COMPANY RESEARCH AND ANALYSIS REPORT

# Japan Living Warranty Inc.

## 7320

Tokyo Stock Exchange Growth Market

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# Contents

# Summary

## Changing trade name to Solvvy on November 1, 2024

Japan Living Warranty Inc. <7320> (hereafter also "the Company") is a company that primarily operates in the housing equipment field. It is a WorthTech Company that maximizes the value of property assets through means including providing extended warranty services for housing equipment, undertaking contracted inspections and repair work, and providing SaaS products that support efforts to improve operational efficiency. On November 1, 2024, it will become make MEDIA SEEK Inc. <4824> a wholly owned subsidiary and change its trade name to Solvvy.

### 1. Overview of FY6/24 results

In the FY6/24 consolidated results, net sales increased 36.7% year-on-year (YoY) to ¥5,359mn, operating profit grew 67.2% to ¥1,240mn, ordinary profit increased 48.1% to ¥1,512mn, and profit attributable to owners of parent increased 29.6% to ¥973mn. This represents increases in sales and profits that far exceed the most recent forecast (upwardly revised on February 9, 2024) and new record high business results. There was considerable growth in the net sales of both the HomeworthTech Business and the ExtendTech Business, and factors such as the growth of services with high profit margins and the effects of efforts to improve operational efficiency also contributed. The gross profit margin increased by 3.6 percentage points (pp) to 74.7%, while the SG&A expense ratio decreased by 0.7pp to 51.5%. As a result, the operating profit margin rose by 4.2pp, representing even higher levels of profitability. The ordinary profit margin grew 2.1pp. An increase in rental income from investment property under non-operating income also contributed. By segment, in the HomeworthTech Business, which covers the housing area, net sales increased by 32.0% to ¥2,978mn and operating profit grew 21.4% to ¥146mn. In the ExtendTech Business, which covers non-housing areas, net sales increased by 42.6% to ¥2,316mn and operating profit rose 74.9% to ¥1,153mn.

### 2. FY6/25 results forecasts

The results forecast for FY6/25 is for net sales to increase 28.8% YoY to ¥6,900mn, operating profit to increase 4.8% to ¥1,300mn, ordinary profit to increase 5.8% to ¥1,600mn, and profit attributable to owners of parent to increase 20.8% to ¥1,176mn. This represents increases in both sales and profits and new record high business results. In terms of net sales, high rates of growth will continue in both the HomeworthTech Business and the ExtendTech Business, and there will also be a contribution from MEDIA SEEK. A lower rate of growth is forecast for operating and ordinary profits, taking into account factors such as an increase in human resources costs associated with investment in human capital, as well as other expenses accompanying the trade name change and renewal of the Company's branding. The considerable increase in profit attributable to owners of parent is due to the removal of a loss on valuation of investment securities which was recorded in FY6/24. The priority measures for FY6/25 will be to leverage synergies generated by the business integration with MEDIA SEEK to realize the continued growth of existing businesses and to quickly establish new businesses.

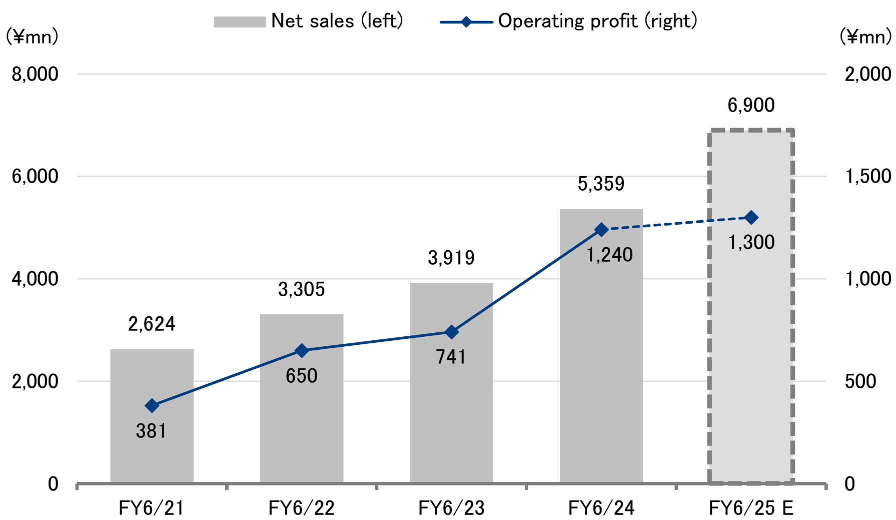
### 3. Accelerating growth through business integration with MEDIA SEEK

In August 2024, the Company formulated a new three-year medium-term management plan that incorporates the business integration with MEDIA SEEK. The targets for FY6/27, the final year of the plan, are net sales of ¥11,100mn and operating profit of ¥2,500mn. It aims to approximately double net sales compared to FY6/24 by utilizing synergies generated by the business integration and to roughly double operating profit while continuing ongoing investment in human capital. Following the business integration, it will have five reporting segments. These are the HomeworthTech Business, the ExtendTech Business, the LifeTech Business which covers SI, SaaS, and new business areas, the FinTech Business which covers financial areas, and Other Business. A breakdown of net sales targets for FY6/27 includes ¥6,500mn in the HomeworthTech Business, ¥2,710mn in the ExtendTech Business, ¥1,230mn in the LifeTech Business, and ¥660mn in the FinTech Business. It plans to capitalize on the business integration to accelerate growth. Additionally, the Company is currently listed on the Tokyo Stock Exchange (TSE) Growth Market, but following the business integration with MEDIA SEEK, it will fulfill many of the conditions needed to list on the TSE Prime Market, so it will aim to achieve this listing as quickly as possible.

## Key Points

- Changing trade name to Solvvy on November 1, 2024
- Record high results achieved in FY6/24, with increases in sales and profit far exceeding forecasts
- Increases in sales and profit forecast again for FY6/25 after making MEDIA SEEK a wholly owned subsidiary
- A new medium-term management plan (FY6/25–FY6/27) has been formulated. Will accelerate growth through the business integration with MEDIA SEEK

Results trends




Source: Prepared by FISCO from the Company's financial results

# Company outline

## Provide solutions that maximize the value of property assets

### 1. Company outline

Under the slogan of "To worthful life – the realization of living full of value," mission of "maximize the value of property assets with innovative real-world and digital services," and vision of "bring an invariable value to all aspects of living," the Company defines itself as a WorthTech Company providing solutions that maximize the value of property assets, including extended warranty services with a focus on the housing area.

As of the end of FY6/24, it had a head office in Shinjuku Ward, Tokyo, and branch offices in Osaka (Chuo Ward, Osaka City), Fukuoka (Hakata Ward, Fukuoka City) and Nagoya (Nakamura Ward, Nagoya City). In July 2024, it opened a branch office in Sendai (Aoba Ward, Sendai City). It is part of a three-company group comprising the Company and its two consolidated subsidiaries, Livingpoint Inc. and Living Finance Inc. It has total consolidated assets of ¥24,593mn, net assets of ¥3,005mn, an equity ratio of 12.2%, and 5,118,300 outstanding shares (including 93,974 held as treasury shares). On November 1, 2024, it will make MEDIA SEEK Inc. a wholly owned subsidiary through a share exchange and change its trade name to Solvvy.

