



## Good Com Asset / 3475

---

COVERAGE INITIATED ON: 2019.05.09

LAST UPDATE: 2021.07.15

Shared Research Inc. has produced this report by request from the company discussed in the report. The aim is to provide an “owner’s manual” to investors. We at Shared Research Inc. make every effort to provide an accurate, objective, and neutral analysis. In order to highlight any biases, we clearly attribute our data and findings. We will always present opinions from company management as such. Our views are ours where stated. We do not try to convince or influence, only inform. We appreciate your suggestions and feedback. Write to us at [sr\\_inquiries@sharedresearch.jp](mailto:sr_inquiries@sharedresearch.jp) or find us on Bloomberg.



---

Research Coverage Report by Shared Research Inc.

## INDEX

**How to read a Shared Research report:** This report begins with the trends and outlook section, which discusses the company's most recent earnings. First-time readers should start at the business section later in the report.

<b>Executive summary</b> .....	<b>3</b>
<b>Key financial data</b> .....	<b>5</b>
<b>Recent updates</b> .....	<b>6</b>
Highlights .....	6
<b>Trends and outlook</b> .....	<b>8</b>
Quarterly trends and results .....	8
Medium-term outlook .....	17
<b>Business</b> .....	<b>21</b>
Business description .....	21
Segments .....	27
Strengths and weaknesses .....	33
Market and value chain .....	35
Historical performance .....	46
<b>Other information</b> .....	<b>67</b>
Investment condos .....	67
Origin of the company name .....	68
History .....	68
News and topics .....	69
Major shareholders .....	72
Shareholder returns .....	72
Corporate governance and top management .....	73
Top management .....	73
Profile .....	74

## Executive summary

### Business overview

- Overview/Unique characteristics:** Good Com Asset is an independent investment real estate company. It develops condominium buildings in Tokyo's 23 wards to its own original specifications and then sells the units in these buildings or the buildings themselves to individual investors and companies. Two unique characteristics of Good Com Asset are the large percentage of female government employees in its customer base and the high percentage of properties it procures under a single-owner scheme (explained later in the report). The company has expanded faster than peers, with sales roughly quintupling and operating profit increasing more than eight-fold (FY10/14–FY10/20).
- Product:** The company's investment properties are mostly studios or one- to two-bedroom condos ranging in size from 20–60sqm and priced from JPY20–50mn. The condos are in new buildings within 10-minute walks from their nearest train stations. The target market for these units is mostly single adults. The company specializes in properties located within Tokyo's 23 wards. All the properties feature similarly designed exteriors and entrances, with greenery on the ground-floor exterior wall or the rooftop. Additionally, some properties have a dog park on the rooftop.
- Customers:** Good Com Asset's customers are individual investors and companies.

  - As of FY10/20, about 70% of the individual investors among the company's customers are female government employees living in the Kanto and Chubu regions. They purchase the condos to generate rental income, generally obtaining real estate investment loans from financial institutions. The loans are guaranteed by group credit life insurance policies that pay off the loan balance if the borrower dies or is severely disabled. Purchased condos generate an average of JPY104,000 in monthly rental income (after deduction of rental management fees), which covers most of the typical JPY110,000 monthly loan repayment. The vacancy compensation contract guarantees 90% of the rent when the unit is not occupied. The occupancy rate at the company's properties was 99.0% as of end-FY10/20.
  - Good Com Asset capitalizes on its strength in property acquisition by selling units to companies. In FY10/20, it sold units to about 30 companies.
- Property acquisition:** Good Com Asset procures properties under single-owner or development projects. The two types have different up-front expenses, payback periods, and profit margins. About 80% of properties are acquired under the single-owner scheme.

  - Single-owner projects require only up-front expenses at the time of purchasing contract. After building certification has been completed, Good Com Asset makes a down payment of about 5% of the total construction cost to a construction company. The remainder is paid three to six months after the completion of construction. The time from payment of up-front expenses to transfer of the property to Good Com Asset is about 17 months. GPM on this type of property is about 25%.
  - In development projects, Good Com Asset borrows from financial institutions, purchases the land, and pays a building contractor an initial fee of about 5–10% of the total projected construction cost. The time from land acquisition to building completion is about 27 months. GPM on this type of property is about 30%.
- Business model:** Sales are determined by number of condominium units sold times average price per unit. The number of units sold has been increasing as the company expands its business scale. The average price per unit is different for individual buyers and companies. In FY10/20, the company sold 750 units (-11.8% YoY) at an average price of JPY33.5mn (+25.7% YoY). Expenses include cost of sales, which is the cost to acquire land and construct buildings and SG&A expenses consisting primarily of sales personnel expenses and advertising expenses. The cost of sales ratio has been in the 70–85% range, depending on the composition of sales to individuals and companies. SG&A expenses have risen as the company's business has expanded, but sales growth has pushed down the SG&A expense ratio.
- Business segments:** Good Com Asset's business segments include Sales to Individuals (in FY10/20, 29.9% of sales, 8.2% of operating profit before adjustments, 219 units sold), Sales to Real Estate Companies (65.4%, 75.5%, 529 units), Overseas Sales (0.1%, -0.6%, 1 unit), and Good Com Fund (0.2%, -2.7%, 1 unit). Another segment, Property Management (4.4% of sales, 19.6% of operating profit before adjustments), earns rental income from completed condo units until handing over

properties to its new owners after concluding lease contracts, and collects fees for rental management and building management. In this segment, the company made Room Bank Insure Co., Ltd. a subsidiary in September 2020 and begun rent guarantee operations by acting as a guarantor for renters when signing real estate lease contracts.

The company in FY10/21 merged the "Overseas Sales" segment with the "Sales to Individuals" segment to form the "Retail Sales" segment. At the same time, it renamed the "Sales to Real Estate Companies" segment as the "Wholesales Sales" segment and the "Property Management" segment as the "Real Estate Management" segment.

- ▶ **Market and competitors:** In 2019, 5,977 new investment condos were offered for sale in the Tokyo area (-23.5% YoY). The Tokyo investment condominium market trended downward until 2010 after the global financial crisis but has been expanding since, supported by economic recovery and ultra-low interest rates, before declining in 2019. Amid a rush to build hotels in anticipation of an influx of tourists for the Tokyo Olympics, investment condo builders had trouble acquiring land. There are no more than about eight investment condo sales companies with annual sales greater than JPY25bn, including FJ Next (TSE1: 8395).

## Earnings trends

- ▶ In FY10/20, the company reported full-year consolidated sales of JPY26.3bn (+12.6% YoY), operating profit of JPY2.8bn (+61.2% YoY), recurring profit of JPY2.6bn (+60.2% YoY), and net income attributable to owners of the parent of JPY1.8bn (+62.0% YoY).
- ▶ Good Com Asset has focused on investment condos within 10 minutes' walk of train stations in the 23 wards of Tokyo, as the area features high occupancy rates and is less vulnerable to economic fluctuations. It has also focused on selling to government employees who are likely to maintain a certain interest in purchasing regardless of the economic cycle. The company was thus able to maintain solid results for a real estate industry company notwithstanding the COVID-19 pandemic. The company also has a unique single-owner project procurement approach. (Under this, a building contractor purchases land that Good Com Asset plans to develop and sells to the company once the project is complete.) This has enabled it to curtail development risk during the pandemic and continue to purchase condos, underpinning strong growth. Shared Research thinks that these characteristics should help sustain growth for the company in FY10/21 and beyond.
- ▶ The company revised its full-year FY10/21 forecast in April 2021. The revised company forecast calls for consolidated sales of JPY38.0–41.9bn (+44.4–59.1% YoY), operating profit of JPY3.5–3.8bn (+23.7–34.3% YoY), recurring profit of JPY3.3–3.6bn (+24.8–36.2% YoY), and net income attributable to owners of the parent of JPY2.3–2.5bn (+23.3–34.4% YoY).
- ▶ Good Com Asset has not disclosed a medium-term business plan, but has said it is aiming for a CAGR of 30% for sales and profit over the medium term. Growth in condo unit sales is the source of sales growth over the medium term, which is supported by the company's financial strength and property procurement prowess (repeat procurement from the construction companies with which the company has built strong relationships through past transactions), which will enable it to continue building its inventory of properties for sale. Shared Research also expects the company to realize sales growth by strengthening its sales capabilities (i.e., increasing staff and productivity) in the Retail Sales segment and meeting the procurement needs in the Wholesale Sales segment. In addition, the Good Com Fund, corporate venture capital (CVC) business, and the rent guarantee business should contribute to growth.

## Strengths and weaknesses

Shared Research holds that Good Com Asset possesses three core strengths: First, its relations with building contractors reduce the amount of funds needed to buy properties while also lowering associated risks. Second, Good Com Asset is one of only five real estate companies listed on the First Section of the Tokyo Stock Exchange that sell investment condominiums (four of which are based in Tokyo). Third, the company uses rent guarantees to curb performance fluctuations. On the other hand, Shared Research has also identified two weaknesses: First, the company's earnings fluctuate depending on sales inventory due to its business structure. Second, its procurement capacity outstrips its sales capabilities. (See the Strengths and weaknesses section later in this report for more in-depth analysis.)

## Key financial data

Income statement (JPYmn)	FY10/14	FY10/15	FY10/16	FY10/17	FY10/18	FY10/19	FY10/20	FY10/21
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Est.
<b>Sales</b>	<b>5,611</b>	<b>7,824</b>	<b>7,394</b>	<b>9,834</b>	<b>16,818</b>	<b>23,377</b>	<b>26,323</b>	<b>38,000~41,876</b>
YoY	-	39.4%	-5.5%	33.0%	71.0%	39.0%	12.6%	44.4%~59.1%
<b>Gross profit</b>	<b>1,262</b>	<b>2,224</b>	<b>1,993</b>	<b>2,201</b>	<b>3,177</b>	<b>3,493</b>	<b>4,790</b>	
YoY	-	76.2%	-10.4%	10.4%	44.4%	9.9%	37.2%	
GPM	22.5%	28.4%	27.0%	22.4%	18.9%	14.9%	18.2%	
<b>Operating profit</b>	<b>341</b>	<b>949</b>	<b>929</b>	<b>908</b>	<b>1,678</b>	<b>1,756</b>	<b>2,829</b>	<b>3,500~3,800</b>
YoY	-	178.6%	-2.1%	-2.3%	84.9%	4.6%	61.2%	23.7%~34.3%
OPM	6.1%	12.1%	12.6%	9.2%	10.0%	7.5%	10.7%	
<b>Recurring profit</b>	<b>308</b>	<b>916</b>	<b>869</b>	<b>820</b>	<b>1,567</b>	<b>1,650</b>	<b>2,644</b>	<b>3,300~3,600</b>
YoY	-	197.1%	-5.2%	-5.6%	91.0%	5.3%	60.2%	24.8%~36.2%
RPM	5.5%	11.7%	11.7%	8.3%	9.3%	7.1%	10.0%	
<b>Net income</b>	<b>185</b>	<b>563</b>	<b>564</b>	<b>620</b>	<b>1,071</b>	<b>1,127</b>	<b>1,826</b>	<b>2,251~2,455</b>
YoY	-	205.0%	0.1%	10.0%	72.8%	5.2%	62.0%	23.3%~34.4%
Net margin	3.3%	7.2%	7.6%	6.3%	6.4%	4.8%	6.9%	
<b>Per-share data</b>								
Shares issued (year-end; '000)	1,048	1,048	1,048	6,071	7,285	7,345	15,198	
EPS	22.0	67.2	67.2	53.1	80.0	78.5	124.5	154.9~169.0
EPS (fully diluted)	-	-	-	50.1	76.0	75.2	122.4	
Dividend per share	-	10.0	10.0	10.0	17.5	23.5	34.0	41.0
Book value per share	85	152	216	267	436	488	569	
<b>Balance sheet (JPYmn)</b>								
Cash and cash equivalents	1,160	1,611	1,443	2,539	5,834	4,980	6,598	
<b>Total current assets</b>	<b>4,349</b>	<b>6,102</b>	<b>5,735</b>	<b>12,539</b>	<b>12,339</b>	<b>14,900</b>	<b>24,937</b>	
Tangible fixed assets	18	14	13	9	7	43	53	
Investments and other assets	118	131	113	64	87	247	346	
Intangible assets	-	-	2	2	1	1	580	
<b>Total assets</b>	<b>4,486</b>	<b>6,246</b>	<b>5,863</b>	<b>12,614</b>	<b>12,435</b>	<b>15,192</b>	<b>25,916</b>	
Accounts payable-trade	383	344	385	117	42	78	111	
Short-term debt	529	1,826	1,737	6,418	3,763	5,366	11,538	
<b>Total current liabilities</b>	<b>1,555</b>	<b>2,753</b>	<b>2,564</b>	<b>6,905</b>	<b>4,827</b>	<b>6,183</b>	<b>12,926</b>	
Long-term debt	2,130	2,130	1,389	2,450	1,234	1,944	4,529	
<b>Total fixed liabilities</b>	<b>2,218</b>	<b>2,220</b>	<b>1,484</b>	<b>2,467</b>	<b>1,251</b>	<b>1,991</b>	<b>4,592</b>	
<b>Total liabilities</b>	<b>3,773</b>	<b>4,973</b>	<b>4,048</b>	<b>9,372</b>	<b>6,078</b>	<b>8,174</b>	<b>17,518</b>	
<b>Net assets</b>	<b>712</b>	<b>1,273</b>	<b>1,815</b>	<b>3,241</b>	<b>6,357</b>	<b>7,018</b>	<b>8,398</b>	
Total interest-bearing debt	2,659	3,957	3,127	8,868	4,997	7,310	16,067	
<b>Cash flow statement (JPYmn)</b>								
Cash flows from operating activities	-747	-822	680	-5,502	5,166	-2,643	-6,112	
Cash flows from investing activities	-11	-34	-16	81	-26	-57	-582	
Cash flows from financing activities	1,523	1,296	-851	6,546	-1,844	1,845	8,313	
<b>Financial ratios</b>								
ROA (RP-based)	-	17.1%	14.3%	8.9%	12.5%	11.9%	12.9%	
ROE	-	56.7%	36.5%	24.5%	22.3%	16.9%	23.7%	
Equity ratio	15.9%	20.4%	31.0%	25.7%	51.1%	46.2%	32.4%	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

The company carried out a 2-for-1 stock split in October 2020. Per share data is based on the number of shares after the stock split.

## Recent updates

### Highlights

On July 15, 2021, Shared Research updated the report following interviews with Good Com Asset Co., Ltd.

On June 9, 2021, the company announced earnings results for 1H FY10/21; see the results section for details.

On April 9, 2021, the company announced revisions to its 1H and full-year FY10/21 forecast.

#### Revised 1H FY10/21 forecast

- ▷ Sales: JPY19.9bn (previous forecast: JPY15.5bn)
- ▷ Operating profit: JPY2.2bn (JPY1.1bn)
- ▷ Recurring profit: JPY2.0bn (JPY994mn)
- ▷ Net income\*: JPY1.4bn (JPY665mn)

\*Net income attributable to owners of the parent

#### Revised full-year FY10/21 forecast

- ▷ Sales: JPY38.0–41.9bn (previous forecast: JPY41.9bn)
- ▷ Operating profit: JPY3.5–3.8bn (JPY3.0bn)
- ▷ Recurring profit: JPY3.3–3.6bn (JPY2.9bn)
- ▷ Net income\*: JPY2.3–2.5bn (JPY2.0bn)

#### Reasons for revision

The previous forecast assumed wholesale sales to real estate sales companies in the Wholesale Sales segment. However, the company now forecasts higher profit margins after concluding a sales agreement in February 2021 for 16 properties (total of 724 units) with a company that manages its own properties.

Good Com Asset forecasts sales and profit growth in 1H FY10/21 after booking sales from settlement of 10 properties (total of 386 units) as part of the above agreement. For the full-year forecast, the company revised up its profit forecast, having reflected the revised 1H forecast as well as plans to book sales from the six properties (total of 338 units) in the above agreement that have not yet settled. The company commented that it had announced its full-year forecast in a range format, because it is difficult to provide reliable earnings estimates amid the COVID-19 pandemic, including the spread of new variants of the virus.

On the same day, the company announced that it had decided details of its share buyback.

#### Details of share buyback

- ▷ Class of shares to be acquired: Common stock of Good Com Asset
- ▷ Maximum number of shares to be acquired: 450,000 (3.05% of outstanding shares)
- ▷ Total acquisition price of shares: Up to JPY832mn
- ▷ Buyback period: From April 12 to July 31, 2021
- ▷ Buyback method: Market purchase on the Tokyo Stock Exchange

On the same day, the company announced that it would start preparations for a listed REIT business.

Good Com Asset will begin preparations for a listed REIT business as a new business to expand the scope of its operations. It is currently assessing the requirements, preparation period, and business scale for launching a listed REIT.

**For previous releases and developments, please refer to the News and topics section.**

## Trends and outlook

### Quarterly trends and results

Cumulative (JPYmm)	FY10/20				FY10/21				FY10/21		FY10/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.	1H Est.	% of Est.	FY Est.
Sales	2,345	7,994	20,955	26,323	3,698	19,669			99.0%	19,870	-	38,000~41,876
YoY	-32.0%	-6.0%	28.7%	12.6%	57.7%	146.0%				148.6%		44.4%~59.1%
Gross profit	558	1,536	3,925	4,790	802	3,450						
YoY	-17.0%	3.1%	61.2%	37.2%	43.7%	124.5%						
GPM	23.8%	19.2%	18.7%	18.2%	21.7%	17.5%						
SG&A expenses	407	884	1,442	1,961	553	1,282						
YoY	7.1%	3.7%	11.8%	12.9%	35.9%	45.0%						
SG&A ratio	17.3%	11.1%	6.9%	7.5%	14.9%	6.5%						
Operating profit	152	652	2,484	2,829	249	2,167			100.5%	2,156	-	3,500~3,800
YoY	-48.2%	2.4%	116.9%	61.2%	64.5%	232.3%				230.6%		23.7%~34.3%
OPM	6.5%	8.2%	11.9%	10.7%	6.7%	11.0%				10.9%		-
Recurring profit	107	576	2,362	2,644	185	2,030			100.4%	2,021	-	3,300~3,600
YoY	-61.2%	-0.8%	124.1%	60.2%	72.6%	252.2%				250.7%		24.8%~36.2%
RPM	4.6%	7.2%	11.3%	10.0%	5.0%	10.3%				10.2%		-
Net income	71	388	1,600	1,826	118	1,381			100.1%	1,380	-	2,251~2,455
YoY	-62.1%	-1.8%	122.6%	62.0%	65.5%	255.7%				255.5%		23.3%~34.4%
Net margin	3.0%	4.9%	7.6%	6.9%	3.2%	7.0%				6.9%		-

Quarterly (JPYmm)	FY10/20				FY10/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	2,345	5,649	12,961	5,368	3,698	15,971		
YoY	-32.0%	11.6%	66.6%	-24.3%	57.7%	182.7%		
Gross profit	558	978	2,389	865	802	2,647		
YoY	-17.0%	19.7%	152.8%	-18.2%	43.7%	170.7%		
GPM	23.8%	17.3%	18.4%	16.1%	21.7%	16.6%		
SG&A expenses	407	477	558	519	553	730		
YoY	7.1%	1.0%	27.6%	16.0%	35.9%	52.8%		
SG&A ratio	17.3%	8.5%	4.3%	9.7%	14.9%	4.6%		
Operating profit	152	501	1,831	346	249	1,918		
YoY	-48.2%	45.4%	260.4%	-43.4%	64.5%	283.1%		
OPM	6.5%	8.9%	14.1%	6.4%	6.7%	12.0%		
Recurring profit	107	469	1,786	282	185	1,845		
YoY	-61.2%	54.0%	277.5%	-52.7%	72.6%	293.3%		
RPM	4.6%	8.3%	13.8%	5.3%	5.0%	11.6%		
Net income	71	317	1,211	227	118	1,263		
YoY	-62.1%	52.9%	274.7%	-44.5%	65.5%	298.4%		
Net margin	3.0%	5.6%	9.3%	4.2%	3.2%	7.9%		

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.



## Quarterly reference data

### Segment sales and operating profit

Cumulative (JPYmn)	FY10/20				FY10/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total sales	2,345	7,994	20,955	26,323	3,698	19,669		
YoY	-32.0%	-6.0%	28.7%	12.6%	57.7%	146.0%		
Sales to Individuals	1,491	3,655	6,048	7,899	1,931	2,962		
YoY	-11.3%	14.6%	28.4%	13.6%	29.5%	-19.0%		
% of total sales	63.6%	45.7%	28.9%	30.0%	52.2%	15.1%		
Sales to Real Estate Companies	635	3,841	14,092	17,211	1,337	15,862		
YoY	-60.6%	-23.0%	27.6%	9.7%	110.6%	313.0%		
% of total sales	27.1%	48.0%	67.2%	65.4%	36.2%	80.6%		
Property Management	219	498	815	1,166	430	845		
YoY	41.5%	51.8%	52.9%	59.5%	96.6%	69.8%		
% of total sales	9.3%	6.2%	3.9%	4.4%	11.6%	4.3%		
Good Com Fund	-	-	-	47	-	-		
YoY	-	-	-	-	-	-		
% of total sales	-	-	-	0.2%	-	-		
Operating profit	152	652	2,484	2,829	249	2,167		
YoY	-48.2%	2.4%	116.9%	61.2%	64.5%	232.3%		
Sales to Individuals	15	126	204	212	34	-122		
YoY	-85.0%	59.1%	238.1%	3.6%	123.5%	-		
Operating profit margin	1.0%	3.5%	3.4%	2.7%	1.7%	-		
% of operating profit	10.3%	19.6%	8.2%	7.5%	13.8%	-		
Sales to Real Estate Companies	37	290	1,889	2,123	88	1,991		
YoY	-66.1%	-25.3%	135.3%	80.8%	137.1%	585.9%		
Operating profit margin	5.8%	7.6%	13.4%	12.3%	6.6%	12.6%		
% of operating profit	25.2%	45.1%	76.4%	75.5%	35.8%	92.3%		
Property Management	120	283	453	552	138	333		
YoY	49.8%	74.2%	66.9%	52.5%	14.7%	17.4%		
Operating profit margin	55.0%	56.9%	55.6%	47.3%	32.1%	39.4%		
% of operating profit	81.9%	44.0%	18.3%	19.6%	56.4%	15.4%		
Good Com Fund	-25	-56	-75	-75	-15	-44		
YoY	-	-	-	-	-	-		
Operating profit margin	-	-	-	-	-	-		
% of operating profit	-	-	-	-	-	-		
Eliminations	4	9	13	17	4	10		
Quarterly (JPYmn)	FY10/20				FY10/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total sales	2,345	5,649	12,961	5,368	3,698	15,971		
YoY	-32.0%	11.6%	66.6%	-24.3%	57.7%	182.7%		
Sales to Individuals	1,491	2,165	2,392	1,851	1,931	1,031		
YoY	-11.3%	43.3%	57.5%	-17.4%	29.5%	-52.4%		
% of total sales	63.6%	38.3%	18.5%	34.5%	52.2%	6.5%		
Sales to Real Estate Companies	635	3,206	10,251	3,119	1,337	14,525		
YoY	-60.6%	-5.1%	69.3%	-32.9%	110.6%	353.1%		
% of total sales	27.1%	56.7%	79.1%	58.1%	36.2%	90.9%		
Property Management	219	279	318	350	430	415		
YoY	41.5%	60.9%	54.6%	77.3%	96.6%	48.7%		
% of total sales	9.3%	4.9%	2.4%	6.5%	11.6%	2.6%		
Good Com Fund	-	-	-	47	-	-		
YoY	-	-	-	-	-	-		
% of total sales	-	-	-	0.9%	-	-		
Operating profit	152	501	1,831	346	249	1,918		
YoY	-48.2%	45.4%	260.4%	-43.4%	64.5%	283.1%		
Sales to Individuals	15	111	77	8	34	-156		
YoY	-85.0%	-	-	-94.2%	123.5%	-		
Operating profit margin	1.0%	5.1%	3.2%	0.4%	1.7%	-		
% of operating profit	10.3%	22.4%	4.2%	2.4%	13.8%	-		
Sales to Real Estate Companies	37	253	1,598	234	88	1,903		
YoY	-66.1%	-9.3%	286.0%	-36.9%	137.1%	651.5%		
Operating profit margin	5.8%	7.9%	15.6%	7.5%	6.6%	13.1%		
% of operating profit	25.2%	51.0%	87.5%	68.7%	35.8%	99.5%		
Property Management	120	163	170	98	138	195		
YoY	49.8%	98.1%	55.9%	9.3%	14.7%	19.5%		
Operating profit margin	55.0%	58.3%	53.6%	28.1%	32.1%	46.9%		
% of operating profit	81.9%	32.8%	9.3%	28.9%	56.4%	10.2%		
Good Com Fund	-25	-31	-19	0	-15	-29		
YoY	-	-	-	-	-	-		
Operating profit margin	-	-	-	0.2%	-	-		
% of operating profit	-	-	-	0.0%	-	-		
Eliminations	4	4	4	4	4	5		

Source: Shared Research based on company data

Notes: \* Figures may differ from company materials due to differences in rounding methods.

\*\* Effective Q1 FY10/21, the company changed its reporting segments, the old "Overseas Sales" segment being merged with the "Sales to Individuals" segment to form the "Retail Sales" segment, the old "Sales to Real Estate Companies" segment being renamed the "Wholesales Sales" segment, and the old "Property Management" segment being renamed the "Real Estate Management" segment. Year-ago figures have been adjusted to conform to the new segmentation scheme to facilitate YoY comparisons.

## Number of condominium units sold and average price per unit

Cumulative (JPYmn)	FY10/20				FY10/21				FY10/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.	FY Est.
Units sold	60	244	572	750	107	644			46.5%	1,384
YoY	-50.8%	-25.4%	-6.8%	-11.8%	78.3%	163.9%				84.5%
Sales to Individuals	38	100	168	220	54	87				
YoY	-25.5%	3.1%	18.3%	7.3%	42.1%	-13.0%				
Sales to Real Estate Companies	22	144	404	529	53	557				
YoY	-69.0%	-37.4%	-14.4%	-18.0%	140.9%	286.8%				
Sales per unit	35.4	30.7	35.2	33.5	30.5	29.2				
YoY	31.3%	22.8%	37.2%	25.7%	-13.8%	-4.9%				
Sales to Individuals	39.2	36.6	36.0	35.9	35.8	34.0				
YoY	19.1%	11.1%	8.5%	5.9%	-8.9%	-6.9%				
Sales to Real Estate Companies	28.9	26.7	34.9	32.5	25.2	28.5				
YoY	27.2%	23.0%	49.1%	33.7%	-12.6%	6.8%				
Quarterly (JPYmn)	FY10/20				FY10/21					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Units sold	60	184	328	178	107	537				
YoY	-50.8%	-10.2%	14.3%	-24.6%	78.3%	191.8%				
Sales to Individuals	38	62	68	52	54	33				
YoY	-25.5%	34.8%	51.1%	-17.5%	42.1%	-46.8%				
Sales to Real Estate Companies	22	122	260	125	53	504				
YoY	-69.0%	-23.3%	7.4%	-27.7%	140.9%	313.1%				
Sales per unit	35.4	29.2	38.5	27.9	30.5	29.0				
YoY	31.3%	22.4%	46.0%	-4.4%	-13.8%	-0.7%				
Sales to Individuals	39.2	34.9	35.2	35.6	35.8	31.3				
YoY	19.1%	6.4%	4.2%	0.1%	-8.9%	-10.5%				
Sales to Real Estate Companies	28.9	26.3	39.4	25.0	25.2	28.8				
YoY	27.2%	23.7%	57.5%	-7.2%	-12.6%	9.7%				

Source: Shared Research based on company data

Notes: \* Figures may differ from company materials due to differences in rounding methods.

\*\* Effective Q1 FY10/21, the company changed its reporting segments, the old "Overseas Sales" segment being merged with the "Sales to Individuals" segment to form the "Retail Sales" segment, the old "Sales to Real Estate Companies" segment being renamed the "Wholesales Sales" segment, and the old "Property Management" segment being renamed the "Real Estate Management" segment. Year-ago figures have been adjusted to conform to the new segmentation scheme to facilitate YoY comparisons.

