



F I R S T   B R O T H E R S

**Q3 FY11/25**  
**Financial Earnings Summary**

**October 7, 2025**

**First Brothers Co., Ltd.**

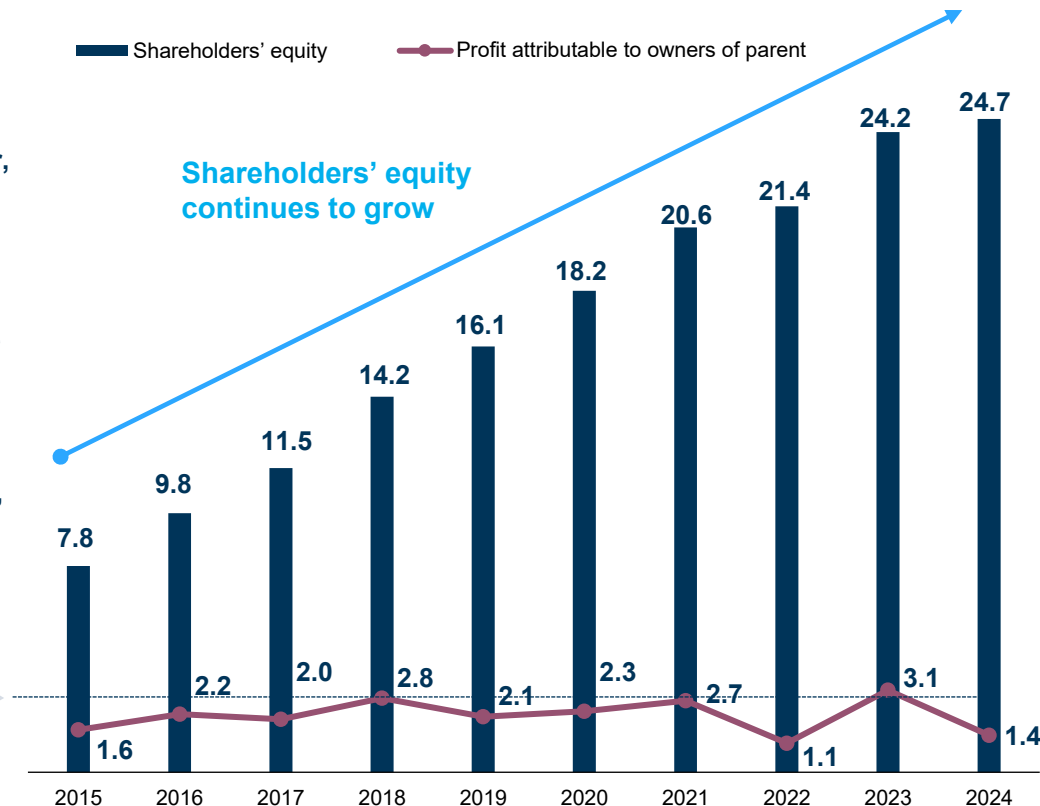
**(Tokyo Stock Exchange Standard Market: 3454)**

## 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)



- Through the Investment Banking business, we recorded gains on property sales while lease income from properties held continued to expand
- Performance achieved through the Investment Management and Facility Operation businesses was commensurate with our projections

## Consolidated results

<p><b>Gross profit</b></p> <p><b>3,441</b> million yen</p> <p>+19.7% YoY ↑</p>	<p><b>Operating profit</b></p> <p><b>1,577</b> million yen</p> <p>+37.3% YoY ↑</p>	<p><b>Ordinary profit</b></p> <p><b>925</b> million yen</p> <p>+25.8% YoY ↑</p>	<p>Profit attributable to owners of parent</p> <p><b>659</b> million yen</p> <p>+31.4% YoY ↑</p>
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## Investment Management

Received one-time asset management fees  
Gross profit declined due to a drop in the balance of assets under management, but this downturn was commensurate with expectations

**Gross profit**

**35** million yen

-19.9% YoY ↓

## Investment Banking

Lease income from properties held by the Group, a stable earnings source, increased  
Variable rent from lodging facilities also continued expanding YoY  
Unrealized gains decreased due to growth in our portfolio's book value resulting from property sales and additional investment

**Unrealized gains in real estate**

**19,370** million yen

-1,840 million yen  
versus end-FY11/24 ↓

**Gross profit from real estate leasing**

**2,645** million yen

+23.3% YoY ↑

## Facility Operation

Despite a partial decline in overseas demand linked to public concern over earthquake forecasting, gross profit expanded thanks to robust demand observed elsewhere

**Gross profit**

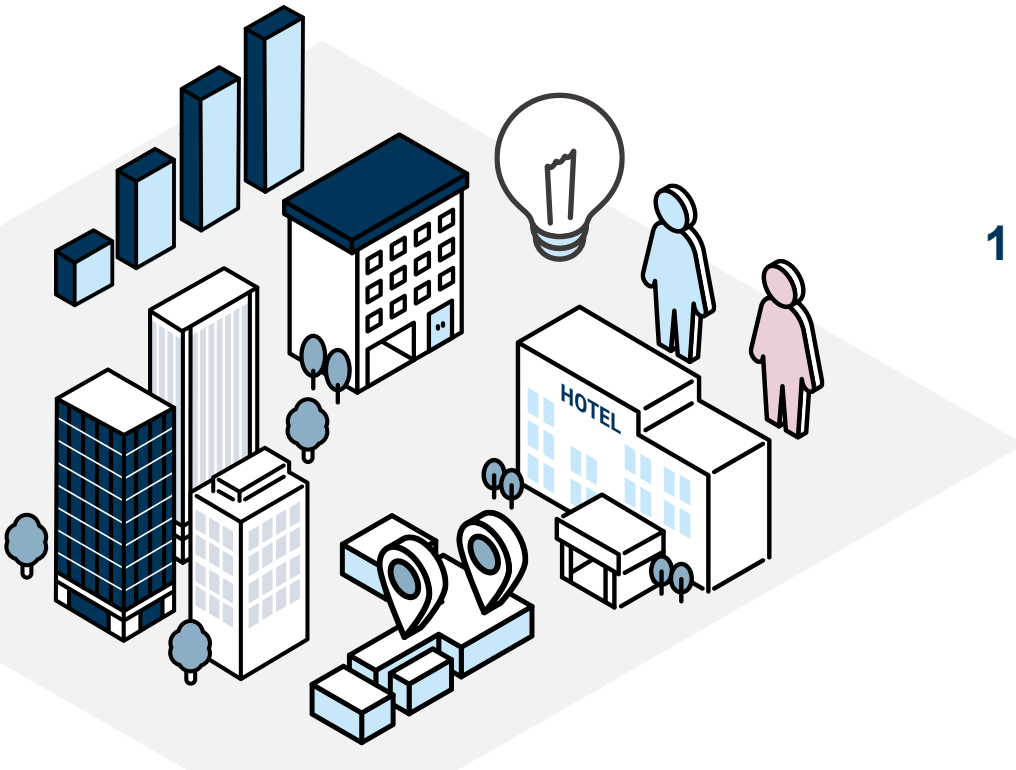
**249** million yen

+28.5% YoY ↑

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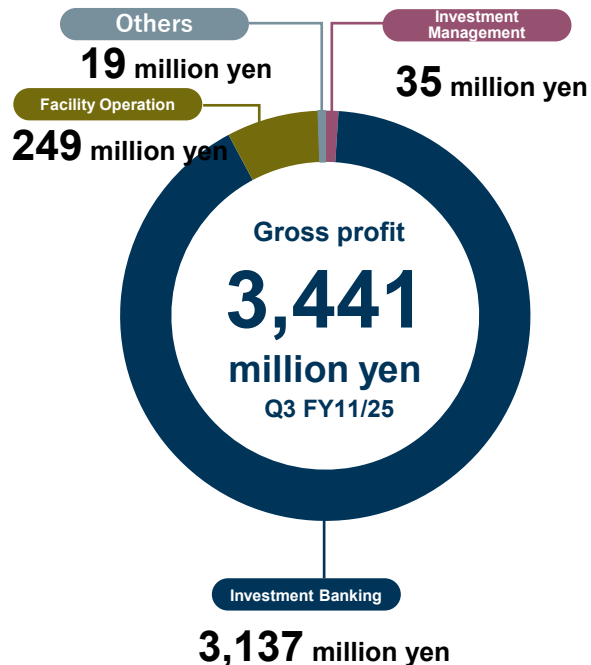




# 1 — First Brothers' business

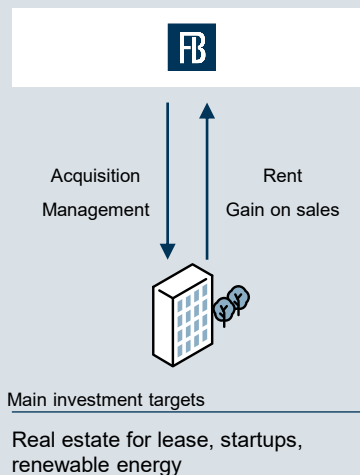
Leveraging our proprietary investment as a central foundation, we operate three businesses that draw on the strengths characterizing First Brothers

