August 14, 2026

MFS, Inc.

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(Code: 196A, Tokyo Stock Exchange Growth Market)

Transcript of the Financial Results Briefing and Q&A Session

Date and time	Thursday, August 13, 2026, 19:00-20:15 (JST)
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■ Financial Results Presentation Material for the Fiscal Year Ended June 30, 2026 (disclosed August 13, 2026)

https://contents.xj-storage.jp/xcontents/AS05136/104155d3/9139/44cd/9786/a42205e93efe/140120260813518981.pdf

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Summary

Financial Results and Business Strategy

- **Full-year results overview**
  - Net sales of ¥8.3 billion, operating profit of ¥220 million, and net income of ¥300 million, achieving the full-year plan
  - Because net income of ¥300 million includes an accounting effect from the recognition of deferred tax assets, operating profit of ¥220 million is the more appropriate measure of underlying performance
- **Mogecheck business**
  - The transition to a fee-on-loan-execution model resulted in losses in Q1 and Q2, with a return to profit in Q3 and Q4
  - Profitability was maintained even while advertising expenses were cut substantially (from approximately ¥400 million at the peak to approximately ¥100 million in Q4), and margins reached a record high
- **INVASE business**
  - Achieved full-year profitability for the first time (an unanticipated change in a financial institution’s credit screening criteria occurred in Q3)
- **FY6/2027 earnings forecast**
  - Net sales of ¥10.2 billion (up 23% year on year); ¥2.65 billion (up approximately 20%) after deducting the gross-up effect in the INVASE business
  - Operating profit is expected to grow by approximately 20%
  - Reflecting seasonality, the plan is disclosed separately for the first half and second half for the first time (both net sales and profit are weighted toward the second half)

- For Mogecheck, the market environment is viewed conservatively and the top line is forecast to be slightly below the prior year (an upward revision will be pursued if there is room to outperform)
- INVASE is in the phase of expanding its profitability further
- The effects of new initiatives (real estate company partnerships, MCP, API integration, and CAPS) are not incorporated into the plan

Market Trends

- **Policy interest rate**
  - The direction is judged to be one of continued rate hikes; inflation, continued positive real wage growth, expanding AI-related demand, and yen depreciation are cited as factors supporting rate hikes
  - The Takaichi administration's stance of restraining rate hikes and the appointment of dovish members to the Bank of Japan Policy Board are factors supporting continued accommodation, but on balance the direction is judged to favor rate hikes
  - Following reports of pressure from the United States for rate hikes, a policy rate of 2% cannot be ruled out, and the current assumption of 1.5% may be revised
- **Mortgage interest rates**
  - Led by long-term interest rates, fixed rates are rising first; the spread between fixed and variable rates has widened to a record high of approximately 2.2%, and the popularity of variable rates continues
  - Against the backdrop of competition for deposits, online banks in particular are curbing mortgage lending, and the competitive environment for mortgage rates remains somewhat relaxed
- **Real estate prices**
  - Polarization between urban and suburban areas is advancing, and the CAPS index also shows a clear contrast between rising urban prices and stagnant suburban prices
  - The INVASE and CAPS brokerage businesses will focus on properties in urban areas with higher income levels, positioning the Company on the upside of this polarization

Q&A

Transcript

Part 1: Financial Results and Business Strategy

(Ryo Hirayama, Director and CFO; hereinafter “Hirayama”)

Thank you all for joining us. It is now 7 p.m., so we will begin. This is MFS’s financial results briefing for the fiscal year ended June 30, 2026. We will also explain our business strategy for the fiscal year ending June 30, 2027.

Today’s briefing has three parts. First, I will explain the overview of the results for the fiscal year ended June 2026, followed by the figures for the fiscal year ending June 2027. After that, Mr. Nakayamada will explain the business strategy for the fiscal year ending June 2027, and finally Mr. Shiozawa will discuss the market environment. Thank you in advance.

We plan to allow about 40 minutes for questions, and we intend to answer all of them. There should be a Q&A button, so please submit your questions there.

Results for the Fiscal Year Ended June 2026 (Hirayama)

Full-year summary

Let me begin with the results. We achieved our full-year plan, although some challenges remain. In the Mogecheck business, net sales declined significantly from the fiscal year ended June 2025. On the other hand, the INVASE business achieved full-year profitability. This is the first time it has been profitable on a full-year basis.

Operating profit came in slightly above plan at ¥220 million. Net income appears large at ¥300 million because of the impact of deferred tax assets, but I believe operating profit of ¥220 million is the better indicator of our underlying performance.

Quarterly trends

Looking at the quarterly trend, in most years Mogecheck’s peak season falls in the third quarter and that is where the peak occurs. This time, however, Mogecheck was larger in the fourth quarter, and the INVASE business was also larger in the fourth quarter, so operating profit came through and we ended the year very well.

I will talk about Mogecheck’s CPA later, but advertising expenses declined significantly. To give you a sense of the magnitude, looking at the dark blue (navy) bars: the peak season in the third quarter of the fiscal year ended June 2025 was approximately ¥400 million, whereas the fourth quarter of this past fiscal year—the fiscal year ended June 2026—was approximately ¥100 million, roughly one quarter of that level.

This is not simply a case of spending falling and the top line coming down with it; we believe the positives outweigh that. Margins reached a record high, and although the environment was extremely challenging, we ultimately maintained profitability. That, I believe, is what went very well in the Mogecheck business.

Mogecheck business

Let me go through each business. In the Mogecheck business, as I mentioned, conditions were challenging, and the single largest factor was the start of the fee-on-loan-execution model. With the shift to recognizing fees at loan execution, revenue that would have been recorded in the first and second quarters shifted into the third and fourth quarters, resulting in losses in the first and second quarters and causing considerable concern among our shareholders and investors.

