ANALYST NET

GCC Management™ Analysis Report

Meiho Enterprise Co.,Ltd.

TSE Standard Code: 8927 2024/10/28

Up to 6.8x market cap upside potential according to GCC Management™ analysis

Sustainable growth strategy with strength in affluent markets through a vertically integrated strategy

This report will analyze corporate value from the perspective of "GCC Management™," a framework developed by J-Phoenix Research ("JPR") that emphasizes the three elements of Growth (sales growth), Connection (improved connections between people and business = higher return on capital), and Confidence (improved trust = lower business risk). Corporate value analysis from the perspective of GCC Management™, which emphasizes the three elements of social capital, human capital, and financial capital.

Strength in the affluent market through high-quality housing and a vertically integrated strategy

Meiho Enterprises, Inc. provides high-quality, well-designed, and functional new one-building investment rental housing, with the highest priority on trust with its clients. Meiho's brands "MIJAS" and "EL FARO" are designed in the motif of Spanish cityscapes and lighthouses, offering residences that can be lived in for the long term. In addition, clients can rest assured that they can entrust the purchase and management of their properties to JPR's " one-stop service, " which provides comprehensive services ranging from land acquisition to development, sales, management, and after-sales service. Furthermore, quality control by first-class architects and liability insurance ensure highly reliable services. Meiho operates luxury rental properties mainly in the 23 wards of Tokyo, providing a stable source of income for wealthy individuals and real estate investors, especially in the Jonan and Josai areas, where it enjoys solid ground and excellent transportation access. Meiho has achieved high occupancy rates and profitability through a real estate investment strategy that ensures stable income. In the future, demand in the luxury rental market is expected to remain strong, backed by inheritance tax and tax-saving measures, and JPR's properties will continue to be attractive investment destinations, especially for wealthy individuals and domestic and foreign investors. Meiho believes that JPR's properties have sufficient long-term sustainability. Meiho's strength lies in its vertically integrated strategy, which encompasses everything from land acquisition to construction, rental management, and after-sales services, enabling it to provide efficient and high-quality services while reducing the cost of outsourcing. Meiho also focuses on maximizing asset value by promoting renovation of existing buildings and energy-efficient design.

High-value-added rental brand targeting affluent customers and stable earnings

Meiho's strength is concentrated in its two brands, "MIJAS" and "EL FARO" which it operates in the high-end rental market in the 23 wards of Tokyo. "EL FARO" is a series of luxury rental condominiums priced at around 500 million yen, located in highly convenient areas within a 10-minute walk from train stations, and offering stable income to wealthy individuals and real estate investors. The building is an RC structure with a useful life of 47 years. MIJAS is a newly built rental apartment building priced at around 300 million yen with a useful life of 34 years. Both brands offer rooms for singles and DINKS (married couples without children who work together), boast high occupancy rates, and provide differentiated added value. Going forward, Meiho plans to diversify JPR's risk exposure and earnings base by expanding real estate sales not only in the domestic market but also in the Asian market, particularly in Taiwan. These strategies have enabled Meiho to achieve a high growth rate of 30% CAGR from FY07/2021 to FY07/2025 company plan figures.

Recent sales CAGR is 30%. Significant upside if high growth is maintained.

Based on the assumption that the above conditions will be sustained over the long term, Meiho forecasts sales to grow at a CAGR of 16.6% through FY7/2035, and ROIC to increase from 9.4% in FY7/2025 to 10.3% by FY7/2035 on a company-planned basis. The WACC was assumed to remain constant at 5.4%. Based on this assumption, JPR estimated that if the 10-year growth value is factored in, shareholder value would be 70.36 billion yen, and the share price would be 2,142 yen, 6.8 times the closing price of Meiho's stock on September 24, 2009. However, the equity financing disclosed in June 2024 shows that the maximum number of shares will increase by 10.02%. Taking this into account, the maximum upside would be 6.8x.

