

TSUKURUBA Inc. (2978)

Aiming to be an overwhelming winner in renovated residential properties.

Share price (December 6)	831
Market cap (¥mn)	9,614

Key Data

Total number of issued shares (shares)	11,569,500
Dividend (yen, 24/7 forecast)	0
Dividend yield (24/7 forecast)	0.0%
Dividend payout ratio (24/7 forecast)	0.0%
Equity ratio (23/7 actual)	49.4%
EPS (Earnings Per Share, yen, 23/7 actual)	-14.31
BPS (Book Value Per Share, yen, 23/7 actual)	60.82
ROE (Return on Equity, %, 23/7 actual net income basis)	-10.9%
ROA (Return on Assets, %, 23/7 actual net income basis)	-5.4%

Note: The total number of issued shares includes treasury shares.

【Author】

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TSUKURUBA offers agent and other service in the used and renovated residential property market via “cowcamo”, an internet website and app aimed at buyers.

It emphasizes direct information gathering and development of customer contacts without relying on the two major real estate websites (SUUMO and HOME' S) that many real estate agents utilize to attract customers.

Recently, it has ramped up sales of self-developed renovation packages and self-planned properties and is bolstering services aimed at sellers. With this distinctive wide-reaching business approach, TSUKURUBA has established a framework that covers the full spectrum of distribution-related activities on its own platform, including matching of sellers and buyers and implementing and assisting renovations, and aims to be an overwhelming winner in this field. We think TSUKURUBA deserves attention as a candidate to define the rules in an important space in the residential property market in which compartmentalization has taken hold and it is difficult to realize differentiation.

Creating cyclical distribution of used and renovated residential properties

Demand for older used properties has risen because of their affordability amid rising and persistently high prices of new condominiums. The importance of renovation is likely to increase further as a way of realizing quality in home life and accommodating diverse interests and preferences. Furthermore, the concept of buying properties with the intent to sell in the future, rather than as a lifelong residence, has spread in recent years. Enhancement of the used residential property market that boosts the satisfaction of residents, and also effectively utilizes existing property assets, requires development of a system for rational communication of renovated property value in accordance with the needs of sellers and buyers.

TSUKURUBA holds a significant advantage in this area because of its consistent accumulation of data and knowhow since entering the market in 2015 with an early understanding of these conditions.

TSUKURUBA attained operating profitability in May-Jul 2023, the most recent quarter, driven by top-line growth in FY2022-23 (Aug. 2021-Jul. 2023) and fixed cost cutbacks and progress in improving operational efficiency. It aims to continue earnings improvement in FY2024 by allocating resources to expansion of business fields and boosting the efficiency of personnel costs and advertising costs. While the stock market might react negatively to TSUKURUBA's FY2024 guidance indicating a slower sales growth rate, we think this is a temporary situation related to building a lean organization and have a favorable view of the pursuit of operations targeting long-term growth with profits.

Results Share price ¥831 (December 6)

Fiscal year		Revenue (¥mn)	YoY change (%)	Operating profit (¥mn)	YoY change (%)	Ordinary profit (¥mn)	YoY change (%)	Net profit (¥mn)	YoY change (%)
FY2021	actual	1,624	-5.5%	-359	-	-358	-	-482	-
FY2022	actual	2,766	70.3%	-774	-	-795	-	-822	-
FY2023	actual	4,153	50.1%	-132	-	-151	-	-166	-
FY2024	guidance	5,200	25.2%	150	-	130	-	125	-
FY2025	forecast	5,140	23.7%	150	-	130	-	130	-
FY2026	forecast	6,620	28.7%	430	191.1%	410	218.1%	300	128.4%
FY2027	forecast	8,720	31.8%	830	93.0%	810	97.1%	540	80.9%

1. New market in used and renovated residential property transactions

(1) Overview: Brokerage firm specializing in used and renovated residential properties

Specializes in used and renovated residential property brokerage

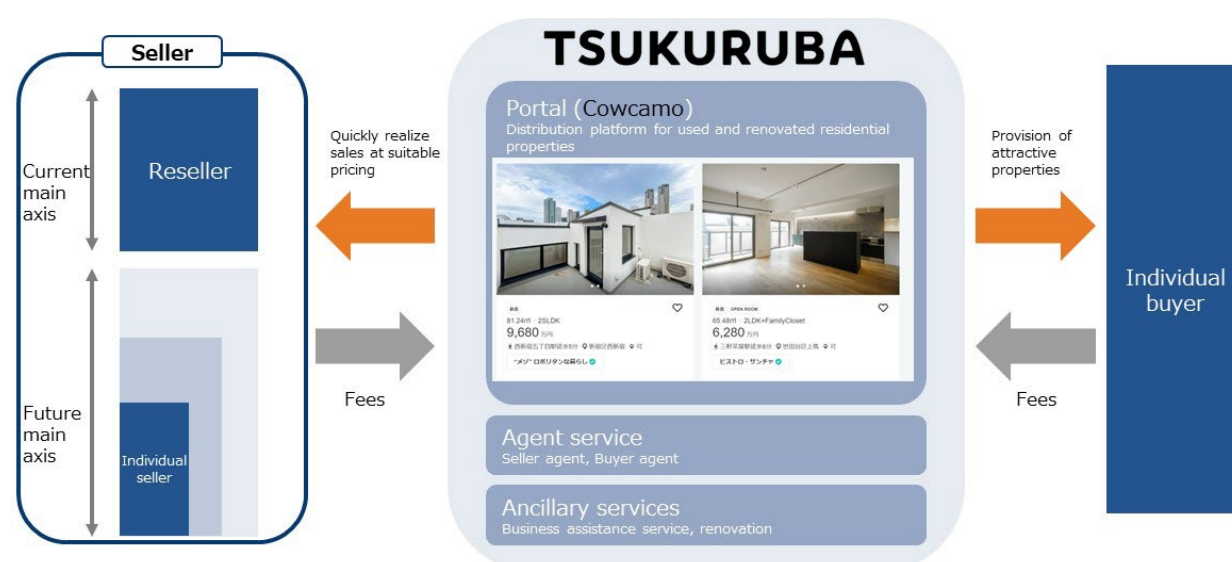
TSUKURUBA launched its business in 2015 and currently offers brokerage and other services in the used and renovated residential property market via “cowcamo”. Cowcamo is an internet website and app aimed at buyers and its operation is managed by the company.

“Used and renovated properties” refers to used properties that are renovation candidates or have already been renovated. TSUKURUBA is also in a phase of expanding its business scope to selling assistance and other seller services too.

While TSUKURUBA operated a property planning and design business for workspace sharing service (this business provided 4% of gross profit in FY2023 (Aug. 2022–Jul. 2023)) too, it announced the spin-off of this business in September 2023 and expects removal of its income contributions to consolidated results from Q2 FY2024 (Nov–Jan). (Company guidance and our earnings forecast already reflect this impact.)

TSUKURUBA intends to concentrate on initiatives aimed at the transformation of the used and renovated residential property market.

Figure 1: Overview of “cowcamo” business



Source: Prepared using company materials

(2) Significance: Growing its presence to stimulate

transactions of used and renovated residential properties

Increase in used and renovated residential properties

As explained below in Section 2, Japan is likely to experience substantial increase in demand for used residential properties, and especially older properties that require renovation. This is also a positive societal trend from the perspective of effective utilization of existing property assets.

