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# Financial Result Summary

## For FY Nov 2008

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January 14, 2009



Star Mica Co., Ltd.

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## 2. Business Outline and Results

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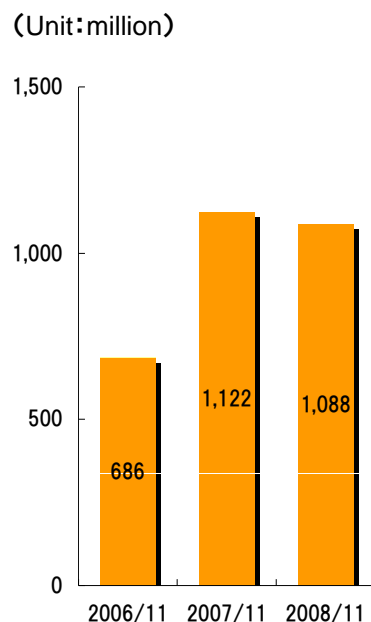
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# **-PL-** Maintaining profit figures equivalent to previous fiscal year, despite write-downs.

- Condominium trading business recorded net profit as forecasted, except write-downs.
- The company wrote down 428 million yen mark-to-market loss of securities held by investment business.

## ■ Net Income before Income Taxes



## ■ PL

(Unit: million)

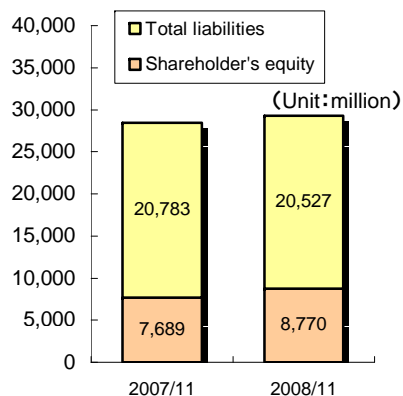
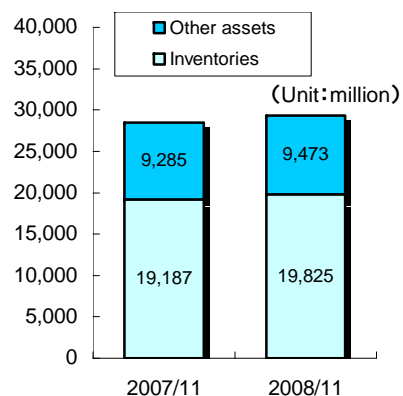
	FY Nov 2006		FY Nov 2007		FY Nov 2008			FY Nov 2008 before impairment	
	Amount	%	Amount	%	Amount	%	YoY Change	Amount	YoY Change
<b>Sales</b>	8,095	100.0%	12,809	100.0%	14,084	100.0%	110.0%		
<b>Gross profit</b>	2,063	25.5%	2,665	20.8%	2,674	19.0%	100.4%	3,102	116.4%
Selling, general and administrative expenses	532	6.6%	798	6.2%	1,018	7.2%	127.5%		
<b>Operating income</b>	1,531	18.9%	1,866	14.6%	1,655	11.8%	88.7%	2,084	111.7%
Non-operating income	2	0.0%	5	0.0%	24	0.2%	421.9%		
Non-operating expenses	208	2.6%	636	5.0%	597	4.2%	93.9%		
<b>Recurring profit</b>	1,325	16.4%	1,235	9.6%	1,082	7.7%	87.6%	1,510	122.2%
Profit distributions to fund investors	△ 638	-7.9%	△ 109	-0.9%	0	0.0%	0.0%		
<b>Net income before income taxes</b>	686	8.5%	1,122	8.8%	1,088	7.7%	97.0%	1,516	135.1%
<b>Net income</b>	403	5.0%	656	5.1%	631	4.5%	96.3%		
<b>EPS(YEN)</b>	7,237.97		9,866.84		7,725.14		78.3%		

# -BS- Preserving capital, in anticipation of market environment change.

- Continue to invest based on strict valuation, provided some uncertainty in financial markets, inventory balance is 19.8 billion yen, slight increase from previous year.
- Secure investment capital from cash(3.7 billion yen) and commitment line(5.0 billion yen).
- 60% of interest bearing debt is now “long-term”, shareholder’s equity is 30%, maintaining solid B/S, to prepare for any surprises in the market.

## ■ BS

(Unit: million)



	FY Nov 2007		FY Nov 2008			FY Nov 2007		FY Nov 2008	
	Amount	(%)	Amount	(%)		Amount	(%)	Amount	(%)
<b>Current assets</b>	<b>23,090</b>	<b>81.1%</b>	<b>23,881</b>	<b>81.5%</b>	<b>Short-term liabilities</b>	<b>9,564</b>	<b>33.6%</b>	<b>8,196</b>	<b>28.0%</b>
Cash and deposits	3,673	12.9%	3,790	12.9%	Debt	8,600	30.2%	7,245	24.7%
Inventories	19,187	67.4%	19,825	67.7%	other	964	3.4%	951	3.2%
Other	229	0.8%	265	0.9%	<b>Long-term liabilities</b>	<b>11,219</b>	<b>39.4%</b>	<b>12,331</b>	<b>42.1%</b>
<b>Fixed assets</b>	<b>5,364</b>	<b>18.8%</b>	<b>5,409</b>	<b>18.5%</b>	Debt	11,147	39.2%	12,267	41.9%
Properties	4,190	14.7%	3,553	12.1%	other	71	0.2%	64	0.2%
Other	1,173	4.1%	1,856	6.3%	<b>Total liabilities</b>	<b>20,783</b>	<b>73.0%</b>	<b>20,527</b>	<b>70.1%</b>
<b>Deferred assets</b>	<b>18</b>	<b>0.1%</b>	<b>6</b>	<b>0.0%</b>	<b>Shareholder's equity</b>	<b>7,689</b>	<b>27.0%</b>	<b>8,770</b>	<b>29.9%</b>
<b>Total assets</b>	<b>28,472</b>	<b>100.0%</b>	<b>29,298</b>	<b>100.0%</b>	<b>Total liabilities and shareholder's equity</b>	<b>28,472</b>	<b>100.0%</b>	<b>29,298</b>	<b>100.0%</b>

※Most of the inventories are condos from condominium trading business

※Most of the fixed assets are properties from investment business

※Fixed assets(etc.) consists of securities held by limited partnership(consolidated)

# Recent events

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## ■ Oct,2008 Shareholder special benefit plan

- Newly developed shareholder special benefit plan to expand private investor base.

## ■ Aug,2008 Star Mica Asset Partners

- Completed registration of "investment business" to MOF, coverage of real estate asset management business is now comprehensive.

## ■ Mar,2008 Financing via Commitment Line(Total of 3 billion yen)

- Lender:Bank of Tokyo-Mitsubishi UFJ
- Commitment line 2 billion yen(1 year)

## ■ Feb,2008 Financing via Commitment Line(Total of 2 billion yen)

- Lender:Aozora Bank
- Commitment line 2 billion yen(1 year)

## ■ Jan,2008 Financing via Syndicated Loans(Total of 6.5 billion yen)

- Arranger:Bank of Tokyo-Mitsubishi UFJ , Co-arranger:Aozora Bank
- Term loan 6.5 billion yen(3 years)

## ■ Nov,2007 3rd-party Allocation of new shares to Goldman Sachs Group

- Acquired capital of 2 billion yen will enhance financial capability for asset acquisition.

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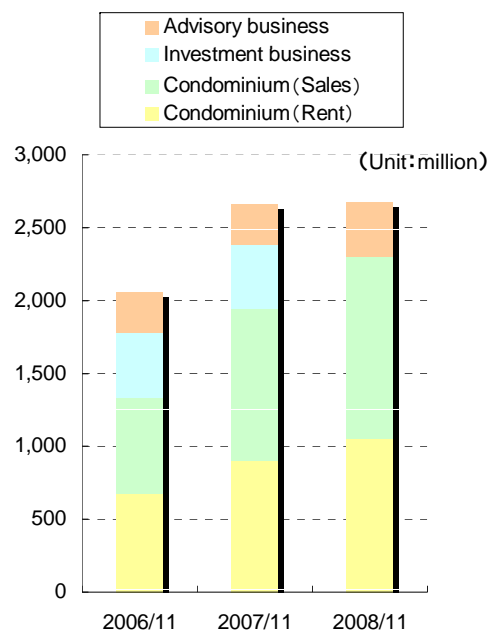
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# Business domains

- Condominium investment business is stable, recording reasonable profit margin from both rent and sales. In order to strengthen financial condition, we are exiting from low-margin units (mainly in Kansai area where market is soft.).
- Investment business is keeping up net profit close to previous year, although writing off 428 million yen, which we assume little chance of recovering value.
- Advisory business is facing challenges due to slowdown in securitization market, on the other hand, brokerage commission of real estate deal has contributed.

