



F I R S T B R O T H E R S

Q1 FY11/25
Financial Earnings Summary

April 8, 2025

First Brothers Co., Ltd.

(Tokyo Stock Exchange Standard Market: 3454)

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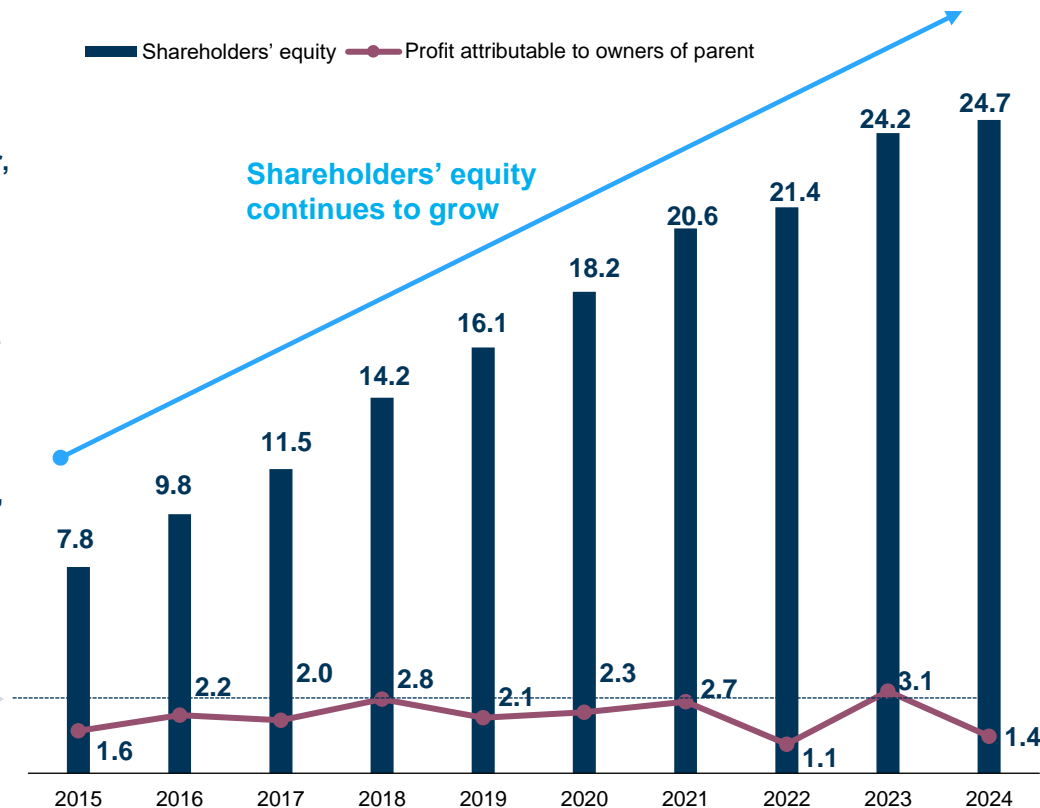


We believe stable and sustainable growth of shareholders' equity will directly lead to maximization of shareholder value

- We intend to increase shareholders' equity every year, and commensurate with this growth, pay year-end dividends based on a target dividend on equity ratio (DOE) of 2.0%
- Profit tends to fluctuate sharply from year to year due to our policy of maximizing profit by selling highly individualized properties at optimal timing. However, when performance is strong, we intend to pay interim dividends in addition to the usual year-end dividends, flexibly returning profits to shareholders

If profit attributable to owners of parent exceeds 2.0 billion yen in the immediately preceding fiscal year
Pay interim dividends equivalent to 40% of the profit in excess
 (implemented in FY11/24)

(billion yen)



- Lease income from properties held in the Investment Banking business continued to expand
- Ordinary profit declined YoY due to the recording of one-time expenses associated with property acquisitions

Consolidated results

<p>Gross profit</p> <p>960 million yen</p> <p>+15.5% YoY ↑</p>	<p>Operating profit</p> <p>309 million yen</p> <p>+28.5% YoY ↑</p>	<p>Ordinary profit</p> <p>85 million yen</p> <p>-33.9% YoY ↓</p>	<p>Profit attributable to owners of parent</p> <p>68 million yen</p> <p>+7.1% YoY ↑</p>
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Investment Management

Received asset management fees from investment funds

Gross profit declined as expected, due to a drop in the balance of assets under management

Gross profit

6 million yen

-28.3% YoY ↓

Investment Banking

Lease income from properties held by the Group, a stable earnings source, increased

Unrealize gains, a future earnings source, also increased steadily

Unrealized gains in real estate

21,347 million yen

+135 million yen
versus end-FY11/24 ↑

Gross profit from real estate leasing

846 million yen

+11.9% YoY ↑

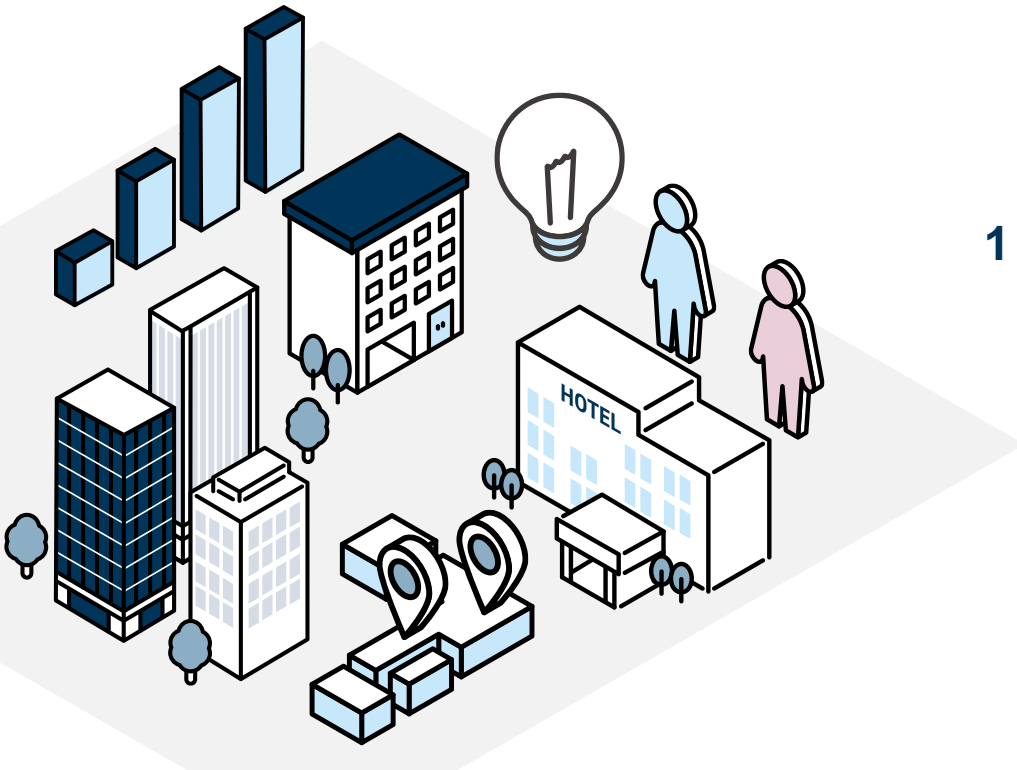
Facility Operation

Results benefited from robust tourism demand and improved operational efficiency

Gross profit

105 million yen

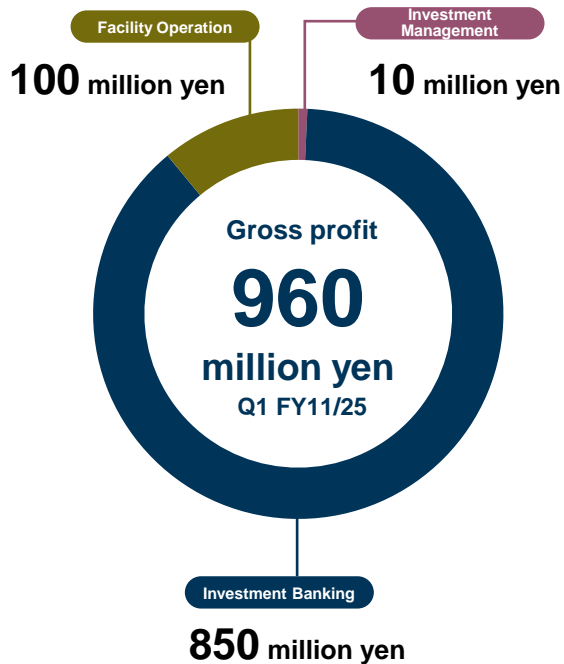
+29.0% YoY ↑



1 — First Brothers' business

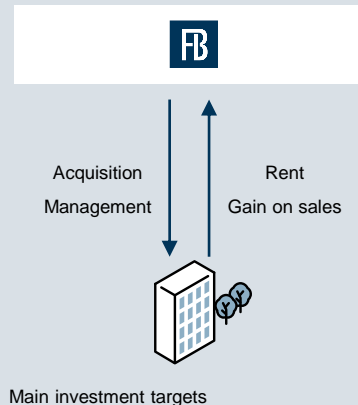
Leveraging our proprietary investment as a central foundation, we operate three businesses that draw on the strengths characterizing First Brothers