BasicReport

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Company Profile	
Location of Head Office	Meguro-ku, Tokyo
Date of Establishment	Mitsuru Yabuki
Paid-in Capital	1968/9/9
Date of Listing	614 million yen
URL	2004/6/9
Industry	https://meiho-est.com/
Key Indicators	real estate business

Key Indicators as 2024/09/24	
Stock Price	323JPY
52-Week High	430JPY
52-Week Low	215JPY
Number of Shares Outstanding	30,539,900stocks
Trading Units	100stocks
Market Capitalization	9,864JPYmillion
Company Projected Dividend	11JPY
Estimated EPS based on net income	46.64JPY
Forecast PER	6.93times
Actual BPS (Jun. 30, 2024)	270.74JPY

Performance Trends	Sales (Millions of yen)	YoY %	Operating profit (Millions of yen)	YoY %	Ordinary Profit (Millions of yen)	YoY %	Net profit (Millions of yen)	YoY %	EPS (Yen)	Stock price High (yen)	Stock price Low (yen)
FY07/2021 Results	10,181	2.8%	982	78.1%	961	116.3%	825	169.7%	34.95	304	178
FY07/2022 Results	11,160	9.6%	1,116	13.6%	932	-3.0%	640	-22.4%	27.11	233	169
FY07/2023 Results	15,247	36.6%	1,304	16.9%	968	3.9%	637	-0.4%	23.73	263	168
FY07/2024 Results	20,562	34.9%	2,341	79.5%	1,895	95.7%	1,375	115.6%	46.64	430	208
FY07/2025 Plan	29,000	41.0%	2,600	11.0%	2,000	5.5%	1,400	1.8%	47.47	–	–

TSE Standard Meiho Enterprise Co.,Ltd.[8927] Issued date : Oct.28, 2024

1.Investment Summary

[100 million]

Growth Value	+	Excess Profit Value	+	Book value of shareholders' equity
485.8		**137.9**		**79.9**

Shareholder Value

Shareholder value reflecting 10-year scenario

70.36 billion yen

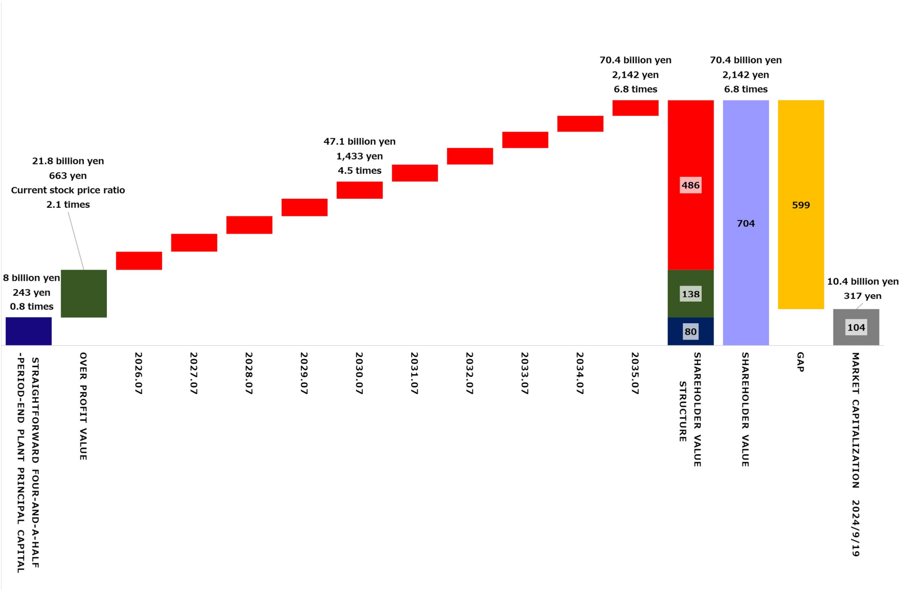
10-Year Shareholder Value Projection Model
Estimation by present value of future cash flows

[Except for %, 100 million yen, yen, times]