However, we returned to profit from the third quarter, and in the end the fourth quarter delivered a significantly larger profit than the third quarter, so we achieved full-year profitability as forecast. We see no major issues here at present, but we expect the challenging environment for the Mogecheck business to continue in the fiscal year ending June 2027, so I will come back to this later.

INVASE business

Turning to the INVASE business. We achieved a third consecutive quarter of profitability. However, we fell short of plan. Partway through the third quarter, a change in a financial institution’s credit screening criteria meant that we had to propose alternative loans to customers and change our established sales approach.

As a result, third-quarter sales did not grow as much as expected, and some transactions moved into the fourth quarter. Sales activity in the fourth quarter was also very demanding. We are now working hard to establish a repeatable operating model, and above all, being able to secure a profit even during that difficult period of building the model is, I think, a meaningful achievement.

To repeat, this is the first time the business has been profitable on a full-year basis, so naturally we intend to build on this further in the fiscal year ending June 2027.

KPIs: Mogecheck business

Let me also briefly cover KPIs by business. In the Mogecheck business, the number of screening applications did not grow significantly. Since we have been restraining advertising expenses, it would be more accurate to say that we deliberately held this back to some extent.

The revenue structure, on the other hand, improved substantially. On a management accounting basis—that is, what revenue would be if it were recognized at the point of application, shown by the orange line—I had said we would catch up to that line, and we have finally been able to do so. I had said that revenue on a financial accounting basis would converge with, or overtake, the orange line, and it has moved as expected.

CPA, meanwhile, fell further than we had expected, and I think we can say that effective marketing methods paid off. Specifically, it was less than half the usual level, and in the fourth quarter it was ¥5,617 per application. Our assumed CPA had been roughly ¥12,000 to ¥13,000, so we are now acquiring screening applications at less than half that level. The accurate way to put it is that we reduced advertising expenses and used them efficiently, and as a result the ratio to net sales came down significantly.

KPIs: INVASE business

For the INVASE business KPIs, the voucher business shown on the left is a service we plan to discontinue, so the decline there is in line with expectations.

The number of contracts on the right—the total of property sales, brokerage, and loan referrals—grew substantially. Ideally we would have grown it in the third quarter and again in the fourth quarter, but because of the slowdown in the early to middle part of the third quarter, growth was below expectations. That said, compared with the prior year (the fiscal year ended June 2025), we achieved substantial growth.

FY6/2027 Earnings Forecast

Let me explain the earnings forecast for the fiscal year ending June 30, 2027. Net sales are forecast at ¥10.2 billion, up 23% year on year. After deducting the gross-up effect in the INVASE business—since property sales prices are recorded in both net sales and cost of sales—the figure is ¥2.65 billion, representing growth of approximately 20%.

For Mogecheck, financial institutions continue to restrain advertising expenses, so in light of the market environment we do not assume significant growth. Efficiency is improving, however, so we expect operating profit to grow by approximately 20%.

For the INVASE business, profitability is now in sight, so how far we can expand that profit is, in our view, the key battleground for the fiscal year ending June 2027.

As for something we have not disclosed previously, from this fiscal year we will disclose the plan split between the first and second halves. Both Mogecheck and INVASE have seasonality, so we wanted to show what the revenue profile looks like when that is taken into account. Given the current challenging environment and periods such as the Obon holidays and year-end and New Year, we expect revenue to be weighted toward the second half.

We also expect the INVASE business to be weighted toward the second half. This applies to hiring as well as to marketing. As one element of our strategy for the fiscal year ending June 2027, our web and app services will be integrated in October. Integration will improve convenience, and improved convenience should naturally increase member registrations. Factoring that in to a modest degree, together with improvements in sales efficiency, we expect growth in the second half.

Mr. Nakayamada will now explain the specific initiatives. Over to you.

Part 2: Business Strategy for FY6/2027 (Nakayamada, CEO)

This fiscal year's message

Good evening, everyone. I am Nakayamada, CEO of MFS. Thank you for joining us. Let me explain this fiscal year's strategy.

Our message for this fiscal year is "a comprehensive real estate tech service, finance-first, for the age of AI." As you all know, AI is advancing at extraordinary speed, so we must expand our business at the intersection of AI and finance. In that sense, we intend to incorporate AI aggressively into both Mogecheck and INVASE to grow them. In addition, we plan to launch a major new service called CAPS. In fact, it has already launched. CAPS estimates the current market value of condominiums nationwide with a high degree of accuracy, and by providing that price information we intend to step into owner-occupier real estate—that is, condominium transactions.

Review of the previous fiscal year and challenges

Reviewing the previous fiscal year: net sales of ¥8.3 billion, operating profit of ¥220 million, and net income of ¥300 million, achieving our plan for both sales and profit. It was also our second consecutive year of profitability.

That said, the market was extremely tough last fiscal year. For Mogecheck, as Mr. Hirayama explained, online advertising budgets were restrained and our model shifted from fees on referrals to fees on loan execution. There were some fairly drastic changes and the environment was very difficult, but rather than chasing the top line indiscriminately, we placed the emphasis on securing profit properly and demonstrating that this is a profitable business.

For INVASE, meanwhile, we had been operating a voucher model that referred customers to other companies. We discontinued that and moved to a business model in which we sell properties ourselves. Securing a profit while making such a major change to the business model was, I think, a significant accomplishment.

As for our challenges going forward, our single biggest issue is the weakness of top-line growth. Even next fiscal year's plan implies a growth rate of only 120% to 130%, which is not a figure that lets us claim growth with much confidence. We need to break through here, and today I would like to explain our strategy for how we overcome this and achieve substantial growth.

Macro environment

To summarize the broader market and macroeconomic environment, the single biggest change is that the era of positive interest rates has arrived. Financial institutions have shifted from an era of competing on lending under zero or negative interest rates to competing for deposits, and in that sense the balance of power has, relatively speaking, moved from online banks to bricks-and-mortar banks.