Value of newly built properties

Values of newly built and newer used residential properties that do not require renovation can be determined objectively through comparison with similar property examples known in the industry based on location, layout, and other basic specifications. When individuals are looking for properties as well, they find candidate properties by searching portals and other information sources using their preferences in basic specifications and pricing.

Difficulty determining value of renovated properties

In the case of used residential properties that undergo renovations at a level that significantly alters the content of living conditions, meanwhile, each property possesses “one-of-a-kind” uniqueness, and it is difficult to identify similar properties. Additionally, the real estate market does not provide a searchable property database that contains detailed information on renovations. These limitations substantially increase the difficulty of promoting the special characteristics of each property to potential customers and finding buyers via existing market channels.

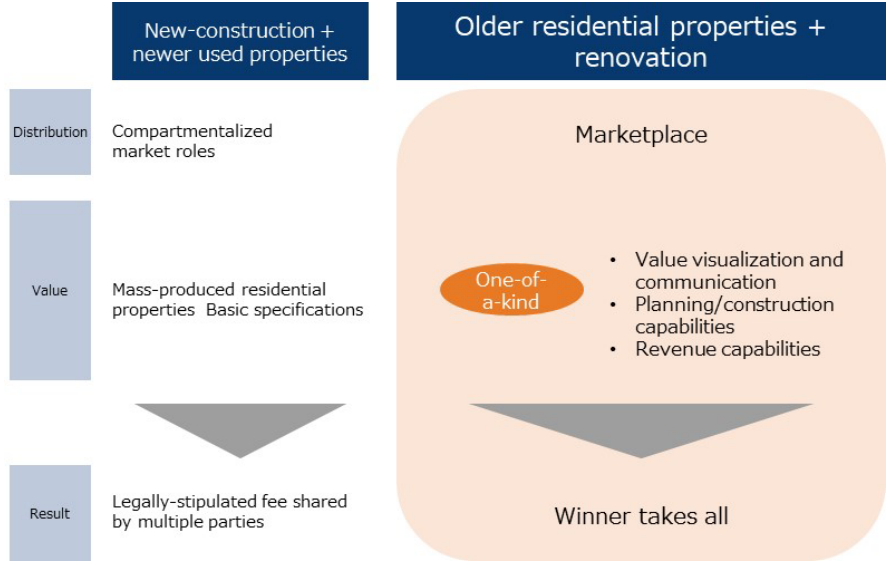
Highlighting renovation value and move toward cross-sectional coverage of overall process

Since TSUKURUBA entered the market in 2015 with an understanding of the growing importance of used properties in the future housing market, TSUKURUBA has built a framework for visualization and communication of renovation value on its own platform and developed integrated operations that cover renovation-related processes, including direct matching of sellers and buyers and construction services.

Progress, acceleration, and income improvement

In recent years, TSUKURUBA has progressed substantially in autonomously collecting and utilizing data needed to visualize renovation value while expanding income mainly from brokerage services for buyers. It has also outlined a direction from FY2024 (Aug. 2023–Jul. 2024) of accelerating expansion of business scope, such as bolstering services for sellers. It expects to realize a full-year operating profit in FY2024 driven by improved profitability from improvements in productivity. Management has presented a policy of sustaining profit increases and robust top-line growth from FY2025. We think TSUKURUBA deserves attention as a candidate to define the rules that resolve distribution issues in the future phase of full-fledged inroads by used and renovated residential properties.

Figure 2: Conventional residential property distribution vs TSUKURUBA’s vision



Source: Prepared using company materials

2. Structural changes driving increased fluidity of used condominiums

(1) Growing demand for older used condominiums

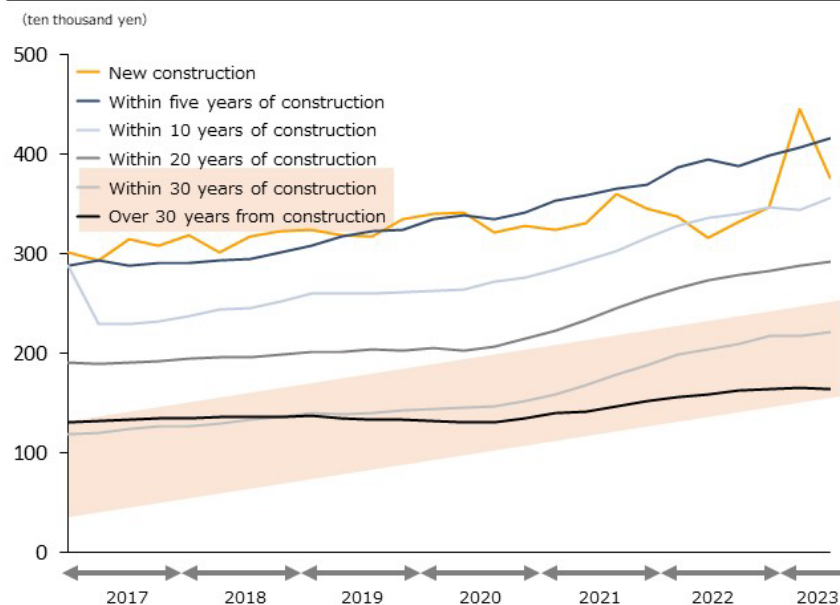
Impact of rising prices for new-construction condominiums

We think structural changes related to used and renovated residential properties currently taking place in the market reinforce the importance of TSUKURUBA's strategy that seeks to define new rules in the property market.

The first notable development is shift in housing demand from new construction to used residential properties. Amid continuation of rising and persistently high prices for newly built condominiums, mainly in metropolitan Tokyo, prices of newer used condominiums within roughly a range of 10 years from construction have risen significantly as well recently, in tandem with this trend (Figure 3). Main drivers are (1) increase in condominium costs from land prices and construction costs, (2) growing dominance by top developers, (3) robust property investment needs domestically and from abroad, and (4) relatively stable mortgage loan procurement conditions and increase in the percentage of dual-income households. Industry observers expect prices to continue rising and holding at high levels in the future too because of slim prospect of significant change in these circumstances.