	2025.07	2026.07	2027.07	2028.07	2029.07	2030.07	2031.07	2032.07	2033.07	2034.07	2035.07
Net Sales	204	278	353	427	501	576	650	724	799	873	947
Sales Growth Rate	35.8%	36%	27%	21%	17%	15%	13%	11%	10%	9%	9%
Net Sales Change	54	74	74	74	74	74	74	74	74	74	74
Operating income	26.0	35.8	45.8	56.0	66.4	77.0	87.7	98.7	109.8	121.1	132.6
Operating income ratio	12.75%	12.87%	13.00%	13.12%	13.25%	13.37%	13.50%	13.62%	13.75%	13.87%	14.00%
NOPAT	17.9	24.7	31.6	38.7	45.8	53.1	60.5	68.1	75.8	83.6	91.5
NOPATMargin	8.8%	8.9%	9.0%	9.1%	9.1%	9.2%	9.3%	9.4%	9.5%	9.6%	9.7%
Ratio to net sales of invested capital at the beginning of the period	93.9%	93.9%	93.9%	93.9%	93.9%	93.9%	93.9%	93.9%	93.9%	93.9%	93.9%
ROIC	9.4%	9.5%	9.5%	9.6%	9.7%	9.8%	9.9%	10.0%	10.1%	10.2%	10.3%
WACC	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
ROIC-WACC	3.9%	4.0%	4.1%	4.2%	4.3%	4.4%	4.5%	4.6%	4.7%	4.7%	4.8%
Invested capital at the beginning of the period	191.6	261.4	331.2	401.0	470.8	540.6	610.4	680.2	750.0	819.8	889.6
Permanent Value of Change in Excess Profit	137.9	54.7	57.0	59.4	61.8	64.1	66.5	68.9	71.2	73.6	75.9
Present Value Factor	1.00	0.95	0.90	0.85	0.81	0.77	0.73	0.69	0.65	0.62	0.59
Present Value of Perpetual Value of Change in Excess Profit	**137.9**	**51.8**	**51.3**	**50.7**	**50.0**	**49.2**	**48.4**	**47.5**	**46.6**	**45.7**	**44.7**
Accumulated Shareholder Value	217.8	269.6	320.9	371.6	421.6	470.7	519.1	566.6	613.2	658.9	703.6
Estimated share price (per share)	663	821	977	1131	1283	1433	1580	1725	1867	2006	2142
Current Share Price Comparison (times)	2.09	2.59	3.08	3.57	4.05	4.52	4.98	5.44	5.89	6.33	6.76
Stock price closing 2024-Sep-20	317 yen										

Excess profit value [100 million yen]	138	Shareholder Value	70.4 billion yen	Market Capitalization 2024-Sep-20	10.4 billion yen
Growth value [100 million yen]	486				
Shareholders' equity [100 million yen]	80	Stock Price Conversion	2,142	closing stock price	317

Visualization graph of the 10-year shareholder value projection model - a graph of the present value accumulation of shareholder value created in the future



TSE Standard Meiho Enterprise Co.,Ltd.[8927] Issued date : Oct.28, 2024

Growth — Permanent residences and high profitability based on trust

Growth stories of employees and the company Values and Worldview Goals

Providing lasting homes and value built on a foundation of trust with customers

Meiho Enterprises, Inc. places a high priority on building a relationship of trust with its clients, emphasizing a "life-long relationship" with them. Based on this trust, Meiho's mission is to provide its clients with high-quality, well-designed, and functional homes. In particular, brands such as "MIJAS" and "EL FARO" are designed with beautiful Spanish cityscapes and lighthouses as motifs, providing residents with homes that they can live in for a long time with peace of mind. In addition, Meiho has established a "one-stop service" system that handles everything from land acquisition to development, sales, management, and after-sales service.

Meiho also ensures thorough quality control through construction management by first-class architects and liability insurance, providing customers with homes that offer peace of mind. Meiho continues to service its clients even after development and sales projects, aiming to build long-term relationships with its clients.