At the same time, the advance of inflation is pushing asset prices up, and real estate prices have risen significantly. Since it is hard to imagine inflation subsiding abruptly, we expect real estate to remain firm over the long term.

Finally, AI. Progress here is extremely rapid and it is a challenge even for us to keep up, but this year we expect AI agents to begin operating in earnest. In other words, rather than users applying for or researching things themselves, AI agents will take various actions on the user's behalf in response to the user's requests. We believe that era is arriving.

Given this environment, let me explain how we plan to approach Mogecheck and INVASE respectively.

Current status of Mogecheck

For Mogecheck, last fiscal year we recorded 120,000 registered users, 22,000 applications, and an estimated loan execution amount of ¥260 billion. It is disappointing that the top line has weakened, but as I mentioned, there was the major shift to fees on loan execution, and we navigated that well. We were also able to secure special interest rates from banks, customer acquisition efficiency improved, and CPA came down.

In addition, there is the shift to AI that we promised you last year. Making Mogecheck itself more efficient through AI, and moving toward a service that does not rely on people, is progressing as planned, so I will cover that shortly. As a result, CPA fell significantly and profitability improved, with ROAS exceeding 400%.

Mogecheck's challenge, however, is that financial institutions are restraining online advertising expenses, and this is a point we need to break through.

Mogecheck's business environment (tailwinds and headwinds)

Summarizing Mogecheck's current business environment, the tailwinds are the shift to AI and the potential for agentic finance driven by AI agents. Related to this, some financial institutions are quite conscious of the issue of online integration and are actively working with us, which we see as a tailwind.

The headwind, on the other hand, is that online advertising expenses remain restrained. Financial institutions cannot extend mortgages indiscriminately either, so their emphasis is on profitability. We need to design our services with that in mind.

Our conclusion, though, is this. With the shift to AI, we expect an era in which AI provides all kinds of advice on mortgages. But accurate and granular product comparison, and credit analysis—the know-how to analyze, based on a customer's information, how large a loan can be extended, on what terms, and by which financial institution—is extremely important and not something that can be replicated quickly. In that sense, we believe the relative competitiveness of Mogecheck's functionality will only increase.

Three strategies for Mogecheck

We have three specific strategies.

The first is to advance the shift to AI further. Last year we progressed Mogecheck's AI implementation from Phase 1 to Phase 3, and we are now about halfway through Phase 3. Going forward, as Phase 4, we want to build API integration with financial institutions so that users can apply for mortgages from various banks with a single click from Mogecheck.

The second is to expose Mogecheck's diagnostic function via MCP. MCP is a mechanism for integrating with other AI agents—something like an API for AI—under which AI calls and uses Mogecheck's functions. We plan to advance this MCP implementation so that various AI systems use our Mogecheck functions and, conversely, so that we receive customer referrals from AI.

The third is the use of Mogecheck by real estate companies. Mortgages are ultimately needed by real estate companies at the point of a transaction, and they handle a fair amount of mortgage business. Mogecheck was originally built for consumers, so to make it easier for real estate companies to use, we are developing a function that lets the real estate company monitor which bank a Mogecheck user has applied to and the current status of that application. Once that is in place, real estate companies should be able to proceed with confidence, arranging financing while recommending Mogecheck, and that is how we envisage broadening Mogecheck's reach.

AI implementation in Mogecheck itself (Phases 1–4)

The first item, AI implementation in Mogecheck itself, is something we have been working on since last year. In Phase 1, AI answers general questions about mortgages. In Phase 2, AI properly explains the reasoning behind the results of a mortgage diagnosis. The third is having AI generate responses to subsequent questions from users in chat. Here, mortgage specialists still handle some customer interactions, but AI is steadily learning from them and becoming more capable, so we would like to reach a state within this year in which AI can answer essentially any question a user asks.

Beyond Phase 3, as Phase 4, since we already collect from customers the key data required for a mortgage application in order to run our diagnosis, we want to use that information so that customers can apply directly to the mortgage of the financial institution they choose. This will ultimately take the form of API integration, and if we can establish that with financial institutions, users will be able to select a mortgage on Mogecheck and complete the application seamlessly from there. We have positioned this as Phase 4 and intend to complete it this fiscal year.

Providing functions to other AI (MCP implementation)

The second item is providing Mogecheck's functions to other AI. As I explained at the outset, we make our functions available via MCP so that general-purpose AI such as Claude, ChatGPT, and Gemini, or AI agents built on them, can call our MCP server and use functions such as mortgage rankings and diagnosis.

Here as well, we have already implemented MCP up to mortgage knowledge and mortgage rankings, and we intend to complete MCP implementation of the mortgage diagnosis function—the heaviest and most central of our functions—this fiscal year.

Real estate company integration

The last item is real estate integration. When a customer applies for a mortgage using Mogecheck's functions, we will provide a dashboard that allows the agent at the real estate company handling that customer's property to monitor which loan the customer has applied for and its current status. Until now, real estate companies were uneasy because they had no visibility into which loan a Mogecheck user had actually applied for or how it was progressing. By resolving that, they can proceed to contract with confidence, and this is how we intend to broaden Mogecheck's reach starting from real estate companies.

That concludes the explanation of Mogecheck.

INVASE: Full transition to the sales model, and profitability

Next, INVASE. The most important points for INVASE this past fiscal year were the complete transition to the sales model and the achievement of profitability. With 228 completed transactions, 448 loan approvals, and net sales of ¥7.0 billion—part of which reflects the gross-up effect—we accomplished a very significant business model transformation and turned profitable. This fiscal year is, I believe, the phase of growing that established business model substantially, so let me explain specifically how we will do that.

INVASE's business environment

INVASE's business environment itself is fundamentally favorable. Inflation is still advancing, so demand for asset formation and asset management using real estate remains high. Investment loan interest rates have risen and yields have compressed as property prices have gone up, but we believe investor demand remains strong. Here too, we want to expand the business by using AI to standardize the service into a repeatable model.