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



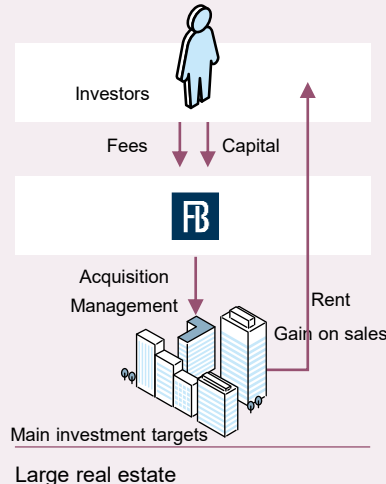
## Investment Banking

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



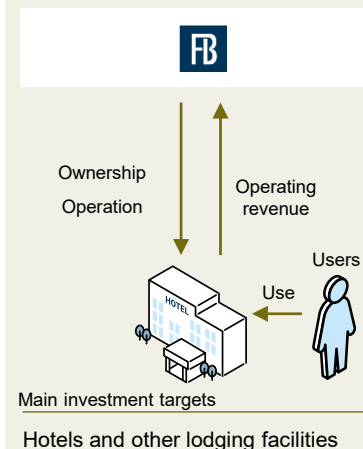
## Investment Management

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

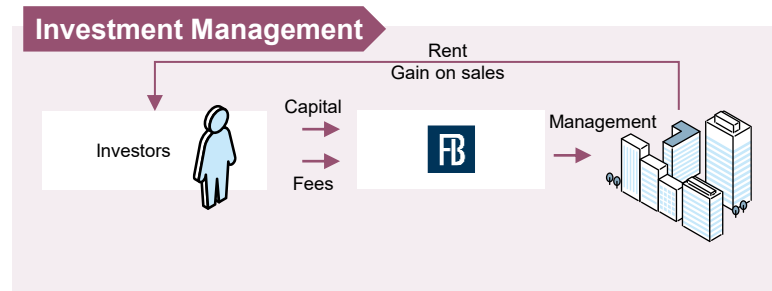
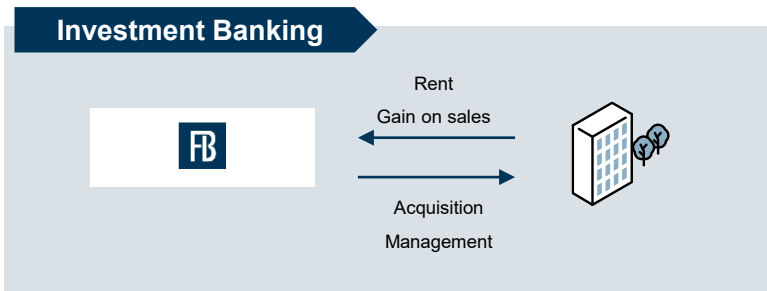


## Facility Operation

We operate hotels and other lodging facilities on our own



Through the Investment Banking business, we invest in real estate directly using our own capital (with borrowings), and therefore own the properties in which we invest. In contrast, through our Investment Management (fund) business, we adopt a fee-based model under which we collect management fees from investors



## Funding

Proprietary capital (with borrowings)

Investment from institutional investors

## Target

Small to medium-sized properties valued at 5.0 billion yen or less

Large properties valued at over 10.0 billion yen

## Features

Attractive investment opportunities are numerous thanks to high liquidity and robust market activity (large transaction volume)

The market for large properties generates lower transaction volumes than markets for small or medium-sized properties, and competition for prime deals is especially heated

## Environmental awareness

- In core city markets, investment yields have continued to decline amid overheated competition
- The willingness to lend among financial institutions has not changed significantly
- With interest rates on the rise, low-yield deals are compelling caution

- The J-REIT market continues to expand, and further growth is expected due to recent policy clarifications permitting J-REITs to handle certain building-integrated data-center equipment as real estate
- Investors overseas continue to exhibit interest in relatively inexpensive Japanese real estate
- Out of caution regarding market overheating, we are refraining from forming First Brothers-led funds at this time

Using proprietary capital for direct investment, we generate stable earnings and sustained portfolio growth

### Real estate investment

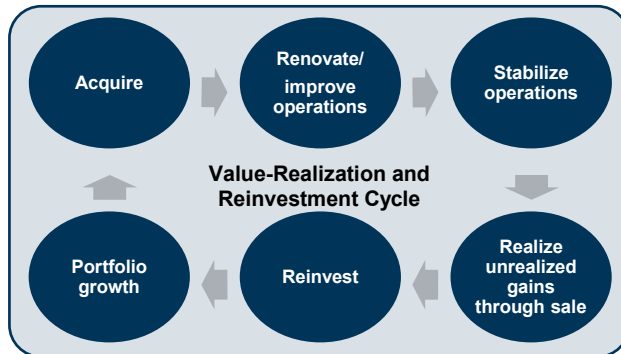
- Acquisition and ownership of real estate for lease
- Improvement of assets (through renovations) and operations / new development
- Realization of unrealized gains through property sales→Reinvestment



### Other investment

- Renewable energy
  - Social infrastructure investment
- Startup
  - Venture capital investment

**Securing stable earnings × Portfolio growth**



**Expand foundation for stable earnings**

**Maximize medium- to long-term profit**



**Higashinihon Fudosan (HNF) utilizes its locally rooted information network to source prime properties in less competitive markets. This approach enables HNF to build a concentrated portfolio of high-yield assets in regional cities**



**Community-based  
information  
network**

**Developing locally  
rooted real estate  
business**

- HNF has established strong relationships with local governments and real estate agents, primarily in Aomori
- These ties supply HNF with early and priority access to information on high-quality properties



**Acquisition  
of properties  
in less  
competitive  
markets**

**Ownership of numerous  
prime office and  
commercial facilities in  
regional cities**

- Entry of major capital into regional cities is limited
- Thanks to HNF's credibility and track record, we receive many referral-sourced property opportunities and frequently collaborate with local authorities, enabling off-market acquisitions