Growth story of the real market Value offered and future market size

Providing real estate investment strategies that are expected to realize high occupancy and income

Meiho is developing high-end rental properties concentrated in the 23 wards of Tokyo, particularly in the Jonan and Josai areas, primarily targeting wealthy individuals and real estate investors. These properties are located in areas with solid ground and excellent transportation accessibility, and have achieved high occupancy rates and stable earnings. In addition, Meiho is highly regarded for its one-stop service, which provides a comprehensive range of services from land acquisition to development, rental management, and after-sales service, creating a highly convenient system for investors.As for future market prospects, the luxury rental market in the 23 wards of Tokyo is expected to continue to experience strong demand due to the limited supply of land and growing residential needs. In particular, the importance of rental properties as a stable source of income for wealthy individuals and domestic and international real estate investors will increase further. In addition, Meiho anticipates that demand for rental real estate will remain high from the perspective of inheritance tax and tax-saving measures.

Financial market growth story metrics 10-year outlook for sales

Aiming for a 10-year CAGR of 16.6%

	2025 July		2035 July
Sales(100 million yen)	204.0	▶	947.4
Growth pattern up to target FY	Growth at a fixed price	degree	9
Growth pattern after target FY	Growth at a fixed price	degree	10

Growth Value(100 million yen)

485.8

Connection — Optimization of management resources envisioned through vertical integration and sustainable development

Connection stories within employees and companies Management resources connection strategy

Strategies to optimize management resources based on vertical integration and sustainable development

Meiho's strategy centers on vertical integration, sustainable development, and human resource development. By managing land procurement, construction, sales, and rental in-house, Meiho reduces costs and improves efficiency. In sustainable development, Meiho renovates buildings to lower environmental impact and boost asset value, creating a competitive edge through region-specific product planning. For human resource development, Meiho hires new graduates and enhances motivation through training, career path clarity, and qualification support to promote employees to management roles.

Connection story of business resources in the real market Business model dynamics

Business model dynamics with interdepartmental collaboration and technology innovation

Meiho's business model focuses on interdepartmental collaboration, leveraging technology, and building long-term relationships with its clients. Consistent service delivery through interdepartmental cooperation involves the close collaboration of various divisions, such as real estate development, leasing, brokerage, and contracting, to improve project efficiency and quality. This approach maximizes synergies across the entire enterprise and strengthens competitiveness. In addition, Meiho is actively introducing advanced technologies such as IoT devices and facial recognition platforms, enabling efficient operations and the provision of high-quality housing.

In building long-term relationships with customers, Meiho offers an extensive post-purchase support system that includes lease management and property preservation, as well as an after-sales service guarantee. This approach increases customer satisfaction, improves repeat business, and forms a stable revenue base.

Metrics for evaluating the financial markets' resource connectivity story A 10-year outlook for ROIC

ROIC from 9.4% to 10.3%

Operating profit ratio	12.7%	▶	14.0%
Invested capital sales ratio (IC/S)	93.9%	▶	93.9%
ROIC	9.37%	▶	10.29%

Excess profit value [100 million yen]

137.9

Confidence — Financial strengthening and social trust to be promoted through domestic and international revenue diversification and renovation projects

Trust story earnings and financial stability among employees and within the company

Financial stabilization strategy through vertical integration and securing diversified revenue sources

Meiho ensures financial stability through vertical integration, sustainable development, and diversified revenue sources. By managing land procurement, construction, sales, and rental in-house, Meiho reduces costs and improves profit margins. Meiho also maximizes asset value while minimizing environmental impact through building renovations. To diversify risk, Meiho is expanding into domestic and overseas markets, particularly increasing real estate sales in Asia, especially Taiwan, and attracting foreign investors through local partnerships and business meetings.

+

Real market trust story social contribution and governance

Promote sustainable development and community contribution through renovation projects

Meiho promotes sustainable development and community involvement through its renovation business. First, Meiho maximizes asset value while reducing environmental impact by renovating existing buildings to make effective use of resources and refraining from new construction. Meiho achieves sustainable construction through energy-saving design and the use of environmentally friendly materials. In addition, Meiho has developed local green spaces and parks, providing an environment where residents can live in harmony with nature.

In community revitalization, Meiho undertakes development and real estate revitalization projects that reflect local characteristics, contributing to the value of the surrounding community by revitalizing aging properties. In this way, Meiho aims to grow through environmental protection and contributions to local communities.