Three strategies for INVASE

When we say "standardization," what we mean conversely is moving away from a service that depends on individuals. Our investment advisors do business face to face with customers, and we want to make this a service that depends less on any individual's know-how—using AI and other tools so that customers can enter into contracts more efficiently.

Next is service integration. Since we have moved from the referral model to the sales model, we plan to integrate the functions of the web and the app so that both can be used with a single account. This starts in October this year, which will make registration much easier for users and make continued use easier thereafter. As shown here, we believe we can expect roughly 1,000 member registrations per month, about twice the current level.

Then there is the expansion of loan services. The number of INVASE's partner financial institutions is increasing, and our loan referral service—arranging investment loans—is growing rapidly. We offer a service that handles only the financing arrangement, even for properties we do not deal in ourselves, such as apartment buildings and suburban properties. We believe we are probably the only company in Japan doing this. It is a highly distinctive service, and we would like to grow it further.

Standardizing the service

On standardizing the service, here too we will make maximum use of AI to progressively automate and streamline the entire sequence of the sales model, from sourcing through sales, contracting, and management.

In sales, for example, an investment package is built from a property plus a loan, and various simulation analyses and the preparation of proposals can now be done automatically at a fairly advanced level using AI. We want to make maximum use of that. One challenge that remains is the considerable variation in sales performance among investment advisors, so we would like to build a service in which anyone who meets a certain standard can reliably close deals by following the established model.

Service integration

Then there is the integration of the app and the web. As the words suggest, both will offer the same functions under a single account. On loan services, the number of financial institutions is increasing, so we want to deepen our partnerships with them and extend loan services to a broader range of customers.

The new service, CAPS

Having covered Mogecheck and INVASE, finally there is CAPS, a new service we launched around the middle of last month.

CAPS provides market value information for condominiums nationwide—price, rent, and cap rate. There are roughly 145,000 condominium buildings nationwide, and by specifying a building and entering details such as the exclusive floor area, you obtain an accurate price.

Accuracy is very high. There is a statistical measure called MER, and ours is around 6%—single digits—which is extremely accurate. We believe it is the most accurate available, to the extent that we have received third-party endorsement of that accuracy. This is a credit to the ability of our excellent data scientist in the research team. Having built such a high-accuracy model, we want to provide this price information broadly—to people who own condominiums and to people considering a purchase, whether for investment or for their own residence—so that real estate transactions can be conducted more efficiently.

Why we launched CAPS

As to why we launched this service in the first place: we want to expand our business domain from finance into real estate transactions. This connects to the Mogecheck challenge I mentioned at the outset. A mortgage comes at the very end of the process of buying real estate. There is a seller and there is a buyer, and only after the buyer has settled on a property does the buyer need a loan to purchase it—so the mortgage appears last. That means that however hard we work at selling mortgages, we face a variety of constraints.

For example, if a financial institution's marketing strategy shifts from online to offline, Mogecheck is put in a very difficult position. If that is the case, then by resolving the information asymmetry that is a problem for the real estate industry—the fact that individuals have little visibility into prices—we can move into real estate transactions ourselves. That in turn brings Mogecheck's capability in credit analysis into play. That sense of the underlying problem is what prompted us to launch this service.

Position within our business map

Looking at the map and structure of our businesses: on the investment side we have INVASE, which originally started by arranging investment loans and, under the sales model, now handles property transactions as well. So we do both transactions and loans. For owner-occupier properties—that is, homes people live in—we had only Mogecheck, and the transaction side was previously blank. We intend to fill that gap with CAPS.

In fact, that domain is a market more than ten times larger than the investment domain. There are major players and the market is highly competitive, but there is no doubt it is a very large market, so we intend to step into it.

We want both owners who may sell their condominium in the future and people considering a purchase to use CAPS as a tool for accurately analyzing condominium market values. As the user base grows, at some point transactions may begin to occur between CAPS users themselves—between buyers and sellers—and we would like to extend the service that far. And for buyers wondering how much they can borrow, using Mogecheck means they can select a condominium they can afford, knowing from the outset which banks will lend to them and with price information as a reference. We would like to deliver that kind of new condominium purchasing experience.

CAPS evolution steps

The service itself was released last month, about a month ago. Next, around October, users will be able to enter information such as their annual income and, for those who have registered a property, details of their loan. That allows us to provide advice based on credit analysis that reflects their balance sheet—the property value, loan information, and income information—so the service will become more advanced.

As for owner-occupier brokerage, we have to build the organization from scratch, so it cannot be done immediately, but we would like to actually begin around the latter part of the second quarter. Ultimately we hope to enable transactions between CAPS users within this fiscal year.

Real estate and finance: the shift to a stock business

As this develops—real estate and finance—the main element is real estate transactions, so real estate information sits at the center, and from that information arises the desire to buy or sell that property. We will support those needs through CAPS brokerage, and through Mogecheck and INVASE.

Furthermore, real estate is a long-term relationship: after buying, people live there for a long time. So rather than the price at a single point in time, what matters is continuously understanding the value of one’s own asset. Within that process, the moments to sell or buy arise, so we think this is also very good for improving lifetime value.

Mogecheck has, if anything, been a flow business until now, but by offering CAPS we can turn it into a stock business. We therefore have high expectations for the CAPS business and intend to put real effort into it.

Quarterly roadmap

Finally, the quarterly roadmap summarizes what I have explained today.

For Mogecheck, we will develop tools that real estate companies can use and, from the second quarter, expand usage among real estate companies in earnest. We will also advance AI and API implementation.

For INVASE, there is service integration, standardization of the sales model, and expansion of loan services—and with these, we intend to drive substantial growth at last.

Finally CAPS. This is a new service but, as explained, one with considerable potential, so we will increase the information we capture and move into owner-occupier brokerage services.