### 2. History

The Company was established in March 2009 as a provider of extended warranty services for housing equipment, and in August 2009, it launched Housing Reliable Support (maintenance warranties for housing equipment). Since then, it has advanced strategies to vary its services and expand business areas, including establishing Livingpoint Inc. as a subsidiary in August 2012, starting a warranty business targeting manufacturers of solar power generation equipment in June 2013, and establishing subsidiary Living Finance Inc. in April 2021. In regard to shares, in March 2018 it listed on the TSE Mother Market and then moved to the TSE Growth Market in conjunction with the TSE's market reclassification in April 2022.

History

| Date | History |
|---|---|
| March 2009 | Established Japan Living Warranty Inc. |
| August 2009 | Launched Housing Reliable Support (maintenance warranties for housing equipment) |
| May 2012 | Launched Purchase and Sale Reliable Support for real estate brokerage businesses that broker the buying and selling of used housing |
| August 2012 | Established Livingpoint Inc. (a fully owned subsidiary of Japan Living Warranty) |
| October 2012 | Acquired an Ordinary Construction Business License |
| June 2013 | Started a warranty business targeting manufacturers of solar power generation equipment |
| December 2013 | Registered as a first-class architect's office |
| May 2015 | Livingpoint registered as an issuer of prepaid payment instruments for third-party business |
| November 2015 | Obtained a PrivacyMark |
| June 2016 | Launched Housing Reliable Support Premium (housing equipment warranties combined with Ouchi Points) |
| August 2017 | Launched Long-term Maintenance System (a total aftercare support plan) |
| March 2018 | Newly listed on the TSE Mothers Market |
| July 2019 | Opened the Osaka Branch Office in Chuo Ward, Osaka City |
| August 2019 | Launched Ucimo Keeping, a total housing support service for homeowners |
| March 2020 | Opened the Fukuoka Service Center (now Fukuoka Branch Office) in Hakata Ward, Fukuoka City |
| April 2020 | Opened the Nagoya Service Center (now Nagoya Branch Office) in Nakamura Ward, Nagoya City<br>Began providing warranties on PCs and tablets for the GIGA School initiative |
| May 2020 | Relocated head office to Shinjuku Ward, Tokyo |
| July 2020 | Began full-scale development of a 20-year warranty back-up service for buildings |
| April 2021 | Established Living Finance Inc. as a wholly owned subsidiary |
| June 2021 | Began providing an asset value warranty program |
| September 2021 | Launched warranties of up to 20 years for capacitors |
| October 2021 | Launched the Ouchi Manager app |
| April 2022 | Moved to TSE Growth Market in conjunction with the TSE's market reclassifications |
| July 2022 | Began offering Earthquake Reliable Support |
| November 2022 | Began offering Ouchi Album<br>Began offering EV Charger Warranty |
| February 2023 | Began offering Ouchi Live Assist |
| June 2023 | Began offering My Warranty, a warranty business DX app |
| September 2023 | Began offering ESS Warranty System, a warranty service for industrial-use and grid-use large-scale storage batteries<br>Began offering warranty services for Mechacomi, an online marketplace for used auto equipment operated by Toyota Motor Corporation <7203> |
| October 2023 | Began offering sumamori, a home maintenance service for members of Mitsui-No-Sumai Loop, a membership club operated by Mitsui Fudosan Residential Co., Ltd. |
| December 2023 | Began offering Japan's first 10-year warranty service for an industrial solar power battery storage system utilizing reused EV batteries for on-site power consumption<br>Began offering Ouchi bot, which helps housing companies with customer service operations |
| April 2024 | Began offering extended warranty services for non-housing wooden buildings<br>Concluded a basic agreement with MEDIA SEEK Inc. <4824> concerning business integration<br>Formed a business alliance with Kokusai Kogyo Co., Ltd. Began offering economic effect simulation warranties for solar power generation and storage systems |
| July 2024 | Opened the Sendai Branch Office in Aoba Ward, Sendai City<br>Began handling ground compensation through a business alliance with Jibannet Co., Ltd., a subsidiary of Jibannet Holdings Co., Ltd. <6072><br>Began offering a new Ouchi bot plan for housing companies |
| August 2024 | Began offering KROX for reform businesses |
| November 2024 (planned) | Make MEDIA SEEK Inc. a wholly owned subsidiary<br>Change trade name to Solvvy |

Source: Prepared by FISCO from the Company's annual securities report and press releases

# Business overview

## Developing business in housing and non-housing areas with a focus on warranty services

### 1. Business overview

#### (1) Business models, characteristics, and strengths

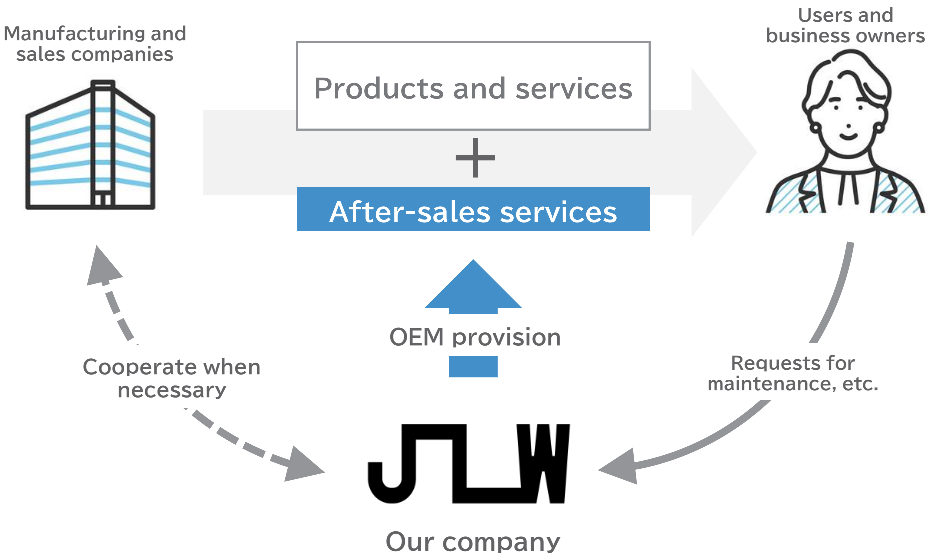
The Company provides solutions for maximizing the value of property assets that combine financial and operational elements, including providing extended warranty services for equipment, undertaking contracted inspections and repair work, and providing SaaS products that support efforts to improve operational efficiency. Client companies are engaged in areas including residential buildings such as detached housing and condominiums, housing equipment including water-related equipment, solar power generation and storage equipment, electric vehicles (EV), and household appliances.

Generally, the manufacturer's warranty period for equipment is set at one or two years, but in many instances, trouble such as failures or breakages occur after the manufacturer's warranty period has expired, so there is strong demand from end users using the products (such as homeowners) for longer warranties. The Company's extended warranty services cater to the needs of these customers. Additionally, extended warranty services can be broadly divided into two types – cases where the initial standard warranty period is extended with the business operator bearing the warranty cost and cases where consumers voluntarily opt-in and they bear the warranty cost. In the Company's case, many of its sales are based on contracts with building contractors and housing companies so they can sell houses that come with extended warranty services included. These services guarantee that any equipment under warranty that malfunctions during the warranty period will be repaired or replaced free of charge.

Its reporting segments are the HomeworthTech Business, which covers the housing area, and the ExtendTech Business, which leverages the knowledge and expertise of the HomeworthTech Business in non-housing areas. Its business model (framework for providing services) is basically the same for both businesses. It provides warranty services and after-sales solutions, with a focus on SaaS products, that cover the various products and services manufactured or sold by client companies. It then receives fees when a sales agreement is concluded between a client company and end user. These sales agreements include cases where the warranty fee is included in the price of the product and cases where the warranty is added as an option. If trouble such as failures or breakages occurs on equipment under warranty, the Company will arrange for a maintenance company (such as a collaborating contractor) to carry out work such as inspections, repairs, or replacements on behalf of the client company based on a request from the client company or end user. The Company's sales comprise warranty fees and other fees related to after-sales services based on an agreement with the client company.

