

		WADAKOHSAN CORPORATION(8931)
Chairperson Norimasa Wada	President Takero Takashima	 

Company Information

Market	TSE, Second Section
Industry	Real Estate
Chairperson	Norimasa Wada
President	Takero Takashima
HQ Address	4-2-13, Sakaemachidori, Chuo-ku, Kobe-shi, Hyogo
Fiscal Year End	February
Website	https://www.wadakohsan.info/ir/english/

Stock Information

Share Price	Number of shares issued (excluding treasury shares)	Total market cap	ROE Act.	Trading Unit	
¥788	11,099,752 shares	¥8,746 million	5.2%	100 shares	
DPS Est.	Dividend Yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥37.00	4.7%	¥135.14	5.8x	¥2,241.71	0.4x

*The share price is the closing price on May 27. The number of shares issued is the number of shares outstanding at the end of the most recent quarter, excluding treasury stock. Each number is taken from the FY2/21 financial briefing.

Non-Consolidated Earnings Trends

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
Feb. 2018 Act.	35,149	3,304	2,424	1,589	158.23	30.00
Feb. 2019 Act.	39,287	3,445	2,687	1,843	166.07	32.00
Feb. 2020 Act.	40,093	3,290	2,442	1,781	160.49	35.00
Feb. 2021 Act.	39,806	2,737	1,918	1,267	114.22	35.00
Feb. 2022 Est.	40,000	2,900	2,200	1,500	135.14	37.00

*The forecasted values were provided by the company. Unit: Million yen, yen.

This Bridge Report presents WADAKOHSAN's earnings results for Fiscal Year ended February 2021 and Fiscal Year ending February 2022 earnings estimates.

Table of Contents

[Key Points](#)

[1. Company Overview](#)

[2. Fiscal Year ended February 2021 Earnings Results](#)

[3. Fiscal Year ending February 2022 Earnings Forecasts](#)

[4. Conclusions](#)

[<Reference: ESG activities >](#)

[<Reference: Regarding Corporate Governance>](#)

Key Points

- Sales and operating income decreased 0.7% and 16.8% year on year, respectively, in the fiscal year ended Feb. 2021. In the mainstay condominium sales business, although the number of units delivered increased significantly, the average unit price fell, resulting in only a slight increase in total sales. As the property leasing revenue business supported the entire performance, it offset the reactionary decline in sales from the previous fiscal year in the other real estate sales business. In terms of profits, there were positive factors, such as an increase in leasing revenue. However, the impact of the decrease in other real estate sales was substantial, and losses on sales and retirement of fixed assets were recorded as extraordinary losses, resulting in a net income of 1,267 million yen, down 28.8% year on year.
- Sales and operating income are expected to increase 0.5% and 5.9% year on year, respectively, in the fiscal year ending Feb. 2022. In the other real estate sales business, there are projects regarding land sales for which sales contracts have been concluded, and investment properties will most likely continue to sell well. Hence, these will likely cover the negative effects of the mainstay condominium sales business. In terms of profits, the company plans to increase profit while taking into consideration the continuing upward trend in land prices and construction costs and the possibility of recording impairment losses, which was a factor in the decline in profits in the previous fiscal year. The company also intends to increase the ordinary dividend by 2 yen/share to 37 yen/share (the expected payout ratio: 27.4%).
- Regarding sales at the Condominium Gallery, the company had to refrain from operating for a while due to the state of emergency in the previous fiscal year. However, it will continue to operate with thorough infection prevention measures this term and is currently securing the usual number of visitors. Thus, it will lead to a sense of security in the company's business performance. In addition, in the condominium sales business, which is the mainstay, the number of units to be delivered is calculated somewhat conservatively, so we would like to check the progress every quarter to see if there are any changes in the situation.

1. Company Overview

This time-honored real estate firm was founded in 1899. With its main bases among Kobe-shi, Akashi-shi and Hanshin area in Hyogo Prefecture, the company has developed its community based real estate business by selling lots for condominiums and detached houses, and dealing in real estate leases and effective land use. The company specializes in buying up sites and planning, and outsources design, architecture and sales to other firms. As for the sales of condominiums under the “WAKOHRE” brand name, although its focus is on medium scale condominiums with 30-50 units, in recent years, it is also working on the development of large-scale condominiums. The company is also expanding the business area to Hokusetsu area and Himeji-shi, which are adjacent to the above-mentioned business areas. The company is the first-place condominium supplier in Kobe-shi for 23 consecutive years, and is in the third place in the Kinki region (both in 2020). As of the end of February 2021, the cumulative supply results were 511 buildings with 19,489 residences (based on those which had started construction).

The company began a real estate leasing business in Kobe-shi in January 1899. It was incorporated as Wadakohsan Ltd. in December 1966, and reorganized into Wadakohsan Co., Ltd. in September 1979.

【Business philosophy - symbiosis (living together) your way of living contributes to others' happiness-】

The corporate philosophy is “symbiosis,” where your way of living contributes to the happiness of others, values the connections between people and supports one another. Based on this idea, the company holds up “PREMIUM UNIQUE” as its product concept, and aims to create unique places to live in that fit each customer’s own way of life, while responding to the feelings of each person who resides there.

1-1. Business segments

The business segments are divided into (1) sales of condominiums developed for the “WAKOHRE” brand, (2) sales of detached houses developed for the “WAKOHRE-Noie” brand (the sales for both businesses are entrusted to external enterprises), (3) other real estate revenue from dealing in the sale and development of real estate for investment and residential land, property leasing revenue from the lease of condominiums (the brand name “WAKOHRE-Vita” and others), stores, parking lots etc., (4) real estate rental income and (5)“others,” including things like insurance agency fees, contract cancellation fees and brokerage fees, etc. not included in the report segment.