That concludes the explanation for this fiscal year. Thank you.

Part 3: Market Environment (Shiozawa, CMO)

Hirayama (CFO) Thank you. Finally, Mr. Shiozawa, could you cover the market environment?

Shiozawa (CMO) Certainly.

Interest rate outlook

Starting with interest rates, the conclusion is that the direction is toward rate hikes. For the policy rate there are two sets of factors—those favoring hikes and those favoring continued accommodation—and we think the factors favoring hikes are the stronger.

Among those factors, first, and perhaps needless to explain, is inflation. The Takaichi administration currently appears to be asking the Bank of Japan to hold off on rate hikes, so the yen weakness stemming from the widening Japan–US interest rate differential is unlikely to stop. That means inflation driven by a weak yen.

Another is that the situation in Iran has yet to settle down, so crude oil prices remain high. In addition, real wages have turned positive—which is good news—

and wage growth has now continued for three consecutive years, which is also a factor supporting rate hikes.

The last factor is AI-related demand. Memory-related stocks and others are much discussed at present, and quite a few Japanese companies are benefiting from AI. In fact, take TOTO, which makes toilets: 40% of its operating profit now comes from semiconductor-related components. So when AI demand grows, the Japanese economy benefits fairly broadly.

On the side of continued accommodation, there is the Takaichi administration's stance of preferring not to raise rates, and of the nine members of the Bank of Japan Policy Board, two dovish members have already been appointed by the Takaichi administration—so over the next year or two the remaining seven could become progressively more dovish. If that happens, momentum for rate hikes within the Bank of Japan may be harder to build. Even so, as I said, please take the view that rate hikes will continue.

Mortgage interest rates

Given that, on mortgage rates: with long-term interest rates in that state, they move first, so fixed rates tend to rise ahead of variable rates. As a result, the spread between fixed and variable rates has widened to a record high of about 2.2%, and the popularity of variable rates continues.

At the same time, as Mr. Nakayamada mentioned, there is competition for deposits, and because of the loan-to-deposit ratio, many banks find it difficult to grow mortgage lending. Consequently, the competitive environment for mortgage rates remains somewhat relaxed.

Policy rate outlook (page 56)

Turning to page 56 and what happens from here: at present we assume a policy rate of 1.5%. However, over the past two or three days there have been suggestions of pressure from the United States to raise rates, so expectations have shifted somewhat higher. A policy rate of 2% therefore cannot be ruled out, and once that outlook firms up we would like to revise our assumption. For now we are holding it at 1.5%.

Real estate price outlook (page 57)

Finally, page 57. Against that backdrop, I imagine you are interested in what happens to real estate prices. Our conclusion is that polarization will advance further.

The image here is the index that CAPS publishes monthly. It shows the nationwide index split between urban and suburban areas; the line that is rising is urban, and the one that is not rising much is suburban.

Our interpretation is that urban properties are bought by higher-income buyers, so even if prices and interest rates rise, those buyers have the purchasing power to absorb that, which makes it easier for real estate prices to rise. In regional areas, by contrast, incomes are harder to grow, so when interest rates and prices rise, buyers cannot keep up. That saps the capacity to bid property prices higher. Taking that into account, we expect polarization to advance.

So, turning to our own services, INVASE and CAPS brokerage will fundamentally focus on urban areas—on the properties and neighborhoods that higher-income buyers purchase. In short, we intend to develop the business centered on the upside of this polarization. That is all from me.

Q&A

Q1. What is meant by "SEO effect"?

Shiozawa (CMO) Principally, it refers to the fact that we rank highly in search for keywords with very large search volumes, such as "housing loan" and "housing loan interest rates." The large inflow of traffic this generates is what we mean by the SEO effect.

If you try it on your own search screen, for "housing loan" we are around second or third, and for "housing loan interest rates" we are contesting first or second place. These keywords have a monthly search volume of roughly 300,000, so ranking in the top three generates meaningful traffic. And because we obtain it at zero cost, this has contributed significantly to the decline in CPA we reported. That is all.

Q2. Is media exposure progressing well?

Shiozawa (CMO) Media exposure continues to be strong, running at a pace of around 200 instances per year. This year too, a Bank of Japan rate hike is expected in September or October, and around that time the media's attention to mortgages rises, so we naturally generate a larger number of interview leads. That is all.

Q3. Were there any unanticipated developments in the fiscal year ended June 2026?

Hirayama (CFO) This concerns the fiscal year ended June 2026. It depends on where you draw the line on "unanticipated," but yes, there were.

First, the change in the point of revenue recognition to the timing of loan execution was a major departure from the assumptions in place when we published our 2030 Vision through last fiscal year. With the business model itself changing, the plan was hard to read, and we had to communicate with you amid uncertainty as to whether results would follow. That was very much unanticipated. Even so, we estimated as carefully as we could and came in above what we published, which I think was a good outcome.

For INVASE, full-year profitability was the one thing we had to deliver above all else—quarterly profitability too, but we had to achieve full-year profitability somehow. In terms of the unanticipated, it was the change in a financial institution's credit screening criteria in the third quarter. We had not anticipated that.

In addition, closing and settlement timing slipping by a month or two is common in real estate transactions, and because our unit prices are large, when that happens the INVASE business's revenue moves around. The scale of that volatility was somewhat unanticipated.

That said, management has to manage that volatility as well. As Mr. Nakayamada mentioned regarding standardization, we need to ensure that transactions proceed smoothly to settlement under any circumstances—in other words, to bring the unanticipated within what we anticipate.

Q4. Progress on the partnership with Zenkoku Hosho

Shiozawa (CMO) There is nothing we can share at this point. That said, we are exchanging views with Zenkoku Hosho on various new schemes. We hope to inform you once we reach a point where an announcement can be made, so we would ask for your patience a little longer.