Figure 3: Trends in Average price per tsubo for new and used condominiums in metro Tokyo

Upward trend in new-construction condominium prices likely to continue

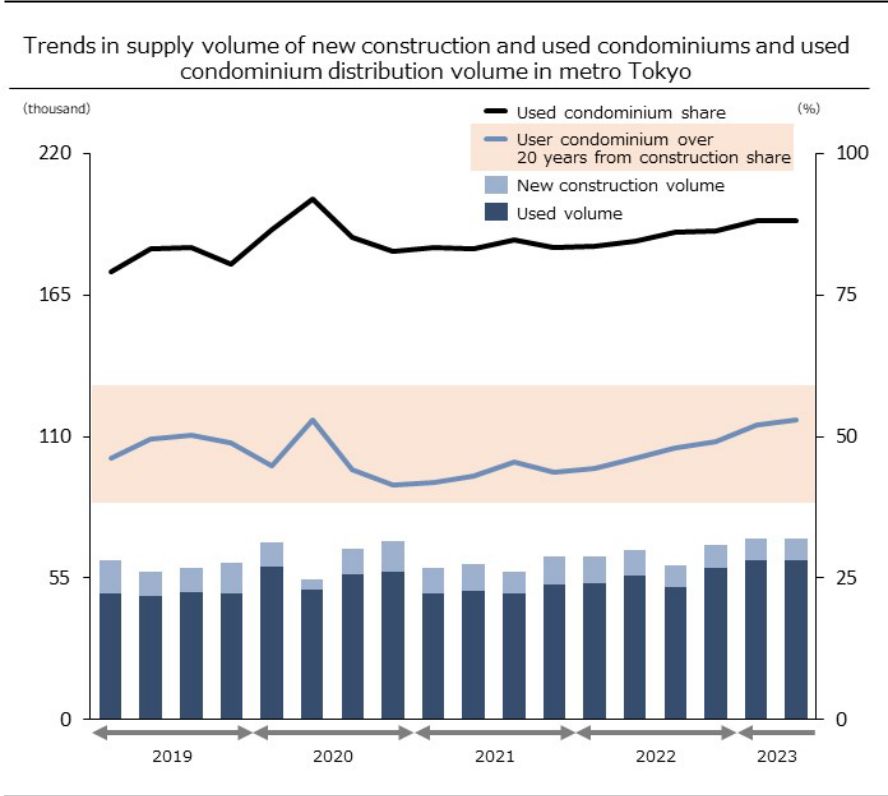


Source: Prepared using Tokyo Kantai's press release

Increase in the percentage of older residential properties

Due to this situation, interest is growing in relatively affordable used condominiums built 20 or more years ago that are less attractive as an investment choice in their existing state. The share of properties that are at least 20 years old in overall supply volume has been trending upward since 2021 and reached more than half recently (Figure 4).

Figure 4. Trends in supply volume of new and used condominiums and used condominium distribution volume in metro Tokyo

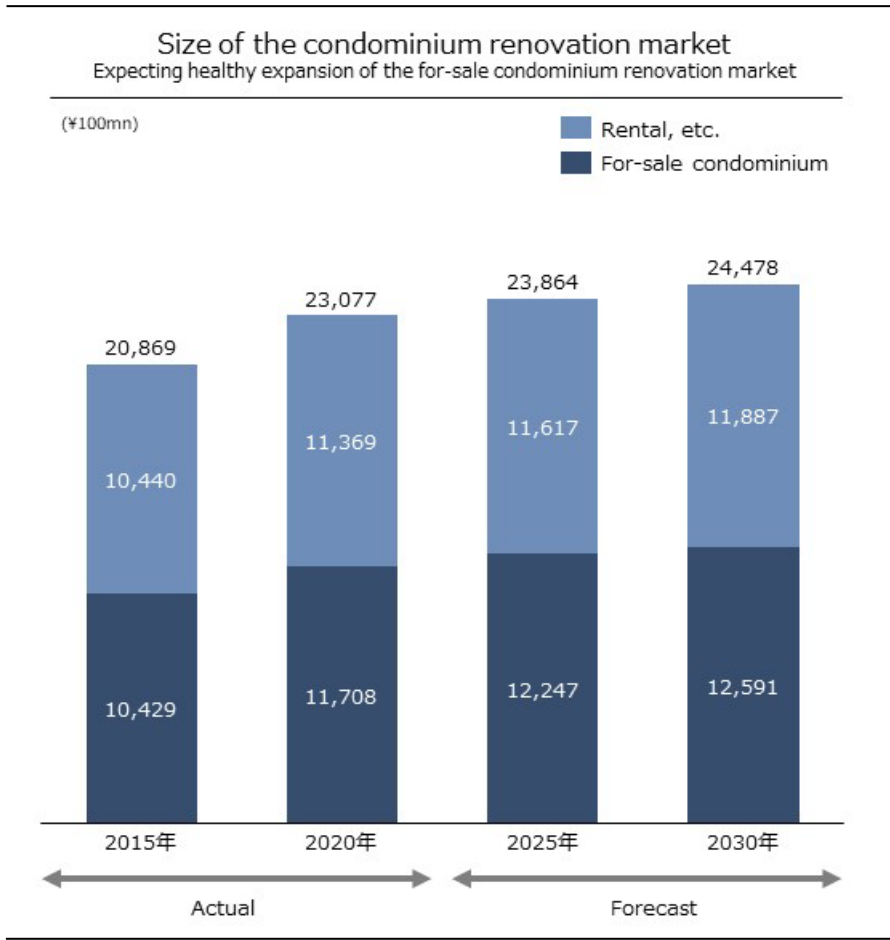


Source: Prepared using Tokyo Kantei’s press release

Renovation market for “Property-for-sale”

We expect increase in the necessity and importance of renovations that enhance the quality of home life for older residential properties. According to a survey of condominium remodel market size, the segment for properties being sold is expanding at a faster pace than the rental segment, and the property-for-sale share surpassed the rental share in 2020 (Figure 5). Growing renovation demand for older residential properties might be affecting this trend.

Figure 5: Size of the condominium renovation market



Source: Remodeling Promotion Committee for Condominiums

(2) Shift from mass-produced to one-of-a-kind residential properties, pick-up in relocations

Buying a new home had been a goal for life

As a second major change, growing acceptance of purchase with the intent of selling when buying a property is likely to promote pick-up in transactions of used and renovated residential properties.

During the high economic growth phase in Japan, people tended to view the purchase of a new home for lifelong residence as a symbol of success in life. Beginning in a student boarding house or dormitory, living in a rental home, and then finally acquiring a new home was sometimes described as winning “The Game of Life.”

Less resistance to used properties

Today, resistance to buying used residential properties has already faded, and the approach of not owning and continually renting a home has become a normal pattern too. Nevertheless, people repeatedly relocating through

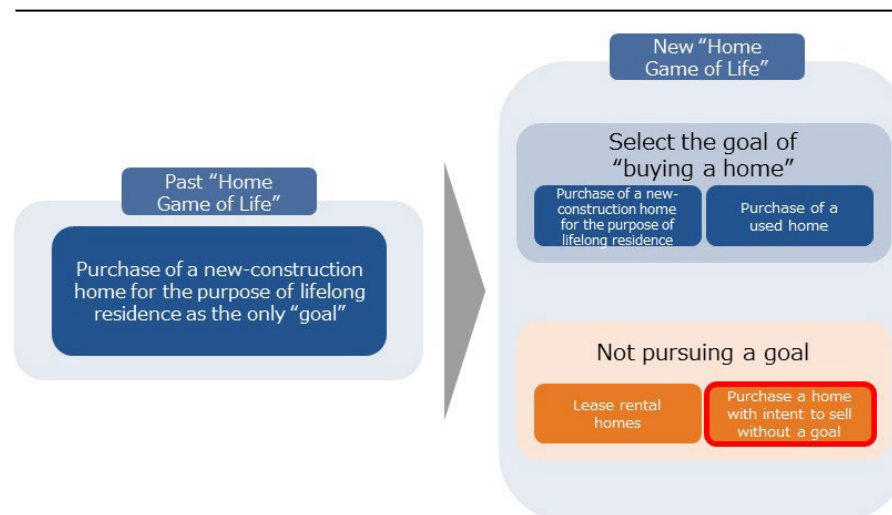
property purchases not intended for long-term ownership is still uncommon and this has not changed over decades.

