# MIGALO HOLDINGS | 5535 TSE Prime

**Q2 Follow-up**

MIGALO HOLDINGS

## Aiming to bolster the proprietary growth model of "Facial Recognition x AI x Real Estate"

◆ **Equity financing boosts growth foundation:** On September 29, 2025, MIGALO HOLDINGS Inc. (hereafter, the Company) announced a new share issuance and secondary offering involving close to 10% equity dilution, and raised a net total of JPY 2,956 mn. Following the equity financing, its equity ratio improved to 27.6% and its net D/E ratio improved to 1.53x, which SIR believes strengthened the Company's financial capacity to secure investment funding for future growth.

◆ **Q2 (July-September) FY2026/3 results review :** On November 14, the Company announced its Q2 FY2026/3 earnings results. Net sales decreased 5.8% YoY to JPY 15,378 mn, and operating profit decreased 1.0% YoY to JPY 1,131 mn. Progress in the first six months toward the Company's upwardly revised full-year forecasts shown below is steady, with net sales at 49.4% and operating profit at 72.6%. The number of condominium buildings that have implemented FreeiD, the Company's facial recognition platform service and a key growth driver, adopting the system increased significantly to 264 as of the end of September this year, up from 205 at the end of March. Approximately 100 condominiums are undergoing implementation or in the pre-implementation phase.

◆ **Revised upward - FY2026/3 full-year earnings forecast and year-end dividend :** The Company expects net sales to rise 16% YoY to JPY 60,000 mn, operating profit to increase 6.9% YoY to JPY 2,900 mn, ordinary profit to grow 2.3% YoY to JPY 2,170 mn, and net profit to fall 5.1% YoY to JPY 1,320 mn. The year-end dividend will be increased by JPY 0.50, bringing the total to JPY 8.50 per year, with the interim dividend of JPY 3. The Management also reaffirmed that this fiscal year remains an investment period. The Company has repeatedly noted that Q3 results scheduled to being announced in February 2026, may appear to show weak progress, as its new property deliveries will hit a low point in Q3 before concentrating in Q4.

◆ **Share price insights :** On a single-year earnings forecast basis, the Company's shares trade at a forward P/E ratio of 16x, a P/B ratio of 1.47x based on post-dilution BPS of JPY 234.2, and a dividend yield of 2.46%. Even after factoring in a post-dilution forecast ROE of around 10%, the stock appears to have undergone an overcorrection. As for potential causes non-fundamental elements, this likely reflects concerns over the risk of failing to meet the TSE Prime Market continued listing criteria, specifically regarding the minimum market capitalization of tradable shares of JPY 10 bn.

| JPY mn, % | Net sales | YoY | Operating Profit | YoY | Ordinary Profit | YoY | Net Profit | YoY | EPS (JPY) | DPS (JPY) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2023/3 C | 37,259 | 5.9 | 2,919 | 32.2 | 2,518 | 31.3 | 1,576 | 29.5 | 26.99 | 5.00 |
| 2024/3 C | 42,672 | 14.5 | 2,500 | (14.4) | 2,042 | (18.9) | 1,112 | (29.4) | 19.13 | 5.63 |
| 2025/3 C | 51,709 | 21.2 | 2,713 | 8.5 | 2,121 | 3.9 | 1,390 | 25.0 | 23.79 | 7.00 |
| 2026/3 Init. CE | 60,000 | 16.0 | 2,800 | 3.2 | 2,150 | 1.3 | 1,300 | (6.5) | 22.21 | 8.00 |
| 2026/3 Rev. CE | **60,000** | 16.0 | **2,900** | 6.9 | **2,170** | 2.3 | **1,320** | (5.1) | **21.58** | **8.50** |
| 2025/3 H1 | 30,001 | 23.3 | 1,935 | (15.6) | 1,641 | (20.6) | 1,101 | (18.6) | 18.85 | 3.00 |
| 2026/3 H1 | **29,650** | (1.2) | **2,106** | 8.8 | **1,749** | 6.6 | **1,131** | 2.7 | **19.32** | **3.00** |

Source: Compiled by SIR from the Company IR material. Note: A two-for-one stock splits of common stock were conducted on July 1, 2024, March 1, 2025, and June 1, 2025. EPS and DPS figures are split-adjusted. Figures may differ from the Company's material due to differences in SIR's financial data processing and the Company's reporting standards.

