COMPANY RESEARCH AND ANALYSIS REPORT

AINAVO HOLDINGS Co.,Ltd.

7539

Tokyo Stock Exchange Standard Market

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Contents

Summary

Sales and profits increased in FY9/24. Improved gross profit ratio and the performance of a newly consolidated subsidiary contributed to operating profit growth

AINAVO HOLDINGS Co.,Ltd. <7539> (hereafter, also "the Company") is a pure holding company with eight consolidated subsidiaries and five non-consolidated subsidiaries. Its main businesses are exterior wall installations of tile, siding, and other exterior materials, installations of built-in kitchens, various water-related equipment and other home equipment, sales of building materials, and sales of home equipment. The Company is unique in its handling of both installation and wholesale of building materials and home equipment. While the Company primarily supplies these services to smaller general contractors and building firms, it also receives installation orders from major general contractors. Strict fund collection management and project progress management have enabled the Company to accumulate net cash (cash and deposits - long-term and short-term loans payable) totaling ¥12,014mn as of the end of FY9/24, and the balance sheet can be considered robust.

1. FY9/24 results

In consolidated results for FY9/24, the Company reported ¥89,782mn in net sales (up 4.3% year on year (YoY)), ¥2,171mn in operating profit (up 22.7%), ¥2,477mn in recurring profit (up 19.8%), and ¥1,268mn in profit attributable to owners of parent (down 0.4%). The reason for the decrease in profit attributable to owners of parent is that the Company recorded an extraordinary loss of ¥247mn in loss on extinguishment of tie-in shares. Net sales fell slightly short of the plan due to sluggish housing starts, but operating profit exceeded the plan thanks to a recovery in highly profitable sectors and the contribution from a newly consolidated subsidiary. By segment, the standalone homes business posted an increase in sales, but it was not sufficient to offset the increase in SG&A expenses, resulting in lower profits. In the large properties business, both sales and profits increased, mainly due to orders for high-margin properties in addition to a rebound from the decline in the previous fiscal year. The gross profit ratio improved 0.6 percentage points (pp) YoY to 14.4%. The Company achieved this by raising its prices to account for the increase in costs for some parts and materials, as well as through the completion of high-margin projects. Operating profit, on the other hand, increased as SG&A expenses rose only 5.8% YoY, remaining mostly within budget.

2. FY9/25 results outlook

For FY9/25, the Company forecasts net sales of ¥92,700mn (up 3.2% YoY), operating profit of ¥2,250mn (up 3.6%), recurring profit of ¥2,550mn (up 2.9%) and profit attributable to owners of parent of ¥1,550mn (up 22.1%). Although segment forecasts have not been disclosed, the Company plans to increase sales and profits in both its standalone homes business and large properties business. Given the uncertain outlook for the housing market, these forecasts are not necessarily firm. Future trends such as M&A must be closely monitored.

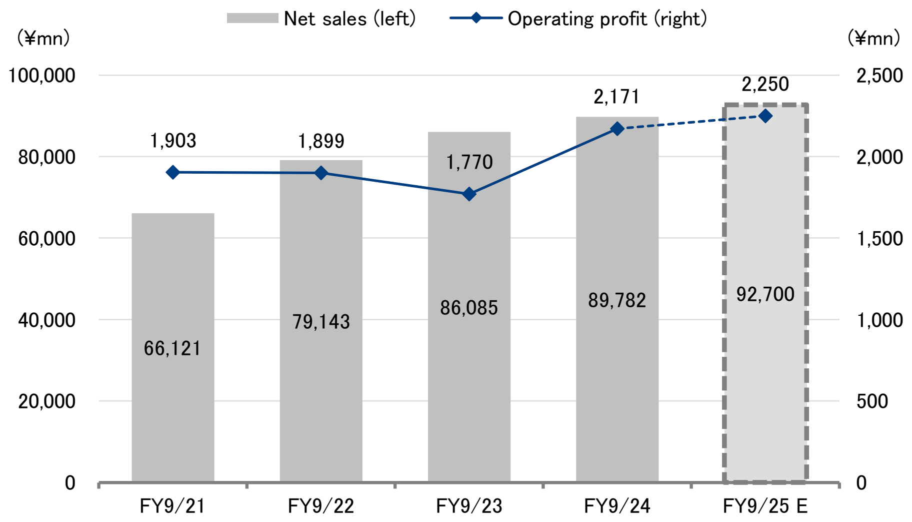
3. Medium-term management plan

The Company has announced its fourth medium-term management plan, ending in FY9/25. The main strategies under the plan are "transformation of the business model," "rebuilding of the profit structure," "promotion of DX," "securing and development of human resources," and "capital policy." In terms of quantitative targets, the Company was aiming for FY9/25 net sales of ¥97,000mn, an operating profit ratio of 2.6% (ensuring operating profit of ¥2,500mn), and ROE of 8.0%, but the Company is expecting lower results for FY9/25, making it difficult to achieve these targets. The Company has stated that it is currently formulating a new medium-term management plan and plans to announce it in the near future.

