



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

Q2 FY11/25
Financial Earnings Summary

July 8, 2025

First Brothers Co., Ltd.

(Tokyo Stock Exchange Standard Market: 3454)

Table of contents

1	First Brothers' business
2	Earnings highlights
3	Investment Banking business
4	Investment Management business
5	Facility Operation business
6	Earnings forecast
7	Shareholder returns
8	Appendix

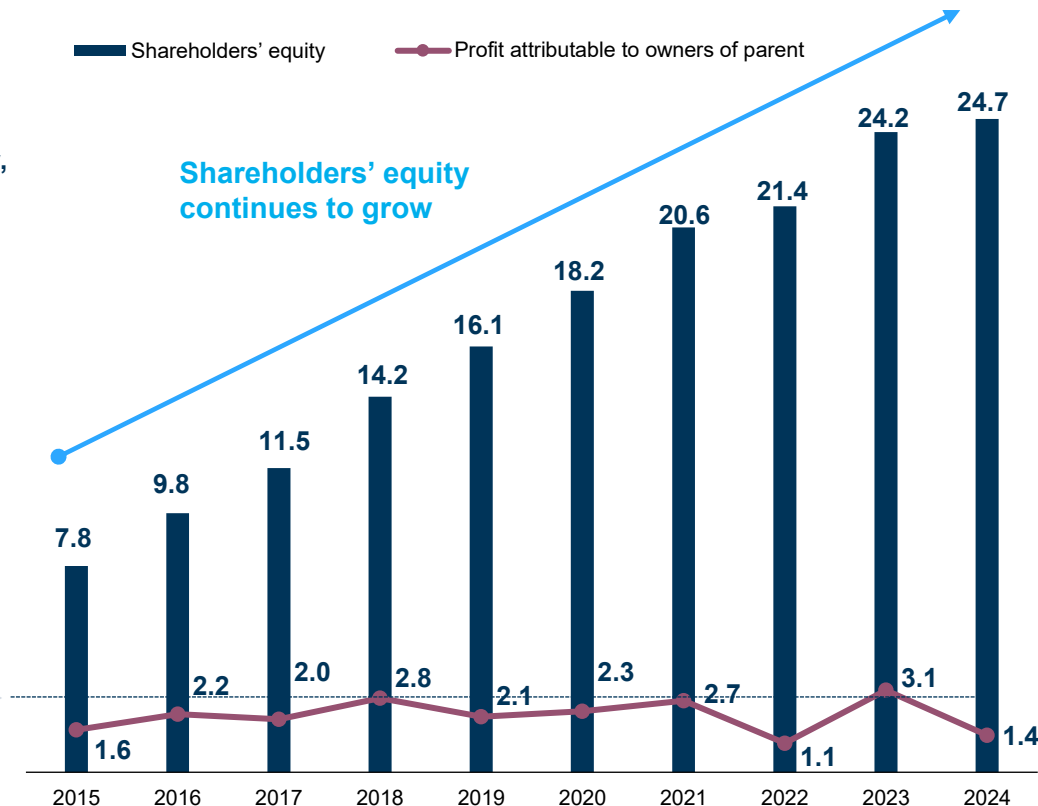


We believe stable and sustainable growth of shareholders' equity will directly lead to maximization of shareholder value

- 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>2,052 million yen</p> <p>+16.33% YoY ↑</p>	<p>Operating profit</p> <p>802 million yen</p> <p>+33.1% YoY ↑</p>	<p>Ordinary profit</p> <p>346 million yen</p> <p>-8.3% YoY ↓</p>	<p>Profit attributable to owners of parent</p> <p>223 million yen</p> <p>+24.8% 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

23 million yen

-28.3% YoY ↓

Investment Banking

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

Unrealized gains, a future earnings source, also increased steadily

Unrealized gains in real estate

20,155 million yen

-1,056 million yen
versus end-FY11/24 ↓

Gross profit from real estate leasing

1,807 million yen

+22.9% YoY ↑

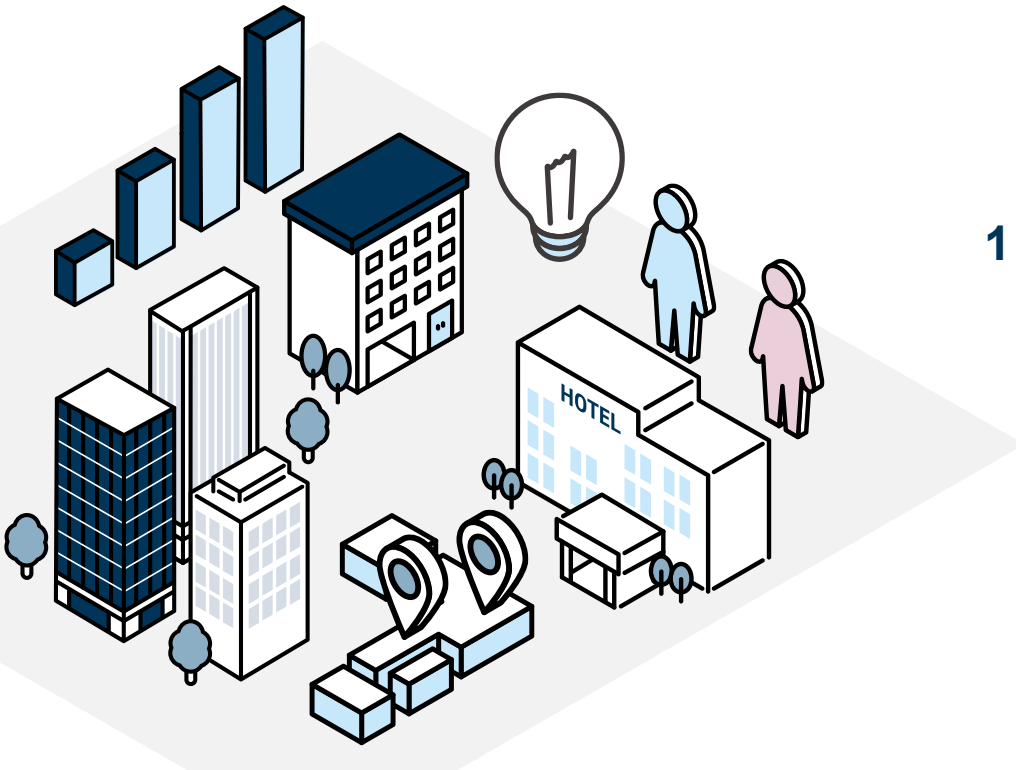
Facility Operation

Results benefited from robust tourism demand and improved operational efficiency

Gross profit

193 million yen

+24.7% YoY ↑



1 — First Brothers' business

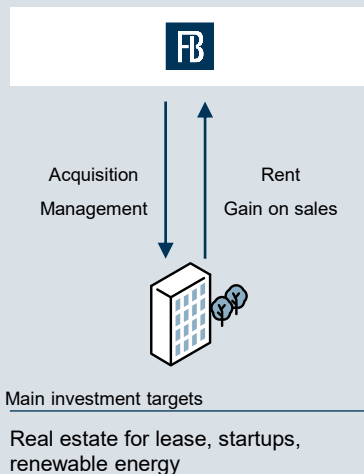
Leveraging our proprietary investment as a central foundation, we operate three businesses that draw on the strengths characterizing First Brothers

