

### 3.3x upside potential based on GCC Management™ analysis

Creating a new kitchen environment with technology and reliability; significant upside expected in SDG-focused industry environment

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 elements of Confidence (improved trust = lower business risk)."

#### Comprehensive sales company of food processing and kitchen equipment

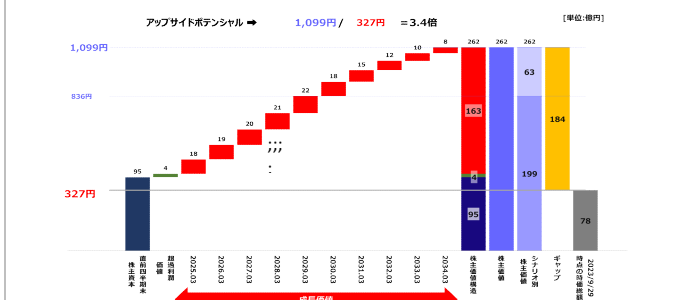
Since its establishment in 1951, Kitazawa Sangyo has been committed to making people happy and smiling through the power of food. The company offers products and proposals that put the customer first. Today, the environment surrounding food preparation is not limited to the pursuit of deliciousness, but also requires a variety of factors such as safety and security. Kitazawa has gained the trust of the industry by keeping abreast of these changing needs for food processing equipment. This attitude led to the development of WAO, a fryer that drastically reduces waste oil. The company's environmentally friendly strategy is likely to attract future attention from investors.

#### Kitazawa's products are in high demand to meet energy-saving, labor-saving, and resource-saving needs.

Kitazawa's sales temporarily sank due to the Corona disaster, but recovered to previous levels in FY2023. In the long run, the company has posted stable earnings. Major customers include major inns and hotels and major restaurant chains. In addition to its mainstay products, such as equipment washers and high-performance carbon heaters, WAO, a fryer that reduces waste oil, was released last year and is attracting attention for its merits in meeting resource-saving needs and eliminating the need to change oil, and is expected to strengthen sales capabilities. The WAO is a revolutionary product that uses a proprietary technology called the "special water flow filtration system" to enable tasty fried food cooking without oil deterioration over a long period of time. The commercial kitchen equipment market is expanding moderately both in Japan and overseas, and the market is large enough. Kitazawa is also well known as a trading company specializing in overseas products for restaurant operators, and its service lineup reflecting the latest technology against the backdrop of the expanding global market is expected to provide a tailwind.

#### Potential for mainstay stocks related to 10-year growth scenario with a maximum upside of 3.3x

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 26.2863536659361 billion. This is approximately 3.4 times the current market capitalization.



For more

#### Basic Report

Written and Edited by  
J-Phoenix Research Inc.  
name

#### Company Profile

Location of Head Office	Shibuya Ward, Tokyo
Representative	Masaki Kitagawa
Date of Establishment	March 28, 1951
Paid-in Capital	JPY 3,235 millions
Date of Listing	September 18, 1963
URL	<a href="https://www.kitazawasangyo.co.jp/">https://www.kitazawasangyo.co.jp/</a>
Type of Business	wholesale business

#### Key Indicators As of October 3, 2023

Stock Price	JPY 333
52-week high	JPY 503
52-Week Low	JPY 185
Number of Shares Outstanding	23,818,257 stocks
Trading Unit	100 stocks
Market Capitalization	JPY 7,931 million
Company Projected Dividend	JPY 5
Estimated Net Income	JPY 22
Forecast PER	15.47 times
Actual BPS	JPY 503.52
(March 31, 2023)	
Actual PBR	0.66 times

Performance Trends	Sales (JPY 1 mil.)	YoY %	Operating Income (JPY 1 mil.)	YoY %	Ordinary Income (JPY 1 mil.)	YoY %	net income (JPY 1 mil.)	YoY %	EPS (JPY)	Stock price	
										high price (JPY)	low price (JPY)
Results for FY 3 2020	14,298	-12.8	16	-94.5	98	-72.6	-37	-129.1	-2.04	340	0
Results for FY 3 2021	15,602	9.1	369	2,206.3	423	330.5	154	—	8.32	0	0
Results for FY 3 2022	16,222	4.0	699	89.4	763	80.3	455	194.5	24.50	0	0
Results for FY 3 2022 1Q	3,623	7.6	14	—	36	467.6	23	—	1.27	0	0
Results for FY 3 2023 1Q	3,569	-1.5	114	695.3	147	308.1	89	277.5	4.80	0	0
Plans for FY 3 2023	16,600	2.3	620	-11.3	680	-11.0	400	-12.1	21.52	-	-

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# 1. Investment Summary

## Shareholder value analysis

**Maximum Upside  
3.3x in Market  
Capitalization  
Estimated**

### Estimation using the excess profit method

**Maximum upside 3.3x 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 xxx'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: Creating new kitchen environments with insight and technology**

