FIRST BROTHERS

2Q FY11/26
Financial Earnings Summary

July 10, 2026

First Brothers Co., Ltd.

(Tokyo Stock Exchange Standard Market: 3454)

Profit attributable to owners of parent and shareholders' equity

Consolidated

FIRST BROTHERS

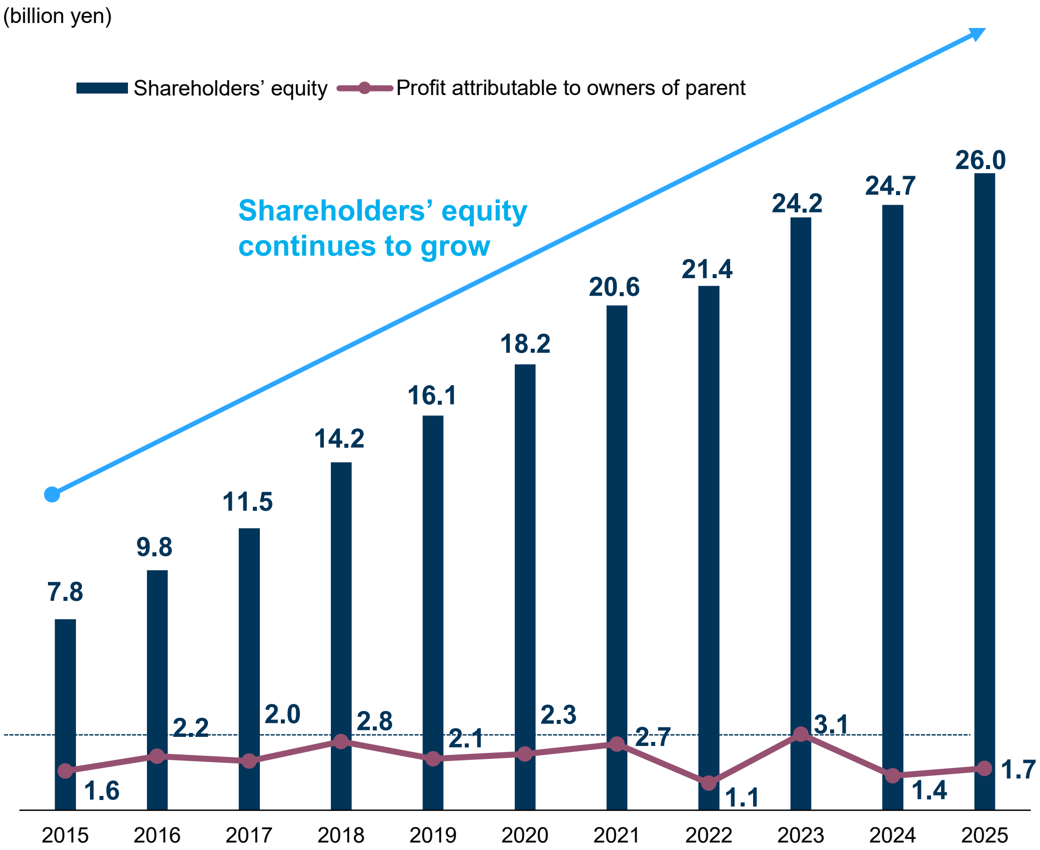
We believe stable and sustainable growth of shareholders' equity will directly lead to maximization of shareholder value

- 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)



Executive summary

- We recorded gains on sale of properties in Investment Banking, and all profit categories increased significantly YoY
- While lease income declined, profit attributable to owners of parent was in line with the forecast supported by progress in property sales

Consolidated results

Gross profit	Operating profit	Ordinary profit	Profit attributable to owners of parent
3,996 million yen	2,735 million yen	2,334 million yen	2,437 million yen
+94.7% YoY ⬆	+240.8% YoY ⬆	+573.3% YoY ⬆	+988.3% YoY ⬆

Investment Management

While gross profit declined YoY due to the absence of income from sales fees recorded in the previous fiscal year, the indicator was in line with expectations

Gross profit

7 million yen

-67.7% YoY ⬇

Investment Banking

Gross profit from real estate leasing declined YoY due to the absence of lease income from properties sold in the previous fiscal year. However, property sales converted unrealized gains into realized gains on sale, contributing to a substantial increase in overall profit

Unrealized gains in real estate	Gross profit from real estate leasing
16,672 million yen	1,602 million yen
-1,089 million yen versus end-FY11/25 ⬇	-11.4% YoY ⬇

Facility Operation

Steadily captured robust accommodation demand, resulting in higher profit

Gross profit

211 million yen

+9.2% YoY ⬆

Highlights: Q2 results

FIRST BROTHERS

In Q2, we sold non-current assets and operating investment securities, and allocated the proceeds to growth investments

1. Sale of non-current assets held by a consolidated subsidiary

Sold an in-house operated lodging facility (land and building) and recorded extraordinary gains

Sale price	Book value	Gain on sale
2,687 million yen	1,713 million yen	974 million yen

Location	Onarimachi, Kamakura City, Kanagawa Prefecture
Land/building	948.26m^2 / Gross floor area: 1,521.78m^2
Recognition	Gain on sale of non-current assets (extraordinary gain)
Closing date	March 31, 2026

Positioning of the transaction

After comprehensively assessing real estate market conditions, profitability, and capital efficiency, we determined that recovering the invested capital through the sale would contribute most to enhancing corporate value. We intend to reinvest the proceeds in quality projects with strong growth potential

2. Sale of operating investment securities

Sold shares acquired through the Investment Banking business before the investee was listed

Sales (sale price)	Cost of sales	Gross profit on sales
591 million yen	306 million yen	285 million yen

Company	Terra Drone Corporation (278A)
Shares held	110,900 shares (sale of all shareholdings)
Recognition	Sales
Sale completed	April 16, 2026

Positioning of the transaction

Following the expiration of the post-IPO lock-up period and taking into account the investee company's share price, we sold our entire stake to realize the investment gain after considering the cost of equity

Highlights: Disclosure of presentation material on shareholder return policy and business direction

FIRST BROTHERS

On the same day as the announcement of Q2 FY11/26 results, we disclosed a presentation material for individual investors titled "Shareholder Return Policy and Business Direction with Due Consideration for Share Price and Cost of Equity"

FIRST BROTHERS

Shareholder Return Policy and Business Direction with Due Consideration for Share Price and Cost of Equity

Date disclosed: July 10, 2026
Published on the Company website

Purpose of the presentation material

- To provide an easy-to-understand explanation of our business model and investment philosophy
- To introduce the new shareholder return policy (dividends and shareholder benefits)
- To outline our business direction with due consideration for cost of equity
- To announce the scheduled disclosure of a plan for the transformation of our business structure during the current fiscal year

Our business model

Increasing value and realizing profits on the foundation of stable lease income

Through proprietary investments funded with our own capital, our shareholders' equity has increased from 7.8 billion yen to 26.0 billion yen over the past 10 years (CAGR: 12.8%). Unrealized gains on our real estate holdings stood at 16.6 billion yen as of end-Q2. We have remained profitable every year since our listing, with our business supported by a two-tier earnings structure comprising stable lease income (income base) and disciplined gain on property sales

New shareholder return policy

Raising the minimum dividend level to establish a framework for steady dividend growth

We are considering raising the minimum DOE from the current 2.0%. We plan to review our non-standard interim dividend policy to make dividends more predictable. We also intend to revise the upper limit and long-term holding requirements for our shareholder benefit program, with the aim of improving share liquidity while maintaining an attractive total shareholder yield

Business direction

Assessing the cost of equity as a range to support disciplined investment decisions

We assess our cost of equity as a range based on CAPM (approx. 7–9%) together with other metrics, such as the earnings yield, and incorporate this range into the hurdle rates used for investment decisions. By disposing of assets that fail to meet our cost of equity and improving balance sheet efficiency, we aim to bring consolidated ROE in line with the earnings power of our stable income base

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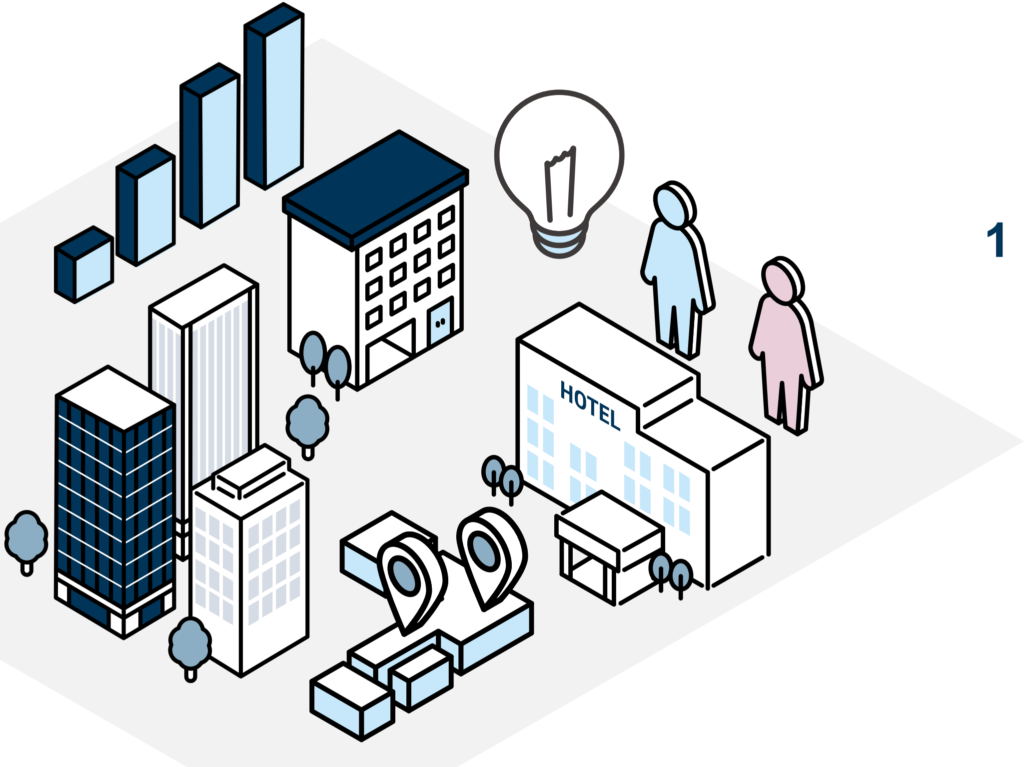
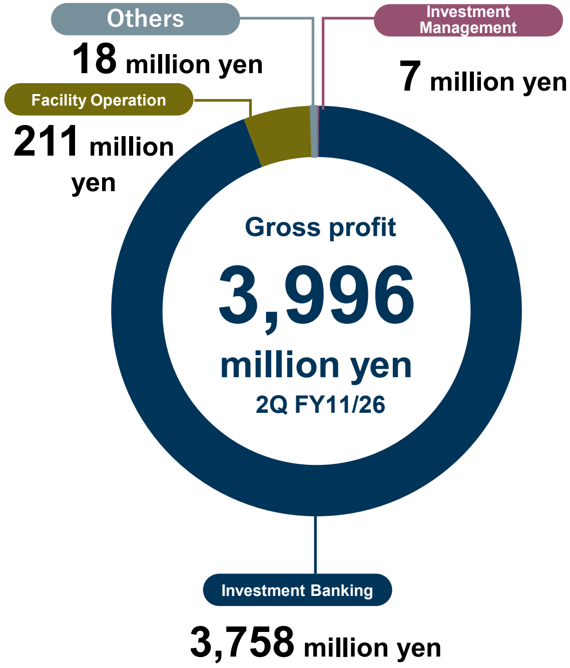