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



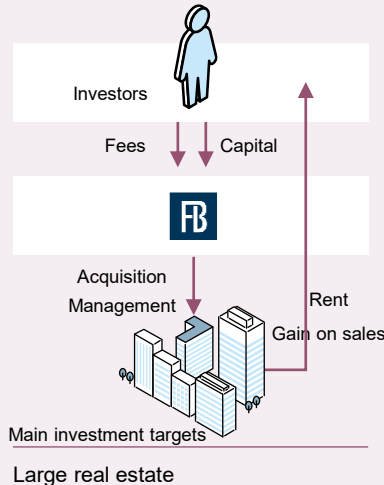
Investment Banking

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



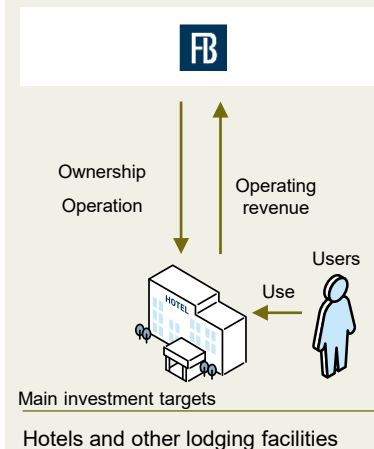
Investment Management

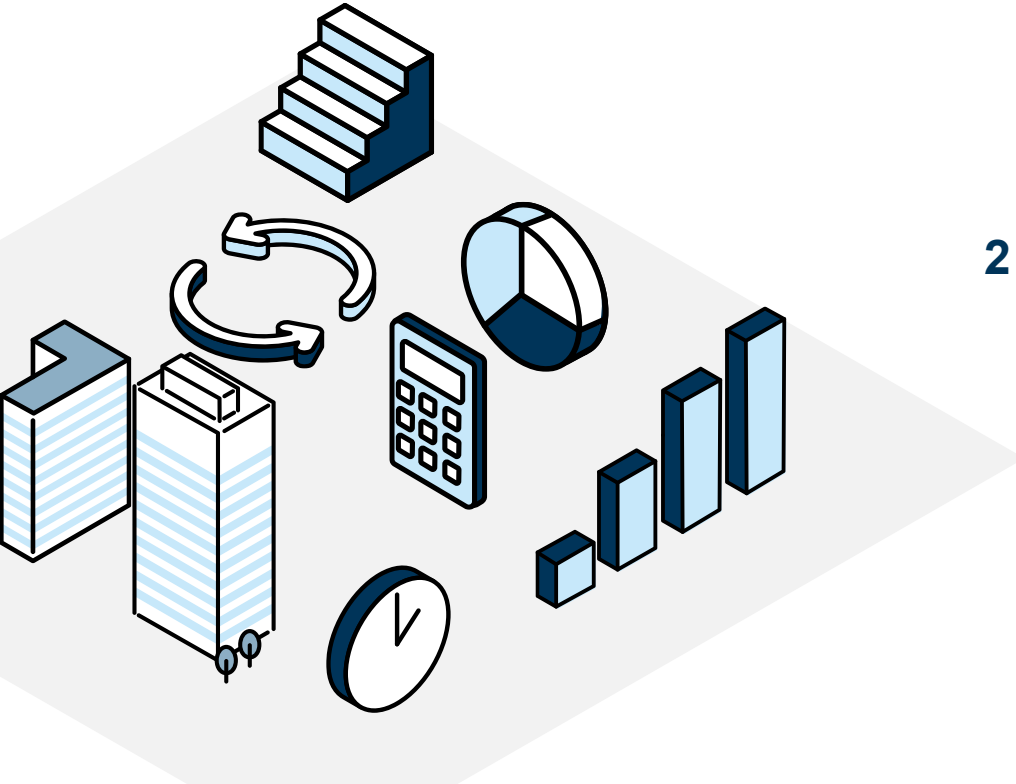
We manage the assets of institutional investors and invest in real estate



Facility Operation

We operate hotels and other lodging facilities on our own





2 — Earnings highlights

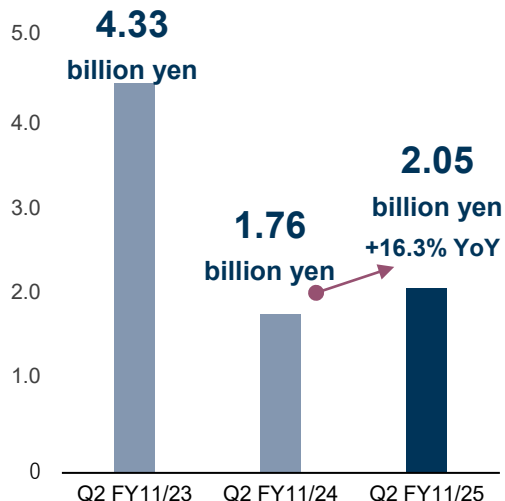
In Q2, although only small properties were sold in the Investment Banking business, lease income continued to grow and profit increased in the Facility Operation business

Gross profit rose 16.3% YoY, but ordinary profit declined due to higher interest rates and loan origination fees

Gross profit

Up 16.3% YoY, due to stable growth in lease income and sales growth in the Facility Operation business

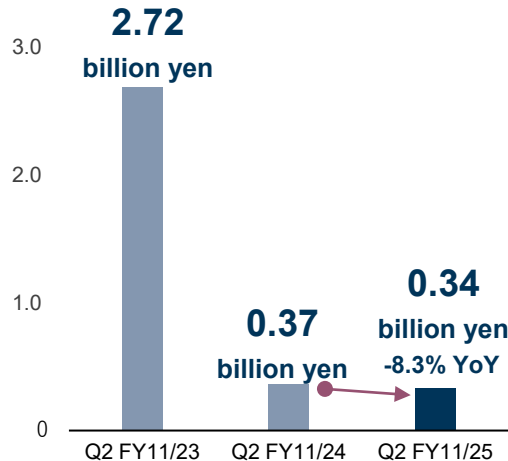
(billion yen)



Ordinary profit

Down 8.3% YoY, due to a rise in interest rates and loan origination fees for property acquisitions

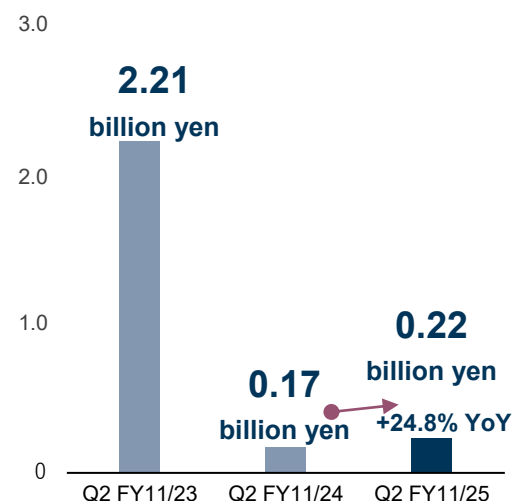
(billion yen)