**Connection: Total support unique to a general trading company for commer**

**Confidence: Contributing to productivity improvement with "special water f**

#### Quantitative Story Outline



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

**Shareholders' Equity96+Excess profit4+Growth value163= 263**

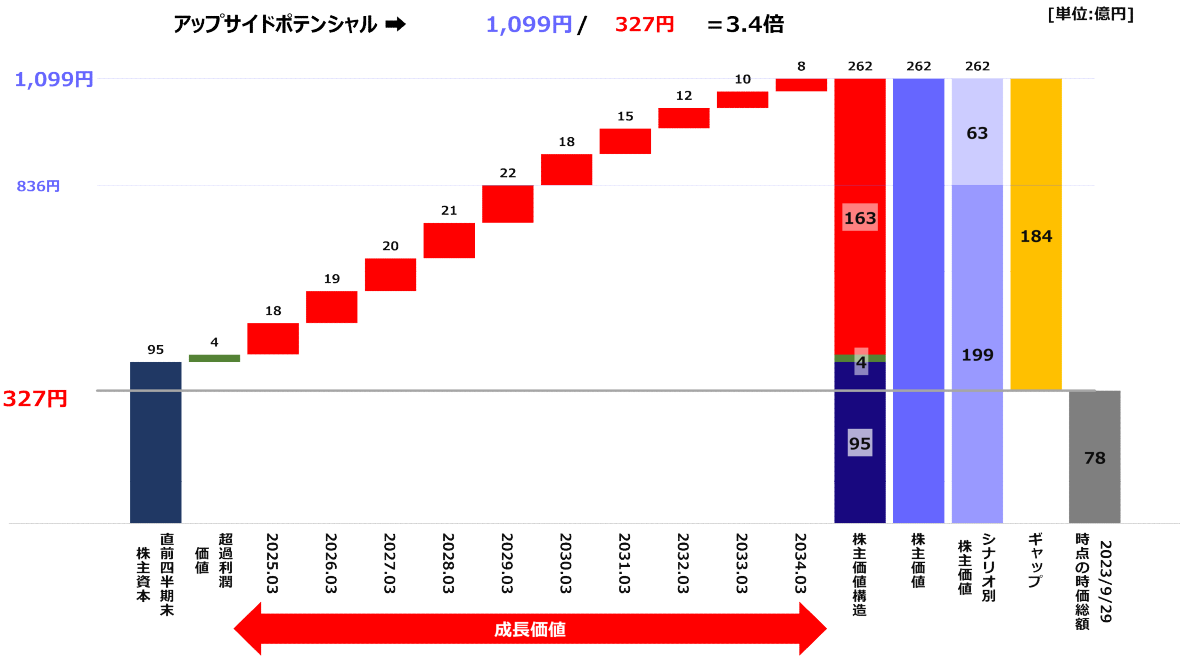
Shareholders' Equity	Excess profit	<b>Growth value</b>
96	4	163

Source: JPR

1: Fractions do not match due to rounding.

#

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



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

[億円]	今期	1年後	2年後	3年後	4年後	5年後	6年後	7年後	8年後	9年後	10年後
	2024.03	2025.03	2026.03	2027.03	2028.03	2029.03	2030.03	2031.03	2032.03	2033.03	2034.03
売上高	166	176	187	198	210	222	233	242	249	255	260
営業利益	6	8	10	11	14	16	18	20	21	22	23
営業利益率	3.7%	4.4%	5.1%	5.8%	6.5%	7.1%	7.7%	8.1%	8.4%	8.7%	8.9%
売上高成長率	2.3%	6.0%	6.0%	6.0%	6.0%	6.0%	4.8%	3.8%	3.1%	2.5%	2.0%
NOPATマージン	2.6%	3.1%	3.5%	4.0%	4.5%	4.9%	5.3%	5.6%	5.8%	6.0%	6.2%
投下資本売上高比率	50.2%	49.1%	48.5%	47.8%	47.2%	46.6%	46.1%	45.8%	45.5%	45.3%	45.2%
WACC	4.8828%	4.8828%	4.8828%	4.8828%	4.8828%	4.8828%	4.8828%	4.8828%	4.8828%	4.8828%	4.8828%
ROIC=NOPATマージン÷投下資本売上高比率	5.1%	6.2%	7.3%	8.4%	9.5%	10.6%	11.5%	12.2%	12.8%	13.3%	13.6%
ROIC/WACC (1円の元手で創出する価値)	¥1.1	¥1.3	¥1.5	¥1.7	¥1.9	¥2.2	¥2.3	¥2.5	¥2.6	¥2.7	¥2.8
NOPAT	4.28	5.38	6.58	7.90	9.35	10.94	12.32	13.50	14.51	15.34	16.04
投下資本×WACC	4.07	4.22	4.41	4.62	4.83	5.05	5.24	5.40	5.54	5.65	5.75
超過利益	0.21	1.16	2.1679	3.29	4.52	5.88	7.08	8.10	8.97	9.69	10.29
超過利益=NOPAT-投下資本×WACC	0.21	1.16	2.17	3.29	4.52	5.88	7.08	8.10	8.97	9.69	10.29
各年で創造する価値	4	19	21	23	25	28	24	21	18	15	12
ディスカウントレート	100%	95%	91%	87%	83%	79%	75%	72%	68%	65%	62%
超過利益の現在価値	4.351	18	19	20	21	22	18	15	12	10	8
投下資本① 元手	83										
超過利益価値 (今期の超過利益の永久価値) ②	4										
成長価値 (超過利益の増加分の現在価値) ③	163										
非事業資産価値④	42										
企業価値=①+②+③+④	292										
有利子負債等	-32										
直前四半期末と年度期末の株主資本簿価の増分	1										
株主価値	262										

Source: JPR

\*For NOPAT, since it is difficult to estimate the corporate tax rate, a conservative effective corporate tax rate of 30.9% is applied.