The sales composition for the term ended Feb. 2021 puts the condominium sales at 79.6% (FY2/20: 77.1%), sales of detached houses at 5.8% (FY2/20: 5.3%), other real estate sales revenue at 6.4% (FY2/20: 10.4%), real estate rental income at 7.9% (FY2/20: 7.1%), and others at 0.3% (FY2/20: 0.2%). The segment profit composition puts condominium sales at 60.1% (FY2/20: 58.7%), sales of detached houses at 0.5% (FY2/20: -0.2%), other real estate sales at 4.2% (FY2/20: 17.2%), real estate rental income at 32.4% (FY2/20: 22.8%), and others at 2.9% (FY2/20: 1.5%).

Condominium sales business

The main areas are the Kobe and Akashi areas (around Kobe-shi and Akashi-shi in Hyogo Prefecture), the Hanshin area (Ashiya-shi, Nishinomiya-shi, Amagasaki-shi, Itami-shi and Takarazuka-shi in Hyogo Prefecture), and the focus is on developing medium scale condominiums with 30-50 units whose market has low competition, under the “WAKOHRE” brand with leading condominium businesses.

In addition to a sales strategy that focuses on highly popular areas and supplies different types of condominiums in the same area, thereby realizing diversified needs of consumers and achieving high sales efficiency. Strengths include establishing an efficient business model with unique local community strategy, such as condominium gallery strategy that suppresses selling costs through the sales of multiple condominiums at the same time in one permanent condominium gallery. Also, in recent years, the company is pursuing new possibilities by carrying out large-scale projects over 100 units, responding to increasing construction cost and reflecting purchasing power, and expanding the business areas to the Hokusetsu area and Osaka city in Osaka Prefecture and Himeji-shi in Hyogo Prefecture, which are adjacent to Kobe-shi and the Hanshin area.

FY Feb. 21 Project Example



WAKOHRE Itami Nishidai Station Flats
 【Itami-city, Hyogo prefecture】(Delivered in November 2020)
 26 units in total. 4 minutes' walk from "Itami" station on Hankyu Kobe line.



WAKOHRE The Mikage
 【Higashinada-ku, Kobe-city】(Delivered in February 2021)
 30 units in total. 3 minutes' walk from "Mikage" station on Hankyu Kobe line.



WAKOHRE Himeji The Suite
 【Himeji-city, Hyogo prefecture】(Delivered in February 2021)
 43 units in total. 8 minutes' walk from "Himeji" station on JR.

ワコーレ伊丹西台…	WAKOHRE Itami Nishidai Station Flats 【Itami-city, Hyogo prefecture】 (Delivered in November 2020) 26 units in total. 4 minutes' walk from "Itami" station on Hankyu Kobe line.
ワコーレ The 御影…	WAKOHRE The Mikage 【Higashinada-ku, Kobe-city】 (Delivered in February 2021) 30 units in total. 3 minutes' walk from "Mikage" station on Hankyu Kobe line.
ワコーレ姫路ザ・スイート…	WAKOHRE Himeji The Suite 【Himeji-city, Hyogo prefecture】 (Delivered in February 2021) 43 units in total. 8 minutes' walk from "Himeji" station on JR.

“WAKOHRE Itami Nishidai Station Flats” is a highly convenient property located near the station, which is the most needed condition by purchasers. This led to its favorable sales. “WAKOHRE The Mikage” is an example of a high-end condominium including luxury apartments worth over 100 million yen. Amid an increase in the number of projects in highly convenient, exclusive locations, this is a proof that the WAKOHRE brand is gradually permeating the high-end condominium market. “WAKOHRE Himeji The Suite” was developed in Himeji City, Hyogo Prefecture, as part of the company's regional expansion strategy, and it can be said that regional expansion is now firmly established as part of the company's business expansion.

Detached house sales business

Since 2007, the company has been developing around 10 houses with the “WAKOHRE-Noie” brand, in Kobe-shi and the Hanshin area, including the Hokusetsu area in Osaka Prefecture.

From the large amount of various site information, the company is able to gather, there are many properties suitable for sale for detached house lots in terms of location, area, and site shape. In addition, where the business period for condominiums is just under two years, these projects can be as short as one year, meaning that with high capital turnover and they can be used to fill the gaps of the period completed the condominium construction.

Utilizing the development concept with a focus on landscaping and design and planning abilities cultivated by the work in condominiums, the company aims to differentiate itself from traditional “power builders.”

Other real estate sales business

The company conducts planning, development and sales of steel-framed apartments and other profitable properties (for sale as a single building) and sales of residential land. As well as shouldering the function of effective utilization of property information, revenue from selling off lease properties (inventory assets) that accompanies property handover is also included in this segment. In recent years, the company has enhanced the development of aforementioned smaller investment properties for sale (steel-framed/wooden-framed apartments).