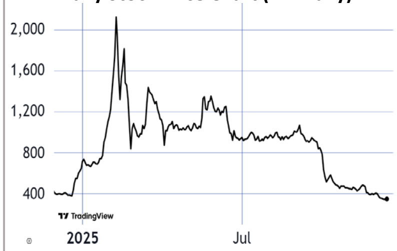
**Focus Point**

The FreeiD service, which integrates with a wide range of facial recognition engines and consolidates fragmented facial recognition IDs onto a single platform, has the potential to become a game-changer in the fiercely competitive and fragmented facial recognition industry. Sustained expectations for its success could drive a re-rating of the stock.

| Key Indicators | |
|---|---|
| Share price (12/9) | 345 |
| 52W/H (25/2/13) | 2,200 |
| 52W/L (25/12/8) | 337 |
| 10Y/H (25/2/13) | 2,200 |
| 10Y/L* (21/1/21) | 41 |
| Shrs out. (1k shrs) | 64,924 |
| Mkt cap (JPY mn) | 22,399 |
| Enterprise Value(JPY mn) | 45,715 |
| 25/9 Equity ratio | 23.4% |
| FY25/3 ROE (act) | 12.9% |
| 25/10 P/B (Est.) | 1.47x |
| FY26/3 P/E (CE) | 16.0x |
| FY26/3 DY (CE) | 2.46% |

Note*: Share price and financial data of predecessor PROPERTY AGENT, Inc. (3464)

**Daily Stock Price Chart (1Y: Daily)**




Source: Trading view

**Kenichi Sugimoto, Senior Analyst**
research@sessapartners.co.jp

*(Continued from the previous page)*

On the other hand, from an investment perspective focused on positive catalysts such as news flow surrounding adoption of FreeiD by big-name developers and participation in large-scale smart city projects, the stock offers an investment opportunity with substantial upside potential.

## Clarifying Facts around the Equity Financing

### ■ Purpose of recent equity financing

The Company raised funds by issuing new shares with the clear intention of bolstering and accelerating its proprietary "Facial Recognition x AI x Real Estate" growth model and aiming for higher growth through improvements in productivity and profitability across the Group. The Management has indicated its policy of promoting growth investments in the following three areas.

In the **Facial Recognition ID Platform business**, expanding adoption of FreeiD, developed by group company DXYZ, has become an urgent priority. In addition to deployment mainly in condominium projects, various proof-of-concept initiatives aimed at fulfilling the vision of a "world connected by your face" have earned high praise for improved user convenience and security, as well as device-free flexibility. Going forward, the Company plans to position facial recognition as a core technology for smart city initiatives, aiming to build a market where it holds a dominant position with nationwide expansion in mind.

In the **Digital Integration business**, securing and developing talent capable of delivering AI transformation and strengthening digital integration technologies have become key challenges. The Company has set out a policy to shift from contract-based SI services to upstream hands-on AI solution delivery and plans to enhance digital implementation capabilities across the Group by hiring and reskilling AI and DX talent and acquiring specialized personnel through M&A.

In the **DX Real Estate business**, the Company aims to strengthen the development of FreeiD-enabled condominiums through flexibly deploying capital, improve productivity through digital solutions from AI and Digital Integration, such as redesigning business workflows using AI, and achieve high asset value through facial recognition systems.

### ■ Ultimately raised nearly JPY 3,000 mn

Based on the above approach, on September 29, 2025, the Company's Board of Directors resolved to conduct a "new share issuance and share offering" and announced after the market close on the same day that it would raise up to JPY 5,206 mn through a public offering of 5,500,000 new shares and a third-party allotment of 825,000 shares.

Of this amount, approximately JPY 4,150 mn is the minimum funding required for the initial use-of-funds plan. Dividing this by 6,325,000 newly issued shares, SIR estimates that the Company intended to raise funds at JPY 656 per share. This represents a 16% discount to the closing price of JPY 781 on the same day, and taking into account the maximum dilution rate of 10.7%, SIR infers that the Management was expecting a share price drop of around 5%.

The terms were set on October 6, 2025. The offer price was JPY 535, marking a 4.12% discount to the closing price of JPY 558 on the same day. On November 7, 2025, the number of shares issued through the third-party allotment to lead underwriter Nomura Securities fell below the initially planned level to 266,300 shares, bringing the total number of new shares issued to 5,766,300 and the dilution rate to 9.8%. As a result, the Company raised JPY 2,956 mn, coming out to a final issue price of JPY 512.68 per share multiplied by 5,766,300 shares.

The table below outlines the revised use-of-funds plan based on the amount raised. While the allocation to the Facial Recognition ID Platform business and the Digital Integration business remains unchanged from the initial plan, the allocation to the DX Real Estate business was revised downward from JPY 2,000 mn to JPY 770 mn.