## Three qualitative and quantitative information assumptions set for estimating shareholder value\*1

### Growth: Creating new kitchen environments with insight and technology

Values and Worldviews	Value provided and Growth Potential	Sales
<b>Providing a space for "food" and happiness in the space</b>	<b>Annual growth of 5-6% through high value-added products</b>	<b>CAGR 5.0% is expected</b>
<p>"Food" has the power to make people smile and be happy. Since its establishment, Kitazawa has provided a "food" environment that satisfies its customers, and has developed a series of products that meet the needs for energy saving, resource saving, and labor saving, in addition to tastiness, safety, and other needs. In addition, as a trading company, it imports and sells superior commercial kitchen equipment from around the world.</p>	<p>Kitazawa has adopted a policy of establishing customer trust by strengthening its 24/7/365 service system, focusing on sales of high value-added products and product differentiation. The company's main customers are the restaurant industry, hotels, and inns. According to the international research firm IMARC GROUP, the kitchen equipment market is projected to exhibit a CAGR of 6.4% from 2023 to 2028. In Japan, labor-saving, sanitation, and SDGs compliance are commercial opportunities, and Kitazawa is also expected to see long-term growth of 5-6%.</p>	<p>FY2024.3      FY2034.3</p> <p><b>166</b>      ▶      <b>260</b></p> <p>Achieve growth in line with global growth</p>
		<b>Growth value</b>
		<b>163</b>

### Connection: Total support unique to a general trading company for commercial kitchen equipment

Strategy	Business Model	ROIC
<b>Understand customer needs</b>	<b>Securing major business partners with many years of experience</b>	<b>Expected to improve by 8.5 points</b>
<p>Kitazawa strengthens information gathering on industry trends in the restaurant industry and responds quickly to changes in customer needs. We strive to improve our service system 24 hours a day, 365 days a year, and strengthen customer trust. We provide a highly efficient and safe working environment through our own products, and we respond to the diverse demands of the market through needs-oriented proposal sales and strategic sales. We aim to develop business that meets the needs of our customers.</p>	<p>Kitazawa provides total support by selling commercial kitchen equipment and providing related services. Works on in-house brands, world-class products, kitchen coordination, and new product development. According to an analysis of comparable companies, it would be reasonable to assume that 13%<sup>2</sup> ROIC will be achieved in 10 years, considering Kitazawa's current advantages and the benefits of scale benefits from growth.</p>	<p>FY2024.3      FY2034.3</p> <p><b>5.1 %</b>      ▶      <b>13.6 %</b></p> <p>Achieving ROIC comparable to comparable companies</p>
		<b>Excess profit</b>
		<b>4</b>

### Confidence: Contributing to productivity improvement with "special water flow filtration system"

Financial Sustainability	Contribution to Social Sustainability	WACC
<b>Long-term stability</b>	<b>Environmental conservation by reducing waste oil</b>	<b>Increase by 4.8 points</b>
<p>As of the first quarter of 2023, as will be discussed later, long-term safety is high as far as current ratio, quick ratio, fixed long-term ratio, equity ratio, etc. are concerned. Furthermore, although business performance has been sluggish recently amid the coronavirus pandemic, it is believed that demand that had been postponed as the pandemic worsens and the importance of food and beverages and hotels increases will stably contribute to sales growth.</p>	<p>Kitazawa has succeeded in creating a technology that maintains the quality of cooking oil for a long time using its unique patented technology, "Special Water filtration System." By commercializing this technology, "WAO" has made it possible to "significantly reduce waste oil even when cooking in large quantities." It is possible to cook in large quantities with clean oil, which not only reduces waste oil, but also improves the working environment because clean oil lasts longer. Contribute to social sustainability by protecting the natural environment and improving the working environment.</p>	<p><b>4.9 %</b></p> <p>Maintain the status quo</p>
		<b>Shareholders' Equity</b>
		<b>96</b>

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

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## 2. Overview

### Company overview

Company Name	KITAZAWA SANGYO CO.,LTD. (In Japanese : 北沢産業株式会社)
Establishment	1951/3/28
Representative	Masaki Kitagawa
Head Office Location	2-23-10 Higashi, Shibuya-ku, Tokyo
Capital	3.24 billion yen
Number of Employees	440 (As of 3-31 2023)
Fiscal Year End	March
Business	General sales of food processing equipment and commercial kitchen equipment
Date of Listing	1963/9/18
Stock Exchange Listing	Tokyo Stock Change Standard [Securities code: 9930]

Source: Compiled by JPR based on company data.