Property leasing business

The company mainly manages residential properties, in addition, stores and offices, parking lots, self-storage and others. As a business that can maintain a stable cash flow, in an industry that tends to be strongly influenced by condominium market conditions, since its founding the company has continued to contribute to the stability of revenue. Its basic strategies are to assure stable revenue by improving the occupancy rate (the rate of tenants moving in), and to maintain and improve the quality of its portfolio through movement of property. With the residences, keeping in mind the movement of property after a fixed period of time has expired, the asset composition is focused on 200-300 million yen properties, with many hopeful buyers amongst high net worth individuals. The company maintains an occupancy rate of around 90%. In addition, by managing assets and liabilities appropriately, it also aims to reduce the risk of lengthening investment return periods, and the risks associated with assets becoming excessive. The yield of each person is high, at 9-10%, and it aims to cover the burden of indirect expenses with the stable revenue from the leasing operations.

1-2 Strengths of WADAKOHSAN

Japan's foremost residential area as their region of business

They meet the high demand for housing by making Japan's foremost residential area, area among Kobe, Akashi and Hanshin, their main area of business while establishing a comparative advantage with their information capabilities; they even have a reputation for building a community entrenched in the region.

Prevailing WAKOHRE brand in Kansai

Their WAKOHRE brand is prevailing in Kansai, and the power of the brand lets them hold their own against other major condominium developers. In the 23rd (2020) Condominium Brand Questionnaire Survey, conducted by the Osaka headquarters of Nihon Keizai Shimbun Inc., WAKOHRE was ranked in the 5th place in the Individuality brand section and 3rd in the Familiarity brand section.

Maintaining sound finances via thorough risk management

They are maintaining sound finances via thorough risk management, have well-balanced transactions with financial institutions and remain stable. As a result, in their corporate history spanning over 120 years in the real estate industry, where many companies have gone out of business, they have only reported a deficit during fiscal year ended Feb. 2010 after being affected by the global financial crisis. They continue to have stable dividends.

Successful in differentiating themselves from major firms, and having room for growth due to expand their business areas

Small and medium condominium businesses were eliminated due to the real-estate recession after the global financial crisis, and only major real estate companies and railway real estate companies survived. However, since these real estate companies specialize in large-scale properties and properties along the railroads, there are not many cases where they compete in site acquisitions with WADAKOHSAN, who develops medium-scale condominiums with around 30-50 units. Meanwhile, WADAKOHSAN has its sights on further expanding its operations, making efforts to develop large-scale properties in the existing business area and expanding into Himeji-shi in Hyogo Prefecture and Osaka Prefecture (Hokusetsu area), which are next to their existing business area.

BRIDGE REPORT



Rankings for the number of condominium buildings supplied in the Kinki region

	2016		2017		2018		2019		2020	
1st	Pressance	37	Pressance	42	Pressance	53	Pressance	62	Eslead	25
2nd	WADAKOHSAN	21	Nihon Eslead	22	Nihon Eslead	29	Eslead	24	Pressance	24
3rd	Nihon Eslead	15	WADAKOHSAN	12	WADAKOHSAN	21	WADAKOHSAN	11	WADAKOHSAN	20
4th	Tokyu Land Corporation	9	Hankyu Realty	11	Hankyu Hanshin Properties	12	Nissho Estem	8	Hankyu Hanshin Properties	12
5th	NTT Urban Development Corporation	8	Nissho Estem	10	Nissho Estem	10	Kintetsu Real Estate	7	Kanden Realty & Development	11

Rankings for the number of condominium units supplied in the Kinki region

	2016		2017		2018		2019		2020	
1st	Pressance	2,435	Pressance	3,845	Pressance	4,133	Pressance	3,825	Pressance	2,766
2nd	Nihon Eslead	1,476	Nihon Eslead	2,017	Nihon Eslead	2,401	Eslead	2,121	Eslead	1,861
3rd	WADAKOHSAN	800	Sumitomo Realty & Development	968	Nissho Estem	1,053	Sumitomo Realty & Development	744	ES-CON Japan	670
4th	Kintetsu Real Estate	730	Nomura Real Estate Development	769	Hankyu Hanshin Properties	966	Kintetsu Real Estate	704	WADAKOHSAN	654
5th	Tokyu Land Corporation	713	Nissho Estem	759	Kintetsu Real Estate	734	Nissho Estem	646	Kintetsu Real Estate	535
6th	DAIWA HOUSE INDUSTRY	658	Hankyu Realty	700	Nomura Real Estate Development	703	Hankyu Hanshin Properties	596	Hankyu Hanshin Properties	529
7th	Hankyu Realty	620	Kintetsu Real Estate	620	WADAKOHSAN	653	Kanden Realty & Development	524	Nippon Steel Kowa Real Estate	517
8th	Sumitomo Realty & Development	570	Tokyu Land Corporation	520	Sumitomo Realty & Development	589	WADAKOHSAN	507	Kanden Realty & Development	515
9th	Nissho Estem	565	WADAKOHSAN	464	Tokyu Land Corporation	575	ES-CON Japan	445	Tokyu Land Corporation	443
10th	RIVER	555	Sekisui House	436	ES-CON Japan	522	Tokyu Land Corporation	435	Sumitomo Realty & Development	415

(Source: WADAKOHSAN)

2. Fiscal Year ended February 2021 Earnings Results

[The impact of the spread of the novel coronavirus on business was minor.]

On the sales front, the condominium gallery was forced to close down and handing out property leaflets was stopped due to the government's state of emergency declaration, but it resumed operations once as the declaration of the cancellation. To ensure social distancing, the company is limiting the number of visitors and an appropriate distance is put in each consultation space. Infection prevention measures are enforced thoroughly, such as air ventilation and disinfection. As a result, while some deliveries were delayed, impact has been minimal overall.