1 — First Brothers' business

First Brothers' business

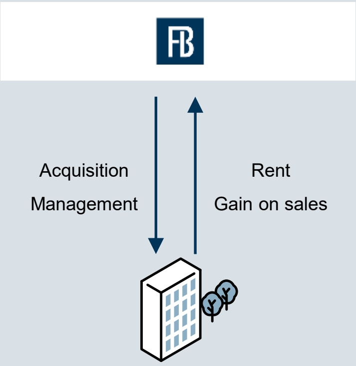
FIRST BROTHERS

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

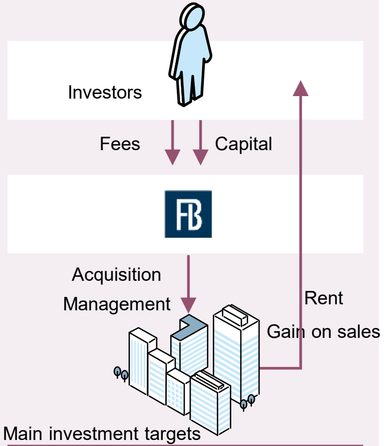


Main investment targets

Real estate for lease, startups, renewable energy

Investment Management

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

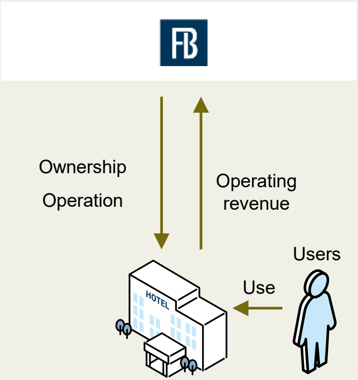


Main investment targets

Large real estate

Facility Operation

We operate hotels and other lodging facilities on our own



Main investment targets

Hotels and other lodging facilities

Real estate investment in each business

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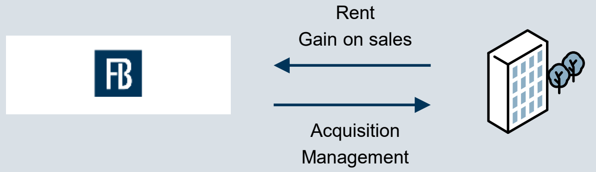
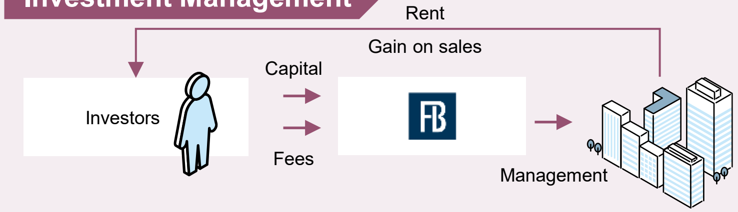
In Investment Banking, we invest directly in real estate using our own capital (including borrowings) and act as the property owner. Meanwhile, in Investment Management (fund business), we generate fee income by managing assets on behalf of investors

Investment Banking



Investment Management



Funds	Own funds (including borrowings)	Investment by institutional investors
Targets	Small and mid-sized properties priced at or under 5.0 billion yen	Large properties priced over 10.0 billion yen
Characteristics	High market liquidity and transaction volume provide a range of attractive investment opportunities	Lower transaction volume than for small and mid-sized properties, with particularly intense competition for high-quality assets
Market environment	● **Signs of overheating in central Tokyo continue to weigh on yields** ● **Lending standards among financial institutions have remained broadly unchanged** ● **Exercising caution toward low-yield properties in a rising interest rate environment**	● **The J-REIT market continues to expand, with further growth expected following the approval of data centers as eligible investment assets** ● **Overseas investors continue to show strong interest in Japanese real estate, which remains relatively inexpensive** ● **Due to concerns about market overheating, we are not currently forming new funds**

Group initiatives in the Investment Banking business

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

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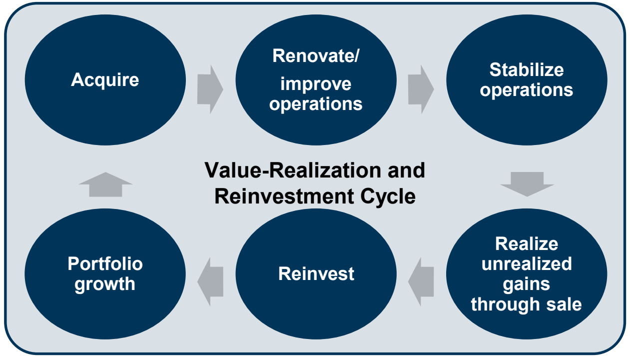
Other investment

- 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's business strategy in the Tohoku region

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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

ESG-based operations and Creating Shared Value (CSV)

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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

Input (ESG resources)

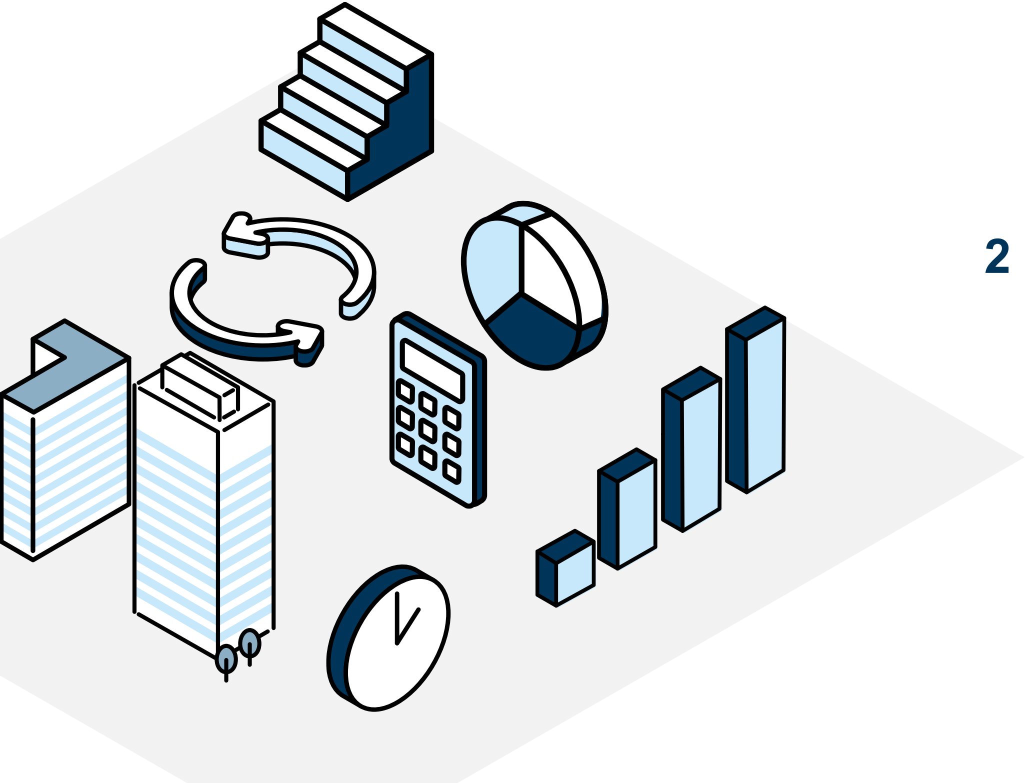
Financial capital (G)	• Stable financing for real estate investment through long-term loans and prudent leverage
Intellectual capital (S/G)	• Advanced expertise in real estate investment and management
Human capital (S)	• A small, elite team of highly specialized personnel
Social capital (E/S)	• Project execution utilizing local resources
Natural capital (E)	• Renewable energy resources (geothermal, wind, solar)

Operational management (Output)

- Real estate reinvestment cycle
- Facility management (commercial and lodging facilities)
- Regional investment
- Renewable energy development
- Shareholder return and governance

Outcome (CSV)

Economic value	• **Stable earnings base** Securing lease income and profit on sales through a focus on real estate investment and management • **Supporting corporate growth through investment activities** Enhancing corporate value through management improvement and business revitalization, as well as capital supply
Environmental value	• **Renewable energy operations** Pursuing geothermal power generation and other renewable energy projects • **Utilizing local resources** Contributing to sustainable regional development through tourism-related projects leveraging natural environments and cultural resources
Social value	• **Facilitating regional investment** Revitalization of priority regions directly strengthens the Group's business continuity • **Social impact investment** Generating change through involvement addressing challenges facing both companies and communities



2 Earnings highlights

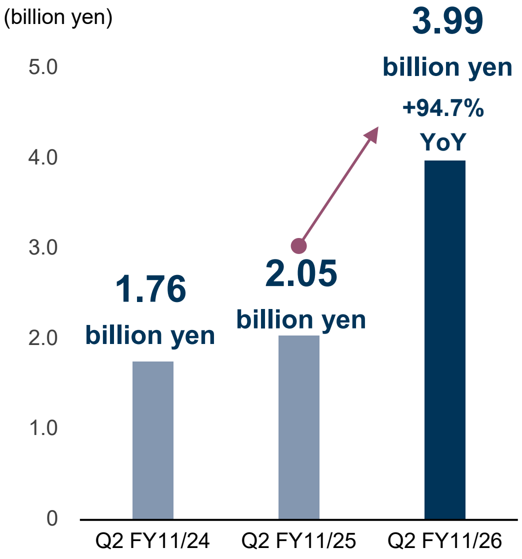
Earnings highlights Consolidated

FIRST BROTHERS

In Q2, all profit categories increased significantly, driven by gains on the sale of properties in the Investment Banking business and gains on the sale of non-current assets
Gross profit increased 94.7% YoY, and ordinary profit surged 573.3% YoY

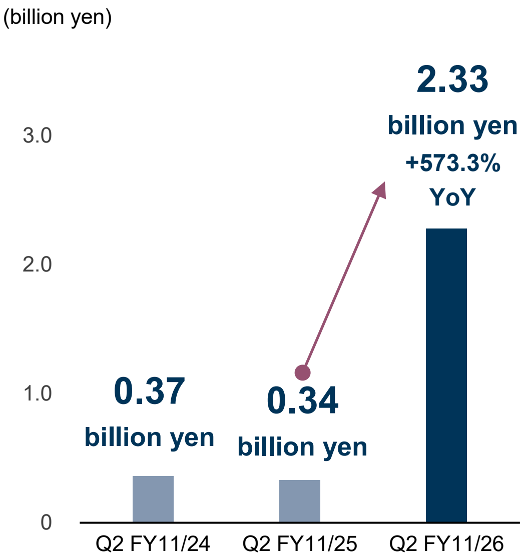
Gross profit

Increased 94.7% YoY, due to gross profit from property sales and higher profit in the Facility Operation business