### History

Year	Month	Contents
1951	3	Established Nippon Kuroishi Kogyo Co., Ltd.
1960	4	Established Kitazawa Sangyo Co., Ltd. as a sales company for frying machines, kitchen equipment, and cooking equipment.
1961	4	Opened Osaka office. Establishing branches and sales offices in each priority region every year
1962	6	Newly established Kawagoe factory. Establishment of a system to increase production of fryers, and a manufacturing and sales system for commercial food preparation equipment and kitchen equipment.
1963	7	Due to a change in stock par value, merged with Kitazawa Sangyo Co., Ltd. (formerly Nippon Kuroshiki Kogyo Co., Ltd.) with the same title.
	9	Publicly traded stock, registered as Tokyo over-the-counter stock (currently JASDAQ)
1967	6	Separated Kawagoe factory and established wholly owned Kitazawa Kogyo Co., Ltd.
1969	4	Sales of unit-type large commercial refrigerators (co-developed with Matsushita Electric Industrial Co., Ltd.)
1970	4	Developed and sold ultra-large automatic fryers for hamburgers and confectionery. Sales of automatic dishwashers (business partnership with Ishikawajima-Harima Heavy Industries Co., Ltd.)
1974	4	Sales of under-counter type automatic dishwashers (Germany, partnership with [currently Parlux]) Sales of assembled shelves (Hodge shelves) (USA, partnership with [currently Falcon Products])
1978	4	Completed and sold refrigerator-freezers using the integral injection foaming method.
1980	11	Product development and sales of energy-saving noodle boiling machines
1982	3	Sales of air-controlled lunch box serving machines
1983	8	Sales of coffee machines (partnership with Parlux, Germany)
1984	4	Developed a lineup of confectionery and bread baking equipment, including energy-saving gas-powered ovens. Sales of equipment for confectionery and bread making industries
1985	4	Signed an agency agreement with Hobart, USA. Sales of Hobart commercial kitchen equipment starting in October
1987	4	Sales of multi-cookers using the sous vide cooking method developed by Parlux in Germany.
1988	4	Sales of high freshness storage (Super Fresh) and food slicers
1989	7	A distribution center was established in Hiki-gun, Saitama Prefecture, with the aim of streamlining logistics.

Source: Compiled by JPR based on company data.

## History

Year	Month	Contents
1992	9	Listed on the Second Section of the Tokyo Stock Exchange
1993	1	Sales of commercial furniture (partnership with Falcon Products, USA)
1999	9	Listed on the First Section of the Tokyo Stock Exchange
2007	10	A new construction department was established to start selling home kitchens as a new business.
	12	Merged with affiliated company Falcon Japan Co., Ltd.
2008	1	Opened KITAZAWA DESIGNERS KITCHEN STUDIO (commonly known as DKS BUILDING) to expand sales of home kitchens
2011	4	Received business transfer related to manufacturing, sales, and after-sales service of dishwashers and rotating shelves from IHI Rotating Machinery Co., Ltd.
2019	12	Expanded distribution center in Hidaka City, Saitama Prefecture
2022	4	Moved from the First Section to the Standard Market due to a review of the Tokyo Stock Exchange's market classification.
2023	3	We currently have 15 branches, 31 sales offices, and 7 sales offices nationwide.

Source: Compiled by JPR based on company data.

## Major Consolidated Subsidiaries and Group Companies

Business Line	Company Name	Business Outline	Capital	Shareholding Ratio
Commercial kitchen related business	Kitazawa Keep Service Co., Ltd.	Where to sell parts Outsourcing of repair and maintenance management	20,000 thousand yen	100%
Commercial kitchen related business	Sunbake Co., Ltd.	Where to sell parts Confectionery and bakery machinery and equipment suppliers	42,000 thousand yen	100%
Commercial kitchen related business	Ace Industry Co., Ltd.	Where to sell parts Commercial kitchen machinery suppliers	70,000 thousand yen	100%

Source: Compiled by JPR based on company data

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

#### Growth

#### Creating new kitchen environments with insight and technology

##### Conceptual Design: Values and Worldview

##### Providing a space for "food" and bringing happiness to that space

"Food" has the power to make people smile and make them happy. In order to provide a "food" space that satisfies customers, Kitazawa has been creating kitchen environments unchanged since its establishment in 1951. The space is not only limited to the pursuit of deliciousness, but also continues to develop products to meet various needs such as safety and security.

##### Always used in the izakaya culture, the one and only exclusive carbon heater

According to a research report by CREST®, a food service and restaurant market information service, the total market size of Japanese izakaya (Japanese style pubs) in 2022 was 925.3 billion yen, a significant increase of 74.3% over the previous year. In this business environment, Kitazawa's product "Ibushigin+" was developed over a long period of time as a high-performance griller that meets various needs with a lineup of 4 types and 10 models for cooking in all types of businesses, including izakaya.

##### Implementation design: value provided and growth potential

##### Promoting Differentiation

Based on its pride as a company that plays a role in the development of commercial kitchen equipment, Kitazawa plans to promote product differentiation by selling high value-added products and promoting its own products. In addition, the company will strengthen sales of single products, focus on expanding sales of more competitive products to improve profit margins, and further enhance its 24-hour, 365-day service system to secure

##### Market Size: Commercial Kitchen Appliances Have Ample Growth Potential

The global commercial kitchen equipment market size reached US\$93.1 billion in 2022. Going forward, IMARC Group forecasts that the market will show a growth rate (CAGR) of 6.4% from 2023 to 2028. In the case of Japan, labor-saving and sanitary measures are urgently needed due to labor shortages, leading to new commercial opportunities. The commercial kitchen market in Japan generally continues to show low growth. Large-lot demand from restaurant chains and fast-food restaurants, which are expanding the number of outlets, and public demand from school lunch centers and other customers are highly variable depending on the year of occurrence, and will affect the performance of kitchen equipment manufacturers.

##### Track Record

Major customers include major inns and hotels, major restaurant chains, public offices and national hospitals, and major listed companies, and the company has a solid track record.

Conceptual Design.  
Progress: 90%.

Implementation  
Design.

Customer-oriented  
sales structure

Sufficient market  
potential

Progress: 70%.

Reflection of  
results  
Progress: 90%.