In Japan, asset value of condominiums typically steadily declines as the number of years after construction rises, and hence the common attitude was that it is difficult to actively relocate through buying unless the person has economic resources to withstand losses along the way.

Concept of buying with
intent to sell

However, this attitude appears to be changing. According to Recruit's 2022 survey of "People Thinking About Buying or Building a Home," the percentage of those looking at lifelong residence in the subject property was only 32% in the group of potential new condominium buyers and 25% in the group of potential used condominium buyers. This indicates that many people considering a purchase intend to look at a future sale. Steep upturn in condominium prices in recent years has fostered an environment in which future price decline is limited and buyers can expect properties to retain a certain amount of asset value while living in them if the property is located in metropolitan Tokyo and offers a favorable location and other qualities.

Figure 6: Change in the "Home Game of Life" image



Source: "Real Estate Market Research Report" Vol. 226 issued by Mitsubishi UFJ Trust and Banking Corporation's Real Estate Consulting Department

Shift from mass-produced
to one-of-a-kind
properties

We think awareness has risen of combining used properties and proactive renovation as a way of realizing quality in home life and accommodating diverse interests and preferences. Layouts and equipment in newly built properties generally settle for safe mass-produced content aimed at booking quick sales.

The purchase of a used property with renovations, meanwhile, offers a path to realization of a personalized "one-of-a-kind" property. In particular, an older property available as a complete skeleton with an exposed building frame enhances the flexibility of choice in layout, facilities, and interior to a level that is a totally different category than buying a new construction property. We expect individuals to increasingly see renovation as an opportunity to fulfill diverse interests and preferences.

(3) Tour experience: Realizing “one-of-a-kind” significance

Significance of “one-of-a-kind” used and renovated residential properties

The author had an opportunity to tour a property slated for sale that TSUKURUBA renovated. The subject property is a 2LDK used condominium that was roughly 30 years old and located in a high-end residential neighborhood in the city center. TSUKURUBA implemented a full renovation from the property skeleton. There is a massive Japanese branch office of a global IT firm nearby.

A major feature of the property is provision of a shower area equipped with a high-quality rain shower but not a bathtub. This design choice facilitated a layout with larger living and other areas. Many Japanese people enjoy baths, and the author actually does not recall ever seeing a property without a bathtub in a 2LDK new construction condominium. However, though the number is small, the author does know some people, mainly those who lived abroad for a lengthy period, who do not regularly take baths. The layout with a larger living area and high-quality rain shower might provide stronger appeal to this segment.

Even though the subject property was priced higher than other older properties in the area, the author heard subsequently that it had a large number of inquiries and sold quickly. Absence of a bathtub meant that the property from the outset did not target the family market. Based on its accumulated data and knowhow, TSUKURUBA probably selected the property and made the renovations with a specific image of a single-person or DINKs customer with relatively high income who might work at the nearby IT company. The author imagines that TSUKURUBA’s sales team with its understanding of the lifestyle of this type of customer included the subject property among multiple proposed properties and successfully captured their interest. The tour experience highlighted that manifestation of “one-of-a-kind” value requires an agent firm that understands the value and a mechanism to find latent customers looking for this type of value.

Possible picture of the future

If the owner of the subject property is a single person or DINKs with relatively high income, as imagined by the author, they might consider relocation in the not too distant future due to a change in family composition, job switch, increase in compensation, or other event. In this case, the owner might consult a firm that understands the value of this property regarding the relocation. TSUKURUBA has the potential to efficiently acquire customers by sustaining contact with owners after the move into a renovated property and thereby being positioned to receive a relocation request. This supports a future vision of a cyclical business model in which the buyer in the transaction becomes the next seller candidate and the seller then is the next buyer candidate.

3. Accelerating initiatives toward cyclical distribution of used and renovated properties

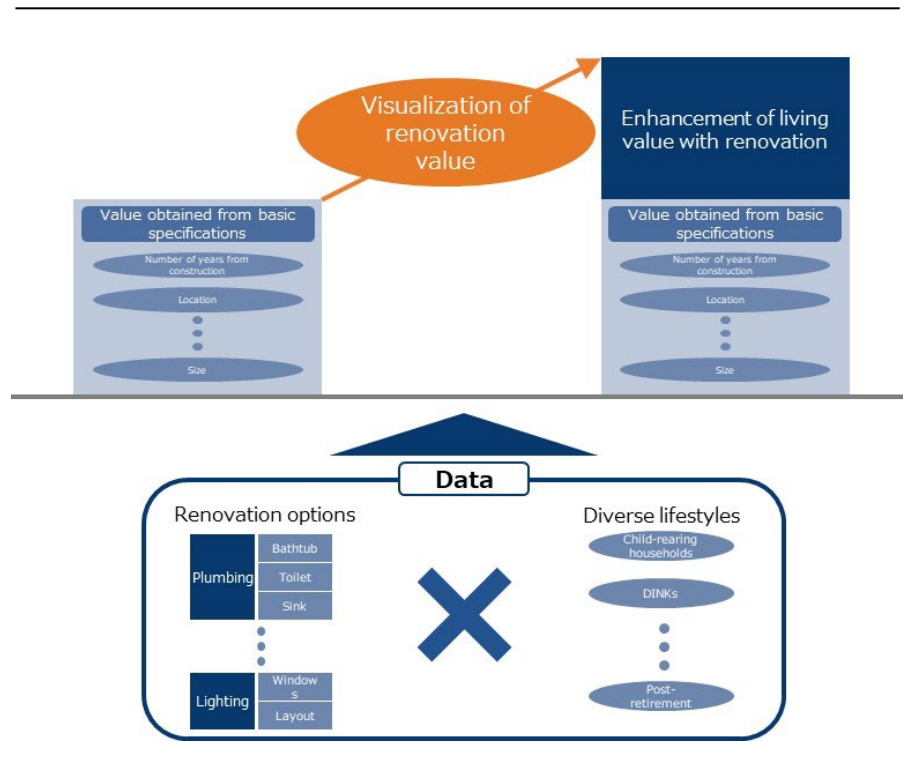
(1) Visualization of renovation value

Unique home life

Transformation of Japan's used home market from an agglomeration of safe mass-produced properties to a world filled with unique one-of-a-kind properties requires development of a framework that communicates one-of-a-kind appeal to potential buyers and sets fair pricing and thereby reduces economic risk associated with these properties. A society that does not recognize unique value ends up with a monotonous look blanketed by mass-produced replicas.

As explained below, TSUKURUBA is collecting data and accumulating near-term income through provision of proprietary and wide-reaching services and is moving forward in preparations for a platform that visualizes renovation value aimed at becoming an overwhelming winner over the long term.