According to research by a real estate research firm, in 2020 (January to December) for the condominium market in the Kinki region, due to the impact of the coronavirus, the number of new condominium units supplied decreased 15.8% YoY to 15,195, but the percentage of units contracted was 71.7%, above 70%, which is considered as an indication of peaks and troughs in the market (a 2.4-point drop YoY). The number of new condominium units supplied dropped 16.8% YoY to 1,436 in Kobe City and increased 16.8% YoY to 1,967 for Hyogo Prefecture.

On the work front, there have been no coronavirus patient in the company, and none of its clients and partners have had to suspend operations due to the spread of the coronavirus. Employees are working from home and meetings are being held remotely to avoid "Three Cs" (Closed spaces with poor ventilation, Crowded places with many people nearby, and Close-contact settings such as close-range conversations), and some property deliveries are also being carried out remotely.

2-1 Non-consolidated results

	FY 2/20	Ratio to sales	FY 2/21	Ratio to sales	YoY	Initial Forecast	Compared to Forecast
Sales	40,093	100.0%	39,806	100.0%	-0.7%	40,000	-0.5%
Gross profit	7,210	18.0%	6,688	16.8%	-7.2%	-	-
SG&A expenses	3,920	9.8%	3,950	9.9%	+0.8%	-	-
Operating Income	3,290	8.2%	2,737	6.9%	-16.8%	3,200	-14.4%
Ordinary Income	2,442	6.1%	1,918	4.8%	-21.5%	2,500	-23.3%
Net Income	1,781	4.4%	1,267	3.2%	-28.8%	1,700	-25.4%

*Unit: million yen

Sales and operating income decreased 0.7% and 16.8% year on year, respectively

Sales were 39,806 million yen, down 0.7% from the previous year. In the condominium sales business, which is the mainstay, the number of units delivered increased significantly, but the average unit price fell, resulting in only a slight increase in total sales. The sales of the detached houses sales business also improved by 9.3% year on year, but it was smaller than expected due to the decrease in the number of units launched and the number of units delivered. However, the property leasing revenue business supported the total sales and was able to offset the reactionary sales decline from the previous fiscal year in the other real estate sales business.

On the profit side, there were some positive factors such as an increase in rental income, but the impact of the decrease in sales of other real estate sales was substantial, and operating income decreased 16.8% to 2,737 million yen. In addition, loss on sales and retirement of fixed assets was recorded as an extraordinary loss. Therefore, net income was 1,267 million yen, down 28.8% year on year.

Factors behind differences from initial forecast

In terms of sales, the delivery of condominiums and detached houses fell short of the plan (a downturn factor of about 200 million yen), partly due to the impact of the novel coronavirus crisis. As a result, even though the difference was small, sales did not reach the initial forecast. On the other hand, in the other real estate sales business, sales and profits of investment properties were significantly higher than forecasted. In terms of profits, the recording of valuation losses on condominium projects in the Hokusetsu area caused a decline in profit, and an extraordinary loss was recorded as a result of proceeding with the disposal of unprofitable properties among fixed assets. As a result, the company did not reach its profit target.

BRIDGE REPORT



2-2 Trend of each business segment

	FY 2/20	Ratio to sales	FY 2/21	Ratio to sales	YoY
Condominium sales	30,907	77.1%	31,697	79.6%	+2.6%
Detached housing unit sales	2,106	5.3%	2,303	5.8%	+9.3%
Other real estate sales	4,174	10.4%	2,551	6.4%	-38.9%
Property leasing revenue	2,837	7.1%	3,140	7.9%	+10.7%
Other	65	0.1%	114	0.3%	+74.8%
Sales	40,093	100.0%	39,806	100.0%	-0.7%
Condominium sales	2,394	58.7%	2,178	60.1%	-9.0%
Detached housing unit sales	-9	-0.2%	17	0.5%	-
Other real estate sales	699	17.2%	150	4.1%	-78.5%
Property leasing revenue	931	22.8%	1,172	32.4%	+25.9%
Other	61	1.5%	103	2.9%	+67.8%
Adjustment sum	-787	-	-885	-	-
Operating Income	3,290	-	2,737	-	-16.8%

*Unit: million yen

Condominium sales

Sales came to 31.697 billion yen (up 2.6% YoY) and segment profit to 2.178 billion yen (down 9.0% YoY). The company delivered 677 units, including “WAKOHRE Osaka Shinmachi Tower Residence” (13 units less than the initial forecast). Although the number of units delivered increased significantly from 555 in the previous fiscal year, the average unit price was approximately 47 million yen, a decrease of approximately 9 million yen (15.9%) from the previous fiscal year. As for profits, gross profit margin was 14.6%, a slight decline from the previous fiscal year. Hence, the company could not make up for the impact of the decrease in sales.

As for other KPIs, the number of units launched was 898 (up 123.9% YoY), the number of units contracted was 664 (up 8.5% YoY), and the number of undelivered contracted units was 722 (down 1.8% YoY). The number of units completed in inventory was 7.

The number of units purchased decreased 41.5% from the previous year due to the recoil from the particularly large number of units purchased in the previous fiscal year. However, in relative comparison to prior years, the number of units: 601 is significant. As of the end of the term, the number of projects unlaunched with land already purchased came to 27 buildings (1,211 units), which by area breaks down to 14 buildings (490 units) in Kobe City, 5 buildings (267 units) in the Hanshin area, 6 buildings (376 units) in Akashi City/Himeji City, and 2 buildings (78 units) in Osaka Prefecture.