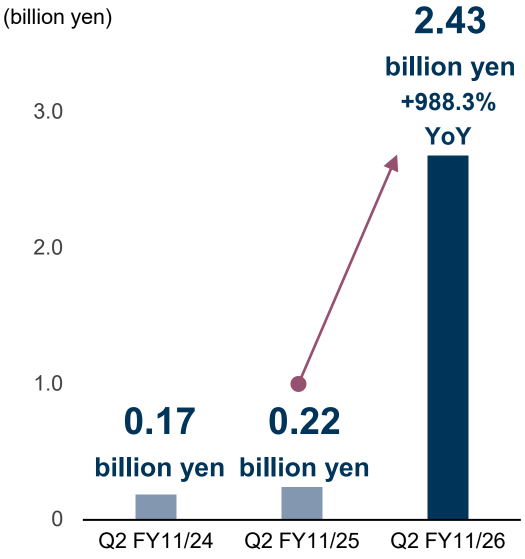
Ordinary profit

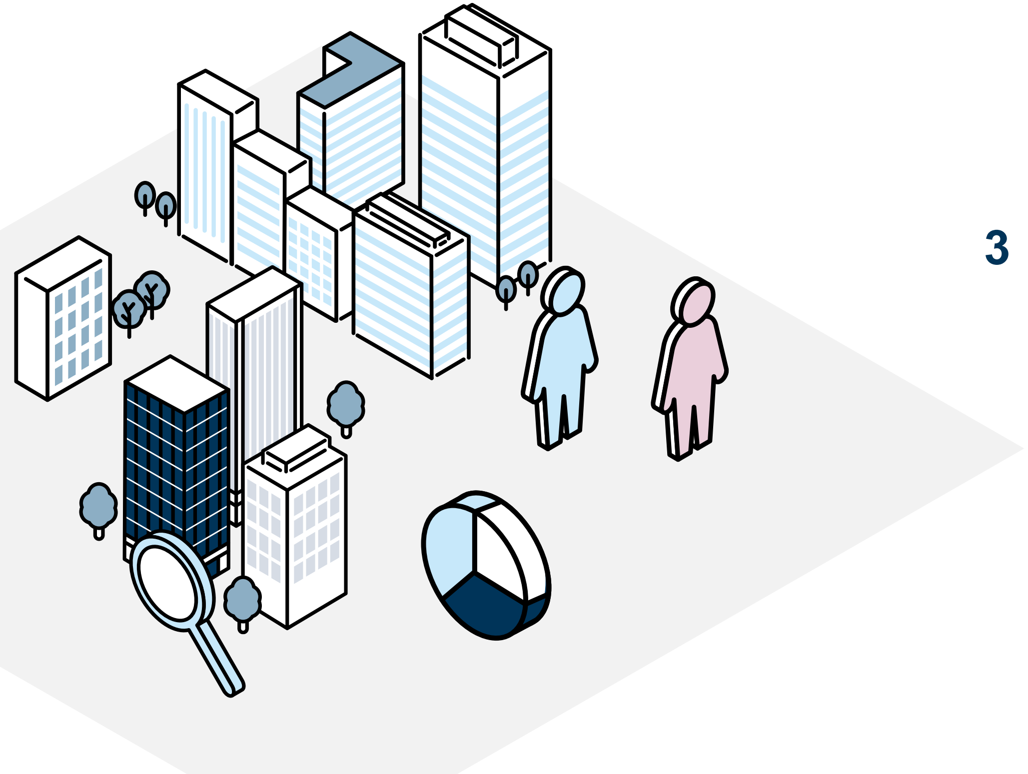
Surged 573.3% YoY, driven by higher gross profit and fewer new borrowings involving financing fees than in Q2 FY11/25



Profit attributable to owners of parent

Up 988.3% YoY, reflecting the recognition of extraordinary gains on the sale of non-current assets





3 — Investment Banking business

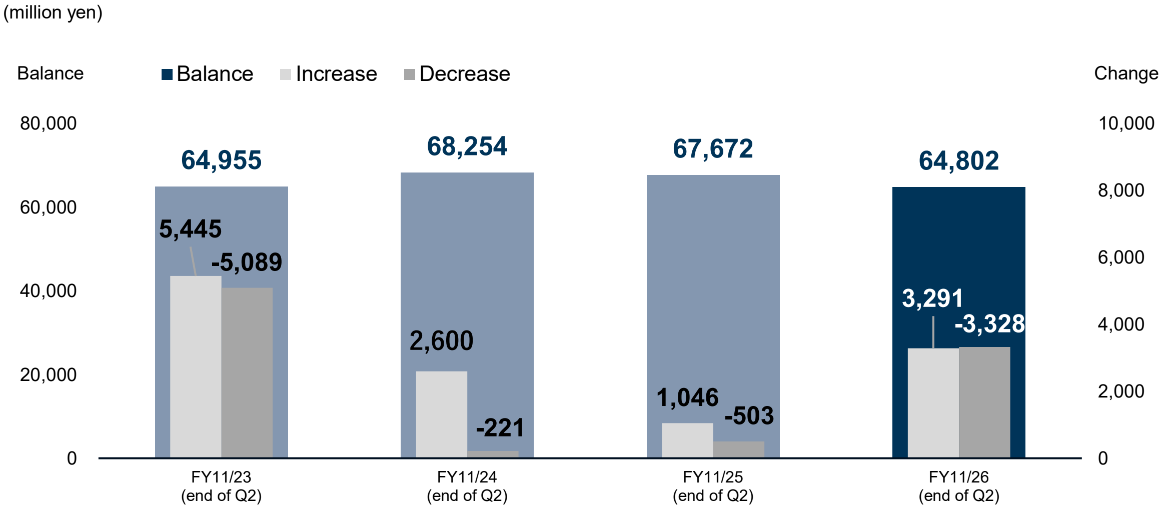
Portfolio of properties for lease **Investment Banking**

FIRST BROTHERS

As a key driver of earnings, we are promoting acquisitions of properties for lease expected to generate stable earnings over the medium to long term

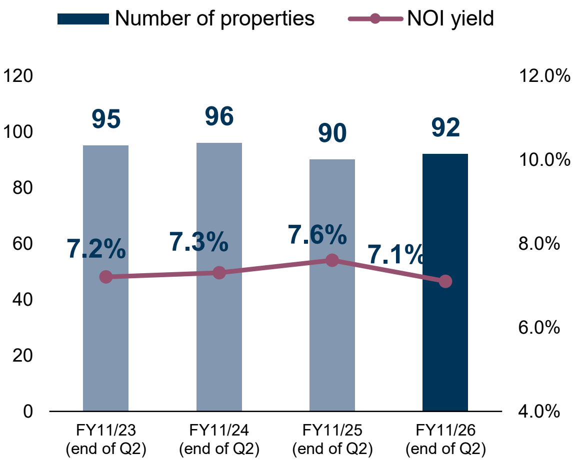
Despite a temporary decline due to aggressive property sales, both the balance and the number of properties for lease have steadily increased

Balance of properties for lease



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.

Book and market value of properties, and unrealized gains

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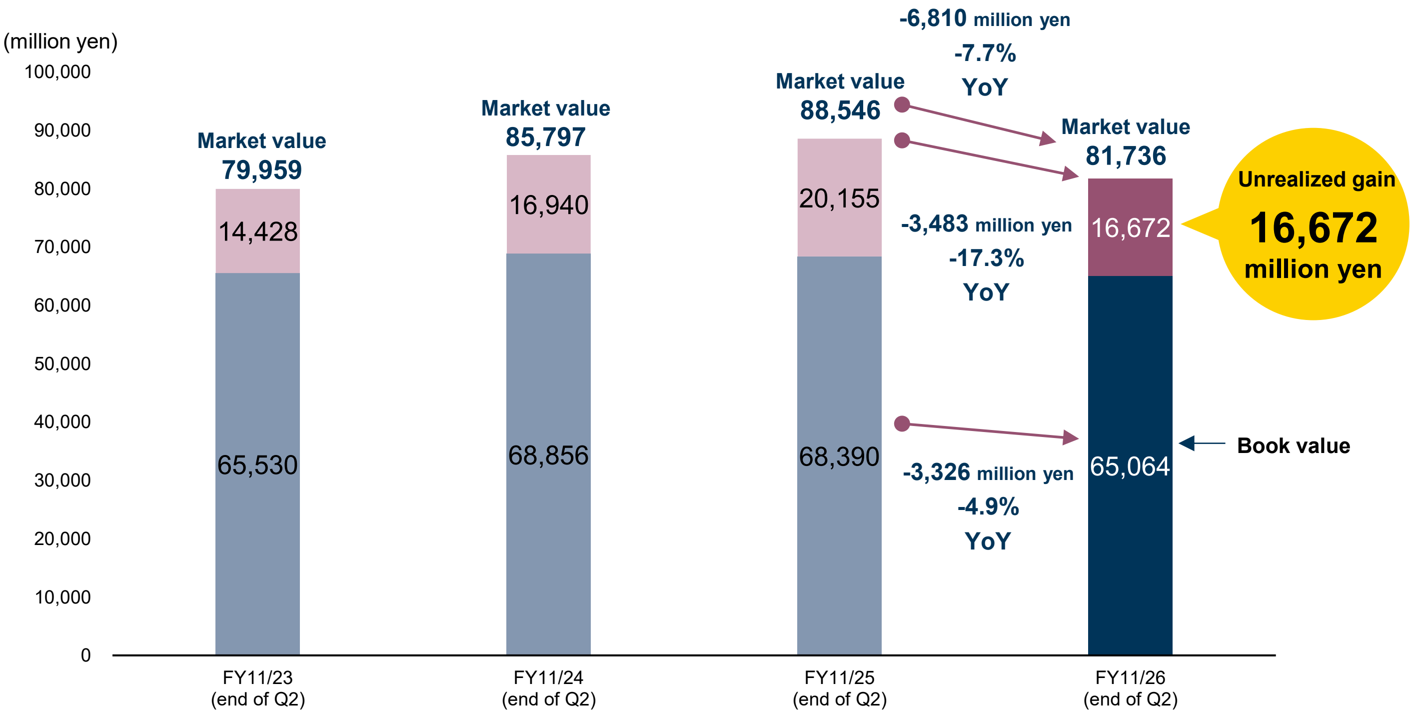
Unrealized gains declined due to the sale of properties with substantial unrealized gains in Q2; however, unrealized gains remained high at 16.6 billion yen
Unrealized gains are realized upon sale, contributing to future earnings and serving as a source of reinvestment funds



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

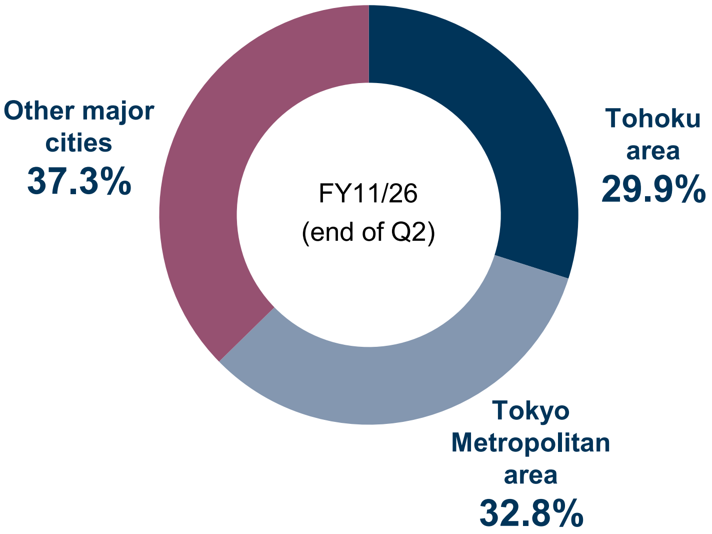
We internally manage properties recorded as non-current assets with the intention of generating lease income over the long term in the same manner as properties recorded as property for sale. When these properties are deemed suitable for sale, we may sell them as non-current assets, or review the purpose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

Breakdown of portfolio of properties for lease by location and use

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

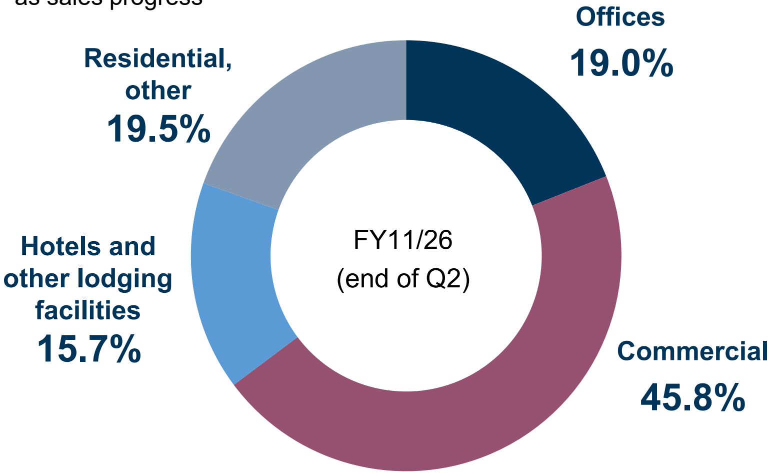
By location

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 have been declining as sales progress



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

Revenue and gross profit from real estate leasing

Investment Banking

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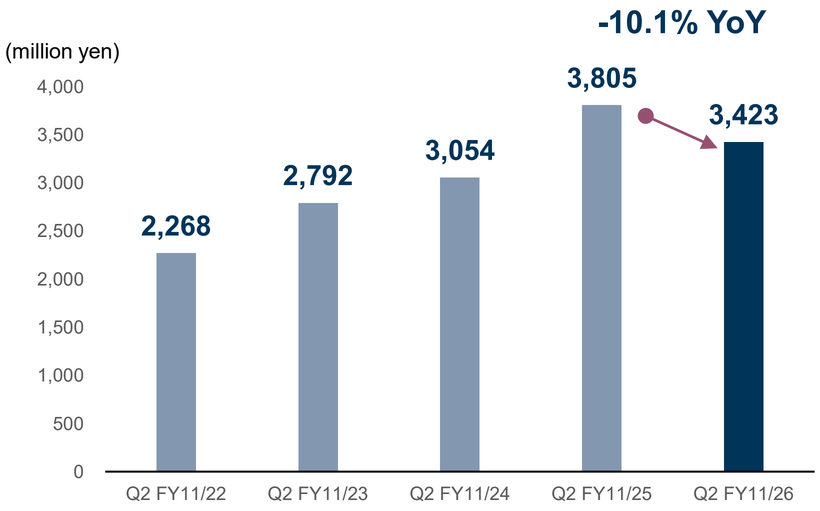
We selectively acquire quality properties for lease expected to generate stable lease income, enhance their value, and secure stable earnings. We acquired multiple properties in Q2. Lease income declined YoY due to lower management contract (MC) revenue (variable revenue from hotels, etc.)

