

# Mirarth (8897) - Initiating coverage

## Condos & the rise of renewable energy

23<sup>rd</sup> June 2023

Share price ¥444

Market cap: ¥53.7bn

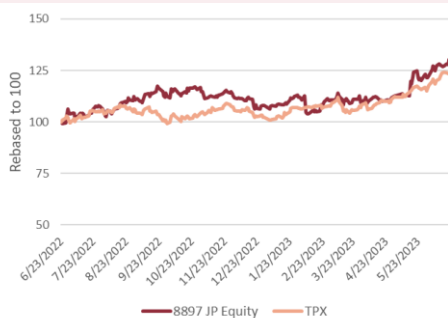
**We expect the development of a renewable energy business & shift to a stock model to preface long-term earnings growth & a stock price rerating.**

### Company sector

Real Estate Management Development  
(GICS Industry)

### Stock data

Price (¥)	444
Mkt cap (¥bn)/(\$m)	53.7 / 375.3
52-week range (¥)	325 - 446
Shares O/S (m)	121.0
Average daily value (\$m)	0.9
Free float (%)	45.5
Foreign shareholding (%)	11.8
Ticker	8897
Exchange	Tokyo Prime
Net Debt/Equity (%)	275.6



Source: Bloomberg

### BUSINESS OVERVIEW

Mirarth is one of Japan's leading real estate developers with a growing renewable energy business & asset management business.

### Next event:

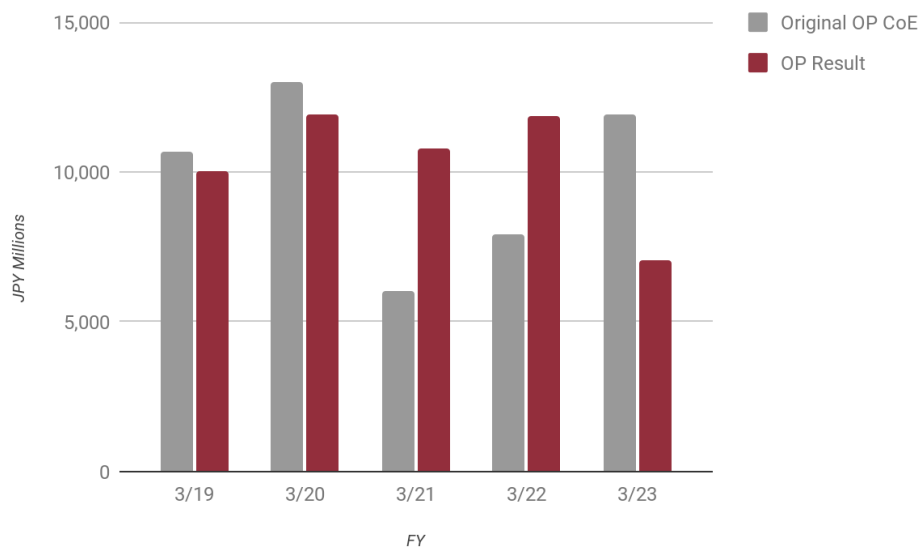
UK roadshow with CEO Kazuichi Shimada, June 26<sup>th</sup>-28<sup>th</sup>.

Storm Corporate: +44 (0) 121 288 3402  
[info@stormresearch.co.uk](mailto:info@stormresearch.co.uk)  
[Storm Corporate profile page](#)

**Mirarth is a research client of Storm Research**

- Historically Mirarth has been one of Japan's largest condominium developers in Japan but, in 2022, it switched to a holding company structure to better define the separation & synergy between its core Real Estate business, growing renewable Energy business & Asset Management business.
- Core Real Estate division FY 3/23 earnings were mixed, including below plan sales, above plan GP & below plan OP, as a focus on profitable properties was outweighed at the OP level by investment in growth. Mirarth plans to continue investing in DX & personnel to generate long term profitability improvement.
- A downward revision to FY 3/23 estimates was due to the TOB of Takara Leben Infrastructure Fund, to which Mirarth had previously sold its renewable energy plants, resulting in fewer sales of energy plants but improved profitability potential by erasing the need to pay rent to the fund.
- It also began to switch from its previous FIT-project model to a more sustainable PPA (Purchase Power Agreement) model, as it aims to turn the Energy segment into a more profitable stock business to drive long term growth as market demand for renewable energy tightens.
- In addition to the positive environmental impact of its Energy business, Mirarth has received 4/5 GRESB stars on its properties, improved its board diversity & independence, & embedded ESG efforts into its MTP, aiming for sustainable long term business growth.
- We believe the development of a new Energy model designed to create a second growth pillar, & the accompanying shift towards a stock-oriented business, leaves Mirarth at an exciting juncture. On 6x FY 3/24 earnings, trading -51% below its Jul 2016 peak, we recommend investors meet senior management to hear the investment case in person: [here](#).

Year end	3/2021	3/2022	3/2023	3/2024E
Sales (¥bn)	148.3	162.7	153.4	188.7
OP (¥bn)	10.7	11.8	7.0	13.7
NP (¥bn)	4.6	6.2	4.6	8.5
EPS (¥)	43.2	57.1	41.9	77.4
DPS (¥)	14	18	22	24
Sales growth YoY (%)	-11.9	+9.7	-5.7	+23.0
OP growth YoY (%)	-9.3	+10.1	-40.8	+94.9
NP growth YoY (%)	-12.5	+32.4	-26.2	+85.4
EPS growth YoY (%)	-12.6	+32.2	-26.6	+84.7
PER (x)	8.6	5.2	9.0	5.7
EV/EBITDA (x)	9.4	8.5	21.5	22.7
EV/Sales (x)	0.8	0.8	1.5	1.5
PBR (x)	0.8	0.6	0.7	0.8
ROE (%)	9.0	11.0	7.6	n/a
ROIC (%)	4.3	4.4	2.3	n/a
FCF yield (%)	1.4	n/a	n/a	n/a
Dividend Yield (%)	3.8	6.0	5.8	5.4

RESULTS VS  
FORECAST HISTORY

\* 3/21 original OP CoE released with 1H results.

COMPANY  
OVERVIEW

Established as Takara Komuten in 1972 to sell detached houses, Mirarth changed its name to Takara Leben in 2000 to reflect both the 'treasure' ('takara' in Japanese) & 'life' ('leben' in German) aspects of real estate.

In 2022, it moved to a holding group structure under the name Mirarth Holdings, where Mirarth is a moniker of 'mirai' (Japanese for 'future') & 'earth'. It listed on the JASDAQ market in 2001, moved to the TSE 2<sup>nd</sup> Section in 2003, the 1<sup>st</sup> section in 2004 & the Prime Market in 2022. Mirarth celebrated its 50<sup>th</sup> anniversary in 2022.

Current CEO Kazuichi Shimada (57) was appointed in 2014, having worked at Mirarth since 1987.

BUSINESS  
OVERVIEW

- **Businesses:** Mirarth has 3 business fields. Its core Real Estate business principally develops & sells condominiums & contributed 90.6% of total FY 3/23 sales. The growing Energy business develops, operates & sells renewable energy facilities & contributed 5.9% of total FY 3/23 sales, -15.1ppt YoY due to its takeover bid for an infrastructure fund. The Asset Management business manages real estate through J-REITs & other funds & contributed 0.7% of total FY 3/23 sales.

Long term, **Mirarth envisages an expansion of its Energy business into a second growth pillar** as it benefits from the expansion of the domestic renewable energy market.