Q5. The Vision 2030 slide was no longer included

Hirayama (CFO) The question is that the Vision 2030 slide was no longer included and asks us to comment. Nothing has changed. Our position is to do what needs to be done. That includes the use of Mogecheck by real estate companies, an area we were always going to move into sooner or later. We are not contemplating any major change to the plan at this point. We are required to publish our disclosure on growth potential in September 2026, and we plan to address Vision 2030 again there.

Q6. The increase in real estate for sale, and the risk of it becoming a burden if interest rates spike

Hirayama (CFO) To give the conclusion first: the answer is that there is no possibility of a significant impact. That is because, for better or worse, we buy with cash, and while we do fund part of it with borrowings, those borrowings are at low interest rates—specifically around 2%. We use those funds for real estate held for sale, and since roughly one property turns over every two to three months, the turnover is very healthy in terms of profitability.

If interest rates were suddenly to go from 2% to 5%, we would need to consider the risk, but as Mr. Shiozawa explained, our assumption is that rates rise gradually. So we do not see rising interest rates having any impact on our real estate held for sale at present.

Q7. Points to note in expanding the CAPS user base

Nakayamada (CEO) Rather than points to note as such—we want to grow the CAPS user base steadily, but rather than spending heavily to acquire users, we already have reasonable exposure through Mogecheck and INVASE, and CAPS itself can produce outputs of broad public interest, such as the index I mentioned and various real estate analyses derived from CAPS. We would like to grow the user base through that kind of information dissemination.

We would like to acquire at least several tens of thousands of users over the course of a year, so we hope to grow at that pace while spending as little as possible.

Q8. When did the CAPS concept begin, and was this the model you had been aiming for?

Nakayamada (CEO) It was really only from the start of this year that we thought about taking CAPS to the owner-occupier market in this form. We had originally built a real estate price model within INVASE. But we came to see that our excellent data scientist in the research team could build something of a considerably higher standard. At that point we thought it could genuinely stand up to practical use, and rather than limiting it to INVASE customers, we decided to offer it broadly—to all condominium buyers, including in the owner-occupier market, and to condominium owners.

As for awareness of the need for this shift in the business model, it never crystallized specifically as CAPS, but it has been a persistent issue for us throughout our time running Mogecheck. Namely, that a mortgage is a product that sits at the very end of the value chain, and that Mogecheck is a flow business. Without solving that, we always faced the problem that we could not achieve broad, efficient scale.

Since last year, with online advertising budgets being restrained, we have been thinking constantly about how to address the fact that external factors substantially determine our business model and our growth. One answer is this: a mortgage is ultimately a tool for someone buying a home, and it is not the mortgage itself that people want. What people want is to buy a home, and the mortgage is merely support for that. Viewed that way, the service we should fundamentally be providing is one that serves people buying or selling a home.

Moreover, real estate transactions are very long-term; most people transact only a few times in their lives. So by continuously providing information to such people and giving them the material to make rational decisions when the time comes to sell or buy, we can have them use our service—shifting to a stock business. CAPS makes that possible, and so I see CAPS as one answer to the challenge that originated with Mogecheck.

Q9. Differentiation from existing price-search systems

Nakayamada (CEO) I do think there are many similar services. The common pattern is a bulk-appraisal service that produces a rough indication, then collects personal information and refers the customer to a number of real estate companies, after which the customer receives a stream of calls from those companies asking to conduct a more accurate appraisal. There are also services run by real estate brokerages that claim to provide current market value but present it as a fairly wide range—for example, quoting a property worth about ¥70 million at somewhere between ¥60 million and ¥80 million, with a more precise figure to follow once more information is collected. I think that pattern is common.

Providing a single-point figure—“this is the price”—with a single-digit MER of 6%, based on analysis of large volumes of data covering 145,000 condominium buildings nationwide, is something I believe only we do.

Another feature of CAPS is that we also publish historical figures: movements in prices and rents over the past five years. Since we provide that, users can also analyze whether prices are currently on an upward or downward trend. In that respect, I believe there is genuine distinctiveness.

Q10. CAPS’s pricing model (is it a monthly membership fee?)

Hirayama (CFO) The question is whether, in developing CAPS as a stock business, the pricing model—which I think the questioner is taking to be a SaaS model—would involve charging a monthly membership fee.

Let me answer this. CAPS is completely free to use. To explain on Mr. Nakayamada’s behalf, “stock” does not mean turning CAPS into SaaS. It means that we can monetize customers through both Mogecheck and INVASE, so that customers who would previously have leaked away can be captured with CAPS at the center—which is what we mean by aiming to improve LTV. Apologies if that was unclear. We are not launching a SaaS-type service.

Q11. Progress against Vision 2030

Hirayama (CFO) Progress is hard to characterize, because this involves multiple factors. Working with CAPS at the center, the shift to AI—everything advances in combination, so it is not that we are substantially behind Vision 2030, nor that we are dramatically ahead. Our sense on the ground is that we are advancing steadily, step by step.

We were also asked about the outlook for the top line and for profit, but we cannot give specific figures in this forum. If we were to do so, we would communicate it in our disclosure on growth potential.

Q12. With AI and API implementation, will borrowing be completed entirely within Mogecheck?

Hirayama (CFO) The question is whether, with Mogecheck's AI implementation and API partnerships, the eventual picture is that a user completes a mortgage borrowing simply by entering information within Mogecheck; the questioner notes that at present the user moves from Mogecheck to the bank's site and enters information there.

Nakayamada (CEO) That is exactly the direction we are aiming for. As I explained in the Mogecheck section, in Phase 4 of our AI implementation we intend to strengthen integration with financial institutions, including API integration, so that mortgage applications can be made on Mogecheck. Users would receive mortgage advice on Mogecheck, apply for the mortgage there, and proceed through to execution—although execution will of course be handled by the bank. We would like the service to work that way.