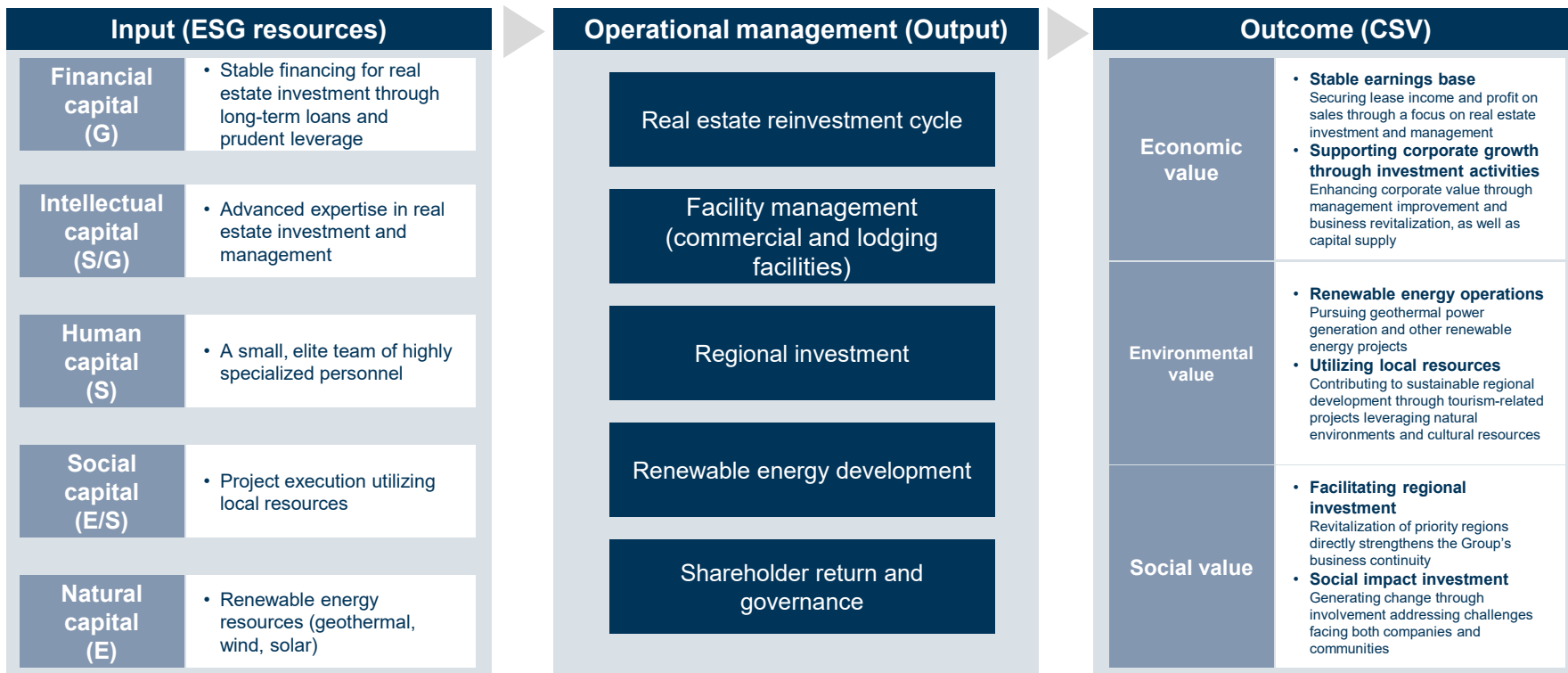


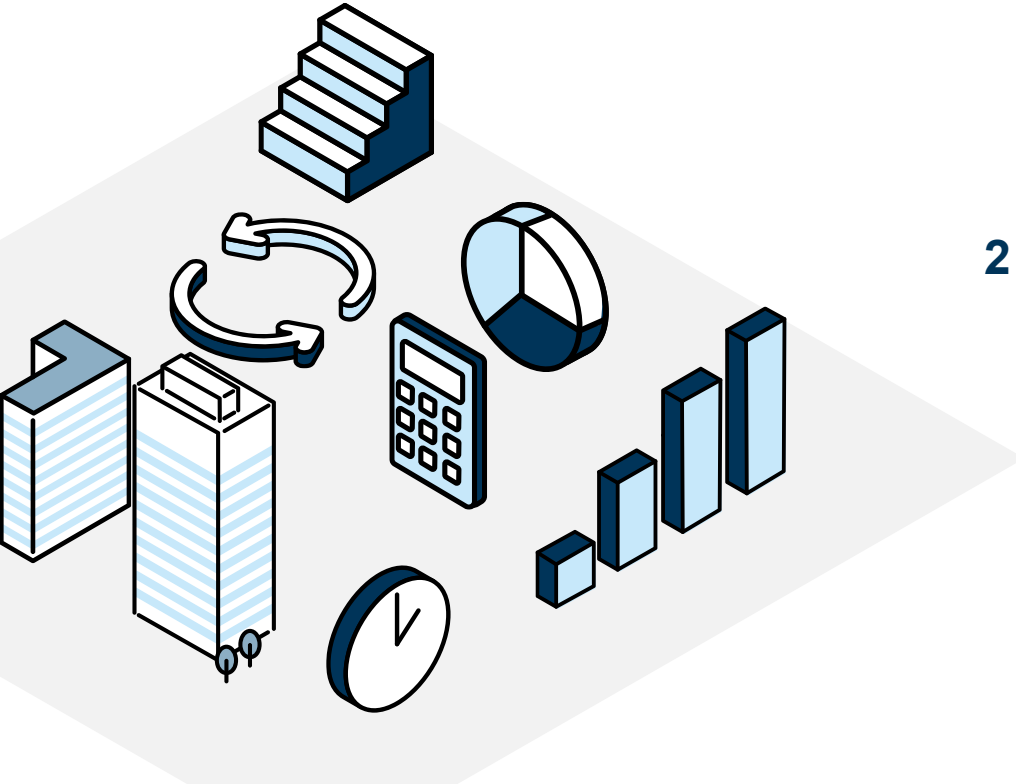
**High-yield  
property  
hotspots**

**Properties with high  
potential value**

- Many properties in the Tohoku area offer high NOI yields, so profitability is strong
- New property supply is scarce, and tenant demand remains robust

Through appropriate capital allocation and an operational strategy built primarily around real estate, we secure stable earnings and growth, converting our activities into CSV—simultaneous creation of economic and social value



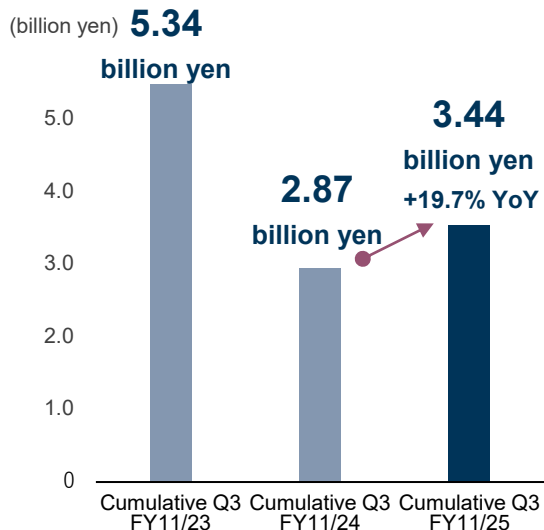


## 2 — Earnings highlights

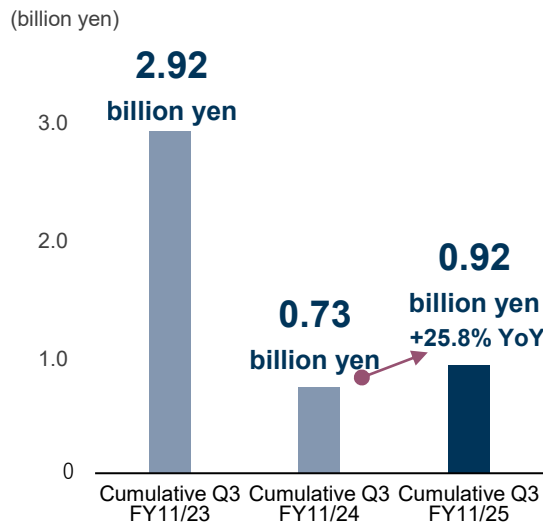
Realized unrealized gains for Q3 through property sales while continuing to observe steady growth in stable lease income  
Achieved YoY expansion across all profit lines despite higher non-operating expenses attributable to rising interest rates

**Gross profit**

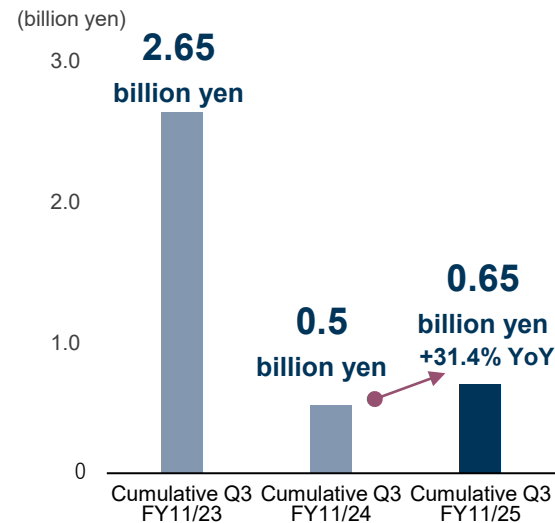
Up 19.7% YoY thanks to higher property sales and lease income in the Investment Banking business

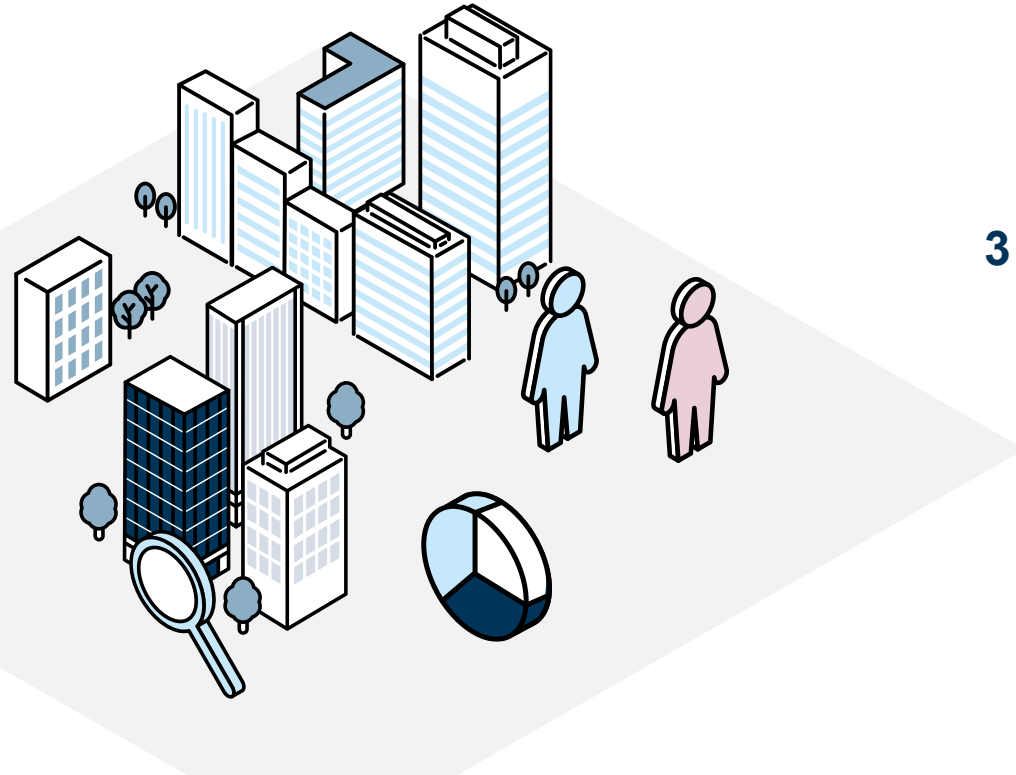
**Ordinary profit**

Up 25.8% YoY despite higher non-operating expenses attributable to refinancing costs and rising interest rates

**Profit attributable to owners of parent**

Up 31.4% YoY thanks to another booking of extraordinary gains on the sale of solar power generation facilities for Q3