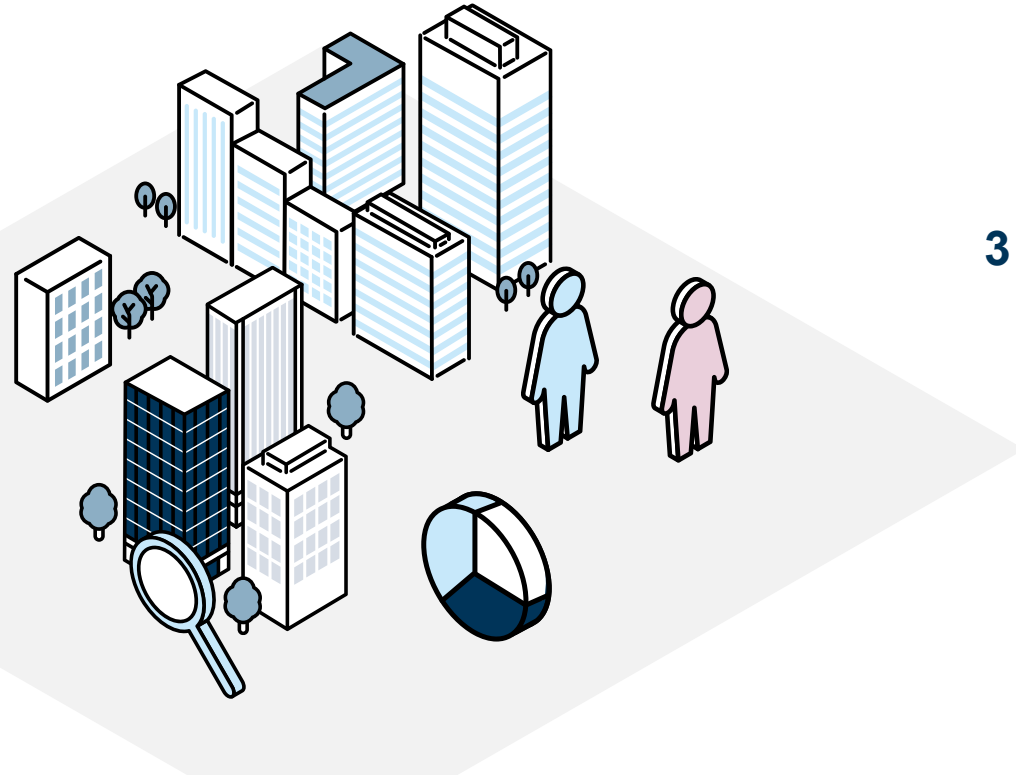


Profit attributable to owners of parent

Up 24.8%, due to extraordinary gains on the sale of solar power generation facility and affiliated company shares

(billion yen)





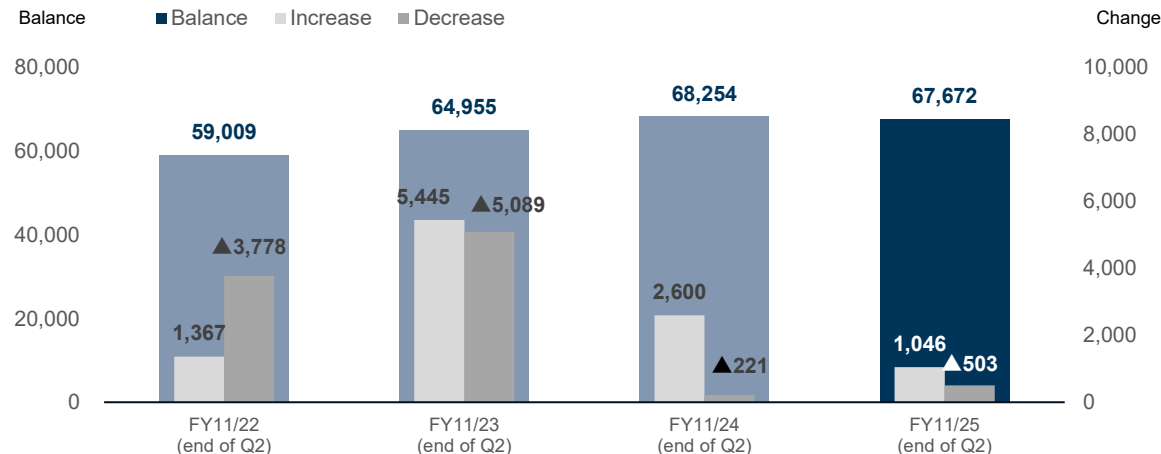
3 — Investment Banking business

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

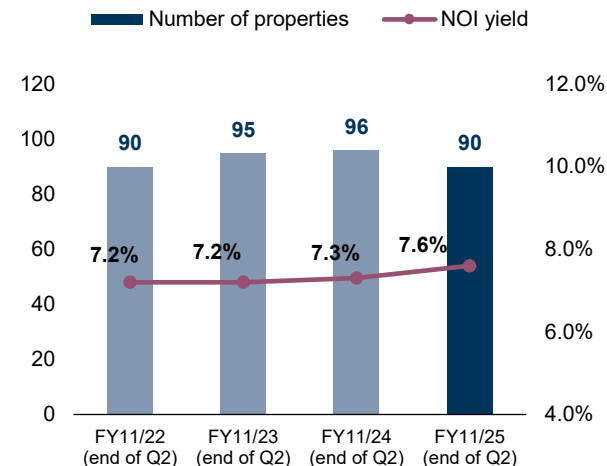
Balance of properties for lease

(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

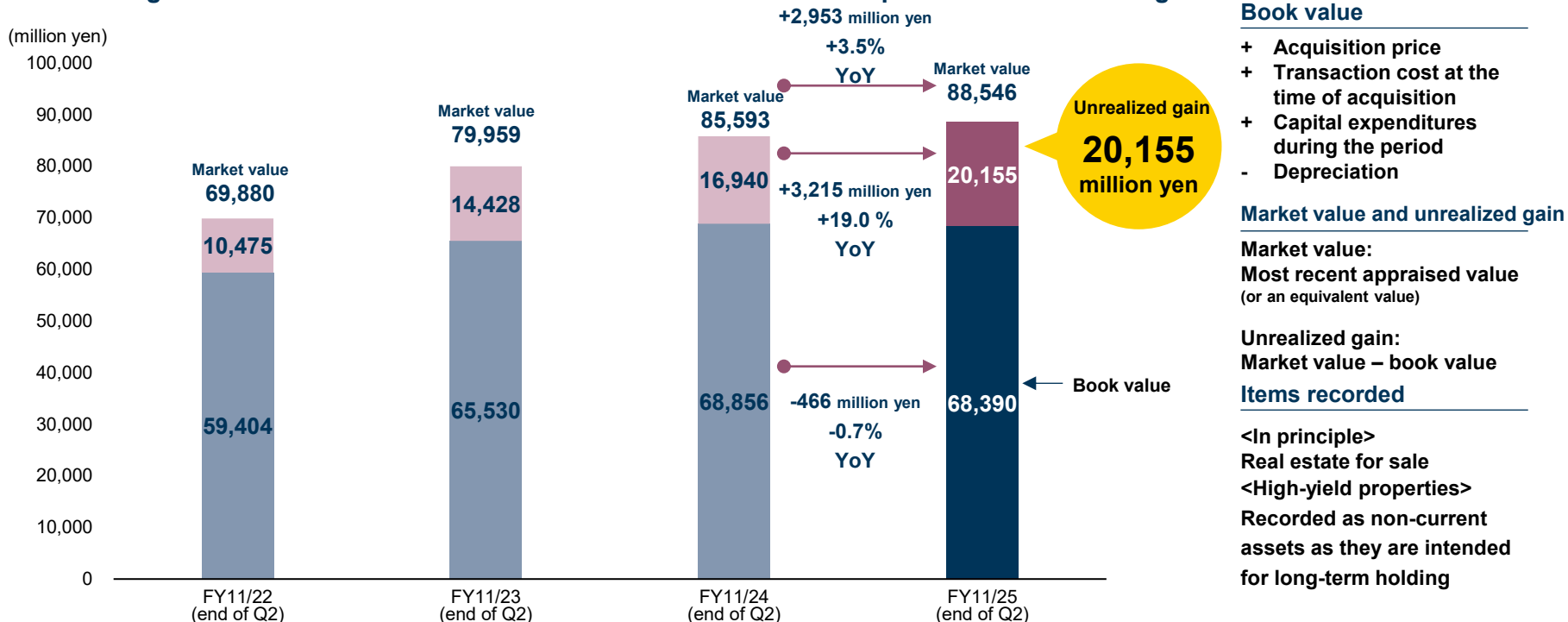
No. of properties/NOI yield



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

Unrealized gains grew, due to the acquisition of prime properties for lease in FY11/24 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