For the end user, the extended warranty provides the benefit of peace of mind, while for the client company, the use of the Company's services removes the operational costs of offering an extended warranty and it also provides a benefit in terms of sales promotion by extending the period of contact with end users. It is a B2B2C business model in which the Company provides behind-the-scenes support for the after-sales services of client companies through warranty services, SaaS products that support efforts to improve operational efficiency, and other products and services.

A behind-the-scenes supporter of companies' after-sales services




Source: From the Company's "Items Concerning Business Plans and Growth Potential"

Warranty service operations require a high level of expertise regarding the particulars of the business, including expertise in concluding backup non-life insurance agreements and management and operations, and one of the Company's strengths is that it has this expertise. It has highly-experienced personnel in each area, including insurance, operations, and finance, and for client companies considering introducing a warranty system, it can provide comprehensive solutions that include expertise in working with major non-life insurance companies to design and build a warranty system that appropriately meets said client company's needs, as well as arranging and supporting the operational side. Its core market since establishment has been the housing market, and in this market, it has provided a wide range of solutions to a cumulative total of over 4,000 companies, including major housing companies, condominium developers, and regional building contractors.

**(2) Main services and products**

In the HomeworthTech Business, the Company provides various after-sales solutions focused on warranty services and SaaS products to clients in the housing area, including major housing companies, condominium developers, and regional building contractors. Its main products and services are equipment warranty services for new build property, which include Housing Reliable Support, Housing Reliable Support Premium, Building 20-Year Warranty Backup Service, Asset Value Warranty Program, and Earthquake Reliable Support, and equipment warranty services for used housing, which include Housing Reliable Support 5, Building Reliable Support, Purchase and Sale Reliable Support, and Reliable Support for Existing Equipment. It also provides contracting services for after-sales operations such as Long-term Maintenance System and Maintenance Support Desk, as well as Ouchi Point System, a dedicated points saving and settlement system for housing companies, Ouchi Manager, an app that encourages the use of this points system, Ucimo Keeping and Ucimo Wallet, which target end users, Ouchi Album, an app for managing housing inspection and repair histories, Ouchi Live Assist, an app that provides real-time remote support, My Warranty, a DX app that seamlessly handles all warranty-related operations from application through to warranty issue and receipt of repair orders, and Ouchi bot, a customer service support app for housing companies that provides automated responses to enquiries.

In the HomeworthTech Business, the Company is aiming to build up its balance of warranty service agreements by advancing strategies to make services more varied and to expand business areas covered. Recent efforts under the strategy of making services more varied include the October 2023 launch of sumamori, the industry's first home maintenance service, which is aimed at members of Mitsui-No-Sumai Loop, a membership club operated by Mitsui Fudosan Residential Co., Ltd. In addition to this, in April 2024, it began offering extended warranty services for non-housing wooden buildings and in May 2024, it made an agreement with ADDIX Inc. to jointly develop a digital marketing service for housing companies. In July 2024, it started handling ground compensation through a business alliance with Jibannet Co., Ltd., a subsidiary of Jibannet Holdings Co., Ltd. <6702>, and also rolled out a new plan for the Ouchi bot automated customer service app. In August 2024, it began offering KROX, a new SaaS x Fintech service for reform businesses that is equipped with DX and finance functions.

In the ExtendTech Business, the Company provides various after-sales solutions focused on warranty services and SaaS products to clients in non-housing areas. Its main products and services are warranty services for solar power generation and storage system equipment, warranty services for wind power generation equipment, warranty services for ICT equipment (PCs, tablets, etc.) in the education field, warranty services for the home appliance field, warranty services for the music field, Warranty Logistics Technology, which is a digital warehouse management platform for businesses, and the warranty operations DX app My Warranty.

In the ExtendTech Business, the Company is focusing on strategies for expanding business areas covered and making services more varied. Most recently, in September 2023, it started offering ESS Warranty System, a warranty service for industrial-use and grid-use large-scale storage batteries, as well as warranty services for Mechacomi, an online marketplace for used auto equipment operated by Toyota Motor Corporation <7203>. In December 2023, it began offering Japan's first 10-year warranty service for an industrial solar power battery storage system utilizing reused EV batteries for on-site power consumption. In April 2024, it formed a business alliance with Kokusai Kogyo Co., Ltd. and began offering Japan's first economic effect simulation warranties as part of the Enegaeru series of economic effect simulation services for solar power generation and storage systems provided to renewable energy business operators by Kokusai Kogyo.

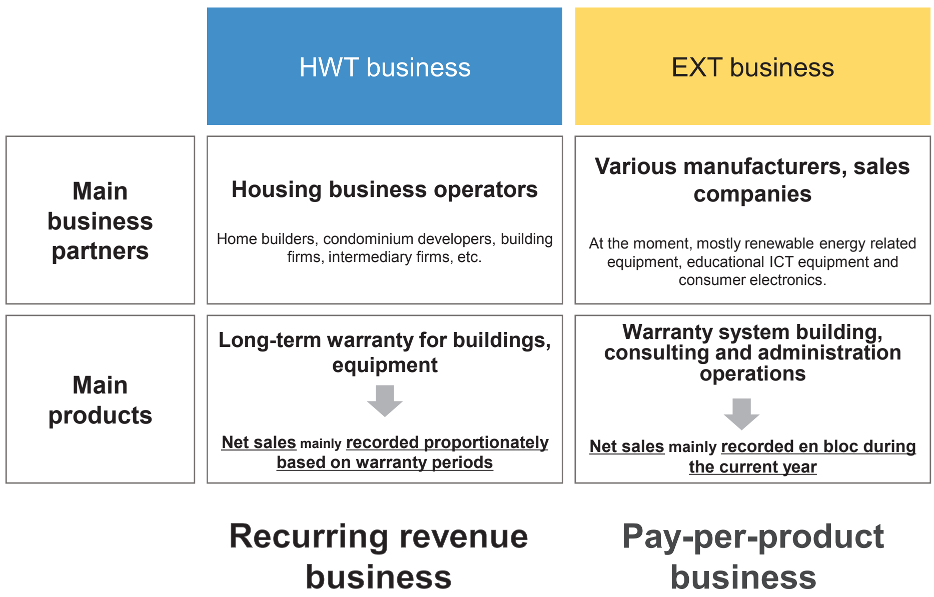
Subsidiary Livingpoint Inc. issues Ouchi Point as a registered issuer of prepaid payment instruments for third-party business. This service can be used to settle small-sum transaction in the same way as conventional digital currency and as points remain valid for 15 years, they can also be saved up to cover the cost of future large-scale repair work. Livingpoint also maintains deposits equivalent to the full balance of unused points as a guarantee deposit (under the Payment Services Act, it is only obligated to maintain deposits equivalent to half of the balance), and as of the end of FY6/24, the balance of unused points was worth ¥2,362mn. Subsidiary Living Finance Inc. is engaged in factoring and escrow operations.