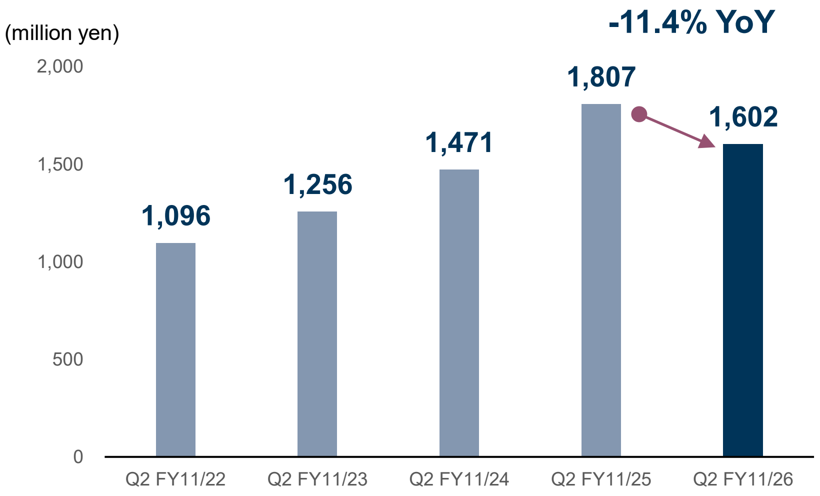
Revenue from real estate leasing (cumulative)

Although income from real estate for lease has continued to increase steadily, revenue from real estate leasing declined YoY due to lower MC revenue



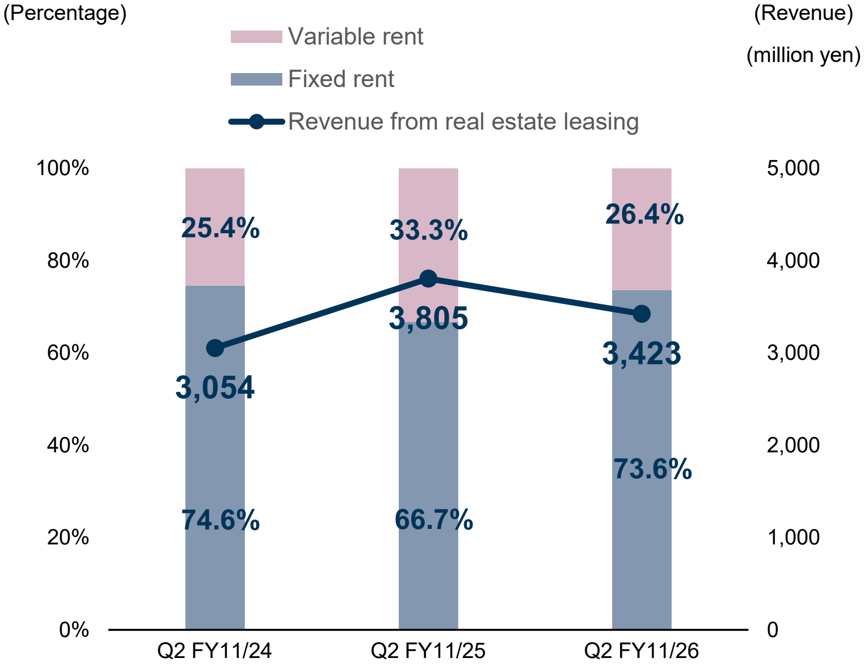
Gross profit from real estate leasing (cumulative)

Revenue and gross profit from real estate leasing declined YoY due to lower MC revenue from hotels and other facilities leased to and operated by third-party operators



Variable rent declined due to the sale of properties in the previous fiscal year, resulting in higher proportion of fixed rent.
We make investment decisions with a view to maximizing medium- to long-term corporate value while maintaining a balanced portfolio.

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.
Purpose: 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

Revenue and gross profit from real estate sales

Investment Banking

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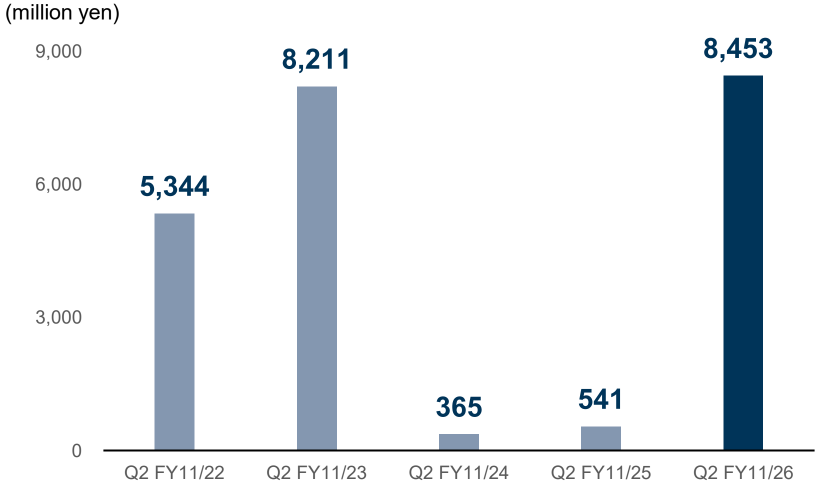
We aim to enhance the earnings value of our property portfolio while realizing unrealized gains through sales and reinvesting the proceeds in new investment opportunities
Through Q2 FY11/26, we completed the sale of multiple properties, converting unrealized gains into realized gains

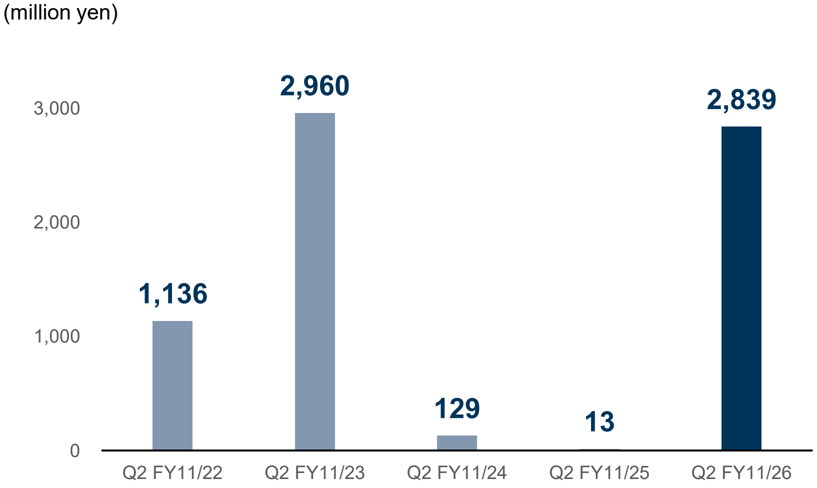
Revenue from real estate sales (cumulative) *1*2

In Q2, in light of market conditions, we sold multiple properties including those with substantial unrealized gains. From 2H onward, we plan to consider additional property sales while closely monitoring market conditions



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

Margins were higher than usual due to the sale of properties with substantial unrealized gains



*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)

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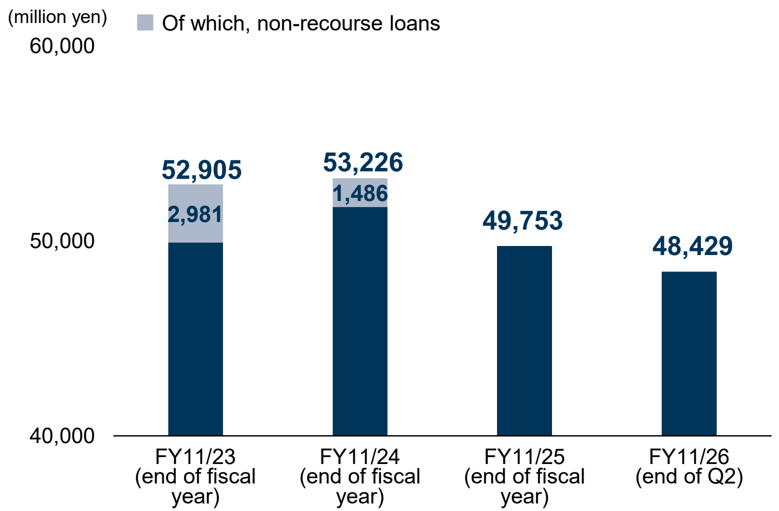
Our loan balance tends to increase as investment progresses, as we fund lease property acquisitions with loans
In principle, we obtain long-term loans—typically with a term of around 10 years—at low interest rates, and hedge against refinancing and interest rate hike risks

Loan balance *1

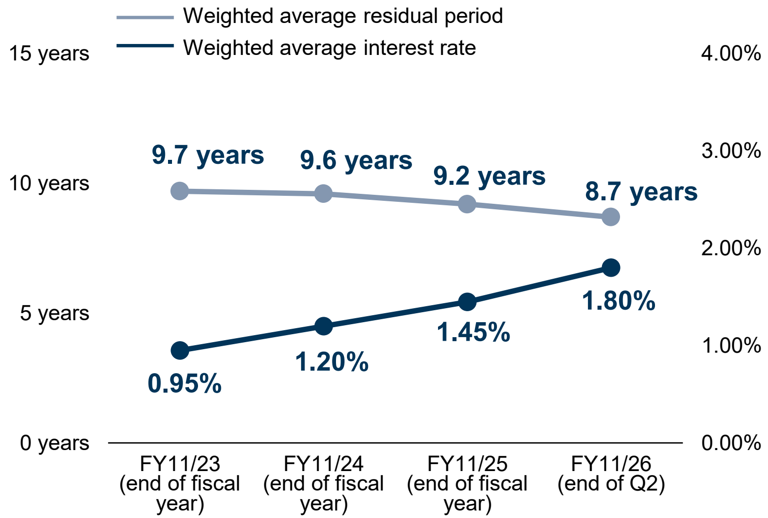


Loan type

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 on an upward trend, and benchmark rates for floating interest loans are also trending upward. For FY11/26, we assume an increase in interest burden of +0.75 percentage points during the period compared to the end of the previous fiscal year in our budget.