**Use-of-funds plan for the next two years based on the equity financing**

| | | | |
|---|---|---|---|
| DX Promotion Business | Facial recognition ID platform business | 1.5 billion yen | Capital expenditures: Investment in system and service development, 1.0 billion yen<br>Working capital: Strengthening human resources, 200 million yen<br>Working capital: Strengthening sales promotion, 300 million yen |
| DX Promotion Business | Digital Integration Business | 650 million yen | Working capital: Strengthening human resources, 300 million yen<br>Working capital: Strengthening recruitment, 350 million yen |
| DX Real Estate Business | | 770 million yen | Working capital: Condominium development funding, 770 million yen |

Source : Company IR material

## Clarifying multi-angled issues around the Equity Financing

### ■ Why now?

The Company's management placed strong emphasis on the timing of this new share issuance because it believes that multiple external and internal factors aligned to create a favorable opportunity to accelerate growth.

First, social implementation of **Facial Recognition technology** is advancing rapidly. As seen in cases such as the introduction of the Company's FreeiD in rental condominium properties developed by Daiwa House Industry, adoption of facial recognition across urban infrastructure, including transportation, facilities, and payments, has accelerated, and the demand has expanded nationwide. In addition, discussions around smart city projects have progressed across Japan, and the Management explains that the Company has gained confidence in expanding implementation opportunities that enable people to move across daily living touchpoints using a single facial recognition ID at the district level. Against this backdrop, and in order not to fall behind these societal trends while maximizing first-mover advantages, the Company determined that growth investment at this timing was essential, given the urgent need to strengthen its sales and delivery structure internally.

In **AI solutions**, the transition from internal trials to external PoCs (Proof of Concept) has progressed faster than expected, creating business opportunities in high-margin, hands-on projects. In the **DX Real Estate** business as well, demand for income-generating properties has risen amid expectations of higher condominium prices and rents, creating conditions that allow for expansion of the DX membership base and the front-loading of new condominium development. The Management explains that the Company aims to raise funds while market conditions remain favorable in order to expand business scale and strengthen its earnings base.

In this context, the Management also adds that, amid increasingly selective financial conditions, the Company recognized the need to raise its shareholders' equity ratio to secure borrowing capacity and enhance its standing with financial institutions as a strong borrower. In addition, improving its presence in the capital markets after meeting the required market capitalization of tradable shares threshold as a TOPIX constituent also served as an important motivation.

## ■ Measures to supplement the shortfall versus the initial funding target

In relation to the shortfall versus the initial funding target, the Company's Management denied the possibility of conducting additional equity financing.

At the same time, the Management has made clear its policy of continuing a flexible and agile capital strategy in response to changes in the fund-raising environment and market conditions. The Company has built a financing framework in cooperation with multiple financial institutions with the aim of strengthening its financial base and expanding credit lines. As its core approach, the Company plans to use retained earnings and cash flow, while also leveraging coordinated financing through closer relationships with financial institutions and using commitment lines.

Accordingly, the Company has made clear its intention to cover the shortfall that was originally to be allocated to the DX Real Estate business through borrowings and to leverage the improvement in its shareholders' equity ratio and the decline in its net D/E ratio to increase credit availability from financial institutions. In addition, for development capacity aimed at smart city projects that would otherwise require large upfront investment in the short term, the Company has indicated that it will invest in stages in line with progress in securing projects, pursuing an approach that balances capital efficiency and risk management.

## ■ Management vision following the equity financing

The Company aims to expand its **Facial Recognition ID platform** into urban living infrastructure and promote its vision of a "world connected by your face," delivering a seamless experience across condominiums, offices, commercial facilities, and mobility.

In **AI solutions**, the Company plans to roll out internally proven success cases to external clients, strengthening its earnings base through productivity improvements from upstream stages and a high-margin, hands-on delivery model.

In **DX Real Estate**, the Company will further hone its high-barrier capabilities in sourcing, sales, and product differentiation and sustain growth through high value-added properties equipped with FreeiD.

With regard to **capital policy**, the Company has articulated a policy of enhancing long-term corporate value by balancing growth investment with shareholder returns, with the aim of becoming a TOPIX constituent and building market trust.

By strengthening the cycle among these three businesses, the Company plans to advance its transformation into an AI solutions provider and elevate it into a tangible earnings story.

## Q2 FY2026/3 Results Review

***U-System Creation Inc. (USC)** is specializing in intramart (enabling the digitalization and automation of business processes). The Company plans to share USC's quality customers and leverage its skilled engineers, technologies, know-how, and case data to accelerate the competitiveness of the DX Promotion business.