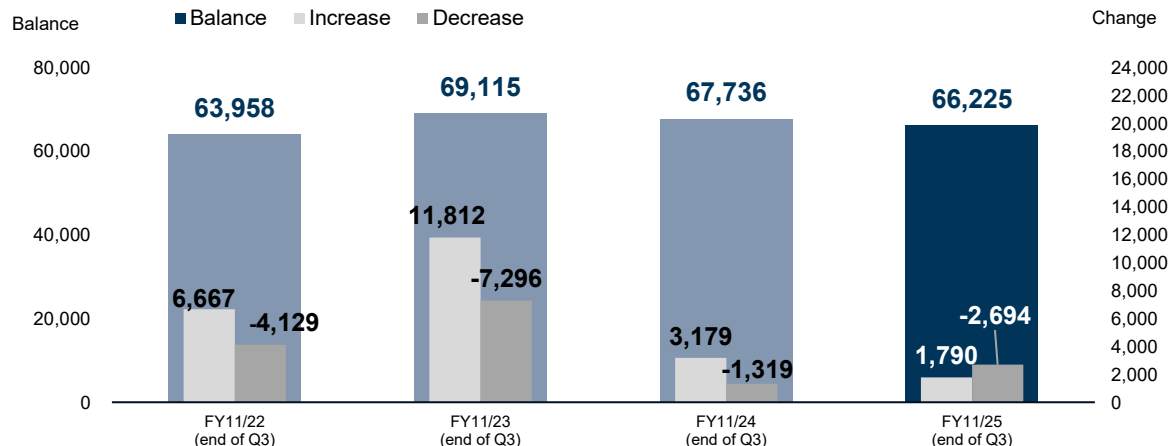


### 3 — Investment Banking business

We work to acquire properties for lease expected to generate stable earnings in the medium to long term as a core component of earnings. During FY11/25, property sales have outpaced acquisitions, driving decreases in both the balance and number of properties for lease. Aiming to limit impact from rising interest rates, we are selectively acquiring high-yield properties

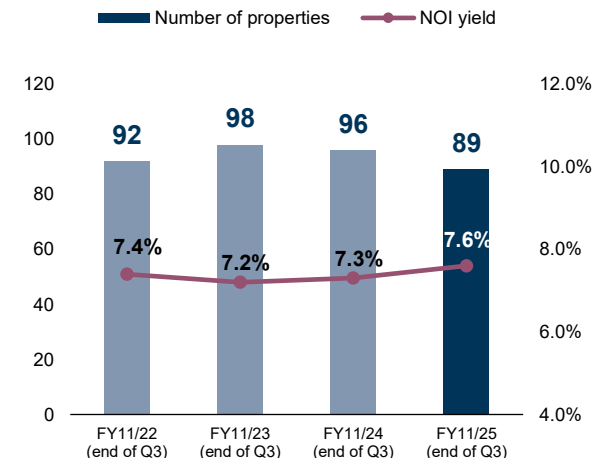
## Balance of properties for lease

(million yen)



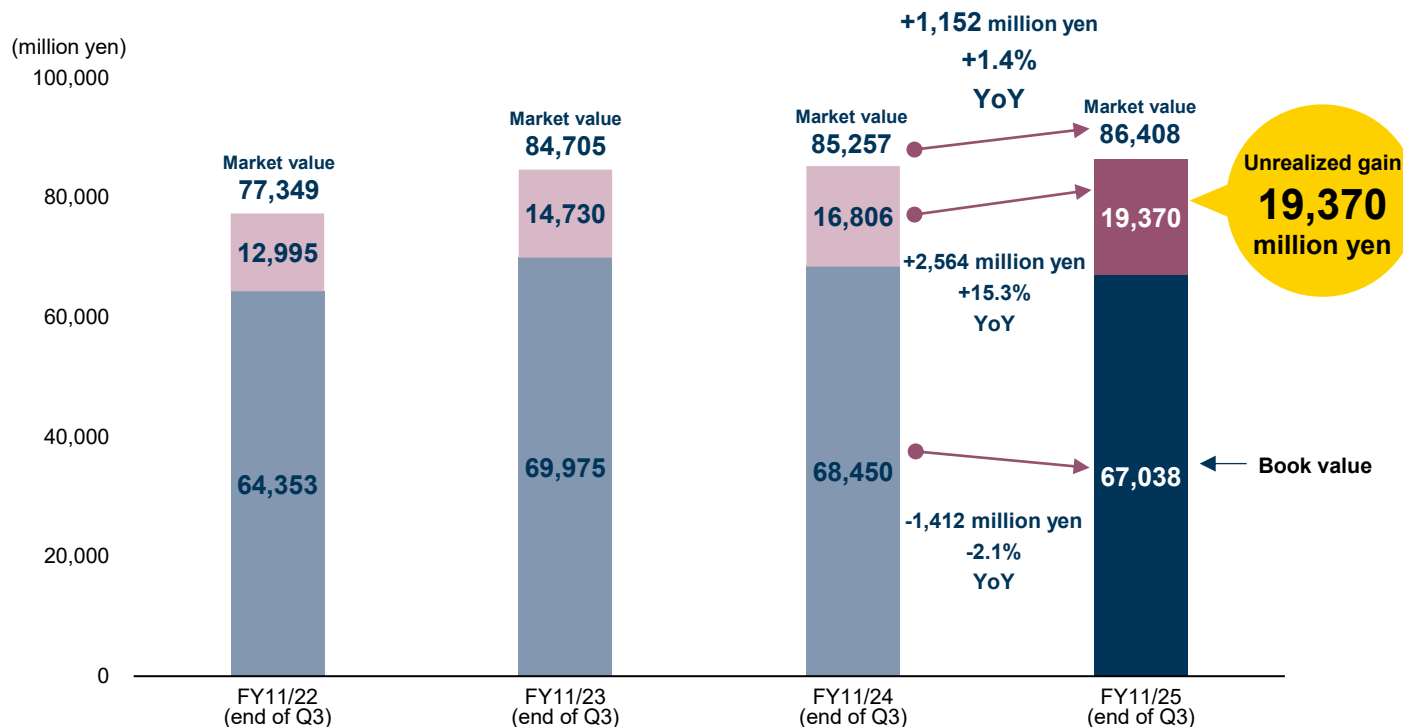
Note: Balance and increase/decrease values are based on acquisition price. Increase values include increases from M&A and from completion of development projects

## No. of properties/NOI yield



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

Unrealized gains increased due to the acquisition of new properties for lease and ongoing value enhancement for existing holdings  
Unrealized gains are realized at the time of sale, contributing to future profits while facilitating 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  
⇒ At time of sale: recorded as revenue

### <High-yield properties>

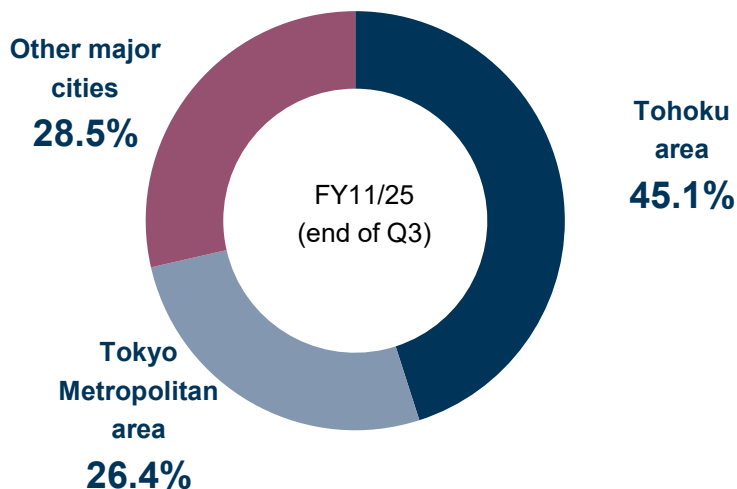
Recognized as a non-current assets in anticipation of long-term holding  
⇒ At time of sale: Recognized as extraordinary income or loss

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

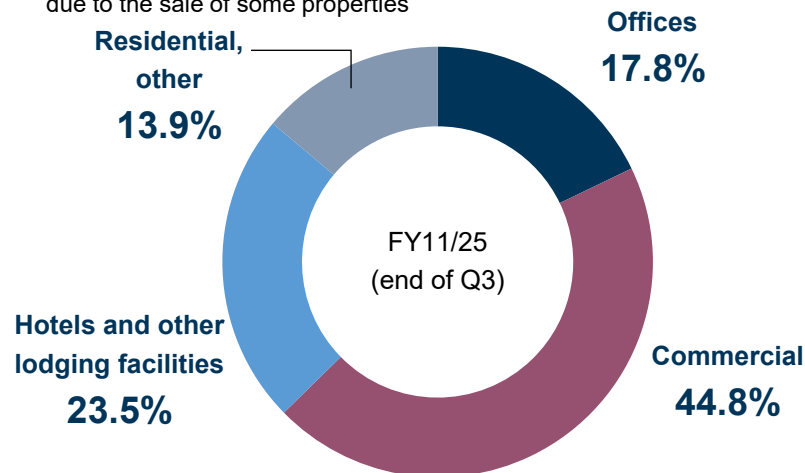
Carefully select prime investment properties in the Tohoku region, the base for Higashinihon Fudosan, and other regions throughout the nation, in addition to the Tokyo Metropolitan area



## By use\*

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

Lodging facilities acquired during the pandemic are showing a declining trend due to the sale of some properties