*2 Before fixing interest rates

Financing overview Investment Banking

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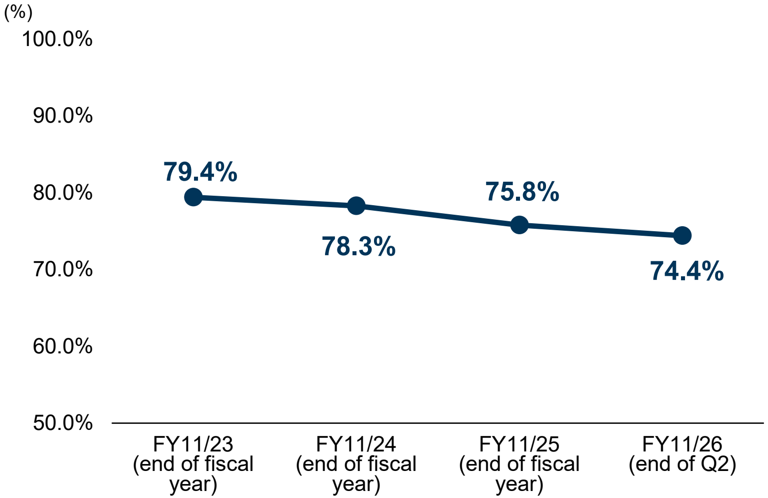
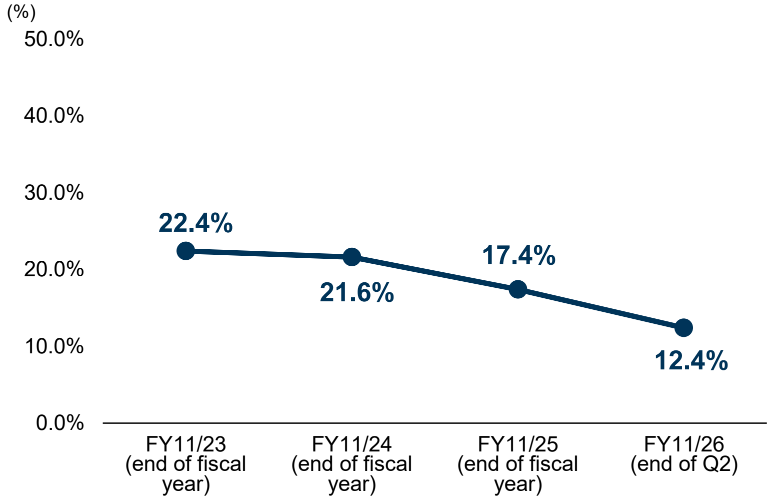
Leverage remains in the 70% range as we utilize borrowings with low funding costs as much as possible to enhance capital efficiency
Although we use interest rate swaps to fix a portion of interest rates, no new swaps are executed in consideration of costs, and the ratio declines naturally

Leverage[*1]



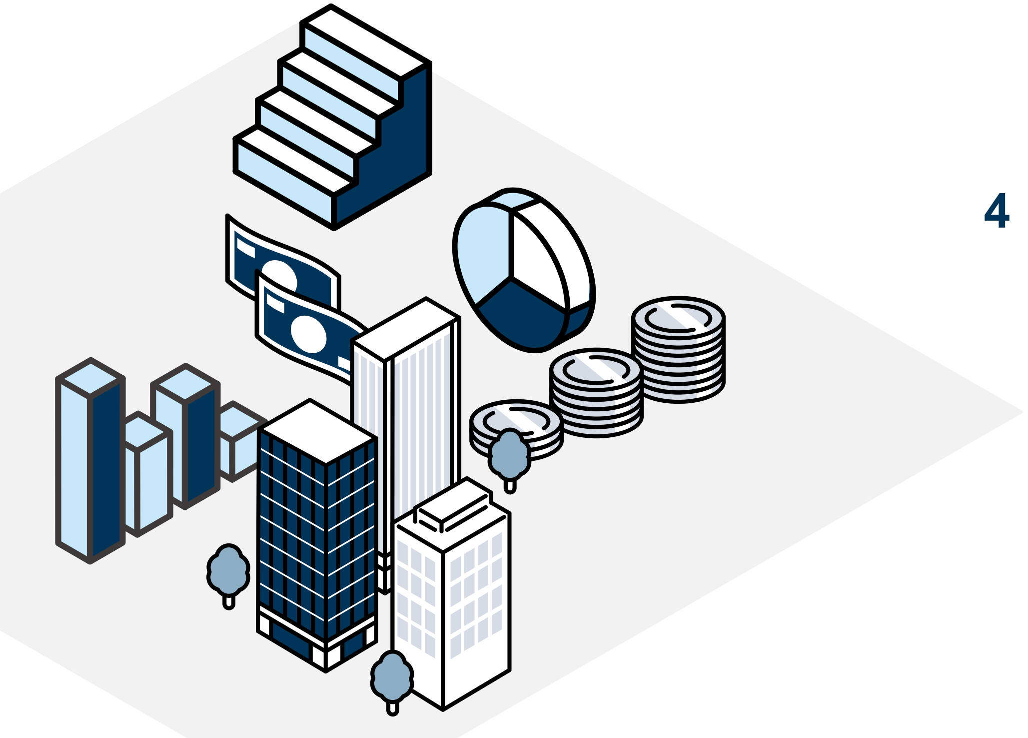
*1 Loan balance / Book value of properties for lease

% 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

Real estate asset management

Investment Management

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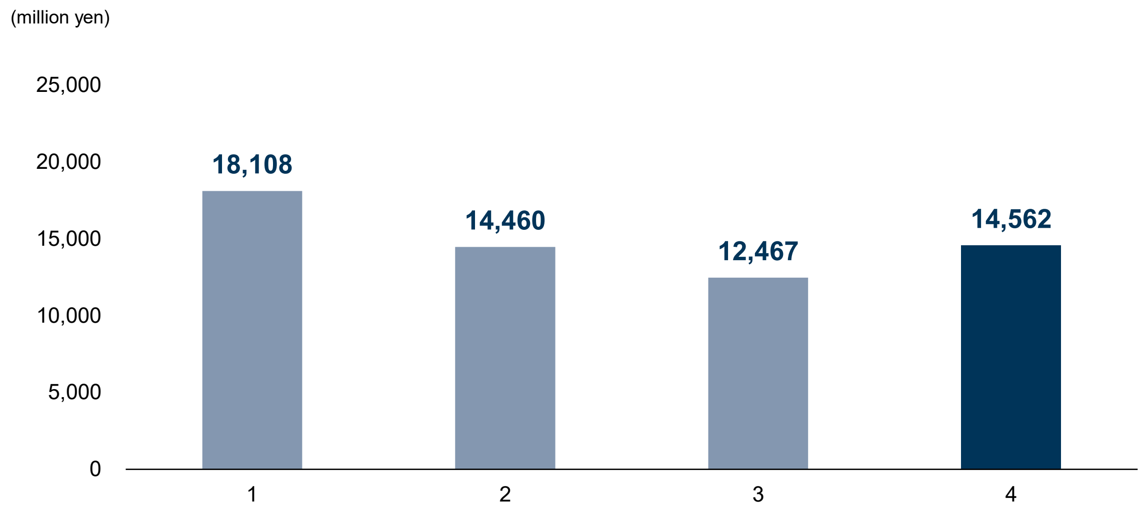
Competition to acquire large properties, the investment targets of funds arranged by the Group, remains intense, with prices continuing to rise.
Maintaining a cautious stance, we accepted no new mandates
Meanwhile, we won management contracts for properties acquired by investors, primarily, as appropriate, and earned asset management fees

Balance of assets under management

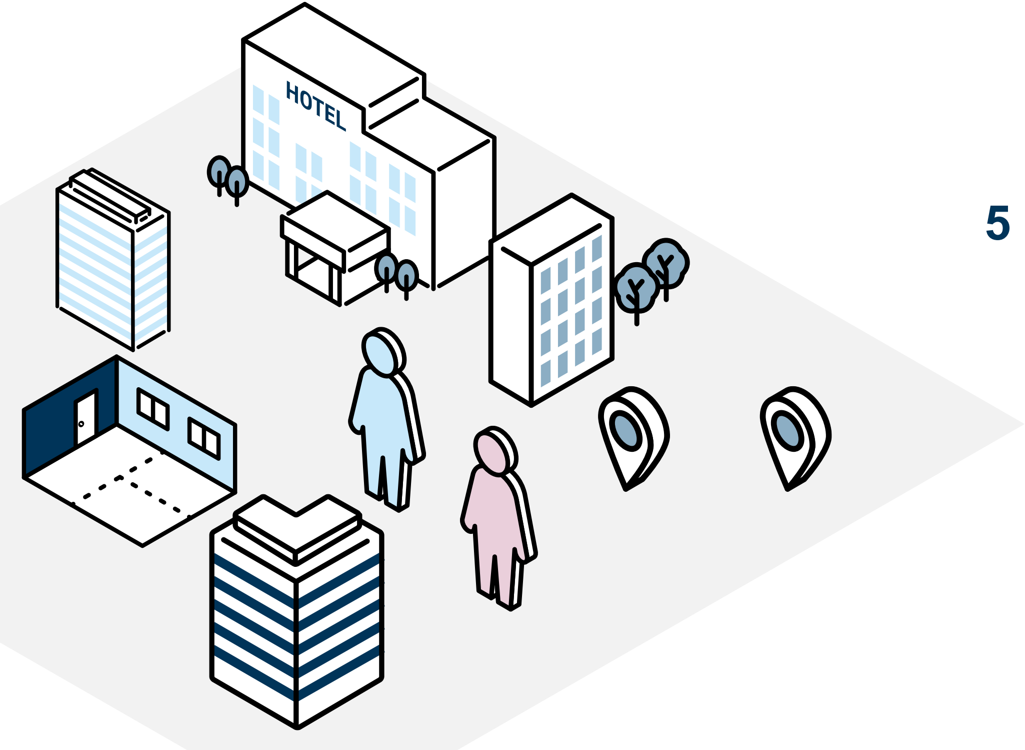


Key takeaways

- **Continuing to pursue new mandates in response to investor demand**
- **Also considering forming a new fund that invests in properties owned by the Group, while monitoring market trends**

Investment Management

In this business, we manage the assets of institutional investors and invest in real estate, and receive commissions at the time of property acquisition and sales and during the period of property holdings.

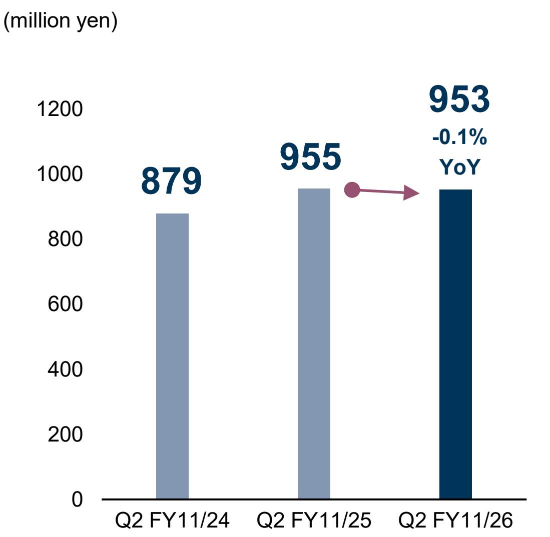


5 —— Facility Operation business

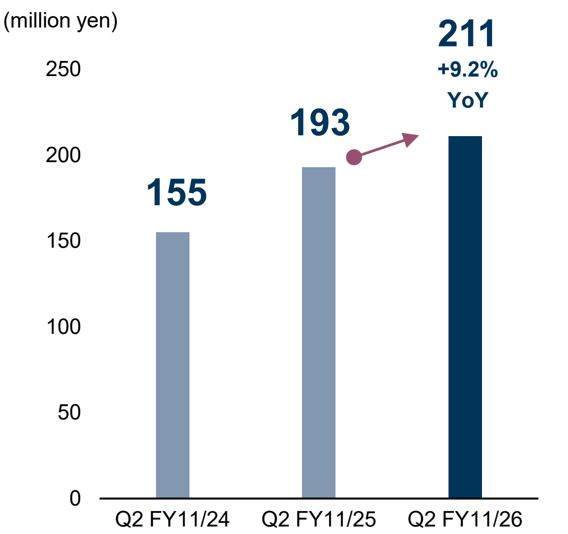
Earnings summary **Facility Operation**

Profit increased YoY, supported by continued robust tourism demand at the facilities under the Group's operation
Profit from Q3 onward is expected to decline following the sale of one in-house operated facility