- **FY 3/22 – FY 3/25 MTP:** Mirarth released its FY 3/22 – FY 3/25 MTP with FY 3/21 results but, due to changes in the Energy business model, it revised sales down & OP up at FY 3/23 results. The driving force was growth in the Energy & Asset Management businesses. The MTP rests on 7 core pillars, including the strengthening of synergies, improvement of talent & operational efficiency & active efforts towards improving ESG, including 43 ESG KPIs.

- MTP targets:

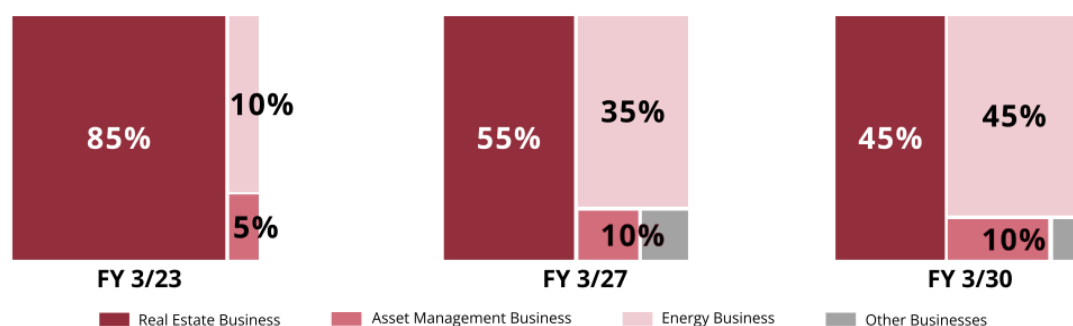
	Sales	YoY	OP	YoY	OPM	Equity Ratio	D/E Ratio	ROE
<b>FY 3/23 Results</b>	153,472	-5.7%	7,030	-40.8%	4.6%	14.7%	3.5x	7.6%
<b>Original 3/24 MTP</b>	187,100	21.9%	13,200	87.8%	7.1%	n/a	n/a	n/a
<b>Revised 3/24 MTP*</b>	188,710	23.0%	13,700	94.9%	7.3%	n/a	n/a	n/a
<b>Original 3/25 MTP</b>	203,700	8.9%	15,700	18.9%	7.7%	>30%	<2.5x	>13%
<b>Revised 3/25 MTP*</b>	200,000	6.0%	17,000	24.1%	8.5%	>20%	<3.0x	>13%

\* Revised with FY 3/23 results.

- Stock versus flow: In FY 3/23, approx. 10% of core Real Estate business sales were from stock business. 100% of FY 3/23 Energy business sales were stock versus the original 42.7% FY forecast due to Mirarth changing its Energy business model. 100% of Asset Management business sales were stock.

As shown below, Mirarth aims to increase stock business in the long term by growing the Energy & Asset Management businesses into sales pillars to achieve approx. 45% mainly flow Real Estate EBITDA & 55% mainly stock & growth Energy & Asset Management EBITDA by FY 3/30.

- EBITDA contribution outlook:



Source: Company.

- Revision: Mirarth revised down its sales & OP forecasts shortly before FY 3/23 results due to the one-off negative impact of a tender offer it made for Takara Leben Infrastructure Fund (9281) in Sep 2022. It cancelled & postponed the planned sale of energy facilities, amounting to a negative impact on sales of -Y12.3bn, & initial TOB costs were -Y832m on OP. Further negative impact came from below forecast Real Estate sales & an increase of personnel & DX investment.

- FY 3/23 sales: FY 3/23 sales finished -11.5% below the original forecast but would have been broadly in line with plan if not for the TOB. Sales were driven by growth in the Real Estate business.

- SG&A: The FY 3/23 SG&A to sales ratio was 16.1% +3ppt YoY due to the YoY sales decline & investment in personnel & DX. Total FY 3/23 SG&A increased +Y3.4bn YoY, of which Y1.2bn was related to the TOB, Y798m was from personnel expenses & Y671m was publicity expenses related to the 50<sup>th</sup> anniversary. Misc. costs included DX investment.

## EARNINGS

- *FY 3/23 OP*: FY 3/23 OP was -40.9% below the original forecast due to below plan sales & TOB-related costs but would have been in line without the TOB.

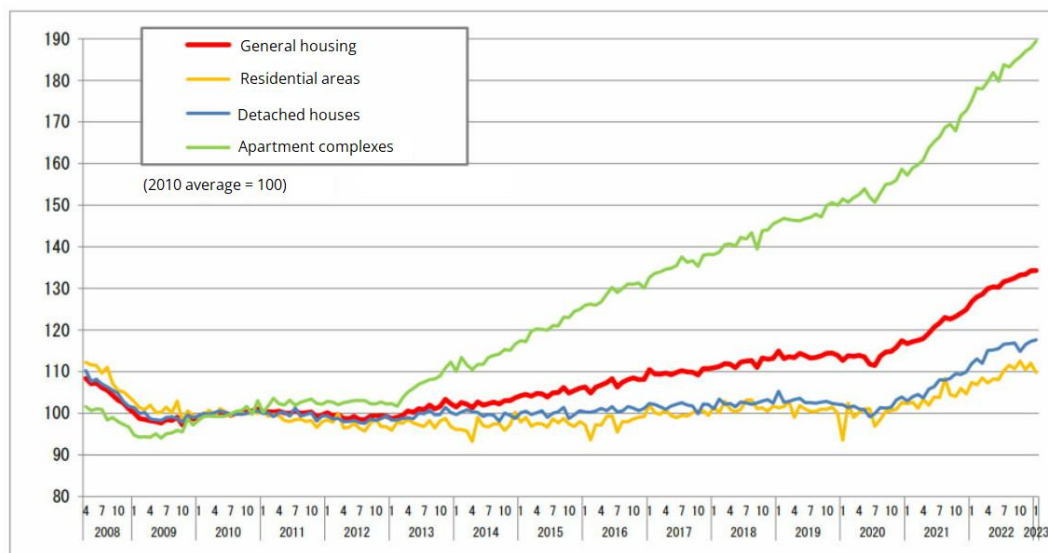
- *FY 3/23 NP*: FY 3/23 NP was ¥4.5bn -26.2%YoY due to the YoY OP decline, although the NP decline was lessened by +¥3.4bn in deferred tax assets after transfers of assets between subsidiaries due to Mirarth's FY 3/23 switch to a holding structure & its reorganisation of subsidiaries.

- *FY 3/24 outlook*: Mirarth forecasts +23%YoY FY 3/24 sales growth, largely from the Real Estate business. It also estimates +94.9%YoY OP growth due to **improved profitability of the new Energy business model & price increases in the Real Estate business**. It implies an OPM improvement of +2.7ppt YoY to 7.3% despite plans to continue DX investment & increase salaries by approx. +1-2% in FY 3/24.

### - Market overview:

- *Market conditions*: Real estate prices in Japan have been rising, led by apartment prices. Increased construction costs due to developments in the Japanese construction industry such as higher personnel costs & the rise of 2 days off per week have spearheaded the increase.

- *Japan real estate prices*:



Source: [Living Match, March 2023](#).

Typically, customers are less willing to buy when house prices rise, but Mirarth has noted that **strong demand continued in FY 3/23 despite higher prices**. It attributes this to demand from senior age brackets & higher budgets as more couples bring in double incomes. The general rise in prices of daily items may also have led to consumers resigning themselves to higher prices.

Total condo units sold in the Greater Tokyo area were 29,569 -12.1%YoY in 2022, with condo units nationwide declining -5.9%YoY to 72,967.

- *Competition:* Mirarth ranked 6<sup>th</sup> in the Real Estate Economic Institute's 2022 ranking of Japanese development groups by number of condominium units sold in 2022, versus 5<sup>th</sup> in 2021.

