

HCS 3230 Star Mica Co., Ltd.

Sector; Real Estate 11-Jun-08

Growing niche player through bringing "arbitrage transaction" into Japanese used condo market

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[report@ftg.jp](mailto:report@ftg.jp)**Company profile**

**Representative** Masashi Mizunaga URL: <http://www.starmica.co.jp/>

**Head Office** 2F, Akasaka Twin Tower Main Building, 2-17-22 Akasaka, Minato-ku, Tokyo, Japan

**Business line** Condominium trading business, Investment business, Advisory business

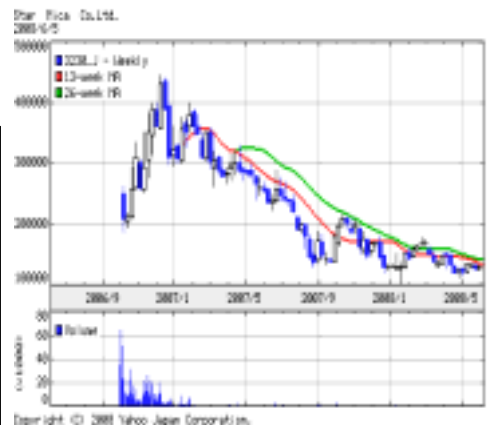
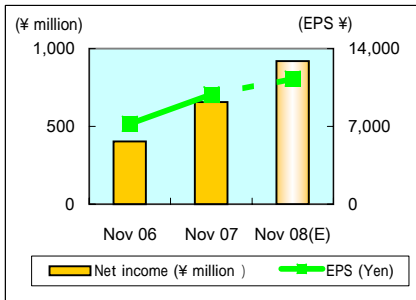
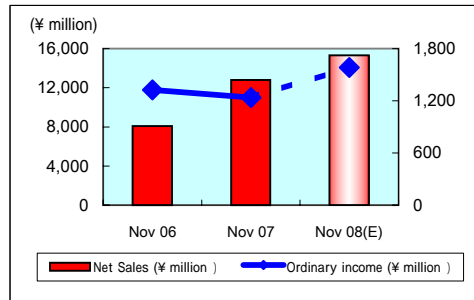
**Shares issued** 81,581 shares (11/30/2007)  
Special owners 83.4%, Foreign owners 18.9%, Japanese Funds 6.1%

**Major Holders** Office Ohgi 20.1%, Morgan Stanley and Company Inc. 15.9%, Jupiter Investment 15.4%, Hiroshi Taguchi 11.0%, Masashi Mizunaga 7.5%

**Established** May 2001  
**Listed** October 2006

**6-Jun-08**  
**Stock price (¥)** 124,000  
**PER(E)** 11.9  
**ROE(E)** 12.8%  
**Market cap (¥ million)** 10,141  
**Volume** 24  
**Trade Unit** 1

	Net Sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)	Dividend (Yen)	EPS (Yen)	ROE (%)
Nov 06	8,095	1,325	403	0	7,238	10.6
Nov 07	12,809	1,235	656	1,000	9,867	12.0
Nov 08(E)	15,317	1,584	920	1,000	11,284	12.8
May 08(Interim)	8,166	920	534			

**Industry trend**

Japanese condo stocks ( accumulated ones ) surpassed 5 million units at the end of 2006 and increased about 2 million units in the past 10 years. However, as to the secondary market, used ones are main in the U.S.A and Europe and new ones are main in Japan ( in the 1st half of 90% ). Compared to the U.S.A and Europe, Japanese new condo market is small. In view of the strong demand for new condos, the Ministry of Land, Infrastructure, Transport and Tourism started to activate used housing market by setting numerical target ( 2003 : 13%~2015 : 23% ) in 2006. Environment surrounding secondary housing market came to worsen due to sluggish personal income, rise in new condo price and construction costs, and revised building code. However, it is predicted that demand for condos in urban areas is strong due to increase in single-person household and concentration of population on large cities such as Tokyo, Osaka and Nagoya. It is also estimated that purchasers of used condos increase due to lower price of used ones than new ones. Although the used housing market is expected to expand, it is lack in liquidity and thus unstable because its transaction is made mainly through personal brokers. Once the market infrastructure is established, it is expected to further expand. ( reference : the Ministry of Land, Infrastructure, Transport and Tourism > report of statistics survey view on setting index for results )

**Business strategy**

Star Mica Co., Ltd was founded by CEO Mizunaga, former employee of Goldman Sachs in 2001. The company started condo liquidation business in 2002. The condo liquidation biz means trade of condo ownership ( ownership change ) . The company makes profits by the same biz model as financial "arbitrage " using the lower price of occupied condo than that of the vacant one. There are a few companies conducting this biz due to the difficulty of fundraising and operation system such as purchase and sales. It diversified fundraising methods by creating funds for Japanese and foreign financial institutions, obtaining bank loans and making IPO in 2006. It streamlined operation system by focusing employees on purchase and sales and outsourcing maintenance to outside firm. Moreover, it streamlined info and PL management system by starting info sharing system containing past transaction data in 2007. The business results forecast for FY Nov. 2008 is as follows. Sales ¥ 15.3 billion ( YoY 19.6% ) . Ordinary income ¥ 1.5 billion ( YoY 28.2% ) Net income ¥ 0.92 billion. ( YoY 40.3% ) . While focusing on condo liquidation biz, it aims to make advisory biz such as real estate securitization and asset management a core profit source. ( reference : Nikkei Business April 28 and May 5 2008 issue > Strategy focus Niche exploitation > "Used condo is a gold mine" )

**Corporate analysis by IR STREET**

Strength	Opportunity
1.Focus on trade of used condos for families ( few competitors )	1.Expansionary trend of used condo market ( Increase of condo stocks )
2.Various fund raising methods ( fund creation, nonrecourse· syndicated loans etc. )	2.Change of trend from new to used condos
3.Establishment of efficient operation system ( purchase· sales· maintenance etc. )	3.Establishment and activation of used housing market
Weakness	Risk
1.Heavy reliance on condo liquidation business ( over three fourths of total sales )	1.Trend of real estate and financial market
2.Balance of small organization and business expansion	2.Trend of legal regulations ( real estate, financial product etc. )
	3.Heavy reliance on specific persons ( especially Mr. Mizunaga, CEO )

**《Peer comparison》**

	Fiscal Year end	Sales (¥ million)	YoY (%)	Ordinary income (¥ million)	YoY (%)	Ordinary income ratio (%)	EPS (¥)
Star Mica	Nov 08(E)	15,317	19.6%	1,584	28.3%	10.3%	11,284
CREED Corporation(8888)	May 08(E)	41,000	2.3%	10,000	12.5%	24.4%	33,560
Tosei Corporation(8923)	Nov 08(E)	56,872	41.9%	12,090	52.1%	21.3%	17,868
RISA Partners, Inc.(8924)	Dec 08(E)	39,570	44.2%	13,780	30.1%	34.8%	31,240

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