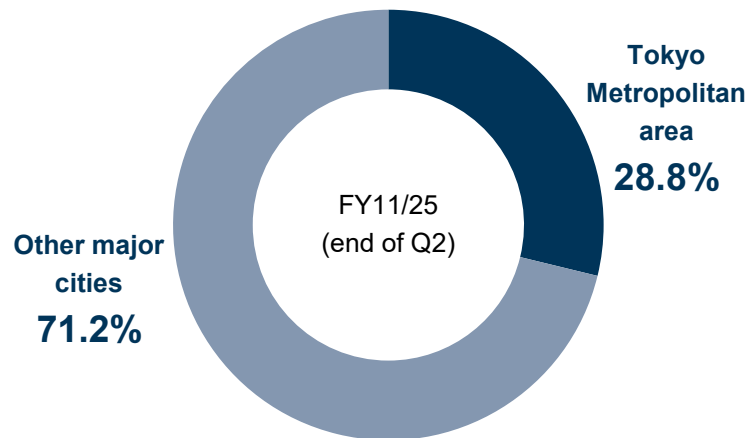
We internally manage properties recorded as non-current assets with the intention of generating lease income over the long term in the same manner as properties recorded as property for sale. When these properties are deemed suitable for sale, we may sell them as non-current assets, or review the purpose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

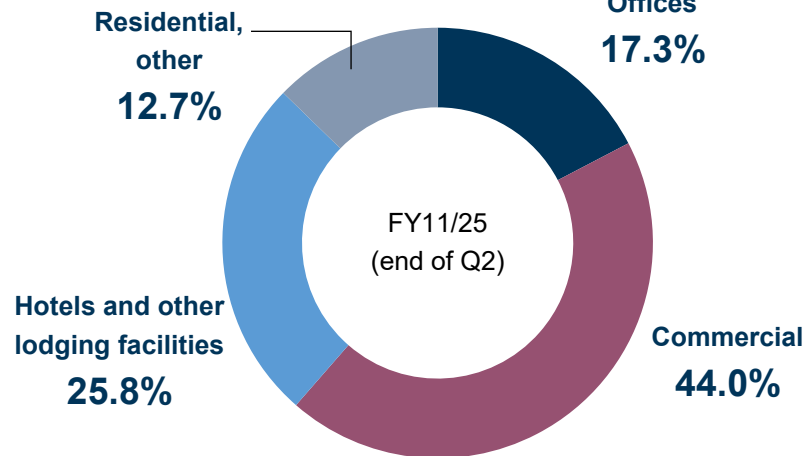
Carefully select prime investment properties in the Tohoku region, the base for Higashinihon Fudosan, and other regions throughout the nation, in addition to the Tokyo Metropolitan area



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



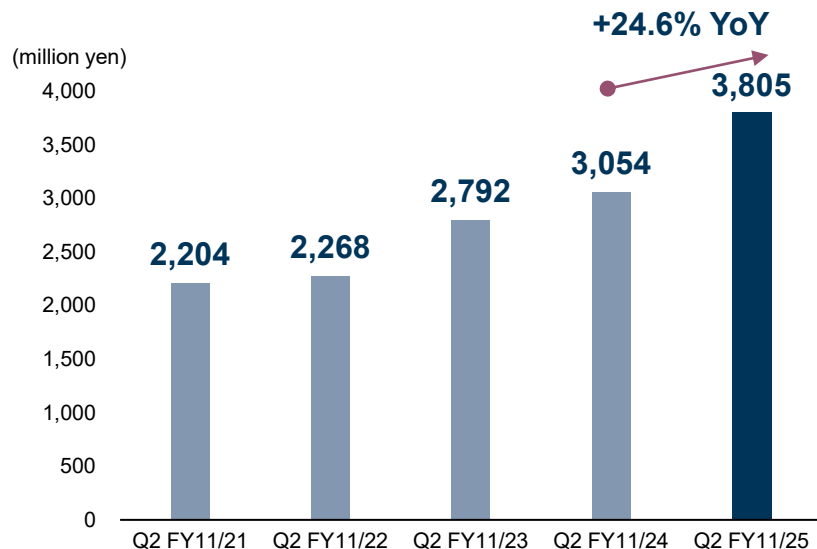
* Mixed-use properties are calculated based on primary usage.

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

Acquired multiple small properties in Q2, and implemented profitability-improvement measures for existing properties as well, contributing to continued growth in lease income

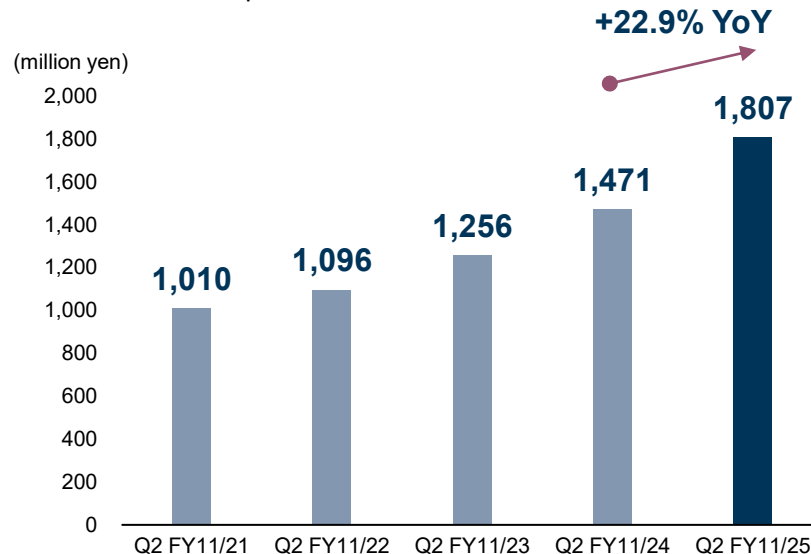
Revenue from real estate leasing (cumulative)

Revenue from properties for lease steadily increased



Gross profit from real estate leasing (cumulative)

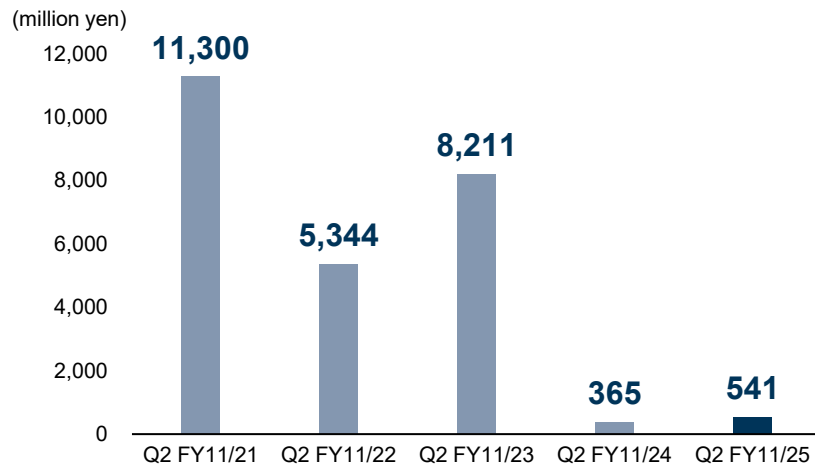
In Q2, gross profit from leasing increased driven by higher lease revenue, due in part to strong performance of variable-rent hotel facilities leased to operators