## Conducts hybrid management business of recurring revenue business and pay-per-product business

### 2. Earnings characteristics

The Company's net sales comprise fees received from client companies for the use of its services (warranty fees, fees associated with inspections, repairs, and replacements, etc.). Cost of sales largely consists of non-life insurance premiums paid to non-life insurance companies, fees paid to companies cooperating with repairs and inspections, and sales commissions paid to other contractors. It uses different revenue recognition treatments for the HomeworthTech Business and the ExtendTech Business. The HomeworthTech Business, where most cases are centered on joint warranties, is a recurring revenue business in which the recognition of sales and cost price is prorated over the warranty period. The ExtendTech Business, which mainly involves system building and administrative operations, is a pay-per-product business in which sales and cost price are recognized as a lump sum. This hybrid management style that combines recurring revenue business with pay-per-product business is a characteristic that enables the Company to balance the generation of both short-term and medium- to long-term earnings.

A unique hybrid management style combining recurring revenue with pay-per-product

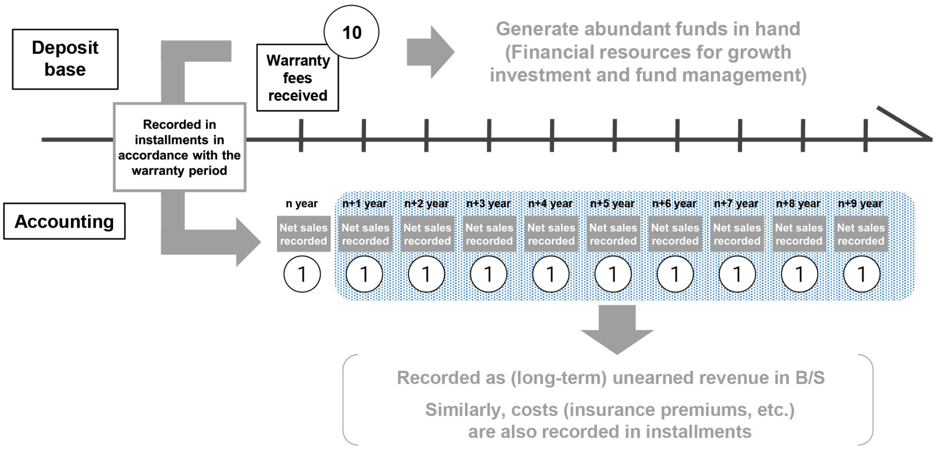



Source: Materials provided by the Company

Although the sales and cost price of extended warranty agreements in the HomeworthTech Business are prorated, SG&A expenses are recorded as a lump sum in the relevant fiscal year and during periods of business expansion, SG&A expenses are a downward pressure on profit. However, the increase in sales accompanying the accumulation of warranty agreements each year absorbs these SG&A expenses as the business transitions to a structure for generating long-term, stable earnings. Also, the recognition of sales and cost price is prorated under the accounting treatment, but the warranty fees from client companies are received as a lump sum, which generates an ample cash reserve. The Company uses the ample funds created by extended warranty agreements to actively invest in growth and to practice asset management (rent income from rental condominiums, etc.).

Accounting treatment framework for extended warranty agreements (HomeworthTech Business)

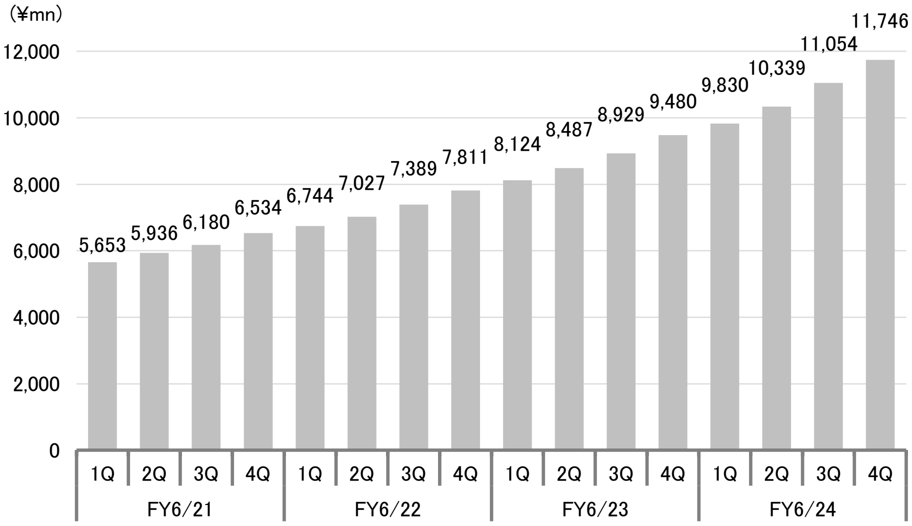
(Example) the case where warranty fees for the 10-year equipment warranty are received en bloc in the n year.




Source: The Company's results briefing materials

Additionally, within the warranty fee income received by the HomeworthTech Business, the portion of sales yet to be recognized is recorded in the balance sheet as either unearned revenue (warranty fees to be monetized within one year) or long-term unearned revenue (warranty fees to be monetized after at least one year) and the balance of unearned revenue (sum of unearned revenue and long-term unearned revenue) represents future sales. Looking at the balance of unearned revenue on a quarterly basis (from 1Q FY6/21 to 4Q FY6/24), it has grown steadily from ¥5,653mn in 1Q FY6/21 to ¥11,746mn in 4Q FY6/24.

Trends in unearned revenue in the HomeworthTech Business




Source: Prepared by FISCO from the Company's financial results

## Both businesses have expanded in recent years. The ExtendTech Business has seen particularly large growth

### 3. Trends by segment

Looking at business results and main KPIs by segment over the last four fiscal years (FY6/21–FY6/24, as the Accounting Standard for Revenue Recognition was applied from FY6/22, results for FY6/21 have been adjusted retroactively), net sales for both businesses have followed a smooth upward trajectory. Net sales in the HomeworthTech Business grew from ¥1,679mn in FY6/21 to ¥2,978mn in FY6/24, while net sales in the ExtendTech Business grew from ¥825mn to ¥2,316mn over the same period. The ExtendTech Business was particularly notable in growing sales by a considerable ¥1,491mn (180.7%) over the period, which raised the ratio of ExtendTech Business sales within overall sales. Looking at operating profit and the operating profit margins, in the ExtendTech Business, which is a highly profitable pay-per-product business, the increase in net sales was accompanied by considerable growth in operating profit, from ¥276mn in FY6/21 to ¥1,153mn in FY6/24. This made the business a driver of overall profit growth. In the HomeworthTech Business, operating profit remained roughly level at ¥114mn in FY6/21, ¥111mn in FY6/22, ¥120mn in FY6/23, and ¥146mn in FY6/24. This is because as a prorated recurring revenue business, it is still in its growth period. However, the balance of unearned revenue in the HomeworthTech Business is on an upward trend as it accumulates new warranty agreements. This means that not only can it expect stable growth in net sales, but operating profit and the operating profit margin will also rise as SG&A expenses gradually decrease.

Also, looking at the breakdown of net sales by service and field in each segment, the HomeworthTech Business comprises warranty services, inspection and repair services, and other operations (support for the enhancement of operational efficiency at client companies, etc.), while the ExtendTech Business comprises the renewable energy field (warranty services in the renewable energy area), and household appliances and other fields (warranty services for the educational ICT, household appliance, and other fields). In the HomeworthTech Business, net sales of warranty services increased from ¥1,196mn in FY6/21 to ¥2,335mn in FY6/24, while in ExtendTech Business, net sales in the renewable energy field increased from ¥602mn to ¥1,794mn over the same period. This represents smooth growth in both cases.

