COMPANY RESEARCH AND ANALYSIS REPORT

AINAVO HOLDINGS Co.,Ltd.

7539

Tokyo Stock Exchange Standard Market

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Contents

Summary

A comprehensive housing-related company engaged in the sale and installation of tiles, exterior wall materials, and home equipment. Accelerating growth through a holding company structure; financial position is also solid

AINAVO HOLDINGS Co.,Ltd. <7539> (hereafter, also "the Company") is a pure holding company with eight consolidated subsidiaries and seven non-consolidated subsidiaries (as of the end of December 2025). 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 ¥12,808mn as of the end of FY9/25, and the balance sheet can be considered robust.

1. Overview of FY9/25

In consolidated results for FY9/25, the Company reported ¥92,272mn in net sales (up 2.8% year on year (YoY)), ¥2,531mn in operating profit (up 16.6%), ¥2,849mn in recurring profit (up 15.0%), and ¥1,679mn in profit attributable to owners of parent (up 32.3%). Net sales increased in the standalone homes business but decreased in the large properties business due to factors that included timing differences for home equipment sales and installations, causing the increase to halt at 2.8% overall. The gross profit margin improved 0.4 percentage points (pp) YoY to 14.8%, mainly due to an increase in the proportion of relatively profitable projects. Conversely, SG&A expenses increased only 3.4%, remaining nearly within budget. This resulted in operating profit of ¥2,531mn, which exceeded the target value in the medium-term management plan (¥2,500mn).

2. Forecasts for FY9/26

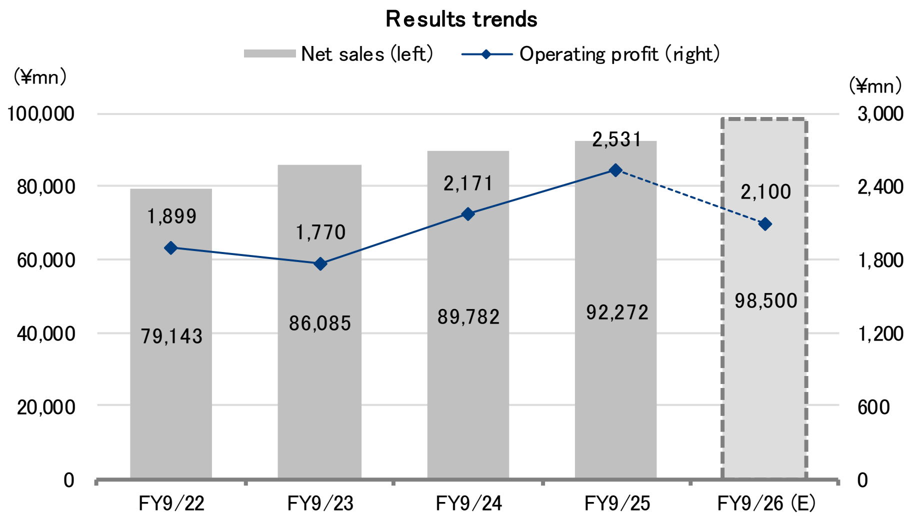
For FY9/26, the Company is forecasting net sales of ¥98,500mn (up 6.7% YoY), operating profit of ¥2,100mn (down 17.1%), recurring profit of ¥2,600mn (down 8.8%), and profit attributable to owners of parent of ¥1,600mn (down 4.7%). Despite expecting higher net sales, the Company forecasts a decline in operating profit, mainly due to planned increases in personnel expenses from improved employee compensation and a lower proportion of highly profitable installations, which performed strongly in the previous fiscal year. Although segment forecasts have not been disclosed, the Company's guidance calls for higher sales but lower 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 that include M&As must be closely monitored.

3. Currently formulating a new medium-term management plan

FY9/25 was the final year of the Company's fourth medium-term management plan. 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%. In FY9/25, net sales and ROE fell short of their targets, but operating profit met its target. The Company has stated that it is currently formulating a new medium-term management plan (the fifth medium-term management plan) and plans to announce it in the near future. The content of this new medium-term management plan merits close attention.

Key Points

- In FY9/25, operating profit increased 16.6% due to an improved profit ratio despite net sales increasing only slightly
- In FY9/26, the Company forecasts a 6.7% increase in net sales but a 17.1% decrease in operating profit due to higher personnel and other expenses
- Currently formulating the fifth medium-term management plan (ending in FY3/28)