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

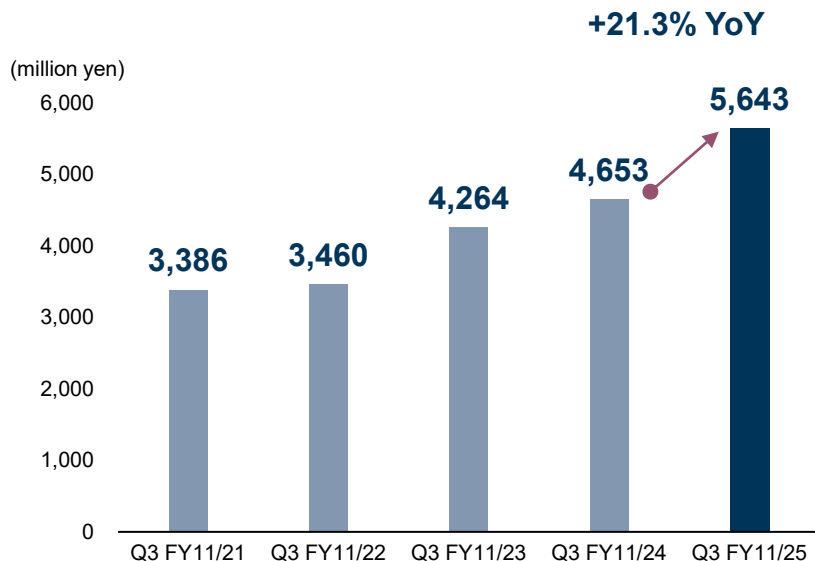


Worked to secure stable earnings by selectively acquiring quality properties for lease expected to generate stable lease income and enhancing the value of properties held

Generated sustained growth in lease income for Q3 as we continued pursuing new acquisitions while implementing profitability-improvement measures for existing properties

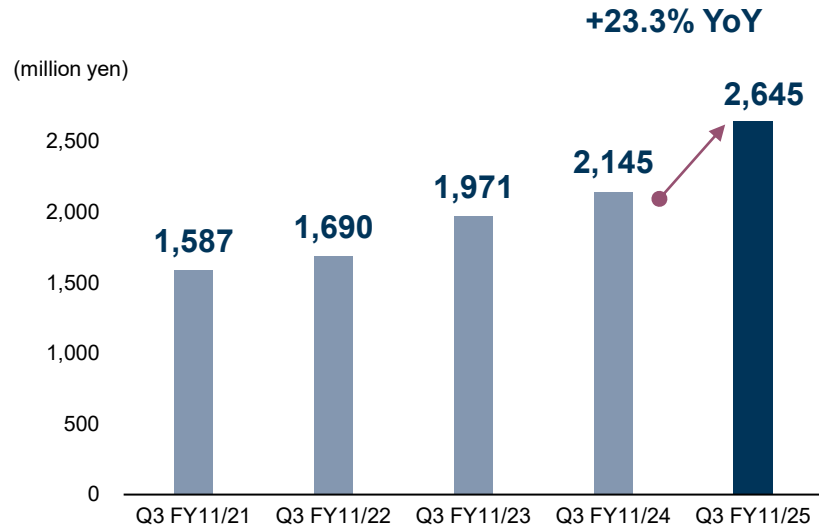
## Revenue from real estate leasing (cumulative)

Hotels leased to external operators under performance-linked variable-rent contracts continued to perform well, driving further growth in revenue from real estate leasing



## Gross profit from real estate leasing (cumulative)

Gross profit from real estate leasing rose along with revenue from real estate leasing  
Inflation has not yet generated a rise in property operating costs

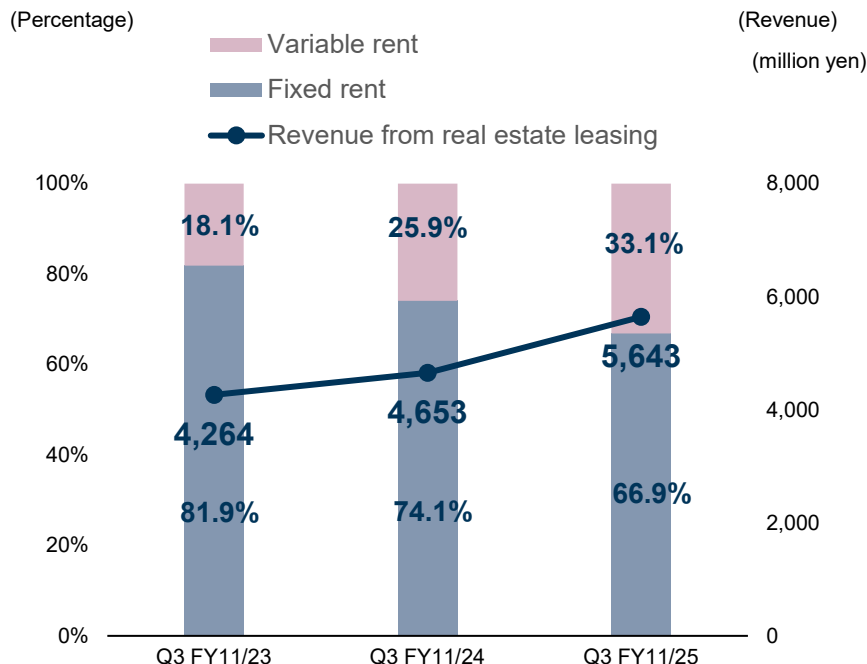


Growth associated with our portfolio of properties for lease occurred primarily through variable-rent income from hotels and similar properties

Our investment decisions prioritize the maximization of medium- to long-term corporate value while maintaining overall portfolio balance

## Breakdown of cumulative revenue from real estate leasing

(Shares generated through fixed and variable rent)



### <Fixed rent>

Rent: In principle, amount is fixed throughout the contract period

Stability: Since rent is fixed, income fluctuations are minimal throughout the contract period

Purpose: Establishing a defensive foundation for earnings  
To ensure stability, fixed rent is combined in appropriate proportion with variable rent, which offers upside potential

### <Variable rent>

Rent: Determined based on tenant revenues or hotel occupancy metrics

Stability: Subject to fluctuations influenced by economic conditions, planned events, etc.

Objective: Proactively capturing growth opportunities

Variable rent is combined in appropriate proportion with fixed rent to secure upside potential for earnings

### Key takeaways

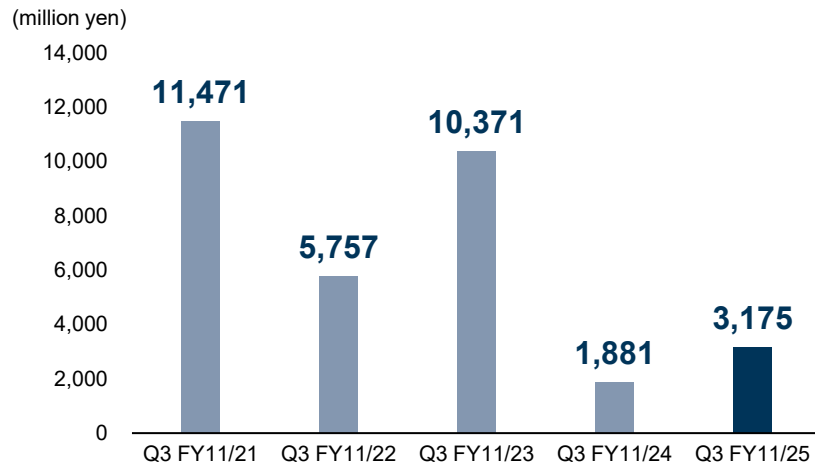
Customer demand heavily influences lease income from commercial facilities and hotels with variable rents. Therefore, we balance this variable rent with steadier recurring revenue and prioritize the timing of sales, especially when markets appear overheated. Moving forward, the Group will continue basing its investment decisions on careful assessments of market trends

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, and some of these sales were executed in Q3

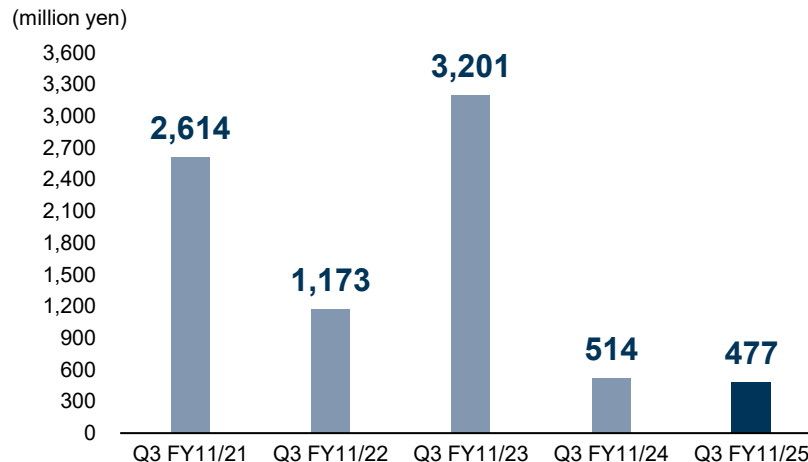
### Revenue from real estate sales (cumulative) <sup>\*1\*2</sup>

We focused on selling small properties with relatively low yields, prioritizing speed. Sales were executed in Q3 to realize unrealized gains; multiple sales are also planned for Q4



### Gross profit from real estate sales (cumulative) <sup>\*1\*2</sup>

Adopting a risk management perspective, we sold several small properties during 1H. Despite the booking of profit on sales for Q3, profitability deteriorated YoY due to previously indicated factors



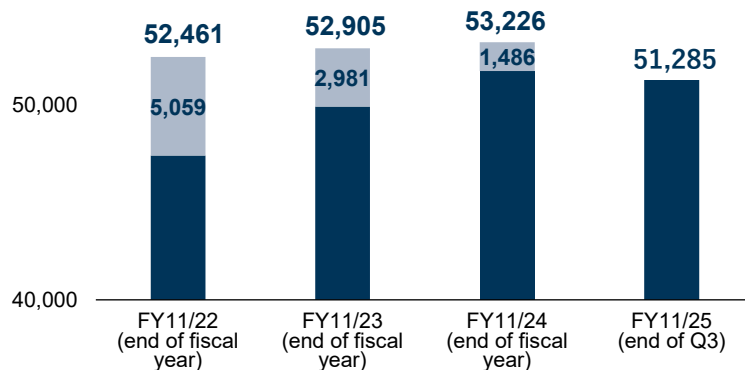
\*1 Includes sales of real estate for sale in process (including land for development of properties for lease)