## Properties for sale and advance payments

Quarterly (quarter-end; JPYmn)	FY10/20				FY10/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total	13,664	13,583	17,927	18,103	19,379	13,434		
YoY	88.1%	12.4%	93.7%	86.9%	41.8%	-1.1%		
QoQ	41.1%	40.3%	85.1%	86.9%	7.0%	-25.8%		
Total real estate for sale	12,607	12,474	17,202	17,296	18,386	12,358		
YoY	117.2%	15.2%	111.4%	101.6%	45.8%	-0.9%		
QoQ	47.0%	45.4%	100.5%	101.6%	6.3%	-28.5%		
Real estate for sale	10,886	10,783	15,505	15,553	16,634	10,599		
YoY	89.9%	0.1%	91.6%	82.4%	52.8%	-1.7%		
QoQ	27.6%	26.4%	81.8%	82.4%	7.0%	-31.8%		
Real estate for sale in process	1,722	1,691	1,697	1,743	1,752	1,759		
YoY	-	-	-	-	1.8%	4.0%		
QoQ	-	-	-	-	0.5%	0.9%		
Advance payments	1,057	1,108	725	807	993	1,076		
YoY	-27.5%	-11.3%	-35.0%	-27.0%	-6.0%	-2.9%		
QoQ	-4.5%	0.2%	-34.4%	-27.0%	23.0%	33.3%		

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

## 1H FY10/21 results

- ▷ Sales: JPY19.7bn (+146.0% YoY)
- ▷ Operating profit: JPY2.2bn (+232.3% YoY)
- ▷ Recurring profit: JPY2.0 (+252.2% YoY)
- ▷ Net income\*: JPY1.4bn (+255.7% YoY)

\*Net income attributable to owners of the parent

The contract rate for newly constructed condominiums during the six-month period between November 2020 and April 2021 was 66.9% (61.9% in 1H FY10/20) in the Tokyo metropolitan area and 70.2% (59.2% in 1H FY10/20) in the 23 wards of Tokyo, the company's main operating area. These figures surpassed the 70% mark that serves as a yardstick of strong performance (according to Real Estate Economic Institute Co., Ltd.). While unit supply in the Tokyo metropolitan area declined on factors such as the spread of COVID-19, the contract rate improved YoY on increased demand for residential properties as a result of changes in peoples' lifestyles. According to the company, as shown by investor inquiries, demand for investment in hotels, offices, and commercial facilities has receded during the pandemic, with some limited interest in investing in condominiums in the city center and logistics facilities. The company says that there is a strong level of inquiries in its properties for sale.

Good Com Asset focused on investment condos within 10 minutes' walk of train stations in the 23 wards of Tokyo, as the area features high occupancy rates and is less vulnerable to economic fluctuations. It also focused on selling to government employees who are likely to maintain a certain interest in purchasing regardless of the economic cycle. The company was thus able to maintain solid results for a real estate industry company, notwithstanding the COVID-19 pandemic. Another factor underpinning strong growth rate is the company's unique single-owner project procurement approach. (Under this, a building contractor purchases land that Good Com Asset plans to develop and sells to the company once the project is complete.) This has enabled it to curtail development risk during the pandemic and continue to purchase condos.

In 1H FY10/21, sales declined on a per unit basis, but improved YoY on an overall basis thanks to a roughly 2.5x YoY increase in the number of units sold.

- ▷ The company sold 644 units (+163.9%, or +400 units, YoY). The number of units sold declined in the Retail Sales segment, but increased in the Wholesale Sales segment.
  - In Retail Sales, the company sold 87 units (-13.0%, or -13 units, YoY). The decline reflected impact from the pandemic. Good Com Asset's approach to sales in this segment is to secure appointments with customers and negotiate with them after their working hours. However, during the four-month state of emergency in 1H FY10/21, its sales offices were forced to shorten operating hours, and customers also avoided visiting sales offices during operating hours, pushing back sales negotiations in some cases. That said, demand remains strong as government employees—the core customer segment—are less susceptible to swings in income during economic downturns. Good Com Asset therefore looks for a rebound in sales from Q3 FY10/21 (May–July 2021).
  - In the Wholesale Sales segment, the company sold 557 units (+286.8%, or 413 units, YoY). In February 2021, it entered an agreement with a real estate management company to sell 16 condominium buildings with 724 units. In 1H FY10/21, it delivered 10 of these buildings with 386 units and recorded related sales, resulting in a YoY increase in the number of units sold. It plans to deliver the remaining six buildings with 338 units and book corresponding sales in 2H FY10/21.
- ▷ Sales per unit fell 4.9% YoY to JPY29.2mn, as an increase in the Wholesale Sales segment was offset by a drop in the Retail Sales segment.

Earnings: In 1H FY10/21, gross profit of JPY3.5bn rose 124.5% YoY, despite a 1.7pp drop in GPM to 17.5%. The sales recorded for the aforementioned 10 buildings with 386 units drove up GPM as the company books higher margins on sales of entire buildings to real estate management companies than on sales to real estate sales companies. At the same time, however, the proportion of sales accounted for by the company's high-margin Retail Sales segment declined to 15.1% (-30.7pp YoY).

Sales agreement for entire buildings with real estate management company: Good Com Asset explains that real estate management companies purchase condominium units to own and manage them. Because the company sells its condos at retail rather than wholesale prices, it can secure a higher price per unit and margin on sales to real estate management companies than on sales to real estate sales companies.

Gains at the operating profit level and below were aided by the rise in gross profit, despite a 45.0% YoY rise in SG&A spending, which came to JPY1.3bn. SG&A costs were up on an increase in personnel and a floorspace expansion at the company's headquarters in December 2020. In Q2 FY10/21 (February–April 2021), Good Com Asset recorded expenses accompanying the launch of its Osaka branch (mainly employee housing and equipment costs), pushing up SG&A expenses to JPY730mn (+52.8% YoY, +32.0% QoQ).

Inventory levels: As of end-April 2021, the company's balance sheet showed total real estate held for sale of JPY10.6bn (-31.8% versus end-FY10/20), real estate held for sale in process of JPY1.8bn (+0.9%), and advanced payments received of JPY1.1bn (+33.3%), bringing the total to JPY13.4bn (-25.8%). In 1H FY10/21, the company acquired five new buildings for a total of 410 condominium units (compared with 805 acquired in 1H FY10/20). Its real estate held for sale shrunk due to the aforementioned sales of entire buildings to a real estate management company. Good Com Asset says it has already sourced all the properties it plans to sell in FY10/22, so procurement is proceeding smoothly. Thanks to a referral from a financial institution, the company recently acquired—at a relatively affordable price—a property that could potentially be sold in FY10/21. Good Com Asset is able to obtain such referrals due to its strong financial base compared to other companies that sell investment properties, and to its solid track record.

In April 2021, the company revised its full-year FY10/21 outlook, switching to forecast ranges as it cannot predict the impact of the COVID-19 pandemic on its business activities. At the high end of its forecast range, it has maintained its original sales forecast, but revised up its profit forecasts by JPY729mn for operating profit, JPY696mn for recurring profit, and JPY493mn for net income attributable to owners of the parent. At the low end, it has revised down its original sales forecast by JPY3.9bn, but raised its profit forecasts by JPY429mn for operating profit, JPY396mn for recurring profit, and JPY288mn for net income attributable to owners of the parent. Its previous forecasts for the Wholesale Sales segment were mainly predicated on sales to real estate sales companies, but the company now expects the aforementioned sales agreement for entire buildings concluded in February 2021 to drive up sales and profit. In the Retail Sales segment, it expects pandemic-induced restrictions on business activities and an increase in personnel expenses accompanying the launch of its Osaka branch to weigh down sales and profit.

1H FY10/21 sales reached 47.0% of the high end of the company's full-year FY10/21 forecast range (1H sales were 30.4% of full-year FY10/20 sales), operating profit 57.0% (23.1%), recurring profit 56.4% (21.8%), and net income attributable to owners of the parent 56.2% (21.3%). In its Retail Sales segment, the company has faced continued impact from the pandemic since April 2021, and its revised forecast range (even the high end) does not factor in a rebound. As of June 2021, sales in the segment were improving, and Shared Research understands they may surpass the high end of the forecast range. Compared with the low end of the company's full-year FY10/21 forecast range, 1H FY10/21 sales reached 51.8%, operating profit 61.9%, recurring profit 61.5%, and net income attributable to owners of the parent 61.3%.

1H FY10/21 results are broken down by segment below. The company's reporting segments have been changed, though, with the old "Overseas Sales" segment being merged with the "Sales to Individuals" segment to form the "Retail Sales" segment, the old "Sales to Real Estate Companies" segment being renamed the "Wholesales Sales" segment, and the old "Property Management" segment being renamed the "Real Estate Management" segment. Year-ago figures have been adjusted to conform to the new segmentation scheme to facilitate YoY comparisons.

### Retail Sales segment (formerly Sales to Individuals)

- ▷ Sales: JPY3.0bn (-19.0% YoY)
- ▷ Operating loss: JPY122mn (versus profit of JPY126mn in 1H FY10/20)

Under the Retail Sales segment, the company sold of a total of 87 units to individual investors during 1H FY10/21; a decrease of 13.0% YoY, the sales came from sales of the company's *Genovia* series of condominiums designed for singles and families. The average unit sales price of JPY34.0mn was down 6.9% YoY. The number of units sold declined as negotiations with customers were pushed back due to the effects of the COVID-19 pandemic, as mentioned above.

Due to drops in the number of units sold and the average unit sales price, sales and profit at the segment fell YoY. The launch expenses for the Osaka branch (employee housing and equipment costs) and higher personnel expenses weighed on profit.

### Wholesale Sales segment (formerly Sales to Real Estate Companies)

- ▷ Sales: JPY15.9bn (+313.0% YoY)
- ▷ Operating profit: JPY2.0bn (+585.9% YoY), OPM 12.6% (+5.0pp YoY)

Under the Wholesale Sales segment, the company sold of a total of 557 units to individual investors during 1H FY10/21; an increase of 286.8% YoY, the sales came from sales of the company's *Genovia* series of condominiums designed for singles and families. The average unit sales price of JPY28.5mn was up 6.8% YoY. As mentioned above, the company delivered 10 buildings and 386 units under an agreement (concluded in February 2021) to sell a total of 16 buildings and 724 units to a real estate management company, and booked corresponding sales.

Sales and profit at the segment grew YoY owing to increases in the number of units sold and the average unit sales price. OPM improved thanks to sales of entire buildings to a real estate management company, which generate comparatively high margins. With regard to the sales agreement discussed above, the company screened several real estate management companies referred by financial institutions, received their purchase price offers, and decided to sell the properties at the highest purchase price offered. Consequently, the margins on the 16 buildings (724 units) sold were higher than for previous sales of entire buildings to real estate management companies.

### Real Estate Management segment (formerly Property Management)

- ▷ Sales: JPY845mn (+69.8% YoY)
- ▷ Operating profit: JPY333mn (+17.4% YoY), OPM 39.4% (-17.5pp YoY)

For 1H FY10/21, the Real Estate Management segment reported increases in both the number of buildings and number of individual rental units under management, along with an month-end occupancy rate of more than 99% for all months in the six-month period.

Sales and profit climbed supported by increases in the number of buildings under management and number of rental units under management. Sales rose JPY347mn YoY and operating profit increased JPY49mn YoY thanks in part to contributions from the conversion of Room Bank Insure Co., Ltd. into a subsidiary in September 2020.

### Good Com Fund segment

- ▷ Sales: No sales booked in 1H FY10/21 (no sales booked in 1H FY10/21)
- ▷ Operating loss: JPY44mn (versus loss of JPY56mn in 1H FY10/20)

During 1H FY10/21, the company booked no sales of small-lot real estate products.

### Started preparations for a listed REIT business

In April 2021, Good Com Asset announced that it would start preparations for a listed REIT business. It is currently assessing the requirements for such a business, and plans to set up an asset management company and REIT, and launch a private REIT business. After establishing its private REIT business, the company will aim to list a REIT.

In its REIT business, the company will sell entire buildings in its portfolio to the REIT as a sponsor, and generate adequate earnings from such transactions. Sales prices will be on par with those for buildings sold to real estate management companies in the past. The company says its move into the REIT business will provide it with a stable buyer for its properties. As of June 2021, it was still assessing the requirements to launch a private REIT business, and it believes it will need about two years to roll out such business.

**Expanding sales channels to outlying regions**

Having established a branch in Osaka in May 2021, the company is considering opening similar branches in Fukuoka, Sapporo, Nagoya, and Hiroshima. It has traditionally maintained sales offices only in Tokyo, with sales personnel taking business trips to cover any sales activity outside that area. However, since the government declared a state of emergency in January 2021, the company has focused its efforts on expanding its sales channels in areas outside the Kanto region. The company aims to further expand its sales channels in outlying areas and believes it can strengthen its sales activities by opening branches in these areas. Local branches do not engage in purchasing real estate for sale, but rather focus on sales alone.

**Progress of the corporate venture capital (CVC) and stock market listing consulting businesses**

Good Com Asset established Capital Support Consulting Co., Ltd. (non-consolidated subsidiary) in February 2020 as a company engaged in corporate venture capital (CVC) and a stock market listing consulting business.

Capital Support Consulting charges monthly fees for providing consulting concerning the establishment of internal management systems for companies considering public listing. The subsidiary also provides consulting services regarding various topics for listed companies, including the production of IR materials. In addition, Capital Support Consulting will consider investing in client companies through third-party allotment according to the capital policy of the client company. It will also consider M&A in cases where synergies can be created with the client company's business.

**For details on previous quarterly and annual results, please refer to the Historical financial statements section.**

## Full-year company forecast

### Full-year company forecast

(JPYmn)	FY10/20 Act.			FY10/21 Est.			1H	YoY 2H	FY
	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.			
<b>Sales</b>	<b>7,994</b>	<b>18,329</b>	<b>26,323</b>	<b>19,669</b>	<b>18,130~22,006</b>	<b>38,000~41,876</b>	146.0%	0.0%~21.2%	44.4%~59.1%
Cost of sales	6,458	15,075	21,533	16,219					
<b>Gross profit</b>	<b>1,536</b>	<b>3,254</b>	<b>4,790</b>	<b>3,450</b>					
GPM	19.2%	17.8%	18.2%	17.5%					
SG&A expenses	884	1,077	1,961	1,282					
SG&A ratio	11.1%	5.9%	7.5%	6.5%					
<b>Operating profit</b>	<b>652</b>	<b>2,177</b>	<b>2,829</b>	<b>2,167</b>	<b>1,344~1,644</b>	<b>3,500~3,800</b>	232.3%	-38.8%~25.0%	23.7%~34.3%
OPM	8.2%	11.9%	10.7%	11.0%					
<b>Recurring profit</b>	<b>576</b>	<b>2,068</b>	<b>2,644</b>	<b>2,030</b>	<b>1,279~1,579</b>	<b>3,300~3,600</b>	252.2%	-38.6%~24.1%	24.8%~36.1%
RPM	7.2%	11.3%	10.0%	10.3%					
<b>Net income</b>	<b>388</b>	<b>1,438</b>	<b>1,826</b>	<b>1,381</b>	<b>871~1,075</b>	<b>2,251~2,455</b>	255.7%	-39.5%~25.3%	23.2%~34.4%
Net margin	4.9%	7.8%	6.9%	7.0%					

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

### Year-end inventories

(year-end; JPYmn)	FY10/19	FY10/20	YoY
	FY Act.	FY Act.	
Inventories	8,577	17,296	101.6%
Real estate for sale	8,528	15,553	82.4%
Real estate for sale in progress	49	1,743	-
Advance payments	1,106	807	-27.0%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

The company revised its full-year FY10/21 forecast in April 2021. The revised company forecast calls for consolidated sales of JPY38.0–41.9bn (+44.4–59.1% YoY), operating profit of JPY3.5–3.8bn (+23.7–34.3% YoY), recurring profit of JPY3.3–3.6bn (+24.8–36.2% YoY), and net income attributable to owners of the parent of JPY2.3–2.5bn (+23.3–34.4% YoY). Management switched to forecast ranges as it cannot predict the impact of the COVID-19 pandemic on its business activities.

At the high end of its forecast range, the company has maintained its original sales forecast, but revised up its profit forecasts by JPY729mn for operating profit, JPY696mn for recurring profit, and JPY493mn for net income attributable to owners of the parent. At the low end, it has revised down its original sales forecast by JPY3.9bn, but raised its profit forecasts by JPY429mn for operating profit, JPY396mn for recurring profit, and JPY288mn for net income attributable to owners of the parent.

Its previous forecasts for the Wholesale Sales segment were mainly predicated on sales to real estate sales companies, but the company now expects the aforementioned building sales agreement (16 buildings with 724 units) concluded in February 2021 to drive up sales and profit. In the Retail Sales segment, it expects pandemic-induced restrictions on business activities and an increase in personnel expenses accompanying the launch of its Osaka branch to weigh down sales and profit.

Sales agreement for entire buildings with real estate management company: Good Com Asset explains that real estate management companies purchase condominium units to own and manage them. Because the company sells its condos at retail rather than wholesale prices, it can secure a higher price per unit and margin on sales to real estate management companies than on sales to real estate sales companies.

Good Com Asset forecasts sales and profit growth in 1H FY10/21 after booking sales from settlement of 10 properties (total of 386 units) as part of the above agreement. For the full-year forecast, the company revised up its profit forecast, having reflected the revised 1H forecast as well as plans to book sales from the six properties (total of 338 units) in the above agreement that have not yet settled.

In FY10/20, Good Com Asset focused on investment condos within 10 minutes' walk of train stations in the 23 wards of Tokyo, as the area features high occupancy rates and is less vulnerable to economic fluctuations. It also focused on selling to government employees who are likely to maintain a certain interest in purchasing regardless of the economic cycle. The company was thus able to maintain solid results for a real estate industry company notwithstanding the COVID-19 pandemic. Another factor underpinning strong growth rate was the company's unique single-owner project procurement approach. (Under this, a building contractor purchases land that Good Com Asset plans to develop and sells to the company once the project is

complete.) This has enabled it to curtail development risk during the pandemic and continue to purchase condos. Shared Research thinks that these characteristics should help sustain growth for the company in FY10/21 and beyond.

The company expects sales to grow YoY due to an increase in the number of units sold. It expects sales per unit to decline YoY.

- ▷ The company expects to sell 1,384 units (+84.5% YoY). Amid the pandemic, demand to invest in hotels, offices, and commercial facilities has declined, with limited interest in investing in condominiums and logistics facilities. The company expects strong inquiries regarding its properties to continue. On the supply side, in FY10/20 it purchased 24 buildings and 1,439 units (25 buildings and 1,011 units in FY10/19), more than doubling its inventories to JPY17.3bn (+101.6% YoY) at end-FY10/20.
- ▷ The company is looking for sales per unit of JPY27.5–30.3mn (-21.8% to -13.8% YoY; derived from dividing sales [including real estate management revenue] by number of units sold).

Good Com Asset does not disclose segment forecasts, but we understand it expects sales and profit growth in the Retail Sales and Wholesale Sales segments. It expects an earnings contribution from Room Bank Insure Co., Ltd., which it made a subsidiary in September 2020 in the Real Estate Management segment.



## Medium-term outlook

### Historical earnings results and growth drivers

#### Average CAGR of 40% for sales, 30% for profits

Between FY10/16 and FY10/20, Good Com Asset had CAGR of 37.4% for sales and 32.1% for operating profit. The driver of this growth has been the increase in condo units sold, with buildup in inventory of condos for sale, achieved through expansion in the company's shareholders' equity and subsequent use of debt. The Sales to Individuals (now the Retail Sales segment) and Sales to Real Estate Companies (now the Wholesale Sales segment) segments have contributed to earnings growth. The former segment has achieved growth by increasing staff and the number of units sold per employee. The latter segment has achieved growth by supplying condominiums, which the company had procured to meet companies' growing needs for investment condos.

The company in FY10/21 merged the "Overseas Sales" segment with the "Sales to Individuals" segment to form the "Retail Sales" segment. At the same time, it renamed the "Sales to Real Estate Companies" segment as the "Wholesales Sales" segment and the "Property Management" segment as the "Real Estate Management" segment.

#### No medium-term plan disclosed, but the company aims to achieve 30% growth over medium term

As of December 2020, Good Com Asset has not released a medium-term management plan. However, the company aims to achieve CAGR of 30% for both sales and recurring profit over the medium-term (three to five years).

Growth in condo unit sales and a growing percentage of higher-priced family-type condominiums are the source of sales growth over the medium term, which is supported by the company's financial strength and property procurement prowess (repeat procurement from the construction companies with which the company has built strong relationships through past transactions), which will enable it to continue building its inventory of properties for sale. We also expect Good Com Asset to realize sales growth by strengthening its sales capabilities (i.e., increasing staff and productivity) in the Retail Sales segment and meeting the procurement needs in the Wholesale Sales segment. In addition, the Good Com Fund and corporate venture capital (CVC) businesses discussed later and the rent guarantee business should contribute to growth.

On the profit front, the company says that its GPM could rise as a result of growth in sales to real estate management companies of condominium buildings including family-type condos in the relatively low-GPM Wholesale Sales segment. In addition, we expect personnel expenses, the most prominent component of SG&A expenses, to rise, particularly in the Retail Sales segment, but we expect the SG&A expense ratio to decline as employee productivity improves (units sold per employee). Thanks to rising GPM and a shrinking SG&A expense ratio, OPM should gradually rise. Owing to sales growth and profit margin improvement, the company's operating profit could rise at a higher pace than its sales.

### Medium-term growth drivers

#### Minimum equity ratio target lowered to 30%; stepping up procurement

Real estate companies like Good Com Asset that are engaged in the development, procurement, and sale of properties need to hold inventories of properties for sale. The larger their inventory of properties for sale, the more products they have to sell, which makes it easier for them to generate higher sales in the future. However, holdings of properties for sale are exposed to price fluctuation risks that could cause losses when the real estate market declines. Additionally, if a company finances its increase in properties for sale using interest-bearing debt, the company eventually will need to sell those assets to generate the cash needed to repay its debts. Companies that develop, procure, and sell properties must therefore carefully manage their financial leverage by keeping an eye on shareholders' equity and debt-equity ratios to control risk.

In light of the COVID-19 pandemic that took hold in 2020, Good Com Asset thinks that demand to invest in hotels, offices, and commercial facilities will be downbeat, with limited interest in investment in condominiums and logistics facilities. The company said that inquiries regarding its properties for sale remain strong. Given these circumstances, Good Com Asset has moved away from its previous policy to keep its shareholders' equity ratio at around 40%. From FY10/20, it has targeted a minimum shareholders' equity ratio of 30%.

## Scope to purchase properties

In April and May 2018, the company procured approximately JPY2.1bn in proceeds via a new stock issuance and a third-party allotment. Together with internal reserves from profits, its equity capital increased to JPY8.4bn as of end-FY10/20 (19.7% increase from end-FY10/19).

As noted above, the company's policy is to keep the equity ratio at 30% or above. Therefore, total assets have a room to expand to around JPY28.0bn, given its equity capital as of end-FY10/20 (total assets came to JPY15.2bn). Cash and deposits, properties for sale, and advance payments account for the bulk of its assets. When accounting for the minimum outstanding balance of cash and deposits (estimated to be 2–3 months of sales) and the required advance payments (about 5% of planned procurements over the next 1.5 years) the company need to maintain, Shared Research estimates Good Com Asset could expand properties for sale to about JPY19.0bn (from JPY17.3bn as of end-FY10/20).

The company's inventory turnover rate from FY10/16 to FY10/20 was in the 1.2–2.8x range, for an average of 1.8x. Assuming it sustains the 1.8x average figure over the medium term and a GPM of around 20% (18.2% in FY10/20, average of 20.3% from FY10/16 to FY10/20), a JPY19.0bn inventory of properties for sale would generate annual sales of about JPY43.0bn, which is greater than the company's forecast of JPY41.9bn in sales for FY10/21. Also, considering the company's accumulation of internal reserves, Shared Research estimates that it could maintain an inventory of properties for sale capable of delivering CAGR of 30% for sales over the medium term, while maintaining an equity ratio of 30%.

## Sales capability

As noted earlier, to increase its condo unit sales, Good Com Asset not only needs to have the financial strength to expand its holdings of properties for sale but must also enhance its ability to sell those properties. Shared Research believes that Good Com Asset aims to increase sales of condo units in both Retail Sales and Wholesale Sales segments.

### Strengthening sales capability of the Retail Sales segment

To realize sales expansion through an increase in properties available for sale, Good Com Asset must increase the size of the sales force of the segment while also improving productivity (units sold per employee).

During FY10/16–FY10/20, sales in the Sales to Individuals segment (now the Retail Sales segment) expanded at a CAGR of 25.2%. We attribute the earnings growth in this segment to increases in properties for sale and the sales staff, as well as to an increase in sales per employee as the sales staff became more experienced. From FY10/19, sales were in an uptrend but operating profit fell YoY in two consecutive years. The company prioritized sales of family condos, which are relatively hard to sell and high-priced compared to condos for singles, but have lower GPM per unit.

Virtually all of the 23 Tokyo wards where the company operates have regulations and restrictions on building condos for single occupancy. For example, in Chuo, in residential buildings with 10 or more units in the regional planning area, dwellings with floor space of 40sqm or more must comprise at least one third of the total dwelling floor space.

Good Com Asset's disclosures have been limited, but from FY10/16 through FY10/20, the year-end number of employees in the Sales to Individuals segment increased by 21 to 60. There were sales of 3.7 units per employee in FY10/20, versus 4.0 units in FY10/19.

With the company aiming to increase employee numbers in the Retail Sales segment, Shared Research expects that its number of units sold per employee is likely to increase along with years of employee experience over the medium term.

### Growth potential of the Wholesale sales segment

During FY10/16–FY10/20, sales in the Sales to Real Estate Companies segment (now the Wholesale Sales segment) expanded at a CAGR of 48.7% and operating profit grew at a CAGR of 39.1%, surpassing the pace of growth in the Sales to Individuals segment. This segment's share of total condo units sold has also increased, from 53.0% in FY10/16 to 70.5% in FY10/20.

In the past, the company sold properties to real estate sales companies when its inventory of condo units for sale exceeds the sales capacity in the Sales to Individuals segment. The effective use of this alternate sales channel has contributed to Good Com Asset's earnings growth. In FY10/20, sales of entire buildings to real estate management companies accounted for over half of the units sold in the Sales to Real Estate Companies segment. Management has stated that the spread of COVID-19 contributed to a decline in investment in hotels, offices, and commercial facilities, limiting investment largely to condominiums and logistics facilities, with demand firm for condominiums in desirable Tokyo locations. Within such an environment, the company intends to continue to focus on sales to real estate management companies. Good Com Asset explains that such companies purchase properties to own and manage themselves. The company sells to them at retail rather than wholesale prices, so sales per unit are comparatively high, as is the profit margin.

## Profit growth outlook

Going forward, Good Com Asset's GPM could fall due to its sales mix. On the other hand, we expect a fall in the SG&A expense ratio will support a gradual increase in OPM. Accordingly, we think sales growth combined with improving profit margins could lead to operating profit expanding at a faster pace than sales.

## GPM

GPM is different in each business segment, with the Retail Sales segment generating a higher GPM than the Wholesale Sales segment. Shared Research estimates GPM of about 25% for the Retail Sales segment and 10–15% for the Wholesale Sales segment for sales to real estate sales companies. Based on those estimates, Good Com Asset's overall GPM could decline owing to its sales mix if growth in the Wholesale Sales segment exceeds that of the Retail Sales segment.

The Sales to Real Estate Companies (now Wholesale Sales) segment's share of the company's total condo unit sales increased from 42.2% in FY10/16 to 70.5% in FY10/20. On the other hand, increasing the number of condo unit sales in the Sales of Individuals segment requires an increase in the segment's sales force. Based on the sales force's recent pace of growth in the Sales to Individuals segment (about 50% growth from FY10/16 to FY10/20), Shared Research thinks sales growth in the Wholesale Sales segment is likely to maintain a faster pace than the Retail Sales segment over the medium term, resulting in a gradual increase in the Sales to Real Estate Companies segment's share of totals sales. As a result, Shared Research expects that Good Com Asset's GPM will decline gradually.

In FY10/20, sales of entire buildings to real estate management companies accounted for more than half of the units sold in the Sales to Real Estate Companies (now Wholesale Sales) segment, pushing up the companywide GPM (up 3.3pp YoY to 18.2%). The company explains that sales per unit and profit margins are relatively high for sales to real estate management companies. Shared Research understands that further sales to real estate management companies in the coming years would help push up GPM. The company says that purchases by real estate management companies are irregular, but as of December 2020, inquiries were strong.

## SG&A expenses

SG&A expenses mainly include personnel expenses, directors' compensation, and other expenses. Shared Research expects personnel expenses to rise in line with staffing increases mostly in the Retail Sales and Wholesale Sales segments. However, staff productivity or condo unit sales per employee in both segments should rise as employees gain experience. We therefore think sales growth will exceed growth in staff size. Other SG&A expenses include some costs that do not rise as sales increase. Accordingly, we believe that Good Com Asset's SG&A expense ratio will decline over the medium term.

## OPM trend

As noted above, we expect both the GPM and SG&A expense ratio to decline over the medium term. However, we think the SG&A ratio will fall faster than the GPM, which should support a gradual increase in OPM. Based on this projection, we believe that sales growth combined with improving profit margins could lead to an increase in operating profit that outpaces sales.

## Long-term initiatives

### New business: Good Com Fund

In July 2020, the company launched sales of Good Com Fund, a product that combines small-lot real estate products with crowdfunding. The fund divides the rights covering one investment condo unit into small lots and looks for investments of JPY100,000 per unit. With a gross yield of about 4% (4.32% for Fund No. 1), investors receive rental yields after costs are deducted (forecast distribution rate of about 3% [3.08% for Fund No. 1]) and also have access to tax advantages, including lowering the assessed value of assets for inheritance tax purposes. Key characteristics of the fund are that it is limited to the Genovia condo series, it is a voluntary association, and it will look for investors and complete contracts online.