It **differentiates itself by developing condos in regional cities with populations of <100,000** where its competitors do not typically focus. Nomura Real Estate (3231) is its main competitor in regional cities, but Mirarth's wide geographic reach & relatively low unit number means the 2 companies rarely compete directly for customers.

- *Competition comparison:*

	Total condo units	YoY
<b>Open House (3288)</b>	5,721	5.5%
<b>Nomura Real Estate (3231)</b>	4,240	5.6%
<b>Mitsui Fudosan (8801)</b>	3,420	-14.1%
<b>Sumitomo Realty &amp; Development (8830)</b>	3,109	40.6%
<b>Daiwa House (1925)</b>	2,575	-36.3%
<b>Mirarth (8897)</b>	2,387	-3.4%

\* Data & ranking from the Real Estate Economic Institute's 2022 condo developer ranking.

- *Real Estate division:*

(JPY Millions)	3/23 CoE*	YoY	3/23 Results	YoY	3/24 CoE	YoY	3/25 Original MTP	3/25 Revised MTP**	YoY
<b>Sales</b>	146,500	17.9%	139,110	11.9%	165,550	19.0%	179,930	176,970	6.9%
<b>GP</b>	28,450	7.7%	29,954	13.4%	33,370	11.4%	35,730	36,130	8.3%
<b>GPM</b>	19.4%	-1.8%	21.5%	0.3%	20.2%	-1.4%	19.9%	20.4%	0.3%
<b>OP</b>	9,890	29.1%	7,906	3.2%	10,440	32.1%	14,620	13,420	28.5%
<b>OPM</b>	6.8%	0.6%	5.7%	-0.5%	6.3%	0.6%	8.1%	7.6%	1.3%

\* No FY 3/23 revision released for segments.

\*\* Revised with FY 3/23 results.

- *FY 3/23 earnings:* FY 3/23 sales growth was primarily (54.7%) driven by new condo sales. The main factor driving above plan GP, despite below plan sales, was the prioritisation of high margin properties in the Liquidation business. A Y2bn increase in Real Estate SG&A due to investment in personnel & DX kept FY 3/23 OP below plan.

- *FY 3/24 outlook:* Mirarth has forecast FY 3/24 sales & OP growth driven by new unit sales growth & higher prices in the new built-for-sale condominium business, as well as growth in smaller businesses. FY 3/24 costs are approx. 70% fixed & Mirarth is considering options for cutting the remainder to accommodate what it cannot pass on to customers through prices.

- *FY 3/25 outlook:* Mirarth revised down its MTP targets at FY 3/23 results to reflect below plan FY 3/23 sales & to factor in continued investment in personnel & DX. It plans to invest Y30bn-Y50bn annually in the Liquidation business, generating <Y5bn in GP each year. It also aims to expand geographically: it has 1 apartment complex in Thailand & plans to develop 2 more in the medium term, but overseas sales are likely to remain an insignificant percentage of the total for the medium term.

**- New Built-for-sale Condominiums:**

(JPY Millions)	3/23 CoE*	YoY	3/23 Results	YoY	3/24 CoE	YoY	3/25 Original MTP	3/25 Revised MTP**	YoY
<b>Sales</b>	75,400	9.4%	76,110	10.4%	92,700	21.8%	101,500	101,500	9.5%
<b>GP</b>	15,600	7.6%	16,724	15.3%	20,400	22.0%	21,500	21,500	5.4%
<b>GPM</b>	20.7%	-0.4%	22.0%	0.9%	22.0%	0.0%	21.2%	21.2%	-0.8%
<b>Units</b>	1,780	-2.7%	1,861	1.7%	2,200	18.2%	2,600	2,200	0.0%

\* No FY 3/23 revision released for segments.

\*\* Revised with FY 3/23 results.

Mirarth's core New Built-for-sale Condominium business develops & sells condos.

- **FY 3/23 sales:** FY 3/23 sales were **above plan due to high prices, above plan unit development & ample demand allowing Mirarth to sell without discounts.**

- **Products:** Mirarth sells LEBEN condos targeting families & smaller NEBEL condos for singles & couples. In FY 3/23, approx. 85% of condos sold were LEBEN & 15% NEBEL & Mirarth believes increasing numbers of DINKs are likely to raise the NEBEL proportion long-term.

**Prices have been increasing due to rising construction costs**, averaging Y41m in FY 3/23 versus Y37.5m in FY 3/18, & potentially rising as high as Y45m per condo in the medium term. Mirarth believes competitor prices are likely rising similarly.

- **FY 3/23 GPM:** The FY 3/23 GPM of 22% was above the 20.7% forecast, despite rising construction costs, **due to the successful acquisition of profitable locations.** Mirarth prioritises potential GP over unit numbers & focuses on desirable locations such as near stations. It is also able to sell directly, circumventing agent fees.

- **Locations: 48.8% +1.4ppt YoY of condos sold in FY 3/23 were in metropolitan areas.** Although metropolitan areas have higher land & construction costs, demand is also higher. Mirarth aims to maintain the proportion of metropolitan versus regional condos at approx. 35% for the duration of the MTP, revised down from the original 50% MTP forecast, due to the relative ease of regional procurement. It aims to achieve 50% metropolitan sales in the long term but prioritises high value procurement over arbitrary targets.

- **Outlook:** Mirarth has forecast 2,200 units +18.2%YoY in FY 3/24 but no unit growth in FY 3/25. There is a time lag of approx. 2 years on condo development, hence FY 3/25 units are likely to be negatively impacted by high FY 3/23 construction costs limiting development, but Mirarth believes further price hikes & a change in line-up will allow it to achieve its FY 3/25 sales & GP forecasts.

It nonetheless remains conservative given uncertainty on how high it can raise prices & has forecast a FY 3/25 GPM deterioration.

Mirarth believes inflation cooling customer appetites may represent a risk factor, although rising salaries could limit the impact. Large Japan companies raised salaries in March 2023 due to union negotiations & the rising cost of living & the wider market is expected to follow suit.

**- Liquidation:**

(JPY Millions)	3/23 CoE*	YoY	3/23 Results	YoY	3/24 CoE	YoY	3/25 Original MTP	3/25 Revised MTP**	YoY
<b>Sales</b>	36,900	42.6%	30,631	18.4%	30,000	-2.1%	36,000	30,600	2.0%
<b>GP</b>	5,600	7.9%	6,707	29.2%	5,410	-19.3%	5,100	5,500	1.7%
<b>GPM</b>	15.2%	-4.9%	21.9%	1.8%	18.0%	-3.9%	14.2%	18.0%	-0.1%

\* No FY 3/23 revision released for segments.

\*\* Revised with FY 3/23 results.

The Liquidation business is the second pillar of the Real Estate division, **developing & selling real estate assets to REITs, private funds & external buyers**. FY 3/23 total Liquidation assets were 38% residences & 38% offices, with the remainder split into assets such as hotels or warehouses. Projects tend to be Y1bn-Y2bn, smaller scale than major real estate companies, which reduces competition.

Mirarth sells approx. 70%-80% of its developed properties to the Takara Leben Real Estate Investment Corporation (TSE REIT: 3492), which Mirarth listed in 2018. It generates sales from selling properties & from asset management fees. It can regulate the amount of GP it generates in the Liquidation segment to an extent by selling more properties to compensate for other business shortfalls. Prior to sale, it receives rent from the properties it develops, which it records in the Real Estate Rental business.

- *FY 3/23 earnings*: FY 3/23 sales were below plan but GP was above plan due to the development & sale of high margin small logistics centres. 14% of the total Y30.6bn in FY 3/22 Liquidation property sales was from commercial & logistics buildings versus 8% in FY 3/22.