\*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

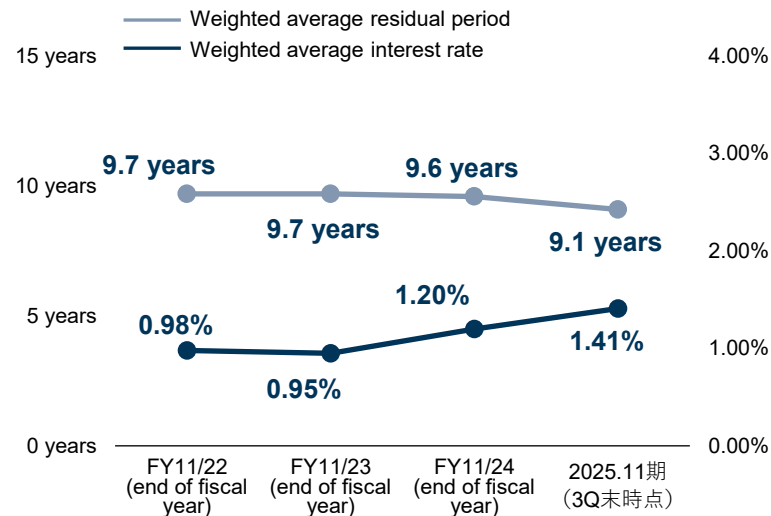
(million yen) ■ Of which, non-recourse loans



## 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.

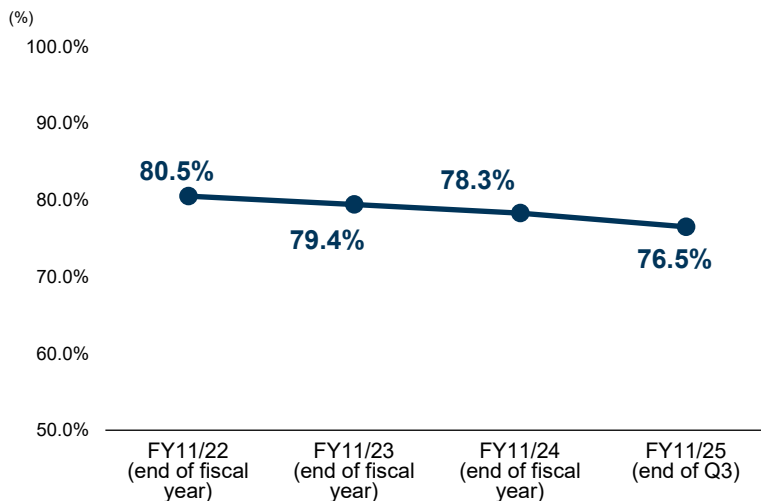
\*2 Before fixing interest rates

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

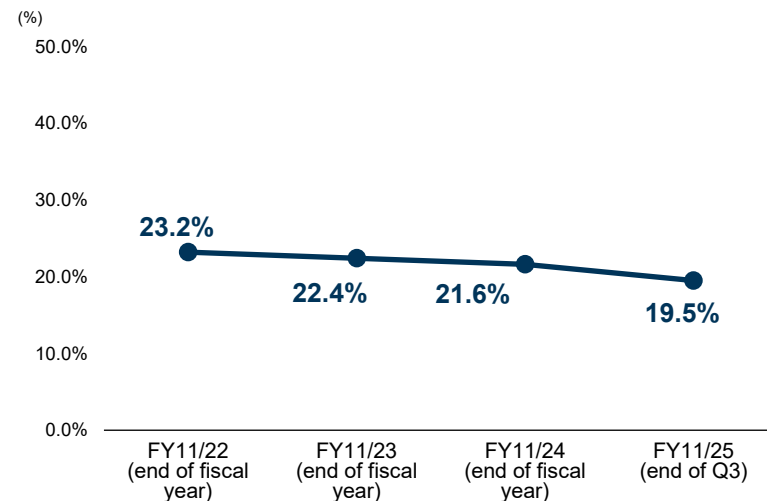
Most loans have floating interest rates, and so using interest rate swaps, we exchange some floating rates with fixed rates

### 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.

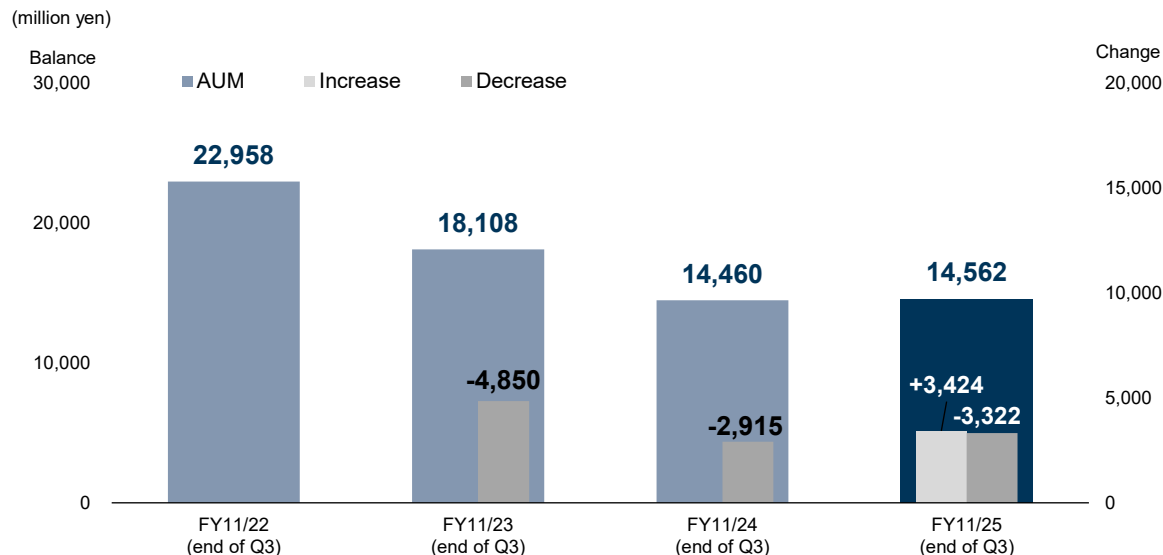


## 4 — Investment Management business

Competition surrounding large properties, the investment targets of funds arranged by the Group, remains fierce. Taking a cautious stance, we acquired no new properties

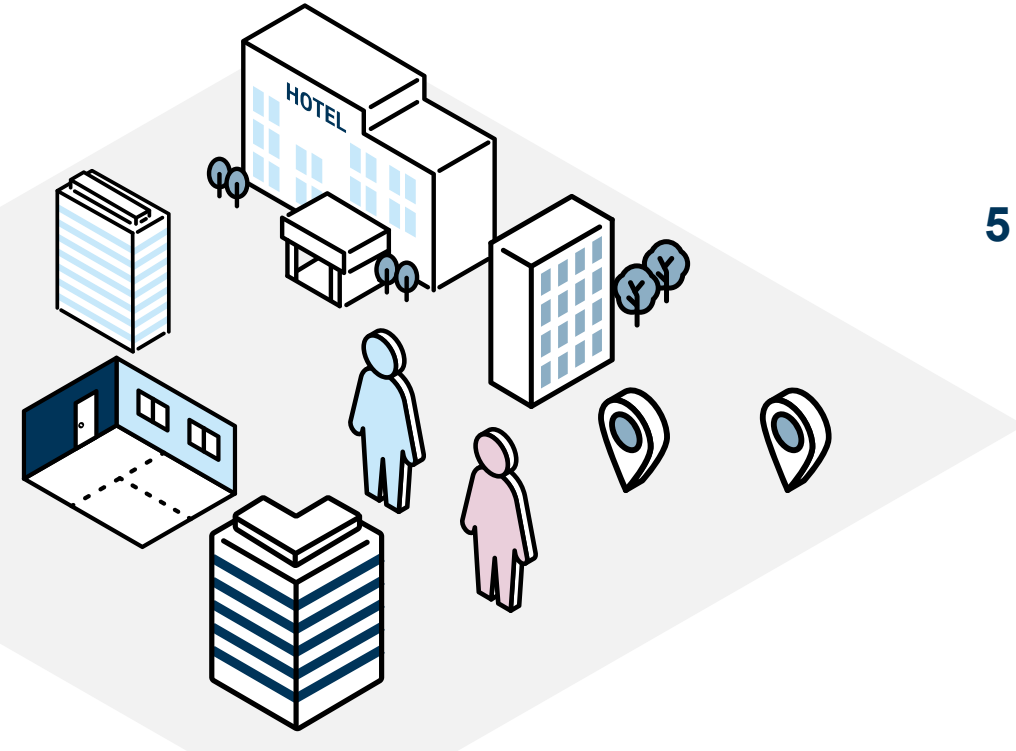
Meanwhile, we won management contracts for properties acquired by investors, primarily, as appropriate, and earned asset management fees