Key Points

- Double-digit operating profit growth in FY9/24 due to improved gross profit ratio and the contribution from a newly consolidated subsidiary
- Both businesses are expected to perform well in FY9/25, with sales and profits to increase
- The fourth medium-term management plan is not expected to be achieved; a new plan is being formulated

Results trends



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

Business overview

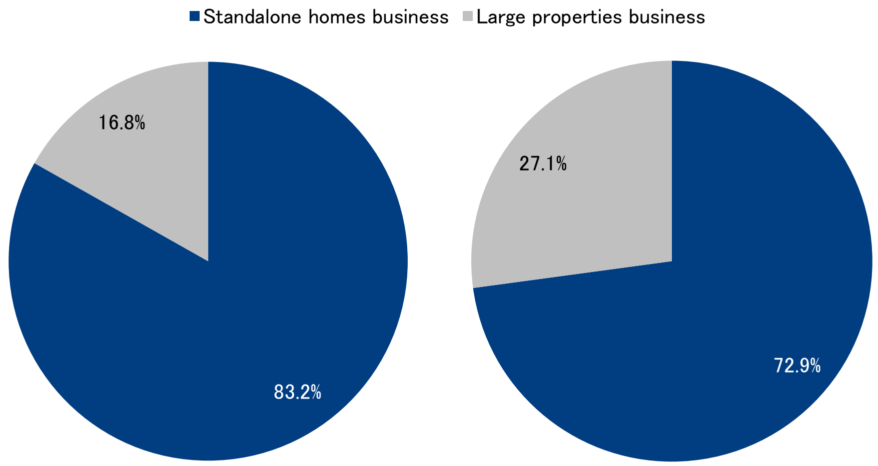
Mainly installs tile, siding, and other exterior wall materials and home equipment

1. Description of business

AINAVO HOLDINGS Co.,Ltd., a pure holding company, has eight consolidated subsidiaries and five non-consolidated subsidiaries in its group as of the end of FY9/24. The Company's business segments are standalone homes business and large properties business, separated by the size of customers (in terms of order value). The actual content of their business activities is nearly the same. The former primarily covers installations for ordinary homes with orders received from smaller general contractors and ordinary building firms, while the latter mainly reflects orders from large general contractors and other major customers. Net sales by segment (FY9/24) were ¥74,684mn for the standalone homes business (83.2% of sales) and ¥15,098mn for the large properties business (16.8%). Operating profit (prior to intercompany eliminations) was ¥2,803mn and ¥1,044mn, respectively, for the two segments.

Net sales by business segment (FY9/24: ¥89,782mn)

Operating profit by business segment (FY9/24: ¥3,847mn)



Note: Segment operating profit prior to companywide adjustments
Source: Prepared by FISCO from the Company's financial results

The standalone homes business breaks down further into the sub-segments of exterior wall installations, home equipment installations, building materials sales, and home equipment sales, and the large properties business consists of tile sales and installations and home equipment sales and installations. Sub-segment shares of overall sales (FY9/24) are 18.8% for exterior wall installations, 25.8% for home equipment installations, 18.2% for building materials sales, and 20.4% for home equipment sales under the standalone homes business and 5.8% for tile sales and installations and 11.0% for home equipment sales and installations under the large properties business.

2. Overview of segments and sub-segments

(1) Standalone homes business

These orders primarily come from local smaller general contractors and building firms and home manufacturers and other builders*. The Company does not receive many orders directly from the party conducting the project.