### Trends by segment

(¥mn)

| | FY6/21 | FY6/22 | FY6/23 | FY6/24 |
|---|---|---|---|---|
| Consolidated net sales | 2,624 | 3,305 | 3,919 | 5,359 |
| HomeworthTech Business | 1,679 | 1,922 | 2,256 | 2,978 |
| ExtendTech Business | 825 | 1,244 | 1,624 | 2,316 |
| Others | 120 | 138 | 38 | 64 |
| Composition ratio | 100.0% | 100.0% | 100.0% | 100.0% |
| HomeworthTech Business | 64.0% | 58.2% | 57.6% | 55.6% |
| ExtendTech Business | 31.4% | 37.6% | 41.4% | 43.2% |
| Others | 4.6% | 4.2% | 1.0% | 1.2% |
| Consolidated operating profit | 381 | 650 | 741 | 1,240 |
| HomeworthTech Business | 114 | 111 | 120 | 146 |
| ExtendTech Business | 276 | 541 | 659 | 1,153 |
| Others | -9 | -3 | -38 | -60 |
| Composition ratio | 100.0% | 100.0% | 100.0% | 100.0% |
| HomeworthTech Business | 30.1% | 17.2% | 16.3% | 11.8% |
| ExtendTech Business | 72.5% | 83.3% | 89.0% | 93.0% |
| Others | -2.6% | -0.5% | -5.2% | -4.8% |
| Consolidated operating margin | 14.5% | 19.7% | 18.9% | 23.1% |
| HomeworthTech Business | 6.8% | 5.8% | 5.3% | 4.9% |
| ExtendTech Business | 33.5% | 43.5% | 40.6% | 49.8% |
| Others | - | - | - | - |

Note 1: The Accounting Standard for Revenue Recognition was applied from FY6/22, so figures for FY6/21 have been adjusted retroactively
Note 2: Segment names were changed in FY6/23
Source: Prepared by FISCO from the Company's financial results

### Trends in KPIs

(¥mn)

| | FY6/21 | FY6/22 | FY6/23 | FY6/24 |
|---|---|---|---|---|
| HomeworthTech Business | | | | |
| Amount of new contract acquisitions | 2,191 | 2,611 | 3,316 | 4,508 |
| Balance of unearned revenue and long-term unearned revenue | 6,534 | 7,811 | 9,480 | 11,746 |
| Net sales breakdown | | | | |
| Warranty services | 1,196 | 1,447 | 1,768 | 2,335 |
| Inspection and repair services | 351 | 330 | 307 | 429 |
| Others | 131 | 147 | 180 | 213 |
| Digital money | | | | |
| Cumulative number of companies introducing digital money | 71 | 78 | 101 | 120 |
| Unused balance | 1,606 | 1,880 | 2,097 | 2,362 |
| ExtendTech Business | | | | |
| Net sales breakdown | | | | |
| Renewable energy | 602 | 755 | 1,145 | 1,794 |
| Household appliances and other | 219 | 488 | 479 | 522 |

Note 1: The Accounting Standard for Revenue Recognition was applied from FY6/22, so figures for FY6/21 have been adjusted retroactively
Note 2: Segment names were changed in FY6/23
Source: Prepared by FISCO from the Company's financial results

#### 4. Risk factors, challenges, and countermeasures

General risk factors include changes in the business environment, such as a downturn in the housing and real estate market or changes in demand for renewable energy-related equipment, a decrease in earnings due to increased competition, changes in agreements or working relationships with non-life insurance companies, the occurrence of regulatory violations or other risks related to laws and regulations, systems failures, and natural disasters. To counter these risks, the Company is working to make its services more varied, leverage its strength in providing operational support through DX to develop and deliver new services, expand into new business areas, and reflect increases in insurance premiums in its prices, among other measures. In this way, it is aiming to maintain and strengthen its competitive edge, adapt to changes in the business environment, and further enhance profitability.

# Results trends

## Record high results achieved in FY6/24, with significant increases in sales and profit exceeding forecasts

#### 1. Overview of FY6/24 consolidated results

In the FY6/24 results, net sales increased 36.7% YoY to ¥5,359mn, operating profit rose 67.2% to ¥1,240mn, ordinary profit increased 48.1% to ¥1,512mn, and profit attributable to owners of parent rose 29.6% to ¥973mn. This represents significant increases in sales and profit that exceed the previous forecast (in the forecast announced on February 9, 2024, net sales were revised upward by ¥110mn to ¥4,930mn, operating profit was revised upward by ¥160mn to ¥1,000mn, ordinary profit was revised upward by ¥160mn to ¥1,220mn, and profit attributable to owners of parent was revised upward by ¥117n to ¥896mn), as well as record high results. There was considerable growth in the net sales of both the HomeworthTech Business and the ExtendTech Business, and factors such as the growth of services with high profit margins and the effects of efforts to improve operational efficiency also contributed.

Gross profit increased by 43.5% YoY, while the gross profit margin increased by 3.6pp to 74.7%. SG&A expenses increased by 35.0% due to an increase in human resources costs, including provisions for bonuses, but the SG&A expense ratio decreased by 0.7pp to 51.5%. As a result, the operating profit margin rose by 4.2pp to 23.1%, representing even higher levels of profitability.

Analyzing the YoY change in operating profit, although net sales increased by ¥1,439mn, there was a ¥224mn decrease due to an increase in cost of sales, a ¥549mn decrease due to an increase in human resources costs (including recruitment and training costs), and a ¥167mn decrease due to increases in other SG&A expenses.

The ordinary profit margin grew 2.1pp to 28.2%. In addition to operating profit, a non-operating income in the form of a ¥44mn increase in rental income from investment property contributed. A ¥206mn loss on valuation of investment securities was also recorded in extraordinary losses.

FY6/24 consolidated results

(¥mn)

| | FY6/23 | | FY6/24 | | YoY | |
|---|---|---|---|---|---|---|
| | Results | Ratio to net sales | Results | Ratio to net sales | Change | Change rate |
| Net sales | 3,919 | 100.0% | 5,359 | 100.0% | 1,439 | 36.7% |
| Gross profit | 2,788 | 71.1% | 4,002 | 74.7% | 1,214 | 43.5% |
| SG&A expenses | 2,046 | 52.2% | 2,762 | 51.5% | 715 | 35.0% |
| (Human resources costs including recruitment and training costs) | 1,366 | 34.9% | 1,915 | 35.7% | 549 | 40.2% |
| Operating profit | 741 | 18.9% | 1,240 | 23.1% | 498 | 67.2% |
| Non-operating income | 435 | 11.1% | 466 | 8.7% | 31 | 7.2% |
| (Rental income from investment property) | 264 | 6.7% | 308 | 5.8% | 44 | 16.8% |
| Non-operating expenses | 155 | 4.0% | 194 | 3.6% | 39 | 25.2% |
| (Expenses associated with renting investment properties) | 128 | 3.3% | 164 | 3.1% | 35 | 27.9% |
| Ordinary profit | 1,021 | 26.1% | 1,512 | 28.2% | 490 | 48.1% |
| Profit attributable to owners of parent | 751 | 19.2% | 973 | 18.2% | 222 | 29.6% |

Source: Prepared by FISCO from the Company's financial results and results briefing materials

## Considerable growth in both the HomeworthTech Business and the ExtendTech Business

### 2. Trends by segment

By segment, in the HomeworthTech Business, net sales increased by 32.0% YoY to ¥2,978mn and operating profit grew 21.4% to ¥146mn. Breaking down net sales, sales of warranty services increased by 32.0% to ¥2,335mn, sales of inspection and repair services increased by 39.6% to ¥429mn, and other sales increased by 18.4% to ¥213mn. This represents considerable growth in sales, particularly of warranty services, while the growth of highly profitable services such as Building 20-Year Warranty Backup Service contributed to profits. The amount of new contract acquisitions rose 36.0% YoY to ¥4,508mn, the outstanding balance of unearned revenue and long-term unearned revenue increased 23.9% to ¥11,746mn, the cumulative number of companies introducing digital money rose to 120 companies, with the unused balance reaching ¥2,362mn.