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Assessment indicators of the financial markets' confidence story WACC's 10-year outlook

5.45%

β=VI×COR	Risk premium
0.54	8.93%
E [100 mil yen]	**D [100 mil yen]**
104.1	169.1
COE	**COD**
11.3%	1.9%

Book value of shareholders' equity [100 mil yen]

79.9

2.Full-Year Financial Summary for July 2024

Profit and loss summary

Profit and loss summary

Corporate results

Sales

Net sales increased due to yen depreciation and policy support

In FY07/2024, Meiho Enterprise's sales grew 34.9% YoY to 20.5 billion yen. The increase in sales of the new investment rental housing series "EL FARO" and "MIJAS" was the main reason for this growth. The Japanese government's low interest rate policy and continued economic policies have contributed to this increase in sales, as well as to the revitalization of the real estate investment market. In particular, the depreciation of the yen has led to increased attention from foreign investors to real estate in Japan, resulting in increased investment demand both domestically and abroad. In addition, the overall expansion of the real estate market in Japan has been supported by a recovery in housing demand due to improvements in the employment environment and incomes. Recovery of inbound demand also had a positive impact on real estate sales.

Profit and loss

Operating income for the fiscal year ending July 2024 was 2,341 million yen, up 79.5% YoY. Recurring income was 1,895 million yen, up 95.7% YoY.

Real estate sales business

Significant increase in income and growth

The EL FARO and MIJAS businesses experienced significant growth as core businesses in FY7/2024, with 21 homes delivered in the EL FARO series and 3 in the MIJAS series, and sales in the real estate subdivision business increased 36.7% y-o-y to 15,923 million yen. Segment income also increased by 82.3% to 2,941 million yen. This growth was attributed to higher profit margins due to procurement of properties in carefully selected locations and cost reductions, as well as stronger inbound sales through overseas seminars.

Real estate leasing business

Decrease in sales and profit

In the real estate leasing business, the segment recorded sales of 1,986 million yen, down 4.6% y-o-y, mainly due to property management fees. Segment income decreased 72.3% to 49 million yen.

Real Estate Brokerage Business

Losses increased while revenue increased

In the real estate brokerage business, sales from real estate brokerage commissions fell 88.4% y-o-y to just 1 million yen. Segment income also declined 88.2% to 1 million.

Contracting business

Increase in sales and profit

In the subcontracting business, sales were 2,628 million yen, up 79.4% y-o-y. However, the segment loss was 440 million yen, a further deterioration from the 248 million yen loss in the previous year.

Other

Increase in income and profit

The other business segment, which mainly includes insurance agency services, posted sales of 51 million yen, up 13.7% y-o-y. Segment income also increased 37.8% to 51 million yen.

Reference material.WACC calculation procedure

WACC calculation process

Beta = VI (volatility index) x COR (correlation coefficient), where VI is the standard deviation of individual stock returns divided by the standard deviation of TOPIX returns and COR is the standard deviation of individual stock returns divided by the correlation coefficient of TOPIX returns. For each, a weighted average of the individual stock and industry is used from a statistical perspective. The weighted averages in this document can be found in the table below. Calculated on a daily basis over the past five years in this document. β is all debt-free β. RP: risk premium, RFR: risk-free rate (10-year government bond yield, source: Ministry of Finance), leverage: estimated risk-increasing effect of borrowing, calculated as 1 + (1 - TaxRate) x D/E. Leveragedβ = Leverage x Debt-freeβ, where D is debt outstanding in the previous quarter, E is market capitalization on the calculation date, COE: Cost of Equity = β x Leverage x RP + RFR. Stock prices are based on daily data for the past 5 years. The WACC calculation method used in this document is described in detail below.

Calculate the relationship Volatility Index (VI) x Correlation Coefficient (COR) = Beta (no debt)

Select the VI and COR weights (0-9) you wish to use and calculate the beta to be used.

