

## Jowa Holdings (3258; NR)

### Alert: Non-rated—Company visit

- **Earnings trends** — Jowa Holdings has invested aggressively in rental office properties, acquiring seven buildings for c¥24bn in FY3/12 and 13 buildings for nearly ¥50bn in FY3/13 (see Figure 2). FY3/14 earnings forecasts, announced in May, are higher than the targets in the medium-term plan created in December 2012 (Figure 1). Over the three years of the plan Jowa plans to spend ¥50bn (¥30bn for offices, ¥20bn for hotels) with the aim of expanding its portfolio to 40 office buildings and 20 hotels. Jowa says its strengths in acquisition are swift decision making and strong finances.
- **Company overview** — Jowa Holdings, a real estate company whose main business is office leasing, was part of the former Industrial Bank of Japan group. The company listed on the TSE in June 2009 and increased its capital in FY3/13 through a private placement and a public offering. In FY3/13 real estate accounted for 76% of OP, with hotels at 22% and golf courses at 1%. The real estate segment operates 30 buildings and warehouse facilities with a total leasable area of 201,000m<sup>2</sup>. Operating under the Unizo brand, Jowa has 10 hotels (1,938 rooms) plus another five (1,287 rooms) in development. The shareholders' equity ratio at end-FY3/13 was 14%.
- **FY3/14 company plan** — In FY3/14 the company calls for sales of ¥21.4bn (+44% YoY), OP of ¥6.7bn (+35%), RP of ¥5.2bn (+46%), and NP of ¥3bn (+43%). There is no disclosure of OP by segment, although we note that in real estate properties acquired in FY3/13 will make a full year's contribution in FY3/14. The OP forecast is ¥0.6bn higher than the medium-term plan target of ¥6.1bn, due mainly to the real estate segment.
- **Share price** — On the June 21 closing price of ¥2,231, the shares are trading on a PER of 12.3x FY3/14CE EPS of ¥181, a PBR of 1.19x FY3/13A BPS of ¥1,882, and a dividend yield of 2.7% (based on the FY3/14CE DPS of ¥60). RoE (FY3/14CE NP/FY3/13A shareholders' equity) comes to 10%. The shares are up 28% YTD but down 32% from their YTD high.

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Figure 1. Medium-term plan

(¥mn)	3/2013CE (A)	3/2014CE	3/2015CE	3/2016CE (B)	(B)/(A)-1
<b>Sales</b>	<b>14,100</b>	<b>20,300</b>	<b>22,100</b>	<b>22,200</b>	<b>57%</b>
YoY	8.7%	44.0%	8.9%	0.5%	
Real estate		14,400	15,500	14,500	
Hotel		5,300	6,000	7,100	
Golf course		710	710	720	
<b>Operating profit</b>	<b>4,600</b>	<b>6,100</b>	<b>7,400</b>	<b>8,200</b>	<b>78%</b>
YoY	4.5%	32.6%	21.3%	10.8%	
OPM	32.6%	30.0%	33.5%	36.9%	
Real estate		14,400	15,500	14,500	
Hotel		5,300	6,000	7,100	
Golf course		710	710	720	
<b>Recurring profit</b>	<b>3,200</b>	<b>4,900</b>	<b>6,200</b>	<b>6,700</b>	<b>109%</b>
YoY	11.5%	53.1%	26.5%	8.1%	
<b>Net profit</b>	<b>2,000</b>	<b>2,800</b>	<b>3,600</b>	<b>4,000</b>	<b>100%</b>
YoY	29.4%	40.0%	28.6%	11.1%	

Note: FY3/13 company plan was announced in May 2012.  
Source: Company data.

Figure 2. Real estate business portfolio

	Property	Location	Leasable area (m <sup>2</sup> )	Pct. of total	Bldg. age
1	Jowa Yaesu Bldg.	Chuo-ku, Tokyo	22,393	11%	46
2	Urban Square Yaesu Bldg.	Chuo-ku, Tokyo	2,366	1%	19
3	Jowa Edobashi Bldg.	Chuo-ku, Tokyo	5,695	3%	26
4	Jowa Kodenmachi Bldg.	Chuo-ku, Tokyo	3,531	2%	30
5	Jowa Suitengu Bldg.	Chuo-ku, Tokyo	3,374	2%	21
6	Shin Horidome Bldg.	Chuo-ku, Tokyo	10,124	5%	46
7	SF BLDG.	Chuo-ku, Tokyo	1,602	1%	22
8	Iwamotocho Bldg.	Chiyoda-ku, Tokyo	1,936	1%	22
9	Resona Kudan Bldg.	Chiyoda-ku, Tokyo	3,179	2%	29
10	Jowa Iwamotocho Bldg.	Chiyoda-ku, Tokyo	3,920	2%	30
11	Jowa Ochanomizu Bldg.	Chiyoda-ku, Tokyo	1,883	1%	25
12	Jowa Kanda Bldg.	Chiyoda-ku, Tokyo	2,877	1%	27
13	Kojimachi Odori Bldg.	Chiyoda-ku, Tokyo	15,015	7%	1
14	Jowa Shibadai Bldg.	Minato-ku, Tokyo	4,641	2%	26
15	Jowa Akasaka 1-chome Bldg.	Minato-ku, Tokyo	2,544	1%	28
16	Jowas Nogizaka Bldg.	Minato-ku, Tokyo	2,147	1%	30
17	Resona Shinbashi Bldg.	Minato-ku, Tokyo	2,850	1%	35
18	Pacific City Shiba	Minato-ku, Tokyo	2,230	1%	24
19	ebisu422	Shibuya-ku, Tokyo	1,218	1%	20
20	Jowa Hongo Bldg.	Bunkyo-ku, Tokyo	2,386	1%	26
21	Koishikawa IS Bldg.	Bunkyo-ku, Tokyo	2,129	1%	22
22	Kamata Tosei Bldg.	Ota-ku, Tokyo	6,642	3%	3
23	Jowa Shin-Yokohama Bldg.	Yokohama	22,162	11%	20
24	Jowa Center Minami Bldg.	Yokohama	4,666	2%	15
25	Jowa Wako Bldg.	Wako	2,113	1%	18
26	Toyama Kogin Bldg.	Toyama	7,891	4%	36
27	Hiroshima Kogin Bldg.	Hiroshima	10,737	5%	33
28	Takamatsu Kogin Bldg.	Takamatsu	6,427	3%	22
29	Japan Oi Warehouse	Shinagawa-ku, Tokyo	39,259	20%	18
30	Jowa Hatchobori Bldg.	Chuo-ku, Tokyo	3,355	2%	10
	<b>Total</b>		<b>201,292</b>	<b>100.0%</b>	<b>24</b>

Note: Shaded properties were acquired in FY3/13. Properties acquired in FY3/12 are numbers 3, 4, 9, 16, 17, 24, and 30 above.  
Source: Company data.

## Appendix A-1

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