## ■ Composition of Gross profit

(Unit: million)



Business Domains	FY Nov 2006		FY Nov 2007		FY Nov 2008			
	Amount		Amount		Amount	(%)	YoY Change	
<b>Sales</b>	<b>8,095</b>		<b>12,809</b>		<b>14,084</b>	<b>100.0%</b>	<b>110.0%</b>	
Condominium trading business	5,736		9,965		12,136	86.2%	121.8%	
Rent	971		1,330		1,567	11.1%	117.8%	
Sales	4,765		8,634		10,568	75.0%	122.4%	
Investment business	2,077		2,565		1,573	11.2%	61.3%	
Advisory business	281		278		374	2.7%	134.5%	
	<b>Amount</b>	<b>Profit margin</b>	<b>Amount</b>	<b>Profit margin</b>	<b>Amount</b>	<b>(%)</b>	<b>YoY Change</b>	<b>Profit margin</b>
<b>Gross profit</b>	<b>2,063</b>	<b>25.5%</b>	<b>2,665</b>	<b>20.8%</b>	<b>2,674</b>	<b>100.0%</b>	<b>100.4%</b>	<b>19.0%</b>
Condominium trading business	1,331	23.2%	1,941	19.5%	2,301	86.0%	118.5%	19.0%
Rent	678	69.9%	904	68.0%	1,054	39.4%	116.6%	67.3%
Sales	652	13.7%	1,036	12.0%	1,246	46.6%	120.2%	11.8%
Investment business	450	21.7%	445	17.4%	0	0.0%	—	—
Advisory business	281	100.0%	278	100.0%	374	14.0%	134.5%	100.0%

# Condominium trading business ~five characteristics~

## Unique business model

① Differentiation in what to invest

✓ Invest in condominium “unit”.

② Differentiation in investment strategy

✓ Taking arbitrage opportunity based on market price structure.

③ Differentiation in risk diversification

✓ Investment “portfolio” of condominium units.

## Model that is hard to copy

④ Differentiation in operations

**Entry barrier**① Complex transaction and associated operation, management.

⑤ Differentiation in financing

**Entry barrier**② Difficulty in obtaining finance.



# “① Differentiation in what to invest”

## What to invest in condominium trading business

- We buy leased unit-based family oriented condominiums.
- We invest in liquid, convenient-location units, mainly in Tokyo metropolitan area and Kansai area.

purpose of use		office	residential		
ownership type		one-building	one-building	condominium unit	
owner's normal objective		investment	investment	investment (one-room for investment)	residence (family oriented)
new		real estate development company		compact condominium development and sales company	condominium development company
used	high-end	REIT/private placement fund/AM			high net worth individuals
	average	private placement fund/AM			<b>Star Mica</b>



Market is stable based on demand from residential condo-unit buyers. Less speculative money = low volatility in price.

Since all units are leased at entry, there is no risk of vacant unit inventory. We will have positive cash-flow all the time.

※AM means real estate asset manager

# “②Differentiation in investment strategy”

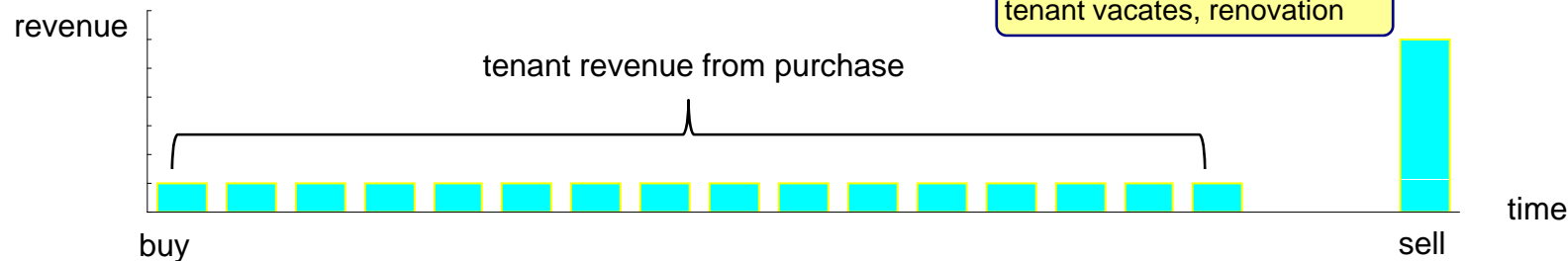
## Investment strategy

- We seek arbitrage trades that profit from price gaps, not only the capital gain. (Different from “value-up” or “reproduction”)
- We receive rent revenue from tenants during the holding period, we profit from capital gain when we sell at market.
- We supply condominium units to consumers as exit. (Different from Business-to-Business transaction)

Buy leased unit

Hold until tenant vacates

Sell after tenant moves out



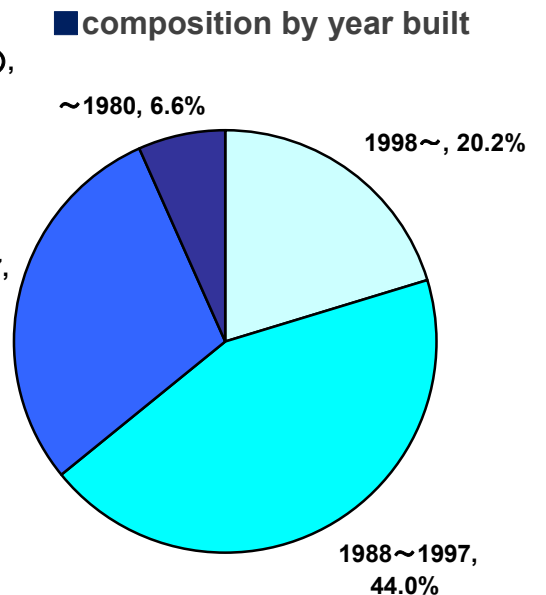
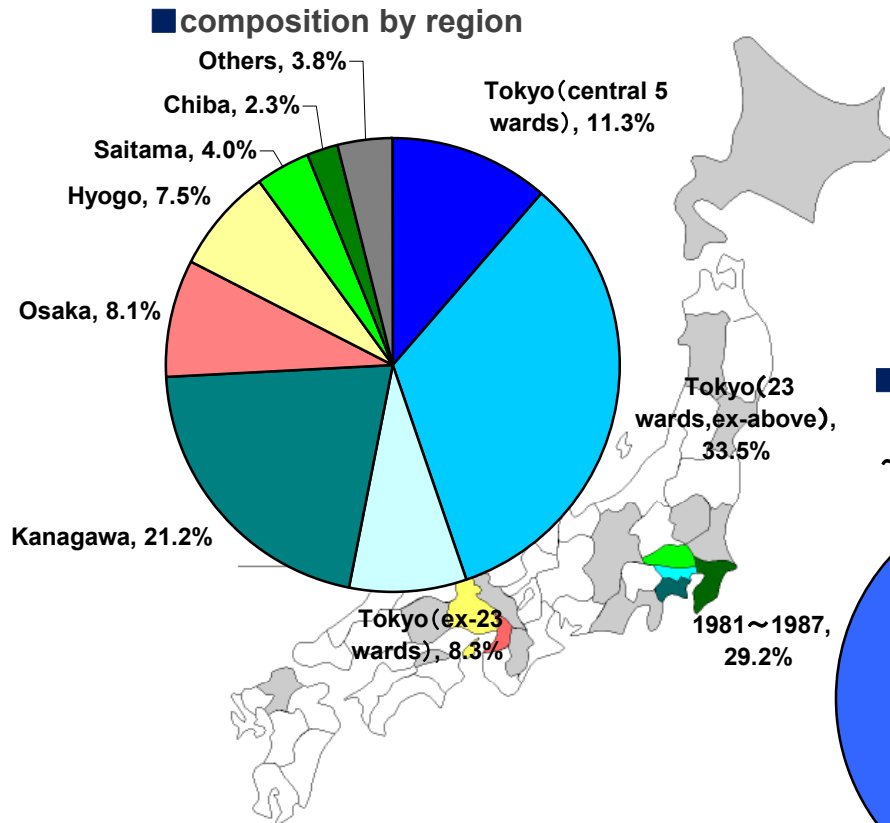
# “③ Differentiation in risk diversification”

We seek to diversify risk (accident, natural disasters, price volatility, holding period) by holding over 1,000 condominium units as portfolio, from various locations, ages.

Average unit data	2007/11	2008/11
Avg size	71.2 m <sup>2</sup>	69.3 m <sup>2</sup>
Avg age	17.2 year	17.7 year
Avg acquisition price	18 million yen	18 million yen

Composition by region	2007/11	2008/11
Tokyo(central 5 wards)	13.4%	11.3%
Tokyo(23 wards,ex-above)	25.7%	33.5%
Tokyo(ex-23 wards)	12.5%	8.3%
Kanagawa	20.0%	21.2%
Osaka	10.4%	8.1%
Hyogo	7.2%	7.5%
Saitama	3.7%	4.0%
Chiba	2.0%	2.3%
Others	5.1%	3.8%

Composition by year built	2007/11	2008/11
1998~	22.0%	20.2%
1988~1997	37.7%	44.0%
1981~1987	33.9%	29.2%
~1980	6.4%	6.6%



※Asset portfolio is calculated based on number of units.(all condos) Ave acquisition price is based on purchase agreement and dose not include associated fees.

※Tokyo central 5 wards include Shibuya-ku, Sinjuku-ku, Chuo-ku, Chiyoda-ku, Minato-ku.

※By region ,by years held (composition) are based on purchase agreement.

# “④ Differentiation in operations”

“No one does, no one can”. We have created a “system” to operate complex transactions.