Small logistics centres had an approx. GPM of >30% in FY 3/23, compared to 18-22% for new build condos & 13-15% for existing condos. Mirarth does not plan to raise the proportion of small logistics centres significantly in the short term, focusing instead on residences in which it has expertise from its condo business.

- *Assets*: The book value of completed FY 3/23 properties was Y38.9bn +9.9%YoY, with a further Y18.9bn in unfinished projects that Mirarth estimated would be worth Y40.8bn once complete from FY 3/26 onwards.

- *Outlook*: Mirarth prioritises GP targets above sales & does not consider the missed FY 3/23 sales target a concern. It plans to be more stringent in its choice of investment in FY 3/24 & has thus forecast a GP decline in FY 3/24 but subsequent growth.

- ***New Detached Houses***: The New Detached House business develops & sells detached housing.

FY 3/23 sales of Y10bn were below the Y12bn plan due to tight competition. Although Mirarth prioritises GP per unit above quantity, it plans to increase salespeople to grow FY 3/24 units +27%YoY to 240. Whilst the 13.2% -1.5ppt YoY GPM was broadly in line, Mirarth considers it too low. It is likely to cut costs & continue prioritising effective procurement in FY 3/24, although it forecasts 10.3% -2.9ppt YoY FY 3/24 GPM.

- ***Renewal Resale***: The Renewal Resale business purchases existing rental condos, collects rent & renovates & resells units once the occupants have vacated.

FY 3/23 sales of Y6.1bn +7.1%YoY & GP of Y990m -8.5%YoY were **above plan due to rising prices in the used apartment market**. Mirarth believes it has scope to raise prices further but reports that competition is tightening. It foresees steady GP growth from this business, expecting Y1.2bn +27.3%YoY GP in FY 3/24 & Y1.6bn +27%YoY in FY 3/25.

**- Real Estate Rental:** The stock Rental business manages, buys & sells rental properties. Approx. 60% of FY 3/23 sales were from properties developed within the Liquidation & Renewal businesses, with a GPM of approx. 40%-50%. Approx. 40% were subleased properties with a significantly lower, undisclosed GPM.

FY 3/23 sales of Y5.8bn -2.2%YoY were below plan as the Liquidation business was below plan, resulting in lower rent revenue. A GPM of 21.5% -3.4ppt YoY was also below plan as it is a personnel-heavy business & higher personnel costs dictate GPM deterioration when sales are weak. The proportion of subleasing sales is likely to fall, improving GPM to the 24.3% forecast for FY 3/24.

**- Real Estate Management:** The stock Management business manages apartment complexes, approx. 50% owned by Mirarth & 50% owned by other companies.

FY 3/23 sales of Y8.8bn +9%YoY were above plan, although units of 72,603 +4.7%YoY were below the 73,800 forecast due to Mirarth raising its unit standards. Mirarth expects steady growth as it increases properties by approx. +4,000 annually. The GPM of 19.5% -2.7ppt YoY was also below plan due to high personnel costs, but Mirarth is considering raising management prices to improve GPM to the forecast 20.6% in FY 3/24.

## ENERGY

(JPY Millions)	3/23 CoE*	YoY	3/23 Results	YoY	3/24 CoE	YoY	3/25 Original MTP	3/25 Revised MTP**	YoY
<b>Sales</b>	21,800	-36.3%	9,045	-73.6%	13,790	52.5%	19,200	12,700	-7.9%
<b>GP</b>	3,350	-37.9%	826	-84.7%	4,520	447.2%	1,300	4,730	4.6%
<b>GPM</b>	15.4%	-0.4%	9.1%	-6.6%	32.8%	23.6%	6.8%	37.2%	4.5%
<b>OP</b>	1,690	-56.0%	-956	n/a	3,050	n/a	600	3,160	3.6%
<b>OPM</b>	7.8%	-3.5%	n/a	n/a	22.1%	n/a	3.1%	24.9%	2.8%

\* No FY 3/23 revision released for segments.

\*\* Revised with FY 3/23 results.

The Energy business **develops, sells & operates renewable power plants, the majority solar but also comprising wind & biomass plants**.

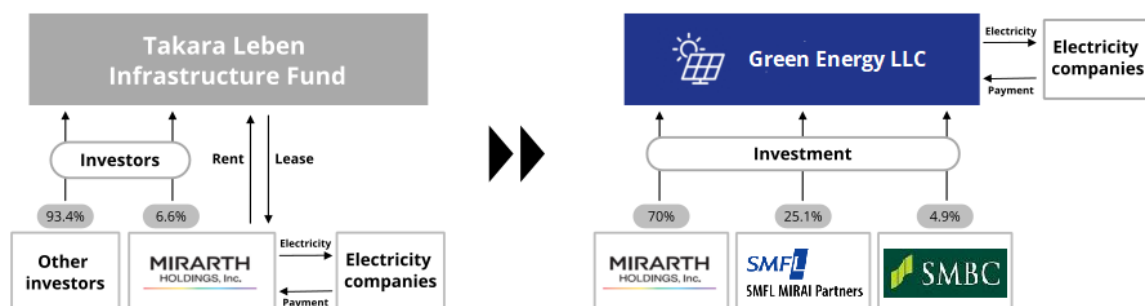
**- Business model change (1): TOB**

**- Old business model:** Historically, this segment had sold renewable energy facilities to the Takara Leben Infrastructure Fund (TLIF), generating flow sales. It had subsequently operated the plants, paying rent to TLIF, & sold the energy to consumers, generating stock sales. FY 3/22 facility sales were 74.1% of the Y34.2bn total, with electricity sales making up the remainder.

**- New business model:** In Sep 2022, Mirarth's subsidiary, Green Energy LLC, bought out TLIF & acquired its 42 facilities. The TOB was completed on 11<sup>th</sup> Nov 2022.



- Pre-TOB & post-TOB business model:



Source: Company.

Henceforth, Mirarth plans to focus solely on electricity sales, developing new facilities whilst operating erstwhile TLIF facilities through Green Energy LLC. New solar facilities cost approx. Y300m to develop. By consolidating ownership & operation of the facilities, Mirarth expects the business to generate steady stock sales, becoming a stock business. Additionally, it will no longer pay rent to a fund, triggering margin improvement.

The FY 3/22 Energy OPM was 11.2% but Mirarth has forecast 22.1% for FY 3/24 (the business had an operating loss in FY 3/23 due to TOB costs).

- Business model change (2): FIT projects to PPA (Purchase Power Agreements)

In 2012, the Japanese government began the Feed-in-Tariff (FIT) scheme, obliging customers to purchase renewable electricity at fixed prices for fixed periods to promote sustainable energy. Mirarth benefited from this scheme: in FY 3/23, it had >200 plants producing approx. 360MW of facilities in FIT contracts, of which over half was sold at Y32/kWh or above.

Fixed FIT prices have been steadily declining: the price for 10kW-50kW was Y42/kWh in 2012 but had declined to Y11/kWh by 2022. Mirarth's FIT projects are still in fixed contracts of approx. 20 years, with the oldest having started in 2015, but **it no longer sees the venture as profitable.**

It aims to keep its 360MW of FIT projects as steady sales generators & expand the business with purchase power agreements (PPAs). Once its FIT contract periods have elapsed, the old FIT facilities will be adapted to PPA models.