VI	In-house VI	1.358	1	100%	COR	In-house COR	0.276	0	0%
	Industry VI	1.400	0	0%		Industry COR	0.398	1	100%
	Using VI	1.36				Using COR	0.40		

WACC calculation process

Beta used for calculation (pull-down selection)		
β1	0.54	
E: Market capitalization [billions of	D: Interest-bearing debt [100 million	TaxRate
96.8	169.1	31.0%
RP	RFR(2024-07-31)	Leverage
8.945%	1.07%	2.205
COE	Historical Interest Rates Paid	COD
11.70%	2.68%	1.85%
D/(D+E)	E/(D+E)	D/E
63.59%	36.4%	174.6%

COE×E/（E+D）+COD×D/（E+D）=
WACC
5.44%

Source: Compiled by JPR; estimated based on closing price on September 20, 2024.

Reference 1. For those new to JPR reports

GCC Management™ Analysis

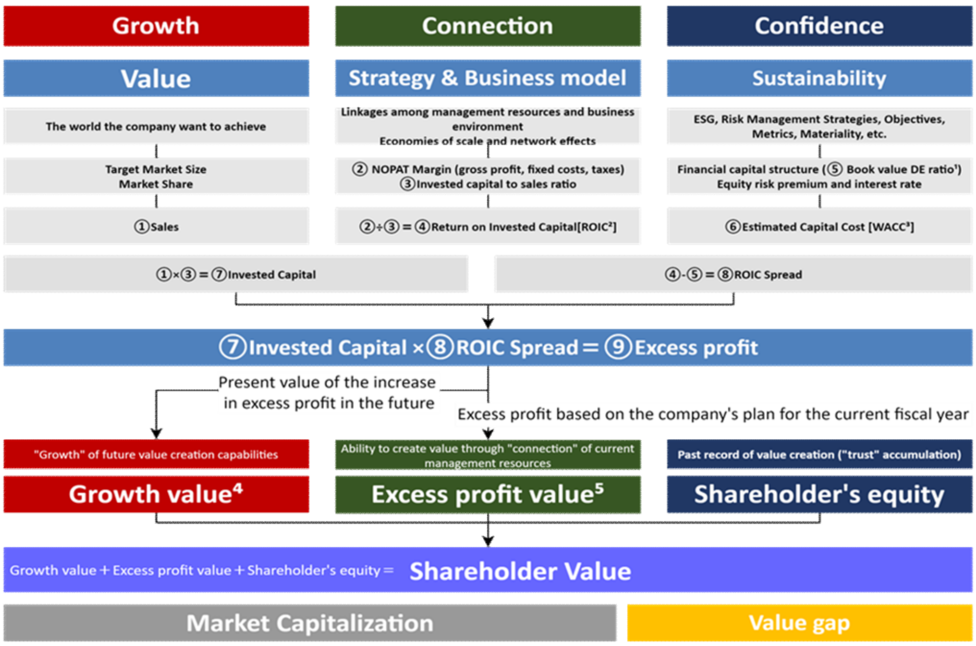
Visualize the value gap between theoretical shareholder value and market capitalization

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

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%
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 commend able	Highly commend able	Can be evaluated as a listed company on average	Can be commend able to a certain degree	Partially commend able
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 commend able	Highly commend able	Can be evaluated as a listed company on average	Can be commend able to a certain degree	Partially commend able

Source: JPR

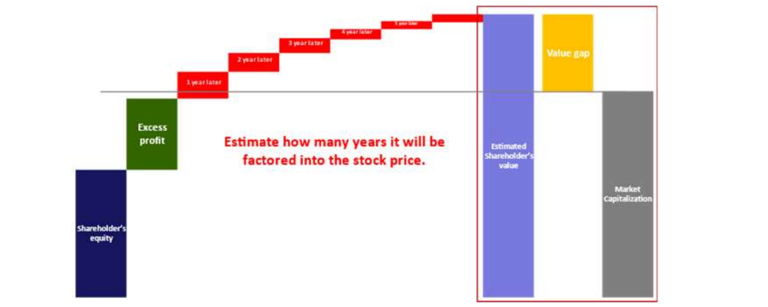
Reference 1. Basis of Calculation

Corporate value estimated by use of ROIC

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 10% 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)
・Cost of shareholders' equity=0.5%+5%Xβ
・β = 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 statements at the time of calculation

Disclamer

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