The Investment Banking business, a principal investment business, is a core earnings pillar



Investment Banking

Using our own accounts, we directly invest in real estate or other companies

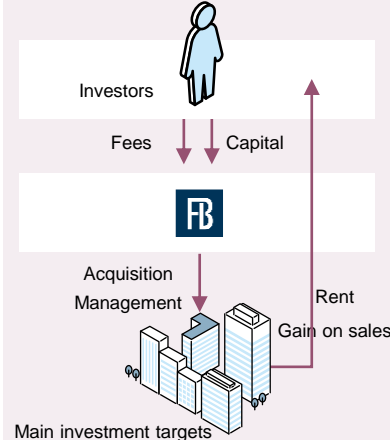


Main investment targets

Real estate for lease, startups, renewable energy

Investment Management

We manage the assets of institutional investors and invest in real estate

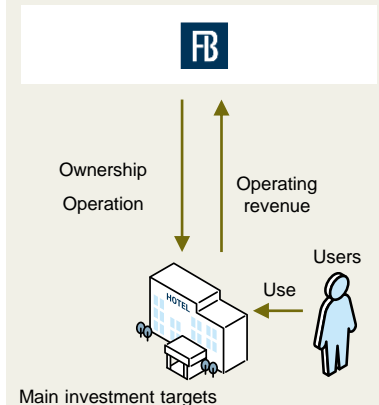


Main investment targets

Large real estate

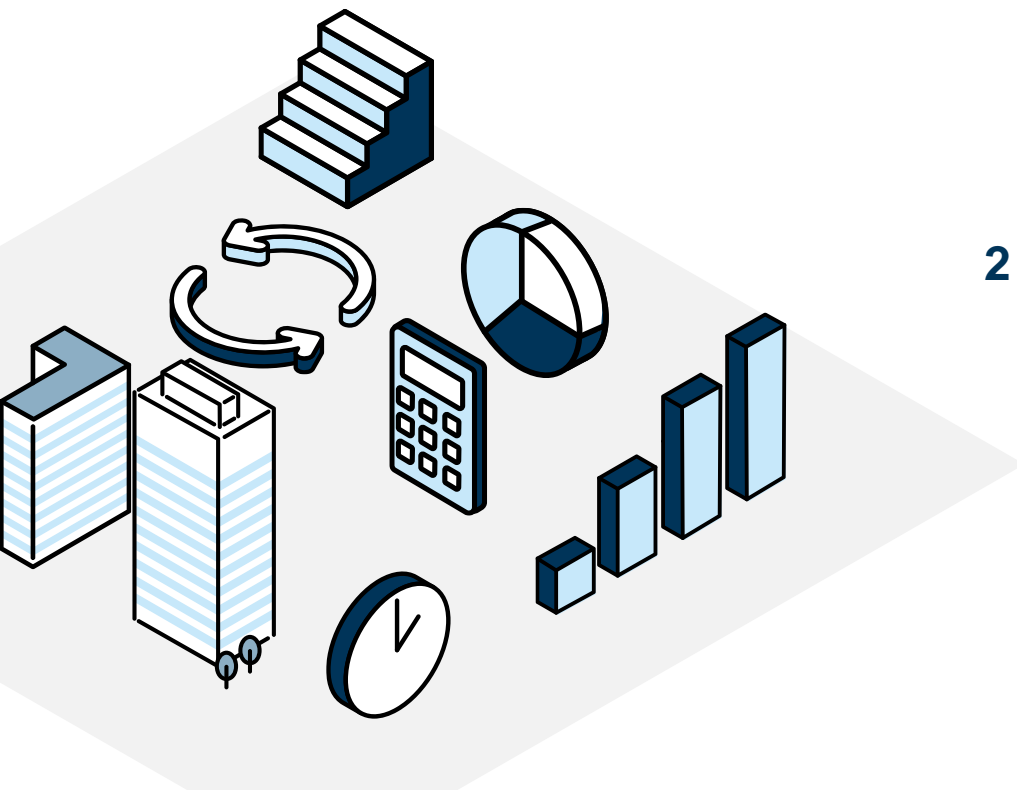
Facility Operation

We operate hotels and other lodging facilities on our own



Main investment targets

Hotels and other lodging facilities



2 — Earnings highlights

In Q1, while no properties were sold in the Investment Banking business, lease income increased, and the Facility Operation business also posted higher profit

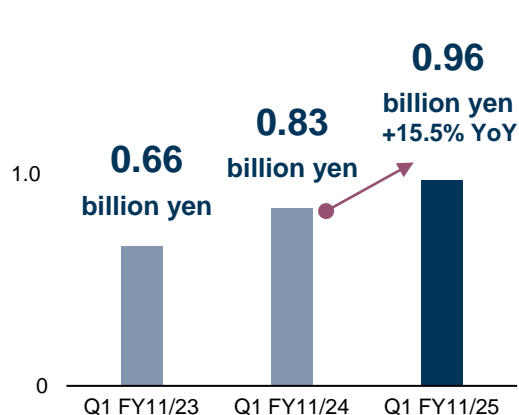
Gross profit rose 15.5% YoY, but ordinary profit declined due to higher interest rates and loan origination fees

Gross profit

Up 15.5% YoY, due to stable growth in lease income and sales growth in the Facility Operation business

(billion yen)

2.0

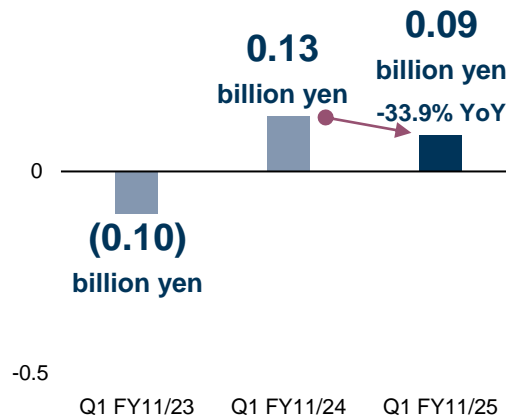


Ordinary profit

Down 33.9% YoY, due to a rise in interest rates and loan origination fees for property acquisitions

(billion yen)