- Differences between FIT & PPA projects:

	FIT Projects	PPAs
<b>Price</b>	Government-assigned fixed price (declining)	Fixed or not depends on buyer
<b>Length of contract</b>	20 years for >10kW	Assumed 20 years
<b>Typical size of facilities</b>	Large facilities >1MW	Small to mid facilities <1MW
<b>Onsite or offsite</b>	Offsite	Small onsite facilities on buyer's premises & larger offsite facilities both possible
<b>GPM</b>	30%-40%	30%-40%

- PPAs: As of FY 3/23, Mirarth was partnered with 4 companies for PPA purposes: Osaka Gas (9532), Mitsui & Co. Plant Systems (subsidiary of Mitsui & Co (8031)), & SMFL MIRAI Partners & Sumitomo Mitsui Banking Corporation (both subsidiaries of Sumitomo Mitsui Financial Group (8316)). It plans to acquire 2-3 more partners in the medium term but believes demand from

existing partners is strong enough to drive growth without further additions. In May 2023, Mirarth had 1MW-2MW in PPA projects.

- *Other schemes:* Mirarth has 1 wind power plant with another in construction & 1 biomass power plant. It plans to increase these if the opportunity presents itself, to diversify its energy offerings for its long-term goal of acquiring an electricity retail subsidiary. Additionally, it has begun expansion into microgrids, small-scale energy networks which can offer independence & resilience for small communities.

- *Competition:* Mirarth does not see competition in the nascent Japanese renewable energy market as a risk factor to growth & has little difficulty in procuring sites for new small PPA facilities. It differentiates via its strong real estate network, its experience in building low-cost facilities quickly & its know-how obtained through the operation of over 250 solar power plants throughout Japan.

- *FY 3/23 earnings:* FY 3/23 sales & OP would have been according to plan without the TOB but were below plan due to ¥12.3bn in cancelled or postponed facilities. Cost cutting had a +¥900m YoY positive impact on segmental OP, but the TOB-related impact on OP included -¥832m in initial costs, -¥1.6bn in cancelled facility sales & -¥1.1bn in postponed facility sales.

- *Facilities:* Mirarth recorded no facility sales in FY 3/23 due to the TOB, versus ¥25.4bn in FY 3/22. ¥3.8bn facility sales are forecast for FY 3/24, including postponed FY 3/23 sales, to be sold to external buyers. Mirarth expects facility sales to diminish further to ¥2bn in FY 3/25 as it phases them out.

- *MTP outlook:* Mirarth had originally forecast 360MW capacity by FY 3/25, but it achieved this in FY 3/23. FIT & PPA projects have similar GPMs, hence the switch is unlikely to affect the GPM significantly, but Mirarth expects the lack of rent payments to TLIF to improve profitability, outweighing the expected -¥700m in TOB-related costs for FY 3/24. The company has forecast approx. ¥1bn segmental NP annually from FY 3/25, to increase steadily thereafter, compared to an approx. -¥2bn net loss in FY 3/23.

- *Long term outlook:* Long term, **Mirarth expects the growing renewable energy market to support its PPA facility expansion**, accumulating stock sales & driving growth of the Energy business into a second pillar for the company. An increase in domestic nuclear power output is a potential risk factor.

## ASSET MANAGEMENT

(JPY Millions)	3/23 CoE*	YoY	3/23 Results	YoY	3/24 CoE	YoY	3/25 Original MTP	3/25 Revised MTP**	YoY
<b>Sales</b>	1,200	-8.7%	1,096	-16.7%	820	-25.2%	1,570	1,070	30.5%
<b>GP</b>	970	-20.7%	963	-21.3%	610	-36.7%	1,270	810	32.8%
<b>GPM</b>	80.8%	-12.2%	87.8%	-5.1%	74.4%	-13.5%	80.9%	75.7%	1.3%
<b>OP</b>	270	-54.5%	322	-45.7%	10	-96.9%	430	110	1000.0%
<b>OPM</b>	22.5%	-22.6%	29.4%	-15.7%	1.2%	-28.2%	27.4%	10.3%	9.1%

\* No FY 3/23 revision released for segments.

\*\* Revised with FY 3/23 results.

The 100% stock Asset Management business manages J-REITs & funds.

- **AuM:** In FY 3/23, **AuM were Y249bn +18.8%YoY due to the acquisition of 8 new properties & a public offering from Mirarth's REIT**, the Takara Leben Real Estate Investment Corporation, the main sponsor of the business. 52.8% of FY 3/23 AuM was in the REIT, principally weighted to residences & offices, 31.2% was in TLIF & the remainder was in private offerings.

- **FY 3/23 earnings:** FY 3/23 sales were below plan due to the TOB meaning the business received a lower amount of asset management fees than expected when the forecast was released with FY 3/22 results. Conversely, OP was above plan due to lower personnel costs than expected, with FY 3/23 hiring below plan as asset management is a challenging market to hire for.

- **FY 3/24:** Mirarth forecasts a FY 3/24 sales & OP decline due to the total absence of remuneration from TLIF after its consolidation, but it expects the growth of existing contributing funds & the acquisition of new funds to drive a recovery in FY 3/25 & thereafter.

- **Outlook:** Mirarth aims to continue growing assets to reach Y300bn in FY 3/25. It is then likely to forecast growth to Y500bn & subsequently Y700bn on an unspecified time scale, thereby growing stock revenue from fees & **eventually growing the Asset Management business into a third sales pillar alongside Real Estate & Energy.**

## OTHER

(JPY Millions)	3/23 CoE	YoY	3/23 Results	YoY	3/24 CoE	YoY	3/25 Original MTP	3/25 Revised MTP*	YoY
<b>Sales</b>	4,000	38.2%	4,219	45.7%	8,550	102.7%	3,000	9,260	8.3%
<b>GP</b>	330	258.7%	-35	n/a	500	n/a	400	630	26.0%
<b>GPM</b>	8.3%	5.1%	n/a	n/a	5.8%	n/a	13.3%	6.8%	1.0%
<b>OP</b>	50	n/a	-241	n/a	200	n/a	50	310	55.0%
<b>OPM</b>	1.3%	n/a	n/a	n/a	2.3%	n/a	1.7%	3.3%	1.0%

\* Revised with FY 3/23 results.

The Other segment includes businesses such as construction, rehabilitation-oriented services for seniors, & HOTEL THE LEBEN. The first of this new hotel chain was opened in Osaka in March 2022 to commemorate the company's 50<sup>th</sup> anniversary.

- **FY 3/23 earnings:** Above plan FY 3/23 sales growth was driven by strength in the construction business, but the segment was in the red due to continued operating losses in the growing hotel business.

Mirarth has forecast sales & OP growth to rebound in FY 3/24 due to the construction business & the hotel business becoming profitable, with more modest growth thereafter.

## BALANCE SHEET

FY 3/23 assets increased +52.9%YoY to Y341.7bn due to a +Y72.1bn YoY increase in fixed assets from the TOB & a +Y28.6bn YoY increase in inventory from successful procurement. FY 3/23 liabilities increased +68.7%YoY to Y276.5bn due to the cost of the TOB. Mirarth was FCF negative in FY 3/23 & is unlikely to turn positive before FY 3/27 due to investment in the Energy business.

Energy business investment is expected to be financed mainly by borrowings, but the company is also likely to consider taking some assets off the balance sheet by selling them to partners to aid financing. Mirarth does not plan to issue equity in the short term.

## ESG

Mirarth's ESG efforts are headed by its sustainability committee & include:

- *Environment*: Mirarth's renewable energy business promotes solar, wind & biomass energy use in Japan. It operates the first apartment complex in Nagano to receive the top 5-star grade in the Ministry of the Environment's ZEH-M Oriented certification, a project to reduce CO2 usage in new residential builds. In the 2021 GRESB Infrastructure Asset Evaluation, **Mirarth's properties received a 4-star GRESB rating (out of 5 stars) due to its ESG-related policies & targets.**

It aims for net zero Scope 1 & 2 emissions across the group by FY 3/50, with a 50% reduction from FY 3/20 by FY 3/30. It aims to do this with green electricity in its offices, energy saving & offsets. In FY 3/21, its total Scope 1 & 2 emissions were 2t +0.3%YoY.