- **Assessment:** proprietary know-how using theoretical prices based on database of actual transactions and our own inspections
- **Information channel:** a network of major real estate brokers (established through steady contact with real estate agents)
- **Transactions:** We use an effective system that enables us to complete tens of deals a month with small staff numbers

- **Property management:** outsourced to several major property managers
- **Leasing:** our business model is essentially free of vacancy risk because we sell the asset when tenants move out

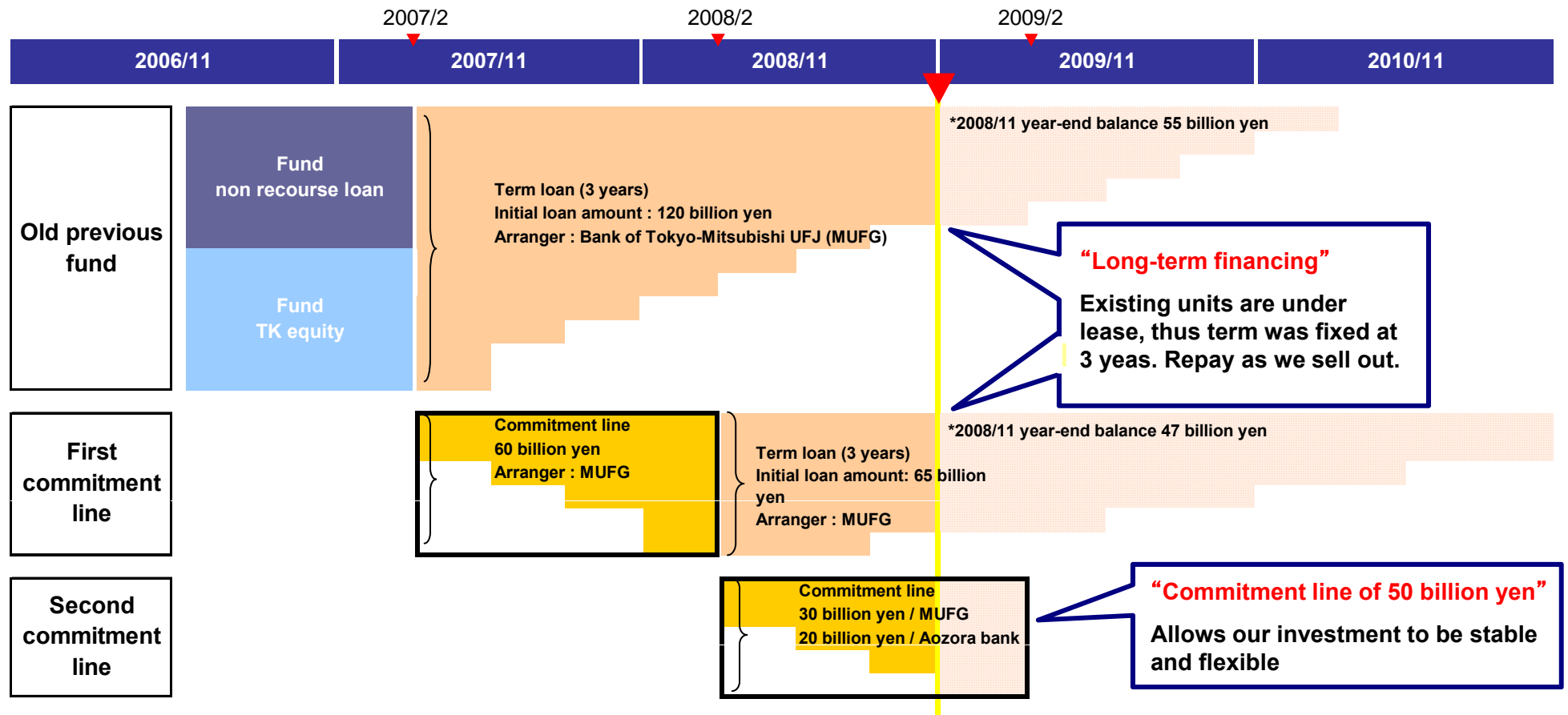
- **Renovation:** simple renovations enable speedy start to sales activity; placement of large volume ordering to help control costs
- **Sales channel:** consigned to major real estate brokers

Unique operation system that we developed for our operation.

# “⑤ Differentiation in financing”

- We have condominium-unit-base long-term financing which is harder to obtain compared to one-building-based.
- We use capital from commitment line (5 billion yen) to acquire condominium units.

■ condominium trading business : evolution of capital structure



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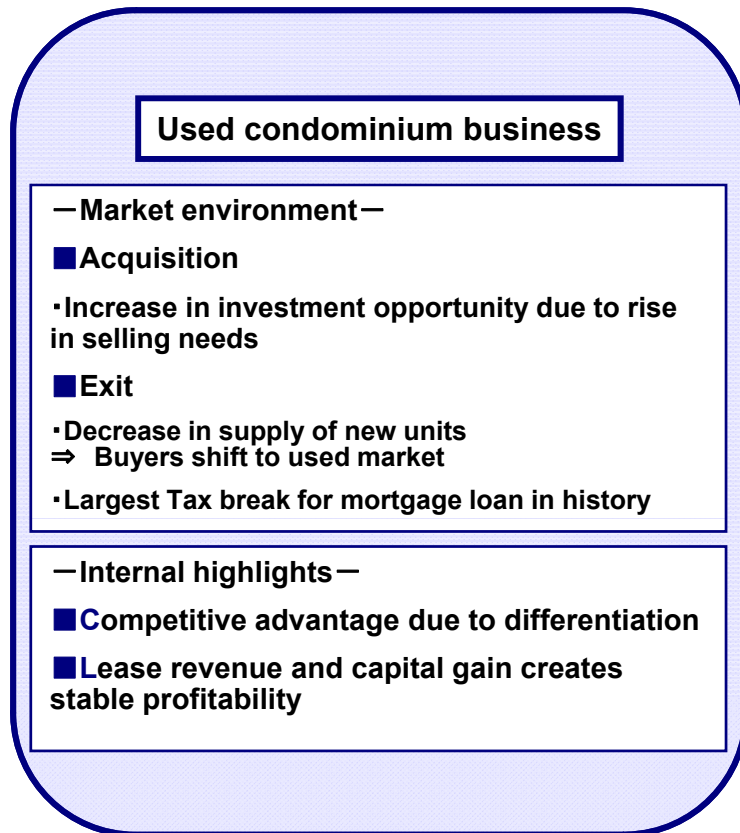
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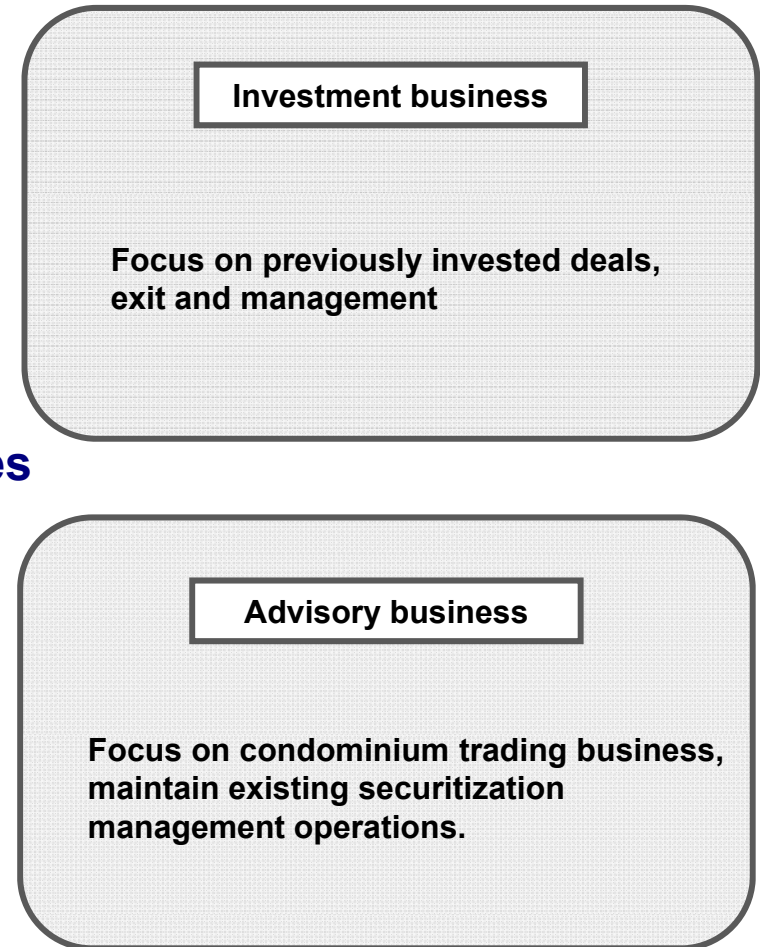
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# Focus our resources to used condominium business