* Sales of tile materials and home equipment related to installation projects are booked under the respective installation segments.

a) Exterior wall installations

This business handles installations of interior and exterior tiles, floor tiles, and exteriors for ordinary homes, small condominiums, and stores. It supports not only tile, but also siding and other materials.

b) Home equipment installations

This business mainly covers renovation installations (including built-in kitchens as well as bath, toilet, and other water-related systems) and solar power generation system installations. While orders are fundamentally separate from exterior wall installations, they are received jointly in some cases. The Company is one of the industry's largest firms for bathroom installations with roughly 20,000 projects per year.

c) Building materials sales

This sub-segment handles wholesale transactions for various building materials used in ordinary homes, smaller condominiums, and stores. Tile building materials sales volume is relatively large. Its primary sources of sales are building firms and local homebuilders, and Ainavo does not sell to secondary wholesale firms.

d) Home equipment sales

Similarly to building materials sales, the Company sells home equipment to building firms and local homebuilders.

(2) Large properties business

Business content is almost the same as the standalone homes business, but the Company books installations at large properties (buildings, condominiums, and others) for major general contractors in this segment. It receives a relatively large number of orders from Obayashi Corporation <1802>, Konoike Construction Co., Ltd., and HASEKO Corporation <1808>.

a) Tile sales and installations

Interior and exterior tiles, floor tiles, stone material sales and installations.

b) Home equipment sales and installations

Built-in kitchens and other home equipment and air-conditioning equipment sales and installations mainly for buildings and condominium buildings.

3. Main procurement and sales destinations

The Company has roughly 7,000 customers, including major general contractors. Management of accounts receivable is a key point in business operations, because these customers are not always active and value per project varies significantly from a few million yen to over ¥100mn.

LIXIL Corporation <5938> is the primary procurement source for building materials and home equipment, and the Company also purchases extensively from TOTO LTD. <5332>, Rinnai Corporation <5947>, Cleanup Corporation <7955>, and DAIKEN CORPORATION <7905>.

While the Company has about 2,000 subcontractors (large and small) handling projects, roughly half of the subcontractors work exclusively with the Company.

4. Competition, features, and strengths

Many companies are involved in exterior wall installations or selling building materials and home equipment, and the Company faces numerous rivals in its various areas of business. While it is not easy to find a clear rival in terms of an overall business, the most likely competitors are KOIZUMI Co., Ltd. and Watanabe Pipe Co., Ltd. However, rivals are decreasing for exterior wall installations due to the downward trend in the number of contractors in recent years.

One of the Company's unique features is the comprehensive skills training center where it provides training in highly specialized skills for its numerous subcontractors. By supporting installation work, the Company is able to take on a variety of project types. The skills center also unfailingly conducts half-yearly progress checks at each site to ensure projects are progressing as planned, which reduces variations in finished work due to individual differences.

Another feature is that it has its own insurance program. Here, the Company collects part of subcontractors' turnover and pools the funds in a cooperative association for use to cover income for one week if a subcontractor (worker) is unable to work due to an accident. This program strengthens the trust relationship between the Company and subcontractors and also boosts the retention rate for skilled workers and precision of finished work.

While it is normal for companies to implement management of sales, costs, and project progress, the Company also thoroughly conducts management of billing, money received, and accounts receivable. Specifically, it manages procurement and sales for each project on a line-by-line basis, even with small amounts, and manages (checks) not only the income statement, but also the balance sheet. The ability to execute this type of balance sheet management while monitoring project progress is important and not simple. There have been numerous cases in recent years of other firms in the business of selling building materials entering the installations business, though many rivals later exit the installations business due to the difficulty of accounts receivable management. In one sense, this aspect serves as a "hidden barrier to entry," and it can be said that the Company's ability to manage it is an important strength.

Results trends

Double-digit operating profit growth in FY9/24 due to improved gross profit ratio and the contribution from a newly consolidated subsidiary

1. FY9/24 results

(1) Status of profit and loss

In the FY9/24 consolidated financial results, the Company reported ¥89,782mn in net sales (up 4.3% YoY), ¥2,171mn in operating profit (up 22.7%), ¥2,477mn in recurring profit (up 19.8%), and ¥1,268mn in profit attributable to owners of parent (down 0.4%). The reason for the decrease in profit attributable to owners of parent is that the Company recorded an extraordinary loss of ¥247mn in loss on extinguishment of tie-in shares in connection with the merger of a non-consolidated subsidiary.

By segment, sales increased only slightly in the standalone homes business due to the impact of sluggish housing starts, but this was not sufficient to offset the increase in SG&A expenses, resulting in lower profits. In the large properties business, both sales and profits rose sharply due to the contribution from the newly consolidated subsidiary and the completion of relatively high-margin construction projects.