- *Social*: In addition to community-building efforts at its units such as get-togethers & rehabilitation for seniors, Mirarth donates to & supports community revitalisation projects. It has employee support programs in place & raised salaries in FY 3/23. Additionally, it develops its employees across a 3 year program & allows employees to move across divisions for variety.

The Group has won several awards, such as the 'Three Times Continuous Award' for companies continuously working to improve workplaces in FY 3/21.

- *Governance*: After active efforts to improve its governance, **Mirarth increased its external Board members from 20% in FY 3/17 to 67% in FY 3/23. 4 of its 6 directors are external & 2 are female.** It limits the annual remuneration of directors to Y600m (not including the employee portion of salaries) & Y60m for auditors, as decided by the AGM.

Mirarth has also pledged to align its disclosure with the TCFD recommendations. Full sustainability information can be found in English [here](#).

## SHAREHOLDER RETURNS

Mirarth paid a Y22 dividend in FY 3/23, +Y4 YoY, including an additional Y2 announced in Feb 2023 to commemorate the company's 50<sup>th</sup> anniversary. In principle, it prioritises stable dividends & targets a 30%-35% payout ratio.

It plans to pay a dividend of Y24 in FY 3/24, on an implied payout ratio of 31% -21.5ppt YoY due to the significant NP decline in FY 3/23 that is not expected to recur. We note the FY 3/23 ROE was 7.6% but would have been 10.1% without the TOB.

Approx. 23% of shares were owned by founder Yoshio Murayama's family as of March 2023.

## COMPANY TIMELINE

<b>1972</b>	Established Takara Komuten Co., Ltd. (currently Takara Leben) Started sales of detached houses
<b>1982</b>	Launched the Real Estate Rental business
<b>1988</b>	Established Takara Management Co., Ltd. (currently Leben Community) Launched the Real Estate Management business
<b>1994</b>	Started sales of 'Leben Heim' condominiums
<b>2000</b>	Changed company name to Takara Leben Co., Ltd.
<b>2001</b>	Established TAFUKO Co., Ltd. Launched the Financial Brokering business Listed on the JASDAQ market
<b>2003</b>	Listed on the Second Section of the Tokyo Stock Exchange
<b>2004</b>	Listed on the First Section of the Tokyo Stock Exchange Established Relivel Leben Co., Ltd. (previously Takara West Japan Co., Ltd.) Launched the trustee division for real estate sales Established AS Partners Co., Ltd. Launched the Nursing Care For Seniors business
<b>2006</b>	Moved the main office to Shinjuku Sumitomo Building
<b>2008</b>	Made Marunouchi Servicer a subsidiary Released new Takara Leben Brands
<b>2010</b>	Launched the Detached Housing business (built by Takara Leben) Capital increase based on Japan's first rights offering
<b>2011</b>	Joined an open house and began sales of custom-built houses
<b>2012</b>	Introduced new condominium brands Established the Yokohama branch Made Takara Housing Co., Ltd. (previously Takara Property Co., Ltd.) a subsidiary for the Real Estate Rental business
<b>2013</b>	Entry to the Mega-Solar business Established Takara Asset Management Co., Ltd. Launched the Investment Management business Established Takara Investments Co., Ltd. Launched the Real Estate Investment business Made Sunwood Corporation an associated company accounted for by the equity method
<b>2014</b>	Established the Hokuriku sales office Established the Tohoku sales office Made Oasis Co., Ltd. (currently Takara Leben Realnet Co., Ltd.) a subsidiary Made Nikko Kensetsu Co., Ltd. (currently Leben Home Build Co., Ltd.) a subsidiary
<b>2015</b>	Made Live Net Co., Ltd. (previously Takara Leben West Japan Co., Ltd.) a subsidiary Made Jyutakujiyouhoukan Co., Ltd. (currently Takara Leben Co., Ltd.) a subsidiary
<b>2016</b>	Made Nikko Property Co., Ltd. (currently Leben Trust Co., Ltd.) a subsidiary Changed the company name of Nikko Kensetsu Co., Ltd. to Nikko Takara Corporation Co., Ltd. (currently Leben Home Build Co., Ltd.) Takara Leben Infrastructure Fund, Inc. was the first to be listed on the infrastructure fund market
<b>2017</b>	Introduced a new condominium brand Established the Osaka branch Established the Sapporo sales office Changed the company name of Jyutakujiyouhoukan Co., Ltd. to Takara Leben West Japan Co., Ltd. Main office moved to Tekko Building, Marunouchi, Chiyoda-ku
<b>2018</b>	Changed the company name of TAFUKO Co., Ltd. to Leben Zestock Co., Ltd. Made PAG Investment Management Ltd. (currently Takara PAG Real Estate Advisory Ltd.) a subsidiary Established a representative office in Hanoi City Takara Leben Real Estate Investment Corporation was listed on the Tokyo Stock Exchange
<b>2019</b>	Changed the company name of Nikko Property Co., Ltd. to Leben Trust Co., Ltd. Leben Trust Co., Ltd. merged with Takara Property Co., Ltd.
<b>2021</b>	Established Leben Funding LLC. Made ACA Clean Energy Co., Ltd. a subsidiary Established the Nagoya sales office Changed the company name of ACA Clean Energy Co., Ltd. to Leben Clean Energy Co., Ltd. Sunwood Corporation became a non-subsiary due to the transfer of shares

<b>2022</b>	<p>Changed the company name of Nikko Takara Corporation Co., Ltd. to Leben Home Build Co., Ltd.</p> <p>Established Takara Leben (Thailand) Co., Ltd. in Bangkok</p> <p>50 year anniversary</p> <p>Established MIRARTH HOLDINGS, Inc. (changed company name from Takara Leben Co., Ltd. to MIRARTH HOLDINGS, Inc.)</p> <p>Changed the company name of Takara Leben West Japan Co., Ltd. to Takara Leben Co., Ltd., merged with Takara Leben West Japan Co., Ltd., and moved the head office to Marunouchi, Chiyoda-ku, Tokyo.</p>
<b>2023</b>	Delisted Takara Leben Infrastructure Fund, Inc. through a tender offer

## COMPANY DETAILS

### Company contact details

Tekko Building 16F  
1-8-2, Marunouchi Chiyoda-ku  
Tokyo 100-0005  
Japan

Website: <https://mirarth.co.jp/en/>

E-mail: [irinfo@mirarth.co.jp](mailto:irinfo@mirarth.co.jp)

Major shareholders	Stake %
General Incorporated Association Murayama Asset Management	18.29
The Master Trust Bank of Japan, Ltd. (for trust account)	10.02
MIRARTH HOLDINGS, Inc.	9.25
Yoshio Murayama	2.89
Custody Bank of Japan, Ltd. (for trust account)	2.72
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1.69
Murayama Kikaku Co., Ltd.	1.65
RUDEN HOLDINGS Co., Ltd.	1.50
MSIP CLIENT SECURITIES	1.44
MIRARTH HOLDINGS Business Partner Shareholding Association	1.12

Source: Company.