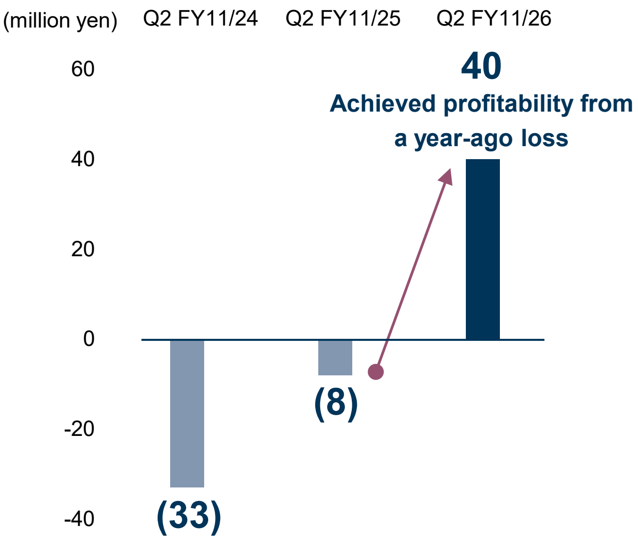
Sales



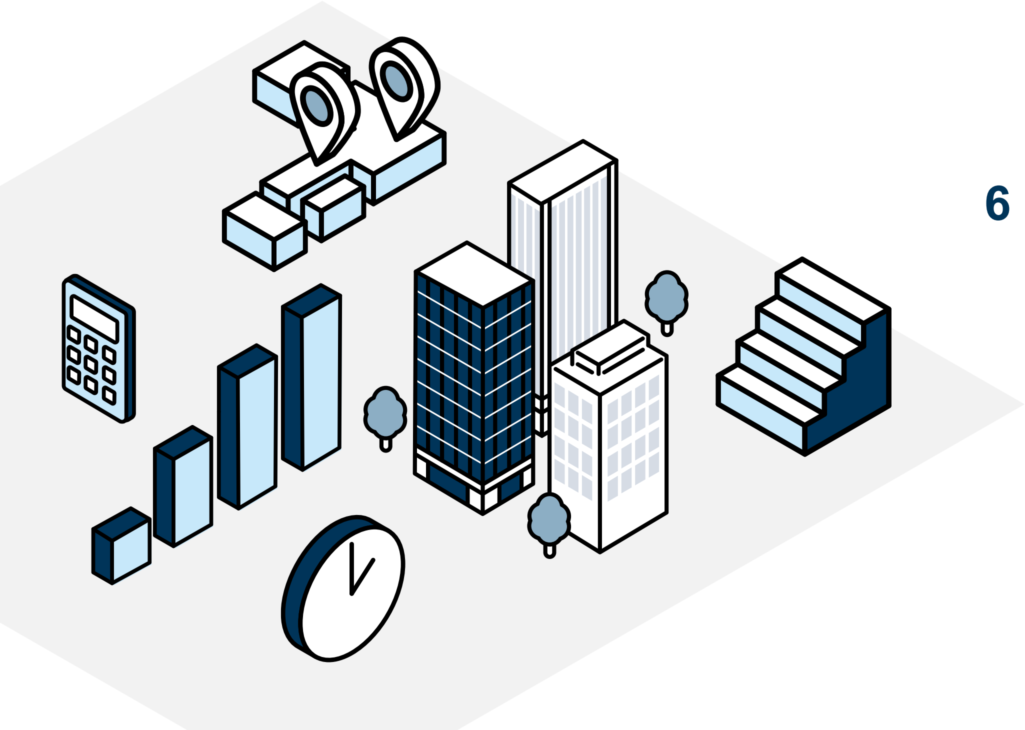
Gross profit



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

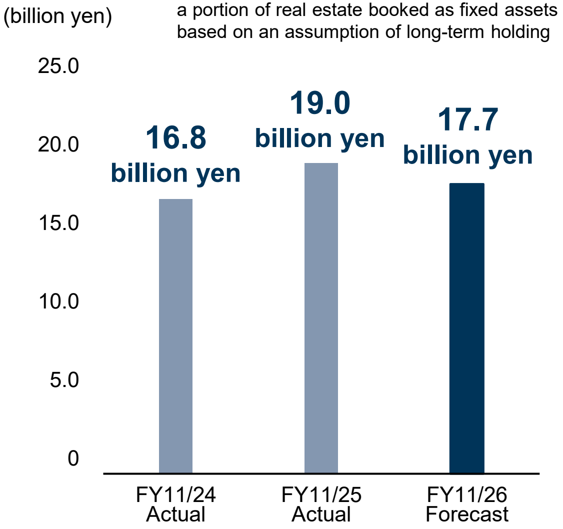
Earnings forecast **Consolidated**

FIRST BROTHERS

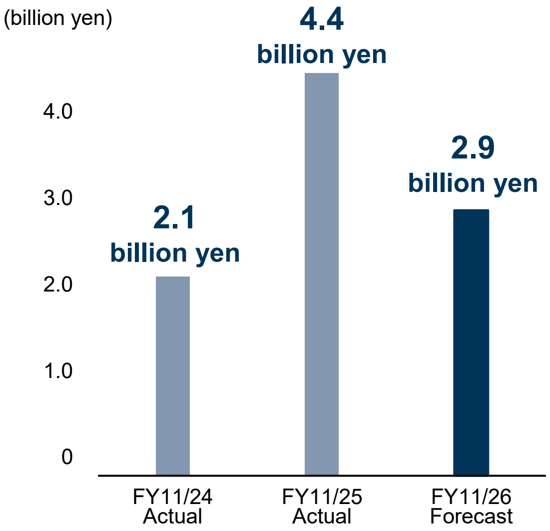
- At present, the Group's performance is characterized by a high dependence on real estate sales and significant fluctuations from period to period
- In FY11/25, we made cautious investment decisions while accounting for the rise in domestic interest rates and its impact on the funding environment. We anticipate the outlook will remain uncertain for FY11/26 as well
- We will maintain our cautious investment stance for FY11/26. Meanwhile, with regard to high-yield properties for lease, a stable earnings source, we will pursue strategically flexible investment activities—including acquisitions and sales—after fully considering the cost of capital

Net sales

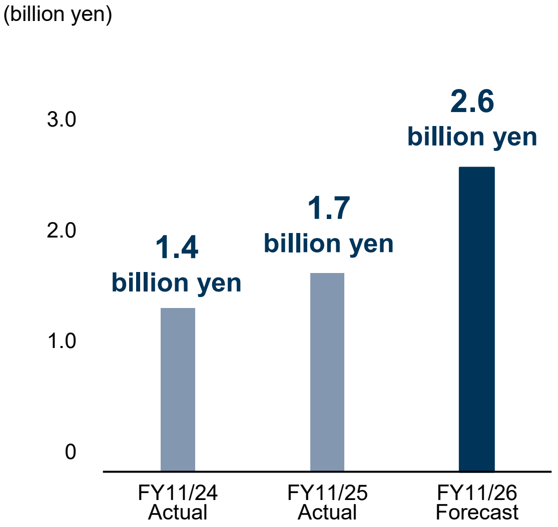
Note: In FY11/26, we expect to record gains on sale as extraordinary gains because we plan to sell a portion of real estate booked as fixed assets based on an assumption of long-term holding



Ordinary profit



Profit attributable to owners of parent



Progress against the forecast **Consolidated**

FIRST BROTHERS

Gross profit reached 61.5% of the forecast, driven by progress in property sales in the mainstay Investment Banking business
Extraordinary gains increased due to the sale of non-current assets that had been intended for long-term holding, based on flexible management decisions
From Q3 onward, we will continue property sales while focusing primarily on acquisitions. The earnings forecast remains unchanged at this time

(million yen)	FY11/25 Actual	Q2 FY11/26 Actual	Progress rate	FY11/26 Forecast (YoY change)
Net sales	19,063	10,499	59.2%	17,730 (-7.0%)
Gross profit	7,833	3,996	61.5%	6,500 (-17.0%)
Investment Management business	39	7	25.9%	27 (-30.8%)
Investment Banking business	7,449	3,758	61.2%	6,138 (-17.5%)
Facility Operation business	319	211	71.5%	295 (-7.5%)
Other business	25	18	45.0%	40 (+60.0%)
Operating profit	5,295	2,735	65.9%	4,150 (-21.6%)
Ordinary profit	4,433	2,334	79.9%	2,920 (-34.1%)
Profit attributable to owners of parent	1,749	2,437	93.0%	2,620 (+49.7%)

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 Our view on share price and cost of equity

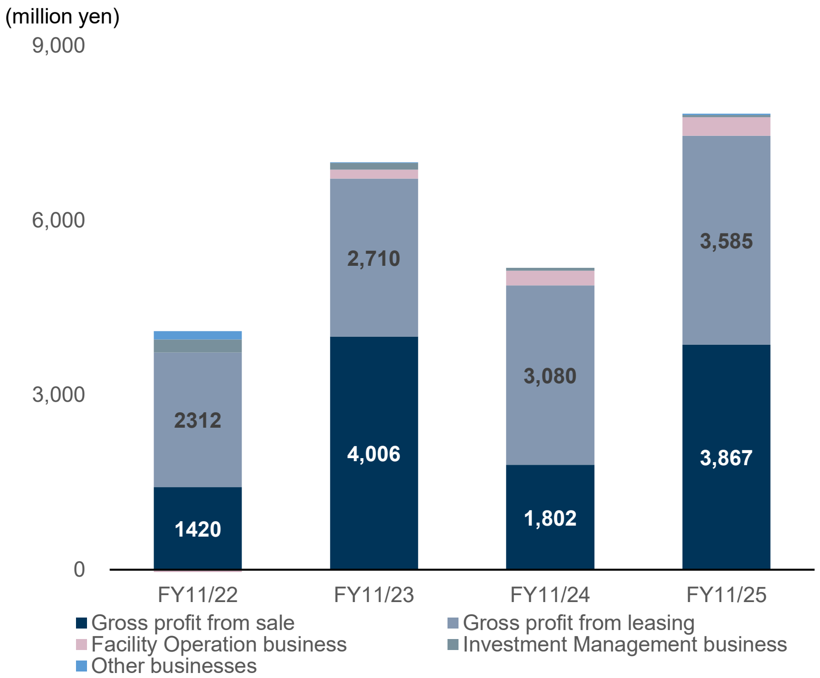
Earnings structure and valuation

FIRST BROTHERS

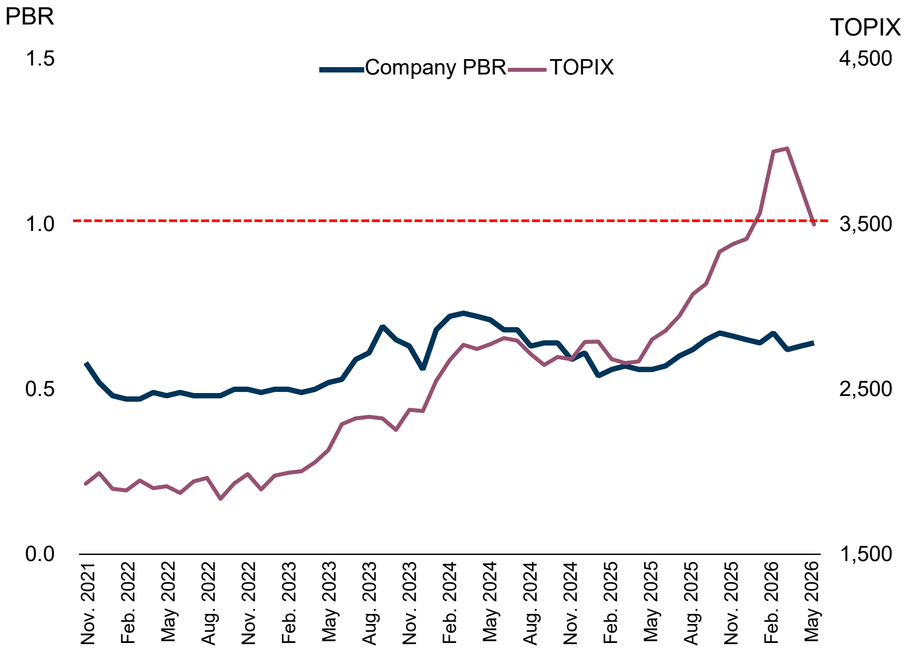
Gross profit is composed mainly of lease income and gains on sale generated by selling properties following value enhancement