In the ExtendTech Business, net sales increased by 42.6% to ¥2,316mn and operating profit rose 74.9% to ¥1,153mn. Breaking down net sales by field, sales in the renewable energy field increased 56.7% to ¥1,794mn, while sales in the household appliances and other fields increased 9.0% to ¥522mn. The rapid expansion of the renewable energy field, including storage batteries for which there is a considerable social need, led to profit exceeding forecasts.

Looking at net sales on a quarterly basis, both the HomeworthTech Business and the ExtendTech Business trended upward, especially in 4Q FY6/24 when both businesses posted record high sales.

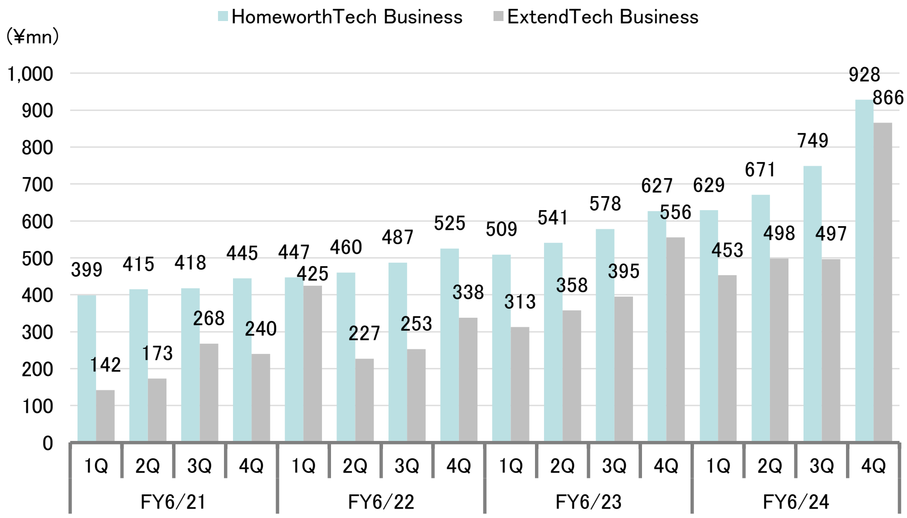
### FY6/24 segment results and KPI

(¥mn)

| | FY6/23 | | FY6/24 | | YoY | |
|---|---|---|---|---|---|---|
| | Results | Ratio to net sales | Results | Ratio to net sales | Change | Change rate |
| Consolidated net sales | 3,919 | 100.0% | 5,359 | 100.0% | 1,439 | 36.7% |
| HomeworthTech Business | 2,256 | 57.6% | 2,978 | 55.6% | 721 | 32.0% |
| ExtendTech Business | 1,624 | 41.4% | 2,316 | 43.2% | 692 | 42.6% |
| Others | 38 | 1.0% | 64 | 1.2% | 25 | 65.3% |
| Consolidated operating profit | 741 | 18.9% | 1,240 | 23.1% | 498 | 67.2% |
| HomeworthTech Business | 120 | 5.3% | 146 | 4.9% | 25 | 21.4% |
| ExtendTech Business | 659 | 40.6% | 1,153 | 49.8% | 494 | 74.9% |
| Others | -38 | - | -60 | - | -21 | - |
| HomeworthTech Business | | | | | | |
| Amount of new contract acquisitions | 3,316 | - | 4,508 | - | 1,192 | 36.0% |
| Balance of unearned revenue and long-term unearned revenue | 9,480 | - | 11,746 | - | 2,266 | 23.9% |
| Net sales breakdown | | | | | | |
| Warranty services | 1,768 | - | 2,335 | - | 567 | 32.0% |
| Inspection and repair services | 307 | - | 429 | - | 122 | 39.6% |
| Others | 180 | - | 213 | - | 33 | 18.4% |
| Digital money | | | | | | |
| Cumulative number of companies introducing digital money | 101 | - | 120 | - | 19 | 18.8% |
| Unused balance | 2,097 | - | 2,362 | - | 265 | 12.6% |
| ExtendTech Business | | | | | | |
| Net sales breakdown | | | | | | |
| Renewable energy | 1,145 | - | 1,794 | - | 649 | 56.7% |
| Household appliances and other | 479 | - | 522 | - | 43 | 9.0% |

Note 1: Ratio to net sales for segment net sales is the ratio of the total prior to adjustment
Note 2: Ratio to net sales for segment operating profit is the ratio of operating profit to relevant net sales
Source: Prepared by FISCO from the Company's financial results

### Quarterly net sales trends




Source: Prepared by FISCO from the Company's financial results

## Highly financially sound in real terms

### 3. Financial condition

In regard to the Company's financial condition, total assets at the end of FY6/24 had grown by ¥4,490mn compared to the end of FY6/23 to ¥24,593mn. This was primarily because of increases in current assets including ¥922mn in accounts receivable – trade and ¥1,585mn in advances paid, and increases in non-current assets of ¥1,924mn in investment securities, ¥772mn in long-term prepaid expenses, and ¥810mn in investment property, net, despite a ¥1,548mn decrease in cash and deposits in current assets and a ¥658mn decrease in guarantee deposits in non-current assets. Total liabilities increased by ¥3,430mn to ¥21,588mn. This was mainly due to increases of ¥1,990mn in long-term unearned revenue and ¥445 in long-term deposits received. Total net assets increased by ¥1,059mn to ¥3,005mn. This was mainly because of a ¥923mn increase in retained earnings following the recording of profit for the fiscal year. As a result, the equity ratio rose 2.5pp to 12.2%.

The Company's equity ratio of 12.2% is low, but this is because it has a business model in which warranty fees are received before services are provided. In the HomeworthTech Business, sales and cost price are prorated, so the portion of sales yet to be recognized is recorded in liabilities as either unearned revenue (warranty fees to be monetized within one year) or long-term unearned revenue (warranty fees to be monetized after at least one year), sales commissions paid to agents are recorded under assets as either prepaid expenses or long-term prepaid expenses, and non-life insurance premiums paid to non-life insurance companies and the unused balance of digital money are recorded under liabilities as either deposits received or long-term deposits received. As a result, the balance sheet is fairly swollen. However, the balance of interest-bearing debt has been kept at just ¥2,498mn and a breakdown of liabilities shows that unearned revenue and long-term unearned revenue, which are sources of future profit, account for 58.6%, deposits received and long-term deposits received account for 24.1%, and interest-bearing debt accounts for 11.6%. There are also no causes for concern in the cash flow statement, so we at FISCO judge that the Company is highly financially sound in real terms.