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## Connection

### Conceptual Design

Progress: 70%.

### Implementation Design

Progress: 90%.

### Reflection of results

Progress: 90%.

## Total support unique to a general trading company of commercial kitchen equipment

### Conceptual Design: Strategy

#### Capture customer needs

Kitazawa intends to accurately respond to ever-changing customer needs by strengthening information gathering on industry trends, particularly in the food service industry; to further improve its after-sales service with a 24-hour, 365-day service system; and to further strengthen customer confidence in the company. The company also intends to propose more efficient and safer work environments through the use of its own products and to promote proposal-based sales and strategic sales that place the highest priority on customer needs, thereby developing an aggressive business that can respond flexibly to the diversification of market needs.

### Implementation Design: Business Model

#### Total Support System

Kitazawa mainly sells commercial kitchen equipment and furniture, provides repair and maintenance services for commercial kitchen equipment associated with these products, and manufactures commercial kitchen machinery and equipment, and confectionery and baking equipment. As a comprehensive sales company of food processing equipment and kitchen appliances, the company offers its own brand products and superior products from around the world, as well as a total support system in all aspects, including kitchen coordination, kitchen equipment design and construction, new product development, maintenance services, and furniture sales.

#### Sales composition is skewed toward commercial kitchen-related business

The commercial kitchen-related business accounts for 97.8% of the company's sales. The restaurant industry accounts for 25.0% of the company's commercial kitchen equipment sales, and department stores and supermarkets account for 21.2%, together accounting for 46.2% of the company's sales. Both the food service industry and department stores/supermarkets are customers that are greatly affected by the economy, and this business model could affect the company's performance depending on economic trends.

### Track Record

Major customers include major inns and hotels such as the Karuizawa Prince Hotel and the Yokohama Royal Park Hotel, as well as major restaurant chains such as Kappa Create and Tonkatsu Wako Group. Other major clients include public offices, national hospitals, and major listed companies.



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## Confidence

**Current stability is 70%.**

**It could be said to be about 70% as a social contribution.**

### Special Water Filtration System" Contributes to Productivity Improvement

#### Financial Stability

As of the first quarter of 2023, the current ratio was 130.8%, well above the guideline of 100%. The current ratio is also at 100.7%, so short-term safety is relatively high. The fixed long-term conforming ratio is 81.2%, which is below the guideline of 100%. The capital adequacy ratio is 55.9%, indicating a high level of long-term safety. The balance sheet is highly stable. Although the company's performance has been sluggish recently amid the Corona whirlpool, the Corona whirlpool has eased up, and the company believes that the demand that has been postponed as the importance of food and beverage and hotels increases will make a stable contribution to sales growth.

#### Social contribution: Contribution to customers' business efficiency improvement

##### WAO Fryer, which reduces the amount of waste oil, contributes to labor savings.

Kitazawa has been working on the development of a fryer that significantly reduces the amount of waste oil, and has succeeded in achieving this with its proprietary patented "Special Water Flow Filtration System. The WAOAUTO auto fryer, which has achieved "a drastic reduction of waste oil even in mass cooking" by introducing and automating this technology, is particularly noteworthy from an SDG perspective. The special filtration system enables mass cooking with clean oil, which not only reduces waste oil, but also improves the working environment and reduces the burden of daily maintenance because the clean oil lasts longer.

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## 4. Summary of Business Results for 1Q FY3/2023

### Financial Summary

Operating income  
increased due to  
improved cost of  
sales ratio

Increase in net  
sales and operating  
income

### Overall Overview

#### Summary of Business Results

As a result of the first quarter of the fiscal year ending March 31, 2024, consolidated net sales were 3,569 million yen (-1.5% YoY), operating income was 114 million yen (+695.3% YoY), ordinary income was 147 million yen (+308.1% YoY), and net income attributable to owners of the parent was 89 million yen (+277.5% YoY). Net income attributable to owners of the parent was 89 million yen (+277.5% YoY). Progress toward the 1H plan of 300 million yen reached 48.2%, exceeding the 5-year average of 19.1%. The operating profit margin improved from 0.4% in 1H FY03/12 to 3.2%.

#### Performance by Segment

##### Commercial Kitchen-Related Business

Regarding the commercial kitchen-related business, net sales were 3,483 million yen (-1.5% YoY), down 54 million yen YoY, but operating income was 238 million yen (+89.7% YoY) as a result of efforts to reduce operating expenses, including improvement in the cost of sales

##### Real Estate Leasing Business

In the real estate leasing business, sales were 90 million yen (+1.3% y-o-y), and operating income was 55 million yen (+1.5% y-o-y).