- ▷ Limited to Genovia series: The voluntary association will acquire the same sort of properties that the company's Retail Sales and Wholesale Sales segments currently sell and will not handle properties from other companies.
- ▷ Voluntary association: According to the company, most of the real estate crowdfunding from other companies is under silent partner-type arrangements and the investors do not own land or buildings, so earnings are miscellaneous income for tax purposes. However, the Good Com Fund will use voluntary associations, and individual investors will be owners in line with their unit holdings and distributions will be treated as real estate income for tax purposes. Also, they can expect a 70–80% lower asset assessment for inheritance tax compared with cash because the Good Com Fund investors will have ownership rights over the properties.
- ▷ Will look for investors, conclude contracts online: The Good Com Fund will look for investors and conclude investment contracts online.

Good Com Asset runs online seminars to boost the profile of the Good Com Fund. Most of the contributions to company earnings will be by property sales, but it said it would also receive some compensation for its role as a managing partner and fees for property management (such as collecting monies). It had structured one fund in FY10/20.

### New business: corporate venture capital (CVC) and stock market listing consulting

The company established Capital Support Consulting Co., Ltd. (a non-consolidated subsidiary) in February 2020 as a subsidiary engaged in corporate venture capital (CVC) and a share market listing consulting business. Capital Support Consulting charges monthly fees for providing consulting concerning the establishment of internal management systems for companies considering public listing. The subsidiary also provides consulting services related to various topics for listed companies, including the production of IR materials. In addition, Capital Support Consulting will consider investing in client companies through third-party allotment according to the capital policy of the client company. It will also consider M&A in cases through which synergies can be created with the client company's business.

## Business

### Business description

Good Com Asset is an independent investment real estate company. The company develops condominium buildings in Tokyo's 23 wards to its own original specifications and then sells the units in these buildings or the buildings themselves to individual investors and companies. The company was established with a few employees in 2005 by current President Yoshikazu Nagashima, an entrepreneur with previous experience in condominium sales. Two unique characteristics of Good Com Asset are the large percentage of female government employees in its customer base and the high percentage of properties it procures under a single-owner project.

While many peers in the industry engage in the same business, most are non-listed companies. The condos the company sells are characterized by their consistent designs and use of greenery. Its investor customers are primarily female government employees, and the company's main procurement method is the single-owner scheme. There are only five real estate companies listed on the First Section of the Tokyo Stock Exchange that sell investment condominiums (four of which are based in Tokyo), and Good Com Asset is one of them.

The company in FY10/21 merged the "Overseas Sales" segment with the "Sales to Individuals" segment to form the "Retail Sales" segment. At the same time, it renamed the "Sales to Real Estate Companies" segment as the "Wholesales Sales" segment and the "Property Management" segment as the "Real Estate Management" segment. The following section reflects conditions prior to the change in segment names.

### Product (investment condos) characteristics

Investment condominiums are single units purchased primarily by individuals for the purpose of generating rental income. The condos are generally acquired using real estate investment loans and usually are rented to single adults. The investor can use the rental income from an investment condominium to supplement private pension plans, as a substitute for life insurance policies, and to reduce future inheritance taxes that might be imposed on his or her surviving family members. Rental income is often used to pay off most of the loan borrowed to buy the property.

The company's investment properties are mostly studio-type condos (one bedroom and kitchen) or one- to two-bedroom condos ranging in size from 20–60sqm and priced from JPY20–50mn. The condos are in new buildings within 10-minute walks from their nearest train stations. The company specializes in properties located within Tokyo's 23 wards. All the properties feature similarly designed exteriors and entrances, with greenery on the ground-floor exterior wall or the rooftop. Some have a rooftop dog park.

### Merits of investment condos

Acquiring an investment condo has many merits for the individual investor. If acquired using a real estate investment loan guaranteed by a group credit life insurance policy, the investment can essentially play roles similar to those of life insurance policies and private pension plans. In addition, outstanding loans can reduce the inheritance tax and the condominium also can be used for purposes other than investment (see Investment condos section). The investment can be considered a substitute for life insurance because the attached group credit life insurance will pay off the loan's remaining value if the borrower dies or becomes severely disabled. Even if the borrower passes away before loan is paid off, the surviving family member will not be burdened with loan payments and instead will be able to receive the rental income or chance sell the property. The investment condo can serve as a private pension plan because, after the loan is fully paid, the rental income will be a source of regular income during the owner's elderly years. The investment condo can be used as an inheritance tax strategy because the portion of a fixed asset's value subject to inheritance tax is less than that for cash inheritance.

Group credit life insurance is a life insurance exclusively for mortgage loan borrowers. In the event of the death or serious disability of the borrower, the insurer pays the loan's remaining balance to the lending financial institution, liquidating the loan. Participation in the group credit insurance policy is a condition for receiving the loan.

## Special features of the company's investment condos

**Rental condos in new buildings located in Tokyo's 23 wards and within 10-minute walks from their nearest train stations; mostly studios with floor area of 20–60sqm; targeted at single adults; JPY20–50mn price range**

Investment condominiums sold by Good Com Asset are all in newly constructed buildings. Unit floor plans are mostly studio targeted at single adults, but the company also develops and sells some 1LDK (one-bedroom with living room, dining room, and kitchen) and 2LDK (two-bedrooms with living room, dining room, and kitchen) units depending on the site location and development conditions. Unit floor area is in the 20–60sqm range and prices are in the JPY20–50mn range. In FY10/20, the company sold 750 condo units (-11.8% YoY) at an average price per unit of JPY33.5mn (+25.7% YoY).

Most of the condominiums Good Com Asset sells are located within Tokyo's 23 wards and situated within a 10-minute walk from the nearest train station. As of end-FY12/20, the company had supplied a total of 99 condominium buildings, 94 in Tokyo's 23 wards and five others located near a Keikyu Railway line (in Kanagawa Prefecture).

Condominium units are generally sold before building construction has been completed. Sales activities before the building's completion use model rooms and pamphlets. In case of Good Com Asset, after the building is completed, the company leases the entire building to companies as company housing, and sells units after renters leave. Since Good Com Asset can earn rental income before a property is sold, it does not have to focus on selling within a certain period of time following property procurement and is able to expand the lineup of properties it can offer to prospective investors.

## Buildings distinguished by uniform designs, greenery

Good Com Asset's Genovia brand condominium buildings feature uniform exterior and entrance designs, with design supervised by Hitoshi Ueda, an architect who studied under the well-known Japanese architect Kisho Kurokawa. Genovia brand buildings are further distinguished by two exterior design concepts. Genovia green veil buildings have green exterior walls near the entranceway or on the roadside covered with plant vegetation. When conditions are not suitable to exterior wall vegetation, rooftop greenery is used; such buildings are referred to as the Genovia skygarden brand.

Genovia series exterior (Genovia Nerima-Takanodai skyrun)



Source: Company data

Genovia Azabu Juban green veil (wall vegetation)



Source: Company data

## Customers

### Individual investors are main customers; also sells to companies

Individual investors are Good Com Asset's main customers, but it also sells its condo units to companies. Female public employees are the core of the company's individual investor clientele. The company leverages its procurement capabilities by selling condo units to companies (about 30 companies in FY10/20). Good Com Asset sells different types of condo units to its two customer bases. Sales to individual investors are focused on 1LDK and 2LDK condos, while 1K units are only sold to companies that sell single units.



## Individual investors: mostly female public employees in 30s and 40s; 30% are repeat customers

The main targets of the company's sales effort are female public employees. Public employees have relatively stable jobs and salaries, making it easy for them to pass financial institutions' credit inspections. Men generally already have home loans that limit the amount of additional lending available to them. Many women, however, still have rather large untapped credit available. In FY10/20, public employees accounted for 93.2% of individual investors who purchased condo units from Good Com Asset (98.6% in FY10/19) and women accounted for 67.6% (73.2%). Teachers account for a large share of these public employees.

The company's sales effort is focused on the Kanto and Chubu regions. In FY10/20, residents from Kanto accounted for 40.5% of its customers (45.8% in FY10/19), Chubu 31.1% (44.4%), Kinki 17.6% (0.7%), Hokkaido or Tohoku 9.4% (9.1%), and Chugoku or Shikoku 1.4% (none).

By age group, 23.7% of sales were to people under 30, 41.2% to people in their 30s, 24.3% to people in their 40s, and 10.8% to buyers over 50 years old. Customer composition by annual income was as follows: up to JPY5mn, 14.9% (11.3% in FY10/19); JPY5–7mn, 52.0% (54.9%); JPY7–9mn, 31.8% (33.8%); and JPY9–10mn, 1.3% (none).

Repeat buyers from the company accounted for 32.4% of its customers in FY10/20 (30.7% in FY10/19).

## Individual investors' cash flows and condo building maintenance

A typical post-acquisition cash flow model for condo buyers is as follows; assuming a purchase cost of JPY33mn with the entire amount financed by a 35-year 2.0% fixed interest loan, a gross yield of 4.2%, monthly rental management fees and contributions equivalent to 5% of rent to condo reserve funds, monthly rental income minus these fees and contributions would be JPY104,000, and monthly loan repayment would be JPY110,000.

Risks to the owner's cash flow include vacancies, rent fluctuation, and interest-rate fluctuations.

- ▷ Vacancy risk is the risk that rental income will not be received when the purchased unit has no tenant. However, the investment condo buyer concludes a vacancy compensation contract with Good Com Asset and the company will pay the owner 90% of the asking rent when the unit is unoccupied. Occupancy rates at the company's investment condos at end-FY10/20 were 99.0% (100.0% at end-FY10/19). The company has been leasing entire buildings for use as company housing. The occupancy rate was 89.1% in FY10/14, but it has been above 90% since FY10/15, when the company started leasing to rental real estate brokers and others.
- ▷ Rent fluctuation risk refers to the risk that rent may have to be lowered when tenants change, especially as the building ages or the supply of newer building in the neighborhood increases. According to calculations by Sumitomo Mitsui Trust Research Institute using data from At Home, a real estate information services company, the impact on rent from a building's age works out to about a 1% reduction per year.
- ▷ Interest-rate risk is the risk of a change in monthly repayments on variable interest rate loans. In the case of a JPY33mn loan borrowed at a 2% variable interest rate, the monthly repayment of JPY110,000 would rise to JPY118,000 if the loan's interest rate rises to 2.5%, causing deterioration in the owner's cash flow.

The company's subsidiary, Good Com Co., Ltd., provides maintenance and repair work, including external wall repair and resurfacing (once every 12 years), water pipe repair/replacements (once every 25 years or once every 50 years if polybutene pipes are used), and rooftop waterproofing repairs (once every 12 years). Maintenance and repair work are performed by Good Com and covered by condo reserve funds raised from the monthly contributions of all unit owners in the building.

## Sales structure

### Sales to Individuals

Sales to individual investors are handled by sales staff in the Sales to Individuals segment. This segment had 60 employees in FY10/20 (up from 51 in FY10/19), nearly all of whom were sales representatives. In FY10/20, this segment's unit sales per employee was 3.7 units (4.0 units in FY10/19).

The segment's sales representatives secure appointments with customers using publicly available lists of government employees, and help arrange mortgage loans from affiliated financial institutions. The sales staff is not directly involved in the loan process. This function is handled by the Mortgage Loan and Business Promotion Department, which checks submitted documents and consults with affiliated financial institutions. Sales representatives not having direct contact with affiliated financial institutions eliminates any potential for falsification of pay slips or other documents submitted for loan approval.

Affiliated housing loan financial institutions: Aeon Housing Loan Service, Orix Bank, Kansai Mirai Bank, Credit Saison, Jaccs, Saison Fundex, Diamond Asset Finance Corporation, Ricoh Leasing, Tokyo Star Bank, Higashi-Nippon Bank, Mizuho Bank, Rakuten Bank, Resona Bank

### Sales to Companies

The Sales to Real Estate Companies segment is responsible for sales to companies. This segment had 11 employees in FY10/20 (19 in FY10/19). These representatives covered about 30 companies in FY10/20.

In FY10/20, sales of entire buildings to real estate management companies accounted for over half of the units sold in the Sales to Real Estate Companies segment. According to Good Com Asset, real estate management companies purchase condos to own and manage themselves. The company sells to them at retail rather than wholesale prices, so sales per unit are higher than typical sales to brokers, as is the profit margin.

A major customer in FY10/20 was PPFA Japan III TMK. Sales to PPFA Japan III TMK accounted for JPY9.7bn (56.4%) of the total (FY10/19 data not disclosed). MAXIV Co., Ltd. was a key customer previously. Sales to MAXIV were JPY3.1bn in FY10/19 (13.4% of the total).

Tokutei mokiteki kaisha (TMK): A specified purpose company established to issue securities and securitize assets under the Act on Securitization of Assets.

## Unit sales price and profit margins by customer (segment)

Condo units that Good Com Asset sells to individual investors and companies are priced differently, with individual investors generally paying a higher price. In FY10/20, the average unit price of condos sold to individual investors (Sales to Individuals segment) was JPY35.9mn (JPY33.9mn in FY10/19). The average unit price of condos sold to companies (Sales to Real Estate Companies segment) was JPY32.5mn (JPY24.3mn in FY10/19). This difference is mainly due to two reasons: First, the Sales to Individuals segment sells its condos at retail price whereas the Sales to Real Estate Companies segment sells at wholesale prices. Second, sales to companies are nearly all small studio units while sales to individual investors are mainly larger, higher priced 1LDK and 2LDK units. In FY10/20, the average unit price rose 33.7% YoY in the Sales to Real Estate Companies segment. There were sales to real estate management companies (sold at retail prices, generating relatively high sales per unit) and sales of entire buildings to real estate management companies, boosting the share of family-type condos.

Factoring out the difference caused by floor plans (unit size), sales to individual investors generate a higher GPM than do sales to companies, as there is little difference in cost of sales per unit between the two segments. Shared Research estimates that the GPM on sales to individual investors is around 30%, versus about 10% for sales to companies (in the absence of sales to real estate management companies). On the other hand, sales to individual investors are conducted entirely by the company's own sales team and require some spending on advertising, while the Sales to Real Estate Companies segment is able to sell many condos with a rather small sales force. SG&A expenses therefore are higher in the Sales to Individuals segment than in the Sales to Real Estate Companies segment. As a result, in FY10/20 sales to individual investors (Sales to Individuals segment) posted an OPM of 2.9% (3.6% in FY10/19), while sales to companies (Sales to Real Estate Companies segment) recorded an OPM of 12.3% (7.5% in FY10/19).



In the yen depreciation phase, Good Com Asset seeks to sell its investment condos to overseas individual investors in Taiwan and Shanghai (Overseas Sales segment). In FY10/15, the last time the company made sales to overseas investors, the average unit price of condos sold by the Overseas Sales segment was JPY42.6mn and its OPM was 25.8%. Both of these figures were much higher than the JPY25.0mn and 6.7% recorded by the Sales to Individuals segment. When foreign currencies are strong against the yen, the company can price its condos for sale to overseas investors rather aggressively, with no need to offer discounts. Under such conditions, it tends to sell highly priced 1LDK and 2LDK units that generate relatively high OPM. Foreign exchange rates from FY10/17 to FY10/19 were not beneficial and, in response, the company temporarily halted its overseas sales activities. In FY10/20, it sold one unit to an overseas customer (none in FY10/19).

## Property procurement schemes

Good Com Asset’s fundamental policy regarding property procurement is to avoid bidding contests and purchase property for development directly from owners, brokers, construction companies, and other entities. In addition, the company’s strong property development track record is leading parties with whom it has done business in the past to introduce it to new land and properties available for development. In FY10/20, 79.2% of new procurement was from parties with whom it has dealt in the past. According to the company, its ability to generate repeat business is due to its policy of maintaining good relations with its business partners, including paying fees according to the agreed schedule. These business partners include about 20 builders.

### Two procurement schemes: development projects and single-owner projects—latter is the main scheme

Good Com Asset procures properties using one of two schemes, development projects and single-owner projects. The single-owner projects are the main method used to develop new condominium buildings. The two schemes have different startup costs, payback periods, and profit margins.

#### Development projects: Good Com Asset buys land, commissions condo construction to a builder

Development projects begin with Good Com Asset purchasing the land. After completing the basic design and geological survey and obtaining building certification, it entrusts construction to a building contractor. Development projects usually span 27 months from land purchase to completion of the building. Basic design and geological surveys take about two months, followed by about six months to obtain building certification, three months to select a building contractor, and then about 16 months from the start of construction to the building’s completion. At the beginning of development, Good Com Asset is required to pay the full amount to purchase land, which accounts for about 40% of the total cost of a development project. Building construction costs account for the remaining 60%, and Good Com Asset makes a 10% down payment when construction starts and pays the balance when construction is completed. According to the company, the GPM on development project units sold by the Sales to Individuals segment is about 30%.

The building certification process entails the inspection and examination of the building construction plans in accordance with the Building Standards Act to ensure that the plans conform to the Act’s statutes and all related regulations prior to the start of construction.

#### Timetable and funds required for a typical development project

	Land purchase	Basic design Geological survey	Building certification	Selection of building contractor	Construction start	Completion and handover
Funds	Land purchase price				up-front expenses (10% of construction cost)	Construction cost (remaining 90%)
Required time	0 months	2 months	6 months	3 months	16 months	

#### Single-owner project: Building contractor purchases land selected by Good Com Asset, builds condominium and sells to Good Com Asset

In a single-owner project, Good Com Asset first obtains building certification for land on which it plans to develop and then a building contractor purchases it. At that point, Good Com Asset signs a contract to purchase the condominium building from the contractor. The time from the conclusion of the procurement contract to handover of the property to Good Com Asset is about

17 months. Good Com Asset pays a deposit when the contract is signed amounting to about 5% of the total cost of the land and building. In some cases, another payment is made during the construction period. Good Com Asset then pays the remaining balance to the building contractor when construction is completed and takes control of the condominium building. According to the company, the GPM on single-owner project units sold in the Sales to Individuals segment is about 25%.

**Timetable and funds required for a typical single-owner project**

	Land purchase	Basic design Geological survey	Building certification -	Construction start	Completion and handover
Funds			up-front expenses (about 5% of cost of land and building)		Payment of remaining 95% of the cost of the land and building
Required time			One month	16 months	

## Segments

Good Com Asset’s business segments represent the customer bases to which investment condominiums are sold—individual investors (Sales to Individuals segment), real estate companies (Sales to Real Estate Companies segment), overseas investors (Overseas Sales segment), and Good Com Fund. It also has a Property Management segment.

The company in FY10/21 merged the “Overseas Sales” segment with the “Sales to Individuals” segment to form the “Retail Sales” segment. At the same time, it renamed the “Sales to Real Estate Companies” segment as the “Wholesales Sales” segment and the “Property Management” segment as the “Real Estate Management” segment. The following section reflects conditions prior to the change in segment names.

Segment	Business description	Share of total sales	Share of total OP	Units sold
Sales to Individuals	Sells investment condominiums to individual investors.	29.9%	8.2%	219
Sales to Real Estate Companies	Sells investment condominiums mainly to companies.	65.4%	75.5%	529
Overseas Sales	Sells investment condominiums to individual investors in Taiwan and Shanghai via local subsidiaries.	0.1%	-0.6%	1
Good Com Fund	Sells small-lot real estate products based on Act on Specified Joint Real Estate Ventures.	0.2%	-2.7%	1
Property Management	Leases entire building for use as company housing. Receives rental income until units are sold to customers. Receives management fees for rental management of units sold to individual investors and for building management. Also provides rental guarantee services.	4.4%	19.6%	-

Note: All figures are as of FY10/20.

## Sales and operating profit by segment

(JPYmn)	FY10/14	FY10/15	FY10/16	FY10/17	FY10/18	FY10/19	FY10/20
	Act.	Act.	Act.	Act.	Act.	Act.	Act.
Total sales	5,611	7,824	7,394	9,834	16,818	23,377	26,323
YoY	16.6%	39.4%	-5.5%	33.0%	71.0%	39.0%	12.6%
Sales to Individuals	2,642	3,075	3,205	5,316	6,432	6,952	7,870
YoY	34.9%	16.4%	4.2%	65.9%	21.0%	8.1%	13.2%
Sales to Real Estate Companies	2,376	1,995	3,522	3,956	9,758	15,694	17,211
YoY	-14.6%	-16.0%	76.6%	12.3%	146.7%	60.8%	9.7%
Overseas Sales	117	2,600	441	-	-	-	29
YoY	-	-	-83.0%	-	-	-	-
Good Com Fund							47
YoY							-
Property Management	477	154	226	563	628	731	1,166
YoY	-	-67.7%	46.8%	149.2%	11.6%	16.4%	59.5%
Operating profit	341	949	929	908	1,678	1,756	2,829
YoY	110.3%	178.6%	-2.1%	-2.3%	84.9%	4.6%	61.2%
Sales to Individuals	84	205	311	552	563	247	230
YoY	-	145.3%	51.7%	77.4%	2.0%	-56.1%	-6.9%
OPM	3.2%	6.7%	9.7%	10.4%	8.8%	3.6%	2.9%
Sales to Real Estate Companies	80	44	568	183	821	1,174	2,123
YoY	-	-45.8%	-	-67.8%	348.2%	43.1%	80.8%
OPM	3.4%	2.2%	16.1%	4.6%	8.4%	7.5%	12.3%
Overseas Sales	32	672	-12	-80	-55	-42	-18
YoY	-	-	-	-	-	-	-
OPM	27.6%	25.8%	-	-	-	-	-
Good Com Fund							-75
YoY							-
OPM							-
Property Management	138	22	56	246	343	362	552
YoY	-	-84.1%	156.4%	338.0%	39.3%	5.5%	52.5%
OPM	29.0%	14.2%	24.9%	43.7%	54.6%	49.5%	47.3%
Eliminations	7	7	7	7	7	15	17
Number of employees	53	67	85	80	90	99	131
Sales to Individuals			39	40	46	51	60
Sales to Real Estate Companies			14	11	16	19	11
Property Management			6	8	8	8	36
Overseas Sales			8	3	3	1	1
Good Com Fund							2
Company-wide			18	18	17	20	21

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

## Sales to Individuals (FY10/20: 29.9% of total sales, 8.2% of operating profit before adjustments)

The Sales to Individuals segment sells investment condominiums to individual investors. The segment's customer base is composed primarily of female government employees in their 30s and 40s, living in the Kanto and Chubu regions, and with annual income ranging from JPY5mn to JPY9mn. In FY10/20, the segment sold 219 units (+6.8% YoY).

## Segment earnings structure

### Sales to Individuals segment: Unit sales and earnings

(JPYmn)	FY10/14	FY10/15	FY10/16	FY10/17	FY10/18	FY10/19	FY10/20
	Act.	Act.	Act.	Act.	Act.	Act.	Act.
Units sold	116	123	106	160	207	205	219
YoY	-	6.0%	-13.8%	50.9%	29.4%	-1.0%	6.8%
Unit price (sales per unit)	22.8	25.0	30.2	33.2	31.1	33.9	35.9
YoY	-	9.8%	20.9%	9.9%	-6.5%	9.1%	6.0%
Sales	2,642	3,075	3,205	5,316	6,432	6,952	7,870
YoY	-	16.4%	4.2%	65.9%	21.0%	8.1%	13.2%
Segment profit	80	205	311	552	563	247	230
YoY	-	155.4%	51.7%	77.4%	2.0%	-56.1%	-6.9%
Segment profit margin	3.0%	6.7%	9.7%	10.4%	8.8%	3.6%	2.9%
Number of employees (average)	-	-	-	40	43	49	56
Units sold per employee	-	-	-	4.1	4.8	4.2	3.9

Source: Shared Research based on company data

## Sales

Segment sales are determined by the number of units sold during the year multiplied by the average unit price. In FY10/20, the average unit price was JPY35.9mn (JPY33.9mn in FY10/19) and the number of total units sold was 219 (+6.8% YoY).

The unit price in a condominium building is generally determined based on rent levels in the surrounding area. Good Com Asset conducts a survey on rents in the neighborhood and sets condominium unit sales prices one month before building completion. Sales prices are set at a level that will generate a gross yield of about 4.2% before expenses. The average unit sales price rose steadily from FY10/14 through FY10/18. The increase in the average price reflected rises in rents due to higher land prices and construction costs as well as changes in the composition of unit types sold. Until FY10/15, the Overseas Sales segment sold the company's relatively higher priced 1LDK and 2LDK condominiums to overseas investors, but, in FY10/16, the Sales to Individuals segment began selling these units to individuals in Japan. From FY10/19, the company changed strategy to prioritize sales of 1LDK and 2LDK condominiums over studio condos in the Sales to Individuals segment, so average selling prices were in an uptrend.

The number of units sold can be calculated using the segment's total number of employees and the number of units sold per employee. In FY10/20, the segment had 56 employees (average at the beginning and end of the fiscal year, up from 49 in FY10/19) and the average number of units sold per employee was 3.9 (4.2 in FY10/19).

## OPM

Segment OPM has been around 3% since FY10/19. The Sales to Individuals segment's earnings structure is characterized by a relatively high GPM and SG&A expense ratio. Shared Research estimates segment GPM at around 30%. The segment's average unit sales price is higher than that of the Sales to Real Estate Companies segment but no great difference in cost of sales can be seen between the two segments. As a result, the Sales to Individuals segment has a higher GPM. On the other hand, its SG&A expense ratio is higher than that of the Sales to Real Estate Companies segment because it has a larger sales force (personnel expense) and incurs advertising expenses.

Segment OPM was relatively stable around 9% from FY10/16 to FY10/18, before falling to around 3% since FY10/19. As mentioned above, in FY10/19 the company changed strategy to prioritize sales of relatively low-margin family condos, which started to comprise a higher share of sales in the Sales to Individuals segment.

---

## Sales to Real Estate Companies (FY10/20: 65.4% of total sales, 75.5% of operating profit before adjustments)

---

### Sales to companies

In FY10/20, in the Sales to Real Estate Companies segment the company sold 529 units (-18.0% YoY) to about 30 companies. As to the decision of whether to sell a condominium unit to an individual investor or to a company, the company sells studio condos with a floor plan aimed at singles to companies. In some cases, when it sells entire buildings, it may also sell 1LDK and 2LDK family condominiums to companies.

The companies that buy units from Good Com Asset then sell those investment condos to individual investors. However, Good Com Asset is the only real estate investment company that targets sales to female government employees. Therefore, Shared Research believes that the sales to other real estate brokers do not result in competition for Good Com Asset's customer base.

## Segment earnings structure

### Sales to Real Estate Companies segment: Unit sales and earnings

(JPYmn)	FY10/14 Act.	FY10/15 Act.	FY10/16 Act.	FY10/17 Act.	FY10/18 Act.	FY10/19 Act.	FY10/20 Act.
Units sold	120	95	133	164	419	645	529
YoY	-	-20.8%	40.0%	23.3%	155.5%	53.9%	-18.0%
Unit price	19.8	21.0	26.5	24.1	23.3	24.3	32.5
YoY	-	6.1%	26.1%	-8.9%	-3.4%	4.5%	33.7%
Sales	2,376	1,995	3,522	3,956	9,758	15,694	17,211
YoY	-	-16.0%	76.6%	12.3%	146.7%	60.8%	9.7%
Segment profit	80	44	568	183	821	1,174	2,123
YoY	-	-45.8%	-	-67.8%	348.2%	43.1%	80.8%
Segment profit margin	3.4%	2.2%	16.1%	4.6%	8.4%	7.5%	12.3%
Number of employees (average)	-	-	-	13	14	18	15
Units sold per employee	-	-	-	13.1	31.0	36.9	35.3

Source: Shared Research based on company data

### Sales

Segment sales are determined by the number of units sold during the year multiplied by the average unit price, as noted above for the Sales to Individuals segment. In FY10/20, the average unit price for this segment's sales was JPY32.5mn (JPY24.3mn in FY10/19) and the number of total units sold was 529 (-18.0% YoY).

To set the unit sales price, the company takes construction costs, the cost of land acquired, and rent levels into consideration. Unit sales prices have been increasing since FY10/14, along with rises in construction costs and land purchase prices. In FY10/16, the segment's average unit sales price surged 26.1% YoY owing to a stronger-than-expected yen, which led to the segment taking over the sale of relatively higher-priced condo units originally slated for sale by the Overseas Sales segment. The average unit price climbed in FY10/20 due to the sale of entire buildings to real estate management companies, which generate higher sales per unit and wider profit margins.

Meanwhile, strong demand from other real estate companies has supported continued increases in units sold.

### OPM

The segment's OPM tends to fluctuate widely from year to year, with a range of 2–16% seen in recent years. The Sales to Real Estate Companies segment's earnings structure is characterized by a relatively low GPM and SG&A expense ratio. Shared Research estimates segment GPM at around 10%. As noted earlier, the segment's average unit sales price is lower than in the Sales to Individuals segment, but no large difference in cost of sales exists between the two segments. The segment's GPM is therefore relatively low. On the other hand, the segment does not need to have a large sales team nor advertising expenses to sell condo units, therefore its unit sales per employee is higher and its SG&A expense ratio is lower.

The segment recorded a rather high OPM of 16.1% in FY10/16 due to sales of condo units under the development projects scheme, which have a relatively high GPM, accounting for a larger share of total sales than in subsequent years.