According to its press release, USC is a highly profitable company with around 30 employees, annual sales of over JPY 1.0 bn, and an operating margin of about 10%. The acquisition will contribute to consolidated results for H2 of FY2026/3 and for the full-year in FY2027/3.

*From Q1 FY2025/3, the Company revised its calculation methodology for both the DX Real Estate Membership trends and Sales Contract trends, and retroactively adjusted these figures accordingly.

### ■ Results came in above initial plan

By business segment in Q2 (Jul-Sept), **the DX Promotion Business**, which is the Company's growth engine saw its sales increase by 5.4% YoY to JPY 939 mn, driven by the expansion of the facial recognition platform service (FreeiD) to major developers, as well as new project acquisitions in Digital integration. Meanwhile, segment profit recovered to breakeven, as improved profitability across individual projects absorbed one-off acquisition-related expenses of approximately JPY 30 mn incurred following the acquisition of subsidiary U-System Creation Inc. at the end of September. According to the Management, while the Company continues to make upfront investments, particularly in human resources, it is also making steady progress in monetization, supported by measures such as curbing outsourcing costs as newly hired personnel become fully productive.

**The DX Real Estate business**, which is the Company's profit center, was driven by an increase in deliveries of newly built investment properties and higher unit prices for pre-owned property sales. By reallocating sales staff to pre-selling new-build investment inventory, the number of high–gross margin new-build investment units sold increased from 90 units a year earlier to 152 units, while sales of pre-owned investment properties fell. Recurring revenue also underpinned profits, with the average occupancy rate exceeding 99% and the number of rental units under management rising by 813 units YoY to 6,892 units. The Company's focus on compact condominiums and the added value of standard FreeiD installation have directly contributed to higher customer satisfaction and differentiation. As a result, Q2 net sales decreased 6.3% YoY to JPY 14,474 mn, but operating profit rose 6% YoY to JPY 1,430 mn due to an improved gross profit mix, which was generally within the range of the Company's forecast. Additionally, DX Real Estate membership*, which the Company positions as the "core" of the DX Real Estate business, grew steadily, reaching 187,802 as the end of September 2025.

While consolidated net sales fell 5.8% YoY, operating profit decreased only 1.0% YoY to JPY 1,131 mn. Excluding one-off acquisition-related expenses, the Company likely achieved profit growth driven by the DX Promotion business returning to effective profitability and expanding profitability in the DX Real Estate business. On the financial front, as property deliveries progressed smoothly, inventory optimization and monetization advanced, and interest-bearing debt declined by more than the increase in cash and deposits. As of the end of Q2, immediately prior to the equity financing, the Company's shareholders' equity ratio improved to 23.4% and net D/E ratio to 2.19x, from 20.5% and 2.74x, respectively, at the end of Q1.

### Segment Information

| Segments | (JPY mn) | FY25/3 Act. | YoY (%) | FY26/3 CE | FY25/3 H1 | FY26/3 H1 | YoY (%) | FY25/3 Apr-Jun | FY26/3 Apr-Jun | YoY (%) | FY25/3 Jul-Sep | FY26/3 Jul-Sep | YoY (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| DX Promotion | Net Sales | **3,765** | *43.2* | | **1,674** | **1,737** | *3.8* | **783** | **798** | *1.9* | **891** | **939** | *5.4* |
| | Operating Profit | **75** | *Turn Profit* | | **(47)** | **(83)** | - | **(72)** | **(83)** | - | **25** | **0** | - |
| | OP Margin | 2.0% | | | -2.8% | -4.8% | | -9.3% | -10.4% | | 2.9% | 0.0% | |
| DX Real Estate | Net Sales | **48,071** | *19.8* | | **28,362** | **27,979** | *(1.4)* | **12,915** | **13,505** | *4.6* | **15,447** | **14,474** | *(6.3)* |
| | Operating Profit | **3,863** | *0.4* | | **2,445** | **2,755** | *12.7* | **1,095** | **1,325** | *21.0* | **1,349** | **1,430** | *6.0* |
| | OP Margin | 8.0% | | | 8.6% | 9.8% | | 8.5% | 9.8% | | 8.7% | 9.9% | |
| Total | Net Sales | **51,709** | *21.2* | **60,000** | **30,001** | **29,650** | *(1.2)* | **13,671** | **14,272** | *4.4* | **16,330** | **15,378** | *(5.8)* |
| | Operating Profit | **2,713** | *8.5* | **2,900** | **1,935** | **2,106** | *8.8* | **792** | **975** | *23.1* | **1,143** | **1,131** | *(1.0)* |
| | OP Margin | 5.2% | | 4.8% | 6.4% | 7.1% | | 5.8% | 6.8% | | 7.0% | 7.4% | |

Source : Compiled by SIR from the Company IR material. Note: Figures may differ from the Company's materials due to differences in SIR's financial data processing and the Company's reporting standards.