## Appendix: Details of the financial model

### Detailed financial model of actual results, company plan and JPR forecast

[Millions of yen]	Company plan JPR forecast	Company plan JPR forecast											
		2024.3	2025.3	2026.3	2027.3	2028.3	2029.3	2030.3	2031.3	2032.3	2033.3	2034.3	2035.3
<b>PL</b>													
Sales	16,600	17,596	18,652	19,771	20,957	22,215	23,281	24,175	24,917	25,530	26,032	26,032	
COGS	12,143	12,874	13,567	14,297	15,067	15,878	16,563	17,134	17,607	17,996	18,314	18,314	
SG&A	3,837	3,943	4,131	4,328	4,535	4,751	4,933	5,084	5,208	5,310	5,394	5,394	
EBITDA	872	1,041	1,225	1,426	1,646	1,885	2,093	2,271	2,421	2,547	2,649	2,649	
Total Depreciation and Amortization	252	261	271	280	290	300	307	314	319	323	325	325	
Operating income	620	779	954	1,145	1,355	1,585	1,785	1,957	2,102	2,224	2,324	2,324	
Interest expenses	11	11	10	10	9	8	6	3	1	0	0	0	
Other non-operating income	71	0	0	0	0	0	0	0	0	0	0	0	
Ordinary income	680	769	943	1,135	1,346	1,577	1,780	1,954	2,101	2,224	2,324	2,324	
Extraordinary income/loss	0	0	0	0	0	0	0	0	0	0	0	0	
Income taxes	280	238	291	351	416	487	550	604	649	687	718	718	
Comprehensive income attributable to owners of the parent	400	531	652	784	930	1,090	1,230	1,350	1,452	1,536	1,606	1,606	
Number of shares issued at the beginning of the period (thousand shares)	18,590	18,590	18,590	18,590	18,590	18,590	18,590	18,590	18,590	18,590	18,590	18,590	
Number of shares issued (thousand shares)	0	0	0	0	0	0	0	0	0	0	0	0	
Average number of shares issued during the period (thousand shares)	18,590	18,590	18,590	18,590	18,590	18,590	18,590	18,590	18,590	18,590	18,590	18,590	
EPS (yen)	21.52	28.57	35.06	42.20	50.03	58.62	66.15	72.62	78.11	82.65	86.38	86.38	
Dividends	5	7	10	12	16	19	23	27	31	34	37	37	
Dividends paid	93	130	186	223	297	353	428	502	576	632	688	688	
Retained earnings	307	401	466	561	633	737	802	848	876	904	918	918	
<b>BS</b>													
Liquidity on hand	2,200	2,331	2,471	2,620	2,777	2,910	3,022	3,115	3,191	3,254	3,254	3,254	
Surplus cash and deposits	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006	
Working capital	4,920	5,164	5,419	5,687	5,968	6,190	6,362	6,489	6,578	6,636	6,655	6,494	
Property, plant and equipment subject to amortization	5,686	5,888	6,098	6,315	6,539	6,726	6,880	7,006	7,108	7,192	7,192	7,192	
Goodwill	0	0	0	0	0	0	0	0	0	0	0	0	
Investment securities	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	
Other assets	836	953	1,082	1,222	1,376	1,526	1,672	1,813	1,950	2,083	2,083	2,083	
<b>Total assets</b>	<b>17,846</b>	<b>18,542</b>	<b>19,275</b>	<b>20,049</b>	<b>20,865</b>	<b>21,557</b>	<b>22,140</b>	<b>22,628</b>	<b>23,294</b>	<b>24,341</b>	<b>25,259</b>	<b>26,177</b>	
Current liabilities other than interest-bearing debt	4,998	5,298	5,615	5,952	6,310	6,612	6,866	7,077	7,251	7,394	7,394	7,394	
Short-term debt	2,129	2,124	2,074	1,949	1,775	1,428	955	384	0	0	0	0	
Long-term debt	0	0	0	0	0	0	0	0	0	0	0	0	
Other long-term liabilities	1,052	1,052	1,052	1,052	1,052	1,052	1,052	1,052	1,052	1,052	1,052	1,052	
Capital stock, etc.	6,201	6,201	6,201	6,201	6,201	6,201	6,201	6,201	6,201	6,201	6,201	6,201	
Retained earnings, etc.	3,467	3,868	4,334	4,895	5,528	6,264	7,066	7,915	8,790	9,695	10,613	11,531	
<b>Net Assets and Liabilities</b>	<b>17,846</b>	<b>18,542</b>	<b>19,275</b>	<b>20,049</b>	<b>20,865</b>	<b>21,557</b>	<b>22,140</b>	<b>22,628</b>	<b>23,294</b>	<b>24,341</b>	<b>25,259</b>	<b>26,177</b>	
<b>CF</b>													
Liquidity on hand	▲125	▲132	▲140	▲148	▲157	▲133	▲112	▲93	▲77	▲63	0	0	
Working capital	▲233	▲244	▲256	▲268	▲280	▲223	▲171	▲127	▲90	▲58	71	71	
Current liabilities other than interest-bearing debt	283	300	318	337	357	303	254	211	174	143	0	0	
Investment in tangible fixed assets	▲448	▲464	▲480	▲497	▲515	▲486	▲461	▲440	▲422	▲407	▲325	▲325	
Depreciation of property, plant and equipment	252	261	271	280	290	300	307	314	319	323	325	325	
Investment in goodwill	0	0	0	0	0	0	0	0	0	0	0	0	
Amortization of goodwill	0	0	0	0	0	0	0	0	0	0	0	0	
Short-term marketable securities	0	0	0	0	0	0	0	0	0	0	0	0	
Investment securities	0	0	0	0	0	0	0	0	0	0	0	0	
Other assets	▲47	▲118	▲129	▲141	▲154	▲150	▲146	▲141	▲137	▲132	▲0	0	
Retained earnings, etc.	307	401	466	561	633	737	802	848	876	904	918	918	
<b>Operating CF</b>	<b>▲10</b>	<b>5</b>	<b>50</b>	<b>125</b>	<b>174</b>	<b>347</b>	<b>473</b>	<b>572</b>	<b>644</b>	<b>710</b>	<b>989</b>	<b>989</b>	
Short-term debt	10	▲5	▲50	▲125	▲174	▲347	▲473	▲572	▲384	0	0	0	
Long-term debt	0	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	0	
Equity financing	0	0	0	0	0	0	0	0	0	0	0	0	