KPI for Condominium Sales Business

	FY 2/20	YoY	FY 2/21	YoY
No. of units delivered	555	-26.5%	677	+22.0%
Average price per unit	55 million yen	+14 million yen	47 million yen	-8 million yen
No. of units launched	401	-50.4%	898	+123.9%
No. of units contracted	612	-1.6%	664	+8.5%
No. of units contracted (undelivered)	735	+8.6%	722	-1.8%
No. of units purchased	1,027	+87.4%	601	-41.5%

Detached house sales

The company reported sales of 2,303 million yen (up 9.3% YoY) and a segment profit of 17 million yen (a loss of 9 million yen in the same period previous year). The number of houses delivered was 44 houses, less than the 48 delivered in the same period previous year. The number of houses contracted was 43 houses (39 in the same period previous year) and the number of undelivered contracted houses was 7 houses (8 in the same period previous year).

Other real estate sales

The company reported sales of 2,551 million yen (down 38.9% YoY), and segment profit of 150 million yen (down 78.5% YoY). The sales of investment properties for sale were strong. Yet, it did not cover the recoil from the sale of large-scale land in the previous fiscal year. The projects break down into 7 development-related projects, whose sales were 959 million yen (6 projects: 1,687 million yen in the previous fiscal year), 13 projects related to investment properties for sale, whose sales were 1,567 million yen (11 projects: 1,641 million yen in the previous fiscal year), and 2 other projects, whose sales were 25 million yen (6 projects: 848 million yen in the previous fiscal year). As for investment properties for sale, 2 wooden-framed buildings (12 units), 10 steel-framed investment buildings (90 units), and 1 RC investment building (24 units) (the previous fiscal year: 3 wooden-framed buildings (16 units), and 8 steel-framed investment buildings (121 units)) was sold.

The company also made steady progress with purchase, bringing the total number of properties under development at the end of the second quarter to 78 buildings and 1,104 units (80 buildings and 1,145 units in the same period previous year).

Breakdown of other real estate sales

	FY 2/20		FY 2/21		YoY
	Project number	Sales	Project number	Sales	
Other real estate sales	23	4,174	22	2,551	-38.9%
Development related	6	1,687	7	959	-43.1%
Investment property	11	1,641	13	1,567	-4.5%
Other(*)	6	848	2	25	-97.1%

*Unit: million yen

Property leasing revenue

Real estate rental income was 3.14 billion yen (up 10.7% YoY) and segment profit was 1.172 billion yen (up 25.9% YoY). The company's mainstay residential properties maintained relatively stable leasing revenue. The mainstay residential properties' leasing revenue increased due to the company improving the occupancy rate and delinquency rate and acquiring new properties, promoting business operations (maintaining an occupancy rate of over 95%) to secure stable leasing revenue.

Breakdown of property leasing revenue

	Income	Composition ratio	YoY
Residences	2,283	72.7%	+18.6%
Stores and offices	699	22.3%	-5.4%
Parking lots	102	3.3%	-2.8%
Self-storage and other	56	1.8%	-18.2%
Total	3,140	100.0%	+10.7%

*Unit: million yen

Change of occupancy rate

	End of 1H of 2/19	End of 2/19	End of 1H of 2/20	End of 2/20	End of 1H of 2/21	End of 2/21
Residences	92.1%	95.7%	93.7%	96.5%	95.8%	97.1%
Stores and offices	89.7%	92.3%	93.4%	95.9%	94.1%	97.2%
Parking lots	66.6%	67.3%	66.1%	67.3%	68.5%	68.6%

BRIDGE REPORT



Gross profit of each business segment

	FY 2/20	Gross profit rate	FY 2/21	Gross profit rate	YoY
Condominium sales	4,797	15.5%	4,627	14.6%	-3.5%
Detached housing unit sales	232	11.1%	215	9.4%	-7.4%
Other real estate sales	985	23.6%	337	13.2%	-65.8%
Property leasing revenue	1,133	39.9%	1,403	44.7%	+23.9%
Others	63	-	106	-	-
Total	7,210	18.0%	6,688	16.8%	-7.2%

*Unit: million yen

2-3 Balance Sheets And Cash Flow (CF)

Balance Sheets

	End of Feb.20	End of Feb.21		End of Feb.20	End of Feb.21
Cash and deposits	8,965	11,835	Accounts payable-trade	6,745	7,674
Real estate for sale	9,223	11,145	ST Interest-Bearing Debts	18,893	19,533
Real estate for sale in process	40,918	39,447	Advances received	2,795	4,028
Current Assets	60,532	63,610	LT Interest-Bearing Debts	34,498	33,659
Property, plant and equipment	26,729	26,297	Liabilities	65,634	67,453
Intangible Assets	616	620	Net Assets	23,978	24,882
Investments and Other Assets	1,734	1,807	Total Liabilities and Net Assets	89,613	92,335
Noncurrent Assets	29,080	28,725	Interest-bearing debts	53,391	53,192

*Unit: million yen

Total assets at the end of the term increased 2,722 million yen from the end of the previous term to 92,335 million yen. This is because cash and deposits augmented and investment properties for sale increased as the company completed the construction of investment properties for sale. On the other hand, liabilities increased 1,818 million yen to 67,453 million yen due to advance payments, trade payables for building construction costs, and an increase in short-term borrowings associated with the procurement of development funds. The breakdown of interest-bearing debt is 41.8% for major banks (47.3% at the end of the previous fiscal year), 35.5% for regional banks (32.1% at the end of the previous fiscal year), and 22.7% for Shinkin banks (20.6% at the end of the previous fiscal year). Equity ratio was 26.9% (26.8% at the end of the previous fiscal year).