## MANAGEMENT

<b>Representative Director, Group CEO, Group COO and President Executive Officer</b>	<b>Kazuichi Shimada</b>
<b>Year of birth</b>	1965
<b>Shareholding</b>	0.77%
<b>Career history</b>	
<b>May 1987</b>	Joined Takara Leben Co., Ltd (now known as MIRARTH HOLDINGS Co., Ltd).
<b>June 1998</b>	Director and General Manager of Development Department
<b>June 2000</b>	Managing Director, General Manager of Development Division, and General Manager of Development Department and Construction Department of Head Office
<b>June 2006</b>	Representative Director, Executive Vice President, and General Manager of Development Division
<b>April 2012</b>	Representative Director, Executive Vice President, Chief Operating Officer (COO), Chief Financial Officer (CFO), and General Manager of General Planning Division
<b>April 2014</b>	Representative Director, President, Chief Executive Officer (CEO), Chief Operating Officer (COO), and Chief Financial Officer (CFO)
<b>April 2019</b>	Representative Director, President, and Chief Executive Officer (CEO)
<b>June 2019</b>	Representative Director, Chief Executive Officer (CEO), and President Executive Officer (present)
<b>Oct 2022</b>	Representative Director, Group CEO, Group COO and President Executive Officer (current position)
	Representative Director, CEO and President Executive Officer, Takara Leben Co., Ltd. (current position)
<b>Director, Group CFO and Managing Director/Executive Officer</b>	<b>Masashi Yamamoto</b>
<b>Year of birth</b>	1960
<b>Shareholding</b>	0.11%
<b>Career history</b>	
<b>April 2006</b>	Manager of Ueda Corporate Business Office, Sumitomo Mitsui Banking Corporation
<b>April 2009</b>	Manager of Kamata Corporate Business Office, Sumitomo Mitsui Banking Corporation
<b>April 2011</b>	Manager of Sapporo Corporate Business Office, Sumitomo Mitsui Banking Corporation
<b>April 2014</b>	General Manager of Central Tokyo Corporate Business Office, Tokyo East Corporate Business Office, and East Japan Wide Area Corporate Business Office, Sumitomo Mitsui Banking Corporation
<b>June 2016</b>	Joined Takara Leben Co., Ltd. (now known as MIRARTH HOLDINGS Co., Ltd) as General Manager of General Affairs Department, General Planning Division
<b>June 2017</b>	Director, Executive Officer, General Manager of General Planning Division, Senior General Manager of Corporate Planning Department, General Manager of Human Resources Department, and General Manager of Corporate Planning Department
<b>April 2018</b>	Director, Executive Officer, General Manager of General Planning Division, Senior General Manager of Corporate Planning Department, and General Manager of Corporate Planning Department
<b>April 2019</b>	Director, Chief Financial Officer (CFO), Executive Officer, General Manager of General Planning Division
<b>April 2020</b>	Director, Chief Financial Officer (CFO), Managing Executive Officer, General Manager of General Planning Division
<b>April 2021</b>	Director, Chief Financial Officer (CFO), Managing Executive Officer, General Manager of Administration Headquarters
<b>Oct 2022</b>	Director, Group CFO, Managing Director/Executive Officer, and General Manager of Corporate Planning Headquarters
	Director, CFO, Managing Director/Executive Officer, and General Manager of Corporate Planning Headquarters, Takara Leben Co., Ltd. (current position)
<b>April 2023</b>	Director, Group CFO, Managing Director/Executive Officer (current position)

Director (External)	Kenji Kawada
Year of birth	1950
Shareholding	0.01%
Career history	
May 2003	Representative Director and President, Resona Holdings, Inc.
June 2003	Director, President and Representative Executive Officer, Resona Holdings, Inc.
June 2006	Representative Director and President, Saitama Resona Bank, Limited, and Executive Officer in charge of Group Strategy Division, Resona Holdings, Inc.
June 2009	President, Resona Research Institute Co., Ltd.
April 2011	Executive Director, Fujitsu Research Institute
Jan 2016	Representative, TMA KAWADA OFFICE (current position)
April 2016	Adviser, Fujitsu Research Institute
June 2017	External Director, PE&HR Co., Ltd. (current position) External Director (current position), Takara Leben Co., Ltd. (now known as MIRARTH HOLDINGS Co., Ltd).
June 2018	External Auditor, Konishi, Co., Ltd.
June 2021	External Director (Audit and Supervisory Committee Member), Konishi, Co., Ltd. (current position)
Sep 2022	Director, METORIKA Co., Ltd. (current position)

Director (External)	Chiaki Tsuji
Year of birth	1953
Shareholding	0.01%
Career history	
Oct 1976	Passed the bar examination
April 1979	Registered as lawyer with the Tokyo Bar Association Joined Yamamoto Eisoku Law Office
Oct 1988	Studied in Germany to research judiciary systems
Oct 1990	Qualified as lawyer in Germany (Japanese law)
Oct 1990	Joined Peter Beyer Law Firm in Germany as partner lawyer
April 1993	Lecturer (law, constitution), Bunka Women's University (currently Bunka Gakuen University)
July 2001	Opened Yoshioka & Tsuji Law Office as partner lawyer
April 2004	Professor (civil affairs), Department of Law, Graduate School, Yamanashi Gakuin University
April 2011	Member of Certified Evaluation and Accreditation for Law Schools, Japan University Accreditation Association
June 2017	External Director, Yorozu Corporation (Audit and Supervisory Committee Member) (current position)
April 2018	Visiting professor, Department of Law, Yamanashi Gakuin University
June 2019	External Director, Keihin Corporation (currently Hitachi Astemo, Ltd.)
July 2019	Partner Lawyer, Kinorr Tokyo Law Office (current position)
June 2021	External Director (current position), Takara Leben Co., Ltd. (now known as MIRARTH HOLDINGS Co., Ltd).
June 2022	External Audit and Supervisory Board Member, Moriroku Holdings Company, Ltd. (current position)

Director (External)	Keiko Yamahira
Year of birth	1960
Shareholding	--
Career history	
April 1983	Joined Kubota House Co. Ltd. (currently Sanyo Homes Corporation)
April 2010	Executive Officer, Sanyo Homes Corporation
June 2011	Director and Managing Director/Executive Officer, Sanyo Homes Corporation
June 2012	Director, Sanyo Reform Co., Ltd. (concurrent)
June 2013	Director, Senior Managing Director, and Executive Officer, Sanyo Homes Corporation Director, SunAdvance, Inc. (concurrent) Director, Sanyo Homes Community Corporation (concurrent)