## Overseas Sales (FY10/20: 0.1% of total sales, -0.6% of operating profit before adjustments)

This segment sells investment condos in Japan to individual investors in Taiwan and Shanghai when the yen is trending downward in the forex market. From FY10/17 to FY10/19, the company temporarily halted overseas sales activities because exchange rates would not be advantageous to overseas investors making real estate investments in Japan, but sold one unit in FY10/20. Investors in Taiwan, for example, tend to regard investment in real estate in Japan as attractively priced when the forex rate is JPY4.2/TWD (as opposed to the December 2019 rate of around JPY3.6/TWD).

The company focuses its overseas sales efforts on middle-income class individuals. Its local subsidiaries in Taiwan and Shanghai work with local real estate agents to gather potential investors, who are invited to attend local seminars and visit condos for sale.

Overseas customers can finance their purchases of investment condos in Japan using real estate investment loans from their local bank or from Tokyo Star Bank, which is a subsidiary of Taiwan's CTBC Bank Co., Ltd.

Condos sold to overseas investors include studio, 1LDK, and 2LDK units. The segment's average unit price tends to be higher than that for the company's two other condo sales segments. For example, in FY10/15, the most recent year of full-fledged sale activities by the segment, its average unit sales price was JPY42.6mn, compared with JPY25.0mn for sales to domestic individual investors and JPY21.0mn for sales to domestic real estate companies.

## Property Management (FY10/20: 4.4% of total sales, 19.6% of operating profit before adjustments)

The Property Management segment's sales and profit come from leasing entire buildings to be used as company housing, rental income on units leased but not yet sold, and rental management and building management fees from owners of units sold by the company. In September 2020, the company made Room Bank Insure Co., Ltd. a subsidiary and begun rent guarantee operations by acting as a guarantor for renters when signing real estate lease contracts. It expects an earnings contribution starting from FY10/21.

### Bulk of segment sales is rental income from unsold condos; property management fees also contribute

This segment's sales are mainly from rental income on units that the company has not yet sold but has leased to companies for use as company housing (leases entire building), while the remainder is from the rental management and building management fees received from owners of units sold directly by Good Com Asset.

Good Com Asset charges rental management fees of about 5% of a unit's monthly rent to manage units it has sold to investors and to provide rent guarantees that ensure monthly rent payments even when a unit is vacant. At end-FY10/20, the company had about 2,000 units under its management. It collects rent and management fees for the owner, handles tenant complaints, lease contract renewals and cancellations, cleaning when a unit is vacated, and security deposit settlements. The company also recruits new tenants. The company pays condo owners 90% of asking rent when the unit is vacant under the vacancy compensation contract (for the difference between subleases and the vacancy compensation, see "Investment condos" in "Other information" section). In addition, the company receives building management fees from condominium management associations to manage the common areas of condo buildings and the buildings as a whole.

## Segment earnings structure

### Property Management segment: Earnings

	FY10/14	FY10/15	FY10/16	FY10/17	FY10/18	FY10/19	FY10/20
(JPYmn)	Act.	Act.	Act.	Act.	Act.	Act.	Act.
Real estate for sale (average)	-	1,488	2,036	5,334	7,124	7,074	12,040
YoY	-	-	36.9%	162.0%	33.6%	-0.7%	70.2%
Real estate for sale	942	2,033	2,039	8,628	5,620	8,528	15,553
YoY	-	115.8%	0.3%	323.1%	-34.9%	51.7%	82.4%
Occupancy	-	89.1%	92.2%	98.7%	99.9%	100.0%	99.0%
Sales	477	154	226	563	628	731	1,166
YoY	-	-67.7%	46.8%	149.2%	11.6%	16.4%	59.5%
Segment profit	138	22	56	246	343	362	552
YoY	-	-84.1%	156.4%	338.0%	39.3%	5.5%	52.5%
Segment profit margin	29.0%	14.2%	24.9%	43.7%	54.6%	49.5%	47.3%

Source: Shared Research based on company data

## Sales

Rental income, which accounts for the majority of segment sales, is determined by occupancy rates on properties for sale and the average rent per unit. During FY10/20, the annualized average value of condos for sale managed by the company was JPY12.0bn (+70.2% YoY) and the occupancy rate at period-end was 99.0% (down 1.0pp from end-FY10/19). The total value of condos for sale under management has increased as the company strengthens its property procurement. The occupancy rate has risen

steadily since FY10/15 as the company has been leasing buildings to companies for use as company housing. Good Com Asset has not disclosed rent per unit, but we understand the gross yield to be about 4.2%.

Rental management fees are set at about 5% of monthly rent, so fee income is determined by the number of units managed and the rent per unit. As of end-FY10/20, Good Com Asset had about 2,000 units under its management. The number of units under management has increased thanks to an increase in the number of units sold by the Sales to Individuals segment. Although the company has not disclosed average rent per unit, Shared Research estimates the average monthly management fee per unit is JPY5,500 based on the assumption of a gross yield of about 4.2%.

## OPM

The segment's OPM in FY10/20 was 47.3% (-2.2pp YoY). Vacancy compensation payments were falling from FY10/15 to FY10/18 as occupancy rates rose. During the same period, the OPM trended upward but turned down from FY10/19.



## Strengths and weaknesses

### Strengths

- Relationships with building contractors reduce risks and funds needed to buy properties:** The company says it acquired a number of properties from companies experiencing financial difficulties during the global financial crisis. For this reason, the company has been able to adopt a “single-owner” purchasing scheme that keeps initial payments low and shortens payment periods. Typically, condo development takes about 27 months from land purchase to completion of construction. During this period, a company usually bears the full cost of buying the land (around 40% of total costs) and around 10% of construction costs (the remaining 60%). Under Good Com Asset’s single-owner property scheme, however, it pays the contractor only around 5% of the cost of land and building up-front. Also, it has reduced development time to 17 months. (See the Business description section for details.) This scheme has enabled Good Com Asset to lower the funds needed to kick off new projects while also reducing its exposure to real estate price fluctuations during the construction period. It has also improved its inventory turnover rate, which was 1.7 times in FY10/20, better than the rate of 1.2 times posted by FJ Next, a major company in the industry.
- One of only five real estate companies listed on the First Section of the Tokyo Stock Exchange that sell investment condominiums (four of which are based in Tokyo):** Japan has no more than about eight investment real estate companies selling individual condo units and generating annual sales of more than JPY25bn (see the Competitors section below). Good Com Asset is one of only five companies listed on the First Section of the Tokyo Stock Exchange that are engaged in the sale of investment condos in Tokyo. The company says its First Section listing has helped instill confidence among customers, financial institutions that provide investment real estate loans and corporate loans to those customers, and construction companies.
- Use of vacancy compensation system to curb performance fluctuations:** Shared Research understands that many of the company’s peers use sublease systems to lower vacancy risks on investment condos. The company instead uses a vacancy compensation system to reduce this vacancy risk. Although this approach does not generate earning opportunities through subleasing, it does avoid the potential for negative spread (when rent costs exceed rents paid).

When an investment condo is not rented, it does not generate rental income for the owner, who is still subject to loan repayments and other bills associated with the unit. The owner therefore may have to revise budget and repayment plans. Subleases and vacancy compensation frameworks can be used to reduce these vacancy risks. In a sublease system, a sublease company rents the condo from the owner for 80–90% of the market rent and the sublease company sublets it to a tenant. This scheme enables the owner to receive rental income even when the unit is vacant. Under the vacancy compensation contract, the owner receives 70–90% of market rent when the unit is vacant in return for a monthly vacancy compensation fees (3–5% of the rent) paid to the guaranty company.

### Weaknesses

- Inventory affects earnings under company’s business structure:** Good Com Asset needs at least 17 months as a rule to procure a building. This means that if selling conditions are better than the company anticipated during the fiscal year, there may be a lack of sales inventory the following year, which affects earnings. The company sold 626 units in FY10/18 versus its initial expectations for 365. At the start of FY10/19 it lacked inventory, leading to falling sales and profit in 1H. The company posted gains in sales and profit for the full year, but profit declined from the gross profit line downward as the company procured and sold relatively low-GPM properties during the fiscal year.
- Procurement capacity outstrips in-house sales capabilities:** In FY10/20, the Sales to Real Estate Companies segment accounted for 65.4% of units sold (67.1% in FY10/19). Some other companies in the industry specialize in in-house sales, but, in the case of Good Com Asset, this figure suggests purchasing abilities exceed sales capabilities. The gross margin of the Sales to Individuals segment is around 25% compared to 10–15% in Sales to Real Estate Companies. If SG&A expenses were fixed, Sales to Individuals would generate a significantly higher rate of profit growth. For these reasons, Shared Research considers in-house sales capabilities to be a current weakness. Good Com Asset plans to strengthen its in-house sales capability by stepping up recruitment activities.

---

## Group companies

---

### Consolidated subsidiaries

- Good Com Co., Ltd. (wholly owned): Main businesses are the rental management business, including tenant recruitment, for condominiums sold by Good Com Asset and building management services contracted by condominium management associations.
- Taiwan Good Com, Ltd. (wholly owned): Building a customer base in Taiwan for the company's investment condominiums in Japan via seminars and other marketing activities.
- Shanghai Good Com Investment Consulting Co., Ltd. (wholly owned): Building a customer base in Shanghai for the company's investment condominiums in Japan via seminars and other marketing activities.
- Room Bank Insure Co., Ltd. (wholly owned): Specializing in rent guarantee operations by becoming the renter's guarantor when signing real estate lease contracts.

### Unconsolidated subsidiaries

- Capital Support Consulting Co., Ltd. (wholly owned): Consulting related to corporate management, capital policy, and stock market listing.

## Market and value chain

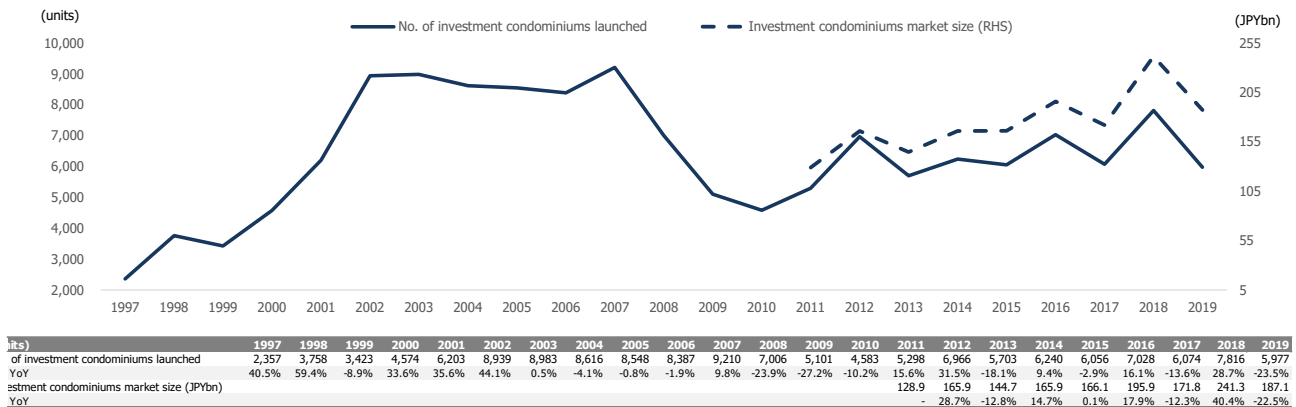
### Investment condominium market

#### Trends for investment condominiums

##### Trends in the investment condominium market

Investment condominium sales in the Tokyo metropolitan area expanded steadily from the late 1990s through the mid-2000s on the back of ultra-low interest rates, with total unit sales in 2007 reaching 9,210. Thereafter, unit sales fell sharply to 7,006 in 2008, as rising land prices and the start of the global financial crisis triggered failures of many real estate companies and withdrawals from the market. The downward trend continued until 2010, but the market recovered in 2011 and generally stayed on an upward trend subsequently before turning down in 2019. Amid a rush to build hotels in anticipation of an influx of tourists for the Tokyo Olympics, investment condo builders had trouble acquiring land.

##### Investment condominium market in the Tokyo metropolitan area



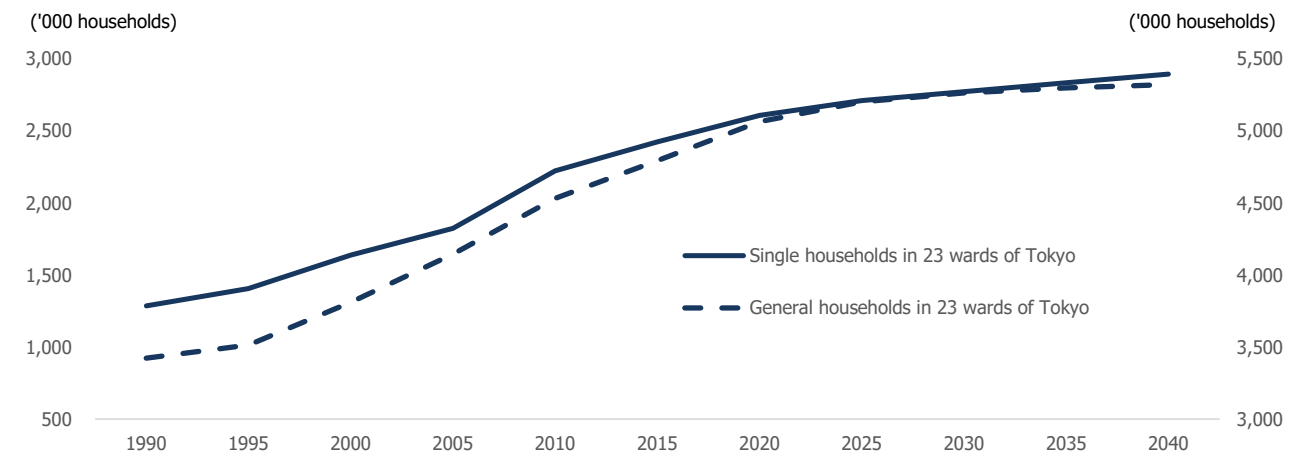
Source: Shared Research based on the Real Estate Transaction Promotion Center's real estate industry statistics and the Real Estate Economic Institute's publication on condominium data.

#### Medium-term outlook on supply-demand for rental one-room condos

Demand for rental one-room condos is likely to remain strong over the medium term, supported by an expected steady increase in single adult households in the Tokyo metropolitan area. On the supply side, the expiration of preferential treatment for so-called productive green space in urban areas in 2022 is expected to stimulate land sales and more effective use of such land, contributing to an increase in supply of land for new condominium buildings.

While the number of households in Japan is expected to decline from 2020, single adult households in Tokyo's 23 wards are expected to increase until 2035.

##### Forecast for number of households in Tokyo's 23 wards



('000 households)	1990	1995	2000	2005	2010	2015	2020	2025	2030	2035	2040
General household (nationwide)	40,670	43,900	46,782	49,063	51,842	53,332	54,107	54,116	53,484	52,315	50,757
YoY	-	7.9%	6.6%	4.9%	5.7%	2.9%	1.5%	0.0%	-1.2%	-2.2%	-3.0%
Single household (nationwide)	9,390	11,239	12,911	14,457	16,785	18,418	19,342	19,960	20,254	20,233	19,944
YoY	-	19.7%	14.9%	12.0%	16.1%	9.7%	5.0%	3.2%	1.5%	-0.1%	-1.4%
General household (23 wards of Tokyo)	3,424	3,514	3,810	4,146	4,532	4,794	5,065	5,203	5,264	5,299	5,322
YoY	-	2.6%	8.4%	8.8%	9.3%	5.8%	5.7%	2.7%	1.2%	0.7%	0.4%
Single household (23 wards of Tokyo)	1,287	1,407	1,639	1,825	2,224	2,425	2,608	2,711	2,772	2,835	2,894
YoY	-	9.3%	16.5%	11.3%	21.8%	9.1%	7.6%	3.9%	2.3%	2.3%	2.1%

Source: National Institute of Population and Social Security Research, "Household Projections by Prefecture in Japan" (2018) and Tokyo Metropolitan Government's forecast of household numbers in Tokyo.

Sale or more effective use of productive green space (total area in Tokyo's 23 wards equivalent to 95 Tokyo Domes) to begin in 2022

Japan enacted the Productive Green Land Act in 1974 with the aim of resolving a housing shortage problem. To encourage the use of agricultural land in urban areas for housing, some local governments in urban areas began to tax land used for agricultural purposes at the same level as land used for housing. As a result, much of the agricultural land within urban areas became residential neighborhoods. A revision to the law in 1992 divided the remaining agricultural areas into productive green space to be preserved for agricultural use and areas to be designated for use for housing or other purposes. The property tax on productive green space was lowered to the same level as the tax on agricultural land and the inheritance tax on this land became eligible for deferment. In return for this special tax treatment, the landowners were required to use their land for agricultural purposes and were restricted from constructing buildings on it.

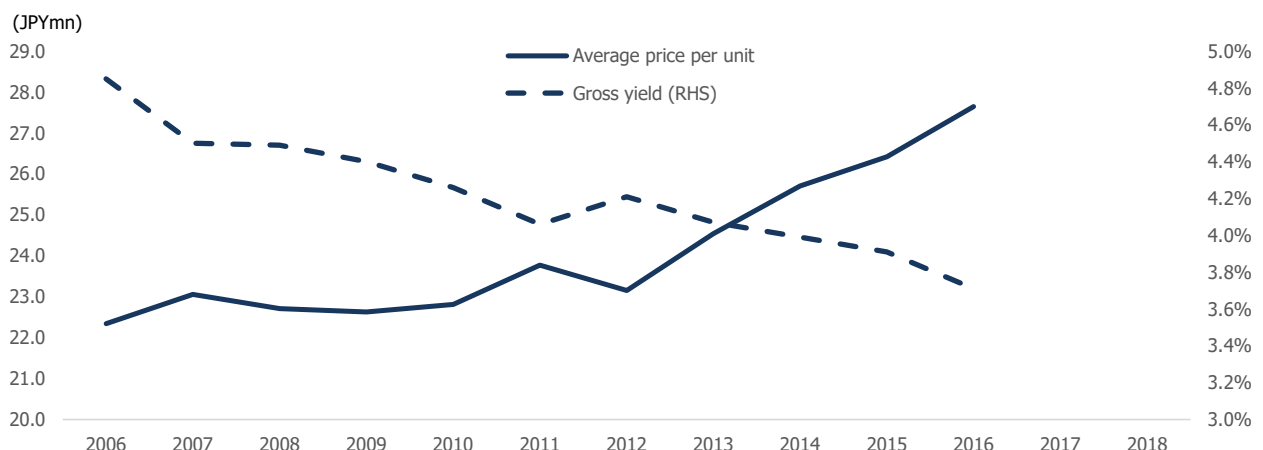
However, starting in 2022, the owners of land designated as productive green space under the 1992 law will be able to either continue to use the land for agricultural purposes or request that the local government purchase the land. If the local government does not purchase the land, the restrictions placed on the land's use will be removed and the landowner will be able to sell the land or put it to a more effective use. However, removal of the land's designation as a productive green space will also end its special tax breaks and subject it to the same property tax as residential property, which will increase the property tax 200-fold. According to a Ministry of Land, Infrastructure, Transport and Tourism (MLIT) survey of the current state of urban planning, as of 2014, the total area of land in the Tokyo metropolitan area designated as productive green space was 3,330 hectares (equivalent to the scale of 712 Tokyo Domes), with 445 hectares (equivalent to the scale of 95 Tokyo Domes) of that land inside the 23 wards.

### Investment condo prices, rents, gross yield, and loan interest rates

The main factors affecting the income and expenses of owners of investment condominiums are the condo's price, rent, gross yield (rent/purchase price) and fluctuation in interest rate. Since bottoming out in around 2012, condo prices have been on an upward trend, but average rents have risen more modestly, putting some downward pressure on gross yields. From 2009 to 2016, the gross yield has fallen 0.7pp.

However, the interest rate on rental property loans fell 1.75pp from March 2009 to March 2019. As a result, the spread between the gross yield and loan interest rates has widened, increasing the attractiveness of investment condos.

#### Average price per unit and gross yield for one-room condos in Tokyo metropolitan area



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Average price per unit (JPYmn)	22.3	23.1	22.7	22.6	22.8	23.8	23.2	24.5	25.7	26.4	27.7		
YoY	-1.5%	3.2%	-1.5%	-0.4%	0.8%	4.2%	-2.6%	6.0%	4.8%	2.8%	4.7%		
Average rent per unit (JPY'000)	90.2	86.6	85.0	82.9	80.9	80.4	81.1	83.2	85.4	86.1	85.4		
YoY	-	-4.1%	-1.8%	-2.5%	-2.4%	-0.7%	0.9%	2.5%	2.7%	0.8%	-0.8%		
Gross yield	4.9%	4.5%	4.5%	4.4%	4.3%	4.1%	4.2%	4.1%	4.0%	3.9%	3.7%		

Source: Shared Research based on Good Com Asset material, "Tokyo Kantei 'Tokyo Metropolitan Area Investment Condominium Market Trends'"

## Condo prices rising along with land prices and construction costs

Prices of condominiums in the Tokyo metropolitan area have been rising since they bottomed out in 2012. In 2019, the price per square meter of floor space was 35–40% higher than in 2012. Meanwhile, newly constructed condo units keep getting smaller, holding down the rise in average unit price to 30–35%. The main factors pushing condo prices upward are higher land prices and construction costs.

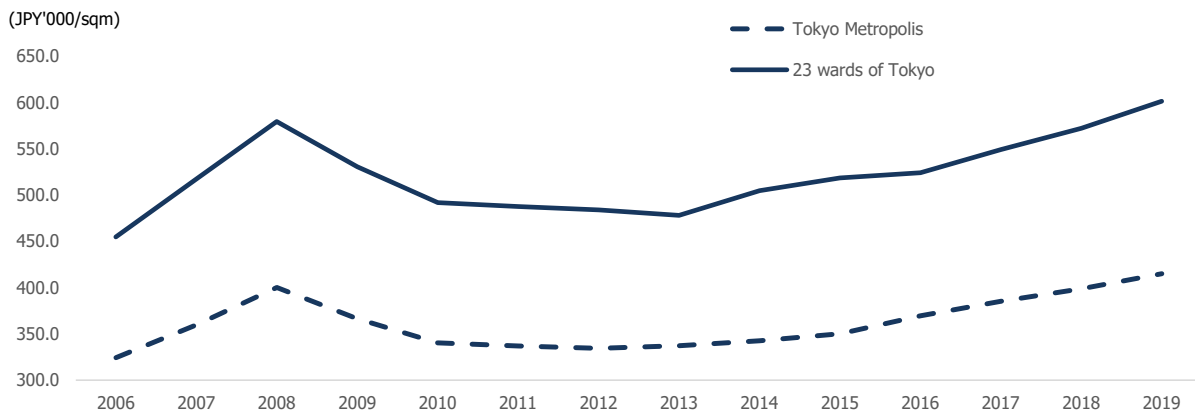
### Condo prices in the Tokyo metropolitan area and the 23 wards

(JPYmn)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Average price (Tokyo Metro area)	41.1	42.0	46.4	47.8	45.4	47.2	45.8	45.4	49.3	50.6	55.2	54.9	59.1	58.7	59.8
YoY	0.1%	2.2%	10.6%	2.8%	-5.0%	4.0%	-2.9%	-0.8%	8.6%	2.7%	9.1%	-0.5%	7.6%	-0.6%	1.9%
Price per sqm (Tokyo Metro area; JPY'000)	545	555	614	650	642	664	650	645	697	711	779	793	859	869	879
YoY	-0.9%	1.8%	10.6%	5.9%	-1.2%	3.4%	-2.1%	-0.8%	8.1%	2.0%	9.6%	1.8%	8.3%	1.2%	1.2%
Average price (23 wards of Tokyo)	49.2	51.5	61.2	59.3	51.9	55.0	53.4	52.8	58.5	59.9	67.3	66.3	70.9	71.4	72.9
YoY	5.5%	4.7%	18.9%	-3.1%	-12.5%	5.9%	-2.9%	-1.0%	10.8%	2.4%	12.3%	-1.5%	6.9%	0.7%	2.0%
Price per sqm (23 wards of Tokyo; JPY'000)	685	715	856	853	798	829	811	801	865	873	987	1,005	1,083	1,138	1,123
YoY	2.2%	4.4%	19.7%	-0.4%	-6.4%	3.9%	-2.2%	-1.2%	8.0%	0.9%	13.1%	1.8%	7.8%	5.1%	-1.3%

Source: Shared Research based on data in the Real Estate Economic Institute's publication on Tokyo metropolitan condominium market trends

Land prices in the Tokyo metropolitan area and inside its 23 wards have risen steadily since around 2012, supported by Japan's economic recovery. In 2019, the average price of land in the metropolis and in its 23 wards was about 25% higher than in 2012.

### Land prices (average official land price for residential land)

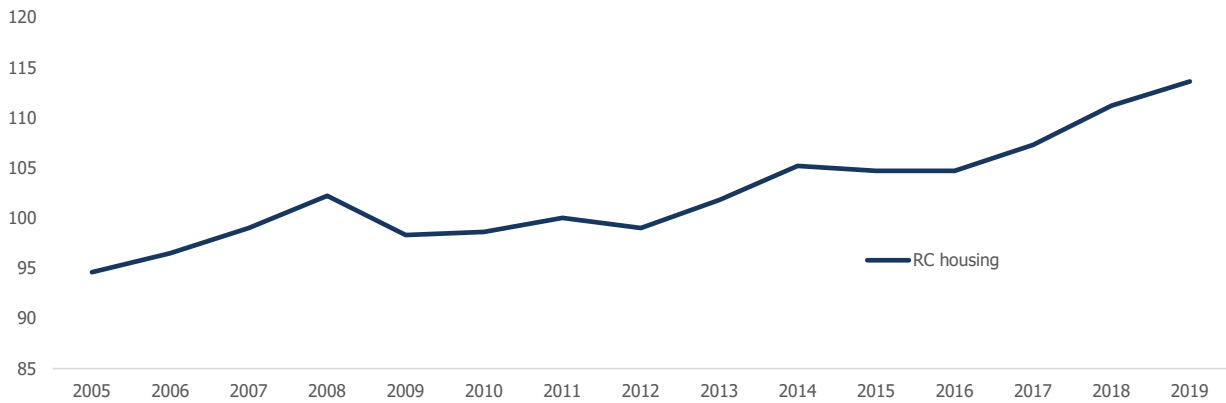


(JPY'000/sqm)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
23 wards of Tokyo	440.3	454.9	517.5	579.4	530.5	492.0	487.8	484.0	478.0	504.8	518.6	524.1	549.1	572.3	601.3
YoY		3.3%	13.8%	12.0%	-8.4%	-7.3%	-0.9%	-0.8%	-1.2%	5.6%	2.7%	1.1%	4.8%	4.2%	5.1%
Tokyo Metropolis	318.2	324.5	359.9	400.1	366.5	340.4	337.1	334.5	337.2	342.6	350.3	369.7	385.3	398.7	415.2
YoY		2.0%	10.9%	11.2%	-8.4%	-7.1%	-1.0%	-0.8%	0.8%	1.6%	2.2%	5.5%	4.2%	3.5%	4.1%

Source: Shared Research based on data from Tokyo Metropolitan Government's Bureau of Finance

Construction costs of reinforced concrete (RC) housing have also continued to rise since hitting a low point in 2012. In FY2019, the construction cost deflator (base year: FY2011) for RC housing released by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) was 14.7% higher than in 2012.

## Construction cost deflator (base year: FY2011)



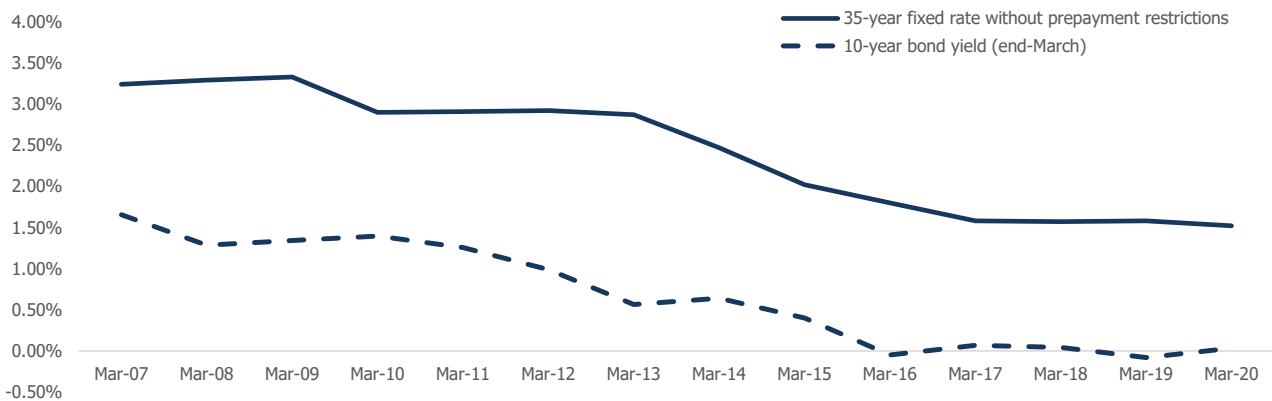
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
RC housing	94.6	96.5	99.0	102.2	98.3	98.6	100.0	99.0	101.8	105.2	104.7	104.7	107.3	111.2	113.6

Source: Shared Research based on MLIT data

## Loan interest rates at historically low levels

Interest rates on rental property loans are linked to long-term interest rates, trending 1.5–2.0pp above yields on 10-year Japanese government bonds. The long-term interest rate in Japan has stayed below 2.0% since the Bank of Japan introduced its zero-interest rate policy in 1999, falling to close to 0% when the BOJ introduced negative interest rates in 2016.