Figure 7: Visualization of renovation value



Source: Prepared from company materials

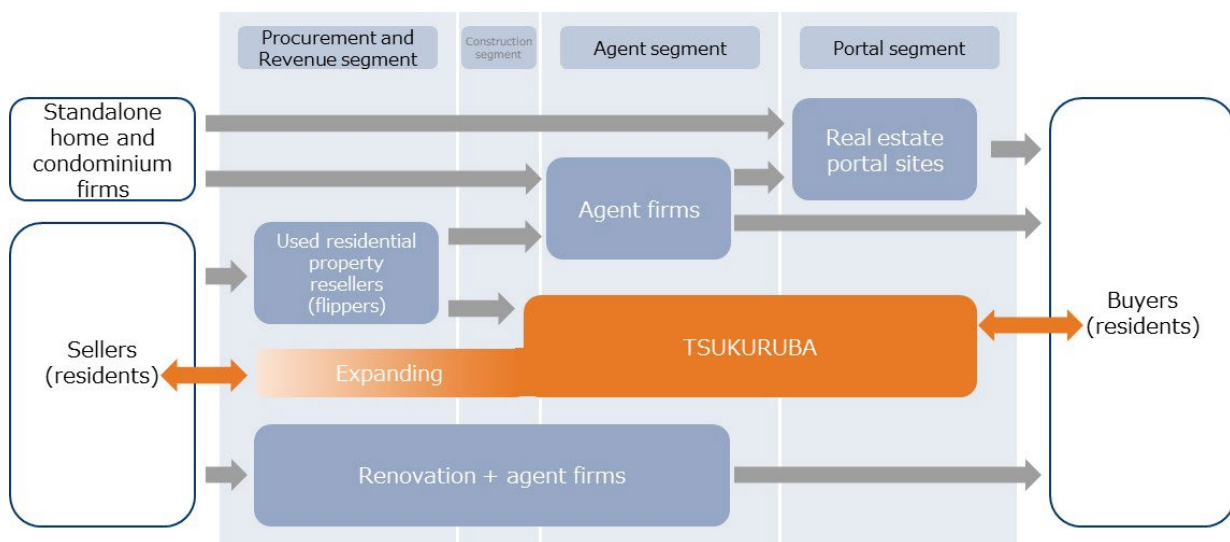
(2) Unique and integrated business development

Specialized roles in
residential property market
flow

Specialized roles have taken hold in Japan's residential property market. Many agencies obtain property information from industry databases and place this information on real estate portals with massive reach (SUUMO and HOME'S) to attract customers. After concluding contracts, agencies typically do not continue other transactions, such as renovation and post-move services, with customers. Real estate agencies mainly adhere to a traditional brokerage role in residential property transactions.

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Figure 8: Positioning in the residential property market



Source: Prepared from company materials

TSUKURUBA's emphasis
on unique information and
direct customer contacts

TSUKURUBA, meanwhile, differs substantially from the traditional agent style with renovation information that it acquires and builds on its own and involvement in direct contacts with customers. Even when it obtains property information from industry databases, TSUKURUBA assesses and selects possibilities of enhancing property appeal with renovations, adds information gathered independently, and places it on the "cowcamo" website and app with a UI designed for effective communication of renovation appeal. It does not rely on the two major real estate portals to attract customers.

Thereafter, the company's salespeople pursue communication with customer candidates who respond to "cowcamo" and obtain information on lifestyle, economic conditions, purchase schedule, level of interest in renovations, and other points via property viewings and other activities. Salespeople extract multiple property ideas suited to these conditions from a database and propose them along with a renovation plan aimed at raising the closing rate.

Direct accumulation of knowhow and data

As this indicates, TSUKURUBA accumulates knowhow on relationships of property and renovation types, media management, and sales activities through accumulation and utilization of renovation property information, customer information, and customer behavior records in its business foundation. Specifically, it repeatedly observes the “level of pricing” that “customers seeking a certain type of lifestyle” are willing to accept by the “type of renovation” and the related “type of property” and the extent to which it is possible to raise the closing rate by the “type of media management and sales activity” and internally visualizes and accumulates knowhow regarding renovation value and how to manifest it.

Wide-reaching initiatives covering the full scope of property market flow

additional, TSUKURUBA is broadening its business scope from current agent services for buyers to provision of renovation products and selling assistance to sellers and is moving in the direction of covering the full scope of used and renovated residential property distribution (Figure 9). This effort aims to support one-stop business that consists of directly acquiring property information or properties from sellers, providing renovation packages that enhance property value, and selling properties via its own portal and sales team.

Favorable reaction to “LifeCatalog” renovation package plans as an ancillary service to agent business stands out recently. “LifeCatalog,” which TSUKURUBA released in March 2022, is a service in which the buyer selects from multiple basic interior designs prepared by TSUKURUBA and adds customization. TSUKURUBA is steadily expanding the line-up. It explains that the number of renovation service contracts increased 49% YoY and the average income pricing climbed 50% in FY2024 (Aug. 2023–Jul. 2024) with LifeCatalog as the driver. This boost deepened management’s confidence in its proprietary renovation knowhow with a medium-term outlook.

Explanation materials for FY2023 results suggest the direction of strengthening services for sellers in the future. They explain the company’s intent to merge its agent service for individual sellers and self-planned product (procurement and resale) service and create a separate entity for this business in FY2024. There is also a discussion of promoting monetization of the “Urucamo” portal for sellers and “entry into an expansion phase” in FY2024. “Urucamo” is a service that supports matching of individual sellers and buyers. While it does not have many contract examples yet, TSUKURUBA sees a trend of significant improvement, versus past activity, in the probability of viewings leading to purchases and amount of time it takes.

Furthermore, TSUKURUBA has already been explaining that it envisions related services, such as “financial services for sellers and buyers” and “digital transformation of construction process to optimize distribution margin.”

The latest results materials mention “formation of the groundwork to realize improvement of the take rate over the longer term.” It seems that TSUKURUBA intends to ramp up expansion of business scope from FY2024 based on strengthened confidence in knowhow and data accumulated up to now.


The materials also cited “starting services for living in the property after the purchase during FY2024.” Living services refer to provision of a contact point after the purchase, additional renovation support, minor renovations and repairs, and furniture and interior. We think TSUKURUBA’s aims to build a continuous relationship with the buyer that leads to creation of business at

the next relocation timing.

Figure 9: Business expansion results and vision

	Launched service	For buyers	Data accumulation	For sellers	Related service
Up to FY2023	<ul style="list-style-type: none"> Agent service for buyers Renovation service Assistance service 	◎	◎	○	-
	<ul style="list-style-type: none"> Agent service for sellers Self-planned product Revenue 	○	◎	◎	-
	<ul style="list-style-type: none"> Provision of fixed-price renovation package products 	◎	○	-	-
FY2024 -25	<ul style="list-style-type: none"> Expansion of matching service Reinforcement of living service 	◎	◎	◎	○
Others	<ul style="list-style-type: none"> Begin review of financial services for sellers and buyers Involvement in the renovation work process aimed at optimizing distribution margin Relocation assistance and other lifetime support for customers conducting transactions on cowcamo 	◎	◎	◎	◎

*Fixed-price renovation package image



in Nature

価格が安いから
デザインで特別な暮らし

PRICE 17万円/㎡～

PLANNING Outside

MATERIAL&COLOR Natural・Bright

Douan.touan

そのままの建坪感と
好きなものを使える暮らし

PRICE 16万円/㎡～

PLANNING Display

MATERIAL&COLOR Solid・Textured

Mahoroba

NEW

近所もモノも盛り
心地いい滞在がある暮らし

PRICE 17万円/㎡～

PLANNING Interior

MATERIAL&COLOR Neutral・Dark

Source: Prepared from company materials

4. Results outlook – Preparing for a leap in FY2025

(1) Current core service and income acquisition

Current core business

TSUKURUBA currently mainly operates in metropolitan Tokyo as an area with robust demand for used residential properties. Condominiums built at least 20 years ago with substantial renovation needs are the majority of the properties it handles. The main income source is agent transactions received from either the seller or buyer for used and renovated residential properties. TSUKURUBA also obtains fees and other income related to renovation work.