# KITAZAWA SANGYO CO.,LTD. [9930] Issued date:10/6/2023

		▲ 5	▲ 50	▲ 125	▲ 174	▲ 347	▲ 473	▲ 572	▲ 384	0	0	0	
Financing CF	10												
Surplus Cash and Deposits	0	▲ 0	0	0	▲ 0	0	▲ 0	0	260	710	989	989	
		Company plan											
		JPR forecast	JPR forecast	JPR forecast	JPR forecast	JPR forecast	JPR forecast	JPR forecast	JPR forecast	JPR forecast	JPR forecast	JPR forecast	
[Millions of yen]		JPR forecast											
FY		2024.3	2025.3	2026.3	2027.3	2028.3	2029.3	2030.3	2031.3	2032.3	2033.3	2034.3	2035.3
KPI	Ratio of invested capital at beginning of period to sales	50.2%	49.1%	48.5%	47.8%	47.2%	46.6%	46.1%	45.8%	45.5%	45.3%	45.2%	45.2%
	Invested capital at beginning of period	8,326	8,643	9,039	9,455	9,891	10,350	10,740	11,069	11,345	11,577	11,771	11,700
	Sales Growth Rate	2.3%	6.0%	6.0%	6.0%	6.0%	6.0%	4.8%	3.8%	3.1%	2.5%	2.0%	0.0%
	NOPAT	428	539	659	791	936	1,095	1,234	1,352	1,453	1,536	1,606	1,606
	ROIC	5.1%	6.2%	7.3%	8.4%	9.5%	10.6%	11.5%	12.2%	12.8%	13.3%	13.6%	13.7%
	Ratio of working capital to dailysales (days)	102	101	100	99	98	97	96	95	94	93	92	91
	Cost of Sales Ratio	73.15%	73.16%	72.74%	72.31%	71.89%	71.48%	71.14%	70.88%	70.66%	70.49%	70.35%	70.35%
	SG&A to sales ratio	23.11%	22.41%	22.15%	21.89%	21.64%	21.39%	21.19%	21.03%	20.90%	20.80%	20.72%	20.72%
	Operating income ratio	3.73%	4.43%	5.11%	5.79%	6.47%	7.14%	7.67%	8.10%	8.44%	8.71%	8.93%	8.93%
	Internal operating income ratio		4.43%	5.11%	5.79%	6.47%	7.14%	7.67%	8.10%	8.44%	8.71%	8.93%	8.93%
	Current liabilities other than interest-bearing debt to dailysales (days)	104	104	104	104	104	104	104	104	104	104	104	104
	Liquidity on hand monthly ratio (months)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
	Short-term debt interest rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
	Long-term debt interest rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
	Effective tax rate	30.9%	30.9%	30.9%	30.9%	30.9%	30.9%	30.9%	30.9%	30.9%	30.9%	30.9%	30.9%
	Dividend payout ratio	23.2%	25.2%	27.2%	29.2%	31.2%	33.2%	35.2%	37.2%	39.2%	41.2%	43.2%	43.2%
	Gross DE ratio	22.0%	21.1%	19.7%	17.6%	15.1%	11.5%	7.2%	2.7%	0.0%	0.0%	0.0%	0.0%
	Net DE ratio	-0.7%	-2.1%	-3.8%	-6.0%	-8.5%	-11.9%	-15.6%	-19.3%	-23.0%	-26.6%	-31.0%	-31.0%
	Property, plant and equipment depreciation ratio	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
	WACC	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%
	ROIC - WACC	0.3%	1.3%	2.4%	3.5%	4.6%	5.7%	6.6%	7.3%	7.9%	8.4%	8.8%	8.8%
	Excess profit = (ROIC - WACC) x beginning invested capital	22	117	218	330	454	590	709	812	899	971	1,031	1,031
	Permanent value of excess profit	448	2,386	4,459	6,754	9,288	12,082	14,528	16,629	18,405	19,890	21,117	21,117
	Estimated value of growth value at the end of each year		1,938	2,073	2,295	2,534	2,793	2,446	2,101	1,777	1,484	1,228	1,228
	Present Value Factor	95%	91%	87%	83%	79%	75%	72%	68%	65%	62%	59%	59%

Source: JPR

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## Reference 1. For those new to JPR reports