### Interest rates on rental property loans



	Mar-07	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20
35-year fixed rate without prepayment restrictions	3.24%	3.29%	3.33%	2.90%	2.91%	2.92%	2.87%	2.47%	2.02%	1.80%	1.58%	1.57%	1.58%	1.52%
10-year bond yield (end-March)	1.66%	1.29%	1.34%	1.40%	1.26%	0.99%	0.56%	0.64%	0.40%	-0.05%	0.07%	0.04%	-0.08%	0.03%

Source: Shared Research based on data from the Japan Housing Finance Agency

### (Reference) Differences between real estate investment loans and mortgage loans

	Real estate investment loan	Mortgage loan
Purpose/use	Investment return (business income)	Use as one's own home
Source of repayment funds	Monthly rent	Monthly rent
Typical maximum loan amount	10–20x annual income	5–8x annual income
Typical interest rate (variable rate)	1.5–4.5% annual rate	0.5–2.0% annual rate
Maximum age of borrower	Over 70 possible in some cases	Under the age of 65–70
Repayment period	25–45 years	25–35 years
Main points in screening process	Property's profitability, borrower's creditworthiness (ability to repay)	Borrower's creditworthiness (ability to repay)

Source: Shared Research based on various materials

### Number of government employees, annual income, and job separation rate

3,250,000 people are employed by Japan's national and local governments on a full-time basis, about 1,133,000 of which are female. The average annual income of these public workers is above the national average and the job separation rate is less than half that of private-sector workers.

#### Number of government employees

According to a 2019 survey of national public employee salaries, Japan's national government had 252,000 employees as of April 2019, of which 49,000 were women. There were also about 2,739,000 people working for local governments as of April 2018, of which some 1,084,000 were female. The total number of government employees working at the national and local government levels can therefore be estimated to be about 2,991,000, including 1,133,000 women.

#### Government employees' annual income and job separation rate

The average annual income in Japan (in FY2019) was JPY4.36mn, with averages of JPY5.40mn for men and JPY2.96mn for women. The average income of government employees, however, is higher than the national averages, with national government employees earning JPY7.11mn a year and local government employees JPY6.52mn.

A recent report on circumstances surrounding resignations of local government employees indicates that 129,000 workers left their jobs between April 2019 and March 2020, of which 59,000 left their jobs for personal reasons other than reaching retirement age. The job separation rate for local government employees was about 5%, and about 2% when excluding workers who reached retirement age. In comparison, according to the Ministry of Health, Labour and Welfare's Survey on Employment Trends, the separation rate for the general workforce (excluding part-time workers) was 11.4%, much higher than for government employees.

## Competitors

### Competitors: Many companies engaged in investment condo sales business

Since a company can start up an investment condominium sales business after procuring just one unit, many small and medium-sized businesses have entered the industry. There are only eight investment condo sales companies that have annual sales of more than JPY25bn.

#### Investment condo sales companies with annual sales of more than JPY25bn (includes unlisted firms)

Company	Established	Stock exchange listing	Business description	Fiscal year	Sales (JPYbn)	Units sold	Net assets (JPYbn)	No. of employees
Good Com Asset Co., Ltd.	2005	TSE1	Develops and sells investment condominiums mainly in 23 wards in Tokyo, to women and public officials	FY10/20	26.3	750	8.4	-
Pressance Corporation Co., Ltd.	1997	TSE1	Operates mainly in Kinki, Tokai, and Chukyo area; plans, develops, and sells single-room condominiums for investment and condominiums for families	FY03/20	145.8	5,588	116.7	506
FJ Next Co., Ltd.	1980	TSE1	Develops and sells condominiums for single persons in Tokyo Metropolitan area; also handles condominiums for families and pre-owned condominiums	FY03/20	31.8	1,054	46.5	327
Shinoken Harmony Co., Ltd.	1990	Shinoken Group (TSE JASDAQ)	Develops and sells designer condominiums in Tokyo Metro; also develops, builds, and sells apartment buildings	FY12/19	57.0	-	22.7	130
Aoyama Mainland Co., Ltd.	1988	Unlisted	Active in the Tokyo area; ranked as the top operator with sales of 676 units in annual sales of investment condominiums in Tokyo Metropolitan area in 2017	FY03/20	37.4	1,004	-	217
TFD, Inc.	1977	Unlisted	Operates mainly in Jonan and Josai areas in 23 wards of Tokyo; plans and develops condominiums, and purchases, sells, and brokers real estate	FY08/19	26.5	-	-	190
Kinoshita Real Estate Co., Ltd.	2012	Kinoshita group	Track record of selling more than 290 buildings in central Tokyo	FY03/18	26.0	-	2.2	128
Global Link Management Inc.	2005	TSE1	Develops and sells investment condominiums in Tokyo; also sells to corporate customers	FY12/19	25.1	702	3.9	114

Source: Shared Research based on company data

Note: FJ Next sales indicate sales of one-room condos in its real estate development business; the number of employees indicates the number for that business.

Note: Aoyama Mainland's units sold is the number of units it has provided.

Note: Pressance Corporation sales and units sold represent aggregate sales of one-room and family condos in its real estate sales business; the number of employees indicates the number for that business.



## Comparison (listed companies)

### Listed companies whose main businesses are the development and sale of investment condominiums in 23 wards of Tokyo

In addition to Good Com Asset, other listed companies whose main businesses are the development and sale of investment condominiums are FJ Next (TSE1: 8935), Property Agent Inc. (TSE1: 3464), Dualtap Co., Ltd. (TSE2: 3469), Global Link Management Inc. (TSE1: 3486), and Urbanet Corporation Co., Ltd. (TSE JASDAQ: 3242).

Only Good Com Asset and Dualtap procure properties under the single-owner project scheme. Like Good Com Asset, Property Agent and Global Link Management supplement their own efforts to sell to individuals by also selling to other real estate companies, while Urbanet's condo sales are focused on sales to real estate brokers.

### Overview of listed companies whose main businesses are the development and sale of investment condos in Tokyo

Ticker	Company	Products	Area	Feature	Project type	Sales channels	Customers	Occupancy
3475	Good Com Asset	Investment	23 wards of Tokyo, areas along Keihin Kyuko line	Within 10 minutes walk from station, greening	Development; focuses on single-owner projects	Sales to individuals and to real estate companies	Females, government employees	99.0%
8935	FJ Next	Investment	Tokyo, Kanagawa	Within 10 minutes walk from station	Development	Only sales to individuals?	Company employees	99.2%
3464	Property Agent	Investment, residential	23 wards of Tokyo		Development	Sales to individuals and to real estate companies		99.5%
3469	Dualtap	Investment	23 wards of Tokyo	Within 10 minutes walk from station	Development; focuses on single-owner projects	Only sales to individuals?		99.4%
3486	Global Link Management	Investment	23 wards of Tokyo		Development	Sales to individuals and to real estate companies		99.6%
3242	Urbanet Corporation	Investment, residential, apartments	23 wards of Tokyo	Within 10 minutes walk from station	Development	Mainly sales to real estate companies		-

Source: Shared Research based on company materials

### Overview of earnings of listed competitors

Excluding FJ Next, which has by far the highest sales, listed competitors all have annual sales in the JPY10–20bn range. Their GPMs fall within the range of 15–25% and their OPMs within the range of 5–12%. FJ Next, which sells directly to individual investors, has a relatively high GPM but its unit sales per employee are low. On the other hand, Urbanet Corporation, which, along with Good Com Asset, also mainly sells to other real estate companies, has a relatively low GPM, but its comparatively small sales force generates more sales per employee and contributes to lower SG&A expense ratios.

All of the companies have ROE above 10%. FJ Next stands out with an equity ratio above 50%, and its relatively high net margin contributes to ROE. Good Com Asset, Property Agent, Global Link Management, and Urbanet Corporation meanwhile all have equity ratios around 30% but their higher financial leveraging boosts their ROE. Global Link's high total asset turnover rate provides another boost to its ROE.

### Earnings overview of major listed companies mainly engaged in development and sale of investment condos in Tokyo

Ticker	Company	Sales (JPYmm)	GPM	SG&A ratio	OPM	ROE	ROA			Units sold				No. of employees		
							Equity ratio	Total asset turnover	Net margin	(RP-based)	Units	Unit price	Sales to individuals	Sales to real estate companies		Units sold per employee
3475	Good Com Asset	26,323	18.2%	7.5%	10.7%	23.7%	32.4%	1.3	6.9%	12.9%	750	35	221	529		
8935	FJ Next	84,840	23.7%	11.4%	12.3%	14.1%	58.0%	1.1	7.9%	13.0%	2,555	33	2,555	-	327	7.8
3464	Property Agent	22,674	19.9%	11.5%	8.4%	17.0%	24.5%	1.0	4.2%	6.5%	651	35	-	-	78	8.3
3469	Dualtap	7,254	19.7%	13.8%	5.9%	12.8%	48.9%	1.5	3.4%	7.6%	192	38	192	-	23	8.3
3486	Global Link Management	26,841	14.6%	9.5%	5.1%	16.5%	23.5%	1.5	2.6%	5.8%	703	38	-	-	67	10.5
3242	Urbanet Corporation	22,019	17.4%	6.1%	11.3%	15.3%	33.2%	0.7	6.8%	6.8%	715	31	-	715	31	23.1

Source: Shared Research based on company materials

Note: The number of units sold under Sales to Individuals for Good Com Asset includes sales in the Overseas Sales and Good Com Fund segments as well as sales in the Sales to Individuals segment.

## Competitors' earnings

### Non-consolidated earnings

Below are earnings overviews of FJ Next, Property Agent, Dualtap, and Global Link Management along with tables showing their recent earnings trends.

FJ Next (TSE1: 8935)

FJ Next mainly develops and sells investment condos in house. Established in July 1980, the company launched sales of its Gala Condominium series of one-room condos in 1994.

Its core business is planning, developing and selling its one-room Gala Condominium series and its Gala Residence series of family condos located primarily in the greater Tokyo area to clients investing in real estate with the goal of asset management. It also sells pre-owned condos.

### FJ Next earnings results

Earnings (JPYmn)	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20
Sales	51,955	61,416	67,008	81,516	84,840
YoY	29.4%	18.2%	9.1%	21.7%	4.1%
Cost of sales	38,732	45,642	51,114	62,359	64,754
Gross profit	13,223	15,774	15,894	19,156	20,086
GPM	25.5%	25.7%	23.7%	23.5%	23.7%
SG&A expenses	6,629	7,759	8,656	9,063	9,673
SG&A ratio	12.8%	12.6%	12.9%	11.1%	11.4%
Operating profit	6,593	8,015	7,238	10,093	10,412
YoY	42.2%	21.6%	-9.7%	39.4%	3.2%
OPM	12.7%	13.1%	10.8%	12.4%	12.3%
Net income	4,151	5,474	4,689	6,538	6,732
YoY	42.4%	31.9%	-14.3%	39.4%	3.0%
Net margin	8.0%	8.9%	7.0%	8.0%	7.9%
<b>Key balance sheet items (JPYmn)</b>					
Real estate for sale, real estate for sale in progress	30,992	36,089	42,485	52,128	55,698
Real estate for sale	17,238	15,615	19,687	25,450	29,850
Real estate for sale in progress	13,754	20,474	22,798	26,678	25,848
Total interest-bearing debt	11,847	13,040	15,530	16,222	26,157
Total assets	51,387	58,631	63,432	72,686	86,719
<b>Inventory turnover, ROE</b>					
Inventory turnover	1.3	1.4	1.3	1.3	1.2
ROE	14.0%	16.3%	12.5%	15.5%	14.1%
Equity ratio	61.1%	61.1%	62.0%	61.8%	58.0%
Total asset turnover	1.1	1.1	1.1	1.2	1.1
Net margin	8.0%	8.9%	7.0%	8.0%	7.9%
<b>Sales and units sold in Real Estate business</b>					
Sales (JPYmn)	44,641	53,409	59,570	72,696	75,356
YoY	21.6%	19.6%	11.5%	22.0%	3.7%
Single-room	31,810	41,338	44,205	52,309	22,837
YoY	17.4%	30.0%	6.9%	18.3%	-
Family	6,877	5,916	8,994	13,935	9,012
YoY	75.2%	-14.0%	52.0%	54.9%	-
Other	5,954	6,454	6,370	6,451	43,506
Units sold	1,717	2,016	2,203	2,462	1,054
YoY	21.5%	17.4%	9.3%	11.8%	-57.2%
Single-room	1,463	1,873	1,985	2,186	847
YoY	11.5%	28.0%	6.0%	10.1%	-
Family	193	143	218	276	207
YoY	91.1%	-25.9%	52.4%	26.6%	-
Other					1,501
Sales per unit (JPYmn)	26.0	26.5	27.0	29.5	71.5
YoY	0.1%	1.9%	2.1%	9.2%	-
Single-room	21.7	22.1	22.3	23.9	27.0
YoY	5.3%	1.5%	0.9%	7.5%	12.7%
Family	35.6	41.4	41.3	50.5	43.5
YoY	-8.3%	16.1%	-0.3%	22.4%	-13.8%
Employees in Real Estate Development	249	281	307	316	327
Units sold per employee	7.1	7.6	7.5	7.9	3.3

Source: Shared Research based on FJ Next materials

Note: In FY03/20, FJ Next changed classifications. Single-room condos in the table from then onward refer to the Gala Condominium series and family condos refer to the Gala Residence series, and others are included in the totals for pre-owned condos and other.

## Property Agent (TSE1: 3464)

Property Agent not only develops and sells investment condos directly to investors, but it also sells units to other real estate sales companies. Established in February 2004, the company launched sales of its own brand condominiums in July 2008. The company listed on the TSE JASDAQ (Standard) market in December 2015 and moved its listing to the TSE Second Section in December 2017.

The company's condo offerings include its in-house developed investment condos, residential condos and city apartments, as well as buildings procured from other developers. It markets these condominiums to real estate investors, property buyers who intend to reside in the condominiums, and other real estate sales companies. It develops condominiums within the Tokyo metro region.

### Property Agent earnings results

Earnings (JPYmn)	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20
Sales	9,447	12,167	19,220	21,534	22,675
YoY	9.0%	28.8%	58.0%	12.0%	5.3%
Cost of sales	7,138	9,106	15,564	17,173	18,164
Gross profit	2,309	3,061	3,655	4,361	4,511
GPM	24.4%	25.2%	19.0%	20.3%	19.9%
SG&A expenses	1,423	1,945	2,264	2,631	2,607
SG&A ratio	15.1%	16.0%	11.8%	12.2%	11.5%
Operating profit	886	1,116	1,392	1,731	1,904
YoY	0.2%	25.9%	24.7%	24.3%	10.0%
OPM	9.4%	9.2%	7.2%	8.0%	8.4%
Net income	430	583	732	872	955
YoY	-1.9%	35.5%	25.5%	19.1%	9.5%
OPM	4.6%	4.8%	3.8%	4.0%	4.2%
<b>Key balance sheet items (JPYmn)</b>					
Real estate for sale, real estate for sale in progress	8,678	11,777	13,873	18,152	19,120
Real estate for sale	3,112	3,942	2,358	5,634	7,863
Real estate for sale in progress	5,566	7,836	11,515	12,518	11,256
Total interest-bearing debt	6,608	9,269	11,102	15,021	15,962
Total assets	10,878	14,649	16,859	22,835	24,725
<b>Inventory turnover, ROE</b>					
Inventory turnover	0.9	0.9	1.2	1.1	1.0
ROE	19.6%	19.5%	20.2%	19.1%	17.0%
Equity ratio	24.9%	22.4%	23.6%	22.6%	24.5%
Total asset turnover	1.0	1.0	1.2	1.1	1.0
Net margin	4.6%	4.8%	3.8%	4.0%	4.2%
<b>Sales and units sold in Real Estate Development</b>					
Sales (JPYmn)	8,907	11,583	18,597	20,860	21,975
YoY	8.7%	30.0%	60.6%	12.2%	5.3%
Units sold	375	421	738	740	651
YoY	10.3%	12.3%	75.3%	0.3%	-12.0%
Sales per unit (JPYmn)	23.8	27.5	25.2	28.2	33.8
YoY	-1.5%	15.8%	-8.4%	11.9%	19.7%
No. of employees in Real Estate Development/Sales	56	59	66	74	78
Units sold per employee	-	7.3	11.8	10.6	8.6

Source: Shared Research based on Property Agent materials

## Dualtap (TSE2: 3469)

Dualtap not only develops and sells condominiums but also procures completed condominium buildings (single-owner scheme) and sells individual condo units separately with its own sales force. Established in August 2006, Dualtap listed on the TSE JASDAQ (Standard) market in July 2016 and moved its listing to the TSE Second Section in June 2018.

The company plans, develops, and sells its own XEBEC brand of investment condominiums. XEBEC condominium buildings feature upscale design concepts and are all located in the Tokyo metropolitan area within 10-minute walks of their nearest train stations. The company markets its units to investment companies, as well as individual investors. It also offers rental property management and brokerage services that raise occupancy rates at its buildings.

In FY06/18, Dualtap's unit sales increased sharply, thanks to sales of the hotel it had owned (originally not for the purpose of sale) in Hakodate, Hokkaido, as well as unit sales of investment condos.

## Dualtap earnings results

Earnings (JPYmn)	FY06/16	FY06/17	FY06/18	FY06/19	FY06/20
Sales	6,997	9,697	9,778	9,543	7,254
YoY	16.1%	38.6%	0.8%	-2.4%	-24.0%
Cost of sales	5,636	8,241	7,278	7,930	5,824
Gross profit	1,361	1,456	2,500	1,613	1,430
GPM	19.4%	15.0%	25.6%	16.9%	19.7%
SG&A expenses	949	1,002	1,933	1,182	1,004
SG&A ratio	13.6%	10.3%	19.8%	12.4%	13.8%
Operating profit	411	454	567	431	426
YoY	-19.4%	10.3%	24.8%	-23.9%	-1.1%
OPM	5.9%	4.7%	5.8%	4.5%	5.9%
Net income	211	220	325	189	251
YoY	-28.2%	4.4%	47.7%	-41.9%	32.6%
Net margin	3.0%	2.3%	3.3%	2.0%	3.5%
<b>Key balance sheet items (JPYmn)</b>					
Real estate for sale, real estate for sale in progress	2,403	3,273	3,422	3,599	1,736
Real estate for sale	574	1,244	2,219	2,972	642
Real estate for sale in progress	1,829	2,030	1,203	627	1,094
Total interest-bearing debt	3,166	3,645	3,672	2,500	1,493
Total assets	4,831	5,744	6,168	5,449	4,202
<b>Inventory turnover, ROE</b>					
Inventory turnover	3.0	2.9	2.2	2.3	2.2
ROE	25.9%	19.2%	21.1%	10.7%	12.8%
Equity ratio	19.0%	24.0%	27.4%	33.7%	48.9%
Total asset turnover	1.7	1.8	1.6	1.6	1.5
Net margin	3.0%	2.3%	3.3%	2.0%	3.5%
<b>Sales and units sold in Real Estate Sales</b>					
Sales (JPYmn)	5,933	8,389	8,267	7,671	5,739
YoY	13.1%	41.4%	-1.4%	-7.2%	-25.2%
Units sold	229	297	209	237	192
YoY	11.7%	29.7%	-29.6%	13.4%	-19.0%
Sales per unit (JPYmn)	25.9	28.2	39.6	32.4	29.9
YoY	1.2%	9.0%	40.0%	-18.2%	-7.7%
Number of employees in the Development business	42	34	39	24	23
Units sold per employee	-	7.8	5.7	7.5	8.2

Source: Shared research based on Dualtap materials

## Global Link Management (TSE1: 3486)

Global Link Management develops and directly sells its condo units to individual investors and to other real estate companies. Established in March 2005, the company launched sales of its own brand condominiums in June 2006. The company listed on the TSE Mothers market in December 2017 and moved its listing to the TSE First Section in December 2018.

Global Link's main business is its real estate solutions business, which procures land in locations mainly in the Tokyo metropolitan area and then plans, develops, and sells compact investment condominiums. It also provides building management services. The company also offers to sublease condos from the owner for a maximum period of 35 years (in principle, rents are to be revised every seven years, with a maximum reduction of 5%; the lease can be discontinued by either party if notification is given six months in advance).

## Global Link Management earnings results

Earnings (JPYmn)	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
Sales	11,605	17,167	22,644	25,086	26,841
YoY	33.7%	47.9%	31.9%	10.8%	7.0%
Gross profit	2,290	3,168	3,734	4,183	3,909
GPM	19.7%	18.5%	16.5%	16.7%	14.6%
SG&A expenses	1,693	2,059	2,524	2,618	2,544
SG&A ratio	14.6%	12.0%	11.1%	10.4%	9.5%
Operating profit	596	1,109	1,210	1,565	1,366
YoY	114.6%	86.0%	9.1%	29.3%	-12.7%
OPM	5.1%	6.5%	5.3%	6.2%	5.1%
Net margin	329	697	755	867	686
YoY	97.5%	112.0%	8.4%	14.8%	-20.9%
Net margin	2.8%	4.1%	3.3%	3.5%	2.6%
<b>Key balance sheet items (JPYmn)</b>					
Real estate for sale, real estate for sale in progress	5,570	5,231	8,687	13,134	15,127
Real estate for sale	3,164	3,622	2,390	1,360	4,416
Real estate for sale in progress	2,407	1,609	6,297	11,774	10,711
% of total	43.2%	30.8%	72.5%	89.6%	70.8%
Total interest-bearing debt	2,683	2,223	7,701	11,155	12,464
Short-term borrowings	281	600	2,092	1,419	700
Current portion of long-term borrowings	363	525	1,647	-	28
Current portion of bonds	2,039	1,098		3,805	6,669
Bonds					158
Long-term borrowings			3,962	5,930	4,910
Total assets	7,050	8,069	11,692	16,158	19,029
<b>Inventory turnover, ROE</b>					
Inventory turnover	34.7%	39.9%	27.7%	25.0%	16.5%
Equity ratio	15.8%	29.5%	26.3%	23.8%	23.5%
Total asset turnover	-	2.3	2.3	1.8	1.5
Net margin	2.8%	4.1%	3.3%	3.5%	2.6%
<b>Real Estate Solution</b>					
Sales (JPYmn)	9,723	15,035	20,282	22,612	24,212
YoY	-	54.6%	34.9%	11.5%	7.1%
Units sold	335	489	692	702	703
YoY	23.6%	46.0%	41.5%	1.4%	0.1%
Sales to individual investors (B2C)	263	195	413	352	
Sales to overseas investors (B2C)	17	30	61	79	
Sales to corporates (B2B)	55	264	279	350	
Sales per unit (JPYmn)	29.0	30.7	29.3	32.2	34.4
YoY	-	5.9%	-4.7%	9.9%	6.9%
Number of employees in the Real Estate Solution	-	52	55	75	67
Units sold per employee	-	9.4	12.6	9.4	10.5

Source: Shared Research based on Global Link Management materials

## Historical performance

### Consolidated results for Q1 FY10/21 (November 2020–January 2021)

▷ Sales:	JPY3.7bn (+57.7% YoY)
▷ Operating profit:	JPY249mn (+64.5% YoY)
▷ Recurring profit:	JPY185mn (+72.6% YoY)
▷ Net income*:	JPY118mn (+65.5% YoY)

\*Net income attributable to owners of the parent

The contract rate for newly constructed condominiums during the three-month period between November 2020 and January 2021 was 62.2% (59.7% in Q1 FY10/20) in the Tokyo metropolitan area and 64.5% (56.4% in Q1 FY10/20) in the 23 wards of Tokyo, the company's main operating area. These figures were significantly below the 70% mark that serves as a yardstick of strong performance (according to Real Estate Economic Institute Co., Ltd.). While unit supply in the Tokyo metropolitan area declined on factors such as the spread of COVID-19, the contract rate improved YoY on increased demand for residential properties as a result of changes in peoples' lifestyles. According to the company, as shown by investor inquiries, demand for investment in hotels, offices, and commercial facilities has receded during the pandemic, with some limited interest in investing in condominiums in the city center and logistics facilities. The company says that there is a strong level of inquiries in its properties for sale.

Good Com Asset focused on investment condos within 10 minutes' walk of train stations in the 23 wards of Tokyo, as the area features high occupancy rates and is less vulnerable to economic fluctuations. It also focused on selling to government employees who are likely to maintain a certain interest in purchasing regardless of the economic cycle. The company was thus able to maintain solid results for a real estate industry company, notwithstanding the COVID-19 pandemic. Another factor underpinning strong growth rate is the company's unique single-owner project procurement approach. (Under this, a building contractor purchases land that Good Com Asset plans to develop and sells to the company once the project is complete.) This has enabled it to curtail development risk during the pandemic and continue to purchase condos.

In Q1 FY10/21, sales declined on a per unit basis, but improved YoY on an overall basis thanks to an increase in the number of units sold.

- ▷ The company sold 107 units (+78.3%, or +47 units, YoY). The number of units sold increased in the Retail Sales segment as well as in the Wholesale Sales segment. Sales in Q1 FY10/20 were sluggish on a shortage of new properties at the beginning of the term, but there was no such deficiency in Q1 FY10/21.
  - In Retail Sales, the company sold 54 units (+42.1%, or +16 units, YoY). The segment saw no dip in demand as the company targeted public servants, who are relatively immune to declines in income levels during recessions. The Kanto region accounted for 26.2% of sales in Q1 FY10/21 (41.9% in Q1 FY10/20), while the Kinki region accounted for 28.6% of sales (9.7%). The government declaring a state of emergency in January 2021 led the company to focus its energies on developing sales channels outside the Kanto region, which contributed to the Kinki region accounting for a greater share of total sales in Q1 FY10/21.
  - In the Wholesale Sales segment, the company sold 53 units (+140.9%, or 31 units, YoY). The company advanced preparations for sales of entire buildings to real estate management companies, and recorded sales to real estate sales companies in Q1 FY10/21.
- ▷ Sales per unit fell 13.8% YoY to JPY30.5mn, with sales per unit dropping in both the Retail Sales segment and the Wholesale Sales segment.

Earnings: Q1 gross profit of JPY802mn was up 43.7% YoY, the gross profit margin having slipped 2.1pp to 21.7% as the proportion of sales accounted for by the company's high-margin Retail Sales segment declined to 36.2% (-11.4pp YoY). Gains at

the operating profit level and below were aided by the rise in gross profit, despite a 35.9% YoY rise in SG&A spending, which came to JPY553mn. SG&A costs were up on an increase in personnel and a floorspace expansion at the company's headquarters in December 2020.

Inventory levels: As of end-January 2021, the company's balance sheet showed total real estate held for sale of JPY16.6bn (+7.0% versus end-FY10/20), real estate held for sale in process came to JPY1.8bn (+0.5%), and advanced payments received totaling JPY993mn (-6.0%), bringing the total for real estate held for sale and advanced payments received to JPY19.4bn (+7.0%). During Q1 FY10/21 the company acquired two new buildings for a total of 254 condominium units, this compares with five buildings for a total of 321 condominium units acquired during the same quarter in FY10/20. The company indicated that its focus in Q1 was on preparing for the sale of 16 buildings (total of 724 units) to large-lot customers (real estate management companies), which put limitations on the purchasing of real estate for sale. Those limitations were lifted following the March 2021 conclusion of a sales agreement for those properties, allowing an acceleration in purchasing from Q2.

Achievement rates in Q1 versus the company's 1H FY10/21 forecasts were 23.8% for sales (Q1 sales were 29.3% of 1H FY10/20 sales), 22.6% for operating profit (23.2%), 18.6% for recurring profit (18.6%), and 17.7% for net income attributable to owners of the parent (18.3%).

Sales and profit in Q1 were less than half the company's respective 1H forecasts. However, between the beginning of November 2020 and March 12, 2021, the company reported total condominium sales of 967 units; this gives it nearly 70% of its full-year sales target for FY10/21 of 1,384 units. Of those 967 units, 724 were sold as part of a transaction with a real estate management company involving the sale of 16 whole buildings. Good Com Asset explained that real estate management companies purchase condos to own and manage themselves. The company sells to them at retail rather than wholesale prices, so sales per unit are higher than typical sales to brokers, and the profit margin is also high.

Q1 FY10/21 results are broken down by segment below. The company's reporting segments have been changed, though, with the old "Overseas Sales" segment being merged with the "Sales to Individuals" segment to form the "Retail Sales" segment, the old "Sales to Real Estate Companies" segment being renamed the "Wholesales Sales" segment, and the old "Property Management" segment being renamed the "Real Estate Management" segment. Year-ago figures have been adjusted to conform to the new segmentation scheme to facilitate YoY comparisons.