The gross profit ratio improved 0.6pp YoY to 14.4% (13.8% in the previous fiscal year) on higher sales due to the recovery of the relatively high-margin OnchoGiken Co., Ltd., as well as the contribution from the newly consolidated subsidiary MIC Co., Ltd. SG&A expenses increased 5.8% YoY, but were kept within the plan, resulting in a sharp increase in operating profit of over 20%. An analysis of the change in operating profit shows that the increased sales contributed ¥389mn, the contribution from the newly consolidated subsidiary ¥192mn, and the 0.6pp improvement in gross profit ratio ¥198mn, while the increase in SG&A expenses decreased profits by ¥378mn.

Overview of FY9/24 results

(¥mn)

	FY9/23		FY9/24		YoY change	
	Results	% of sales	Results	% of sales	Change in value	Change %
Net sales	86,085	100.0%	89,782	100.0%	3,696	4.3%
Gross profit	11,909	13.8%	12,903	14.4%	993	8.3%
SG&A expenses	10,139	11.8%	10,732	12.0%	592	5.8%
Operating profit	1,770	2.1%	2,171	2.4%	401	22.7%
Recurring profit	2,068	2.4%	2,477	2.8%	409	19.8%
Profit attributable to owners of parent	1,274	1.5%	1,268	1.4%	-5	-0.4%

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

(2) Status by business segment

a) Standalone homes business

The standalone homes business posted ¥74,684mn in net sales (up 1.5% YoY) and ¥2,803mn in segment profit (down 1.0%). Sub-segment sales were exterior wall installations at ¥16,859mn (down 2.1% YoY), home equipment installations at ¥23,196mn (up 6.0%), building materials sales at ¥16,336mn (up 11.1%), and home equipment sales at ¥18,291mn (up 0.1%).

While the housing market itself is not necessarily strong, the Company secured an increase in sales as a result of an increase in demand for renovations and as supplies of home equipment, etc., which had at one time been in short supply, began catching up. In home equipment installations, sales of prefabricated bathrooms and built-in kitchens have been strong, while in the exterior wall installations, siding and sashes performed favorably. In building materials sales, sales of tiles were comparatively strong.

b) Large properties business

The large properties business posted net sales of ¥15,098mn (up 20.4% YoY) and segment profit of ¥1,044mn (up 83.4%). By sub-segment, net sales for tile sales and installations were ¥5,187mn (up 44.0%) and home equipment sales and installations were ¥9,911mn (up 10.9%). In tile sales and installations, the new consolidated subsidiary MIC contributed to earnings. In home equipment sales and installations, sales and profits were boosted by a recovery mainly in sales to local governments at OnchoGiken, which had been sluggish in the previous fiscal year.

Results by segment

(¥mn)

	FY9/23		FY9/24		YoY change	
	Results	% of sales	Results	% of sales	Change in value	Change %
Net sales	86,085	100.0%	89,782	100.0%	3,696	4.3%
Standalone homes business	73,545	85.4%	74,684	83.2%	1,139	1.5%
Exterior wall installations	17,216	20.0%	16,859	18.8%	-357	-2.1%
Home equipment installations	21,893	25.4%	23,196	25.8%	1,303	6.0%
Building materials sales	16,156	18.8%	16,336	18.2%	180	1.1%
Home equipment sales	18,278	21.2%	18,291	20.4%	13	0.1%
Large properties business	12,540	14.6%	15,098	16.8%	2,557	20.4%
Tile sales and installations	3,603	4.2%	5,187	5.8%	1,584	44.0%
Home equipment sales and installations	8,937	10.4%	9,911	11.0%	974	10.9%
Operating profit	1,770	2.1%	2,171	2.4%	401	22.7%
Standalone homes business	2,830	3.8%	2,803	3.8%	-26	-1.0%
Large properties business	569	4.5%	1,044	6.9%	474	83.4%
Adjustments	-1,629	-	-1,676	-	-	-

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

By business company, OnchoGiken and MIC contributed to earnings while Avelco's performance was low