**FY2026/3**
**The Company**
**Full-year Forecast**

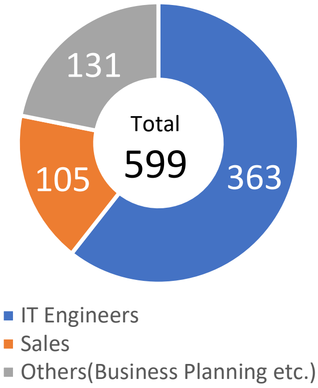
### ■ Positioning of FY2026/3 unchanged as an “investment period"

The Company maintained its full-year net sales forecast at JPY 60,000 mn (+16% YoY). Because selling prices in the DX Real Estate business have trended slightly above initial plan, the Company revised its operating profit forecast upward by JPY 100 mn from the initial outlook to JPY 2,900 mn (+6.9% YoY), with ordinary profit to come in at JPY 2,170 mn (+2.3% YoY) and net profit at JPY 1,320 mn (-5.1% YoY). The Company forecasts net profit to fall YoY, as it does not expect to record any gains on sales of investment securities under extraordinary income as it did in Q2 FY2025/3 (JPY 214 mn).

The Company expects sales in the **DX Real Estate business** to be concentrated in Q4, because delivery of new properties also expected to be concentrated in Q4, on top of continued solid performance in the purchase and resale of pre-owned properties. Meanwhile, the Company disclosed that it expects to see a temporary trough in deliveries in Q3, with earnings projected to temporary decline during the quarter. The Company must take into account negative factors such as soaring construction material prices and higher interest expenses. It estimates that the rise in material costs will account for approximately 10–15% of gross profit, as construction costs constitute about half of total cost of sales. With the rise in interest rates, the Company expects interest expense to increase by approximately JPY 50 mn in H2 compared to the same period a year earlier.

Under its basic policy of focusing on accelerated growth in the **DX Promotion business** by actively hiring personnel and executing M&A deals, the Company aims to expand sales centered on condominium-related FreeiD sales, capture more digital integration projects, and expand its active DX-related project count. Through these efforts, the Company aims to take on the challenge of achieving its initial target of JPY 5.0 bn in sales by FY2027/3 one year ahead of schedule. The Company classifies expenditures related to IT engineer recruitment, system development, and brand advertising as upfront investments, and plans to deploy approximately 70% of the funds raised through the new share issuance in these areas over the next two years.

**Group-wide job composition**
(as of the end of Sep 2025)




Source : Company IR material

## Plans to increase engineer headcount in DX Promotion business while improving productivity

As shown in the exhibit lower left on this page, the number of IT personnel has been steadily rising. Most of the 28-person headcount increase versus the end of June 2025 likely stems from adding U-System Creation Inc. to the group. With the increase in engineers, the number of companies supported under the DX Promotion business rose by 61 YoY to 246, while the number of active SI projects increased 4.4% YoY to 307.

Meanwhile, effective October 1, 2025, the Company merged two subsidiaries that serve as the core of its Digital Integration business, Berners Inc. and BEST PRACTICE Inc., and launched the new entity as TIERO Inc. on the same date. TIERO's business focuses on cloud integration services, including support for the implementation, utilization, and adoption of MA, CRM, and SFA tools centered on Salesforce, as well as AI solution services that provide hands-on support for business process transformation through the use of AI. The Company plans to accelerate AI transformation across its businesses with TIERO at the core. In addition, by consolidating the former two companies' back-office functions into MIGALO HOLDINGS Inc., the Company aims to enable staff at the new entity to focus on front-line operations, improve per-employee productivity, and ultimately enhance corporate value.

## The Progress on the FreeiD Implementation Plan

The promotion of FreeiD involves implementing it to condominiums, offices, nurseries, and construction sites, etc., as well as using the facial recognition ID platform for payments and collaboration with local governments.

The number of FreeiD users grew 1.6 times to 40,924 in the last 12 months, and the number of solutions (facial recognition devices) also increased 1.7 times to 5,631 units.