## Focus business domain



## Downsize business domain

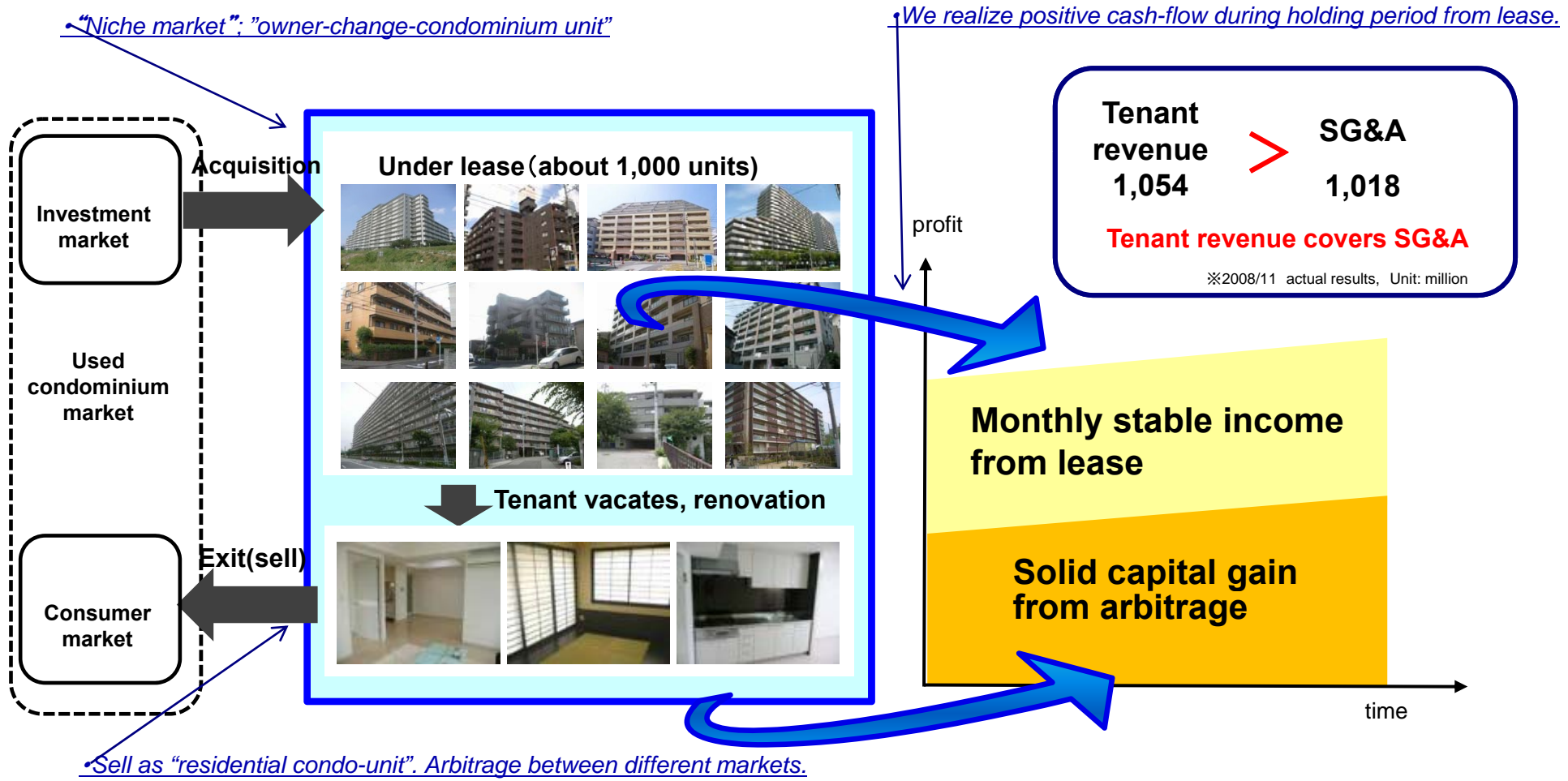


Focus capital, human resources

※We will call condominium trading business, "used condominium business" from this FY.(no change in P/L)

# Business model that produces “stable” profit

Hybrid business model combining “tenant revenue” and “capital gain”.



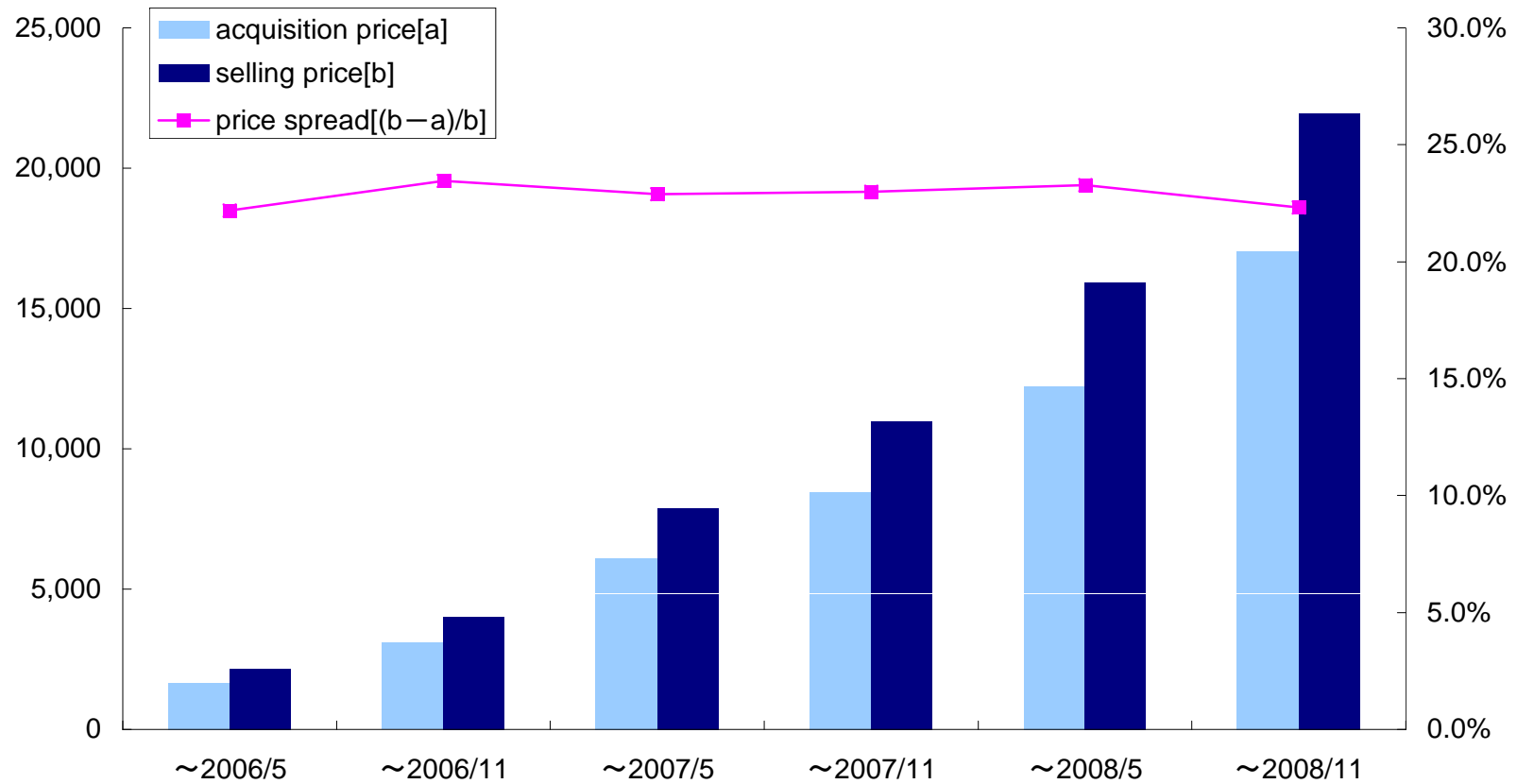


# Price gap = source of capital gain remains at 20%

**Price gap (spread) is stable at 20%, even after summer 2007, subprime woes.**

## Price spread (historical)

(Unit: million)



※figures based on actual sell price, compiled semi-annually after Dec. 2005.  
 ※price spread = sell price vs. (sell price minus acquisition price)

# Full-Year projections and dividend policy

- We concentrate to maintain profitability for now, under uncertainty in global markets.
- We anticipate special loss by applying inventory asset lower-of-cost or market method.