### Retail Sales segment (formerly Sales to Individuals)

- ▷ Sales: JPY1.9bn (+29.5% YoY)
- ▷ Operating profit: JPY34mn (+123.5% YoY), OPM 1.7% (+0.7pp YoY)

Under the Retail Sales segment, the company sold of a total of 54 units to individual investors during Q1 FY10/21; an increase of 42.1% over the same quarter the previous year, the sales came from sales of the company's *Genovia* series of condominiums designed for singles and families. The average unit sales price of JPY35.8mn was down 8.9% YoY. Of those sales, 26 units (+4.0% YoY) were family-type condominiums. While profit secured from the sale of these types of condominiums tends to be greater than from condominiums for singles, profit margins are rather low. With the share of family-type condominium sales to total sales declining, sales per unit deteriorated YoY.

Although the average unit sales price was down, overall sales and earnings at the segment increased on the back of an increase in the number of units sold.

### Wholesale Sales segment (formerly Sales to Real Estate Companies)

- ▷ Sales: JPY1.3bn (+110.6% YoY)
- ▷ Operating profit: JPY88mn (+137.1% YoY), OPM 6.6% (+0.7pp YoY)

Under the Wholesale Sales segment, the company sold of a total of 53 units to real estate brokers as well as domestic and overseas real estate management companies during Q1 FY10/21; an increase of 140.9% over the same quarter the previous year. The sales were of the company's *Genovia* series of condominiums designed for singles and families. The average unit sales price of JPY25.2mn was down 12.6% YoY.

As was the case at the Retail Sales segment, the average unit sales price at the Wholesale Sales segment was down but overall sales and earnings at the segment increased on the back of rising unit sales.

As noted previously, the company in Q1 moved forward in preparing for the sale of condominiums with relatively high prices per unit to interested real estate management companies. As a result, the company completed a sales agreement for 16 buildings comprising 724 units in March 2021. The company screened several real estate management companies, received their purchase price offers, and decided to sell the properties the highest purchase price offered. This resulted in profit margins on the 724 units in 16 buildings being higher than for more traditional transactions.

### Real Estate Management segment (formerly Property Management)

- ▷ Sales: JPY430mn (+96.6% YoY)
- ▷ Operating profit: JPY138mn (+14.7% YY), OPM 32.1% (-22.9pp YoY)

For Q1 FY10/21, the Real Estate Management segment reported increases in both the number of buildings and number of individual rental units under management, along with a month-end occupancy rate of more than 99% for all months in the quarter.

The increase in the number of buildings under management as well as the number of rental units under management contributed to stronger sales and profit. Room Bank Insure Co., Ltd., which was made a subsidiary in September 2020, produced sales of about JPY40mn, with profit after goodwill amortization at about the breakeven point.

### Good Com Fund segment

- ▷ Sales: No sales booked in Q1 FY10/21 (No sales booked in Q1 FY10/21)
- ▷ Operating loss: JPY15mn (versus loss of JPY25mn in Q1 FY10/20)

During Q1 FY10/21, the company booked no sales of small-lot real estate products. In Q1 FY10/20, the company booked expenses in line with the holding of seminars and the placement of newspaper advertisements with the aim of attractive customers, and the lack of such expenses in Q1 FY10/21 contributed to a narrowing in losses in the segment.

The segment in Q1 FY10/21 made preparations for Fund No. 2, with expected investment per unit at JPY100,000. With 420 units offered, the expected yield is JPY42.0mn. The investment period is for 15 years, with a distribution rate for the first year estimated at 2.49%. Applications are being accepted on a first-come, first-served basis between April and May 2021, and the company has stated that pre-registration ahead of the launch of the application process has been going well.

### Expanding sales channels to outlying regions

In addition to establishing a branch in Osaka in May 2021, the company is considering opening similar branches in Fukuoka, Sapporo, Nagoya, and Hiroshima. The company has traditionally maintained sales offices only in Tokyo, with sales personnel taking business trips to cover any sales activity outside that area. However, since the government declared a state of emergency in January 2021, the company has focused its efforts on expanding its sales channels in areas outside the Kanto region. This resulted in sales in the Kinki region exceeding sales in the Kanto region in Q1 FY10/21. The company aims to further expand its sales channels in outlying areas and believes it can strengthen its sales activities by opening branches in these areas.



Local branches will not engage in purchasing real estate for sale, but rather will focus on sales alone. Start-up costs for branch offices are about JPY2m per location, so the impact on costs is relatively limited, even when including operating costs.

### Progress of the corporate venture capital (CVC) and stock market listing consulting businesses

Good Com Asset established Capital Support Consulting Co., Ltd. (non-consolidated subsidiary) in February 2020 as a company engaged in corporate venture capital (CVC) and a stock market listing consulting business. Capital Support Consulting charges monthly fees for providing consulting concerning the establishment of internal management systems for companies considering public listing. The subsidiary also provides consulting services regarding various topics for listed companies, including the production of IR materials. In addition, Capital Support Consulting will consider investing in client companies through third-party allotment according to the capital policy of the client company. It will also consider M&A in cases where synergies can be created with the client company's business.

### Full-year FY10/20 results

▷ Sales:	JPY26.3bn (+12.6% YoY)
▷ Operating profit:	JPY2.8bn (+61.2% YoY)
▷ Recurring profit:	JPY2.6bn (+60.2% YoY)
▷ Net income*:	JPY1.8bn (+62.0% YoY)

\*Net income attributable to owners of the parent

The contract rate for newly constructed condominiums during the 12-month period between November 2019 and October 2020 was 65.3% (+5.7pp YoY) in the Tokyo metropolitan area, significantly below the 70% mark that serves as a yardstick of strong performance (according to Real Estate Economic Institute Co., Ltd.). The number of new condominiums sold in the Tokyo metropolitan area was down 17.6% YoY. According to the company, as shown by investor inquiries, demand for investment in hotels, offices, and commercial facilities has receded during the pandemic, with some limited interest in investing in condominiums and logistics facilities. The company says that there is a strong level of inquiries in its properties for sale.

Good Com Asset focused on investment condos within 10 minutes' walk of train stations in the 23 wards of Tokyo, as the area features high occupancy rates and is less vulnerable to economic fluctuations. It also focused on selling to government employees who are likely to maintain a certain interest in purchasing regardless of the economic cycle. The company was thus able to maintain solid results for a real estate industry company, notwithstanding the COVID-19 pandemic. Another factor underpinning strong growth rate is the company's unique single-owner project procurement approach. (Under this, a building contractor purchases land that Good Com Asset plans to develop and sells to the company once the project is complete.) This has enabled it to curtail development risk during the pandemic and continue to purchase condos.

In FY10/20, sales grew YoY on higher sales per unit.

- ▷ The company sold 750 units (-100 units, or -11.8%, YoY). The number of units sold increased in the Sales to Individuals segments but declined in the Sales to Real Estate Companies segment.
  - In Sales to Individuals, there was no dip in demand as the company targeted public servants, who are relatively immune to declines in income levels during recessions. There is also a high percentage of educators among the company's public servant customers. While general company employees have been switching over to working from home, educators have not done so, meaning the company's sales activities have not been restricted by the COVID-19 pandemic.
  - In Sales to Real Estate Companies, sales to real estate brokers used to account for virtually all of the total, but in FY10/20 sales of entire buildings to real estate management companies comprised the bulk. Good Com Asset explained that real estate management companies purchase condos to own and manage themselves. The company sells to them at retail rather than wholesale prices, so sales per unit are higher than typical sales to brokers, and the profit margin is also high.

- ▷ By quarter, the company sold 60 units (-62 units, or -50.8%, YoY) in Q1 (November 2019–January 2020), 184 units (-21 units, or -10.2%, YoY) in Q2 (February–April 2020), 327 units (+40 units, or +13.9%, YoY) in Q3 (May–July 2020), and 179 units (-57 units, or -24.2%, YoY) in Q4 (August–October 2020).
  - In Q1, the number of units sold fell YoY because the company had a shortage at the start of the period in newly constructed one-room condominiums.
  - In Q2, the shortage of properties was resolved, and the number of properties sold increased QoQ. Compared to Q2 FY10/19, delays in loan screening at financial institutions in April 2020 pushed back some property handover to Q3 (May–July 2020).
  - In Q3, in addition to resolving the property lineup shortage, the company also recorded sales of properties that were closed on during Q2 but not delivered until Q3, resulting in double-digit growth both QoQ and YoY. By segment, Sales to Individuals came to 68 units (+23 units, or +51.1%, YoY), including 35 units of family condominiums (+16 units, or +84.2%, YoY), which drove overall sales volumes. In Sales to Real Estate Companies, the company sold 260 units (+18 units, or +7.4%, YoY), and three condominium buildings to real estate management companies.
  - In Q4, the company focused on sales activities for FY10/21, and the number of units sold declined YoY.
- ▷ Sales per unit came to JPY33.5mn (+25.7% YoY). Relatively high-average-price family condominiums accounted for 26.1% of units sold (+11.9pp). By segment, set sales per unit were up in both Sales to Individuals and Sales to Real Estate Companies. Notably, sales per unit in Sales to Real Estate Companies came to JPY32.5mn (+33.7% YoY), which was the primary factor driving the rise in average prices. In Sales to Real Estate Companies, there were sales to real estate management companies (sold at retail prices, generating relatively high sales per unit) and sales of entire buildings to real estate management companies, boosting the share of family-type condos sold. In the segment, family condo sales totaled 81 units in FY10/20 versus 11 in FY10/19.

Gross profit was JPY4.8bn (+37.2% YoY) and GPM was 18.2% (+3.3pp YoY). GPM rose due to sales of high-margin properties to real estate management companies in Sales to Real Estate Companies. Meanwhile, Sales to Individuals, which has relatively high GPM, accounted for 29.9% of total sales (+0.2pp YoY). All profit categories from operating profit line down increased YoY on increased gross profit, despite SG&A expenses rising to JPY2.0bn (+12.9% YoY).

Inventories at the end of FY10/20 were JPY18.1bn (+86.9% versus end-FY10/19), breaking down into JPY17.3bn in real estate for sale (+101.6%), JPY1.7bn in real estate for sale in process (roughly 35x the end-FY10/19 figure), and JPY807mn in advance payments (-27.0%). The company procured 24 buildings (1,439 units) in FY10/20 (versus 25 buildings [1,011 units] in FY10/19).

Sales came in at 86.6% of the FY10/20 company forecast, operating profit 121.1%, recurring profit 120.9%, and net income attributable to owners of the parent 123.2%. Although sales fell short of the full-year company forecast, profit lines from operating profit downward all exceeded the forecast due to high-margin sales to real estate management companies.

Results by segment were as follows. The company added Good Com Fund to its segment breakdown in Q1 FY10/20 following the launch of Good Com Fund, the real estate retail sales business.

### Sales to Individuals

- ▷ Sales: JPY7.9bn (+13.2% YoY)
- ▷ Operating profit: JPY230mn (-6.9% YoY), OPM 2.9% (-0.6pp YoY)

The number of units sold totaled 219 (+6.8% YoY) as the company sold its Genovia series of one-room and family-type condos to individual investors. The average sales per unit was JPY35.9mn (+6.0% YoY). Of the total units sold, 115 were condominiums for

families (+27.8% YoY). Family condos are more expensive than one-room condos and have higher profits per unit. However, the profit margin is lower. Sales per unit rose YoY on an increase in the ratio of family-type condominiums.

Selling prices and profit on condominiums for families: The company determines property sales prices depending on asking rent. According to Good Com Asset, condos for singles are roughly 25sqm and those for families are about 50sqm. Rents and selling prices are higher for family condos but the figures per sqm are low. GPM is lower for family condos as a result. The company said that many peer companies sell condos for singles directly to individual investors because sales prices are lower and selling is relatively easy. On the other hand, the company says they tend to sell family condos to specialist brokers at low margins. Good Com Asset had traditionally handled some family condos in its Sales to Individuals segment, but decided that from FY10/19, it would primarily use this segment to sell such condos, enabling it to earn higher profits than by wholesaling to specialist brokers. It said this would allow it to profit from selling condos for families (an area where rival companies struggle to make a profit) and grow its overall profit, although this would reduce segment margins.

Virtually all of the 23 Tokyo wards where the company operates have regulations and restrictions on building condos for single occupancy. For example, in Chuo, in residential buildings with 10 or more units in the regional planning area, dwellings with floor space of 40sqm or more must comprise at least one third of the total dwelling floor space.

Sales were up YoY due to increases in the number of units sold, and in sales per unit. Sales increased but profit was down.

### Sales to Real Estate Companies

- ▷ Sales: JPY17.2bn (+9.7% YoY)
- ▷ Operating profit: JPY2.1bn (+80.8% YoY), OPM 12.3% (-4.9pp YoY)

The number of units sold came to 529 (-18.0% YoY) as the company sold its Genovia series of one-room condos to real estate sales companies and also made sales to real estate management companies, as outlined previously. The average sales per unit was JPY32.5mn (+33.7% YoY). Sales to PPFA Japan III TMK accounted for JPY9.7bn (56.4%) of the total.

Tokutei mokuteki kaisha (TMK): A specified purpose company established to issue securities and securitize assets under the Act on Securitization of Assets.

By quarter, the company sold 22 units (-69.0% YoY) in Q1, 122 units (-23.3% YoY) in Q2, 260 units (+7.4% YoY) in Q3, and 125 units (-27.7% YoY) in Q4.

- ▷ The number of units sold in Q1 declined YoY, reflecting a shortage of properties for sales to real estate companies at the beginning of the year.
- ▷ The number of units sold in Q2 increased QoQ as the shortage of properties was resolved, but still decreased YoY. In April 2020, the time required by financial institutions to evaluate a property for sales to real estate companies extended from the previous two to three weeks to approximately one month due to the impact of the COVID-19 pandemic.
- ▷ In Q3, as stated above, the company recorded sales on properties whose deliveries were held over from Q2, resulting in both QoQ and YoY growth. It sold three condominium buildings including 66 family-type condo units.
- ▷ The number of units sold in Q4 declined YoY. The company focused on sales activities toward FY10/21.

By quarter, sales per unit came to JPY28.9mn (+27.2% YoY) in Q1, JPY26.3mn (+23.7% YoY) in Q2, JPY39.4mn (+57.5% YoY) in Q3, and JPY25.0mn (-7.2% YoY) in Q4. They were in the range of JPY25–30mn except in Q3 when sales per unit were up sharply both QoQ and YoY. This reflected sales to real estate management companies at retail prices (high sales per unit) and entire buildings to real estate management companies, which increased the share of family condos in sales as mentioned previously.

Operating profit grew YoY due to higher sales and OPM. The rise in OPM was driven by relatively high GPMs on sales of condominiums to real estate management companies. During the pandemic, investment in hotels, offices, and commercial

facilities declined, with some limited interest in investing in condominiums and logistics facilities. The company was able to supply investment condos in prime Tokyo locations and sold them at relatively high GPMs.

## Property Management

- ▷ Sales: JPY1.2bn (+59.5% YoY)
- ▷ Operating profit: JPY552mn (+52.5% YoY), OPM 47.3% (-2.2pp YoY)

Sales and profit increased steadily, underpinned by an increase in the number of building management and rental management units. The month-end occupancy rate was at or above 99% for all months in FY10/20.

## Overseas Sales

- ▷ Sales: JPY29mn (none recorded in FY10/19)
- ▷ Operating loss: JPY18mn (JPY42mn operating loss in FY10/19)

The company sells its Genovia series of one-room condos to overseas retail investors. It sold one unit in FY10/20 (no sales in FY10/19).

## Good Com Fund

- ▷ Sales: JPY47mn (none recorded in FY10/19)
- ▷ Operating loss: JPY75mn (none recorded in FY10/19)

In Q1 FY10/20, the company started selling small-lot real estate products based on the Act on Specified Joint Real Estate Ventures. It sold one unit in FY10/20.

## Progress of the corporate venture capital (CVC) and stock market listing consulting businesses

Good Com Asset established Capital Support Consulting Co., Ltd. (non-consolidated subsidiary) in February 2020 as a company engaged in corporate venture capital (CVC) and a stock market listing consulting business. Capital Support Consulting charges monthly fees for providing consulting concerning the establishment of internal management systems for companies considering public listing. The subsidiary also provides consulting services regarding various topics for listed companies, including the production of IR materials. In addition, Capital Support Consulting will consider investing in client companies through third-party allotment according to the capital policy of the client company. It will also consider M&A in cases where synergies can be created with the client company's business. As of December 2020, the company has already provided consulting services to about 10 companies and has invested in one private company.

## Signing of a letter of intent to make Room Bank Insure Co., Ltd. a subsidiary through share acquisition

The company acquired all shares of Room Bank Insure Co., Ltd. (hereinafter Room) in September 2020. The acquisition price was JPY780mn and generated JPY540mn in goodwill. Good Com Asset plans to depreciate the goodwill over five years using straight-line depreciation of JPY108mn annually.

Room operates a dedicated rent guarantee business that provides guarantees to landlords that the renter will pay the rent due, with the rent guarantee contract being entered into at the same time as the original property rental agreement. From the perspective of the renter, the guarantee provides a credit backstop at the time the property rental agreement is signed, as well as an ongoing guarantee that the rent will be paid on the renter's behalf during the period covered by the rental agreement. In addition to collecting an initial fee equivalent to one month's rent at the time the contract is signed, Room collects an ongoing annual fee of about JPY10,000 once a year for the duration of the rental agreement. According to the company, Room had approximately 20,000 contracts, sales of JPY221mn and operating profit of JPY59mn in FY09/19, and total assets of JPY291mn and net assets of JPY264mn as of end-FY09/19.

A 2020 revision to the Civil Code protected cosigners in lease agreements and tightened restrictions on joint and several guarantee contracts. As a result, the company expects the number of individual cosigners to decline and the use of rental guarantor companies to increase in the future. By making Room a subsidiary, the company will be able to capture demand from rental guarantee companies, which is expected to increase in the Property Management business, and thus contribute to higher earnings.

The 2020 revision to the Civil Code established an upper limit on the amount of money a cosigner can guarantee. As a result, the cosigner will be required to state the maximum amount in the property rental agreement and there will be no further obligation to guarantee.

## Q3 FY10/20 results

▷ Sales:	JPY21.0bn (+28.7% YoY)
▷ Operating profit:	JPY2.5bn (+116.9% YoY)
▷ Recurring profit:	JPY2.4bn (+124.1% YoY)
▷ Net income*:	JPY1.6bn (+122.6% YoY)

\*Net income attributable to owners of the parent

Concerning the market environment, the contract rate for newly constructed condominiums was shy of robust. The lending by financial institutions toward investment in investment condominiums went through some delays in loan screening in April and May 2020 due to the COVID-19 outbreak, but the delays had been cleared as of June 2020. The company says that loan screening has currently returned to pre-COVID conditions.

- ▷ The contract rate for newly constructed condominiums during the nine-month period between November 2019 and July 2020 was 63.1% in the Tokyo metropolitan area, and 60.5% in the Tokyo 23 wards area, the company's core business area. This was significantly below the 70% mark that serves as a yardstick of strong performance (according to Real Estate Economic Institute Co., Ltd.). New condominium sales in the Tokyo metropolitan area were also down 26.7% YoY.
- ▷ According to the Bank of Japan's Loans and Bills Discounted by Sector, at end-June 2020, the loan balance from domestic banks, credit associations, and other financial institutions to real estate companies was JPY105.8tn (+4.3% YoY). Of that amount, JPY29.4tn (-0.6% YoY) went to real estate rental by individuals, and JPY76.4tn (+6.3% YoY) went to other real estate business activities. The loan balance to real estate rental by individuals fell YoY, but according to the company, the investment attitude of financial institutions toward the company's main customers was as eager as before. In April and May 2020, when the Japanese government declaration of a state of emergency was in effect, there were some delays in loan screening for the company's customers, but the company says those delays have now been resolved.

In Q3 FY10/20, sales grew YoY. Sales per unit were up.

- ▷ The company sold 571 units (-43 units, or -7.0%, YoY). The company concentrated on selling relatively high-average-price family units so as to boost operating efficiency.
  - In Sales to Individuals, there was no dip in demand as the company targeted public servants, who are relatively immune to declines in income levels during recessions. There is also a high percentage of educators among the company's public servant customers. While general company employees have been switching over to working from home, educators have not done so, meaning the company's sales activities have not been restricted by the COVID-19 pandemic.
  - In Sales to Real Estate Companies, while Tokyo area sales volumes declined as described above, the company was able to supply condominium buildings in prime Tokyo locations.

- ▷ By quarter, the company sold 60 units (-62 units, or -50.8%, YoY) in Q1 (November 2019–January 2020), 184 units (-21 units, or -10.2%, YoY) in Q2 (February–April 2020), and 327 units (+40 units, or +13.9%, YoY) in Q3 (May–July 2020).
  - In Q1, the number of units sold fell YoY because the company had a shortage at the start of the period in newly constructed one-room condominiums.
  - In Q2, the shortage of properties was resolved, and the number of properties sold increased QoQ. Compared to Q2 FY10/19, delays in loan screening at financial institutions in April 2020 pushed back some property handover to Q3 (May–July 2020).
  - In Q3, in addition to resolving the property lineup shortage, the company also recorded sales of properties that were closed on during Q2 but not delivered until Q3, resulting in double-digit growth both QoQ and YoY. By segment, Sales to Individuals came to 68 units (+23 units, or +51.1%, YoY), including 35 units of family condominiums (+16 units, or +84.2%, YoY), which drove overall sales volumes. In Sales to Real Estate Companies, the company sold three condominium buildings.
- ▷ Sales per unit came to JPY35.3mn (+37.5% YoY). Relatively high-average-price family condominiums accounted for 26.6% of units sold (+18.6pp). By segment, set sales per unit were up in both Sales to Individuals and Sales to Real Estate Companies. Notably, sales per unit in Sales to Real Estate Companies came to JPY34.9mn (+49.1% YoY), which was the primary factor driving the rise in average prices. In Sales to Real Estate Companies, although the company has not traditionally sold family-type condominiums, in cumulative Q3 sales, the company sold three condominium buildings, including family-type condos. As a result, family-type condos grew to account for a larger portion of units sold in Sales to Real Estate Companies.

Gross profit was JPY3.9bn (+61.2% YoY) and GPM was 18.7% (+3.8pp YoY). GPM rose due to high gross margins on the sale of condominium buildings in Sales to Real Estate Companies. While fewer units going on sale in the Tokyo area led to a reduced supply of new condominiums to the market, the company was able to supply condominium buildings in prime Tokyo locations, which led to relatively higher GPM. Meanwhile, Sales to Individuals, which has higher GPM than Sales to Real Estate Companies, accounted for 28.7% of total sales (-0.2pp YoY). All profit categories from operating profit line down increased YoY on increased gross profit, despite SG&A expenses rising to JPY1.4bn (+11.8% YoY).

Inventories at end-Q3 FY10/20 were JPY17.9bn (+85.1% versus end-FY10/19), breaking down into JPY15.5bn in real estate for sale (+81.8%), JPY1.7bn in real estate for sale in process (roughly 34x the end-FY10/19 figure), and JPY725mn in advance payments (-34.4%). The company procured 914 units in cumulative Q3 FY10/20 (versus 1,011 units in cumulative Q3 FY10/19).

Progress toward attainment of the company's FY10/20 forecasts in cumulative Q3, came to 68.9% for sales (vs. 69.7% a year ago), 106.3% for operating profit (vs. 65.2%), 108.0% for recurring profit (vs. 63.9%), and 107.9% for net income attributable to owners of the parent (vs. 63.9%). Thus, while attainment progress for sales was about the same as a year ago, it was much higher than a year ago for profit line items, exceeding 100%. The company says that if it accumulates more profit in Q4 (August–October 2020), it will have plans to revise its forecasts in line with disclosure rules.

Results by segment were as follows. The company added Good Com Fund to its segment breakdown in Q1 FY10/20 following the launch of Good Com Fund, the real estate retail sales business.

### Sales to Individuals

- ▷ Sales: JPY6.0bn (+27.8% YoY)
- ▷ Operating profit: JPY216mn (+123.7% YoY), OPM 3.6% (+1.5pp YoY)

The number of units sold totaled 167 (+17.6% YoY) as the company sold its Genovia series of one-room and family-type condos to individual investors in Japan. The average sales per unit was JPY36.0mn (+8.7% YoY). Of the total units sold, 86 were

condominiums for families (+75.5% YoY). Family condos are more expensive than one-room condos and have higher profits per unit. However, the profit margin is lower. Sales per unit rose YoY on an increase in the ratio of family-type condominiums.

Selling prices and profit on condominiums for families: The company determines property sales prices depending on asking rent. According to Good Com Asset, condos for singles are roughly 25sqm and those for families are about 50sqm. Rents and selling prices are higher for family condos but the figures per sqm are low. GPM is lower for family condos as a result. The company said that many peer companies sell condos for singles directly to individual investors because sales prices are lower and selling is relatively easy. On the other hand, the company says they tend to sell family condos to specialist brokers at low margins. Good Com Asset had traditionally handled some family condos in its Sales to Individuals segment, but decided that from FY10/19, it would primarily use this segment to sell such condos, enabling it to earn higher profits than by wholesaling to specialist brokers. It said this would allow it to profit from selling condos for families (an area where rival companies struggle to make a profit) and grow its overall profit, although this would reduce segment margins.

Virtually all of the 23 Tokyo wards where the company operates have regulations and restrictions on building condos for single occupancy. For example, in Chuo, in residential buildings with 10 or more units in the regional planning area, dwellings with floor space of 40sqm or more must comprise at least one third of the total dwelling floor space.

Sales were up YoY due to higher sales per unit and an increase in the number of units sold. On the profit front, operating profit increased YoY due to higher sales and OPM. In the first quarters of FY10/19, the company purchased and sold properties with low GPM but short development time from acquisition due to a lack of inventory at the beginning of the period, However, the company did not sell such low-GPM properties in Q1–Q3 FY10/20, which resulted in a YoY increase in OPM.

### Sales to Real Estate Companies

- ▷ Sales: JPY14.1bn (+27.6% YoY)
- ▷ Operating profit: JPY1.9bn (+135.3% YoY), OPM 13.4% (-6.1pp YoY)

The number of units sold came to 404 (-14.4% YoY) as the company sold its Genovia series of one-room condos to companies. The average sales per unit was JPY34.9mn (+49.1% YoY). The rise in average sales per unit was driven by the sale of 66 family-type condominium units, which the company did not handle in Sales to Real Estate Companies before.

By quarter, the company sold 22 units (-69.0% YoY) in Q1, 122 units (-23.3% YoY) in Q2, and 260 units (+7.4% YoY) in Q3.

- ▷ The number of units sold in Q1 declined YoY, reflecting a shortage of properties for sales to real estate companies at the beginning of the year.
- ▷ The number of units sold in Q2 increased QoQ as the shortage of properties was resolved, but still decreased YoY. In April 2020, the time required by financial institutions to evaluate a property for sales to real estate companies extended from the previous two to three weeks to approximately one month due to the impact of the COVID-19 pandemic.
- ▷ In Q3, as stated above, the company recorded sales on properties whose deliveries were held over from Q2, resulting in both QoQ and YoY growth. It sold three condominium buildings including 66 family-type condo units.

By quarter, sales per unit came to JPY28.9mn (+27.2% YoY) in Q1, JPY26.3mn (+23.7% YoY) in Q2, and JPY39.4mn (+57.5% YoY) in Q3. Sales per unit were up sharply both QoQ and YoY in Q3. This is due to the fact that the company has traditionally not sold family-type condos in Sales to Real Estate Companies, but in Q3 FY10/20, as mentioned above, it sold condominium buildings including family-type condos.

Operating profit grew YoY due to higher sales and OPM. The rise in OPM was driven by high GPMs on sales of condominium buildings in Sales to Real Estate Companies. While the number of units put on the market in the Tokyo area declined, the company was able to supply condominium buildings in prime Tokyo locations, enabling relatively high-OPM sales. The company says that, by continuing to supply such properties, it can maintain current profit levels.



## Property Management

- ▷ Sales: JPY815mn (+52.9% YoY)
- ▷ Operating profit: JPY453mn (+66.9% YoY), OPM 55.6% (+4.7pp YoY)

Sales and profit increased steadily, underpinned by an increase in the number of building management and rental management units, as well as corporate housing demand. The month-end occupancy rate was above 99% for all months in the nine-month period through Q3 FY10/20.

## Overseas Sales

- ▷ Sales: JPY29mn (none recorded in cumulative Q3 FY10/19)
- ▷ Operating loss: JPY13mn (JPY37mn operating loss in cumulative Q3 FY10/19)

The company sells its Genovia series of one-room condos to overseas retail investors. It sold one unit in cumulative Q3 FY10/20 (no sales in cumulative Q3 FY10/19).

## Good Com Fund

- ▷ Sales: No sales recorded (none recorded in cumulative Q3 FY10/19)
- ▷ Operating loss: JPY75mn (none recorded in cumulative Q3 FY10/19)

In Q1 FY10/20, the company started selling small-lot real estate products based on the Act on Specified Joint Real Estate Ventures. No sales were recorded in the period under review.

## Progress of the corporate venture capital (CVC) and stock market listing consulting businesses

The company established Capital Support Consulting Co., Ltd. (an equity method affiliate) in February 2020 as a subsidiary engaged in corporate venture capital (CVC) and a stock market listing consulting business. Capital Support Consulting charges monthly fees for providing consulting concerning the establishment of internal management systems for companies considering public listing. The subsidiary also provides consulting services regarding various topics for listed companies, including the production of IR materials. In addition, Capital Support Consulting will consider investing in client companies through third-party allotment according to the capital policy of the client company. It will also consider M&A in cases where synergies can be created with the client company's business. As of June 2020, the company has already provided consulting services to about 10 companies and has invested in three private companies.