The 11,145 million yen in real estate for sale breaks down to 1,229 million yen for condominiums, 1,036 million yen for detached houses, and 8,881 million yen for other properties, mainly investment properties. The number of projects and the amount of assets in lease properties are 0. This is due to the effect of returning properties for sale that had been transferred to inventories to fixed assets due to internal accounting rules. The 39,447 million yen for in-process real estate breaks down to 34,807 million yen for condominiums, 1,235 million yen for detached houses, and 3,405 million yen for other properties, mainly those for investment purposes.

Cash Flow (CF)

	FY 2/20	FY 2/21	YoY	
Operating CF (A)	-4,899	3,718	+8,617	-
Investing CF (B)	-2,806	-1	+2,805	-
Free CF (A+B)	-7,705	3,717	+11,422	-
Financing CF	4,100	-587	-4,687	-
Cash and Equivalents at the end of term	6,261	9,391	+3,130	+50.0%

*Unit: million yen

Operating CF was 3,718 million yen, as the company posted a pre-tax income of 1,909 million yen (2,574 million yen in the previous fiscal year), a depreciation of 708 million yen (700 million yen in the previous fiscal year), and an increase in advance payments due to progress in contracts. Despite the increase in long-term borrowings due to fundraising for the purchase of corporate bonds and land for

condominiums, financing CF recorded a deficit of 587 million yen attributed to a decrease in long-term debt repayment due to the completion of the delivery of condominiums and the payment of dividends.

3. Fiscal Year ending February 2022 Earnings Forecasts

3-1 Full-year non-consolidated forecasts

	FY 2/21 Actual	Ratio to sales	FY 2/22 Forecast	Ratio to sales	YoY
Sales	39,806	100.0%	40,000	100.0%	+0.5%
Operating Income	2,737	6.9%	2,900	7.3%	+5.9%
Ordinary Income	1,918	4.8%	2,200	5.5%	+14.7%
Net Income	1,267	3.2%	1,500	3.8%	+18.3%

*Unit: million yen

Sales and operating income are expected to increase 0.5% and 5.9% year on year, respectively

Sales are projected to increase 0.5% year on year to 40 billion yen. Considering that deliveries will be concentrated in the fourth quarter in the mainstay condominium sales business, and due to the company's conservative calculation, the number of units to be delivered is expected to decrease 8.5% year on year. In other real estate sales business, the selling of land for which contracts have been concluded, and the continuous favorable sales of investment properties for sale are likely to make up for the decline in sales of condominiums.

Profit is forecast to rise, despite the possibility of recording impairment losses, which was a factor in the decline in profits in the previous fiscal year and the continuing upward trend in land prices and construction costs. Moreover, SG&A expenses are expected to be flat, and loan fees will be eliminated. Thus, operating income is projected to rise 5.9% to 2.9 billion yen, and ordinary income is expected to augment 14.7% to 2.2 billion yen. Regarding net income, although the gain on sales of tangible fixed assets is conservatively estimated, it is expected to improve 18.3% year on year to 1.5 billion yen.

As for the dividend, the company plans to increase the common dividend by 2 yen/share to 37 yen/share (estimated payout ratio: 27.4%).

3-2 Forecasts for each segment

	FY 2/21 Actual	Ratio to sales	FY 2/22 Forecast	Ratio to sales	YoY
Condominium sales	31,697	79.6%	29,000	72.5%	-8.5%
Detached housing unit sales	2,303	5.8%	2,800	7.0%	+21.6%
Other real estate sales	2,551	6.4%	5,300	13.3%	+107.8%
Property leasing revenue	3,140	7.9%	2,900	7.3%	-7.7%
Other	114	0.3%	-	-	-
Total	39,806	100.0%	40,000	100.0%	+0.5%

*Unit: million yen

Condominium sales

Sales are forecast to decline year on year to 29 billion yen. The number of units to be delivered is 630, down 6.9% from the previous term. The number of units to be delivered in the first half is estimated to be 277 while the units to be delivered in the second half will be 353 (particularly 293 in the fourth quarter). Thus, the second half is expected to see better performance. The number of ordered units at the end of the previous fiscal year was 447.

The company plans to launch 670 units (down 25.4% YoY), and expects the number of units contracted to come to 650 (down 2.1% YoY).

The number of units purchased is estimated to be 600. Regarding the purchasing stance, the company has indicated that it will continue to make thorough purchasing with an emphasis on profitability, taking into consideration market conditions and other factors. In addition,

it will continue to focus on area renovation (retail market redevelopment). For example, the “WAKOHRE City KOBE Minatogawa Koen” (Hyogo Ward, Kobe City; a total of 168 units, * 90% of which already have contracts) released in October 2020, is a large-scale renovation property and a competition project offered by the Kobe City Government (Minatogawa Market Redevelopment Project).

Furthermore, the company is also continuing with the development of condominiums in Osaka Prefecture and Himeji City in Hyogo Prefecture as part of efforts to expand its business area. Currently, the company is preparing to release a condominium project in Osaka City. In Himeji City, Hyogo Prefecture, the company is in the process of selling “WAKOHRE Himeji Castle Tatsumi Gardens” (Himeji City, Hyogo Prefecture, 48 units in total), which is scheduled to be delivered in January 2022 and is also preparing to release two buildings with a total of less than 100 units.