Balance sheet and cash flow statement (simplified)

(¥mn)

| | End of FY6/21 | End of FY6/22 | End of FY6/23 | End of FY6/24 | Change |
|---|---|---|---|---|---|
| Total assets | 14,469 | 16,219 | 20,103 | 24,593 | 4,490 |
| Current assets | 7,313 | 6,231 | 7,493 | 8,587 | 1,094 |
| Cash and deposits | 5,547 | 3,399 | 4,175 | 2,626 | -1,548 |
| Prepaid expenses | 346 | 460 | 550 | 684 | 133 |
| Advances paid | 751 | 1,694 | 1,929 | 3,515 | 1,585 |
| Non-current assets | 7,155 | 9,987 | 12,609 | 16,005 | 3,395 |
| Investment securities | 964 | 1,097 | 1,585 | 3,509 | 1,924 |
| Long-term prepaid expenses | 2,111 | 2,337 | 3,049 | 3,821 | 772 |
| Investment property, net | 1,900 | 3,956 | 5,130 | 5,940 | 810 |
| Total liabilities | 13,690 | 14,975 | 18,157 | 21,588 | 3,430 |
| Current liabilities | 3,457 | 2,675 | 3,266 | 4,012 | 746 |
| Unearned revenue | 1,193 | 1,496 | 1,830 | 2,146 | 315 |
| Deposits received | 1,508 | 498 | 631 | 638 | 7 |
| Non-current liabilities | 10,232 | 12,300 | 14,891 | 17,576 | 2,684 |
| Long-term unearned revenue | 5,693 | 7,071 | 8,518 | 10,508 | 1,990 |
| Long-term deposits received | 3,873 | 3,798 | 4,127 | 4,572 | 445 |
| Total net assets | 779 | 1,243 | 1,946 | 3,005 | 1,059 |
| Shareholders' equity | 724 | 1,172 | 1,871 | 2,818 | 946 |
| Equity ratio (%) | 5.4% | 7.7% | 9.7% | 12.2% | 2.5pp |

| | FY6/21 | FY6/22 | FY6/23 | FY6/24 |
|---|---|---|---|---|
| Cash flows from operating activities | 5,120 | 292 | 1,861 | 922 |
| Cash flows from investing activities | -1,631 | -3,169 | -1,902 | -2,086 |
| Cash flows from financing activities | 420 | 748 | 783 | 167 |
| Cash and cash equivalents at end of period | 5,172 | 3,058 | 3,799 | 2,804 |

Source: Prepared by FISCO from the Company's financial results

# Outlook

## Increases in sales and profit forecast for FY6/25 after making MEDIA SEEK a wholly owned subsidiary

The results forecast for FY6/25 is for net sales to increase 28.8% YoY to ¥6,900mn, operating profit to increase 4.8% to ¥1,300mn, ordinary profit to increase 5.8% to ¥1,600mn, and profit attributable to owners of parent to increase 20.8% to ¥1,176mn. This anticipates new record high business results. On November 1, 2024, the Company will make MEDIA SEEK Inc. a wholly owned subsidiary. In terms of net sales, high rates of growth will continue in both the HomeworthTech Business and the ExtendTech Business, and there will also be a contribution from MEDIA SEEK. A lower rate of growth is forecast for operating and ordinary profits, taking into account factors such as an increase in human resources costs associated with investment in human capital, as well as other expenses accompanying the trade name change and renewal of the Company's branding. The considerable increase in profit attributable to owners of parent is due to the removal of a loss on valuation of investment securities which was recorded in FY6/24.

Looking at the results forecast for FY6/25 on a six-month basis, the Company expects 1H results to include net sales of ¥3,179mn, operating profit of ¥558mn, ordinary profit of ¥729mn, and profit attributable to owners of parent of ¥535mn, while in 2H it is forecasting net sales of ¥3,721mn, operating profit of ¥742mn, ordinary profit of ¥871mn, and profit attributable to owners of parent of ¥641mn. This means forecasts are weighted toward 2H. The priority measures for FY6/25 will be to leverage synergies generated by the business integration with MEDIA SEEK to realize the continued growth of existing businesses and early establishment of new businesses.

**Overview of FY6/25 consolidated results forecast**

(¥mn)

| | FY6/24 | | FY6/25 | | YoY | |
|---|---|---|---|---|---|---|
| | Results | Ratio to net sales | Results | Ratio to net sales | Change | Change rate |
| Net sales | 5,359 | 100.0% | 6,900 | 100.0% | 1,541 | 28.8% |
| Operating profit | 1,240 | 23.1% | 1,300 | 18.8% | 60 | 4.8% |
| Ordinary profit | 1,512 | 28.2% | 1,600 | 23.2% | 88 | 5.8% |
| Profit attributable to owners of parent | 973 | 18.2% | 1,176 | 17.0% | 203 | 20.8% |

Note: On November 1, 2024, the Company plans to make MEDIA SEEK Inc. a wholly owned subsidiary
Source: Prepared by FISCO from the Company's financial results

# Growth strategy

## A new medium-term management plan has been formulated. The business integration with MEDIA SEEK will accelerate growth

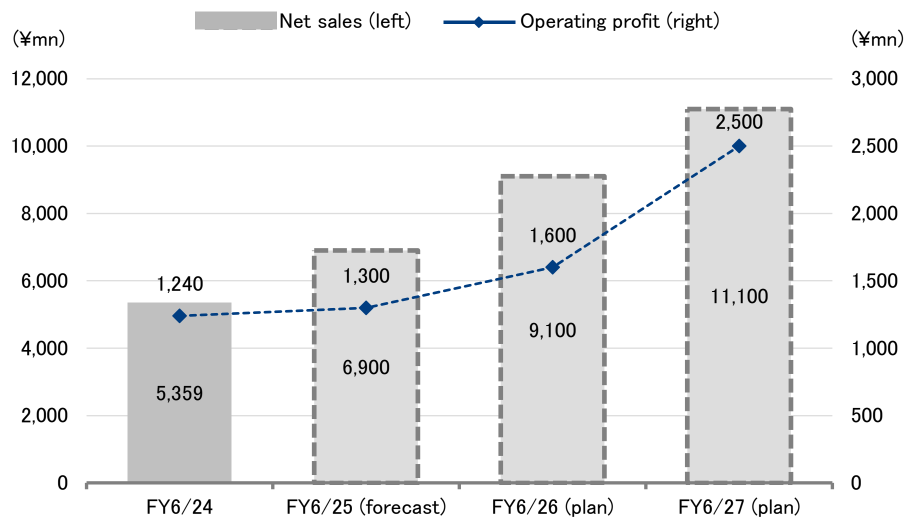
### 1. New medium-term management plan

In August 2024, the Company formulated a new medium-term management plan (FY6/25–FY6/27). Furthermore, on November 1, 2024, it will change its trade name to Solvvy following the business integration and its slogan will be changed to "Solve with idea, Solve with you." This is part of a renewal of the Company's branding and business concept. The new trade name is the word "solve" with the addition of an extra "v." Together, these two "v"s represent a "w," expressing the concept of "with you," meaning to work with partners. The new company will position recurring revenue business consulting grounded in after-sales services as a strength, and it will provide companies with comprehensive support for recurring revenue business growth through its original SAaaS method (SAaaS standing for Smart Assurance as a Service). It will support client companies in realizing a customer-focused approach to becoming more dynamic and profitable by providing combinations of various solutions, including warranties, with the addition of frameworks required to generate recurring revenue business.