TSUKURUBA only purchases and resells properties in cases when it determines that it can control inventory risk based on accumulated knowhow. In some cases, it also focuses on properties with opportunity to boost added value by making renovations. The tour property covered in Section 2 is an example of this activity.

Main income source

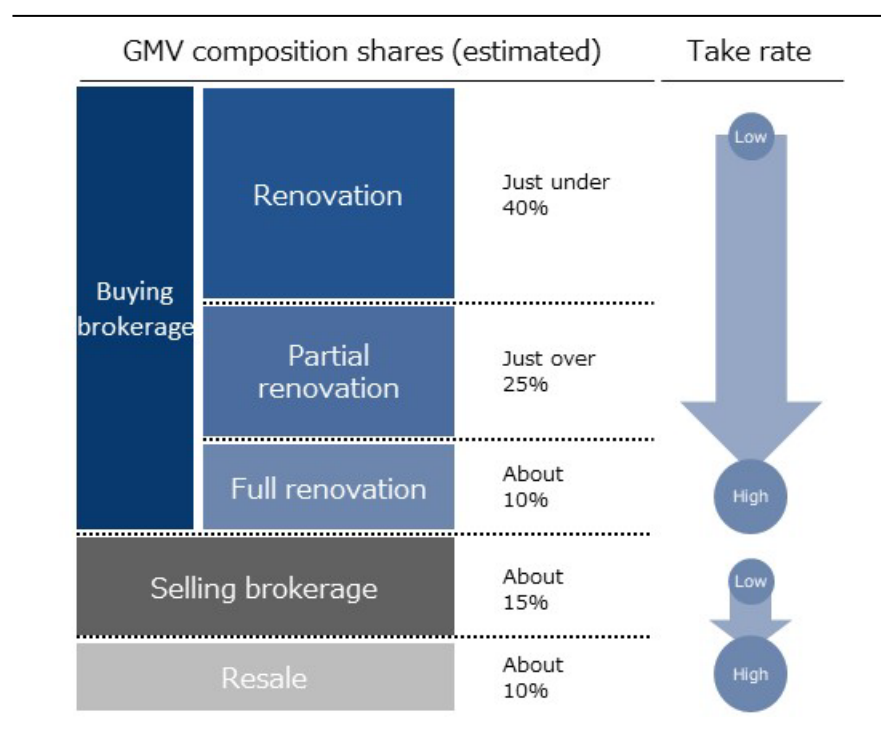
In TSUKURUBA's income, the percentage of actual income acquired via agent and renovation services to the total value of purchases (GMV) it handles is the take rate (added value acquisition rate), and the gross amount of this income appears as gross profit on the income statement (refer to the results outlook table). The GMV breakdown by services shows a high percentage in buyer brokerage value (Figure 10). TSUKURUBA's take rate rises as the percentage of renovation value increases. While the seller brokerage value share in GMV is low and the take rate is weak too currently, we think the take rate is higher in transactions in which TSUKURUBA procures and resells the property as mentioned above.

In FY2023 (Aug. 2022–Jul. 2023) results, TSUKURUBA reported ¥52.67bn in GMV and a 4.6% take rate. The Real Estate Brokerage Act stipulates 3% as the maximum brokerage fee in real estate transactions (transaction price (tax excluded) × 3% + ¥60,000 + consumption tax). TSUKURUBA's take rate exceeds 3% on an overall basis due to contributions from renovation, resale transactions, and dual agency deals (handling brokerage service for the property seller and buyer).

COGS is property
procurement costs

Fee income does not recognize direct COGS and is almost entirely booked in gross profit. Meanwhile, when TSUKURUBA procures and resells properties, it books the procurement costs as COGS. This means that nominal gross margin is likely to modestly decline in a phase of expansion of procurement sales because of increase in booked COGS.

Figure 10: Estimated income and take rate breakdown



Source: Prepared from company materials

(2) FY2022 results: Achieved top-line recovery and curtailed

fixed costs

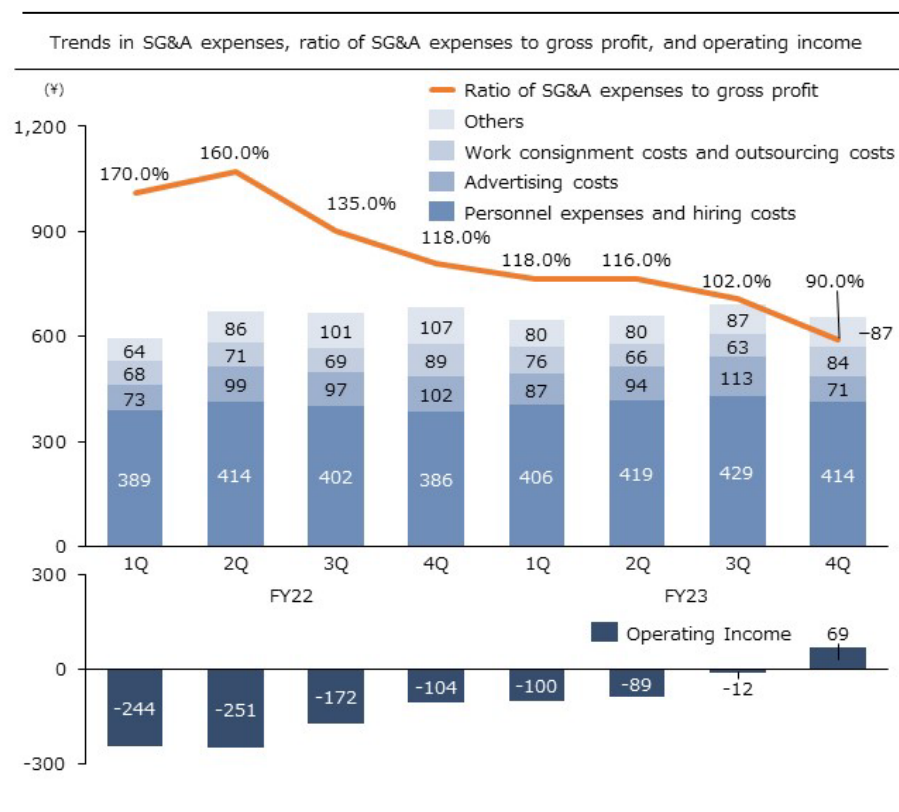
Archived quarterly
profitability

TSUKURUBA's results weakened in FY2020 (Aug. 2019–Jul. 2020) and FY2021 because of a large impact of difficulty conducting outside sales activities amid strengthening calls to restrict time spent outside, including the state of emergency declaration, during the COVID-19 pandemic and high upfront investment burden. From FY2022, however, business conditions improved substantially with normalization from pandemic conditions, expansion of used and renovated residential property needs, and increased awareness of the company's services. Income also benefited from upbeat sales of self-planned products and renovation packages. These trends fueled healthy levels in GMV growth and the take rate (Figure 12).