(3) Results by business company

Regarding results by business company, Avelco Co., Ltd., recorded net sales of ¥60,169mn (up 1.9% YoY) and operating profit of ¥1,703mn (down 6.4%), INTELGROW CORPORATION recorded net sales of ¥12,789mn (up 1.6%) and operating profit of ¥142mn (down 20.7%), OnchoGiken Co., Ltd. recorded net sales of ¥2,456mn (up 30.4%) and operating profit of ¥243mn (up 417.0%), Imamura Co., Ltd. recorded net sales of ¥3,465mn (up 9.0%) and operating profit of ¥41mn (up 156.3%), Artis Co., Ltd. recorded net sales of ¥642mn (up 42.4%) and operating loss of ¥0mn (loss of ¥57mn in the previous fiscal year), MANIX Co., Ltd. recorded net sales of ¥9,368mn (up 2.2%) and operating profit of ¥127mn (up 39.6%), and Maristo Co., Ltd. recorded net sales of ¥1,250mn (down 8.8%) and operating profit of ¥12mn (up 33.3%). Furthermore, MIC Co., Ltd. which became a new consolidated subsidiary from October 2023, recorded net sales of ¥1,268mn (no YoY comparison available) and operating profit of ¥192mn (no YoY comparison available).

Results by business company

(¥mn)

	Avelco		INTELGROW		OnchoGiken		Imamura	
	FY9/23	FY9/24	FY9/23	FY9/24	FY9/23	FY9/24	FY9/23	FY9/24
Net sales	59,043	60,169	12,583	12,789	1,883	2,456	3,180	3,465
Operating profit	1,819	1,703	179	142	47	243	16	41
Operating profit ratio (%)	3.1%	2.8%	1.4%	1.1%	2.5%	9.9%	0.5%	1.2%

	Artis		MANIX		Maristo		MIC	
	FY9/23	FY9/24	FY9/23	FY9/24	FY9/23	FY9/24	FY9/23	FY9/24
Net sales	451	642	9,166	9,368	1,370	1,250	-	1,268
Operating profit	-57	0	91	127	9	12	-	192
Operating profit ratio (%)	-12.9%	0.0%	1.0%	1.4%	0.7%	1.0%	-	15.1%

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

(4) Progress with priority issues

Progress in areas that the Company has earmarked as "priority issues" was as follows. Siding net sales were ¥3,867mn (up 2.3% YoY), and pre-cut siding projects came in at 710 (down 19.7%), which was relatively strong despite a decline in the number of projects. The Company has made progress on securing outside customers with steady results. Non-housing* net sales expanded steadily to ¥3,265n (up 17.9%). In sashes, combined net sales for condominiums and standalone houses totaled ¥3,606mn (up 3.0%), with net sales for standalone houses alone performing steadily at ¥3,059mn (up 27.1%). The strengthening of sales capabilities, which the Company has been focusing its efforts on, is beginning to show results. As the Company is working to bring assembly and planning for the sash business in-house, the profit margin is improving.

* Added to priority issues from FY9/21, this segment handles non-housing facilities and properties for stores.

In the brand business, net sales of Altis (unit bathrooms) were ¥643mn (up 42.6% YoY), with particularly strong sales to resort facilities and hospitals. Maristo (tiles), which became a subsidiary in FY9/23, recorded slightly sluggish net sales of ¥1,251mn (down 8.7% YoY). In terms of new customer development, the Company recorded 793 new customers (up 13.9% YoY), but net sales were ¥1,852mn (down 7.1% YoY). According to the Company, "sales from new customers often contribute to sales from the second year onward, so the increase in the new customers is commendable."

Progress with priority issues I

(¥mn)

		FY9/23	FY9/24	YoY change
Siding		3,781	3,867	2.3%
Siding pre-cut (projects)		884	710	-19.7%
Non-housing		2,770	3,265	17.9%
Sashes	Condominiums + Standalone houses	3,500	3,606	3.0%
	Standalone houses alone	2,407	3,059	27.1%

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

Progress with priority issues II

(¥mn)

		FY9/23	FY9/24	YoY change
Brand business	Maristo (tiles)	1,370	1,251	-8.7%
	Artis (unit bathrooms)	451	643	42.6%
New customer development	Number of projects	696	793	13.9%
	Net sales	1,994	1,852	-7.1%

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

Stable financial base; surplus net cash of ¥12.0bn

2. Financial condition

Looking at financial conditions at the end of FY9/24, current assets totaled ¥32,457mn (up ¥2,290mn from the end of FY9/23). Key item were cash and deposits up ¥2,115mn, notes receivables and finished project unpaid funds down ¥140mn, and unfinished project spending down ¥115mn. Fixed assets totaled ¥12,503mn (down ¥1,331mn), including tangible fixed assets at ¥6,595mn (down ¥11mn), intangible fixed assets at ¥429mn (up ¥212mn, including ¥187mn in goodwill), and investments and other assets at ¥5,478mn (down ¥1,532mn). As a result, total assets increased ¥959mn to ¥44,961mn.