Continued implementing measures to enhance the value and earnings potential of held properties, realize the resulting unrealized gains through sales, and reinvest the proceeds to create a virtuous cycle
Sales of multiple properties are planned for FY11/25 as well, with most scheduled for 2H

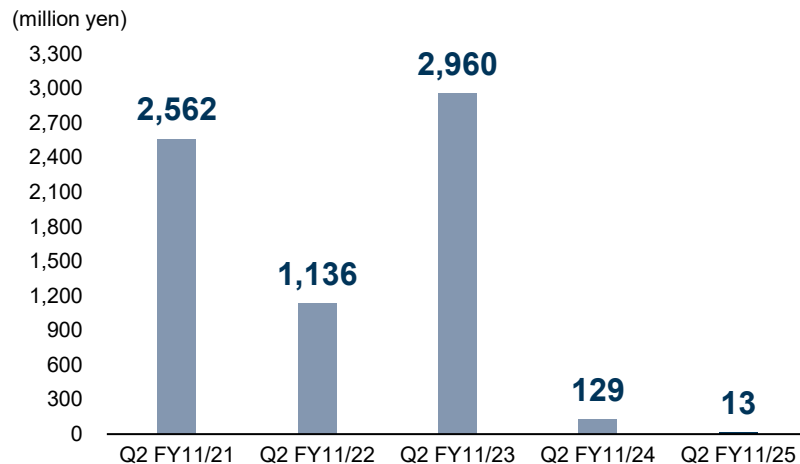
Revenue from real estate sales (cumulative) ^{*1*2}

In Q2, we focused on selling small properties with relatively low yields, prioritizing speed. Sales of properties expected to generate gains are anticipated in 2H or later.



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

As in the previous fiscal year, property sales are expected to be concentrated in 2H. In Q2, we prioritized speed over gains in property sales, from a risk management perspective.



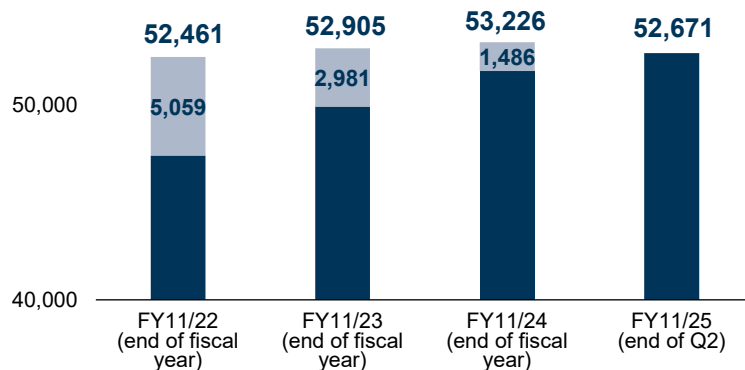
*1 Includes sales of real estate for sale in process (including land for development of properties for lease)

*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

(million yen) ■ Of which, non-recourse loans

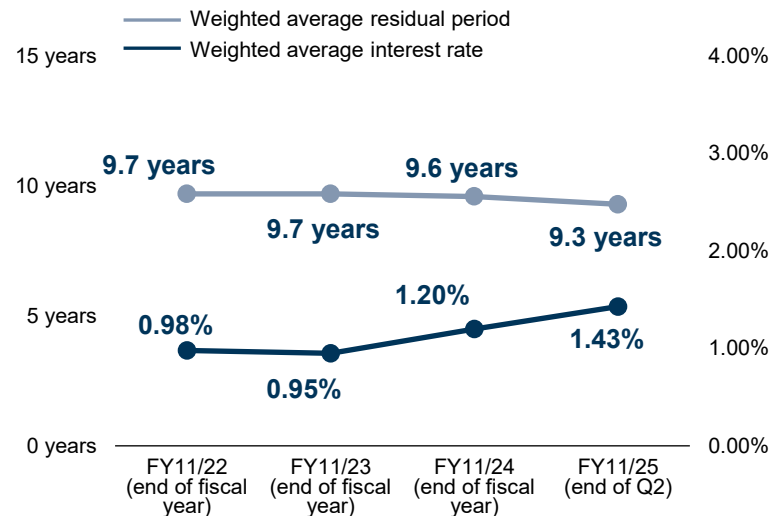


Loan type

In principle, we place priority on loan terms such as the amount, interest rate, duration, and repayment schedule. However, depending on the structure of the financing scheme, we may choose non-recourse loans.

*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 benchmark rates for floating interest loans are gradually rising, the FY11/25 forecast assumes an interest rate increase of approx. 0.5% YoY.

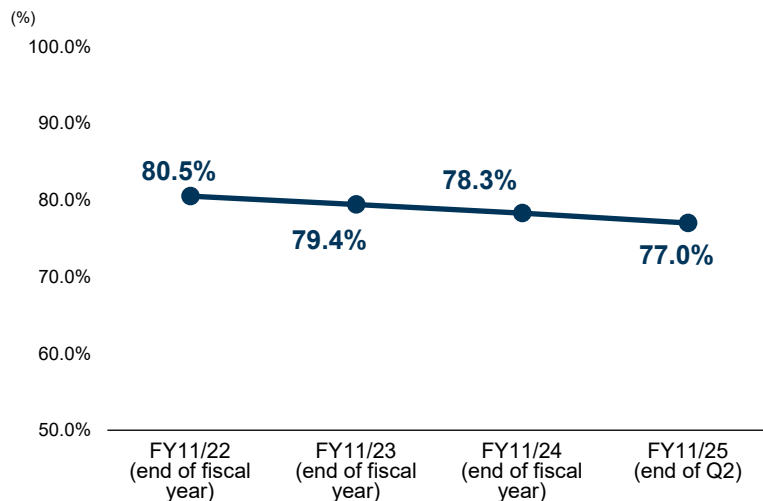
*2 Before fixing interest rates

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

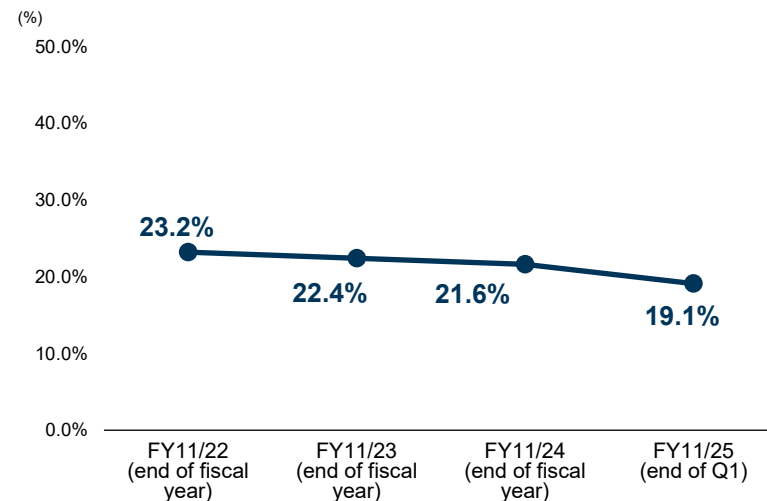
Most loans have floating interest rates, and so using interest rate swaps, we exchange some floating rates with fixed rates

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.