0.5

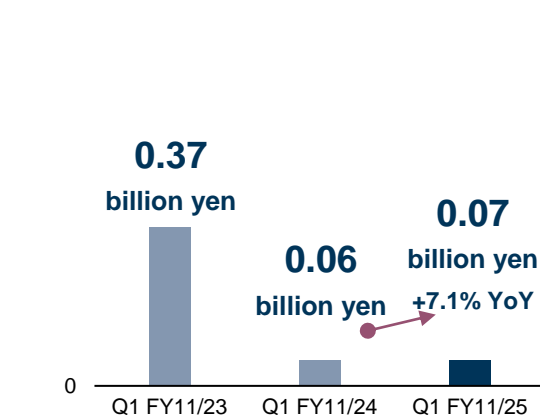


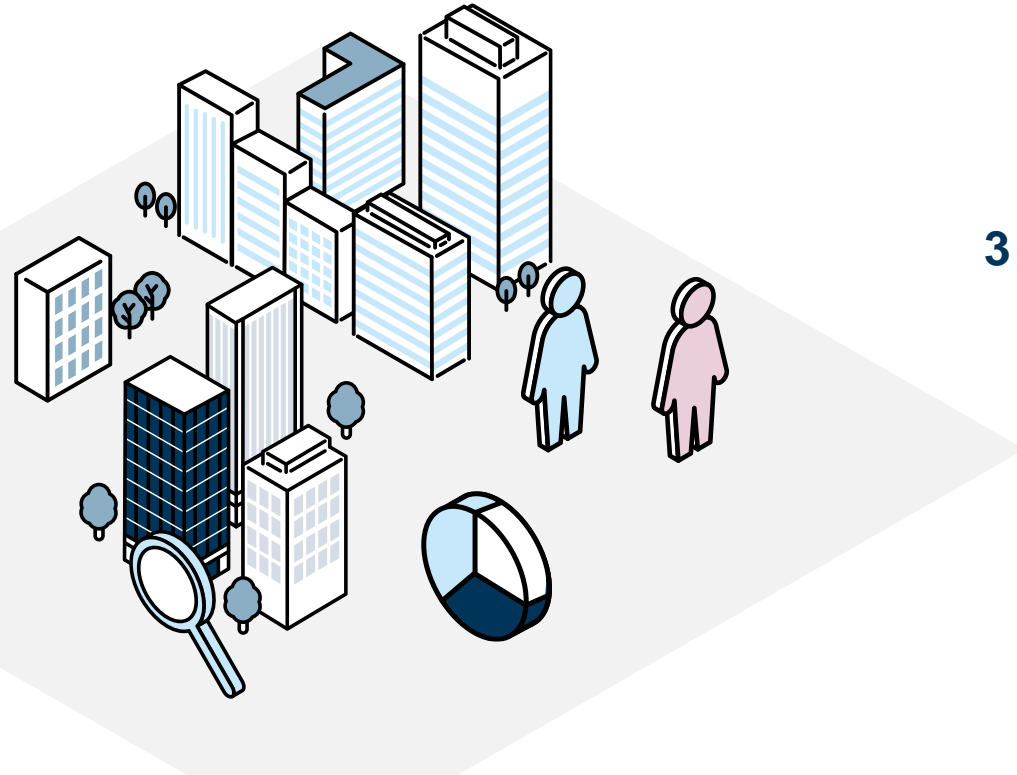
Profit attributable to owners of parent

Up 7.1% YoY, due to the recording of extraordinary gains on sale of solar power generation facility in the renewable energy business

(billion yen)

1.0





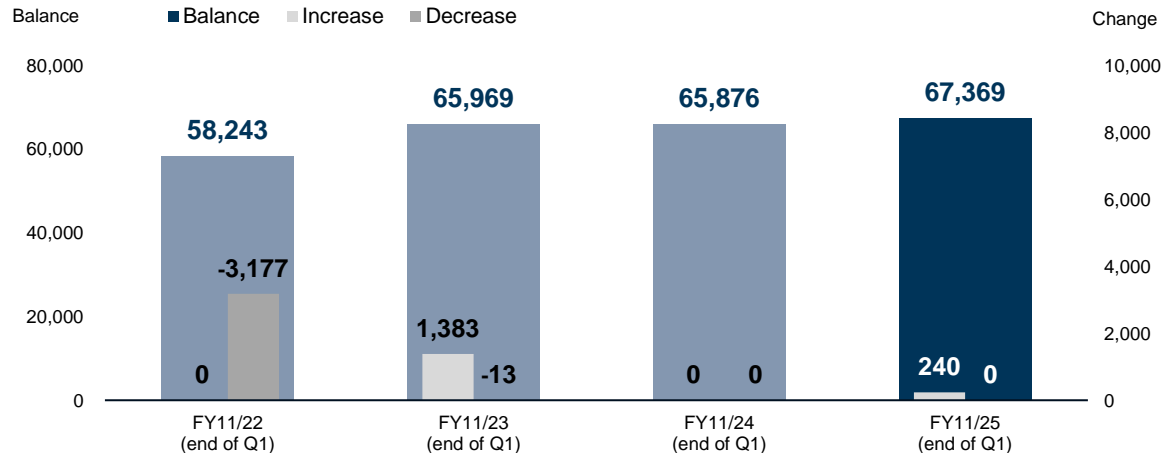
3 — Investment Banking business

We work to acquire properties for lease expected to generate stable earnings in the medium to long term as a core component of earnings

Despite some fluctuations, the balance and number of properties for lease steadily increased

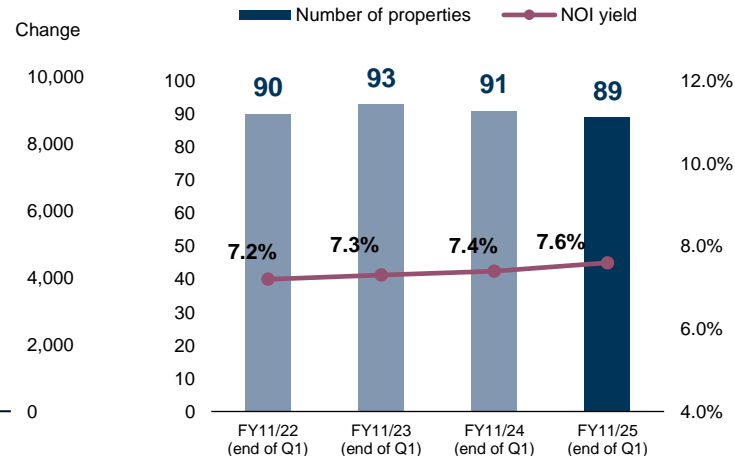
Balance of properties for lease

(million yen)



Note: Balance and increase/decrease values are based on acquisition price. Increase values include increases from M&A and from completion of development projects

No. of properties/NOI yield



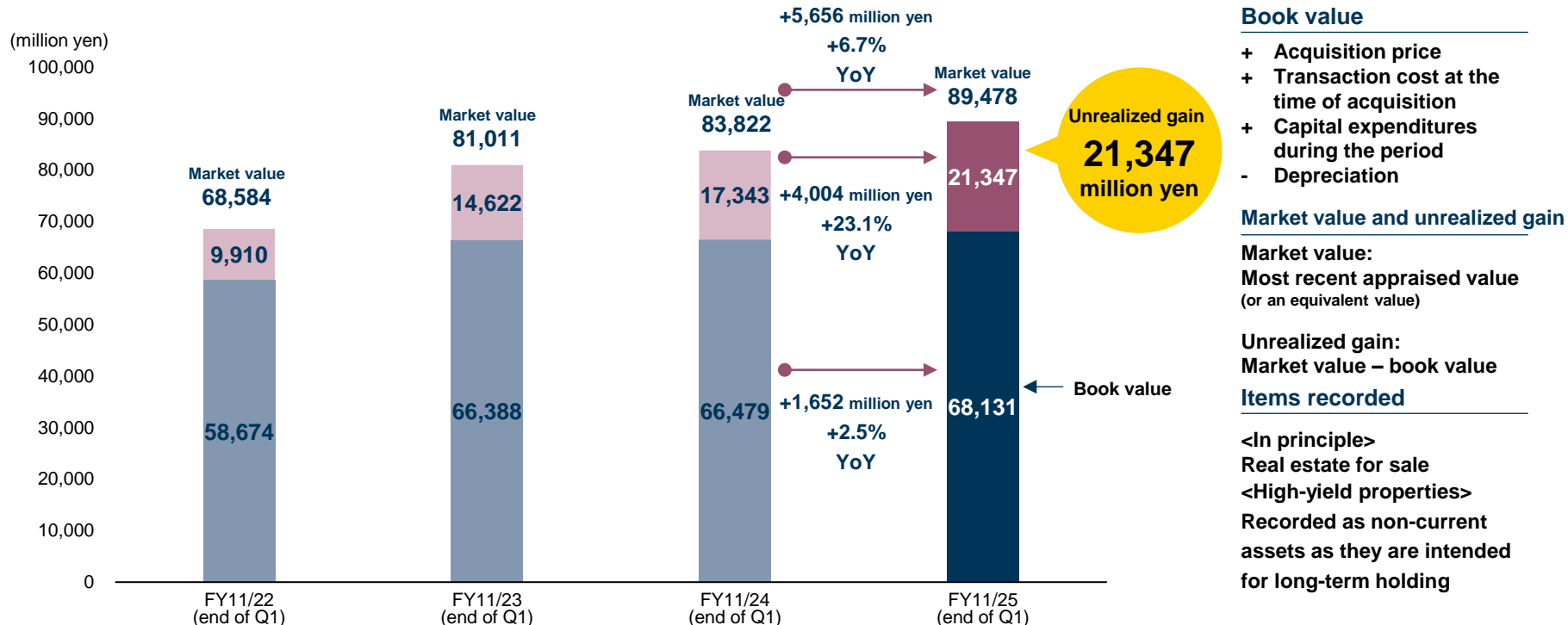
Note: NOI yield is the assumed APR for stable operation (cash flow-based net income / acquisition price)

Investment Banking

In this business, we invest in real estate and startups, using our own accounts. Currently, most investments are in real estate.