## Signing of a letter of intent to make Room Bank Insure Co., Ltd. a subsidiary through share acquisition

The company acquired all shares of Room Bank Insure Co., Ltd. (hereinafter Room) in September 2020. The acquisition price is undisclosed.

Room operates a dedicated rent guarantee business that provides guarantees to landlords that the renter will pay the rent due, with the rent guarantee contract being entered into at the same time as the original property rental agreement. From the perspective of the renter, the guarantee provides a credit backstop at the time the property rental agreement is signed as well as an ongoing guarantee that the rent will be paid on the renter's behalf during the period covered by the rental agreement. In addition to collecting an initial fee equivalent to one month's rent at the time the contract is signed, Room collects an ongoing annual fee of about JPY10,000 once a year for the duration of the rental agreement. According to Room's disclosures, the company had approximately 20,000 contracts, a net income of JPY34mn in FY09/19, and total assets of JPY291mn and net assets of JPY264mn as of end-FY09/19.

A 2020 revision to the Civil Code protected cosigners in lease agreements and tightened restrictions on joint and several guarantee contracts. As a result, the company expects the number of individual cosigners to decline and the use of rental



guarantor companies to increase in the future. By making Room a subsidiary, the company will be able to capture demand from rental guarantee companies, which is expected to increase in the Property Management business, and thus contribute to higher profits.

The 2020 revision to the Civil Code established an upper limit on the amount of money a cosigner can guarantee. As a result, the cosigner will be required to state the maximum amount in the property rental agreement and there will be no further obligation to guarantee.

## 1H FY10/20 results

▷ Sales:	JPY8.0bn (-6.0% YoY)
▷ Operating profit:	JPY652mn (+2.4% YoY)
▷ Recurring profit:	JPY576mn (-0.8% YoY)
▷ Net income*:	JPY388mn (-1.8% YoY)

\*Net income attributable to owners of the parent

- ▷ Concerning the market environment, the contract rate for newly constructed condominiums was shy of robust. The lending by financial institutions toward investment in investment condominiums went through some delays in loan screening in April and May 2020 due to the COVID-19 outbreak, but the delays had been cleared as of June 2020.
- The contract rate for newly constructed condominiums during the six-month period between November 2019 and April 2020 was 61.9% in the Tokyo metropolitan area, and 59.2% in the Tokyo 23 wards area, the company's core business area. This was significantly below the 70% mark that serves as a yardstick of strong performance (according to Real Estate Economic Institute Co., Ltd.). New condominium sales in the Tokyo metropolitan area were also down 23.4% YoY.
- According to the Bank of Japan's Loans and Bills Discounted by Sector, at end-March 2020, the loan balance from domestic banks, credit associations, and other financial institutions to real estate companies was JPY104.0tn (+2.9% YoY). Of that amount, JPY29.5tn (-0.7% YoY) went to real estate rental by individuals, and JPY74.4tn (+4.4% YoY) went to other real estate business activities. The loan balance to real estate rental by individuals fell YoY, but according to the company, the investment attitude of financial institutions toward the company's main customers was as eager as before. However, in April and May 2020, when the Japanese government declaration of a state of emergency was in effect, financial institutions prioritized novel coronavirus emergency loan operations, causing some delays in loan screening for the company's customers. As of June 2020, there were no delays in loan screening for the company's customers.

Novel coronavirus emergency loans: Loans based on safety net guarantees and crisis-related guarantees under the Small and Medium-sized Enterprise Credit Insurance Act. These loans are designed to assist small and medium-sized businesses that have experienced a decrease in sales as a result of a sudden disaster (i.e., natural disasters, including the impact of the COVID-19 outbreak).

- ▷ In 1H FY10/20, sales fell YoY. Although sales per unit rose, sales were held back as the number of units fell.
  - Sales per unit was JPY30.7mn (+22.8% YoY). The percentage of relatively high-priced family-type condominiums in the units sold rose. Additionally, the company's properties in excellent locations with relatively high unit prices in its inventory sold well. By segment, sales per unit rose in both Sales to Individuals and Sales to Real Estate Companies.
  - The company sold 244 units (-25.4% YoY). By quarter, the company sold 60 units (-50.8% YoY) in Q1 (November 2019–January 2020), and 184 units (-10.2% YoY) in Q2 (February–April 2020).
  - In Q1, the number of units sold fell YoY because the company had a shortage at the start of the period in newly constructed one-room condominiums.

- In Q2, the shortage of properties was resolved, and the number of properties sold increased QoQ. Compared to Q2 FY10/19, delays in loan screening at financial institutions in April 2020 pushed back some property handover to Q3 (May–July 2020).

On the profit front, sales fell but gross profit came in at JPY1.5bn (+3.1% YoY). GPM was 19.2% (+1.7pp YoY). In 1H FY10/19, the company purchased and sold properties with low GPM but short development time due to a lack of inventory at the beginning of the period. However, the company did not sell this type of properties in 1H FY10/20, which resulted in a YoY increase in GPM. Operating profit increased YoY as a result of higher gross profit, despite SG&A expenses rising to JPY884mn (+3.7% YoY). Recurring profit and net income narrowed YoY as a result of higher interest payments on increased borrowings for property procurement.

Inventories at end-1H FY10/20 were JPY13.6bn (+40.3% versus end-FY10/19), breaking down into JPY10.8bn in real estate for sale (+26.4%), JPY1.7bn in real estate for sale in process (roughly 34x the end-FY10/19 figure), and JPY1.1bn in advance payments (+0.2%). The company procured 805 units in 1H FY10/20 (versus 890 units in 1H FY10/19).

Versus 1H FY10/20 company forecast, sales achieved 92.8%, operating profit 95.6%, recurring profit 95.1%, and net income attributable to owners of the parent was 94.9% in 1H FY10/20. Due to the aforementioned delays in loan screening at financial institutions in April 2020, sales and profit lines down operating profit were all lower than 1H forecast.

Versus full-year FY10/20 company forecast, sales progressed 26.3% (36.4% of full-year result in 1H FY10/19), operating profit 27.9% (36.3%), recurring profit 36.3% (35.2%), and net income attributable to owners of the parent 26.2% (35.1%). According to the company, delays in loan screening by financial institutions have been cleared, and as of June 8, 2020, the company had sold 313 units, or the equivalent of about JPY12.5bn in sales. This brought the total number of units sold to 557 and sales to about JPY20.4bn for the November 2019–June 2020 period, and therefore the company thinks it is on track to achieve its full-year forecast of 1,003 units sold and JPY30.4bn in sales.

Results by segment were as follows. The company added Good Com Fund to its segment breakdown in Q1 FY10/20 following the launch of Good Com Fund, the real estate retail sales business.

## Sales to Individuals

- ▷ Sales: JPY3.6bn (+13.6% YoY)
- ▷ Operating profit: JPY133mn (+23.6% YoY), OPM 3.7% (+0.3pp YoY)

The number of units sold totaled 99 (+2.1% YoY) as the company sold its Genovia series of one-room and family-type condos to individual investors. The average sales per unit was JPY36.6mn (+11.4% YoY). The company hired 50 new graduates in April 2020, 41 of which were assigned as sales staff to the Sales to Individuals segment. As of 1H FY10/20, new graduates contributed to sales. Of the total units sold, 51 were condominiums for families (+70.0% YoY). Family condos are more expensive than one-room condos and have higher profits per unit. However, the profit margin is lower.

Sales per unit rose YoY on an increase in the ratio of family-type condominiums.

Selling prices and profit on condominiums for families: The company determines property sales prices depending on asking rent. According to Good Com Asset, condos for singles are roughly 25sqm and those for families are about 50sqm. Rents and selling prices are higher for family condos but the figures per sqm are low. GPM is lower for family condos as a result. The company said that many peer companies sell condos for singles directly to individual investors because sales prices are lower and selling is relatively easy. On the other hand, the company says they tend to sell family condos to specialist brokers at low margins. Good Com Asset had traditionally handled some family condos in its Sales to Individuals segment, but decided that from FY10/19, it would primarily use this segment to sell such condos, enabling it to earn higher profits than by wholesaling to specialist brokers. It said this would allow it to profit from selling condos for families (an area where rival companies struggle to make a profit) and grow its overall profit, although this would reduce segment margins.

Virtually all of the 23 Tokyo wards where the company operates have regulations and restrictions on building condos for single occupancy. For example, in Chuo, in residential buildings with 10 or more units in the regional planning area, dwellings with floor space of 40sqm or more must comprise at least one third of the total dwelling floor space.

Sales were up YoY due to higher sales per unit and an increase in the number of units sold. On the profit front, operating profit increased YoY due to higher sales and OPM. In 1H FY10/19, the company purchased and sold properties with low GPM but short development time from acquisition due to a lack of inventory at the beginning of the period. However, the company did not sell such low GPM properties in 1H FY10/20, which resulted in a YoY increase in OPM.

### Sales to Real Estate Companies

- ▷ Sales: JPY3.8bn (-23.0% YoY)
- ▷ Operating profit: JPY290mn (-25.3% YoY), OPM 7.6% (-0.2pp YoY)

The number of units sold reached 144 (-37.4% YoY) as the company sold its Genovia series of one-room condos to companies. The average sales per unit was JPY26.7mn (+23.0% YoY).

The company sold 22 units (-69.0% YoY) in Q1, and 122 units (-23.3% YoY) in Q2.

- ▷ The number of units sold in Q1 declined YoY, reflecting a shortage of properties for sales to companies at the beginning of the year.
- ▷ The number of units sold in Q2 increased QoQ as the shortage of properties was resolved, but still decreased YoY. In April 2020, the time required by financial institutions to evaluate a property for sales to real estate companies extended from the previous two to three weeks to approximately one month due to the impact of the COVID-19 outbreak.

Although sales per unit increased, overall sales fell YoY as the result of a decline in the number of units sold. Operating profit dropped YoY due to decreases in sales and operating profit margin.

### Property Management

- ▷ Sales: JPY498mn (+51.8% YoY)
- ▷ Operating profit: JPY283mn (+74.2% YoY), OPM 56.9% (+7.3pp YoY)

Sales and profit increased steadily, underpinned by an increase in the number of building management and rental management units, as well as corporate housing demand. The occupancy rate remained high at 99.9% as of end-April 2020 (-0.1pp YoY).

### Overseas Sales

- ▷ Sales: JPY29mn (none recorded in 1H FY10/19)
- ▷ Operating loss: JPY7mn (JPY29mn operating loss in 1H FY10/19)

The company sells its Genovia series of one-room condos to overseas retail investors. It sold one unit in 1H FY10/20 (no sales in 1H FY10/19).

### Good Com Fund

- ▷ Sales: No sales recorded (none recorded in 1H FY10/19)
- ▷ Operating loss: JPY56mn (none recorded in 1H FY10/19)

In Q1 FY10/20, the company started selling small-lot real estate products based on the Act on Specified Joint Real Estate Ventures. No sales were recorded in 1H.

For small-lot real estate products, the company records sales when it sells a condominium to the fund as a target of investment after the recruiting of investors is finished. In the Good Com Fund, the company divided the rights for one investment condo unit into small lots and recruited investors to invest JPY500,000 per lot for a 30-year investment period. The company's method of attracting investors is to hold seminars, and several seminars were held in 1H FY10/20 with prominent figures as speakers.

In 1H FY10/20, however, funds raised fell short of the company's expectations, and the COVID-19 outbreak made it difficult for the company to hold seminars. The company plans to review its product and fundraising methods, and will consider lowering the investment amount per lot, shortening the investment period, and holding webinars. The company's FY10/20 forecast assumes minimal profit contribution from the Good Com Fund.

### **Progress of the corporate venture capital (CVC) and stock market listing consulting businesses**

The company established Capital Support Consulting Co., Ltd. (an equity method affiliate) in February 2020 as a subsidiary engaged in corporate venture capital (CVC) and a stock market listing consulting business. Capital Support Consulting plans to charge monthly fees for providing consulting concerning the establishment of internal management systems for companies considering public listing. The subsidiary also plans to provide consulting services regarding various topics for listed companies, including the production of IR materials. In addition, Capital Support Consulting will consider investing in client companies through third-party allotment according to the capital policy of the client company. It will also consider M&A in cases where synergies can be created with the client company's business. As of June 2020, the company has already provided consulting services to about 10 companies and has invested in three private companies.

### **Signing of a letter of intent to make Room Bank Insure Co., Ltd. a subsidiary through share acquisition**

The company signed a letter of intent to acquire all shares of Room Bank Insure Co., Ltd. (hereinafter Room) in April 2020 in order to consider making it a subsidiary. The acquisition price is confidential, and the scheduled date for signing of the share acquisition agreement is September 2020.

Room operates a dedicated rent guarantee business that provides guarantees to landlords that the renter will pay the rent due, with the rent guarantee contract being entered into at the same time as the original property rental agreement. From the perspective of the renter, the guarantee provides a credit backstop at the time the property rental agreement is signed as well as an ongoing guarantee that the rent will be paid on the renter's behalf during the period covered by the rental agreement. In addition to collecting an initial fee equivalent to one month's rent at the time the contract is signed, Room collects an ongoing annual fee for the duration of the rental agreement. According to Room's disclosures, the company had approximately 20,000 contracts, a net income of JPY34mn in FY09/19, and total assets of JPY291mn and net assets of JPY264mn as of end-FY09/19.

A 2020 revision to the Civil Code protected cosigners in lease agreements and tightened restrictions on joint and several guarantee contracts. As a result, the company expects the number of individual cosigners to decline and the use of rental guarantor companies to increase in the future. By making Room a subsidiary, the company will be able to capture demand from rental guarantee companies, which is expected to increase in the Property Management business, and thus contribute to higher profits.

The 2020 revision to the Civil Code established an upper limit on the amount of money a cosigner can guarantee. As a result, the cosigner will be required to state the maximum amount in the property rental agreement and there will be no further obligation to guarantee.

## Income statement

Income statement (JPYmn)	FY10/14 Cons.	FY10/15 Cons.	FY10/16 Cons.	FY10/17 Cons.	FY10/18 Cons.	FY10/19 Cons.	FY10/20 Cons.
<b>Sales</b>	<b>5,611</b>	<b>7,824</b>	<b>7,394</b>	<b>9,834</b>	<b>16,818</b>	<b>23,377</b>	<b>26,323</b>
YoY	-	39.4%	-5.5%	33.0%	71.0%	39.0%	12.6%
Cost of sales	4,349	5,600	5,401	7,634	13,641	19,884	21,533
<b>Gross profit</b>	<b>1,262</b>	<b>2,224</b>	<b>1,993</b>	<b>2,201</b>	<b>3,177</b>	<b>3,493</b>	<b>4,790</b>
GPM	22.5%	28.4%	27.0%	22.4%	18.9%	14.9%	18.2%
SG&A expenses	922	1,276	1,064	1,293	1,499	1,737	1,961
SG&A ratio	16.4%	16.3%	14.4%	13.1%	8.9%	7.4%	7.5%
<b>Operating profit</b>	<b>341</b>	<b>949</b>	<b>929</b>	<b>908</b>	<b>1,678</b>	<b>1,756</b>	<b>2,829</b>
YoY	-	178.6%	-2.1%	-2.3%	84.9%	4.6%	61.2%
OPM	6.1%	12.1%	12.6%	9.2%	10.0%	7.5%	10.7%
Non-operating income	3	4	5	30	8	32	36
Non-operating expenses	35	37	66	117	119	137	221
<b>Recurring profit</b>	<b>308</b>	<b>916</b>	<b>869</b>	<b>820</b>	<b>1,567</b>	<b>1,650</b>	<b>2,644</b>
YoY	-	197.1%	-5.2%	-5.6%	91.0%	5.3%	60.2%
RPM	5.5%	11.7%	11.7%	8.3%	9.3%	7.1%	10.0%
Extraordinary gains	-	-	-	79	-	-	-
Extraordinary losses	0	-	-	3	-	-	-
Tax charges	123	353	305	276	496	523	818
Implied tax rate	40.1%	38.5%	35.1%	30.8%	31.6%	31.7%	30.9%
Minority interests	-	-	-	-	-	-	-
<b>Net income</b>	<b>185</b>	<b>563</b>	<b>564</b>	<b>620</b>	<b>1,071</b>	<b>1,127</b>	<b>1,826</b>
YoY	-	205.0%	0.1%	10.0%	72.8%	5.2%	62.0%
Net margin	3.3%	7.2%	7.6%	6.3%	6.4%	4.8%	6.9%

Source: Shared Research based on company data  
Note: Figures may differ from company materials due to differences in rounding methods.

### Units sold, sales per unit sold, and cost of sales per unit sold

(JPYmn)	FY10/14	FY10/15	FY10/16	FY10/17	FY10/18	FY10/19	FY10/20
Units sold	249	279	251	324	626	850	750
YoY	-	12.0%	-10.0%	29.1%	93.2%	35.8%	-11.8%
Sales per unit	22.5	28.0	29.5	30.4	26.9	27.5	35.1
YoY	-	24.4%	5.0%	3.0%	-11.5%	2.4%	27.6%
Cost per unit	17.5	20.1	21.5	23.6	21.8	23.4	28.7
YoY	-	14.9%	7.2%	9.5%	-7.5%	7.4%	22.7%

Source: Shared Research based on company data  
Note: Figures may differ from company materials due to differences in rounding methods.

Good Com Asset has disclosed its income statement since FY10/14.

## Sales

The company's sales and profits have expanded on increases in the number of condominium units sold. From FY10/14 to FY10/20, condo unit sales have expanded at a CAGR of 20.2%, generating a CAGR of 29.4% for sales.

Cost of sales per unit has also risen, driven by higher land prices and building construction costs. Sales per unit sold was higher than in FY10/14, despite a drop in the share of sales to individuals, which have higher sales per unit, and a rise in the share of sales to real estate companies, which have lower sales per unit.

## Gross profit, SG&A expenses, operating profit

### Cost of sales

The company's cost of sales is equivalent to the cost to procure condos, which includes costs associated with purchasing land, outsourcing construction, and acquiring the real estate itself. In the case of development projects, cost of sales is limited to the cost of land purchases and outsourced construction. In single-owner projects, cost of sales is equivalent to the cost of real estate purchases.

## Cost of sales breakdown

Cost of sales breakdown (JPYmn)	FY10/14 Parent	FY10/15 Parent	FY10/16 Parent	FY10/17 Parent	FY10/18 Parent	FY10/19 Parent
<b>Cost of sales</b>	<b>4,294</b>	<b>5,514</b>	<b>5,302</b>	<b>7,466</b>	<b>13,478</b>	<b>19,684</b>
YoY	-	28.4%	-3.8%	40.8%	80.5%	46.0%
Cost ratio	77.8%	71.8%	73.5%	77.9%	81.5%	85.4%
Purchase of land	404	525	985	559	633	4
Outsourced construction work	578	536	1,174	801	1,026	50
Interest expenses	21	24	30	25	31	0
Miscellaneous expenses	136	103	114	168	169	125
Purchase of real estate	3,154	4,326	2,999	5,856	11,609	19,494
Rents	0	0	0	56	11	10
Consolidated cost of sales (for reference)	4,349	5,600	5,401	7,634	13,641	19,884
Consolidated-Parent ratio (for reference)	1.0	1.0	1.0	1.0	1.0	1.0

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

## Gross profit

The company's GPM rose in FY10/15 and FY10/16 but has fallen back since FY10/17.

- ▷ The FY10/15 rise was due to growth of overseas sales, which have higher profit margins. In FY10/16, GPM was boosted by higher profit margins on sales to individual investors in Japan.
- ▷ In FY10/17, however, a decline in profit margins on sales to real estate companies brought down GPM.
- ▷ GPM was further reduced in FY10/18 as these less profitable sales to real estate companies accounted for a larger share of total sales.
- ▷ The increase in the share of sales to real estate companies continued in FY10/19. In addition, due to a lack of inventory at the start of the year, the company procured and sold properties which can be completed in a short timeframe but have relatively low GPMs. This also lowered GPMs.
- ▷ In FY10/20, the share of sales to real estate companies continued to increase, but GPM climbed as this included sales of entire buildings to real estate management companies, which generate relatively high GPM. According to Good Com Asset, real estate management companies purchase condos to own and manage themselves. The company sells to them at retail rather than wholesale prices, so sales per unit are higher than typical sales, as is the profit margin.

Gross profit increased sharply in FY10/15 on growth in sales and improving profit margins, but it fell back in FY10/16 on lower sales and lower margins. Although profit margins fluctuated starting in FY10/17, sales growth resulted in ongoing profit growth.

## SG&A expenses

The main components of the company's SG&A expenses are fixed costs, such as salaries (29.6% of SG&A expenses in FY10/19) and directors' compensation (8.6%). SG&A expenses have risen from JPY922mn in FY10/14 to JPY1.7bn in FY10/19, but stronger growth in sales has pushed down the SG&A expense ratio from 16.3% to 7.4%.

The increase in SG&A expenses reflects higher personnel expenses as the number of employees has grown and the average salary has risen.

Although having little impact on its earnings, the provision for vacancy compensation has stayed low since FY10/16. Higher occupancy rates have enabled the company to reduce provision. Promotion expenses primarily comprised costs related to seminars in the Overseas Sales segment and have been excluded from expense items since FY10/17, when the company halted sales to overseas investors.

## SG&A expenses breakdown

SG&A Breakdown (JPYmn)	FY10/14	FY10/15	FY10/16	FY10/17	FY10/18	FY10/19
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
SG&A expenses	922	1,276	1,064	1,293	1,499	1,737
YoY	-	38.4%	-16.6%	21.5%	15.9%	15.9%
SG&A ratio	16.4%	16.3%	14.4%	13.1%	8.9%	7.4%
Directors' compensations	94	109	110	122	148	149
Salaries and allowances	257	314	361	418	445	514
Sales promotions	211	367	97	-	-	-
Dues and taxes	-	-	62	133	132	178
Provision for bonuses	8	15	14	14	15	16
Provision for vacancy compensation	45	54	3	2	8	21
Other	306	414	416	603	751	861

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

## Operating profit

Reflecting factors presented above, from FY10/14 to FY10/20 operating profit grew at a CAGR of 42.3%.

## Non-operating income and expenses, extraordinary gains and losses

### Non-operating income and expenses

The company's non-operating income is minimal and has little impact on earnings. The main non-operating expense is interest expenses, which have increased as the company has taken on more interest-bearing debt to finance its growth.

### Interest expenses

Interest expenses (JPYmn)	FY10/14	FY10/15	FY10/16	FY10/17	FY10/18	FY10/19	FY10/20
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Interest expenses	13	25	51	75	90	107	159
Interest-bearing debt	2,659	3,957	3,127	8,868	4,997	7,310	16,067
Interest rate	-	0.7%	1.4%	1.3%	1.3%	1.7%	1.4%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

## Extraordinary gains and losses

The company's extraordinary gains or losses have little impact on its earnings. However, in FY10/17, it posted a reversal of provisions for directors' retirement benefits of JPY76mn.

## Balance sheet

Balance sheet (JPYmn)	FY10/14 Cons.	FY10/15 Cons.	FY10/16 Cons.	FY10/17 Cons.	FY10/18 Cons.	FY10/19 Cons.	FY10/20 Cons.
<b>ASSETS</b>							
Cash and deposits	1,160	1,611	1,443	2,539	5,834	4,980	6,598
Inventories	2,865	4,060	3,673	9,421	5,645	8,577	17,296
Real estate for sale	942	2,033	2,039	8,628	5,620	8,528	15,553
Real estate for sale in progress	1,923	2,026	1,633	793	25	49	1,743
Advances paid	258	324	528	227	730	1,106	807
Deferred tax assets	32	54	40	26	54	-	-
Other	34	54	51	325	76	237	235
<b>Total current assets</b>	<b>4,349</b>	<b>6,102</b>	<b>5,735</b>	<b>12,539</b>	<b>12,339</b>	<b>14,900</b>	<b>24,937</b>
Buildings and structures (net)	9	8	7	5	5	38	38
Other (net)	1	1	5	4	2	5	15
<b>Total tangible fixed assets</b>	<b>18</b>	<b>14</b>	<b>13</b>	<b>9</b>	<b>7</b>	<b>43</b>	<b>53</b>
Investment securities	9	8	7	10	13	15	14
Long-term loans receivable from employees	2	1	1	1	1	-	-
Deferred tax assets	27	24	24	1	2	81	157
Other	81	98	81	52	72	150	176
<b>Investments and other assets</b>	<b>118</b>	<b>131</b>	<b>113</b>	<b>64</b>	<b>87</b>	<b>247</b>	<b>346</b>
<b>Total intangible assets</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>580</b>
<b>Total fixed assets</b>	<b>137</b>	<b>144</b>	<b>128</b>	<b>75</b>	<b>96</b>	<b>292</b>	<b>979</b>
<b>Total assets</b>	<b>4,486</b>	<b>6,246</b>	<b>5,863</b>	<b>12,614</b>	<b>12,435</b>	<b>15,192</b>	<b>25,916</b>
<b>LIABILITIES</b>							
Accounts payable	383	344	385	117	42	78	111
Short-term interest-bearing debt	529	1,826	1,737	6,418	3,763	5,366	11,538
Short-term debt	111	1,458	746	386	292	1,488	3,490
Current portion of long-term debt	408	359	982	6,022	3,461	3,878	8,005
Current portion of bonds	10	10	10	10	10	-	42
Income taxes payable	113	306	176	115	435	391	740
Consumption taxes payable	-	-	-	4	292	-	-
Advances received	297	47	22	20	24	-	-
Provision for bonuses	11	16	16	16	17	17	18
Provision for vacancy compensation	45	63	46	28	21	26	35
Other	178	150	182	188	233	306	484
<b>Total current liabilities</b>	<b>1,555</b>	<b>2,753</b>	<b>2,564</b>	<b>6,905</b>	<b>4,827</b>	<b>6,183</b>	<b>12,926</b>
Long-term interest-bearing debt	2,130	2,130	1,389	2,450	1,234	1,944	4,529
Corporate bonds	40	30	20	10	-	-	237
Long-term borrowings	2,090	2,100	1,369	2,440	1,234	1,944	4,292
Provision for directors' retirement benefits	68	71	73	-	-	-	-
Other	20	19	21	17	17	47	63
<b>Total fixed liabilities</b>	<b>2,218</b>	<b>2,220</b>	<b>1,484</b>	<b>2,467</b>	<b>1,251</b>	<b>1,991</b>	<b>4,592</b>
<b>Total liabilities</b>	<b>3,773</b>	<b>4,973</b>	<b>4,048</b>	<b>9,372</b>	<b>6,078</b>	<b>8,174</b>	<b>17,518</b>
<b>NET ASSETS</b>							
Capital stock	92	92	92	504	1,588	1,590	1,594
Capital surplus	-	-	-	413	1,497	1,498	1,502
Retained earnings	618	1,181	1,724	2,323	3,273	4,146	5,634
Treasury stock	-	-	-	-0	-0	-215	-330
Accum. other comprehensive income	3	0	-1	1	-1	-1	-3
<b>Total net assets</b>	<b>712</b>	<b>1,273</b>	<b>1,815</b>	<b>3,241</b>	<b>6,357</b>	<b>7,018</b>	<b>8,398</b>
Working capital	559	1,689	1,654	8,511	5,578	8,450	15,442
Total interest-bearing debt	2,659	3,957	3,127	8,868	4,997	7,310	16,067
Net debt	1,498	2,346	1,683	6,329	-837	2,330	9,469

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

## Assets

Most of the company's assets are current assets, the main components of which are cash and deposits, real estate for sale, real estate for sale in process, and advance payments.



## Real estate for sale and real estate for sale in process

Real estate for sale on the company's balance sheet is equivalent to its inventory of investment condominiums. Real estate for sale in process comprises land values and a portion of construction expenses for condos under development projects. The company's inventory turnover rate since FY10/15 was in the 1.2–1.8x range, with the exception of FY10/19, when it rose to 2.8x. Due to a lack of inventory at the start of the year, in FY10/19 the company procured and sold properties that can be completed in a short timeframe but have relatively low GPMs, which grew to account for a larger share of sales.

### Inventory turnover ratio

(JPYmn)	FY10/14 Act.	FY10/15 Act.	FY10/16 Act.	FY10/17 Act.	FY10/18 Act.	FY10/19 Act.	FY10/20 Act.
Inventories	2,865	4,060	3,673	9,421	5,645	8,577	17,296
Real estate for sale	942	2,033	2,039	8,628	5,620	8,528	15,553
Real estate for sale in progress	1,923	2,026	1,633	793	25	49	1,743
Inventory turnover	-	1.6	1.4	1.2	1.8	2.8	1.7

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

## Advance payments

Good Com Asset mainly uses a single-owner project scheme to procure properties. The upfront payments the company makes to construction companies at the start of single-owner projects are booked as advance payments.