KPI for Condominium Sales Business

	FY 2/21 Actual	YoY	FY 2/22 Forecast	YoY
No. of units delivered	677	+22.0%	630	-6.9%
No. of units launched	898	+123.9%	670	-25.4%
No. of units contracted	664	+8.5%	650	-2.1%
No. of units purchased	601	-41.5%	600	-0.2%

Detached house sales

The company projects sales to grow 21.6% YoY to 2.8 billion yen. It mainly supplies houses in the Hanshin area and the Hokusetsu area in Osaka Prefecture, including high-priced houses. It expects the number of delivered houses to exceed 44 units, which was achieved in the previous term.

Other real estate sales

Sales are projected to double year on year to 5.3 billion yen. Currently, the purchase, development, and sales of investment properties for sale are progressing steadily.

Projects under development and properties to be sold in this term

	Number of projects under development	Units	Properties scheduled to sell this term	Units
wood-framed buildings	15 buildings	158	6 buildings	51
steel-framed buildings	59 buildings	790	13 buildings	199
RC construction, S construction	4 buildings	156	1 building	23
Total	78 buildings	1,104	20 buildings	273

Property leasing revenue

While aiming to maintain a high occupancy rate, the company intends to aggressively sell old and unprofitable properties in order to build a high-quality portfolio. The company expects a decrease in sales of 7.7% from the previous fiscal year to 2.9 billion yen.

4. Conclusions

Regarding the Condominium Gallery strategy, which is one of the company's strengths, in the previous fiscal year, the company had to refrain from operating for a while due to the state of emergency. However, in this term, the company will maintain its sales system through thorough infection control measures, and the number of visitors is currently at its usual level. Thus, it will lead to a sense of security in business performance. In addition, in the mainstay condominium sales business, the number of units to be delivered is calculated conservatively, so we would like to check the progress every quarter to see if there is any change in the situation.

Moreover, although the average official price of land for all purposes of use has fallen for the first time in six years, the housing market

itself has been relatively strong due to interest in housing because of the increase in the time people spend at home and the low mortgage interest rate. It also seems that the demand for rural migration to escape from Tokyo is also increasing. Therefore, we would like to pay attention to whether the company can meet these needs. Meanwhile, the fact that there is no prospect of the novel coronavirus subsiding, especially in Osaka, can be a cause for concern to a certain extent.

<Reference: ESG activities >

As an ESG activities, WADAKOHSAN is working to create safe, secure, and healthy housing for residents and is also focusing on social contribution by providing housing compensation at the time of natural disasters and youth development support. Furthermore, in terms of governance, the company considers that the establishment of a sound, transparent, and efficient management system is its top priority and works on the development and enhancement of the governance system.

<Environment>

In addition to adopting the Kobe City's environmental performance standard for condominiums, the company also applies the standards for Approved Low-carbon Housing to its detached houses. It is also taking measures against Sick-House Syndrome for all housing, and is working on the development of smart condominiums, including the adoption of services that use smartphones, at some of its condominiums.

Adoption of the City of Kobe's environmental performance standard for condominiums.	In Kobe, when constructing a building of a certain scale, the operating company self-evaluates the environmental efforts such as consideration to global warming and safety and security of the residents, and notifies them to the city. The city announces the scoring results on the website, etc. The company publishes this result on the leaflets of condominiums and advertising materials such as websites to show the safety of the building.
Detached houses that satisfy the standards for Approved Low-carbon Housing	For detached houses, the company is taking measures to curb carbon dioxide emissions, so the company's houses have been designated as Approved Low-carbon Housing (buyers can receive preferential tax treatment by fulfilling certain requirements). By satisfying these standards, the company provides environmentally-friendly housing that also keeps household costs down.
Measures against Sick-House Syndrome	For the floor and fittings of the company's buildings, materials of F☆☆☆☆ grade that emit very little formaldehyde are used. Also, non-formalin type is selected as the vinyl adhesive in consideration for Sick-House Syndrome, etc.
Enhancing support functions via smartphone apps	Some of the company's condominiums adopt services that use smartphones. This enables users to confirm energy usage, operate Eco-Jozu (a water heater), gas equipment even when not at home, and bathroom monitor system to prevent death in the bathroom with a single smartphone. The company supports safe and secure living.

<Social>

Joined the "Phoenix Mutual Aid," a housing reconstruction mutual aid system implemented by Hyogo Prefecture

Based on lessons learnt from the Great Hanshin-Awaji Earthquake, in September 2005 Hyogo Prefecture rolled out Phoenix Mutual Aid, a house reconstruction mutual aid system that gives aid for the reconstruction/repair of housing in the case of damage caused by a natural disaster, the first of its kind in Japan. The company participates in this mutual aid for all of its condominiums sold in Hyogo Prefecture, and can receive compensation by bearing the cost of mutual aid premiums until the end of the fiscal year the unit is delivered and one fiscal year after the delivered year.

Unoccupied house restoration project RADOHRE Kamikawa

The company has a track record of working on old traditional house restoration projects in Kamikawa Town, Hyogo Prefecture, to solve the vacant house problem. The company restored a bicycle shop/house over 50 years old. It transformed into "RADOHRE Kamikawa," a place that combines accommodation facilities, bicycle rental services, a cafe, and a co-working space, which opened in November 2020.

Activities to support youth development

As an aging society with fewer children progresses, the company provides various support for children to have a healthy social life.