Unrealized gains grew, due to the acquisition of prime properties for lease in FY11/23 and value enhancement of properties held

Unrealized gains materialize at the time of sales and contribute to future profit while also serving as a source of reinvestment



Book value

- + Acquisition price
- + Transaction cost at the time of acquisition
- + Capital expenditures during the period
- Depreciation

Market value and unrealized gain

Market value:
Most recent appraised value (or an equivalent value)

Unrealized gain:
Market value – book value

Items recorded

- <In principle>
- Real estate for sale
- <High-yield properties>
- Recorded as non-current assets as they are intended for long-term holding

Properties recorded as non-current assets

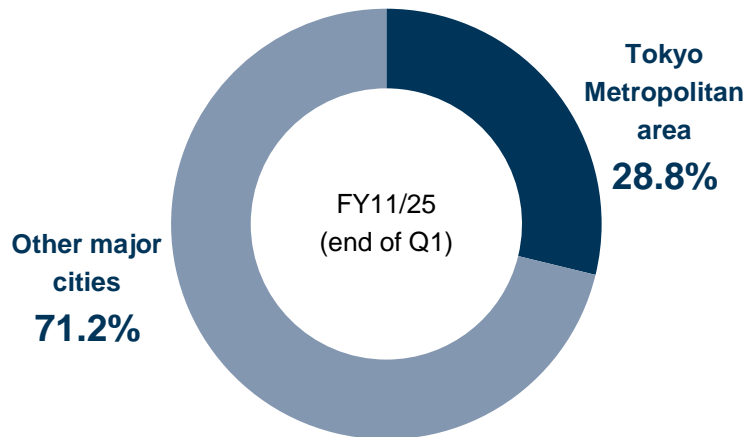
We internally manage properties recorded as non-current assets with the intention of generating lease income over the long term in the same manner as properties recorded as property for sale. When these properties are deemed suitable for sale, we may sell them as non-current assets, or review the purpose of ownership at fiscal year-end and reclassify them as property for sale, as appropriate.

With small and medium-sized properties in the Tokyo Metropolitan area and regional cities as investment targets, we ensure stable operations while securing high yields

We expand and flexibly rotate the portfolio in response to changes in the market environment

By location

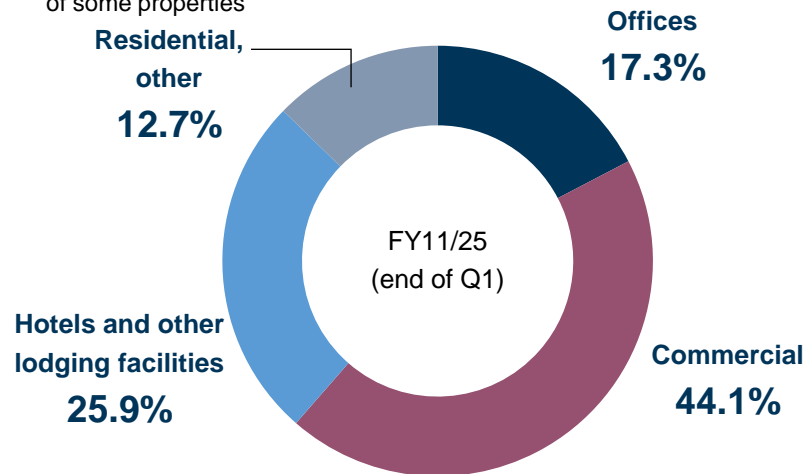
Carefully select prime investment properties in the Tohoku region, the base for Higashinihon Fudosan, and other regions throughout the nation, in addition to the Tokyo Metropolitan area



By use*

Primarily office buildings and commercial facilities in locations with solid tenant demand

Lodging facilities acquired during the COVID-19 pandemic declined due to sale of some properties



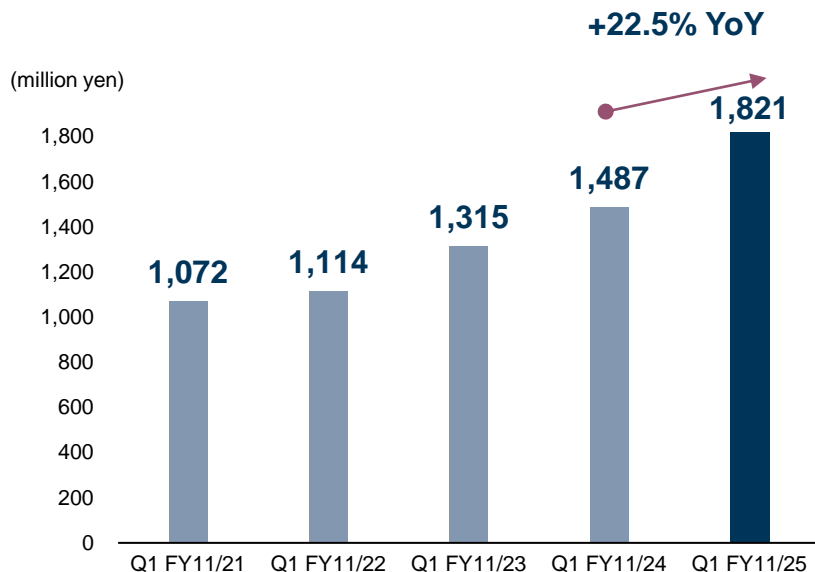
* Mixed-use properties are calculated based on primary usage.

We secure stable earnings by selectively acquiring quality properties for lease expected to generate stable lease income and enhancing the value of properties held

Acquired small properties in Q1. Implemented profit improvement measures for existing properties, contributing to continued growth in lease income

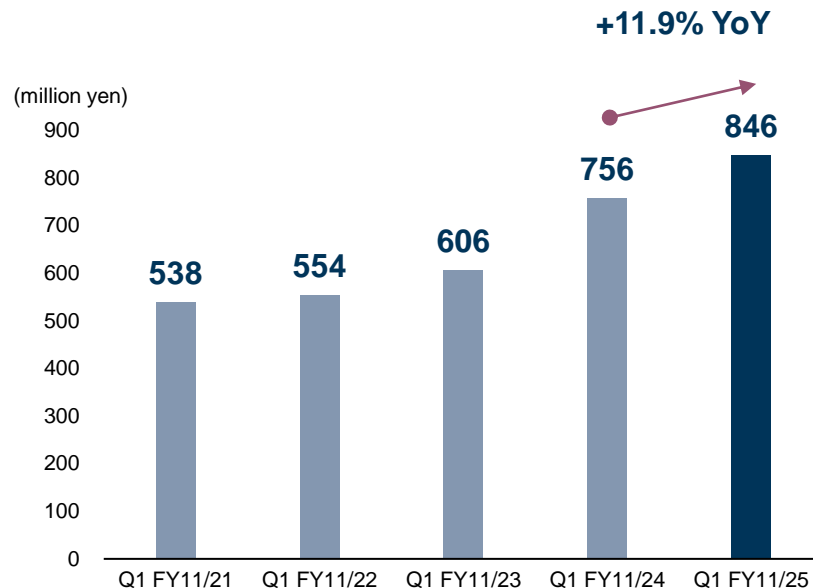
Revenue from real estate leasing (cumulative)

Revenue from properties for lease steadily increased



Gross profit from real estate leasing (cumulative)

Gross profit from leasing rose in Q1, driven by the growth in revenue from leasing



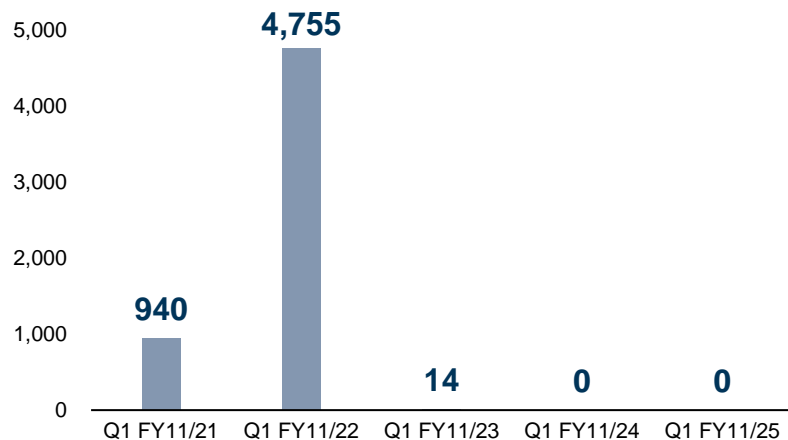
We will continue implementing measures to enhance the value and earnings potential of properties held, realize the resulting unrealized gains through sales, and reinvest the proceeds—creating a virtuous cycle