Q13. CAPS's initial marketing traction

Shiozawa (CMO) The conclusion is that it is better than expected. On the first day we were covered in an article by Nikkei, and member registrations have been running well above our expectations. CAPS also comes up periodically on social media, and in addition we issued a press release yesterday—on being able to see prices for new condominiums before completion.

So with a fairly novel service in real estate, an area that attracts a lot of attention, we are acquiring more registrations than expected free of charge, at a CPA of zero. That is where things stand. That is all.

Q14. Is Mogecheck's plateau due to banks' caps on lending volume?

Hirayama (CFO) It is not plateauing. A plateau would imply the market is saturated, and that is not the case. Bank budgets have temporarily come down, and there is still much we have yet to do. We do not for a moment think our integration with banks is complete; as that broadens, revenue will naturally grow.

Rather than "declining," budgets are being held back. It is not that they are shrinking—ultimately, everyone is deploying advertising spend, and we have simply not yet caught that wave. That is because we are still immature. Put another way, that is our headroom, so please look forward to it.

Q15. Are app-based acquisition and CAPS cross-selling incorporated into the plan?

Hirayama (CFO) The questioner has read my note. The question is that, since I wrote that customer acquisition from INVASE's app and cross-selling through CAPS are not incorporated, does that mean the FY6/2027 plan assumes zero for these, and can an upward revision be expected?

On whether an upward revision can be expected, saying yes or no would constitute timely disclosure, so I cannot answer that here. But when we say these are not built in, they genuinely are not. If they were built in, that would constitute the launch of a new business and a matter for timely disclosure, so we consulted with the Tokyo Stock Exchange and have handled it on the basis that they are not included in the plan.

Q16. CAPS's earnings contribution in FY6/2027, or is a loss assumed?

Hirayama (CFO) The question is what percentage of this fiscal year's profit CAPS is assumed to generate, or whether a loss is assumed given that it is at the launch stage. To begin with, we have not incorporated any revenue.

As for a loss, there is no particular factor that would produce one. Our in-house engineers built it quickly; we have not gone out and paid enormous sums to an external party to build it. So no loss is assumed.

Q17. What drove the success of INVASE's sales model?

Hirayama (CFO) We did withdraw from brokerage, and there were two bottlenecks. First, with brokerage, even when a customer says they want a particular property and we step in as broker, if another customer gets there first, the property is gone. With the sales model, by contrast, if we have already acquired the property we can sell it when a customer says they want to buy, so that bottleneck is resolved.

Second was the question of margin. In brokerage, the fee is capped at 3% of the property price, whereas under the sales model, the more cheaply we acquire, the wider our margin. If we sell at an appropriate price we can earn more than 3%, so we decided to pursue this model.

There were two reasons it worked. One is that we have largely stayed away from studio units—not entirely, but largely—and instead sell larger properties to relatively high-income customers. Because the properties are larger, there is scope to buy them at a discount, and there are more opportunities to sell, in the sense of more opportunities to have high-income buyers purchase them. We went in with the hypothesis that this would work as an entry point for the business, and it did.

In terms of margin we still have a long way to go, but turning profitable so soon after launching the sales model is, I think, a real result.

Q18. Will owner-occupier brokerage be nationwide, or start with the Tokyo metropolitan area?

Nakayamada (CEO) We are thinking nationwide in the longer term, but in the immediate term it will most likely be centered on the Tokyo metropolitan area, Tokyo in particular. Of the several thousand users currently registered with CAPS, most are in Tokyo or the surrounding metropolitan area, so the buying and selling needs that emerge are likely to concern properties in that region.

Q19. How much of the effect of this year's strategy is reflected in the earnings forecast?

Hirayama (CFO) We received two similar questions. One notes that Mogecheck's revenue for FY6/2027 is slightly lower than FY6/2026, and that progress against Vision 2030 also feels somewhat slow in places, and asks how much of the effect of this fiscal year's strategy is included in the guidance figures. The other, after making the same point, asks the same thing about this fiscal year's forecast revenue.

As I also wrote in my note, fundamentally the genuinely new elements of these initiatives are not included at all. Real estate company integration in particular is still being piloted internally, so we will show you how much revenue it generates once we know.

On providing the diagnostic function to other AI: we are doing the work, but it depends on the counterparty—specifically the three major AI providers, Claude, ChatGPT, and Gemini—so there are aspects we cannot control. We have therefore not built anything significant into the business plan.

The same applies to API integration: it depends on the financial institutions. It could happen quickly, or it could take time depending on the banks' own business plans.

In conclusion, nothing significant is built in. Where marketing efficiency is improving, or where existing marketing methods look likely to deliver results, that is reflected in the business plan; but for genuinely new initiatives, once we have some visibility on results we will report back—whether as an upward revision or as an update on what the business has become.

Q20. Will CAPS's owner-occupier brokerage involve purchase and resale, or pure brokerage?

Nakayamada (CEO) For now we are thinking pure brokerage. In the owner-occupier market competition is fierce, so taking on the risk of buying properties ourselves for renovation and resale would be premature. First we want to provide CAPS's high-accuracy price information and, on the basis of those prices, create a setting in which sellers and buyers can meet efficiently. So our initial position is to enter as a broker.

Q21. Are banks cutting advertising spend because they have met their lending targets?

Hirayama (CFO) In the Mogecheck business, the question is: "I had assumed that banks are cutting advertising spend because they have mortgage acquisition targets and have reached, or are close to reaching, them—is that not correct?" The questioner adds that if a financial institution sets a mortgage acquisition target and then restricts its allocation, one would expect a ceiling on revenue growth and downward pressure on CPA, and wondered whether banks tighten credit screening in order to narrow the customer pool.

The question has several parts, but the first is whether banks have mortgage acquisition targets and have reached them. Mr. Shiozawa, how would you answer that?

