcomes are observed as actual results almost exactly as intended by the conceptual design	Targeted outcomes are observed as actual results as intended by the conceptual design about half way through	Targeted outcomes are observed as actual results to a certain degree, as intended by the design	Targeted outcomes are observed as achievements, albeit slight, as intended by the conceptual design

Source: JPR

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Credibility of the value creation process

Evaluation of Confidence

Evaluation of financial stability and social contribution

JPR evaluates Confidence in the GCC analysis by dividing it into two categories: "financial stability" and "social contribution". Financial stability is evaluated based on the current and future earnings stability based on the earnings structure and the current financial condition. Social contribution is evaluated based on the status of promotion of ESG management and contribution to solving social issues, including the SDGs. For each of these, the evaluation will be made in an easy-to-understand manner at 90%, 70%, 50%, 30%, and 10%. Specifics are listed below.

"Conceptual Design," "Implementation Design," and "Actual performance" Evaluation Framework

% indication	90%	70%	50%	30%	10%
Financial Stability The evaluation is based on a five-point scale from the viewpoint of sufficient experience in the value creation process, differentiated value creation capabilities that are difficult to imitate, low risk of fluctuations such as economic and seasonal fluctuations due to stockholding, and an optimized capital-liability structure.	Very Highly commendable	Highly commendable	Can be evaluated as a listed company on average	Can be commendable to a certain degree	Partially commendable
Social Contribution The social issues addressed are generally of great importance to society, the path to their solution is not yet clear, and they are tackling a challenging task that requires both the creation of a new concept and the systematic creation of the optimal governance structure for its implementation.	Very Highly commendable	Highly commendable	Can be evaluated as a listed company on average	Can be commendable to a certain degree	Partially commendable

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Visualization of value gap through 10-year growth scenario analysis

Comparison of increase in shareholder value and market capitalization by year

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.

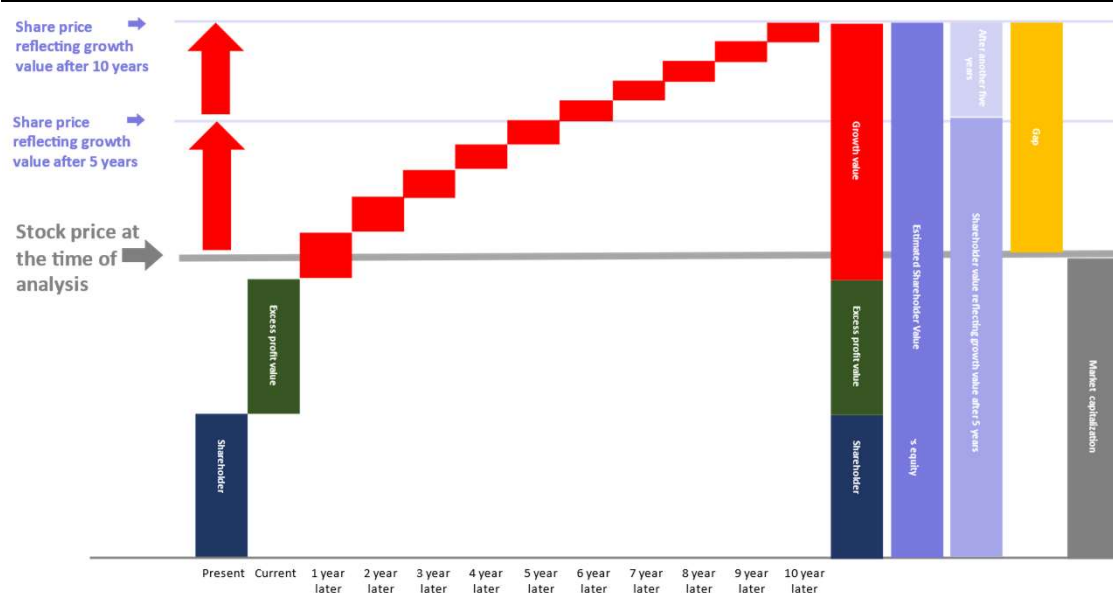
Conservative Growth Scenarios and Scenarios Reflecting Change in Future Stories

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 how many years of future stories are reflected in the market capitalization

Visualization of various scenario analysis

Visualizing the Value Gap



Source: JPR

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Reference 1. 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.

Excess return = NOPAT – Invested capital X WACC

Net Operating Profit After Tax (NOPAT) = Operating profit X (1 - Effective tax rate)

Invested capital = Total assets – Non-business assets – Current liabilities excluding Interest-bearing debt

Non-business assets = Cash and deposits exceeding 1.5/12 of sales + Short-term investment securities + Investment securities + Deferred gains or losses on hedges + Land revaluation difference + Foreign currency translation adjustments

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

D = Short-term interest-bearing debt + Long-term liabilities + Minority interests in the latest financial

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