While gains on sale fluctuate significantly from period to period, lease income continues to grow steadily, and we intend to further expand our holdings going forward

Gross profit by business segment



Company PBR and TOPIX



Source: Japan Exchange Group website

Current assessment and challenges

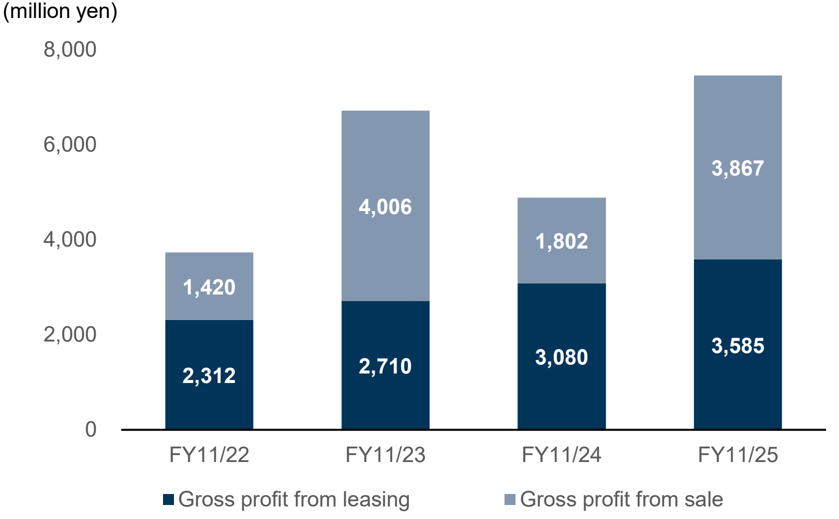
FIRST BROTHERS

We are aware a profit structure dependent on gains on sale generates sharp swings in ROE and situations in which ROE exceeds (or fails to cover) the cost of capital and recognize this type of profit structure is a major factor behind our PBR of below 1.0

Short-lived surges in earnings are not valued by the market due to concerns regarding reproducibility

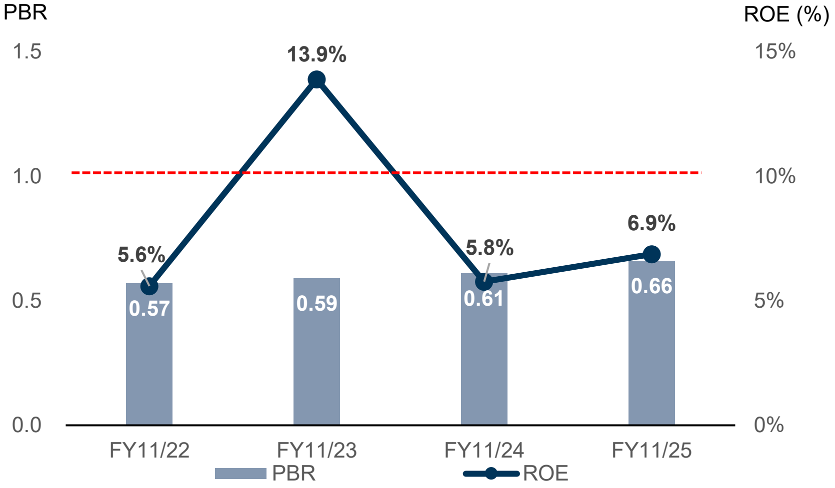
Current analysis of our earnings structure and challenges recognized

- Lease-related profit has been steadily accumulating and has become a foundation for stable growth. However, gains on the sale of real estate account for a high proportion of total profit, and this share fluctuates sharply from period to period. Accordingly, we view these circumstances as a factor behind our PBR of below 1.0



Analysis of cost of capital and market valuation

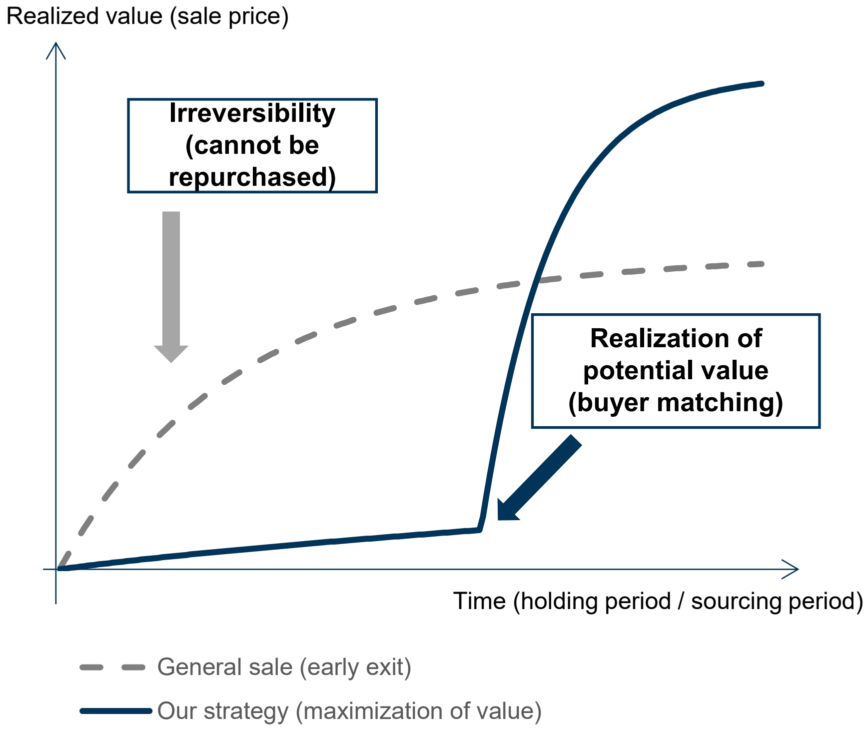
- We recognize our current share price (PBR of 0.66) is a discounted valuation applied in response to period-to-period volatility, as the market's expected rate of return (i.e., cost of capital) exceeds the ROE we generate



Note: PBR is calculated by dividing the share price at each fiscal year-end by book value per share (BPS) as of the end of the preceding fiscal year.

FIRST BROTHERS

We aim to maximize potential value and make true value visible by finding strategically favorable matches for highly individualized real estate
→ While we believe this approach contributes to maximizing shareholder value from a medium- to long-term perspective, the concern noted on the previous page (reproducibility) cannot be fully dispelled



1

Because real estate assets are highly unique and quality properties are difficult to reacquire on comparable terms once sold, we do not pursue premature disposals. Instead, we carefully assess the timing of each sale

2

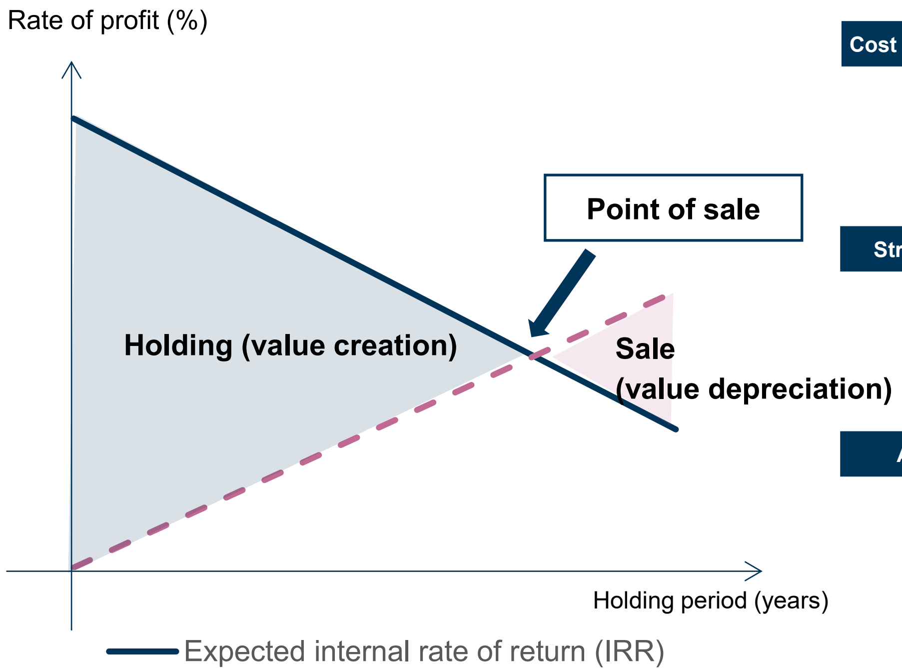
For properties with high potential profit, the key to maximizing profit lies in the best match between “timing” and “buyer attributes”

3

Rather than simply holding an asset, by finding the buyer who can value it the most highly and selling at the optimal time, we reveal the “true value” that exceeds the book value recorded on the balance sheet

Portfolio management with an awareness of cost of capital

By assessing whether value in excess of the cost of capital is being created, we will shift toward a policy prioritizing the disposal of assets with expected returns that have fallen below that threshold. Meanwhile, we will further enhance capital efficiency by conducting even more strategically deliberate cost-conscious portfolio management



Cost awareness

A “wait to sell” decision requires awareness that the “cost of capital (the opportunity cost of shareholders’ equity)” will continue to accrue over that waiting period

Strict rules

Rather than passively holding assets, we strictly monitor whether each property’s “expected rate of return” exceeds its “cost of capital”

Action

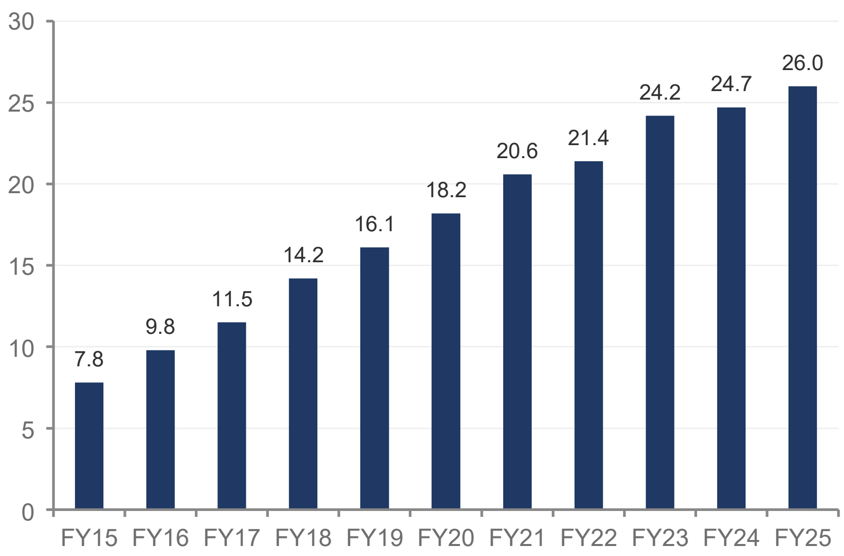
With regard to assets for which we determine expected returns have fallen below cost (i.e., value creation has ended), we will immediately sell and rotate assets, regardless of whether unrealized gains exist
As stated in our Corporate Governance Report, we recognize our cost of capital, estimated using CAPM and other methods, to be approximately 7–9%

Gap between growth in shareholders’ equity and market valuation

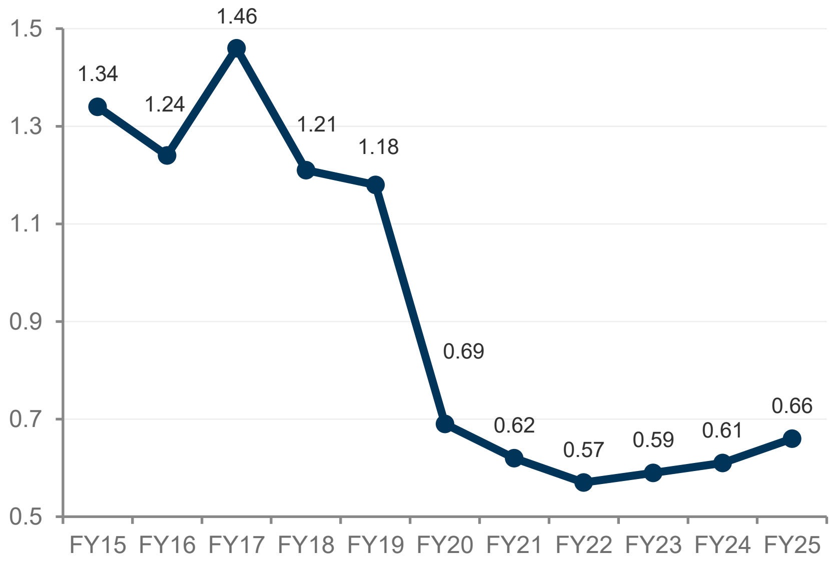
FIRST BROTHERS

Shareholders’ equity has grown 3.3x over the past 10 years, yet the PBR remained at 0.66x as of end-FY11/25

Shareholders’ equity (billion yen)



PBR (x)



Note: PBR is calculated by dividing the share price at each fiscal year-end by book value per share (BPS) as of the end of the preceding fiscal year.