In development projects, Good Com Asset finances land acquisition using either its equity capital or borrowings. Building construction is started after finalizing the design, completing geological surveys, receiving building certification, and selecting the building contractor. Those steps usually take about 12 months. The company pays for the land at the time of acquisition (usually about 40% of the total project cost) and a deposit of 10% of the projected construction expense when construction begins. It also makes an interim payment of about 10% of construction costs. When construction is finished, usually about 17 months later, and it takes control of the building, Good Com Asset pays the remaining balance to the construction company. In single-owner projects, Good Com Asset signs a contract to procure the land and then affiliated building contractors actually purchase the land. After completing the building certification process, (land purchase, basic design, geological surveys, and building certification), Good Com Asset pays the building contractor a deposit fee of about 5% of the total cost of the land and projected construction expenses. As in a development project, actual construction then takes about 17 months, and Good Com Asset pays the remaining balance of the land and construction costs to the building contractor upon handover of the building.

## Liabilities

The bulk of Good Com Assets liabilities are interest-bearing debt, including short-term and long-term loans. The company finances its procurement of new condominiums for sale using its own funds and interest-bearing debt. As a result, interest-bearing debt tends to increase as the company expands its business.

In FY10/18, cash and deposits increased along with a rise in condo sales and a public stock offering. The increase in condo units sold also contributed to repayments of interest-bearing debt, enabling the company to reduce net debt to minus JPY837mn. Since FY10/19, the company has been using interest-bearing debt to strengthen its purchasing, and net debt has been in an uptrend, reaching JPY9.5bn in FY10/20.

## Net assets

Total net assets have been expanding steadily, supported by the accumulation of retained earnings and financing. The company raised JPY826mn in October 2017 and JPY2.2bn in October 2018 through public offerings of new shares.

As noted above, the company's interest-bearing debt tends to increase along with growth in earnings. Due to this trend, its equity capital ratio lingered below 30% from FY10/14 to FY10/17. However, in FY10/18, debt repayments using cash flows from increased sales of condominiums and the increase in equity capital achieved through the public offering have pushed Good Com Asset's equity ratio up to 51.1%. Subsequently, borrowings have increased, and in FY10/20 the shareholders' equity ratio fell to 32.4%.

## Cash flow statement

Cash flow statement (JPY mn)	FY10/14	FY10/15	FY10/16	FY10/17	FY10/18	FY10/19	FY10/20
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Cash flows from operating activities (1)	-747	-822	680	-5,502	5,166	-2,643	-6,112
Pre-tax profit	308	916	869	897	1,567	1,650	2,644
Decrease (increase) in inventories	-1,678	-1,196	378	-5,770	3,744	-2,997	-8,825
Income taxes paid	-74	-179	-420	-321	-246	-639	-533
Cash flows from investing activities (2)	-11	-34	-16	81	-26	-57	-582
Purchase of tangible fixed assets	-	-6	-6	-0	-	-40	-5
Proceeds from sale of tangible fixed assets	0	-	-	4	-	-	-
Free cash flow (1+2)	-758	-856	664	-5,421	5,140	-2,699	-6,694
Cash flows from financing activities	1,523	1,296	-851	6,546	-1,844	1,845	8,313
Net decrease (increase) in short-term borrow	-113	1,347	-712	-360	-94	1,196	2,002
Proceeds from long-term borrowings	1,937	996	2,542	10,201	5,971	9,877	13,162
Repayments of long-term borrowings	-348	-1,035	-2,650	-4,090	-9,738	-8,750	-6,686
Proceeds from share issuance	-	-	-	826	2,148	2	8
Cash dividends paid	-	-	-21	-21	-121	-255	-338
Depreciation and amortization (A)	5	5	6	21	33	57	96
Capital expenditures (B)	-	-6	-7	-1	-	-40	-34
Increase (decrease) in working capital (C)	559	1,130	-35	6,857	-2,934	2,872	6,992
Simple FCF (NI + A + B - C)	-370	-568	597	-6,217	4,038	-1,728	-5,103
EBITDA (OP + depreciation and amortization)	345	954	935	928	1,711	1,812	2,926

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

### Cash flows from operating activities

Good Com Asset's cash flows from operating activities are largely affected by its net income before taxes and changes in its inventories. Financial-year-end inventories of condominiums for sale have a particularly strong impact on cash flows from operating activities. In FY10/17, FY10/19, and FY10/20, operating cash outflows were negative due to an increase in year-end inventories.

### Cash flows from investing activities

The company's purchases and sales of fixed assets are limited. Accordingly, cash flows from investing activities are minimal.

### Cash flows from financing activities

Cash flows from financing activities are affected most by changes in the company's interest-bearing debt and capital raised from the issuance of shares. Changes in its interest-bearing debt are linked to changes in inventories—when the latter declines so does the former—and cash outflows related to debt repayment tend to decrease cash flows from financing activities.

---

## Other information

---

### Investment condos

---

#### Merits of investment condos

Purchasing investment condominiums offers several additional advantages outside of investment: investment condominiums are a potential substitute for life insurance, a source of income similar to a private pension, and a measure for reducing inheritance tax.

#### Life insurance substitute

If a real estate investment loan is used to fund a condo investment, buying a group credit life insurance policy is required in most cases. If the borrower dies before the loan has been fully repaid, this policy will pay off the remaining balance. A surviving family member will inherit the condo without the burden of repaying the loan and will receive rent income as a substitute for a survivor pension.

#### Private pension—like a source of income

A condo investment can be expected to generate rental income for many years. When the loan is paid off and the investor retires, the rental income essentially becomes a private pension, which can supplement the insufficient income from public pensions.

#### Inheritance tax measure

A revision to Japan's inheritance tax law lowered the maximum amount of assets that can be inherited tax free from January 2015. Before the revision was implemented, the maximum inheritance tax exemption in the case of three surviving heirs (spouse and two children) was JPY80mn (basic inheritance tax exemption of JPY50mn + JPY10mn for each of the three legal heirs). The revision, however, lowered the basic exemption to JPY30mn plus JPY6mn for each legal heir, meaning the maximum exemption for the example family with three heirs was lowered to JPY48mn.

While 100% of inherited cash and other financial assets is taxable, the taxable amount for inherited real estate is only one-third of the property's market value, making investment condominiums a useful means of lowering inheritance tax payment.

#### Usage other than investment

A condominium is an investment in a real asset that can also be used as a residence for a family member, such as one of the buyer's children. After retirement, it can also be used by the owner for purposes other than generating rent, such as a spare room where the owner can pursue interests, such as hobbies or sideline businesses.

### Risks associated with investment condos

Investment condos also expose the investor to the several risks, including vacancies, drops in rent, declining market value, interest-rate fluctuations, and damage from disasters.

#### Vacancy risk

When an investment condo is not rented, it does not generate rental income for the owner, who is still subject to loan repayments and other bills associated with the unit. The owner may therefore have to revise budget and repayment plans. Sublease and vacancy compensation systems can be used to reduce these vacancy risks.

In a sublease system, a sublease company rents the condo from the owner for 80–90% of the market rent and the sublease company sublets it to a tenant. This scheme enables the owner to receive rental income even when the unit is vacant. Under a vacancy compensation contract, the owner receives 70–90% of market rent when the unit is vacant in return for a monthly vacancy compensation fee (3–5% of the rent) paid to the guaranty company.

The income received from a rented condo is not limited to rent but also includes security deposits and key money paid by tenants when moving in and when renewing a lease. Under a sublease contract, the owner forfeits these additional payments,

which go to the sublease company. A vacancy compensation, however, will continue to provide the owner with these sources of income, as well as rental income. In addition, under a sublease contract, the condo owner receives only 80–90% of the rent even when the unit is occupied, while a rent guarantee or vacancy compensation contract assures that the owner receives 90% of the rental income receivable if there was no vacancy.

### Rent decline risk: rents tend to decline on average 1% for each year of a building's age

Another risk factor is the impact on rent from a building's age. According to calculations by Sumitomo Mitsui Trust Research Institute using data from At Home, a real estate information services company, the typical rent reduction related to a building's age tends to be about 1% for each year following the building's construction. The competitiveness of older buildings is greatly affected by the supply of new buildings in the area, exposing owners of units in older buildings to considerable rent reduction risk when tenants change.

### Declining market value risk

An owner of an investment condominium may have to consider selling the condo if faced with difficulty repaying the loan or other predicaments. In such cases, there is a risk that the selling price could be lower than the purchase price.

According to Sumitomo Mitsui Trust Realty, the resale price of pre-owned condominiums per sqm declines steadily over the first 20 years following the building's construction.

Average resale price of pre-owned condos (JPY10,000/sqm)

Years since building's construction	1yr	5yrs	10yrs	15yrs	20yr	30yrs	40yrs
Tokyo condo price per square meter	79.1	70.2	61.6	52.9	45.3	44.6	43.0
Decline from price after 1yr	-	-11.2%	-22.0%	-33.1%	-42.7%	-43.5%	-45.6%

Source: Shared Research based on data from Sumitomo Mitsui Trust Realty

### Interest-rate fluctuation risk

Purchases of investment condos are often financed by a real estate investment loan. If the borrower selects a variable-rate loan, future interest-rate fluctuations will be a risk factor.

## Origin of the company name

The root of Good Com Asset's company name, i.e. "Good Company Asset," reflects the company's desire and aim to be an excellent company (in the real estate field) that positively contributes to society through its business and charitable activities. "Company" has been shortened to "Com" to serve as a constant reminder that the company is still an incomplete and imperfect entity that must continue to strive for perfection.

## History

Good Com Asset was established in 2005 by its current president, Yoshikazu Nagashima, and its current director, Maoki Higashi, when the investment condo sales company they worked for discontinued operations. Using one condominium unit as their office, the two partners began acquiring and selling condo units one by one, using the proceeds from the sales to acquire the next condo unit in a shoestring operation. However, they succeeded in expanding their business and in FY10/08, posted sales of JPY1.8bn, up from JPY332mn in their first year, FY10/06.

When the global financial crisis struck in September 2008, slowing down the economy, a certain building contractor found itself strapped for cash and unable to find buyers for a recently finished condominium building. It offered the building to Good Com Asset at a low price, but at that time, the company did not have the financial ability to purchase an entire building. However, it came up with the idea of paying up-front expenses of JPY10-20mn to the building contractor and contracted to sell the building's units over a 3–6-month period. It succeeded in selling all of the units in that period and soon began using the same up-front expenses payment method to market the units inside of such projects over a certain period of time. The good relationships built with building contractors at that time have enabled Good Com Asset to continue using this method of procuring properties

under its single-owner project scheme to this day. The company's sales have also expanded steadily even since FY10/09, and in FY10/10, it posted sales of JPY3.7bn.

The single-owner projects require less funding for startup costs than the company's development project model, and the cost recovery period is shorter. However, the profit margin is low. Meanwhile, the single-owner scheme has some disadvantages for the building contractor, as the cost recovery period is longer than for a typical development project (for details, see the Business description section).

The company's sales continued to grow, reaching JPY5.6bn in FY10/14. In response to the yen's relative weakness in the forex market, in FY10/14, Good Com Asset began marketing its investment condos in Japan to individual investors in Taiwan. Sales to overseas investors became the company's major growth driver in FY10/15, and the company's overall sales expanded to JPY7.8bn in that year. In FY10/16, the company halted sales to overseas investors due to yen appreciation and its overall sales fell YoY to JPY7.4bn. The company increased capital twice in FY10/17 and FY10/18 to strengthen its property procurement and sold more properties in Japan, putting its sales back on the growth track.

Month/Year	Event
November 2005	Good Com Asset LLC established with equity capital of JPY3mn
January 2006	Obtained Residential Building Transaction Business License
January 2008	Launched sales of own brand Genovia series condominiums
March 2008	Made Good Com Co., Ltd, a wholly owned subsidiary engaged in rental real estate management business (Licensed under the Real Estate Brokerage Act, registered as condominium management company)
July 2011	Adopted exterior green wall concept (green veil brand)
March 2015	Adopted green roof concept (skygarden brand)
March 2015	Established Taiwan Good Com, Ltd., wholly owned subsidiary in Taipei, Taiwan
December 2016	Listed on TSE JASDAQ (Standard) exchange
May 2017	Established Shanghai Good Com Investment Consulting Co., Ltd., wholly owned subsidiary in Shanghai, China
June 2017	Market listing changed to TSE Second Section
April 2018	Designated as a TSE First Section stock
March 2019	Adopted rooftop dog parks (skyrun brand)
May 2019	Joined Keidanren (Japan Business Federation)
July 2019	Obtained authorization under Act on Specified Joint Real Estate Ventures to establish a business selling small-lot real estate investments
November 2019	Joined the Association for Real Estate Securitization
February 2020	Established subsidiary Capital Support Consulting, which mainly handles IPO consulting
September 2020	Acquires subsidiary Room Bank Insure Co., Ltd., a rent guarantee provider

## News and topics

### February 2021

On February 22, 2021, the company announced the sale of real estate held for sale.

The company decided to sell 16 properties (total of 724 units) as of the same day. While details of the transaction remain undisclosed, the sales price is equivalent to about 80% of the company's sales in FY10/20 (JPY26.3bn). Good Com Asset plans to book proceeds from the sale of these properties in FY10/21. If it becomes necessary to revise its earnings forecast for FY10/21, the company said it would make a timely and appropriate disclosure.

## October 2020

On October 30, 2020, the company announced the formation of Good Com Fund No. 1 and initiatives toward the digital transformation of its real estate business.

### Formation of Good Com Fund No. 1

On the same day, the company formed Good Com Fund No. 1. The company says it will begin solicitation of the next fund on its website as soon as it has made the necessary preparations.

### Digital transformation of the real estate business

The company says it will work to digitally transform its real estate business with the aim of responding to the COVID-19 pandemic, streamlining operations, managing customers and potential customers, and improving marketing.

The company is digitizing all of the business processes of its Good Com Fund real estate crowdfunding business, which has completed formation of its first fund (Good Com Fund No. 1). As a result, it will be possible to register as a member and submit an application 24 hours a day, even in remote areas, with contracts and other documents issued electronically. Members will also be able to view the investment balance on the company's website while the fund is in operation.

Digital transformation (DX) refers to the "digitization of business" promoted by the Ministry of Economy, Trade and Industry. It is defined as "transforming products, services, and business models based on the needs of customers and society to respond to drastic changes in the business environment while transforming business tasks, organization, processes, and corporate culture to establish a competitive edge."

## September 2020

On September 29, 2020, the company announced a stock split, a revision to its dividend forecast, and the discontinuation of its shareholder incentive plan.

### Stock split

#### Method of stock split

With October 31, 2020 as the record date (effectively October 30, 2020), the company will carry out a 2-for-1 split of its common shares. The effective date is November 1, 2020.

#### Increase in the number of shares due to the stock split

- ▷ Total number of shares issued before the stock split: 7,591,800
- ▷ Increase in the number of shares due to the stock split: 7,591,800
- ▷ Total number of shares issued after the stock split: 15,183,600

### Revision of dividend forecast

As disclosed in its Q3 FY10/20 results, the company expects to generate profits substantially above its initial forecast. After considering its internal reserve requirements, the company decided to raise its year-end dividend forecast by JPY7 to JPY68.

### Discontinuation of shareholder incentive plan

To improve fairness of shareholder returns, the company decided to discontinue its shareholder incentive plan and enhance direct returns through dividend payments.

On September 23, 2020, the company announced the suspension of share buybacks.

At a Board of Directors meeting held on the same day, the company resolved to suspend share buybacks. While promoting shareholder returns through dividends, the company thought it necessary to have internal reserves to fund procurement of real estate for sale accompanying its business expansion.

## July 2020

On July 9, 2020, the company announced impact on its consolidated earnings caused by external environmental changes, as well as its future outlook.

On December 10, 2019, the company released its full-year FY10/20 forecast, which projected JPY30.4bn in sales, JPY2.3bn in operating profit, JPY2.2bn in recurring profit, and net income of JPY1.5bn. No changes had been made to the forecast as of July 2020.

Public employees, the company's primary customers, continue to display a strong willingness to make purchases (public employees can receive credit from financial institutions relatively easily as well). Therefore, sales conditions have remained solid both before and during the COVID-19 pandemic. As of end-June 2020, the company had cumulatively sold 437 condominium units and projects that it will sell at least 120 in July. This would indicate that the company is on pace to exceed its forecast of 557 cumulative unit sales by end-Q3, a projection it disclosed when it announced financial results for 1H.

## Major shareholders

Top shareholders	Shares held ('000)	Shareholding ratio
Yoshikazu Nagashima	4,774	33.0%
Hiroko Nagashima	1,696	11.7%
Rakuten Securities, Inc.	443	3.1%
JPMBL RE NOMURA INTERNATIONAL PLC1 COLL EQUITY	348	2.4%
The Master Trust Bank of Japan, Ltd. (Trust account)	338	2.3%
SBI Securities Co., Ltd.	257	1.8%
Custody Bank of Japan, Ltd. (Trust account)	253	1.8%
MSIP CLIENT SECURITIES	241	1.7%
Japan Securities Finance Co., Ltd.	173	1.2%
Custody Bank of Japan, Ltd. (Trust account 5)	139	1.0%
<b>SUM</b>	<b>3,665</b>	<b>59.9%</b>

Source: Shared Research based on company data  
(As of end-April 2021)

## Shareholder returns

Rather than paying a regular dividend, the company's basic policy is to decide on an appropriate dividend distribution each year, based on a comprehensive evaluation of its business performance and financial capacity. It plans to use internal reserves as a longer-term source of funds for strengthening its management foundation and expanding its business. In consideration of the importance of returning profits to shareholders, the company plans to adhere to its basic policy of a 30% payout ratio and enhance its distribution of profits to shareholders as earnings increase.

### Annual dividend

	FY10/14 Act.	FY10/15 Act.	FY10/16 Act.	FY10/17 Act.	FY10/18 Act.	FY10/19 Act.	FY10/20 Act.	FY10/21 Est.
Dividend per share (JPY)	-	10.0	10.0	10.0	17.5	23.5	34.0	41.0
Total dividends	-	20	20	121	254	338	338	-
Dividend payout ratio	-	3.7%	3.7%	18.8%	21.9%	29.9%	27.3%	30.8%

Source: Shared Research based on company data

Note: The company carried out a 2-for-1 stock split in October 2020. Dividend per share data is based on the number of shares after the stock split.



## Corporate governance and top management

### Overview of corporate governance

#### Corporate governance status

Form of organization and capital structure	
Form of organization	Company with Audit & Supervisory Board
Controlling shareholder and parent company	None
Directors and Audit & Supervisory Board members	
Number of directors under Articles of Incorporation	8
Number of directors	5
Directors' terms under Articles of Incorporation (years)	2
Chairman of the Board of Directors	President
Number of outside directors	2
Number of independent outside directors	2
Number of members of Audit & Supervisor Board under Articles of Incorporation	5
Number of members of Audit & Supervisor Board	4
Number of outside members of Audit & Supervisory Board	4
Number of independent outside members of Audit & Supervisory Board	4
Other	
Participation in electronic voting platform	None
Providing convocation notice in English	Yes
Implementation of measures regarding director incentives	Stock option
Eligible for stock option	Inside directors and members of Audit & Supervisory Board, employees; directors and employees at subsidiaries
Disclosure of individual director's compensation	None
Policy on determining amount of compensation and calculation methodology	In place
Corporate takeover defenses	None

### Top management

Representative director and CEO: Yoshikazu Nagashima

Number of shares owned: 2,386,700

August 1993	Joined Toshin World Co., Ltd. (currently Toshin Partners Co., Ltd.)
July 2004	Appointed director and head of sales at Toshin World
December 2004	Joined Approad Co., Ltd. as head of sales
November 2005	Joined Good Com Asset Co., Ltd. as head of sales
May 2006	President and representative director of Good Com Co., Ltd. (current position)
July 2008	President and representative director of Good Com Asset Co., Ltd. (current position)
March 2015	Chairman, Taiwan Good Com, Ltd. (current position)
May 2017	Chairman, Shanghai Good Com Investment Consulting Co., Ltd. (current position)
February 2020	President and representative director of Capital Support Consulting Co., Ltd. (current position)
September 2020	Director of Room Bank Insure Co., Ltd. (current position)

## Profile

<b>Company Name</b>	<b>Head Office</b>
Good Com Asset Co., Ltd.	Sumitomo Fudosan Nishi-Shinjuku 17F, Nishi-Shinjuku 7-20-1, Shinjuku-ku Tokyo
<b>Phone</b>	<b>Exchange Listing</b>
81-3-5338-0170	The First Section of the Tokyo Stock Exchange
<b>Established</b>	<b>Listed On</b>
November 28, 2005	December 8, 2016
<b>Website</b>	<b>Fiscal Year-End</b>
<a href="https://www.goodcomasset.co.jp/en/">https://www.goodcomasset.co.jp/en/</a>	October 31
<b>IR Contact</b>	<b>IR Web</b>
-	<a href="http://ace-consul.co.jp/irshowbox/good-com-asset/">http://ace-consul.co.jp/irshowbox/good-com-asset/</a>

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <https://sharedresearch.jp>.

## Current Client Coverage of Shared Research Inc.

Advance Create Co., Ltd.	Doshisha Corporation	KFC Holdings Japan, Ltd.	Raysum Co., Ltd.
ADJUVANT COSME JAPAN CO., LTD.	Dream Incubator Inc.	KI-Star Real Estate Co., Ltd.	RESORTTRUST, INC.
Aeon Delight Co., Ltd.	Earth Corporation	KLab Inc.	ROUND ONE Corporation
Aeon Fantasy Co., Ltd.	Edion Corporation	Kodotec Inc.	RYOHIN KEIKAKU CO., LTD.
Ai Holdings Corporation	Elecom Co., Ltd.	Kumiai Chemical Industry Co., Ltd.	SanBio Company Limited
AI inside Inc.	en Japan Inc.	Lasertec Corporation	SANIX INCORPORATED
AirTrip Corp.	Estore Corporation.	Locondo, Inc.	Sanrio Company, Ltd.
ALINCO INCORPORATED and factory, inc.	euglena Co., Ltd.	LUCKLAND CO., LTD.	SATO HOLDINGS CORPORATION
ANEST IWATA Corporation	FaithNetwork Co., Ltd.	Marumae Co., Ltd.	SBS Holdings, Inc.
AnGes Inc.	Ferrotec Holdings Corporation	MATSUJI SECURITIES CO., LTD.	Seikagaku Corporation
Anicom Holdings, Inc.	FIELDS CORPORATION	Media Do Co., Ltd.	Seria Co.,Ltd.
Anritsu Corporation	Financial Products Group Co., Ltd.	Medical System Network Co., Ltd.	Serverworks Co.,Ltd.
Apaman Co., Ltd.	First Brothers Co., Ltd.	MEDINET Co., Ltd.	SHIFT Inc.
ARATA CORPORATION	FreeBit Co., Ltd.	MedPeer, Inc.	Shikigaku Co., Ltd.
Artspark Holdings Inc.	Gamecard-Joyco Holdings, Inc.	Mercuria Holdings Co., Ltd.	SHIP HEALTHCARE HOLDINGS, INC.
AS ONE CORPORATION	GameWith, Inc.	Metaps Inc.	SIGMAXYZ Inc.
Ateam Inc.	GCA Corporation	Micronics Japan Co., Ltd.	SMS Co., Ltd.
Aucfan Co., Ltd.	Good Com Asset Co., Ltd.	MIRAIT Holdings Corporation	Snow Peak, Inc.
AVANT CORPORATION	Grandy House Corporation	Monex Goup Inc.	Solasia Pharma K.K.
Axell Corporation	GIG Works Inc.	MORINAGA MILK INDUSTRY CO., LTD.	SOURCENEXT Corporation
Azbil Corporation	Hakuto Co., Ltd.	Mortgage Service Japan Limited.	Space Value Holdings Co., Ltd.
AZoom, Co., Ltd.	Hamee Corp.	MRT Inc.	Star Mica Holdings Co., Ltd.
Base Co., Ltd	Happinet Corporation	NAGASE & CO., LTD	Strike Co., Ltd.
BEENOS Inc.	Harmonic Drive Systems Inc.	NAIGAI TRANS LINE LTD.	Sunnexta Group Inc.
Bell-Park Co., Ltd.	HENNGE K.K.	NanoCarrier Co., Ltd.	SymBio Pharmaceuticals Limited
Benefit One Inc.	Hosokawa Micron Corporation	NEC Networks & System Integration Corporation	Synchro Food Co., Ltd.
B-lot Co.,Ltd.	Hope, Inc.	Net Marketing Co., Ltd.	TAIYO HOLDINGS CO., LTD.
Broadleaf Co., Ltd.	HOUSEDO Co., Ltd.	Net One Systems Co.,Ltd.	Takashimaya Company, Limited
CanBas Co., Ltd.	H2O Retailing Corporation	Nichi-Iko Pharmaceutical Co., Ltd.	Take and Give Needs Co., Ltd.
Canon Marketing Japan Inc.	IDOM Inc.	NIHON CHOUZAI Co.,Ltd.	TEAR Corporation
Career Design Center Co., Ltd.	IGNIS LTD.	Nihon Denkei Co., Ltd.	Tenpo Innovation Inc.
Carna Biosciences, Inc.	i-mobile Co.,Ltd.	Nippon Commercial Development Co., Ltd.	3-D Matrix, Ltd.
CARTA HOLDINGS, INC	Inabata & Co., Ltd.	Nippon Koel Co., Ltd.	The Hokkoku Bank, Ltd.
CERES INC.	Infocom Corporation	NIPPON PARKING DEVELOPMENT Co., Ltd.	TKC Corporation
Chiyoda Co., Ltd.	Infomart Corporation	NIPRO CORPORATION	TKP Corporation
Chori Co., Ltd.	Intelligent Wave, Inc.	Nisshinbo Holdings Inc.	Tsuzuki Denki CO., Ltd.
Chugoku Marine Paints, Ltd.	ipet Holdings CO., Ltd.	Nisso Corporation	TOCALO Co., Ltd.
cocokara fine Inc.	Itochu Enex Co., Ltd.	NS TOOL CO., LTD.	TOYOKAI Holdings Corporation
COMSYS Holdings Corporation	ItoKuro Inc.	OLBA HEALTHCARE HOLDINGS, Inc.	Tokyu Construction Co., Ltd.
COTA CO.,LTD.	JAFCO Co.,Ltd.	OHIZUMI MFG. CO., LTD.	TOYOBO CO., LTD.
CRE, Inc.	JMDC Inc.	Oisix ra daichi Inc.	Toyo Ink SC Holdings Co., Ltd.
CREEK & RIVER Co., Ltd.	JSB Co., Ltd.	Oki Electric Industry Co., Ltd.	Toyo Tanso Co., Ltd.
Daiichi Kigenso Kagaku Kogyo Co., Ltd.	JTEC Corporation	ONO SOKKI Co., Ltd.	Tri-Stage Inc.
Daiki Axis Co.,Ltd.	J Trust Co., Ltd	ONWARD HOLDINGS CO.,LTD.	TSURUHA Holdings
Daiseki Co., Ltd.	Japan Best Rescue System Co., Ltd.	Pan Pacific International Holdings Corporation	VISION INC.
Daiwabo Holdings Co.,Ltd.	JINS HOLDINGS Inc.	PARIS MIKI HOLDINGS Inc.	VISIONARY HOLDINGS CO., LTD.
Demae-Can CO., LTD.	JP-HOLDINGS, INC.	PCA CORPORATION	V-cube, Inc.
DIC Corporation	KAMEDA SEIKA CO., LTD.	PIGEON CORPORATION	World Holdings Co., Ltd.
Digital Arts Inc.	Kanamic Network Co., LTD.	P3, inc.	WOW WORLD Inc.
Digital Garage Inc.	KANEMATSU CORPORATION	QB Net Holdings Co., Ltd.	YELLOW HAT LTD.
	kaonavi, inc.	RACCOON HOLDINGS, Inc.	YOSHINOYA HOLDINGS CO., LTD.
			ZAPPALLAS, INC.

Attention: If you would like to see companies you invest in on this list, ask them to become our client, or sponsor a report yourself.

**Disclaimer:** This document is provided for informational purposes only. No investment opinion or advice is provided, intended, or solicited. Shared Research Inc. offers no warranty, either expressed or implied, regarding the veracity of data or interpretations of data included in this report. We shall not be held responsible for any damage caused by the use of this report. The copyright of this report and the rights regarding the creation and exploitation of the derivative work of this and other Shared Research Reports belong to Shared Research. This report may be reproduced or modified for personal use; distribution, transfer, or other uses of this report are strictly prohibited and a violation of the copyright of this report. Our officers and employees may currently, or in the future, have a position in securities of the companies mentioned in this report, which may affect this report's objectivity.

**Japanese Financial Instruments and Exchange Law (FIEL) Disclaimer:** The report has been prepared by Shared Research under a contract with the company described in this report ("the company"). Opinions and views presented are ours where so stated. Such opinions and views attributed to the company are interpretations made by Shared Research. We represent that if this report is deemed to include an opinion from us that could influence investment decisions in the company, such an opinion may be in exchange for consideration or promise of consideration from the company to Shared Research.

## Contact Details

Shared Research Inc.  
3-31-12 Sendagi Bunkyo-ku Tokyo, Japan  
<https://sharedresearch.jp>  
Phone: +81 (0)3 5834-8787  
Email: [info@sharedresearch.jp](mailto:info@sharedresearch.jp)