(Unit: million)

	FY 2007	FY 2008	FY 2009 Projections	
	Amount	Amount	Amount	YoY Change
Sales	12,809	14,084	12,226	86.8%
Gross profit	2,665	2,674	2,679	100.2%
Operating income	1,868	1,655	1,727	104.3%
Recurring profit	1,235	1,082	1,065	98.4%
Special gain or loss	△ 3	5	△ 179	—
Net income before income taxes	1,122	1,088	885	81.4%
Net income	656	631	477	75.6%

EPS(Yen)	9,866.84	7,725.14	5,832.24
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Annual dividends per share(Yen)	1,000	1,000	1,000
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※EPS estimate is based on number of shares issued (81,821) as at Nov.30,2008

(Unit: million)

Business Domains	FY 2007	FY 2008	FY 2009 Projections	
	Amount	Amount	Amount	YoY Change
Sales	12,809	14,084	12,226	86.8%
Used Condominium	9,965	12,136	11,592	95.5%
Rent	1,330	1,567	1,593	101.6%
Sales	8,634	10,568	9,999	94.6%
Investment Business	2,565	1,573	373	23.7%
Advisory Business	278	374	260	69.6%
Gross profit	2,665	2,674	2,679	100.2%
Used Condominium	1,941	2,301	2,184	94.9%
Rent	904	1,054	1,027	97.5%
Sales	1,036	1,246	1,156	92.8%
Investment Business	445	0	234	—
Advisory Business	278	374	260	69.6%

# Impact from inventory asset lower-of-cost or market method

Less than 1% of balance of real estate for sale.(19.8 billion yen)

(Unit: million)

	2009/11	mark-to-market profit/loss		
	beginning of year	real selling price	mark-to-market profit/loss (b)	ratio (b)/(a)
	book value			
<b>balance of real estate for sale</b>	<b>19,825 (a)</b>			
<b>mark-to-market gain</b>	<b>17,890</b>	<b>21,686</b>	<b>3,796</b>	<b>19.1%</b>
<b>mark-to-market loss</b>	<b>1,872</b>	<b>1,692</b>	<b>△ 179</b>	<b>-0.9%</b>
<u>main reason of loss</u>				
valuation at acquisition	1,053	955	△ 97	-0.5%
price decline after acquisition	431	399	△ 32	-0.2%
acquisition by bulk (price adjustment)	226	182	△ 44	-0.2%
others	160	154	△ 5	0.0%

※Real selling price = expected selling price (appraisal) minus expected selling cost (brokerage fee, renovation cost)

※Above real selling price and mark-to-market profit/loss is based on accounting principles and does not imply future actual gain/loss

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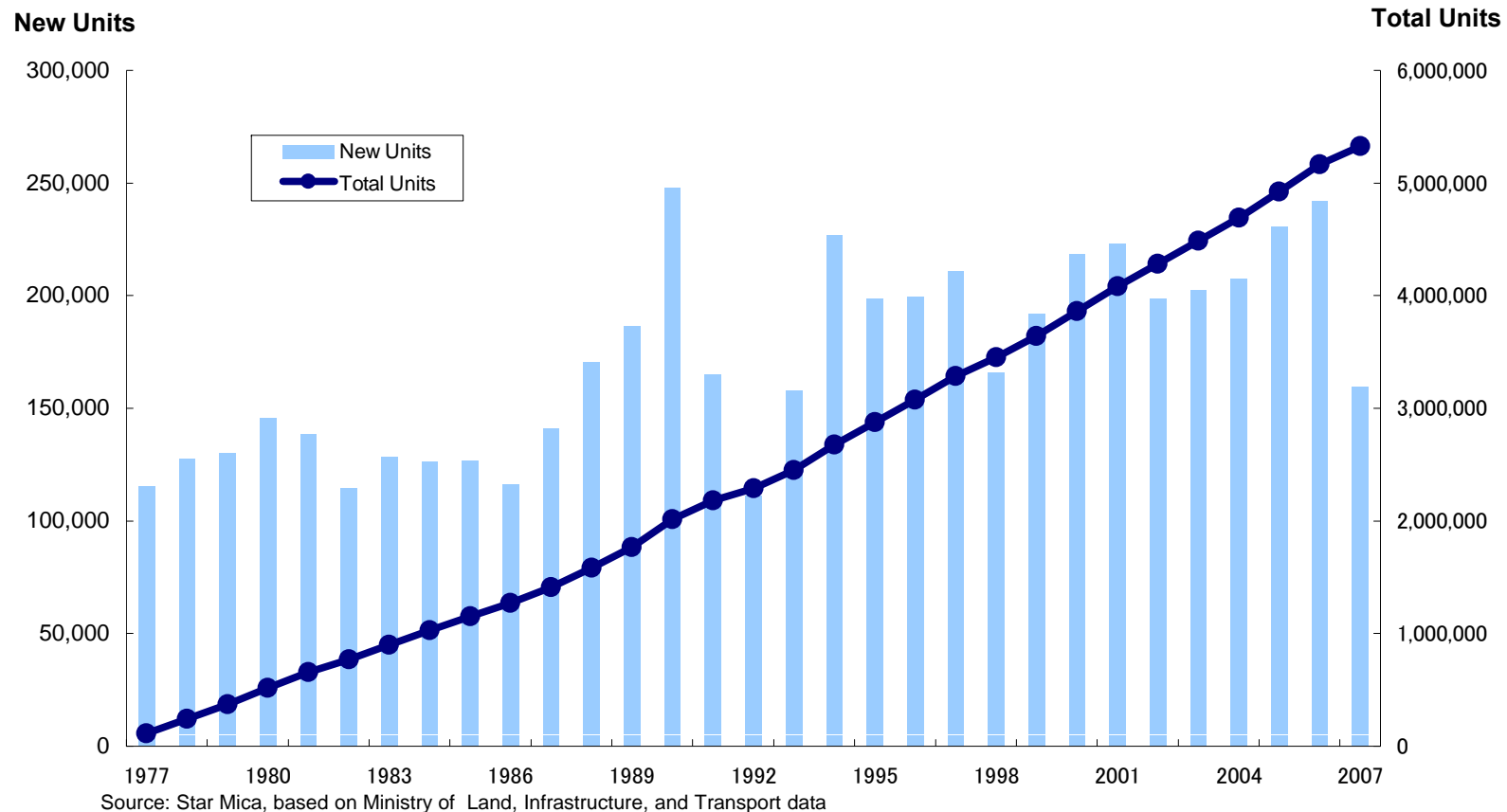
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# Japanese condominium stock now above 5 million units

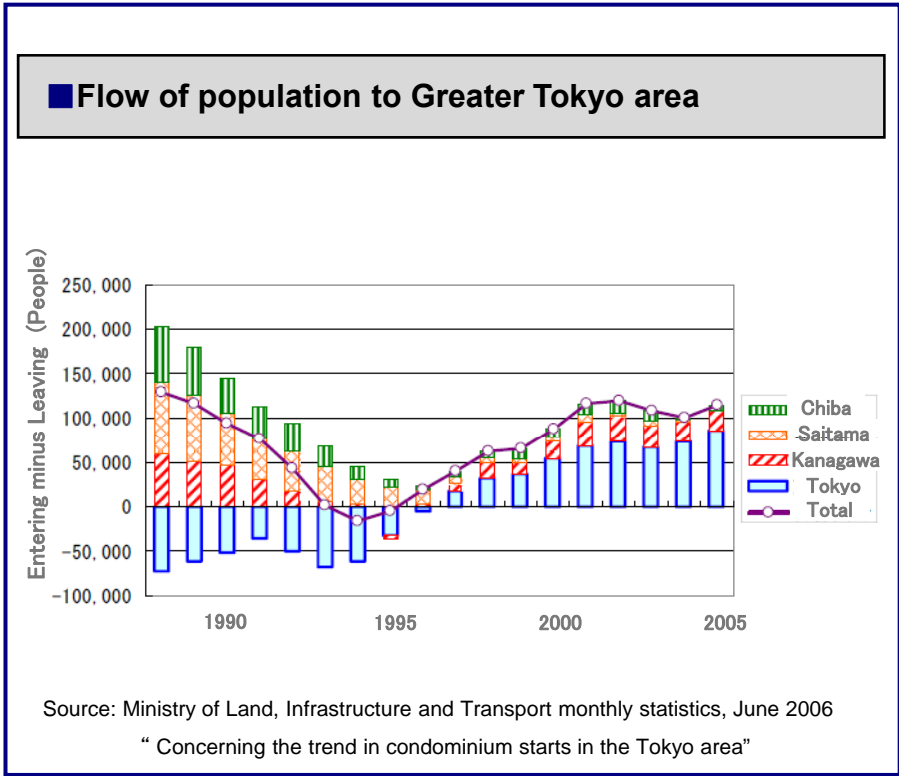
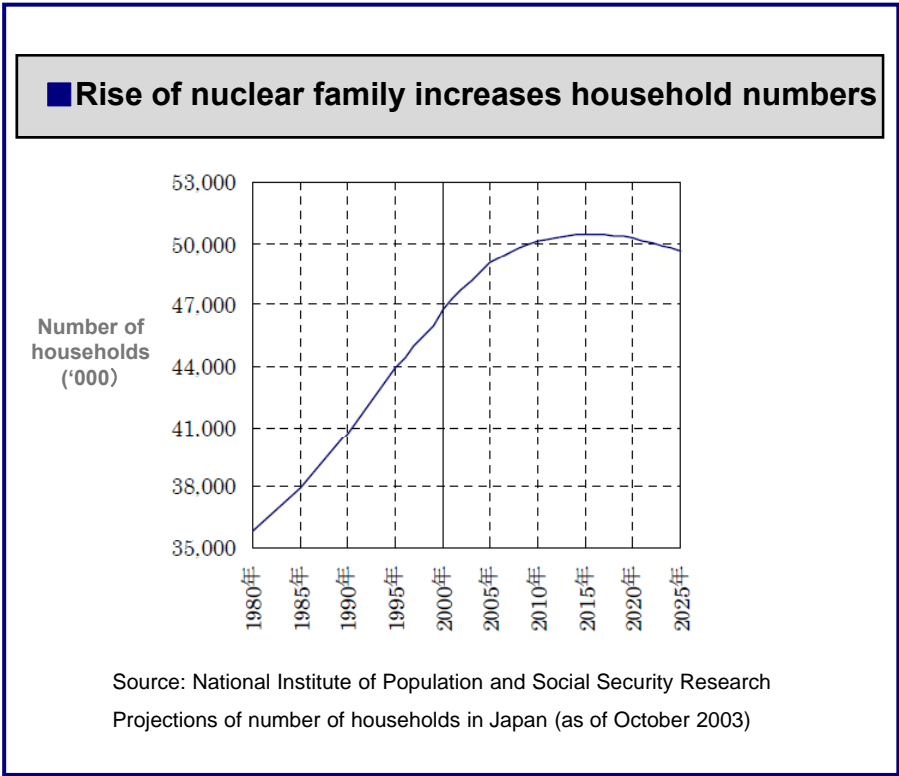
- Steady expansion in condo stock
- Rapid decrease in new units ⇒ Good prospects for continued growth in used condominium market