While multiple property sales are scheduled for FY11/25, most are planned for Q2 or later

Revenue from real estate sales (cumulative) ^{*1*2}

No real estate sales in Q1; expect most sales to take place in Q2 or later

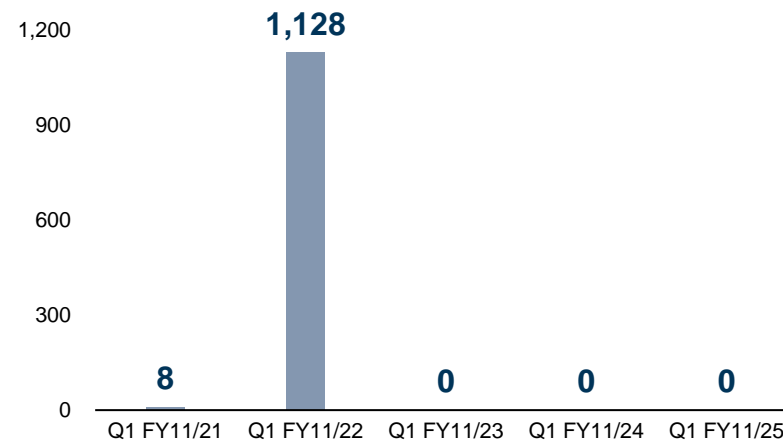
(million yen)



Gross profit from real estate sales (cumulative) ^{*1*2}

No significant change YoY, as there were no property sales in Q1 as in Q1 FY11/24

(million yen)

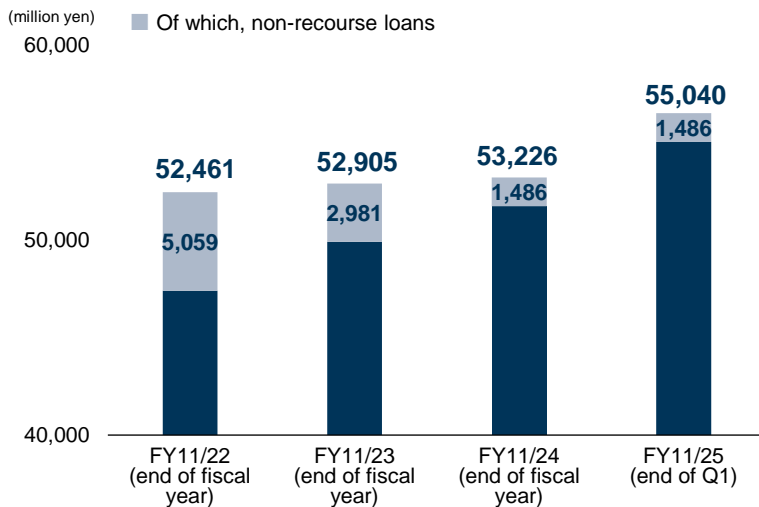


*1 Includes sales of real estate for sale in process (including land for development of properties for lease)

*2 Includes sales of real estate for lease recorded as non-current assets in the consolidated balance sheet (recorded as extraordinary income/losses)

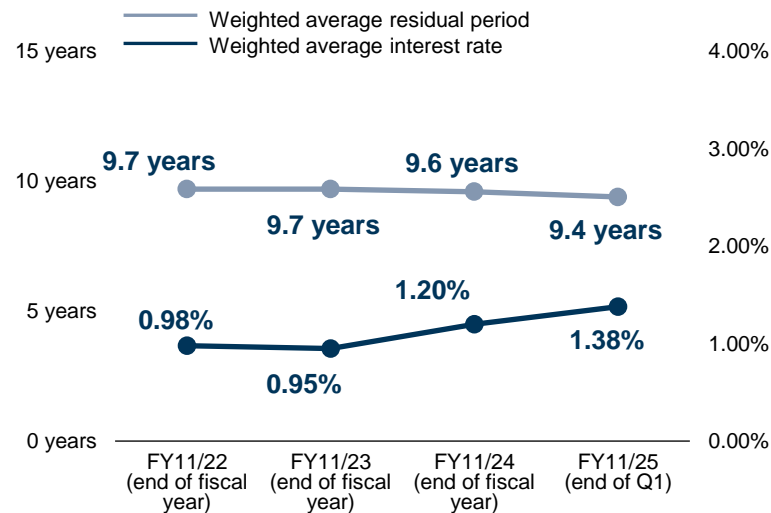
Our loan balance tends to increase as investment progresses, as we fund lease property acquisitions with loans
 In principle, we obtain long-term loans—typically with a term of around 10 years—at low interest rates, and hedge against refinancing and interest rate hike risks

Loan balance *1



*1 Loans to fund acquisitions of properties for lease

Weighted average residual period/ Weighted average interest rate *2



Interest rate trends

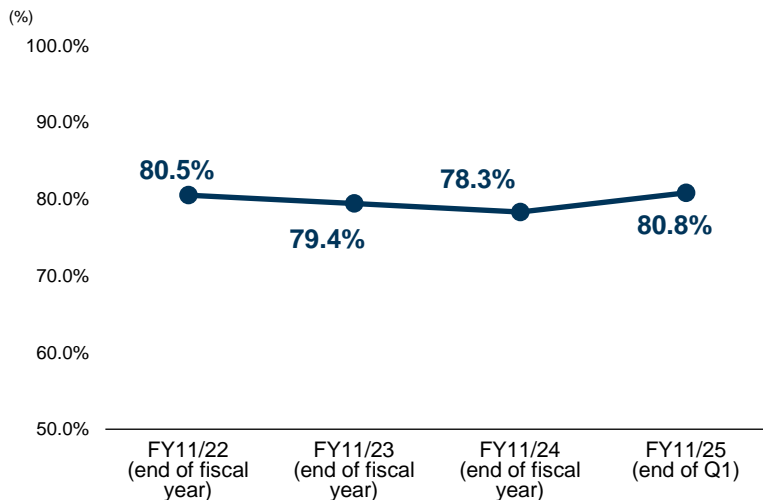
Long-term interest rates are increasing due to the end of the BOJ's negative interest rate policy.

Although the base interest rate for floating rates is also rising gradually, we have conservatively assumed interest rate expenses for FY11/25.

Leverage hovers around 80%, as we utilize loans with low procurement costs as much as possible to increase capital efficiency

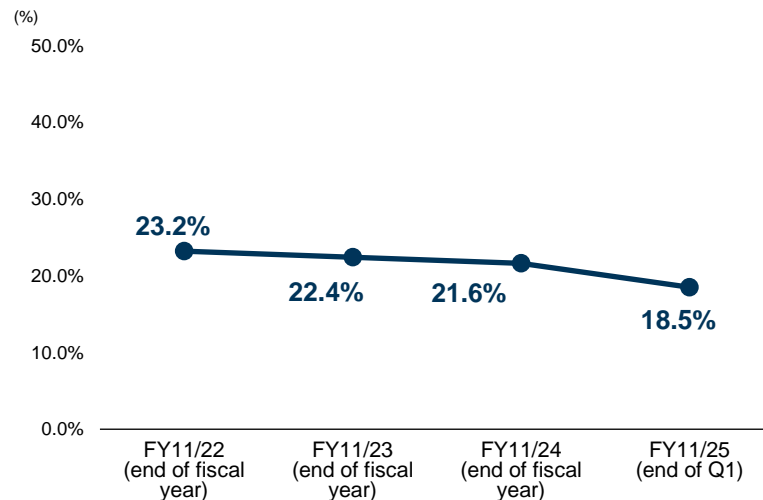
Most loans have floating interest rates, and so using interest rate swaps, we exchange some floating rates with fixed rates

Leverage*1



*1 Loan balance / Book value of properties for lease

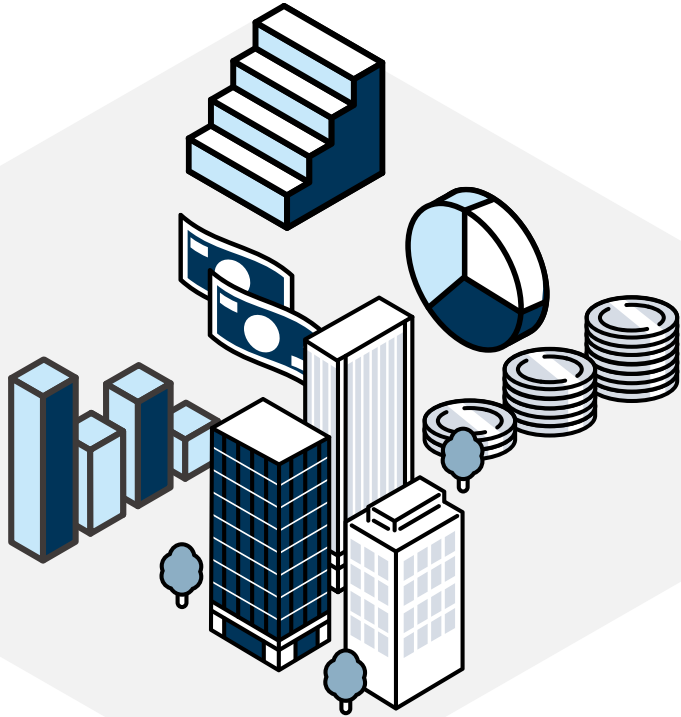
% of loans with fixed interest rates



Interest rate swaps

We exchange floating interest rates with fixed rates to avert the risk of interest rate hikes.