Current liabilities totaled ¥18,507mn (up ¥236mn from the end of FY9/23). The main factors behind this increase were a ¥547mn increase in notes payable and unpaid amounts, a ¥59mn decrease in short-term loans payable, and a ¥502mn decrease in other current liabilities. Non-current liabilities totaled ¥1,590mn (up ¥38mn), mainly due to a decrease of ¥55mn in long-term loans payable and an increase of ¥80m in deferred tax liabilities. As a result, total liabilities were ¥20,098mn (up ¥275mn). Net assets amounted to ¥24,863mn (up ¥683mn), mainly on a ¥654mn gain in retained earnings from booking profit attributable to owners of parent.

The Company possesses a sturdy financial base with extensive surplus net cash (cash and deposits - long-term and short-term loans payable) at ¥12,361mn as of the end of FY9/24 with ¥12,015mn in cash and deposits versus ¥347mn in total long- and short-term loans payable.

Consolidated balance sheet

(¥mn)

	End of FY9/23	End of FY9/24	Change in value
Cash and deposits	10,246	12,361	2,115
Notes receivables and finished project unpaid funds	14,383	14,242	-140
Unfinished project spending	2,960	2,844	-115
Total current assets	30,167	32,457	2,290
Tangible fixed assets	6,606	6,595	-11
Intangible fixed assets	217	429	212
Goodwill	90	278	187
Investments and other assets	7,010	5,478	-1,532
Total fixed assets	13,835	12,503	-1,331
Total assets	44,002	44,961	959
Notes payables and unpaid amounts	9,100	9,648	547
Short-term loans payable	290	230	-59
Other current liabilities	2,773	2,270	-502
Total current liabilities	18,271	18,507	236
Long-term loans payable	171	116	-55
Total fixed liabilities	1,551	1,590	38
Total liabilities	19,823	20,098	275
Net assets	24,179	24,863	683

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

3. Cash flow situation

Looking at the cash flow of FY9/24, net cash provided by operating activities was ¥2,825mn. Main income sources were ¥2,358mn in profit before income taxes, a ¥614mn decrease in accounts receivables, a ¥358mn decrease in inventories, and a ¥521mn increase in accounts payables. Net cash used in investing activities was ¥641mn. The main income source was ¥199mn in proceeds from sales of investment securities, while main outflows were ¥81mn in purchase of property, plant and equipment and ¥653mn in loans receivable. Net cash used in financing activities was ¥640mn. The main outflows were ¥115mn in repayment of long-term loans payable and ¥497mn in dividend payments. As a result, cash and cash equivalents increased by ¥1,543mn to ¥12,184mn at the end of the period.

Consolidated cash flow statement

(¥mn)

	FY9/23	FY9/24
Cash flows from operating activities	1,677	2,825
Cash flows from investing activities	-2,876	-641
Cash flows from financing activities	-811	-640
Cash and cash equivalents at the end of period	10,166	12,184

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

Business outlook

Both businesses are expected to perform well in FY9/25, with sales and profits to increase

For FY9/25, the Company is forecasting net sales of ¥92,700mn (up 3.2% YoY), operating profit of ¥2,250mn (up 3.6%), recurring profit of ¥2,550mn (up 2.9%) and profit attributable to owners of parent of ¥1,550mn (up 22.1%). The larger increase in profit attributable to owners of parent is due to the recording of extraordinary loss in the previous fiscal year.

Although segment forecasts have not been disclosed, the Company aims to increase sales and profits in its mainstay standalone homes business by accumulating new customers. It also plans to increase sales and profits in the large properties business, given the recent strong growth in orders. Although this may seem like a relatively solid forecast, it is not necessarily optimistic because the outlook for the housing market remains uncertain.