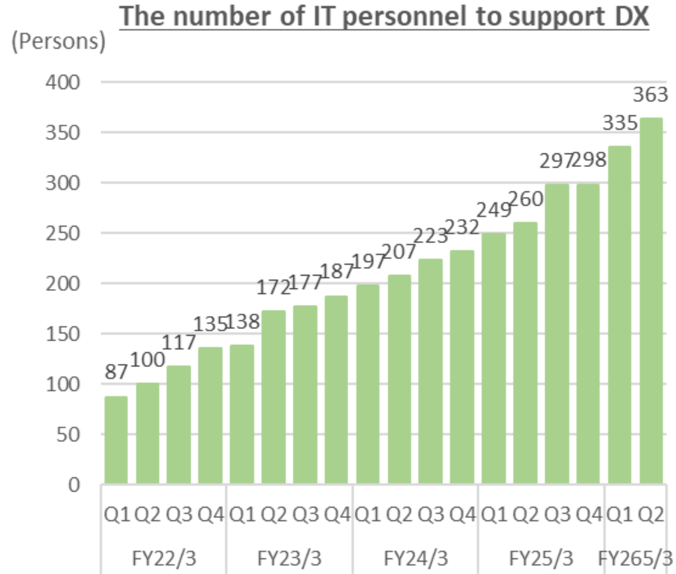
The number of condominium developers adopting FreeiD as a standard feature has expanded to 11 companies* as of the end of November 2025. FreeiD is being deployed not only in condominiums for sale, but also in rental condominiums, detached houses, offices, hotels, and pilot smart city projects in collaboration with local governments.

Since July 2024, FreeiD has been introduced at more than 50 rental properties associated with Daiwa House Industry Co., Ltd., and the system is also set to be deployed at some properties under other rental property brands. SIR believes the addition of another nationwide big-name player to the Company's portfolio of business partners holds significance in terms of securing the credibility needed for the Company to participate in various smart city initiatives.

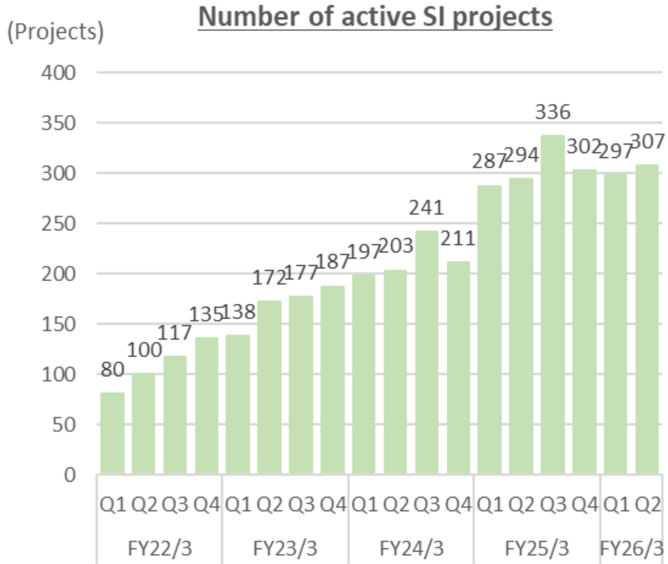
*** 11 companies* adopting FreeiD as a standard feature**

- APEST Co.,LTD.
- FUDEAL CREATION Co., Ltd.
- MARIMO Co., Ltd.
- MUGEN ESTATE Co., Ltd.
- BRI Co.,Ltd.
- TOKYO MIRAIS CO.,LTD.
- RecCon'S Co., Ltd.
- Blanc Shard Co., Ltd.
- BROAD JAPAN, Inc
- SENSE TRUST Co., Ltd.
- MIZUNO HOME CO., Ltd.

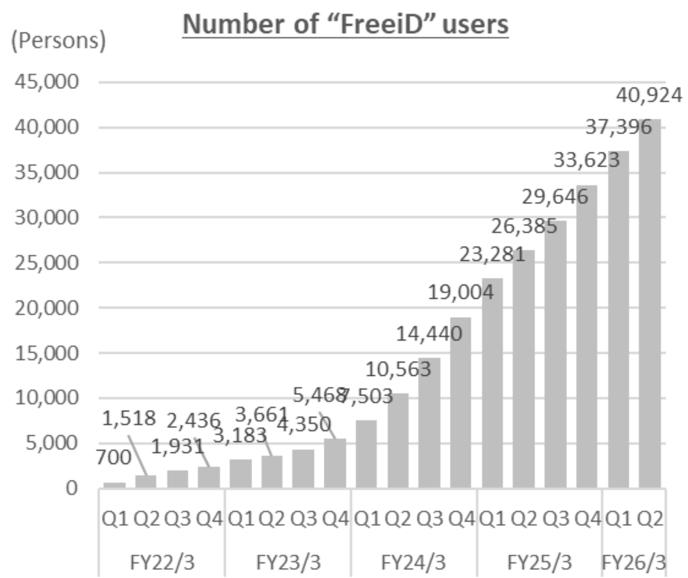
**The number of IT personnel to support DX**