While market value fluctuates in line with changes in the market interest rate and affects non-operating income/expenses, interest rate swaps contribute to stabilizing cash flows.



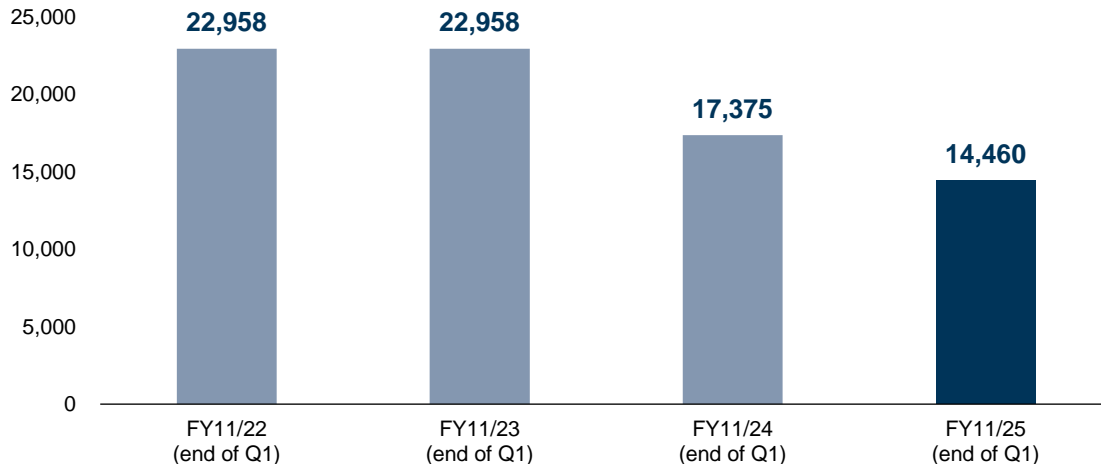
4 — Investment Management business

Competition to acquire large properties, the investment targets of the funds arranged by the Group, remains intense, with their prices continuing to rise. Taking a cautious stance, we acquired no new properties

Meanwhile, we won management contracts for properties acquired by investors, primarily, as appropriate, and earned asset management fees

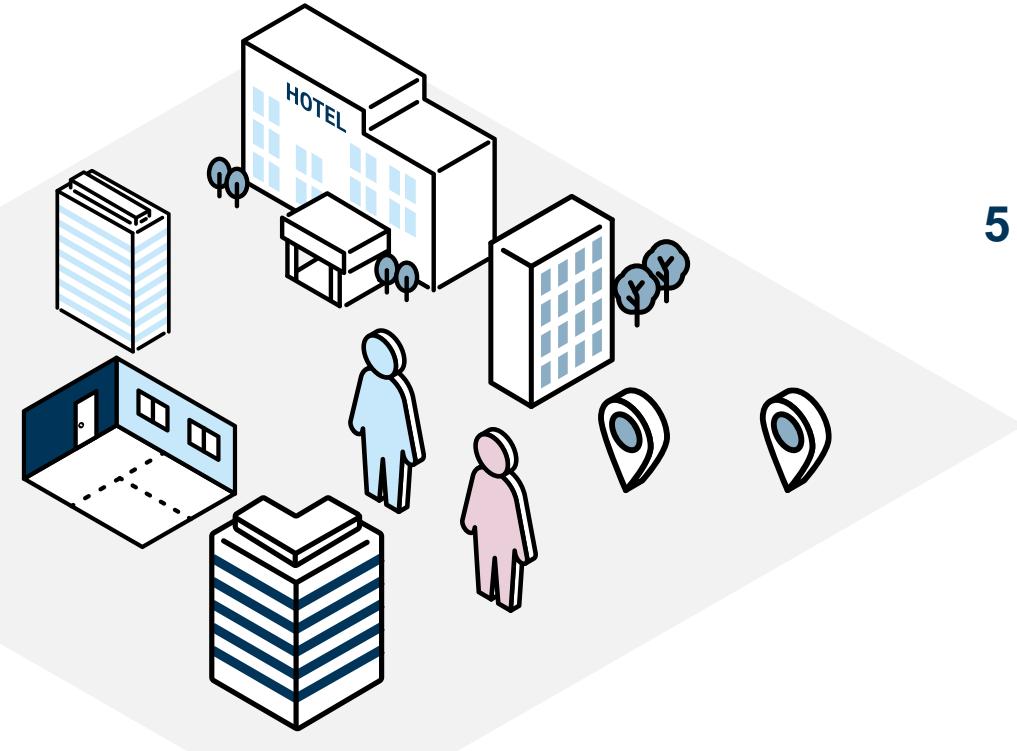
Balance of assets under management

(million yen)



Key takeaways

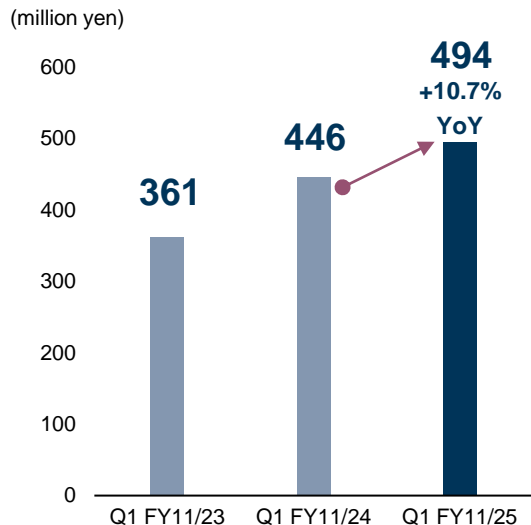
- The decline in balance was due to portfolio rotation by investors
- We will continue to consider new property acquisitions in response to requests from investors
- We are also considering to form a new fund with properties held by the Group as investment targets



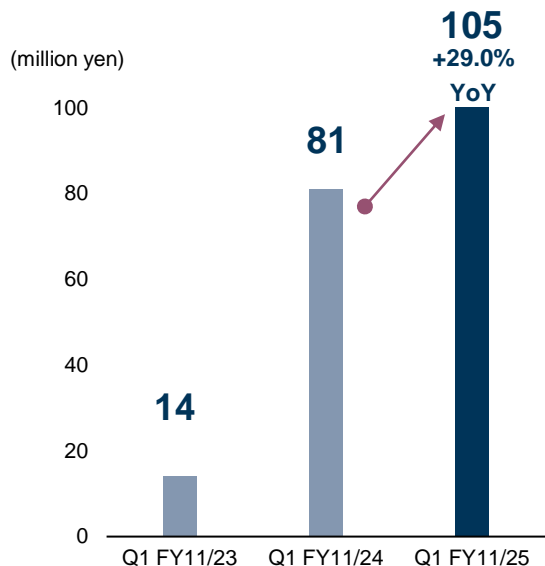
5 — Facility Operation business

Sales and profit increased YoY, as facilities under operation continued to benefit from robust tourism demand
 In Q1, the business turned a profit at the operating profit level as well, with strong performance offsetting goodwill amortization

