

February 17, 2023

For Immediate Release

Company name: First Brothers Co., Ltd.
President: Tomoki Yoshihara
(TSE Prime Market, Stock code: 3454)
Inquiries: Chief Financial Officer
Yoshinobu Hotta
(Tel: +81-3-5219-5370)

Progress on Plan to Meet the Continued Listing Requirements

On December 24, 2021, First Brothers Co., Ltd. (hereafter “the Company”) submitted and disclosed its plan to comply with the requirements for continued listing on the Prime Market segment of the Tokyo Stock Exchange, Inc. (TSE). Progress on implementing the plan as of November 30, 2022, was as follows.

1. The Company’s status of compliance to the continued listing requirements and timeframe of the plan

As shown below, incorporating changes as of the latest reference date, we did not meet the tradable share market capitalization and tradable share ratio requirements for continued listing on the Prime Market. We remain committed to implementing a range of initiatives in order to meet the listing requirements for tradable share market capitalization and tradable share ratio by the end of November 2026.

	Review reference date	Tradable shares (Units)	Tradable share market capitalization	Tradable share ratio	Daily average trading value
Company’s compliance and changes	June 30, 2021 *1	38,339	¥3.86 billion	26.5%	¥38 million
	November 30, 2022 *1	38,699	¥3.33 billion	26.7%	—
	December 31, 2022 *2	—	—	—	¥23 million
Listing requirements		20,000	¥10.0 billion	35.0%	¥20 million
Compliance with listing requirements as of latest reference date		Compliant	Non-compliant	Non-compliant	Compliant
Target date as set out in initial plan			End of November 2026	End of November 2026	

*1 Compliance as of individual reference dates was calculated based on the distribution of the Company’s share certificates, etc., ascertained by the TSE on the applicable date.

*2 Compliance with daily average trading value requirement as of December 31, 2022, is from the notification sent to the Company by the TSE regarding compliance with listing requirements (trading value requirement) on January 11, 2023.

2. Implementation and evaluation of the Company’s initiatives toward compliance to the continued listing requirements

On December 24, 2021, the Company released a [“Notice Regarding Application for Selection of Prime Market in TSE New Market Segments and Submission of Plan to Meet the Continued Listing Requirements”](#) (hereafter “initial plan”), which detailed its basic policy, challenges, and initiatives aimed at meeting the

continued listing requirements of the Prime Market. In line with the initial plan, the Company has undertaken the following initiatives.

(1) Measures to improve tradable share market capitalization

In order to improve two components of tradable share market capitalization, the net asset value and price-to-book ratio (PBR), the Company has undertaken the following measures.

1) Build leasing income from the portfolio of properties for lease

The Group has been building a portfolio of properties for lease to generate stable leasing income. In the fiscal year ended November 30, 2022, the book value of the leasing property portfolio was ¥65.1 billion (an increase of 5.2% year-on-year), and income from leasing (gross profit from leasing) also grew. In addition, unrealized gains (difference between the book value and the appraised value, etc.*1) increased as the Company worked to improve asset values during the ownership period.

*1 Latest appraisal value or assessment value based on the appraisal value

[Changes in the portfolio of properties for lease and gross profit from leasing]

	End of November 2019	End of November 2020	End of November 2021	End of November 2022
Book value*2	¥44.34 billion	¥56.17 billion	¥61.95 billion	¥65.14 billion
Number of properties	49	55	95	92
Gross profit from leasing*3	¥1.40 billion	¥2.08 billion	¥2.19 billion	¥2.31 billion
Unrealized gains	¥5.65 billion	¥8.27 billion	¥11.18 billion	¥13.98 billion

*2 Properties for lease include office buildings, commercial buildings, residential buildings, lodging facilities, etc.

*3 Refers to gross profit from leasing income in consolidated income statement (net income gained from properties for lease after depreciation)

2) Profit from sale accompanying portfolio rotation of properties for lease

The Group continues to expand its overall portfolio while selling some of the properties for lease to realize unrealized gains and deploying the funds toward new leasing property acquisitions. In the fiscal year ended November 30, 2022, income from property sale (gross profit from sale) declined due in part to a decrease in the number of properties sold versus the previous year. That said, we generated gross profit from sale of ¥1.42 billion, which contributed to growth in net asset value.

[Changes in gross profit from sale and net asset value]

	End of November 2019	End of November 2020	End of November 2021	End of November 2022
Gross profit from sale	¥3.83 billion	¥2.17 billion	¥4.54 billion	¥1.42 billion
Net asset value	¥16.29 billion	¥18.33 billion	¥20.80 billion	¥21.64 billion

3) Measures to improve price-to-book ratio (PBR)

The Group plans to increase the share of income other than that from leasing property sales, which fluctuates significantly from quarter to quarter and year to year, to reduce volatility in term profit and improve the PBR. In the fiscal year ended November 30, 2022, the Company increased leasing income (gross profit from leasing) which is a stable source of income, and took other measures to increase the share of income other than from property sales, such as the full-scale launch of a business operating lodging and other facilities (the Facility Operation business).

[Changes in the breakdown of gross profit]

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022	Future direction
Gross profit from leasing	¥1.41 billion (26.5%)	¥2.09 billion (48.7%)	¥2.20 billion (32.2%)	¥2.31 billion (56.5%)	In the process of increasing gross profit from leasing and other gross profit, which are stable sources of income, we will consequently reduce dependence on gross profit from sale that is liable to wide fluctuation and also reduce volatility of term profit.
Gross profit from sale	¥3.83 billion (72.0%)	¥2.17 billion (50.6%)	¥4.54 billion (66.4%)	¥1.42 billion (34.7%)	
Other gross profit	¥0.08 billion (1.5%)	¥0.03 billion (0.7%)	¥0.10 billion (1.5%)	¥0.36 billion (8.8%)	
Total gross profit	¥5.32 billion	¥4.29 billion	¥6.84 billion	¥4.09 billion	

(2) Measures to improve tradable share ratio

1) Cancellation of treasury stock

The Company did not cancel any of the treasury shares (421,710 shares as of end of November 2022), which it holds for the exercise of stock options, in the fiscal year ended November 30, 2022, but plans to cancel all remaining treasury shares on the stock option exercise deadline (October 28, 2024).

2) Shares being held by GOLDMAN SACHS INTERNATIONAL

As of the end of November 2022, GOLDMAN SACHS INTERNATIONAL was a major shareholder of the Company, with a shareholding ratio of 11.27%. However, based on the Large Shareholding Report, we presume that Gordian Capital Singapore Private Limited (hereafter "Gordian") is the beneficial shareholder of most of that shareholding. Gordian is an institutional investor that engages in pure investment, and we assume it will sell some or all of its shareholding in the Company after the passage of time, and the ratio of shares held in the name of GOLDMAN SACHS INTERNATIONAL will decline below 10%. In the fiscal year ended November 30, 2022, we continued to hold investor relations meetings with Gordian as part of our ongoing IR activities where we explained our Company's situation, including initiatives in the initial plan, so that Gordian could gain a deeper understanding of our Company.

3. Future challenges and initiatives in areas the Company does not meet the continued listing requirements in view of circumstances to date

As of November 30, 2022, the Company's shares did not meet the continued listing requirements of the Prime Market in terms of tradable share market capitalization and tradable share ratio. We remain committed to implementing the initiatives set out in the initial plan to comply with the listing requirements by the end of November 2026.

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