### Balance of assets under management



### Key takeaways

- The decline in balance was due to portfolio rotation by investors
- The balance of assets under management declined in Q3 as we recorded income from sales fees
- 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

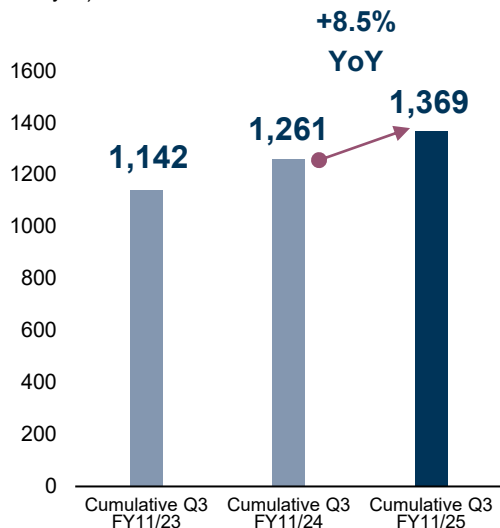


Although rumors of earthquake “predictions” weakened inbound tourist demand from certain regions, performance still benefited from tourism demand, and we successfully secured YoY sales growth

However, the segment continued to fall short of generating operating profit due primarily to goodwill amortization and other costs

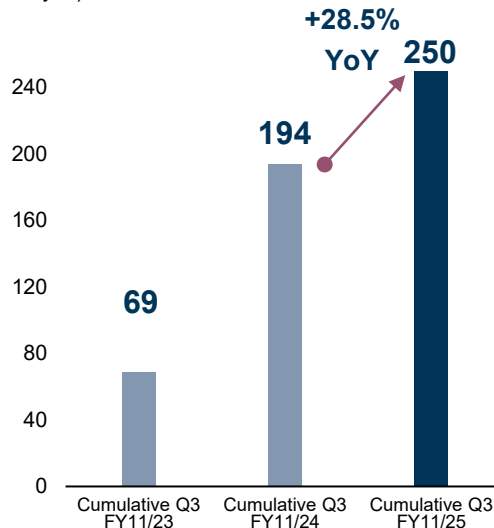
## Sales

(million yen)



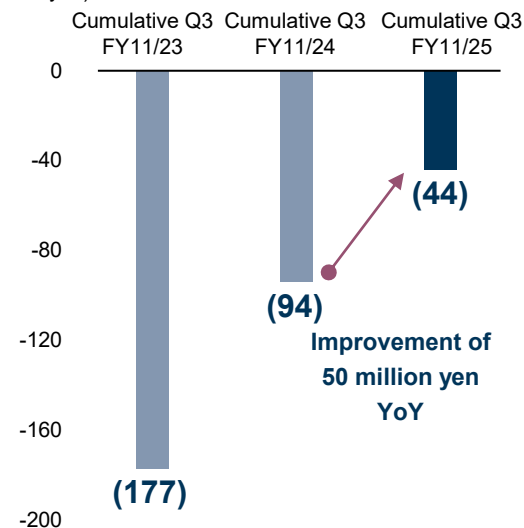
## Gross profit

(million yen)



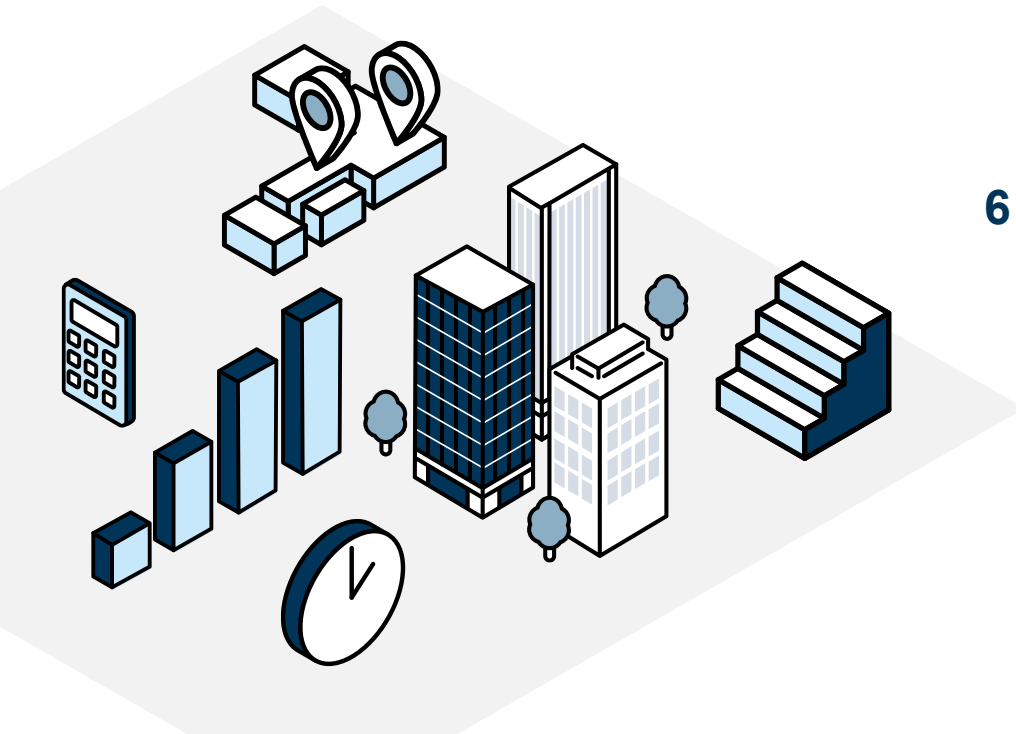
## Operating profit

(million yen)



## Facility Operation

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

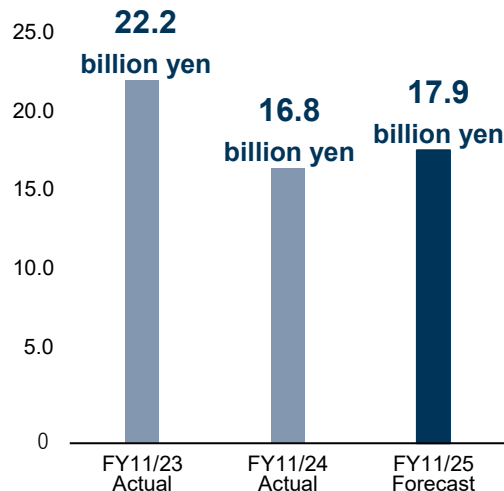


## 6 — Earnings forecast

- 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

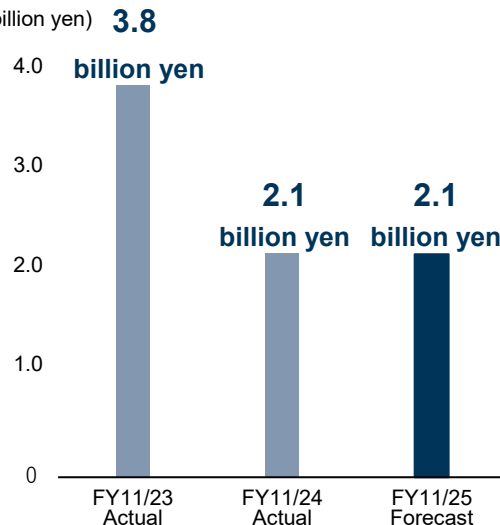
## Net sales

(billion yen)



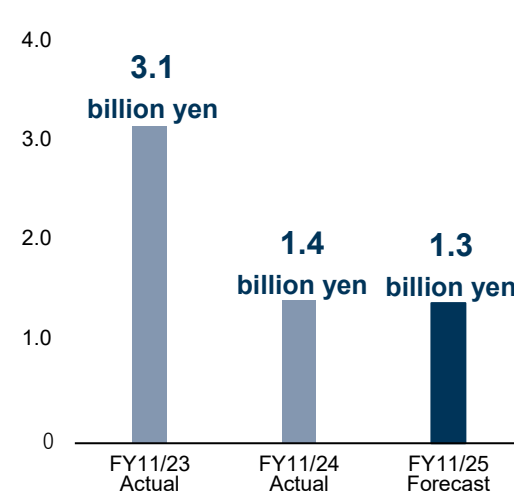
## Ordinary profit

(billion yen)



## Profit attributable to owners of parent

(billion yen)



**Booking profit on property sales through the Investment Banking business, we have generated 56.4% of our annual gross profit forecast. We plan to sell multiple properties during Q4, including some already disclosed**

(million yen)	FY11/24 Actual	Cumulative Q3 FY11/25 Actual	Progress rate	FY11/25 Forecast (YoY change)
Net sales	16,865	10,314	57.5%	17,950 (+6.4%)
Gross profit	5,104	3,441	56.4%	6,100 (+19.5%)
Investment Management business	51	35	130.5%	27 (-46.8%)
Investment Banking business	4,798	3,137	54.0%	5,812 (+21.1%)
Facility Operation business	255	249	95.9%	260 (+2.1%)
Other business	0	19	N/A	0 (N/A)
Operating profit	2,838	1,577	44.8%	3,520 (+24.0%)
Ordinary profit	2,193	925	42.4%	2,180 (-0.6%)
Profit attributable to owners of parent	1,416	659	48.2%	1,370 (-3.3%)