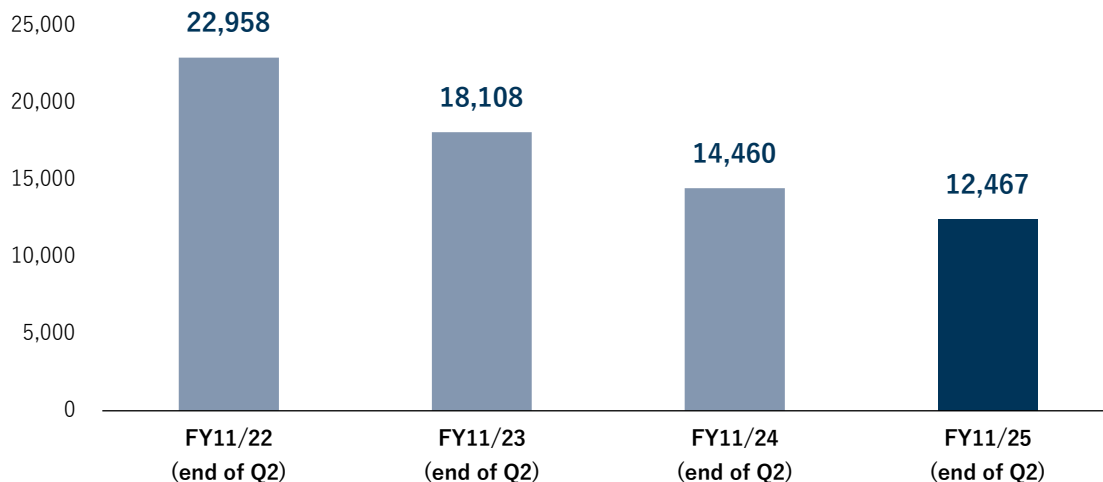
4 — Investment Management business

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

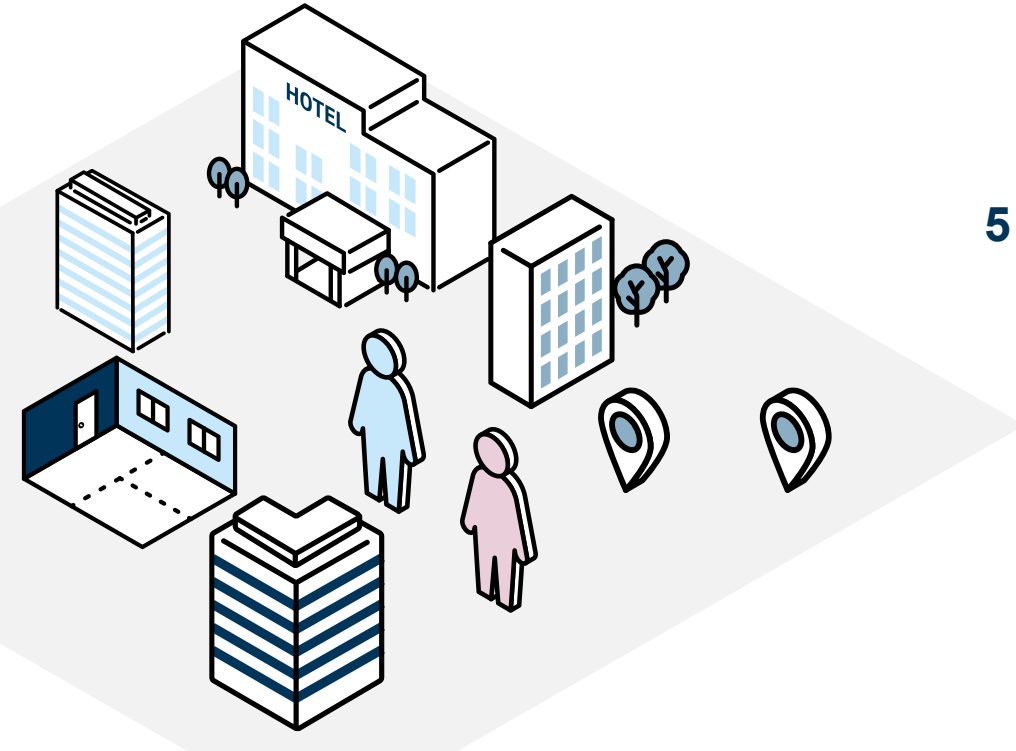
Balance of assets under management

(billion yen)



Key takeaways

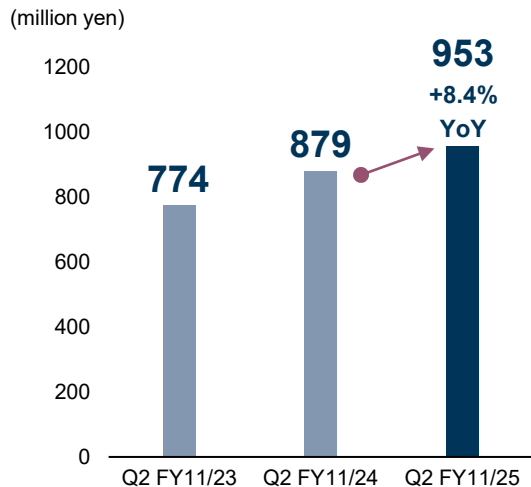
- The decline in balance was due to portfolio rotation by investors
- We will continue to consider new property acquisitions in response to requests from investors
- We are also considering to form a new fund with properties held by the Group as investment targets



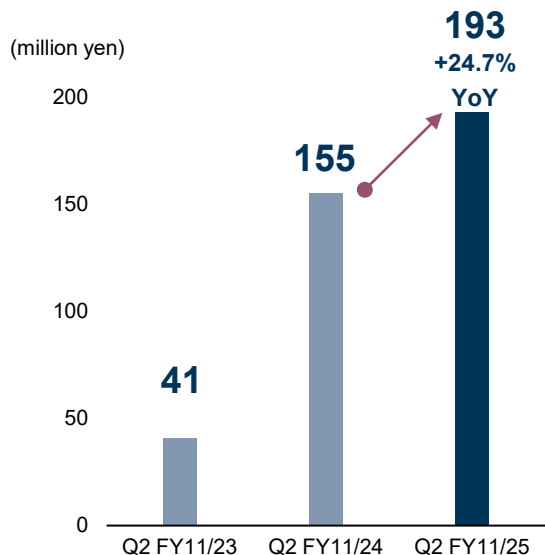
5 — Facility Operation business

Sales and profit increased YoY, as facilities under operation continued to benefit from robust tourism demand
While the business turned a profit in Q1 at the operating profit level, it was unable to do so in Q2 due to higher costs