## ■ Japanese condominium market



# Outlook for used condominium market

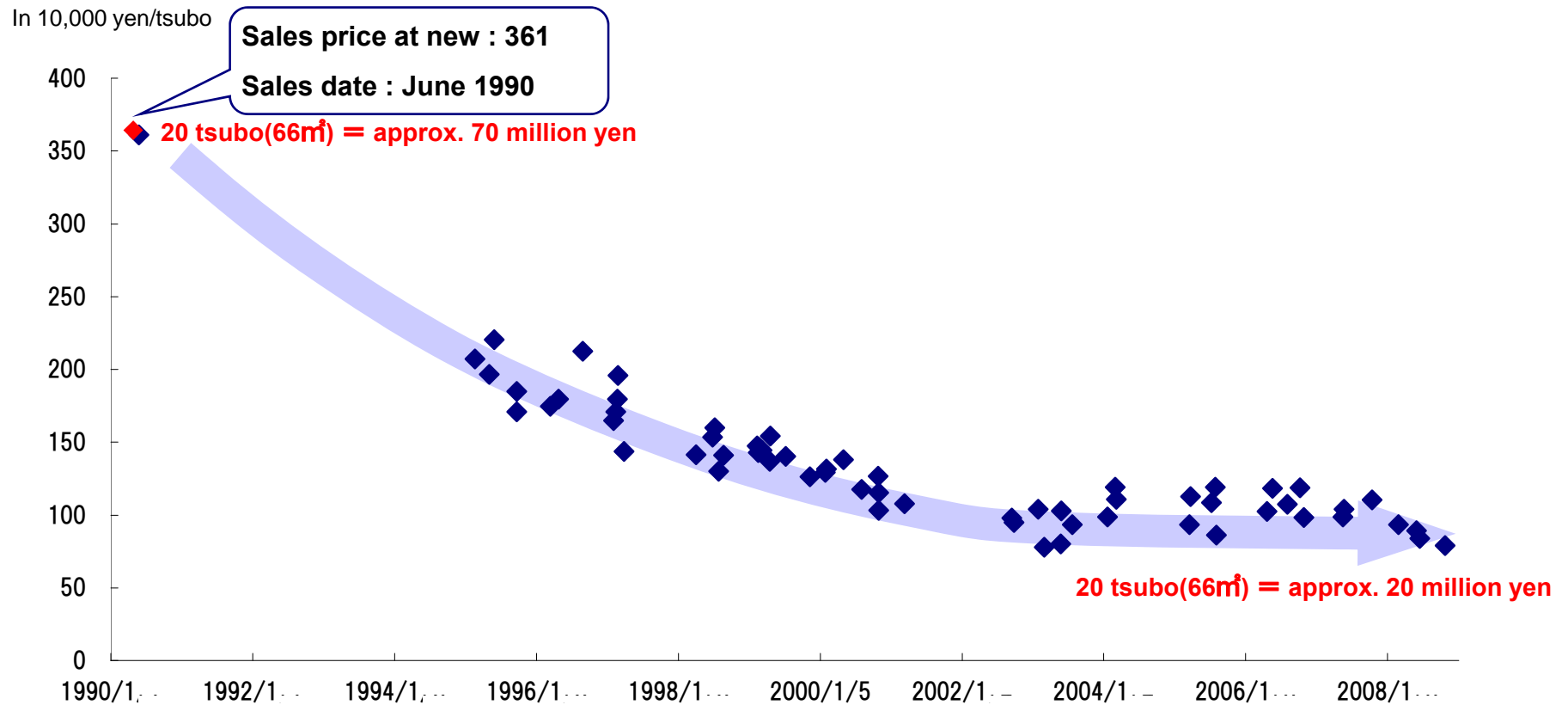
**Growth in condo stock, increase in number of households, and continuous inflow of population to major urban/metropolitan areas, should accelerate growth in the used condominium markets of Japanese major cities.**



# Change in value of used condominium unit by age (from new construction)

Used condominium usually depreciate with age and bottom out after 10 years.

■ Change in value of used condominium unit (Case study)



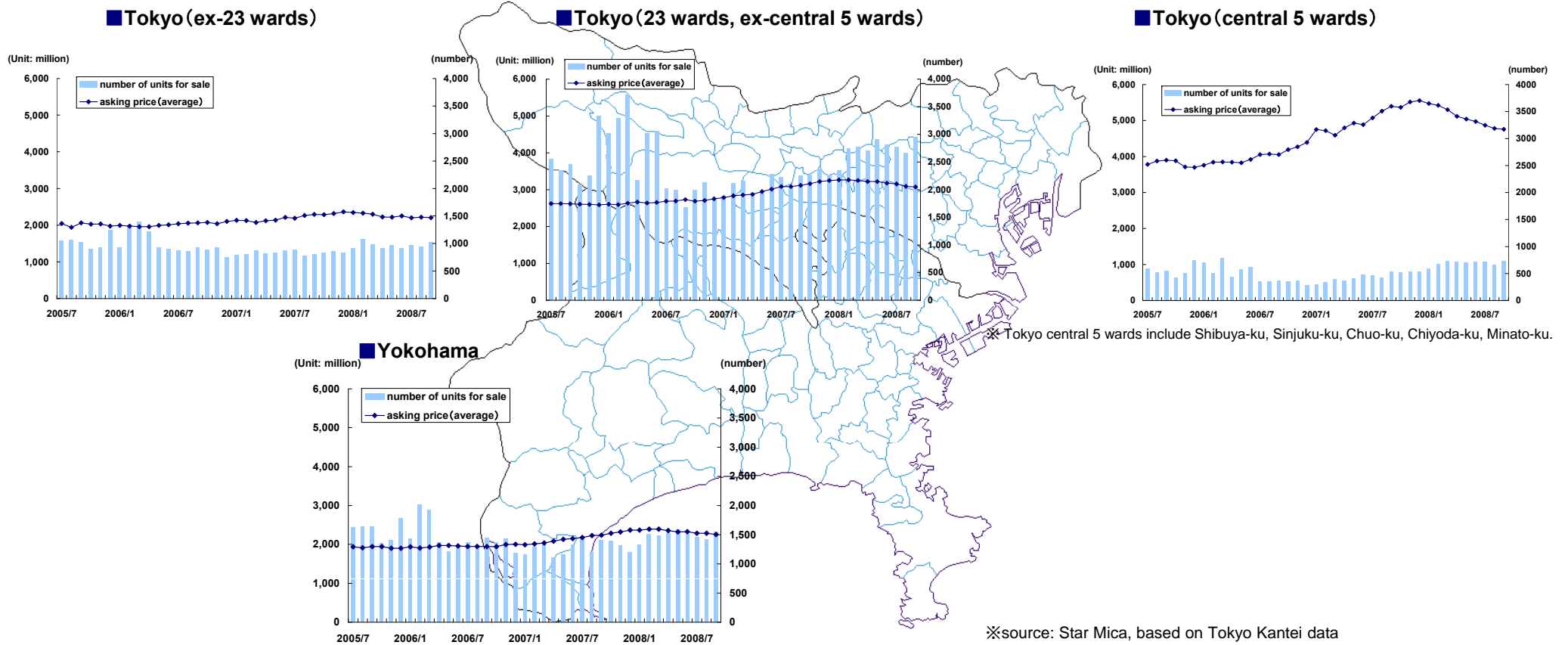
Case: Isogo-ku, Yokohama-shi, Kanagawa- pref. : 72units, Avg size 109.58m<sup>2</sup>, Construction date Sept,1991.  
Data from Tokyo kantei , Higashinohon REINS ,compiled by Star Mica.

# Price range and price movement vary among various locations.

- In Tokyo's central 5 wards, main price zone is over 40 million yen(Avg), these higher unit price is volatile.
- In other locations in Tokyo and Yokohama, main price zone is 20-30 million yen(Avg), these average to lower unit price is stable over time

**Tokyo(ex-central 5 wards)/ Yokohama**  
(average to lower price area)

**Central 5 wards**  
(higher price area)





# Solid demand to reasonably priced homes

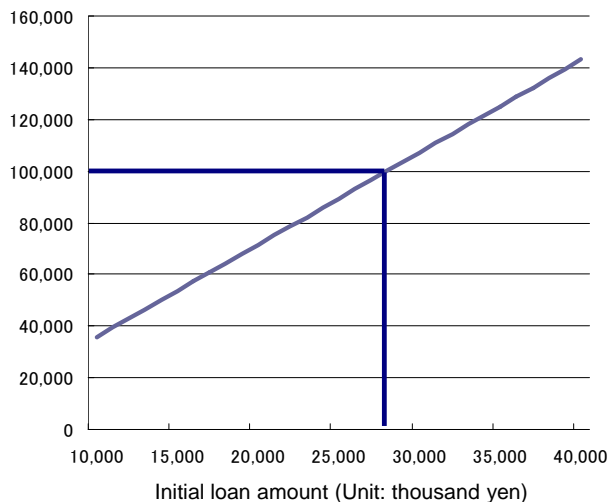
## Reason for price stability in used condominiums

- ✓ People feel “it’s better to buy “ when mortgage loan repayment is lower than paying rent.
- ✓ Considering people’s income level, we can assume that actual demand is high.