<b>June 2015</b>	Director, President, and Executive Officer, Sanyo Homes Corporation
<b>April 2017</b>	Representative Director and Chairman, Sanyo Homes Community Corporation
<b>June 2019</b>	External Director, Joshin Denki Co., Ltd. (current position) External Director, Fujitec Co., Ltd.
<b>June 2021</b>	External Director (current position), Takara Leben Co., Ltd. (now known as MIRARTH HOLDINGS Co., Ltd).
<b>June 2022</b>	External Director, Shinagawa Refractories Co., Ltd. (current position)
<b>Director (External)</b>	<b>Naohito Yamagishi</b>
<b>Year of birth</b>	1961
<b>Shareholding</b>	--
<b>Career history</b>	
<b>April 1986</b>	Joined the National Police Agency
<b>Apr 1990</b>	Chief, Investigation Division 2, Criminal Investigation Department, Kagawa Prefectural Police Headquarters
<b>Aug 1991</b>	Chief, First Public Safety Division, Security Department, Saitama Prefectural Police Headquarters
<b>Aug 1993</b>	Assistant Director, Traffic Regulation Division, Traffic Bureau, National Police Agency
<b>Aug 1994</b>	Assistant Director, Road Policy Division, Bureau of Public Roads, Ministry of Construction (now Ministry of Land, Infrastructure, Transport and Tourism)
<b>Sep 1996</b>	Assistant Director, Driver's License Division, Traffic Bureau, National Police Agency
<b>Aug 1998</b>	Chief of Police, Nara Prefectural Police Headquarters
<b>Aug 2000</b>	Director, Security Department, Hyogo Prefectural Police Headquarters
<b>Aug 2002</b>	Security Division Director, Security Bureau, National Police Agency
<b>Aug 2004</b>	Security Services Bureau (Cabinet Intelligence and Research Office), National Police Agency
<b>Sep 2006</b>	Director, Security Department, Kanagawa Prefectural Police Headquarters
<b>Aug 2008</b>	HR, Ministry of Internal Affairs and Communications, and Pension Bureau Counsellor
<b>Aug 2010</b>	Chief, Wakayama Prefectural Police Headquarters
<b>Aug 2012</b>	Chief of Police, Kanagawa Prefectural Police Headquarters
<b>Aug 2013</b>	Director, Driver's License Division, Traffic Bureau, National Police Agency
<b>June 2014</b>	Deputy Director of the Imperial Guard Headquarters
<b>Feb 2016</b>	Chief, Niigata Prefectural Police Headquarters
<b>March 2018</b>	Director, International Police Center, National Police Academy and Deputy Director-General, National Police Agency (in charge of care for victims of crimes)
<b>Jan 2019</b>	Chief, Hokkaido Prefectural Police Headquarters
<b>Jan 2021</b>	Advisor, Mitsui Sumitomo Insurance Co., Ltd.
<b>June 2022</b>	External Director (current position), Takara Leben Co., Ltd. (now known as MIRARTH HOLDINGS Co., Ltd).
<b>Dec 2022</b>	National Association of Road Sign and Marking Businesses (Counselor)
<b>May 2023</b>	National Association of Road Sign and Marking Businesses (Executive Director) (current position)

## J GAAP Financial statements

Income statement (¥bn)	FY 3/21	FY 3/22	FY 3/23
<b>Sales</b>	<b>148.39</b>	<b>162.74</b>	<b>153.47</b>
COGS	118.5	129.6	121.8
<b>Gross profit</b>	<b>29.9</b>	<b>33.1</b>	<b>31.7</b>
Gross profit margin (%)	20.2	20.3	20.7
Operating expense	19.1	21.2	24.7
<b>Total OP</b>	<b>10.79</b>	<b>11.88</b>	<b>7.03</b>
OP margin (%)	7.3	7.3	4.6
Non-Op Income (Loss)	3.6	2.4	1.3
<b>Pretax Income</b>	<b>7.2</b>	<b>9.4</b>	<b>5.7</b>
Tax	2.5	3.2	1.3
Effective tax rate (%)	34.6	33.6	22.0
<b>Net income</b>	<b>4.69</b>	<b>6.21</b>	<b>4.58</b>

Cash flow statement (¥bn)	FY 3/21	FY 3/22	FY 3/23
Net income/pre-tax profit	4.7	6.2	4.6
Depreciation/amortization	2.0	3.2	3.4
Other non-cash items	-0.4	0.3	(0.2)
Changes in working capital	20.0	16.3	-7.0
Net cash from discontinued operations	0.0	0.0	0.0
<b>Cash from Operating Activities</b>	<b>26.3</b>	<b>23.2</b>	<b>-0.7</b>
Change in fixed * intangible assets	-25.0	-25.7	-17.6
Net change in long-term investments	0.0	-0.6	-1.8
Net cash from acquisitions * divestitures	-0.1	-2.7	-26.9
Other investing activities	0.0	1.1	0.0
Net cash from discontinued operations	0.0	0.0	0.0
<b>Cash from Investing Activities</b>	<b>-25.1</b>	<b>-27.9</b>	<b>-46.4</b>
Dividends paid	-1.8	-1.5	-2.0
Cash from (repayment) debt	4.5	0.4	63.6
Cash from (repurchase) of equity	0.0	0.0	0.0
Other financing activities	0.0	0.0	0.0
Net cash from discontinued operations	0.0	0.0	0.0
<b>Cash from Financing Activities</b>	<b>2.7</b>	<b>-1.1</b>	<b>61.5</b>
FX impact	0.0	0.0	0.0
<b>Net cash flow</b>	<b>3.9</b>	<b>-5.8</b>	<b>14.5</b>
<b>Free cash flow</b>	<b>0.6</b>	<b>-2.1</b>	<b>-20.1</b>
<b>EBITDA</b>	<b>12.8</b>	<b>15.0</b>	<b>10.4</b>

Balance sheet (¥bn)	FY 3/21	FY 3/22	FY 3/23
Cash * equivalents	37.3	33.4	47.9
Accounts * notes receivable	2.1	2.6	3.2
Inventories	73.0	91.7	120.2
Other short-term assets	13.3	14.9	17.4
<b>Current assets</b>	<b>125.7</b>	<b>142.6</b>	<b>188.7</b>
Property, plant * equipment (net of depreciation)	64.1	63.7	125.4
Long term investments * receivables	5.2	5.8	3.2
Other long-term assets	9.4	11.3	24.4
<b>Total non-current assets</b>	<b>78.6</b>	<b>80.8</b>	<b>152.9</b>
<b>Total assets</b>	<b>204.3</b>	<b>223.5</b>	<b>341.7</b>
Payables * accruals	15.6	17.5	20.7
Short-term debt	26.9	41.7	118.3
Other short-term liabilities	13.2	15.8	23.2
<b>Total current liabilities</b>	<b>55.6</b>	<b>75.0</b>	<b>162.2</b>
Long term debt	91.7	86.3	109.1
Other long-term liabilities	2.3	2.6	5.3
<b>Total non-current liabilities</b>	<b>94.0</b>	<b>88.9</b>	<b>114.4</b>
<b>Total liabilities</b>	<b>149.7</b>	<b>163.9</b>	<b>276.5</b>
Share capital * APIC	9.8	9.8	9.9
Treasury stock	4.6	4.5	4.2
Retained earnings	48.7	53.4	56.0
Other equity	0.5	0.5	-0.1
<b>Equity before minority interest</b>	<b>54.4</b>	<b>59.3</b>	<b>61.6</b>
<b>Total equity</b>	<b>54.6</b>	<b>59.6</b>	<b>65.1</b>
<b>Total liabilities * equity</b>	<b>204.3</b>	<b>223.5</b>	<b>341.7</b>

Key metrics	FY 3/21	FY 3/22	FY 3/23
<b>Profitability</b>			
Gross margin (%)	20.2	20.3	20.7
Operating margin (%)	7.3	7.3	4.6
Net margin (%)	3.2	3.8	3.0
ROIC (%)	4.3	4.4	2.3
<b>Liquidity</b>			
Current ratio (x)	2.3	1.9	1.2
Quick ratio (x)	0.7	0.5	0.3
<b>Leverage</b>			
Debt/Equity ratio	218.0	215.8	369.1
Net Debt/Equity ratio	145.3	158.6	275.6

**DISCLAIMER**

*This report has been commissioned by Mirarth & prepared & issued by Storm Corporate in consideration of a fee payable by Mirarth. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. To the fullest extent allowed by law Storm Corporate shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained in this report. The information that we provide should not be construed in any manner whatsoever as personalised advice. The information provided by us should also not be construed by any subscriber or prospective subscriber as Storm Corporate's solicitation to effect, or attempt to effect, any transaction in a security.*

**This report is freely available on Bloomberg, Factset, Refinitiv & S&P Capital. If you would like to subscribe directly to Storm Corporate reports, please click [here](#).**