### GCC Management™ Analysis

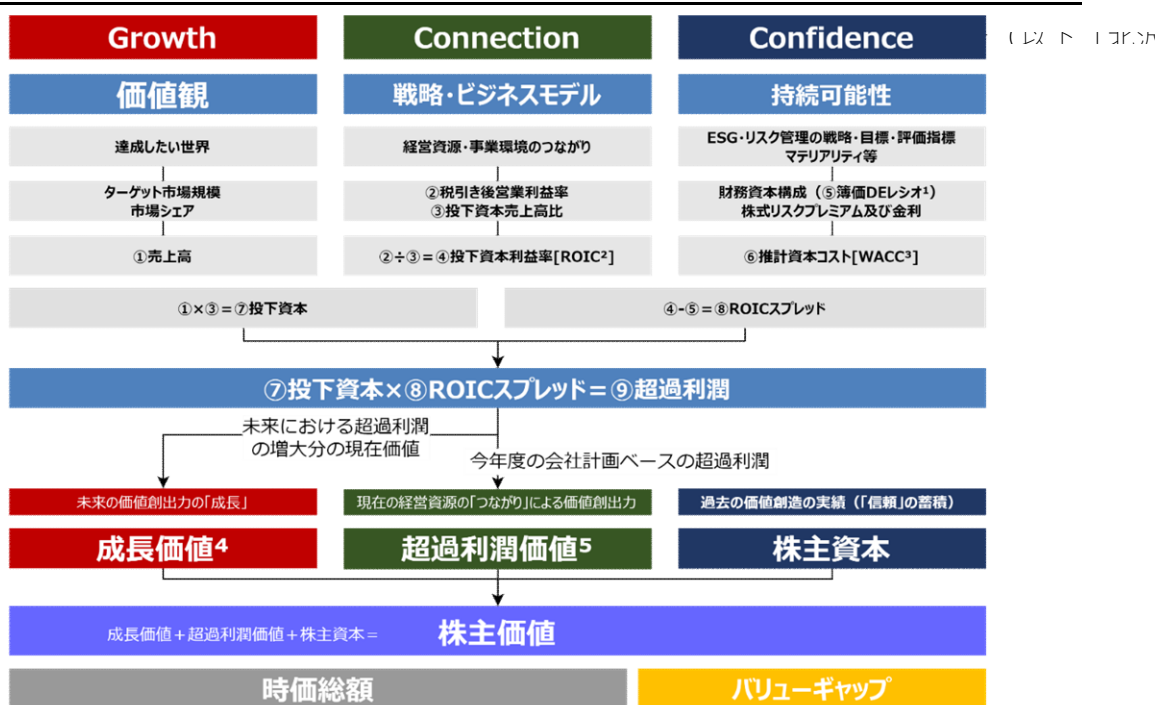
Visualize the value gap between theoretical shareholder value and market capitalization

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"

### GCC Management™ Analysis Framework



[出所：JPR] [注]1. 簿価DEレシオ：有利負債と株主資本の割合。2. ROIC：Return on Invested Capital. 投下資本利益率。JPRが採用している算出方法の定義は、巻末「2. 参考資料」参照。3. WACC: Weighted Cost of Capital, 加重平均資本コスト。JPRが採用している算出方法の定義は、巻末「2. 参考資料」参照。4. 成長価値=X年までの超過利潤増分の永久価値の累積現在価値、永久価値は、超過利潤の増分÷WACCで算出。その金額の現在価値をWACCで割り引いて算出。成長シナリオが想定するX年までの未来累積価値。4. 超過利潤価値=今期会社計画に基づく超過利潤の永久価値。今期会社計画、及び期首投下資本から算出した超過利潤をWACCで割って試算。

Source: JPR

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## 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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## Evaluation of Confidence

### Evaluation of financial stability and social contribution

#### Credibility of the value creation process

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 "Actual Performance" only when "Conceptual Design" becomes "Implementation Design." JPR conducts subjective evaluations of "Conceptual Design," "Implementation Design," and "Actual 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 "Actual performance" Evaluation Framework

% indication	90%	70%	50%	30%	10%
<b>Financial Stability</b> 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
<b>Social Contribution</b> 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

Source: JPR

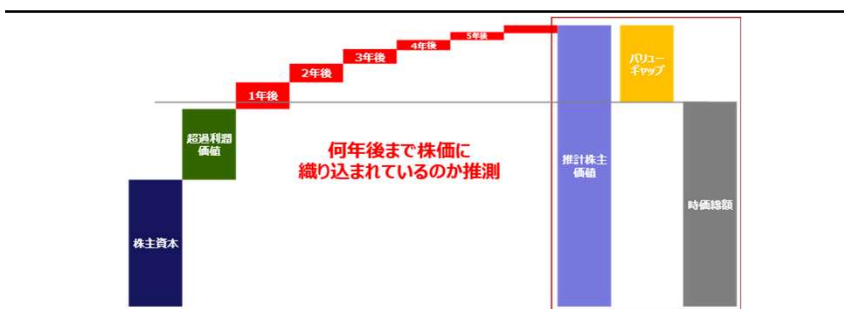
## Reference 1. Basis of Calculation

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.



$\text{Excess return} = \text{NOPAT} - \text{Invested capital} \times \text{WACC}$   
 $\text{Net Operating Profit After Tax (NOPAT)} = \text{Operating profit} \times (1 - \text{Effective tax rate})$   
 $\text{Invested capital} = \text{Total assets} - \text{Non-business assets} - \text{Current liabilities excluding interest-bearing debt}$   
 $\text{Non-business assets} = \text{Cash and deposits exceeding 10\% of sales} + \text{Short-term investment securities} + \text{Investment securities} + \text{Deferred gains or losses on hedges} + \text{Land revaluation difference} + \text{Foreign currency translation adjustments}$   
 $\text{Weighted average cost of capital (WACC)} = \text{After-tax interest rate of interest-bearing debt} \times \frac{D}{(E+D)} + \text{Cost of shareholders' equity} \times \frac{E}{(E+D)}$   
 $\text{Cost of shareholders' equity} = 0.5\% + 5\% \times \beta$   
 $\beta$  = Slope of a linear regression line of five-year daily returns of TOPIX and the stock price of the target company  
 $E$  = 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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