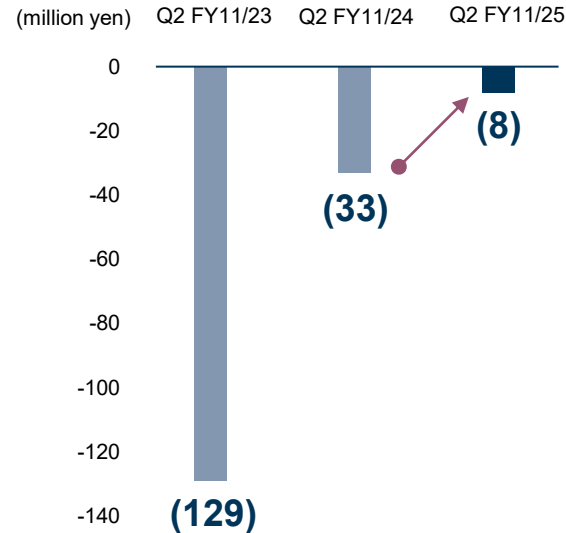
Sales



Gross profit

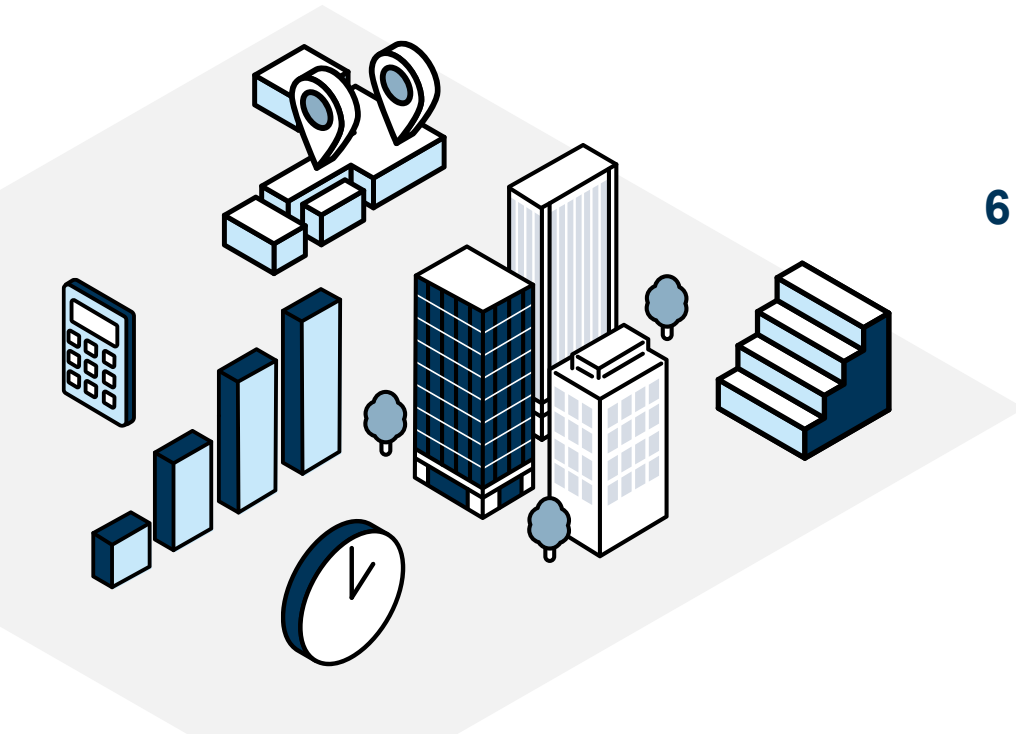


Operating profit



Facility Operation

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

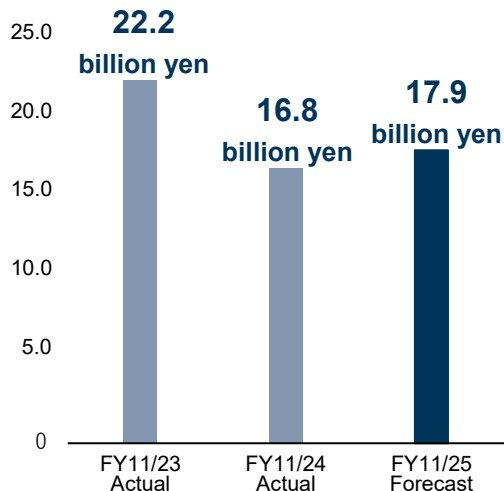


6 — Earnings forecast

- 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

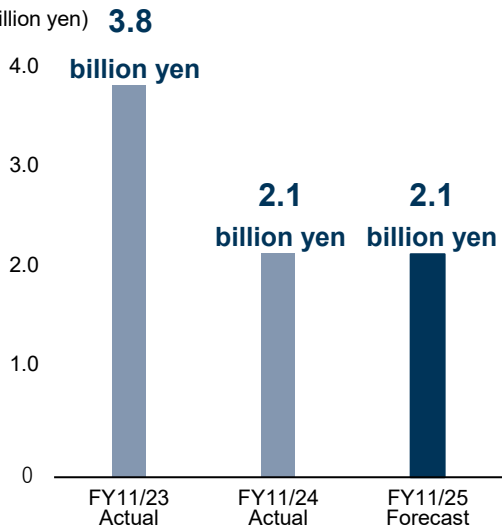
Net sales

(billion yen)



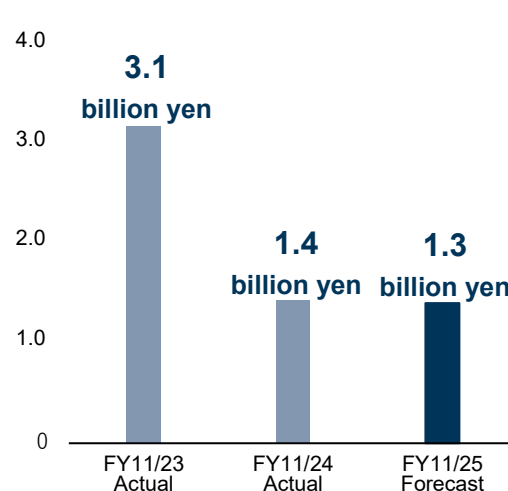
Ordinary profit

(billion yen)



Profit attributable to owners of parent

(billion yen)



Progress for gross profit against the full-year forecast was 33.6%, reflecting the absence of large property sales in the mainstay Investment Banking business

Sales of multiple properties are scheduled for 2H, and new property acquisitions are also proceeding steadily

(million yen)	FY11/24 Actual	Q2 FY11/25 Actual	Progress rate	FY11/25 Forecast (YoY change)
Net sales	16,865	5,377	30.0%	17,950 (+6.4%)
Gross profit	5,104	2,052	33.6%	6,100 (+19.5%)
Investment Management business	51	23	85.2%	27 (-46.8%)
Investment Banking business	4,798	1,823	31.4%	5,812 (+21.1%)
Facility Operation business	255	193	74.2%	260 (+2.1%)
Other business	0	11	N/A	0 (N/A)
Operating profit	2,838	802	22.8%	3,520 (+24.0%)
Ordinary profit	2,193	346	15.9%	2,180 (-0.6%)
Profit attributable to owners of parent	1,416	223	16.3%	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