The targets for FY6/27, the final year of the new plan, are net sales of ¥11,100mn and operating profit of ¥2,500mn. It aims to approximately double net sales compared to FY6/24 by utilizing synergies generated by the business integration and to roughly double operating profit while continuing investment in human capital. Following the business integration, it will have five reporting segments. These are the HomeworthTech Business, the ExtendTech Business, the LifeTech Business, the FinTech Business, and Other Business. A breakdown of net sales targets for FY6/27 includes ¥6,500mn in the HomeworthTech Business, ¥2,710mn in the ExtendTech Business, ¥1,230mn in the LifeTech Business, and ¥660mn in the FinTech Business. It plans to capitalize on the business integration to accelerate growth.

In the HomeworthTech Business, the plan forecasts a considerable increase the number of building warranties captured due to the Company enhancing its lineup of services and an increase in the degree to which unearned revenue contributes to profit or loss. In the ExtendTech Business, the forecast for FY6/25 is conservative due to factors such as the effects of a revision in the way sales are to be recorded (change in the segment recognition ratio) following the application of the Accounting Standard for Revenue Recognition, and a rebound effect from a project that was due to be recognized in FY6/25 but was moved into FY6/24. However, it is anticipating high levels of growth from FY6/26 onward, mainly due to growing demand in the renewable energy field and the arrival of a period in which the educational ICT equipment introduced into schools under the GIGA School Program needs to be replaced. In the LifeTech Business, it is forecasting considerable growth in systems consulting and SaaS sales after the business integration enhances systems development resources, and it also expects to see the full-scale operation of a third business due to the deployment of the SAaaS method in new business areas. In the FinTech Business, KROX, a new SaaS x Fintech service for reform businesses launched in August 2024, is expected to contribute to sales and the Company will advance cross-sectoral business development.

**Results trends under the new medium-term management plan**




Source: Prepared by FISCO from the Company's new medium-term management plan

The Company thinks that synergies generated by the business integration will include the strengthening of SI services for existing customers as the realization of a 100-person workforce of in-house IT engineers enhances its systems development frameworks, an increase in earnings due to earlier expansion in the SaaS and FinTech fields, and cost reductions as internal IT services development will be realized fully in-house. Specific measures include leveraging the Company's sales capabilities to provide SI services to existing clients, leveraging MEDIA SEEK's IT development capabilities to make SaaS products more competitive and to realize early launches for FinTech products, strengthening marketing efforts using MEDIA SEEK's existing products, leveraging the Company's financial expertise and sales capabilities to strengthen the marketing and sales of BrainTech services, and leveraging the Company's financial resources for the incubation of startup companies and M&A activities.

In regard to providing SI services to existing clients, the Company has already captured systems consulting projects from current major housing company clients. In regard to making SaaS products more competitive, development of a new Ouchi bot x Generative AI function is underway. For the early launch of FinTech products, in August 2024 the Company started offering KROX, a new SaaS x Fintech service for reform businesses that is equipped with DX and finance functions. To strengthen marketing efforts using existing products, it is advancing the provision of new digital marketing services. To strengthen the marketing and sales of Braintech services, it is further strengthening functions and advancing the full-scale roll out of a B2C subscription-based Braintech service. In regard to incubating startup companies and M&A activities, it plans to establish a corporate venture capital (CVC) scheme that combines MEDIA SEEK's expertise and the Company's financial resources.

Additionally, the Company is currently listed on the TSE Growth Market, but following the business integration with MEDIA SEEK, it will fulfill many of the conditions needed to list on the TSE Prime Market, so it will aim to achieve this listing as quickly as possible.

**Establishing an environment for listing on the TSE Prime Market (as of June 30, 2024)**

| | TSE Prime Market Initial listing criteria | Japan Living Warranty | MEDIA SEEK |
|---|---|---|---|
| Shareholders | 800 or more | 1,466 | 5,968 |
| Market capitalization | ¥25.0bn or more | Approx. ¥15.4bn | Approx. ¥3.3bn |
| Business performance | Aggregated profits over the last two fiscal years of ¥2.5bn or more | ¥2,533mn | ¥280mn |
| Financial condition | Net assets of ¥5.0bn or more | ¥3,005mn | ¥3,127mn |

Source: Prepared by FISCO from the Company's new medium-term management plan

### 2. Sustainability management

Regarding sustainability matters, at present the Company has not set any indicators or targets, but it plans to strengthen initiatives with its SDGs Promotion Office playing a leading role. As for human capital matters, it has set the ratio of women in management positions, the average rate of paid leave uptake, and the rate of return to work from childcare leave as indicators, and it is working to foster an environment that will enable it to achieve its target of exceeding the Ministry of Health, Labour and Welfare's average for Japanese companies for each indicator.

## Watching the progress made on business integration synergies

### 3. Analysts' view

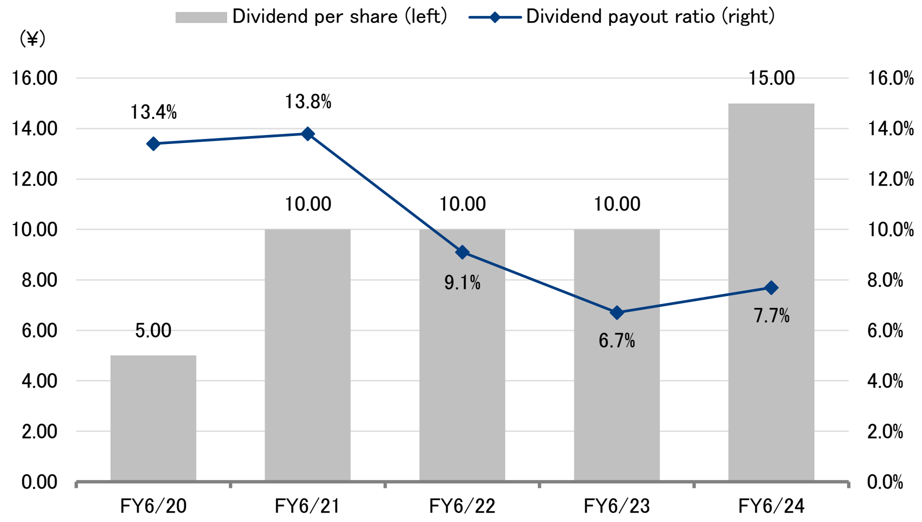
The Company provides solutions that maximize the value of property assets, including extended warranty services, with a focus on the HomeworthTech Business, and it has used its strengths, including a wide variety of services and the provision of operational support through DX, to considerably increase sales and profits in the ExtendTech Business, which covers non-housing areas such as renewable energy. It is notable for having high profit margins and at FISCO, we are particularly impressed by how it has established a unique position using a business model centered on high value-added solutions. It is also planning to accelerate growth through a business integration with MEDIA SEEK, including aiming to double net sales and operating profit under its new medium-term management plan. Although profit margins will decline in FY6/25 due to temporary factors, as the Company still has plenty of potential for increasing its market share and expanding its business in the medium- to long-term, we at FISCO will be closely watching progress made on business integration synergies aimed at accelerating growth.

# Shareholder return policy

## Maintain stable dividends in shareholder returns

The Company's basic policy for returning profits to shareholders is to continue to pay stable dividends while securing the retained earnings required to strengthen its management base in accordance with changes in the business environment and to develop future business. Based on this policy, its dividend for FY6/24 was ¥15.00 (single payment at year-end), an increase of ¥5.00 on FY6/23. This represents a dividend payout ratio of 7.7%. It has not yet made a dividend forecast for FY6/25, but it plans to announce it as soon as it is possible to do so. At FISCO, we think the dividend amount and payout ratio can be expected to increase in accordance with the growth in business results.

Dividend per share and dividend payout ratio




Source: Prepared by FISCO from the Company's financial results

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