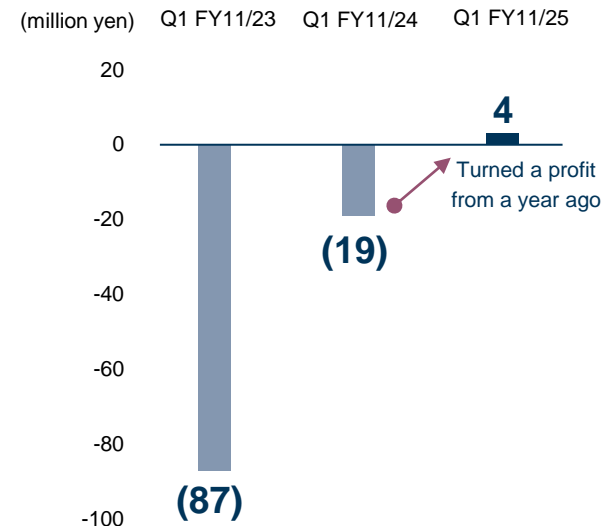
Sales



Gross profit

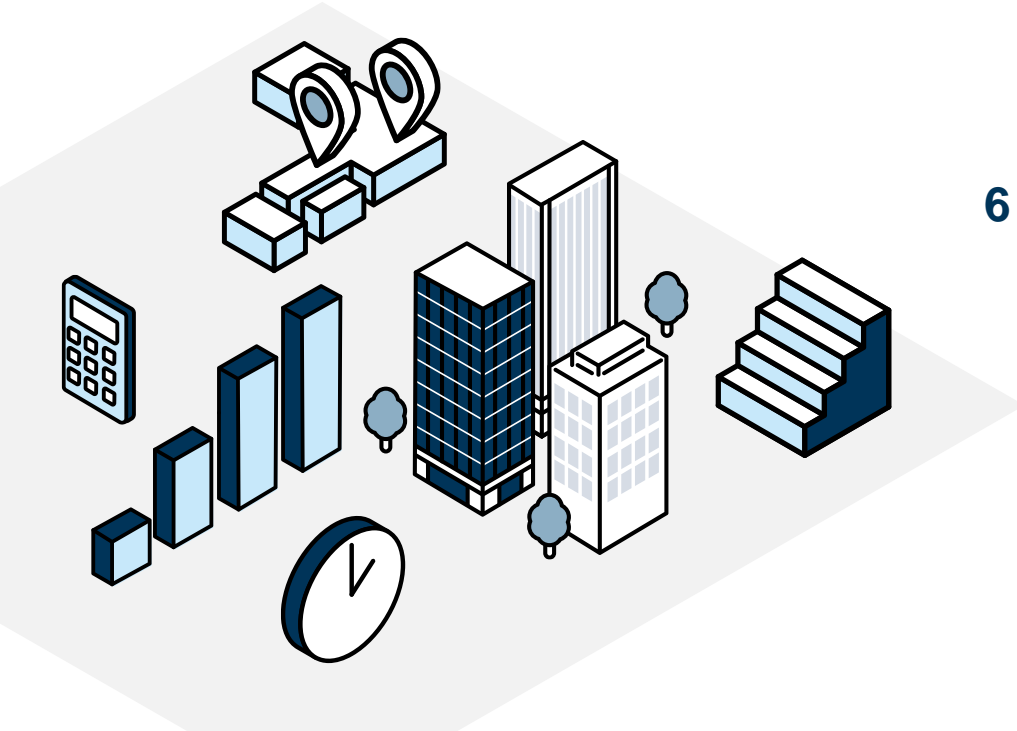


Operating profit



Facility Operation

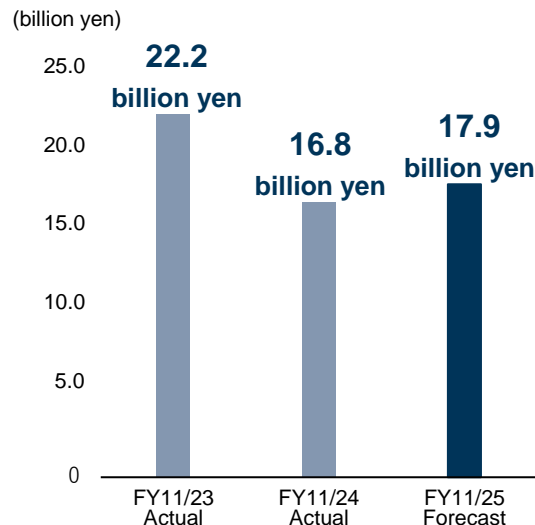
In this business, we operate hotels and other lodging facilities on our own. Currently, we own all facilities under operation.



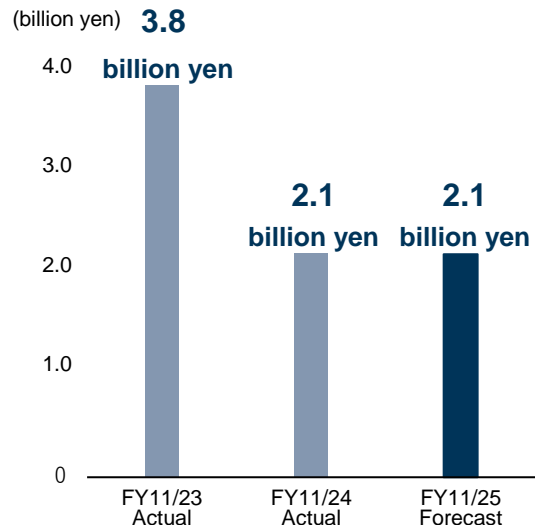
6 — Earnings forecast

- Currently, our performance is heavily dependent on real estate sales; accordingly, results tend to fluctuate significantly with each fiscal year
- During FY11/24, we made careful investment decisions amid significant changes in economic conditions, which included shifts in domestic and international interest rates, inflation rates, and monetary policy. We anticipate these uncertain conditions will persist in FY11/25
- In FY11/25, we will carefully monitor market trends and make prudent decisions regarding the acquisition and sale of real estate. Additionally, we will continue holding high-yield real estate properties for lease, which remain a stable source of our earnings, while ensuring investment decisions take place with optimal timing

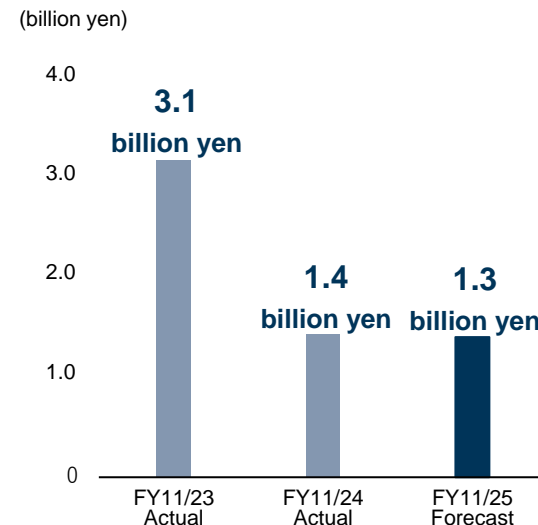
Net sales











Ordinary profit



Profit attributable to owners of parent



Progress for gross profit was 15.7%, because we sold no properties in the mainstay Investment Banking business
From Q2 onward, we expect property sales and growth in lease income backed by new property acquisitions

(million yen)	FY11/24 Actual	Q1 FY11/25 Actual	Progress rate	FY11/25 Forecast (YoY change)
Net sales	16,865	2,344	 13.1%	17,950 (+6.4%)
Gross profit	5,104	960	 15.7%	6,100 (+19.5%)
Investment Management business	51	6	 25.0%	27 (-46.8%)
Investment Banking business	4,798	847	 14.6%	5,812 (+21.1%)
Facility Operation business	255	105	 40.6%	260 (+2.1%)
Operating profit	2,838	309	 8.8%	3,520 (+24.0%)
Ordinary profit	2,193	85	 3.9%	2,180 (-0.6%)
Profit attributable to owners of parent	1,416	68	 5.0%	1,370 (-3.3%)

Key takeaway 1

Prioritize gross profit growth because net sales fluctuate sharply depending on the size of properties sold

Key takeaway 2

Property sales (or the lack thereof) significantly affect each profit category

Key takeaway 3

Forecasts are prepared and managed on an annual basis, as quarterly results largely fluctuate depending on the timing of property sales