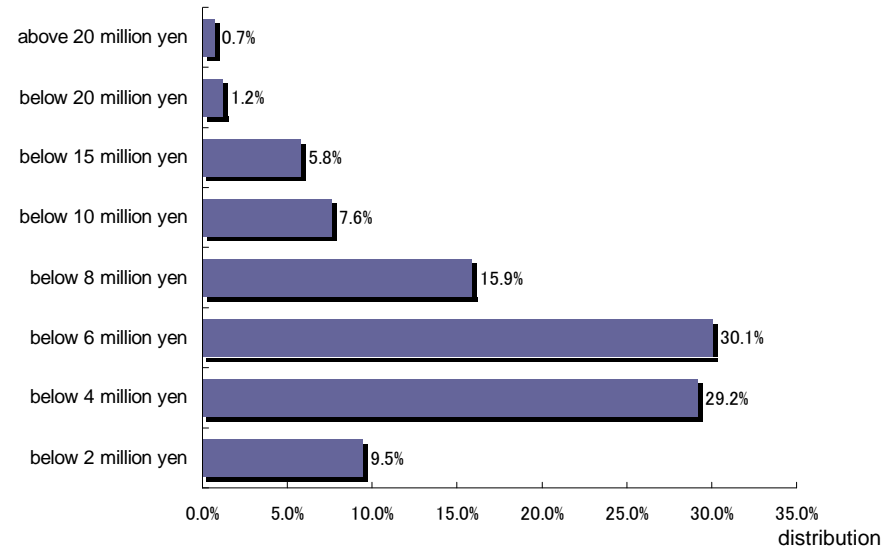
### Monthly repayment of mortgage loan (level payment, 35years, 2.5%)

Monthly repayment (Unit: yen)



**Monthly repayment is 100,000 yen for 28 million yen mortgage.**

### Annual income distribution for employees



※Source: Star Mica based on the National Tax Administration Agency, 2007, male statistics

**Over 70 % is below 6 million yen**

# Residential property market -Secondary market is left unpaved-

## New construction

- Condominium : Condominium developers
- House : House developers

Home-buyers prefer new properties, thus business are concentrated in “New construction” development market.

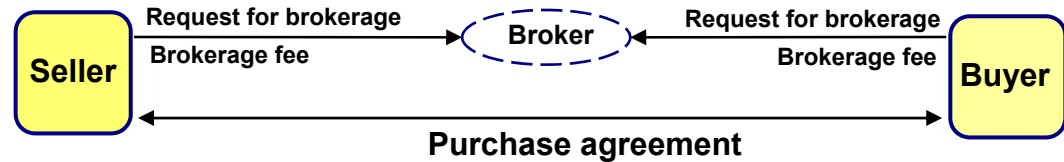
## Secondary Market

Among individuals, home purchase and sale are made through brokers

Distribution channel

- ① one broker matches buyer and seller
- ② multiple brokers match their clients

<Distribution channel ①>



<Distribution channel ②>



## Main issues with secondary condominiums market

- **Asymmetrical information** – among amateur buyers & sellers, no guarantee of sufficient disclosure, mistrust for quality
- **Difficult to guarantee** – limitation of responsibility in case of defect as sellers are individuals
- **Unstable transactions** – uncertainties with mortgage screening of buyers, transactions
- **Lack of liquidity** – lack of exchange or market maker, left up to “luck” to find the other side of the trade

# Toward stimulation of the used home market

**In Europe and US, used homes form the core (70-90%) of the housing market.**

**In Japan, used homes account for only about 10% of the housing market.**

Ministry of Land, Infrastructure, and Transport

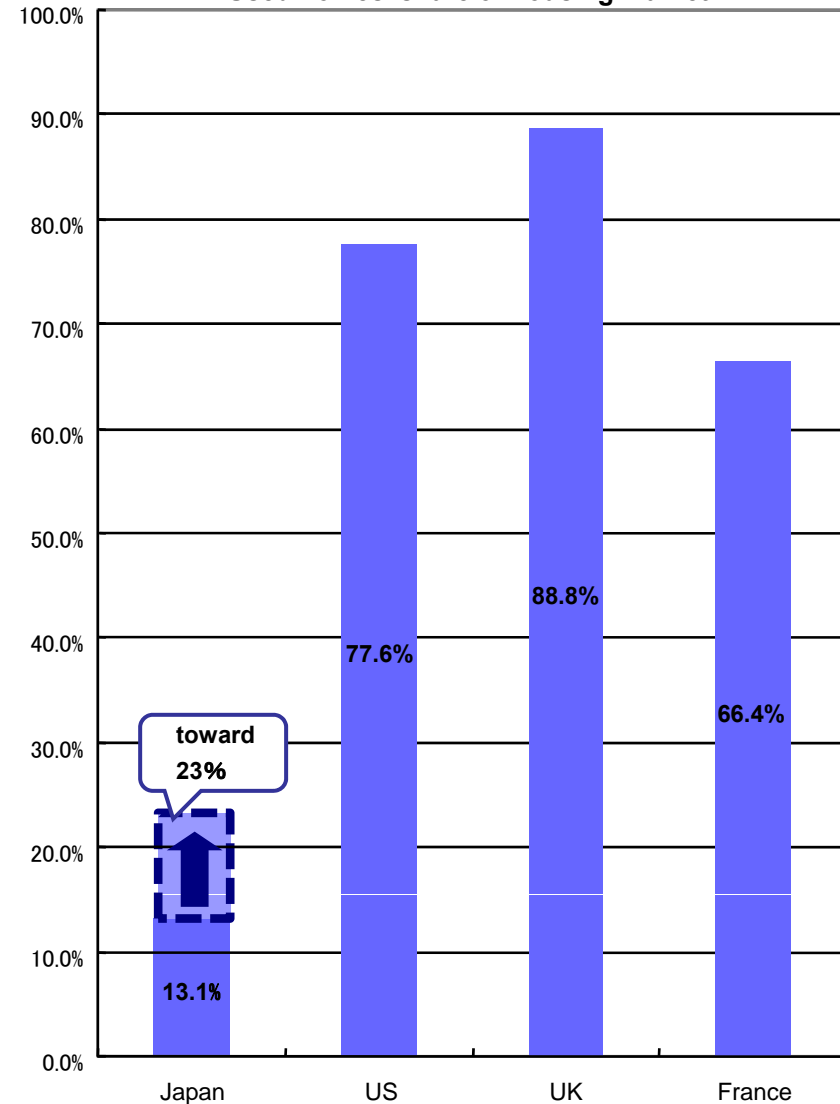
## “Numerical targets for stimulation of used housing market”

- June 8, 2006 Implementation of the Basic Housing Act
- July 3, 2006 Announcement of draft of “Basic Plan for Housing” based on above law
- September 19, 2006 Cabinet approves “Basic Plan for Housing (National Plan)”

**Used homes’ targeted share of housing market**

**2003: 13% → 2015: 23%**

Used homes’ share of housing market



Source: Star Mica, based on Ministry of Land, Infrastructure and Transport materials