Shiozawa (CMO) In terms of the loan-to-deposit ratio, banks cannot grow mortgage lending unless deposits come in, so I think it is fair to say as a matter of fact that the pace at which deposits are gathered has become the bottleneck for lending.

Hirayama (CFO) And on restricting the allocation—if banks narrow their mortgage acquisition targets, would they tighten credit screening in order to narrow the customer pool? How would you answer that?

Shiozawa (CMO) As has been reported, online banks in particular are finding it somewhat harder to gather deposits, so I do think they are restricting mortgage lending.

That said, as we explained in today's business plan, we do not treat online banks as our only business partners; we work broadly, including with bricks-and-mortar banks. So even if one bank turns somewhat cautious, our policy is not to depend on or be dragged along by it, but to broaden our roster of banks and pursue revenue growth opportunities aggressively.

Q22. The strategy of increasing leverage, and inventory risk

Hirayama (CFO) The question is: whereas the business had been weighted toward brokerage so as to keep fixed assets relatively light, now that the INVASE business will temporarily hold inventory on the balance sheet, is the strategy to lower the equity ratio somewhat, raise leverage, and thereby accelerate top-line growth?

That is correct. Because this is a sales model, the debt side—the upper right of the balance sheet—grows larger. One could argue for using cash on hand, but cash alone is capital-inefficient, so we borrow from banks and others on the liability side and deploy those funds into real estate held for sale, turning it over to generate earnings.

The question continues: “Since raising leverage means taking on greater risk of a decline in property values, I would like to hear the strategy.” It depends on the definition of “greater,” but we do of course bear the risk of price declines.

However, we have internal rules. As you would expect—and consistent with CAPS—we appraise property values rigorously and will not buy unless the price is at or below a specified discount to that appraisal. We also revalue continuously, and if an unrealized loss arises—there is a defined disposal approach once losses reach a certain level—we are required to sell. We have strict rules requiring constant monitoring of inventory risk.

This is not only our own discipline. Our audit and supervisory board members, our outside directors, and indeed the investors asking questions today all hold us to it. Our approach is not to take excessive balance sheet risk, and where we do take risk, to put in place the structure to manage it. If you have further questions, please do ask.

We also report monthly to our outside officers. We do not brief investors on the content of board meetings, but we do provide these explanations to our outside directors and audit and supervisory board members.

Q23. Will revenue arise when the function is called via an AI agent?

Hirayama (CFO) The question refers to “making the diagnostic function callable from AI agents” and asks whether the mechanism will generate revenue when an application comes through that route, or whether the picture is simply that rankings and diagnostic results are displayed.

Shiozawa (CMO) The conclusion is yes, it will generate revenue. We are, however, thinking of this in stages.

At Step 1, a basic integration, the AI essentially directs the user to the Mogecheck site. That is what we intend to do first. Where the user lands—rankings, mortgage diagnosis, and so on—will vary by AI agent.

Then, as a more advanced integration at Step 2, we return our mortgage diagnostic results directly based on the user data provided, and from there monetize either through affiliate links that identify the referral as leading to a Mogecheck application, or through API integration that submits the application to the bank for screening. We will proceed through these two steps in sequence. That is all.

Q24. The mortgage screening process and the role of guarantee companies

Hirayama (CFO) This is a question about the mortgage screening process. The questioner understands the flow as: screening application, then financial institution screening, then guarantee company screening. They also understand that the guarantee fee is borne by the individual and that, in the event of default, the guarantee company covers the loss, reducing the financial institution's risk—and asks whether this is correct.

Shiozawa (CMO) This is perhaps not closely related to our business and is more of a general point, but broadly, institutions that have a guarantee company collect a guarantee fee from the user, which provides a mechanism for mitigating credit risk to a degree.

That said, it also depends on how far repayment has progressed at the point of default, and on the value at which the collateral property can be sold after default. The amount realized varies with the method of disposal—voluntary sale, auction, and so on—so whether the financial institution recovers the full amount or ends up slightly short varies with the outcome. That is the situation.

Q25. Number of IR meetings with institutional investors

Hirayama (CFO) One questioner apologized for asking near the end. There is absolutely no need to apologize—answering every question we receive is our job, so please do not hold back.

This is the last one: "How many IR meetings with institutional investors do you currently hold per year?"

It depends on the period, but roughly 20 to 30. Overseas investors account for about 10%, I think—genuinely overseas investors in Singapore, and in Europe, New York, and Chicago. Those are about the only ones we handle entirely in English. Otherwise it is mostly domestic institutional investors, particularly those who cover micro caps.

We do meet several larger firms, but from their perspective our size is too small, and they are pressing us to get above ¥10 billion quickly.

Q26. Why is Mogecheck's top line forecast to decline?

Hirayama (CFO) The question is: given that Mogecheck is not plateauing because banks' advertising spend is being restrained, and that demand looks set to grow through direct use of Mogecheck from AI agents, why is Mogecheck's top line forecast to decline in FY6/2027?

Shiozawa (CMO) Our aspiration to keep growing is strong. At the same time, the outlook for the interest rate environment and for banks' advertising spend is hard to gauge. So on this occasion we have taken a somewhat conservative view, learning from last fiscal year. That said, if there is room to grow, we will of course aim for an upward revision, so we hope you will look forward to how things develop.

Hirayama (CFO) Thank you. To be clear, this is by no means a statement that we will revise upward, so please take care in how you interpret it.

Closing Remarks

Hirayama (CFO) I believe we have now answered all of the questions. I will be participating in the Individual Investors Summit on September 19, so if any of you plan to attend, please feel free to ask questions there, or through the inquiry form on our IR website.

I am also writing a note under the MFS name today, which explains this fiscal year’s business strategy and related matters in detail. I would be grateful if you would read it and come to us with any questions.

Thank you for joining us despite the late hour. We look forward to your continued support. Thank you very much.

End