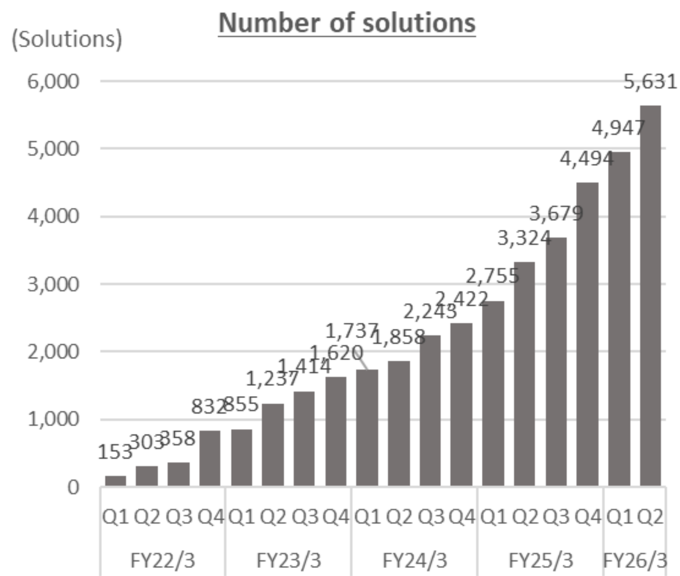


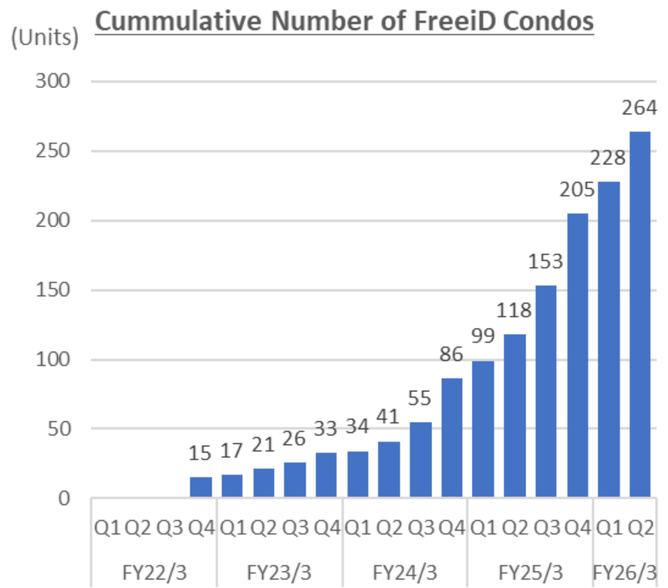

**Number of active SI projects**

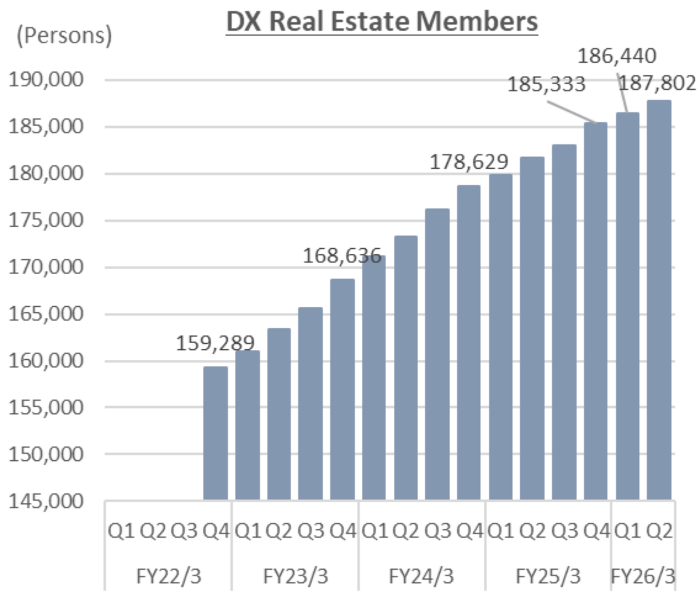



Source : The Company IR material.




Source : The Company IR material.