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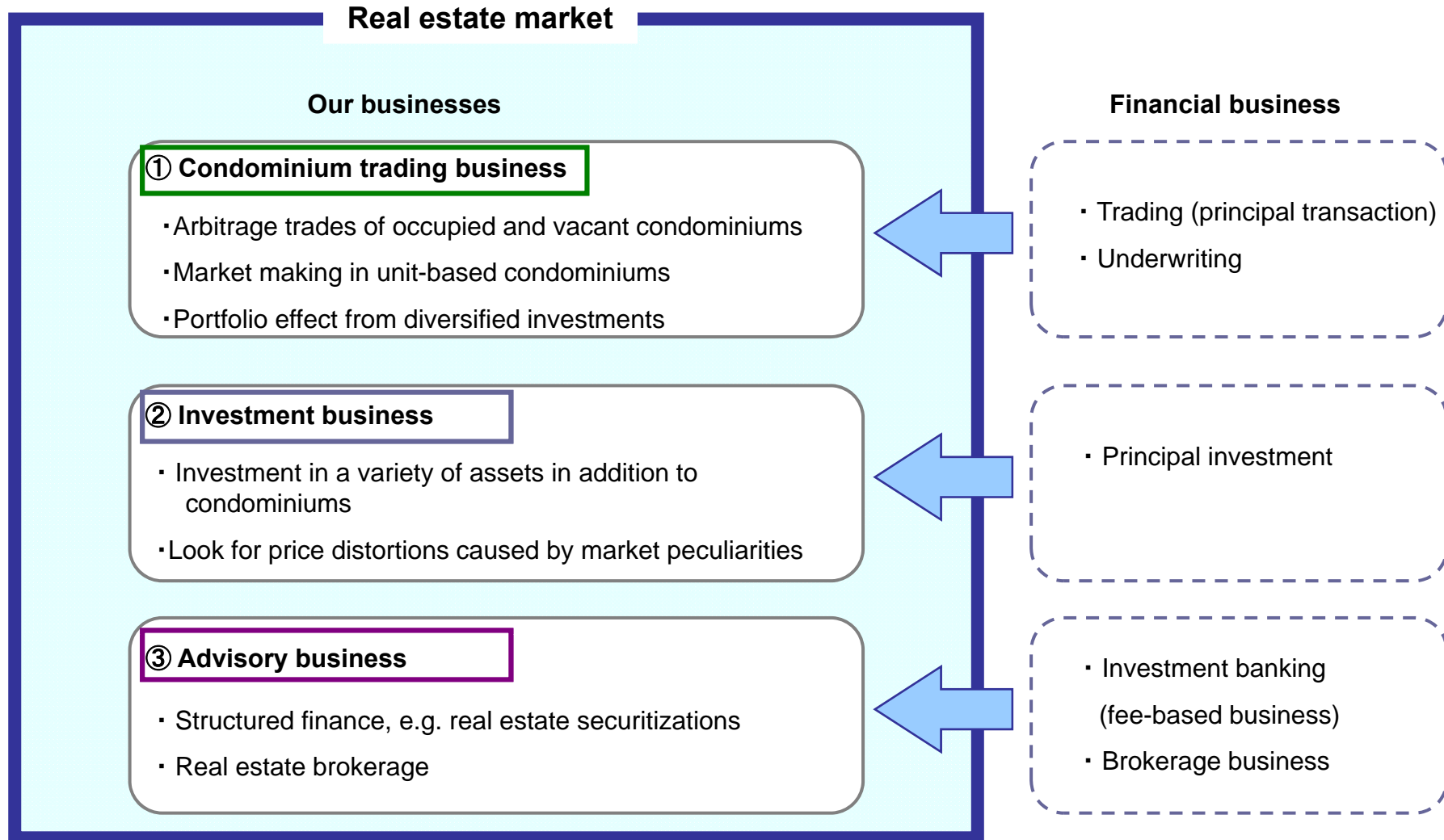
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# Star Mica's business domains

## Applying financial market technologies to real estate market



# Company profile

■ as of Nov. 30 2008

<b>Company name</b>	Star Mica Co., Ltd.
<b>Representative</b>	President & representative director Masashi Mizunaga
<b>Date of incorporation</b>	May 1, 2001
<b>Listing date</b>	October 2, 2006 Osaka Stock Exchanges Hercules Market (stock code: 3230)
<b>Capital</b>	\ 2,923 million
<b>Offices</b>	Tokyo head office (Minato Ward) Osaka Branch Office (Kita Ward)
<b>Main Bank</b>	Bank of Tokyo-Mitsubishi UFJ, Aozora Bank, Sumitomo Mitsui, Banking Corporation, Resona Bank,Ltd., Mizuho Bank,Ltd.
<b>Auditor</b>	KPMG Azsa & Co.
<b>Employees</b>	54(47 staff-level)
<b>Businesses</b>	Condominium trading business, investment business, advisory business

# Management team

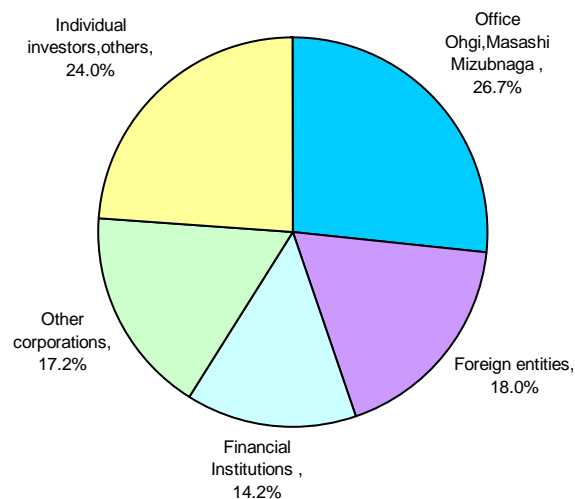
Name	Post	Brief resume
Masashi Mizunaga	President & Representative Director (MBA)	<ul style="list-style-type: none"> <li>• Mitsui &amp; Co., Ltd.</li> <li>• MBA (University of California, Los Angeles)</li> <li>• The Boston Consulting Group</li> <li>• Goldman Sachs Japan Ltd.</li> </ul>
Takuya kato	Executive Director	<ul style="list-style-type: none"> <li>• Industrial Bank of Japan (present Mizuho Corporate Bank,Ltd.)</li> <li>• Cendant Japan Inc.</li> <li>• Marketing Excellence Co., Ltd.</li> </ul>
Kenji Horiuchi	Executive Director	<ul style="list-style-type: none"> <li>• Citibank N.A.</li> <li>• Mizuho Trust Real Estate Sales</li> </ul>
Masaki Hiura	Executive Director (Certified Public Accountant )	<ul style="list-style-type: none"> <li>• KPMG Azsa &amp; Co.</li> </ul>
Takayuki Takahashi	Senior Managing Director (Real estate appraiser license)	<ul style="list-style-type: none"> <li>• Nikko Securities (present Nikko Citi Holdings)</li> </ul>
Susumu Uehara	Senior Managing Director	<ul style="list-style-type: none"> <li>• NCR Japan Ltd.</li> <li>• Fusion Communications Corporation</li> </ul>
Tatsuya Yashima	Managing Director	<ul style="list-style-type: none"> <li>• Haseko Corporation (Subsidiaries)</li> </ul>
<b>【Subsidiaries】</b>		
Yutaka Kobayashi	Star Mica Asset Management Co.,Ltd. President & Representative Director (MBA)	<ul style="list-style-type: none"> <li>• MBA (Northwestern University, Kellogg School of Management)</li> <li>• Goldman Sachs Japan Ltd.</li> <li>• Goldman Sachs Asset Management Co.,Ltd.</li> <li>• SG Private Banking (Japan) Ltd.</li> </ul>
Ataru Kawachi	Star Mica Asset Partners Co.,Ltd. President & Representative Director (MBA)	<ul style="list-style-type: none"> <li>• Mitsui Fudosan Co., Ltd.</li> <li>• MBA (University of California, Berkeley)</li> <li>• A.T. Kearney</li> </ul>
Kazuhiro Matsuura	Star Mica Asset Partners Co.,Ltd. Director	<ul style="list-style-type: none"> <li>• Mizuho Corporate Bank,Ltd.</li> <li>• Ground Financial Advisory Co.,Ltd. Director</li> </ul>
Tomoyuki Ishizumi	Star Mica Asset Partners Co.,Ltd. Director	<ul style="list-style-type: none"> <li>• Mizuho Bank,Ltd.</li> <li>• Apamanshop Holdings Co.,Ltd.</li> </ul>

# Major shareholders (as of 30 Nov 2008)

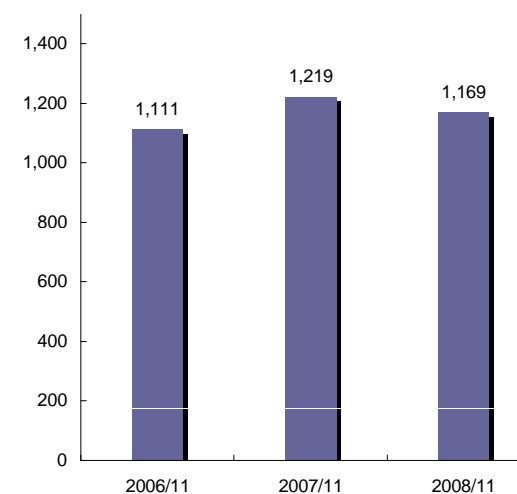
## major shareholders

Shareholder	No. of shares	%	
Office Ohgi	16,450	20.10%	Private Company of Masashi Mizunaga
The Bank of New York, HBK Master Fund LP	13,000	15.89%	
Jupiter Investment	12,600	15.40%	Goldman Sachs Group
Hiroshi Taguchi	9,000	11.00%	
Masashi Mizunaga	5,378	6.57%	President & Representative Director
The Master Trust Bank of Japan, Ltd. (Account in trust)	5,372	6.57%	
Japan Trustee Services Bank, Ltd. (Account in trust)	5,088	6.22%	
Yasumitsu Shigeta	1,574	1.92%	
JPMorgan Chase Bank 380084	917	1.12%	
Takao Yasuda	636	0.78%	
Others	11,806	14.43%	
<b>Total</b>	<b>81,821</b>	<b>100.00%</b>	

## Distribution of share ownership



## Number of shareholders





# Cautionary Statement / Contact Information

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- This presentation contains forward-looking statements, including forecasts of business performance and operation plans and targets. These statements are based on information available to the company's management when this material was prepared and on current assumptions for uncertain factors affecting future earnings. Actual results may differ from the information presented in this report due to a host of factors that are unforeseeable and/or beyond the control of the company.
- The information in this presentation includes data believed by the company to be reliable and has been obtained from public sources believed to be reliable. However, the company makes no representation as to the accuracy or completeness of such information.
- This presentation is not to be construed as a solicitation to invest in the company. Investors must make their own investment decisions.

For further information please contact:  
Star Mica Co., Ltd., Corporate Planning Department  
E-mail: [ir.group@starmica.co.jp](mailto:ir.group@starmica.co.jp)