Overview of FY9/25 forecasts

(¥mn)

	FY9/24		FY9/25		YoY change	
	Results	% of sales	Forecast	% of sales	Change in value	Change %
Net sales	89,782	100.0%	92,700	100.0%	2,217	3.2%
Operating profit	2,171	2.4%	2,250	2.4%	78	3.6%
Recurring profit	2,477	2.8%	2,550	2.8%	72	2.9%
Profit attributable to owners of parent	1,268	1.4%	1,550	1.7%	281	22.1%

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

Regarding results by subsidiary, the Company is expecting Avelco to achieve net sales of ¥61,500mn (up 2.2% YoY) and operating profit of ¥1,848mn (up 8.5%), INTELGROW to achieve net sales of ¥13,750mn (up 7.5%) and operating profit of ¥284mn (up 100.0%), OnchoGiken to achieve net sales of ¥2,700mn (up 9.9%) and operating profit of ¥159mn (down 34.6%), Imamura to achieve net sales of ¥3,774mn (up 8.9%) and operating profit of ¥2mn (down 95.1%), Artis to achieve net sales of ¥540mn (down 15.9%) and operating profit of ¥0n (profit of ¥0mn in the previous fiscal year), MANIX to achieve net sales of ¥9,600mn (up 2.5%) and operating profit of ¥100mn (down 21.3%), Maristo to achieve net sales of ¥1,450mn (up 16.0%) and operating profit of ¥25mn (up 108.3%), and MIC to achieve net sales of ¥1,300mn (up 2.5%) and operating profit of ¥46mn (down 76.0%).

The mainstay business companies Avelco and INTELGROW aim to increase sales and profits. OnchoGiken is expected to post lower profits despite higher sales, due in part to a rebound from the previous fiscal year. Imamura is expected to remain sluggish, and the Company anticipates that drastic measures will be necessary to boost its performance. Artis, MANIX, and Maristo are expected to remain mostly flat YoY. MIC is forecasting a decrease in profits due to the completion of highly profitable projects and the recording of high-margin sales in the previous fiscal year.

Full-year earnings forecast by business company

(¥mn)

	Avelco		INTELGROW		OnchoGiken		Imamura	
	FY9/24	FY9/25 (E)	FY9/24	FY9/25 (E)	FY9/24	FY9/25 (E)	FY9/24	FY9/25 (E)
Net sales	60,169	61,500	12,789	13,750	2,456	2,700	3,465	3,774
Operating profit	1,703	1,848	142	284	243	159	41	2
Operating profit ratio (%)	2.8%	3.0%	1.1%	2.1%	9.9%	5.9%	1.2%	0.1%

	Artis		MANIX		Maristo		MIC	
	FY9/24	FY9/25 (E)	FY9/24	FY9/25 (E)	FY9/24	FY9/25 (E)	FY9/24	FY9/25 (E)
Net sales	642	540	9,368	9,600	1,250	1,450	1,268	1,300
Operating profit	0	0	127	100	12	25	192	46
Operating profit ratio (%)	0.0%	0.0%	1.4%	1.0%	1.0%	1.7%	15.1%	3.5%

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

The target values for "priority issues" ¥5,360mn in net sales for siding (up 38.6% YoY), ¥4,000mn in net sales for non-housing (up 22.5%), ¥5,980mn in net sales for sashes (condominiums + standalone houses; up 65.8%), and ¥5,230mn in net sales for sashes (standalone houses only; up 71.0%), ¥1,450mn in net sales for Maristo (up 15.9%), ¥540mn in net sales for Artis (down 16.0%), and for new customer development, ¥2,700mn for the monetary value (up 45.8%) and 780 for the number of projects (down 1.6% or 13 projects).

Non-housing is a field the Company will focus on in the future and has been included in the priority issues since FY9/21. Although the target value is high, progress is being made on new customer development with aims to achieve it. Sashes are also a field to focus on alongside non-housing, so a high target has been set. For Maristo, the Company is expecting a slight increase in sales given the current market environment and other factors. The target for Artis projects lower results YoY for FY9/25 due to its strong performance in the previous fiscal year.

The Company will also continue to focus on new customer development. The number of new customers is expected to decrease due to the high number of new customers in the previous fiscal year, but the monetary value is expected to increase significantly.

Target values for priority issues I

(¥mn)

		FY9/24	FY9/25 (E)	YoY change
Siding		3,867	5,360	38.6%
Non-housing		3,265	4,000	22.5%
Sashes	Condominiums + Standalone houses	3,606	5,980	65.8%
	Standalone houses alone	3,059	5,230	71.0%

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

Target values for priority issues II

(¥mn)

		FY9/24	FY9/25 (E)	YoY change
Brand business	Maristo (tiles)	1,251	1,450	15.9%
	Artis (unit bathrooms)	643	540	-16.0%
New customer development	Number of projects	793	780	-1.6%
	Net sales	1,852	2,700	45.8%

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

Medium- to long-term growth strategy

The fourth medium-term management plan is not expected to be achieved; a new plan is being formulated

The Company is implementing its fourth medium-term management plan (FY9/23 to FY9/25). The main strategies under the plan are "transformation of the business model," "rebuilding of the profit structure," "promotion of DX," "securing and development of human resources," and "capital policy." Specifically, the Company is conducting the following measures.