### Key takeaway 1

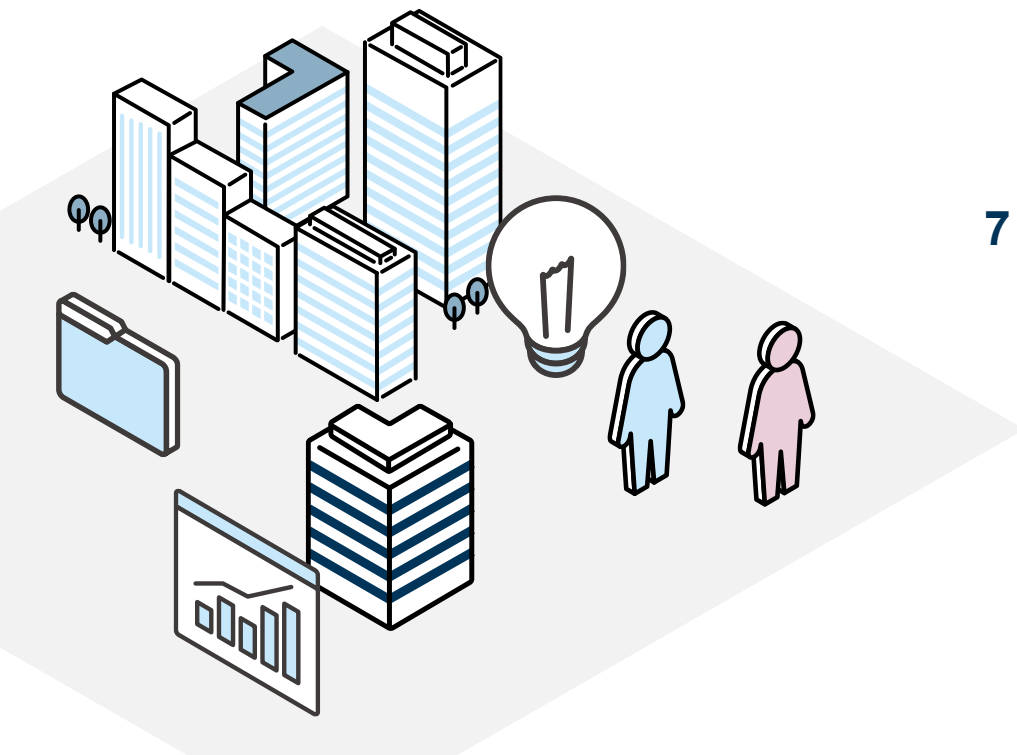
**Prioritize gross profit growth because net sales fluctuate sharply depending on the size of properties sold**

### Key takeaway 2

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

### Key takeaway 3

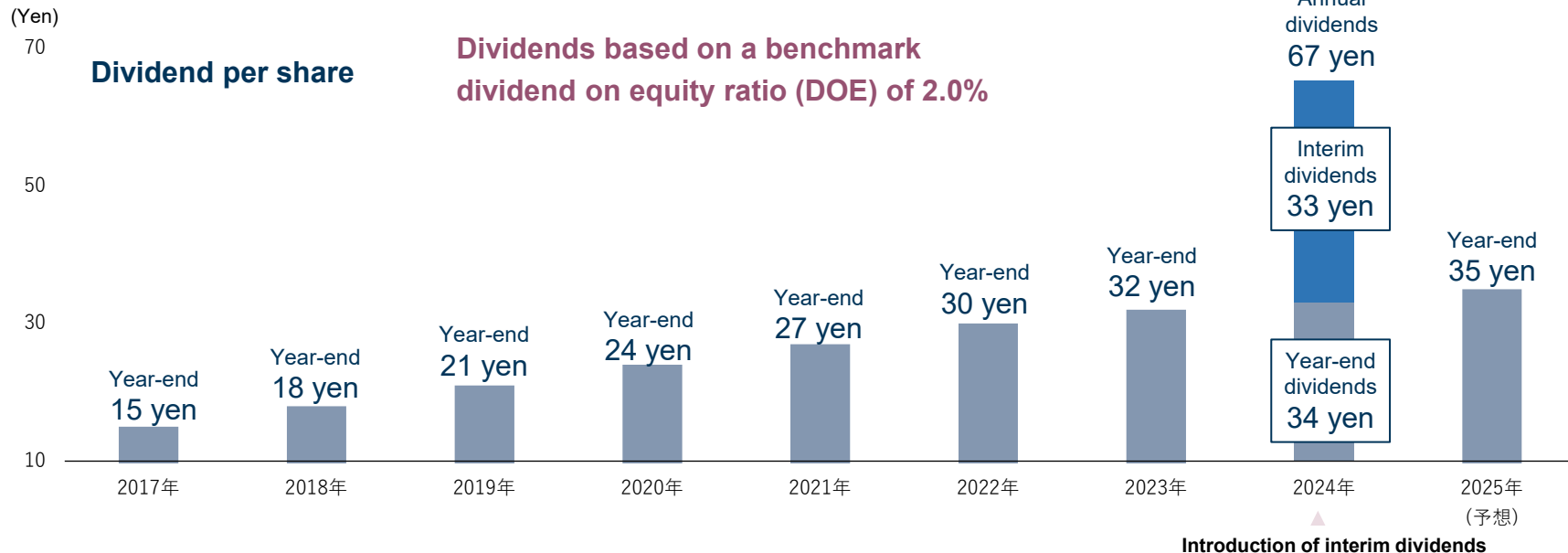
**Forecasts are prepared and managed on an annual basis, as quarterly results largely fluctuate depending on the timing of property sales**



## 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



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

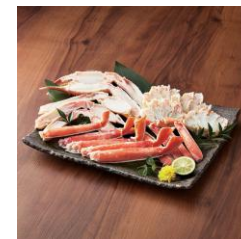
The plan extends shareholder benefit points to shareholders commensurate with the quantity and duration of their holdings. Shareholders can exchange their points for Amazon gift certificates, food products, electrical appliances, and various opportunities for travel and personal experiences through a 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 Q3 FY11/25	Change
Total current assets	63,621	58,651	56,563	-2,087
Cash and deposits	7,531	4,817	3,768	-1,048
Deposits in trust	1,204	1,242	1,070	-172
Real estate for sale	50,184	47,366	46,695	-670
Real estate for sale in process	3,268	3,327	3,424	+96
Other	1,431	1,897	1,605	-292
Total non-current assets	26,319	30,490	31,349	+858
<b>Total assets</b>	<b>89,940</b>	<b>89,141</b>	<b>87,912</b>	<b>-1,228</b>
Total liabilities	65,512	64,234	62,658	-1,575
Total current liabilities	8,437	5,747	6,675	+927
Short-term borrowings	91	71	343	+272
Current portion of long-term borrowings	5,128	3,462	4,276	+813
Current portion of long-term non-recourse loans payable	23	0	0	±0
Other	3,194	2,213	2,055	-157
Total non-current liabilities	57,075	58,487	55,983	-2,503
Long-term borrowings	50,252	53,154	52,012	-1,141
Long-term non-recourse loans payable	2,958	1,486	0	-1,486
Other	3,864	3,846	3,970	+124
Total net assets	24,427	24,907	25,253	+346
Total shareholders' equity	24,235	24,740	24,923	+182
Other	192	166	330	+164
<b>Total liabilities and net assets</b>	<b>89,940</b>	<b>89,141</b>	<b>87,912</b>	<b>-1,228</b>
Net D/E ratio*1	1.93	2.05	2.08	+0.03pt

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

## Comments

- Borrowings decreased in Q3, reflecting property sales
- As in Q2, we executed solar power generation facility sales in Q3

## Key takeaways

- We generally employ leverage to the fullest when undertaking investment, so our loan ratio tends to rise as investment proceeds
- To keep risk in check, we principally utilize long-term borrowings while closely monitoring cash flows by individual property

# Consolidated income statement

## Consolidated income statement (summary)

(million yen)	End FY11/23	End FY11/24	End Q3 FY11/25	YoY change
Net sales	16,040	7,909	10,314	+30.4%
Gross profit	5,343	2,875	3,441	+19.7%
Selling, general and administrative expenses	1,913	1,725	1,863	+8.0%
Operating profit	3,430	1,149	1,577	+37.3%
Ordinary profit	2,925	735	925	+25.8%
Profit attributable to owners of parent	2,657	502	659	+31.4%

## Gross profit breakdown

Investment Management business	91	44	35	-19.9%
Investment Banking business	5,172	2,636	3,137	+19.0%
Gross profit from sale	3,201	515	477	-7.3%
Gross profit from leasing	1,971	2,145	2,645	+23.3%
Other	(0)	(24)	14	N/A
Facility Operation business	69	194	249	+28.5%
Other business	9	0	19	N/A
Total gross profit	5,343	2,875	3,441	+19.7%

## Selling, general and administrative expenses breakdown

Personnel expenses	1,012	878	778	-11.4%
Rent	130	129	128	-0.2%
Commission expenses / remuneration	280	227	263	+16.1%
Taxes and dues	128	32	34	+6.5%
Amortization of goodwill	86	86	123	+41.8%
Other	274	372	535	+43.8%
Total selling, general and administrative expenses	1,913	1,725	1,863	+8.0%

## Comments

- Gross profit increased 19.7% YoY thanks in part to proceeds from property sales, lease income, and growth in Facility Operation business sales
- Recognized extraordinary income from the sale of both non-current assets (solar power generation facilities) and affiliated company shares
- We will continue to explore property acquisition and sale opportunities while evaluating market conditions

## 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** 175 (as of August 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

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