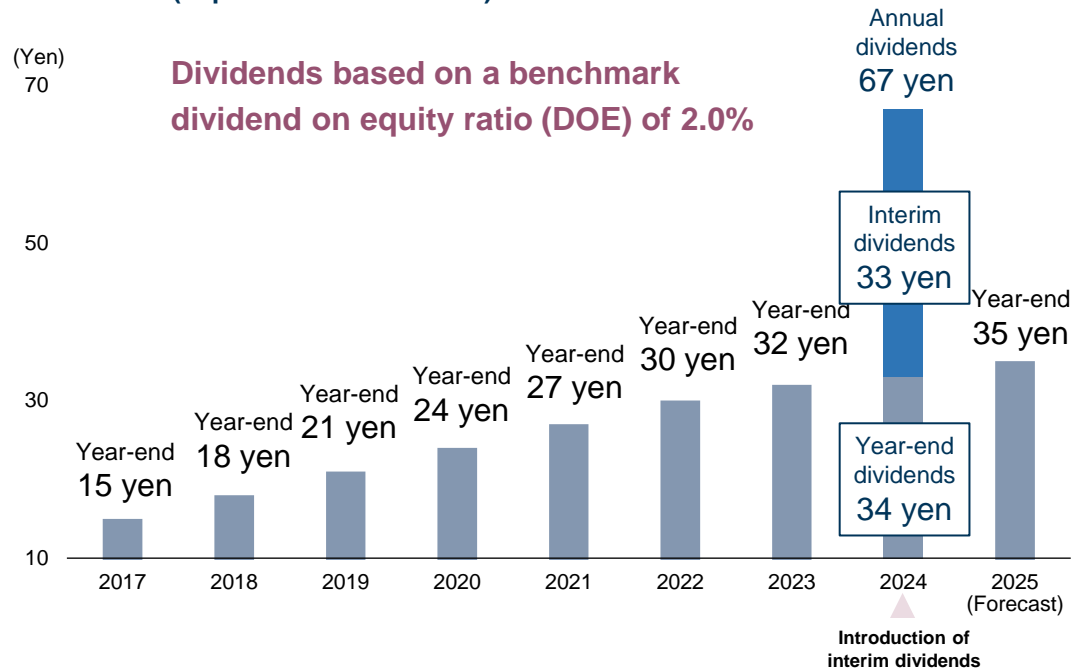


7 — Shareholder returns

We consider returning profits to shareholders a management priority

- We pay stable dividends, primarily in the form of year-end dividends, once a year, based on a target dividend on equity ratio (DOE) of 2.0%, instead of a profit-linked payout ratio
- If profit attributable to owners of parent in the immediately preceding fiscal year exceeds 2.0 billion yen, we pay interim dividends equivalent to 40% of the profit in excess (implemented in FY11/24)

Dividend per share



We have introduced a shareholder benefit plan to thank our shareholders for their support, increase the appeal of investing in our stock, and encourage investors to hold our stock for the medium to long term

Eligible shareholders

Shareholders who are recorded in the shareholder register as of November 30 of each year and meet certain conditions

Shareholder benefits

First Brothers Premium Benefits Club

The plan extends shareholder benefit points to shareholders commensurate with the quantity and duration of their holdings. Shareholders can exchange their points for Amazon gift certificates, food products, electrical appliances, and various opportunities for travel and personal experiences through a dedicated site

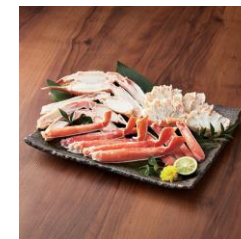
Shareholders with shares held continuously for at least one year*

No. of shares held	Benefits
At least 500 shares	5,000 points
At least 600 shares	6,000 points
At least 700 shares	7,000 points
to	Additional 1,000 points for each additional 100 shares
At least 5,000 shares	50,000 points

Shareholders with shares held for less than one year

No. of shares held	Benefits
At least 3,000 shares	5,000 points
At least 3,100 shares	6,000 points
At least 3,200 shares	7,000 points
to	Additional 1,000 points for each additional 100 shares
At least 5,000 shares	25,000 points

amazon gift card



Notes: For inquiries regarding products for which benefit points can be redeemed, please contact First Brothers Premium Benefits Club (TEL: 0120-980-965). Amazon, Amazon.co.jp, and their logos are trademarks of Amazon.com, Inc. or affiliated companies.

* Recorded in the shareholder register at least three consecutive times under the same shareholder number each year on May 31 and November 30.



8 — Appendix

Consolidated balance sheet

(million yen)	End FY11/23	End FY11/24	End Q1 FY11/25	Change
Total current assets	63,621	58,651	59,423	+772
Cash and deposits	7,531	4,817	4,776	-40
Deposits in trust	1,204	1,242	1,261	+18
Real estate for sale	50,184	47,366	47,492	+125
Real estate for sale in process	3,268	3,327	3,328	+1
Other	1,431	1,897	2,564	+667
Total non-current assets	26,319	30,490	30,810	+320
Total assets	89,940	89,141	90,233	+1,092
Total liabilities	65,512	64,234	65,251	+1,016
Total current liabilities	8,437	5,747	4,920	-826
Short-term borrowings	91	71	71	±0
Current portion of long-term borrowings	5,128	3,462	3,446	-16
Current portion of long-term non-recourse loans payable	23	0	0	±0
Other	3,194	2,213	1,403	-810
Total non-current liabilities	57,075	58,487	60,330	+1,843
Long-term borrowings	50,252	53,154	54,757	+1,602
Long-term non-recourse loans payable	2,958	1,486	1,486	±0
Other	3,864	3,846	4,087	+241
Total net assets	24,427	24,907	24,982	+75
Total shareholders' equity	24,235	24,740	24,331	-408
Other	192	166	650	+484
Total liabilities and net assets	89,940	89,141	90,233	+1,092
Net D/E ratio ^{*1}	1.93	2.05	2.15	+0.1pt

Comments

- **In Q1, cash and deposits and shareholders' equity declined due to tax and dividend payments**
- **The increase in long-term borrowings was due to refinancing by a consolidated subsidiary, and they are expected to decline from Q2 onward due to repayments**

Key takeaways

- **Investments are primarily funded by loans, and the loan ratio tends to increase as investments progress. However, we take out long-term loans in principle and strictly manage risk**

*1 Net D/E ratio = (Interest-bearing debt excluding non-recourse loans – [cash and deposits + deposits in trust]) / Shareholders' equity

Consolidated income statement

	(million yen)	Q1 FY11/23	Q1 FY11/24	Q1 FY11/25	YoY change
Consolidated income statement (summary)	Net sales	1,817	1,955	2,344	+19.9%
	Gross profit	658	830	960	+15.5%
	Selling, general and administrative expenses	646	590	650	+10.2%
	Operating profit	12	240	309	+28.5%
	Ordinary profit	(100)	129	85	-33.9%
	Profit attributable to owners of parent	369	63	68	+7.1%
Gross profit breakdown	Investment Management business	44	9	6	-28.3%
	Investment Banking business	589	739	847	+14.6%
	Gross profit from sale	0	0	0	N/A
	Gross profit from leasing	606	756	846	+11.9%
	Other	(17)	(17)	0	N/A
	Facility Operation business	14	81	105	+29.0%
	Other business	9	0	0	N/A
Total gross profit	658	830	960	+15.5%	
Selling, general and administrative expenses breakdown	Personnel expenses	359	315	259	-17.7%
	Rent	44	42	43	+0.2%
	Commission expenses / remuneration	120	70	100	+43.0%
	Taxes and dues	10	9	10	+12.3%
	Amortization of goodwill	28	28	61	+112.0%
	Other	82	123	176	+42.5%
	Total selling, general and administrative expenses	646	590	650	+10.3%

Comments

- While no properties were sold in Q1, gross profit increased 15.5% YoY backed by an increase in lease income from real estate for lease and sales growth in the Facility Operation business
- We will consider property acquisitions and sales while closely monitoring the market environment

Company overview

Company name First Brothers Co., Ltd.

Stock code 3454 (TSE Standard Market)

Established February 4, 2004

Address Marunouchi Bldg., 25th Fl., 2-4-1 Marunouchi, Chiyoda-ku, Tokyo

Capital 100,000,000 yen

Number of staff 171 (as of February 28, 2025; consolidated group basis)

Major subsidiaries First Brothers Capital Co., Ltd.
First Brothers Asset Management Co., Ltd.
First Brothers Development Co., Ltd.
Higashinihon Fudosan Co., Ltd.
From First Hotels Co., Ltd.

Group's major businesses

Ownership and management of real estate for lease

Own and manage properties for lease expected to generate stable earnings over the medium to long term

Real estate asset management

Manage assets of institutional investors and invest in relatively large properties valued at several tens of billions of yen

Renewable energy

Develop and operate renewable energy, centered on geothermal power generation

Facility Operation (hospitality services)

Operate lodging facilities on our own

Disclaimer

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