(1) Transformation of the business model

- Conduct M&As in accordance with the area strategy and business strategy of each Group company
- Revise the logistics system and rebuild the logistics network (Tokyo, Chubu, Kansai)

(2) Rebuilding of the profit structure

- In preparation for mandatory enforcement of ZEH, strengthen initiatives for energy-saving products (thermal insulation exterior cladding, water-heaters, etc.) and products that create and store energy (solar power generation, storage batteries)
- Strive to introduce multiple functions and digital tools to sales and installation work in order to drive productivity increases

(3) Promotion of DX

- Rebuild the Group's overall communication network
- Migrate hardware onto cloud services and establish a simple, robust company infrastructure through zero-trust construction

(4) Securing and development of human resources
- Conduct continuous new graduate recruitment and aggressive mid-career hiring of young employees
- Appoint diverse human resources, including non-Japanese, women, elderly employees, and people with disabilities

(5) Capital strategy
- With an ROE target of 8%, aim for shareholder returns with a dividend payout ratio of 30% and dividend on equity (DOE) of 2%

On the other hand, the plan's quantitative targets for FY9/25 were for net sales of ¥97,000mn, operating profit ratio of 2.6% (ensuring operating profit of ¥2,500mn), and ROE of 8.0% for FY9/25, but given that the FY9/25 forecast projects net sales of ¥92,700mn and operating profit of ¥2,250mn, it will be difficult to achieve these targets. The Company has also stated, "Achieving these targets will be quite difficult, so we are currently formulating a new medium-term management plan." It will be important to keep an eye on the new medium-term management plan to be announced in the future.

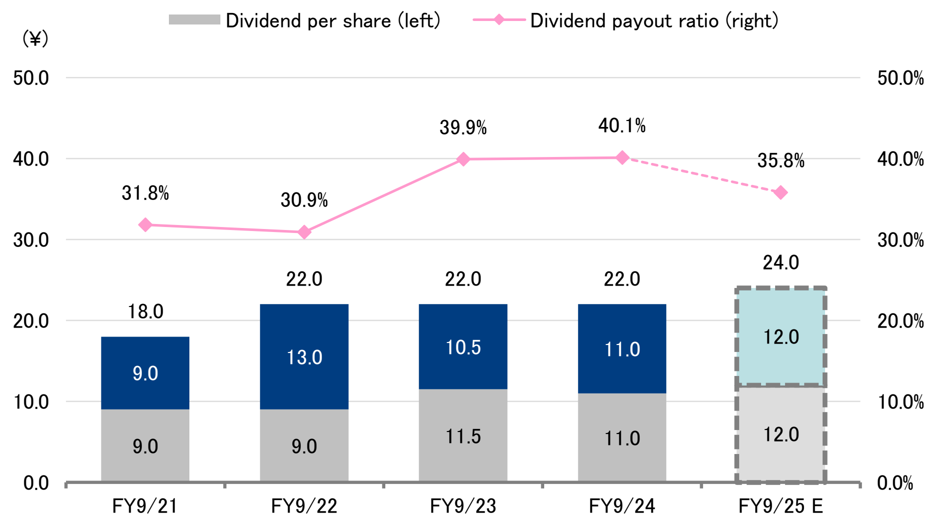
Shareholder return policy

Annual dividend of ¥24.0 expected for FY9/25

The Company fundamentally aims for a 30% dividend payout ratio as its shareholder return policy. Based on this policy, the Company has paid annual dividends of ¥22.0 for FY9/24* (dividend payout ratio 40.1%) and for FY9/25, it plans to pay an annual dividend of ¥24.0 (35.8%). The Company aims for a dividend payout ratio of 30%, so there is a possibility that the Company will increase its dividend if earnings improve.

* A two-for-one stock split was conducted as of October 1, 2024, and prior dividends have been retrospectively adjusted.

Dividend per share and dividend payout ratio



Note: A two-for-one stock split was conducted as of October 1, 2024, and prior dividends have been retrospectively adjusted.
Source: Prepared by FISCO from the Company's financial results

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