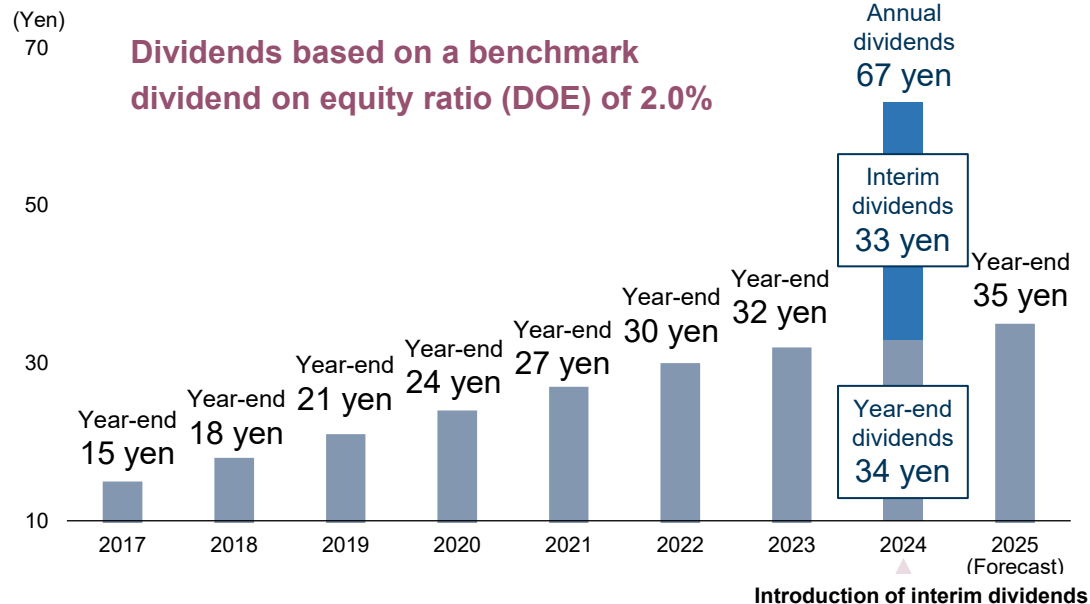


7 — Shareholder returns

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)
- We will continue exploring shareholder return initiatives that align with our earnings characteristics, in combination with the shareholder benefit plan described in the following slide

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

amazon gift card

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



Notes: For inquiries regarding products for which benefit points can be redeemed, please contact First Brothers Premium Benefits Club (TEL: 0120-980-965).

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* 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 Q2 FY11/25	Change
Total current assets	63,621	58,651	57,307	-1,344
Cash and deposits	7,531	4,817	3,312	-1,504
Deposits in trust	1,204	1,242	1,208	-34
Real estate for sale	50,184	47,366	47,700	+334
Real estate for sale in process	3,268	3,327	3,424	+96
Other	1,431	1,897	1,660	-236
Total non-current assets	26,319	30,490	31,817	+1,327
Total assets	89,940	89,141	89,124	-17
Total liabilities	65,512	64,234	64,286	+52
Total current liabilities	8,437	5,747	6,532	+785
Short-term borrowings	91	71	343	+272
Current portion of long-term borrowings	5,128	3,462	4,396	+934
Current portion of long-term non-recourse loans payable	23	0	0	± 0
Other	3,194	2,213	1,791	-421
Total non-current liabilities	57,075	58,487	57,754	-732
Long-term borrowings	50,252	53,154	53,699	+544
Long-term non-recourse loans payable	2,958	1,486	0	-1,486
Other	3,864	3,846	4,055	+209
Total net assets	24,427	24,907	24,837	-69
Total shareholders' equity	24,235	24,740	24,487	-252
Other	192	166	349	+183
Total liabilities and net assets	89,940	89,141	89,124	-17
Net D/E ratio*1	1.93	2.05	2.20	+0.15pt

Comments

- In Q2, current assets and net assets declined due to the revaluation of operating investment securities (no impact on income statement)
- The interest burden declined, as the balance of non-recourse loans was reduced to zero due to refinancing and loan terms improved.

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

Consolidated income statement (summary)

(million yen)	Q2 FY11/23	Q2 FY11/24	Q2 FY11/25	YoY change
Net sales	11,987	4,368	5,377	+23.1%
Gross profit	4,338	1,765	2,052	+16.3%
Selling, general and administrative expenses	1,271	1,161	1,249	+7.6%
Operating profit	3,066	603	802	+33.1%
Ordinary profit	2,726	377	346	-8.3%
Profit attributable to owners of parent	2,214	179	223	+24.8%

Gross profit breakdown

Investment Management business	81	33	23	-31.6%
Investment Banking business	4,205	1,576	1,823	+15.7%
Gross profit from sale	2,960	129	13	-89.5%
Gross profit from leasing	1,256	1,471	1,807	+22.9%
Other	(12)	(24)	2	N/A
Facility Operation business	41	155	193	+24.7%
Other business	9	0	11	N/A
Total gross profit	4,338	1,765	2,052	+16.3%

Selling, general and administrative expenses breakdown

Personnel expenses	683	600	518	-13.5%
Rent	87	86	86	+0.1%
Commission expenses / remuneration	200	154	179	+16.5%
Taxes and dues	67	18	23	+25.9%
Amortization of goodwill	57	57	90	+56.0%
Other	174	245	351	+43.4%
Total selling, general and administrative expenses	1,271	1,161	1,249	+7.6%

Comments

- Gross profit increased 16.3% YoY, owing in part to higher lease income from properties for lease and sales growth in the Facility Operation business
- Recorded extraordinary gains on sale of non-current assets and affiliated company shares
- We will consider property acquisitions and sales while closely monitoring the market environment

Major breakdown

Depreciation	+600 million yen
Profit before income taxes	+400 million yen
Decrease (increase) in inventories	-800 million yen
Income taxes paid	-600 million yen

Major breakdown

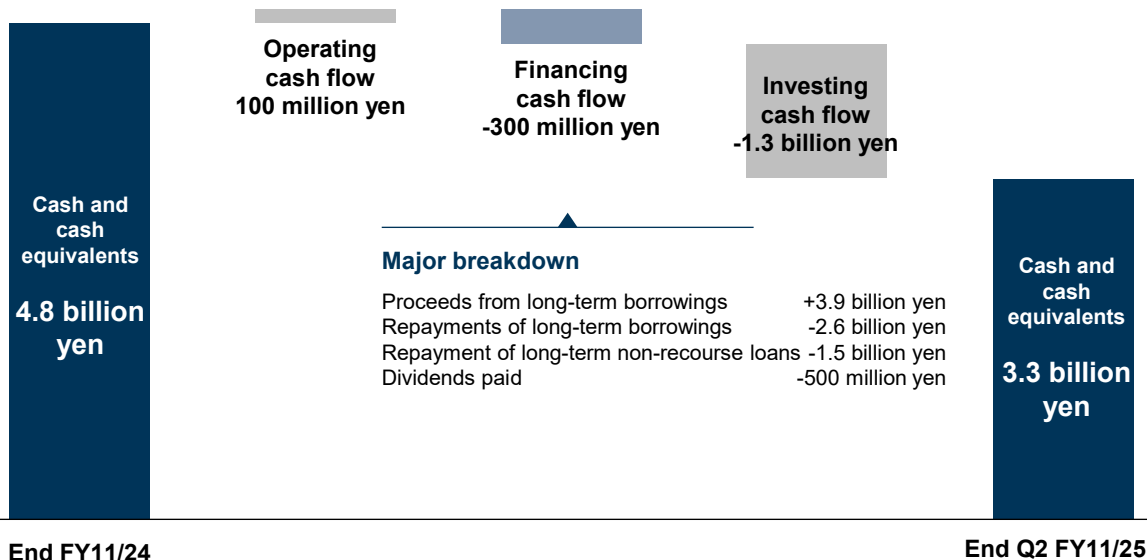
Purchase of property, plant and equipment	-1.5 billion yen
Sale of property, plant and equipment	200 million yen

Comments

- **Acquired prime real estate (inventories) utilizing borrowings**
- **Cash tends to decline in 1H due to income taxes and dividend payouts**
- **As a result of the above, cash and cash equivalents at end-Q2 FY11/25 fell 1.5 billion yen from end-FY11/24**

Key takeaways

For the Company, real estate for lease is an operating asset that generates income, but most of it is recorded as “real estate for sale (inventories)” for accounting purposes. Hence, when acquisitions precede sales, operating cash flow tends to be negative



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 181 (as of May 31, 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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