In costs, management ramped up cost-cutting efforts with particular emphasis on curtailment of fixed costs premised on risk of future worsening in the fund-raising environment. The combination of top-line income growth with curtailed growth in SG&A expenses thanks to these efforts delivered rapid improvement of the earnings situation from mid-FY2022. TSUKURUBA achieved its first operating profit in May–Jul 2023 (Figure 11).

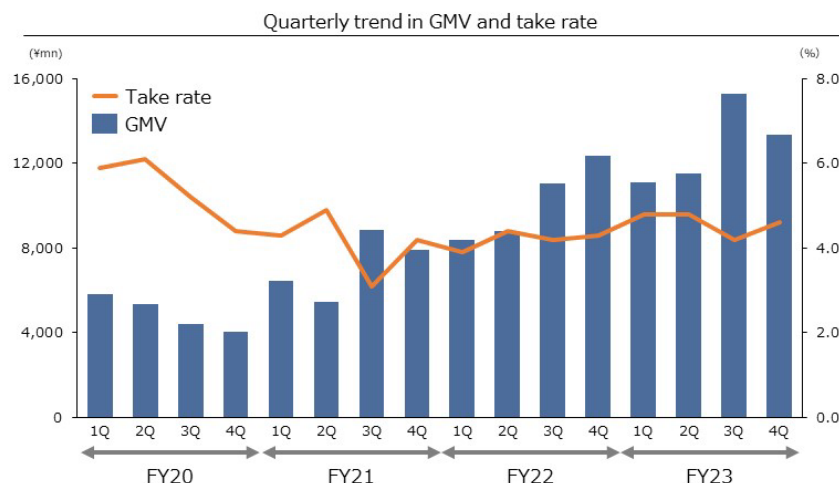
Amid an absence of significant recovery in the fund-raising environment for newcomer firms even now, TSUKURUBA demonstrated the suitability of its business model by jointly expanding business scope and improving earnings.

Figure 11: Cost management



Source: Prepared from company materials

Figure 12: Quarterly trend in GMV and take rate



Source: Prepared from company materials

(3) FY2024: Seeking enhanced sales productivity with a medium-term perspective

Outlook for achieving full-year profitability

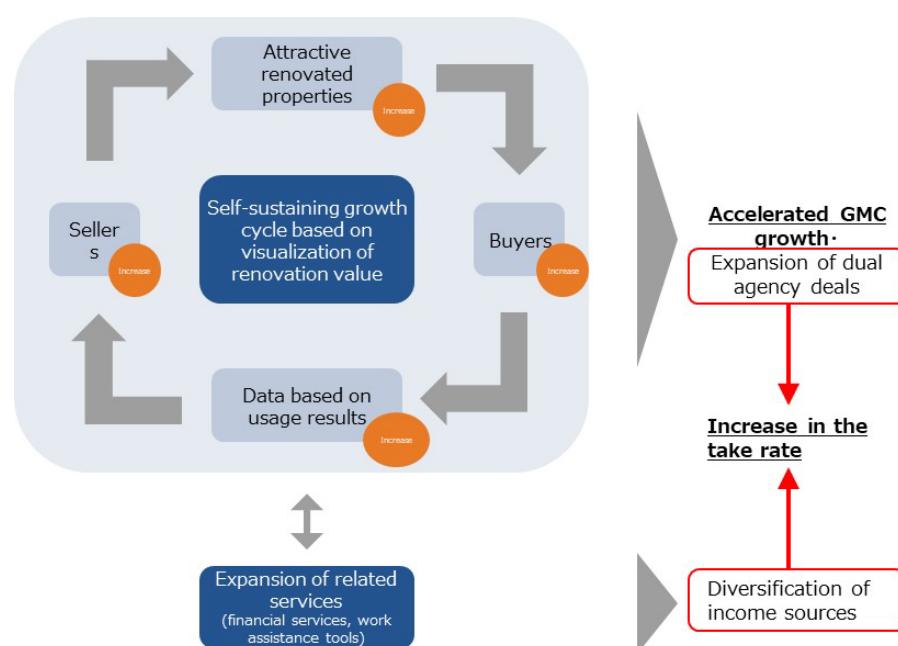
Regarding initiatives from FY2024 (Aug. 2023–Jul. 2024), management has shifted attention toward ramping up efforts to enhance companywide productivity with the prospect of future expansion of business scope. First, it decided to spin off the property planning and design business that was pursuing separately from the cowcamo business. This means removal of its income contributions to consolidated results from Q2 FY2024 (Nov–Jan). (The income impact is minor and already reflected in company guidance and our earnings forecast.)

Next, with the aim of building a foundation to improve income over the long term, management intends to ramp up improvement of companywide productivity, mainly in sales and marketing areas, in addition to existing pursuit of cutbacks in fixed costs. Specific measures targeting better efficiency in contact with customers are optimization of advertising and promotion activities, sales process DX, and overhaul of the customer management system. Furthermore, it plans to improve back-office operations that support sales.

In FY2024, TSUKURUBA's policy calls for curtailing personnel additions and advertising and promotion costs that directly boost near-term sales until it has optimization processes ready. While the anticipated sales growth rate is slightly weaker as a result, TSUKURUBA will continue to restrict growth in expenses and expects to achieve an operating profit at the full-year level. It forecasts renewed increase in the sales growth rate in FY2025, when it completes reinforcement of operations to support long-term advances, driven by resumed investments in organizational expansion and marketing costs. Management presented an outlook for continuation of strong top-line growth while increasing profits in subsequent years after FY2025 too.

(4) Entering a cycle of self-sustaining growth in transactions and expansion of peripheral businesses

Figure 13: TSUKURUBA's growth cycle



Possibility of GMV growth along with a steep rise in take rate in the future

Source: Prepared from company materials

TSUKURUBA aims to accelerate growth in transaction value (GMV) led by a self-sustaining growth cycle based on expansion of seller and buyer benefits through provision of a suitable price formation mechanism to the used and renovated property transaction market. If it establishes seller and buyer matching on the company's platform, there is a possibility of acquiring a combined roughly 6% in fees per property with up to 3% fees on each side.

In addition to growth in agent fee income, securing opportunities in construction work, financing, relocation assistance, and other peripheral businesses that occur before and after purchases of used properties expands customer benefits and enhances profitability.

While the take rate in FY2023 (Aug. 2022–Jul. 2023) results was 4.6%, we think TSUKURUBA has potential to target an even higher take rate over the long term.

(5) Risk

Main risks

Significant downturn in real estate market conditions due to weakening of the macro environment, steep rise in interest rates, or other factors might adversely affect results. However, we think the used property segment has relatively strong resilience within the real estate market.

Serious erosion of relationships with collaborating firms in brokerage business, resellers that sell properties, or others might adversely affect results.

Lack of anticipated rise in cowcamo's customer appeal might slow the pace of income expansion.