## FreeiD Implementation Status (September 2025 onward)—The progress is viewed positively

| Date of disclosure | | Disclosures regarding the implementation of FreeiD |
|---|---|---|
| 2025 | Sep.2 | DXYZ conducts proof-of-concept of “face-only evacuation shelter registration” at Kameoka City comprehensive disaster prevention drill, enabling accurate and rapid information management through facial recognition–based shelter registration |
| | Sep.9 | Central General Development introduces “FreeiD Condominium Plus,” a new FreeiD service, to its condominium properties, enabling residents to securely register and switch facial recognition themselves without going through the property management company |
| | Sep.10 | Sense Trust adopts FreeiD as a standard feature for its future condominium developments, marking the first standard adoption of full facial recognition condominiums in the Kansai region |
| | Sep.11 | ClearthLife introduces FreeiD for the first time at “Concieria Meguro Honcho THE RESIDENCE” |
| | Sep.12 | DXYZ makes first standard installation in a large-scale office building, introducing FreeiD at Mitamachi Terrace |
| | Sep.12 | FreeiD to be introduced at “The Parkhouse Monzen-Nakacho,” creating an all-unit, full facial recognition condominium with access to the facility reservation service “FreeiD Reserve” |
| | Oct.22 | FreeiD introduced at Saison Realty’s “Season Flats Watanabe-dori” |
| | Oct.29 | MIZUNO Home adopts DXYZ’s facial recognition ID platform “FreeiD” as a standard feature across all future condominium developments |
| | Nov.11 | FreeiD introduced at Tokyu Land’s rental residence “Comforia Liv Yokohama Hiranuma” |
| | Nov.13 | **FreeiD introduced at Daiwa House Industry’s mid- to high-rise rental housing brands “Royal Parks” and “Roygent Parks”** |
| | Nov.19 | FreeiD introduced at JR Hokkaido Urban Development’s “Junord Chitose Mamachi” |
| | Nov.26 | FreeiD introduced at “EFUTE Kita-Maruyama,” developed by Kita Gas Lifront |
| | Nov.28 | FreeiD introduced at a newly built rental apartment managed by FYC for the first time |

Source : Compiled by SIR from the Company and DXYZ Inc. of Migalo Group website.

## Share Price Insights

### ■ Already undervalued, waiting for catalysts while making time correction

According to the Management, demand for the public offering was strong, with over-subscriptions reaching roughly six times the offering size, driven mainly by retail investors. However, after hitting an intraday high of JPY 593 on October 7, the day after pricing was set, the share price fell through the level implied by dilution from the equity financing and continued to trend weakly, recently declining to the JPY 340 range, the lowest level since the end of August 2024.

On a single-year earnings forecast basis, the valuation implied by the recent share price of JPY 340 stands at a forward P/E ratio of 16x based on the Company's FY2026/3 forecast, a P/B ratio of 1.47x based on post-dilution BPS of JPY 234.2, and an expected dividend yield of 2.46%. Even after factoring in a post-dilution forecast ROE of around 10% for FY2026/3, SIR believes that the stock appears to have undergone an overcorrection despite no deterioration in the outlook for its fundamentals.

If there were to be a negative factor that the equity market remains concerned about for the Company's shares, it would be the risk of failing to meet the Tokyo Stock Exchange Prime Market continued listing criteria, specifically regarding the minimum market capitalization of tradable shares of JPY 10 bn, during the January to March 2026 period. From a fundamentals perspective, this concern would stem from the DX Real Estate business entering a delivery trough for new properties in Q3, which could cause the Q3 results scheduled for release in February 2026 to appear to show weak progress and prompt an overreaction in the share price. Although the Management has sought to preempt this from the outset, investors should be mindful that a nontrivial number of market participants may still react in a panic.

Based on discussions with the Management, the Company's tradable share ratio has risen to 51% following the equity financing. Accordingly, the market capitalization required to meet the market capitalization of tradable share criterion is JPY 19,608 mn, which translates into a threshold share price of JPY 302 when divided by the total number of shares issued.

On the other hand, potential positive catalysts include news flow surrounding adoption and deployment of FreeiD by major-name developers and the Company's participation in large-scale smart city projects becoming a concrete reality. These developments are likely to materialize eventually and are best viewed as a matter of time, suggesting that patiently waiting for that the time correction would be over may be the prudent approach for now.

## LEGAL DISCLAIMER

This report is intended to provide information about the subject company, and it is not intended to solicit or recommend investment. Although the data and information contained in this report have been determined to be reliable, we do not guarantee their authenticity or accuracy.

This report has been prepared by Sessa Partners on behalf of the concerned company for which it has received compensation. Officers and employees of Sessa Partners may be engaged in transactions such as trading in securities issued by the company, or they may have the possibility of doing so in the future. For this reason, the forecasts and information contained in this report may lack objectivity. Sessa Partners assumes no liability for any commercial loss based on use of this report. 

**Sessa Partners Inc.**

#5a i-o Azabu, 2-8-14
Azabujyuban, Minato-ku, Tokyo
**info@sessapartners.co.jp**