Assessment of current situation

Despite substantial growth in shareholders’ equity, we recognize that this has not translated into a higher share price. In effect, the market is valuing each additional yen of retained earnings at less than one yen. We believe it is necessary to communicate more clearly to the market that we are managing the business with an emphasis on the cost of equity

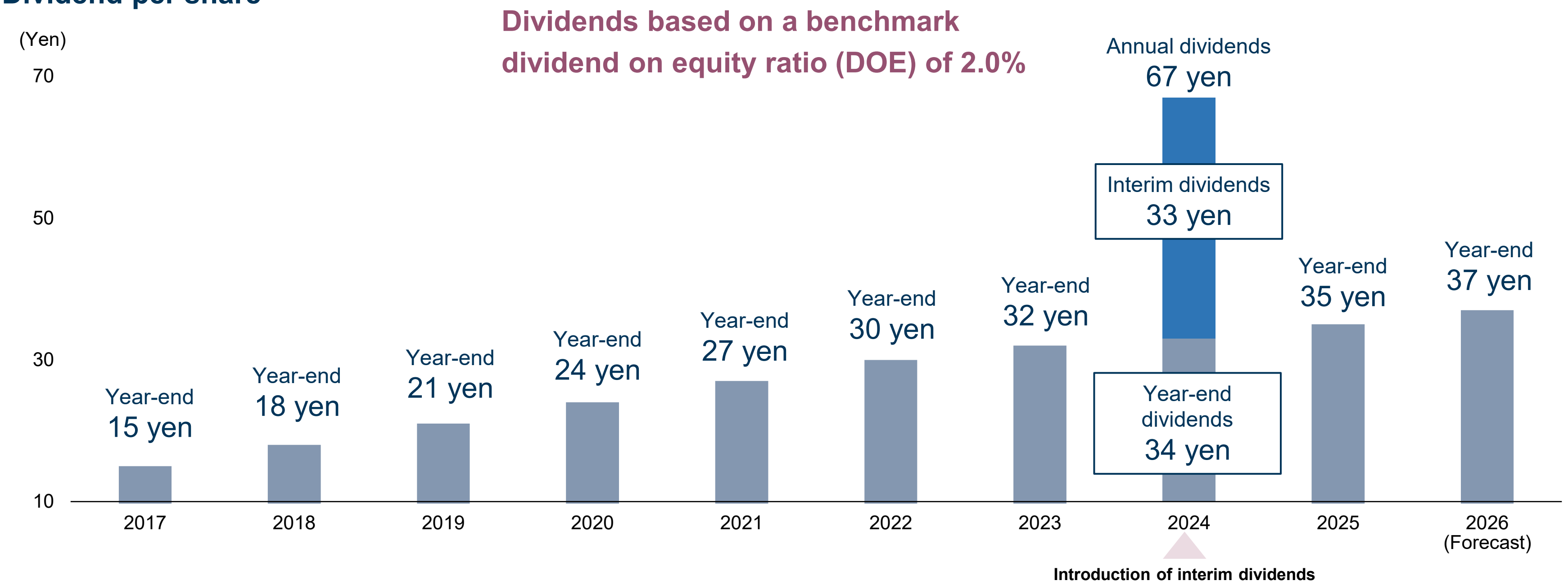
8 — Shareholder returns

FIRST BROTHERS

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 to consider shareholder return measures aligned with our performance characteristics and plan to disclose them during FY11/26 once determined**

Dividend per share



Shareholder benefit plan

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

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

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).
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9 —— Appendix

Consolidated balance sheet

FIRST BROTHERS

(million yen)	End FY11/24	End FY11/25	End Q2 FY11/26	Change
Total current assets	58,651	59,329	58,951	-377
Cash and deposits	4,817	6,830	7,714	+883
Deposits in trust	1,242	1,096	1,093	-3
Real estate for sale	47,366	46,304	45,695	-609
Real estate for sale in process	3,327	3,423	3,431	+8
Other	1,897	1,673	1,017	-656
Total non-current assets	30,490	30,503	29,381	-1,121
Total assets	89,141	89,832	88,333	-1,499
Total liabilities	64,234	63,580	60,124	-3,455
Total current liabilities	5,747	6,188	5,027	-1,161
Short-term borrowings	71	343	402	+59
Current portion of long-term borrowings	3,462	2,536	2,433	-103
Current portion of long-term non-recourse loans payable	0	0	0	0
Other	2,213	3,308	2,191	-1,116
Total non-current liabilities	58,487	57,391	55,097	-2,293
Long-term borrowings	53,154	53,604	51,211	-2,392
Long-term non-recourse loans payable	1,486	0	0	0
Other	3,846	3,787	3,886	+98
Total net assets	24,907	26,252	28,209	+1,956
Total shareholders' equity	24,740	26,013	27,959	+1,946
Other	166	239	249	+9
Total liabilities and net assets	89,141	89,832	88,333	-1,499
Net D/E ratio[*1]	2.05	1.87	1.62	-0.25pt

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

Comments

- **In Q2, cash and deposits increased due to property sales, while total liabilities declined as borrowings were repaid**
- **Net assets increased by 1,956 million yen from end-FY11/25 due to profit recorded during the period, and net D/E ratio declined to 1.62x**

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**

Consolidated income statement

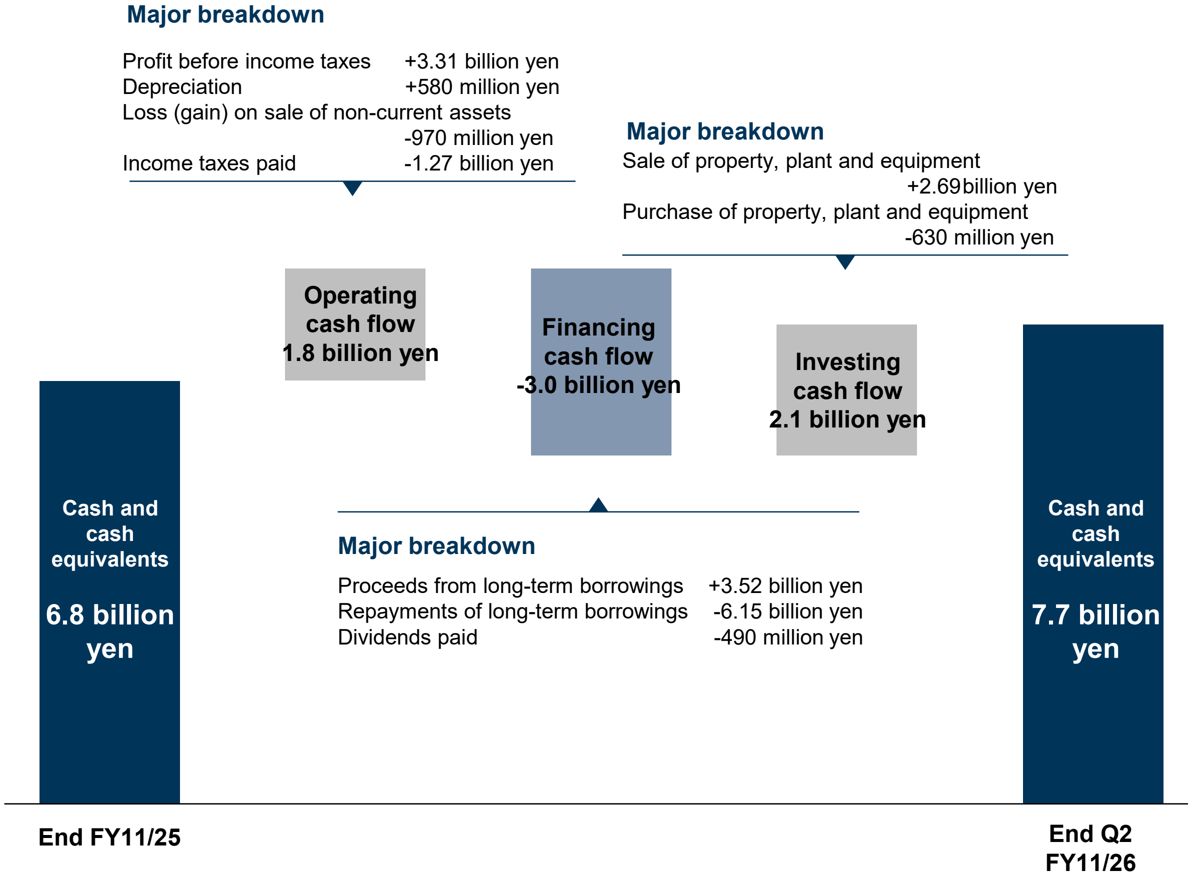
FIRST BROTHERS

Consolidated income statement (summary)	(million yen)	Q2 FY11/24	Q2 FY11/25	Q2 FY11/26	YoY change
	Net sales	4,368	5,377	10,499	+95.3%
	Gross profit	1,765	2,052	3,996	+94.7%
	Selling, general and administrative expenses	1,161	1,249	1,260	+0.9%
	Operating profit	603	802	2,735	+240.8%
	Ordinary profit	377	346	2,334	+573.3%
	Profit attributable to owners of parent	179	223	2,437	+988.3%
Gross profit breakdown	Investment Management business	33	23	7	-67.7%
	Investment Banking business	1,576	1,823	3,758	+106.1%
	Gross profit from sale	129	13	1,866	+13,600.1%
	Gross profit from leasing	1,471	1,807	1,602	-11.4%
	Other	(24)	2	291	+12,099.5%
	Facility Operation business	155	193	211	+9.2%
	Other business	0	11	18	+62.6%
	Total gross profit	1,765	2,052	3,996	+94.7%
Selling, general and administrative expenses breakdown	Personnel expenses	600	518	591	+14.1%
	Rent	86	86	89	+3.8%
	Commission expenses / remuneration	154	179	161	-10.1%
	Taxes and dues	18	23	33	+42.0%
	Amortization of goodwill	57	90	20	-77.4%
	Other	245	351	363	+3.6%
	Total selling, general and administrative expenses	1,161	1,249	1,260	+0.9%

Comments

- Gross profit increased 94.7% YoY, driven by gross profit from real estate sales and higher profit in the Facility Operation business
- Recorded extraordinary gains of 974 million yen due to the sale of non-current assets (real estate for lease)
- Considering property acquisition and sales while closely monitoring market conditions

Cash flow statement



Comments

- **Acquired prime real estate (inventories) utilizing borrowings**
- **Cash typically declines in 1H due to income taxes and dividend payments, but increased in Q2 FY11/26 due to higher proceeds from property sales**
- **As a result, cash and cash equivalents at end-Q2 FY11/26 increased by 880 million yen from end-FY11/25**

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

About us

FIRST BROTHERS

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, 2026; 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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