Organizer and Special Sponsor of the WAKOHRE Cup Chibi Lympics Hyogo Prefectural Tournament Since 2018, the company has been the organizer and special co-sponsor of the tournament to provide opportunities for children to be in contact with soccer and to discover players who can compete on a national level.
Vissel Kobe Soccer School Partner In order to support activities to promote soccer among young people, the company sponsors a “soccer school” run by Vissel Kobe.
Childcare Support Project “Skip” by Kobe Shimbun Co., Ltd. The company cosponsors a parent-child participatory regional event “Skip Salon” hosted by Kobe Shimbun on the “Childcare Day,” which is on the 12 th of each month.

<Governance, etc.>

Transformation into a company with audit and supervisory committee

The company transformed into a company with audit and supervisory committee, at the general meeting of shareholders in May 2019, in order to tighten corporate governance and improve corporate value. Then, 12 directors were appointed, including 4 outside directors.

Compliance system

The company established various manuals including “Internal Reporting Regulations” and “Supplier Management Regulations” using the “Compliance Regulations” as a basic policy. In addition, the Internal Control Committee was established as the department in charge of compliance to appropriately verify the status of legal compliance and implement improvement measures. An internal audit office was also established directly under the Audit and Supervisory Committee to strengthen the check function. It also entered into advisory contracts with an external law firm and tax accountants to enhance the compliance system.

Launching condominiums that incorporate the ideas of female employees

As housing facilities that meet the needs of women are popular, the company formed a project team with six female employees so that they can create houses from a female perspective, and they have planned a condominium that reflects the voices of women. The company is making efforts to increase added value from various perspectives, by summarizing dissatisfaction and points for improvement in daily life and incorporating efficient equipment and ingenuity to make it easier for the whole family to use the house.

Creating a pleasant working environment

In order to create a working environment in which employees can work comfortably, the company is making efforts to improve various welfare programs, including paid vacation and hourly vacation. To improve the working environment for women, it also established the systems of maternity leave, childcare leave and short working hours. For maintaining the health of employees, a health committee meeting with an industrial physician is also held every month, and medical checkups and mental health checks are provided to keep track of their health.

Retention rate within 3 years from joining the company	92.0%	Gender difference in average years of employment	0 month
Rate to take maternity and childcare leaves	100.0%	Rate of female employees within 5 years of joining a company	27.7%
Rate to return to work from maternity and childcare leaves	100.0%		

(As of February, 2021)

<Reference: Regarding Corporate Governance>

◎ Organization type

Organization Structure	Company with audit and supervisory committee
Directors	13 directors of whom 5 are outside directors

◎Corporate Governance Report

Last update date: May 28, 2021.

<Basic policy>

As our basic policy for corporate governance, we give top priority to the establishment of a sound, transparent, efficient managerial structure, and strive to improve it. Our company is small-sized, but we have established a simple, efficient organizational structure while considering mutual supervision and independence, and make efforts to develop a governance structure while putting importance in the following five items, to streamline the decision-making process and actualize highly transparent business administration.

1. Exertion of the overseeing function based on practical discussions at meetings of the board of directors
2. Timely, appropriate deliberation on important items for making managerial decisions by the board of managing directors
3. Highly effective audit by an audit committee
4. Development of an internal control system by establishing an internal audit division, organizing an internal control committee, etc.
5. Cooperation with external institutions, such as law offices, for actualizing a system for compliance

< Main principles of the Corporate Governance Code which the Company doesn't Carry out and the Reasons>

【Principle 5-2. Establishing and Disclosing Business Strategies and Business Plans】

We use ROE as a management index with the goal of continuously improving shareholder value. In addition, we are aware of the numerical value of capital cost. However, we recognize that utilizing other numerical targets rather than formulating profit plans and business policies using these figures will enable us to operate more effectively on a practical level. Having said so, as it is more than ever required of us to improve shareholder value and accountability to investors, we will continue to manage our business by formulating investment plans using indicators such as capital costs and promoting efficient capital management and strive to improve management.

< Main Principles of the Corporate Governance Code which the Company Disclosed>

【Principle 3-1. Enhancement of information disclosure】

- (i) In our securities report, we clearly state the basic philosophy regarding management, business development policy, etc., including our corporate philosophy of “symbiosis (living together).”
- (ii) The concept of corporate governance is also described in the securities report and “1. Basic policy” above.
- (iii) Regarding the determination of remuneration, the total amount is determined at the general meeting of shareholders, and the remuneration of each director is determined at the Board of Directors according to the duties and roles in charge.
- (iv) Regarding the appointment/dismissal of the senior management including directors, the Board of Directors determines the agenda item for the General Meeting of Shareholders, and they are determined by the resolution of the General Meeting of Shareholders based on the achievements of each director.
- (v) The reasons for the appointment of directors are disclosed in the business report.

【Principle 5-1. Policy for Constructive Dialogue with Shareholders】

We hold a briefing on financial results twice a year in Kobe and Tokyo with the Corporate Planning Division of the General Planning Department as the IR department. We also hold briefings for individual investors in Osaka and Tokyo to proactively communicate with shareholders and others. In addition, we are striving to improve our website in order to enhance the understanding of our company among shareholders.

BRIDGE REPORT



this report are made by our company based on data made publicly available, and the information within this report comes from sources that we judge to be reliable. However, we cannot wholly guarantee the accuracy or completeness of the data. This report is not a guarantee of the accuracy, completeness or validity of said information and opinions, nor do we bear any responsibility for the same. All rights pertaining to this report belong to Investment Bridge Co., Ltd., which may change the contents thereof at any time without prior notice. All investment decisions are the responsibility of the individual and should be made only after proper consideration.

Copyright(C) Investment Bridge Co., Ltd. All Rights Reserved.