Development of a highly competitive business model by a new entrant against the backdrop of growth in the used and renovated property market might result lower or prevent increase in TSUKURUBA's market share and thereby slow the pace of income expansion.

Balance sheet (¥mn)

	Actual FY2021	Actual FY2022	Actual FY2023	Forecast FY2024	Forecast FY2025	Forecast FY2026
Current assets	2,647	2,561	2,729	2,684	3,055	3,777
Cash and deposits	2,243	1,654	1,772	1,975	2,147	2,769
Others	404	908	957	708	908	1,008
Non-current assets	391	317	335	335	335	335
Buildings	284	199	172	172	172	172
Others	107	119	163	163	163	163
Deferred assets	0	0	0	0	0	0
Assets (total)	3,038	2,879	3,064	3,019	3,390	4,112
Current liabilities	430	538	803	875	746	824
Short-term loans, etc.	191	233	376	431	268	268
Others	239	306	427	444	478	556
Non-current liabilities	1,728	1,431	749	500	700	800
Long-term loans, etc.	1,707	1,411	739	500	700	800
Others	21	20	10	0	0	0
Liabilities (total)	2,158	1,969	1,552	1,375	1,446	1,624
Shareholders' equity	836	822	1,391	1,522	1,823	2,367
Others	44	88	122	122	122	122
Net assets (total)	880	910	1,513	1,644	1,945	2,489

Income statement (¥mn)

	Actual FY2021	Actual FY2022	Actual FY2023	Forecast FY2024	Forecast FY2025	Forecast FY2026
Results outlook assumptions						
GMV	28,618	40,538	51,220	60,440	77,970	97,070
YoY	46.1%	41.7%	26.4%	18.0%	29.0%	24.5%
Take rate	4.0%	4.2%	4.6%	4.8%	4.8%	4.9%
Results outlook						
Revenue	1,624	2,766	4,153	5,140	6,620	8,720
YoY	-5.5%	70.3%	50.1%	23.7%	28.7%	31.8%
Gross profit	1,265	1,844	2,522	2,870	3,700	4,800
YoY	5.9%	45.9%	36.8%	13.9%	29.0%	29.5%
SG&A expenses	1,623	2,618	2,655	2,720	3,270	3,970
YoY	20.7%	61.3%	1.4%	2.6%	20.2%	21.1%
Operating income	-359	-774	-132	150	430	830
YoY	-	-	-	-	191.1%	93.0%
Recurring income	-358	-795	-151	130	410	810
YoY	-	-	-	-	218.1%	97.1%
Net income	-482	-822	-166	130	300	540
YoY	-	-	-	-	128.4%	80.9%
Ratio versus Revenue						
Gross margin	77.8%	66.7%	60.7%	55.8%	55.9%	55.0%
SG&A expenses ratio	99.9%	94.7%	63.9%	52.9%	49.4%	45.5%
Operating margin	-22.1%	-28.0%	-3.2%	2.9%	6.5%	9.5%
Ratio versus GMV						
Gross margin	4.4%	4.5%	4.9%	4.7%	4.7%	4.9%
SG&A expenses ratio	5.7%	6.5%	5.2%	4.5%	4.2%	4.1%
Operating margin	-1.3%	-1.9%	-0.3%	0.2%	0.6%	0.9%
EPS	-41.70	-71.09	-14.31	11.24	25.93	46.67

Cash flow statement (¥mn)

	Actual FY2021	Actual FY2022	Actual FY2023	Forecast FY2024	Forecast FY2025	Forecast FY2026
Cash flow from operating activities	-438	-1,025	-85	397	134	522
Net profit prior to taxes	-482	-820	-159	175	412	812
Others	44	-205	73	222	-278	-290
Cash flow from investing activities	-106	-109	-59	0	0	0
Cash flow from financing activities	1,221	544	263	-194	37	100
Changes in corporate bonds and other long-term loans	968	-256	-455	-194	37	100
Others	253	801	718	0	0	0
Increase in cash and cash equivalents	677	-590	118	203	171	622

Quarterly summary (¥mn)

	FY2022					FY2023				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
GMV	8,370	8,810	11,016	12,342	40,538	11,087	11,518	15,257	13,358	51,220
Take rate	3.9%	4.4%	4.2%	4.3%	4.2%	4.8%	4.8%	4.2%	4.6%	4.6%
Revenue	565	653	713	833	2,764	742	824	1,098	1,486	4,150
Gross profit	349	419	496	579	1,843	547	568	679	725	2,519
Operating profit	-594	-670	-668	-684	-2,616	-648	-657	-692	-656	-2,653

YoY

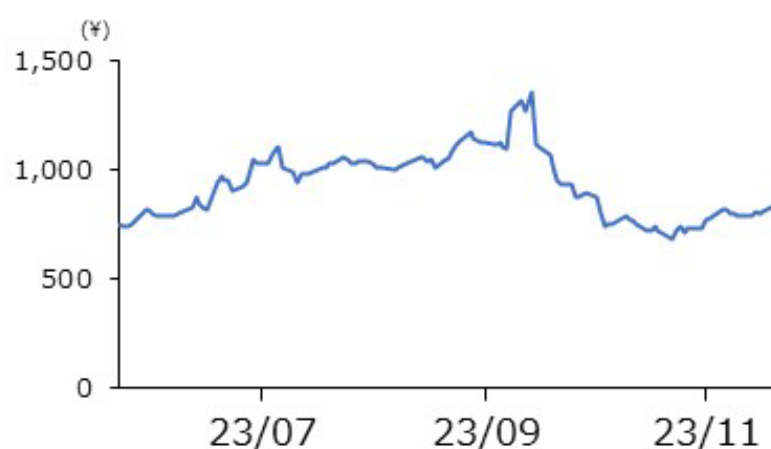
GMV	30.0%	62.3%	24.2%	56.5%	41.7%	32.5%	30.7%	38.5%	8.2%	26.4%
ales	52.3%	67.9%	89.6%	71.4%	70.4%	31.3%	26.2%	54.0%	78.4%	50.1%
Gross profit	15.6%	44.5%	61.6%	59.5%	46.0%	56.7%	35.6%	36.9%	25.2%	36.7%
Operating profit	-	-	-	-	-	-	-	-	-	-

5. Investor perspective

Softening of the share price after the FY2023 results announcement

While the share price was healthy, even amid weakness in the overall newcomer market, thanks to sustained recovery in top-line growth following the pandemic and clarification in mid-FY2023 of moving toward profitability, it has continued a softening trend since the announcement of full-year results in September 2023. This was not a reaction to negative factors in the results. Instead, despite the outlook to achieve profitability in FY2024 (Aug. 2023-Jul. 2024) guidance, top-line growth might have modestly undershot investor expectations. There is also a possibility of investors seeing

Figure 14: Share price trend



Source: Prepared from Buffet Code data

exhaustion of near-term positive factors.

Nevertheless, slowdown in FY2024's top-line growth reflects spin-off of a non-core business and efforts to prepare the foundation for high growth over the medium term, and it does not suggest weaker demand or tougher competitiveness. From the perspective of long-term investors anticipating structural change in Japan's housing market and emergence of a new winner, this might be seen as the arrival of an excellent opportunity for new or additional investment.

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