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

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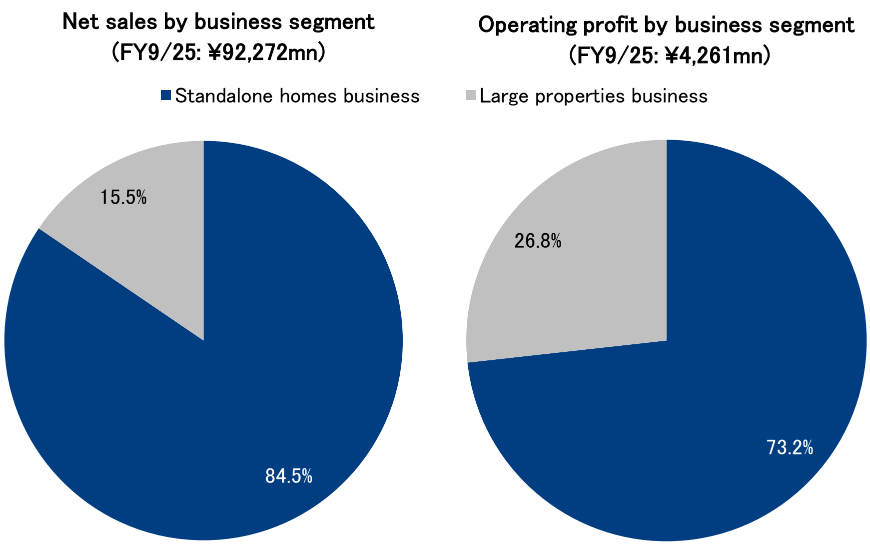
Business overview

Mainly installs and sells exterior wall materials, predominantly tile, and home equipment

1. Business description

AINAVO HOLDINGS Co.,Ltd., a pure holding company, has eight consolidated subsidiaries and seven non-consolidated subsidiaries in its group as of the end of FY9/25. The Company's business segments are its 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 (FY9/25) were ¥77,963mn for the standalone homes business (84.5% of sales) and ¥14,308mn for the large properties business (15.5%). Operating profit (prior to intercompany eliminations) was ¥3,121mn and ¥1,140mn, respectively, for the two segments.



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 (FY9/25) are 19.5% for exterior wall installations, 26.6% for home equipment installations, 17.9% for building materials sales, and 20.5% for home equipment sales under the standalone homes business and 5.8% for tile sales and installations and 9.7% 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 the Company 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. However, these customers are not always active. Moreover, because value per project varies significantly from a few million yen to over ¥100mn, management of accounts receivable is a key point in business operations.

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

Improved gross profit ratio due to increase in highly profitable properties and enjoyed 16.6% rise in operating profit in FY3/25. Achieved target under the medium-term management plan

1. Overview of FY9/25

(1) Status of profit and loss

In consolidated results for FY9/25, the Company reported ¥92,272mn in net sales (up 2.8% YoY), ¥2,531mn in operating profit (up 16.6%), ¥2,849mn in recurring profit (up 15.0%), and ¥1,679mn in profit attributable to owners of parent (up 32.3%).

By segment, net sales increased in the standalone homes business but decreased in the large properties business due to factors that included timing differences for home equipment sales and installations, causing the increase to halt at 2.8% overall.

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The gross profit margin improved 0.4pp YoY to 14.8%, mainly due to an increase in the proportion of relatively profitable projects. Conversely, SG&A expenses increased only 3.4%, remaining nearly within budget. This resulted in operating profit of ¥2,531mn, which exceeded the target value in the medium-term management plan (¥2,500mn).

An analysis of the change in operating profit shows that the increased sales contributed ¥235mn, and the 0.4pp improvement in the gross profit ratio ¥485mn, while the increase in SG&A expenses decreased profits by ¥360mn.

Overview of FY9/25 results

(¥mn)

	FY9/24		FY9/25		YoY change	
	Results	% of sales	Results	% of sales	Change in value	Change %
Net sales	89,782	100.0%	92,272	100.0%	2,489	2.8%
Gross profit	12,903	14.4%	13,625	14.8%	721	5.6%
SG&A expenses	10,732	12.0%	11,093	12.0%	360	3.4%
Operating profit	2,171	2.4%	2,531	2.7%	360	16.6%
Recurring profit	2,477	2.8%	2,849	3.1%	371	15.0%
Profit attributable to owners of parent	1,268	1.4%	1,679	1.8%	410	32.3%

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

(2) Status by business segment

a) Standalone homes business

The standalone homes business posted ¥77,963mn in net sales (up 4.4% YoY) and ¥3,121mn in segment profit (up 11.4%). Sub-segment sales were exterior wall installations at ¥17,989mn (up 6.7%), home equipment installations at ¥24,552mn (up 5.8%), building materials sales at ¥16,518mn (up 1.1%), and home equipment sales at ¥18,903mn (up 3.3%).

In tile and building materials sales, although demand for higher-priced original brand tiles with high design quality decreased, net sales increased due to higher demand for tiles for distribution channels plus greater handling volume of interior materials that included living room building materials. In tile and building material installations, demand for exterior wall tile installations, which involve high construction costs, remained on par with that of the previous fiscal year. However, this segment performed steadily due to an increase in siding instillations resulting largely from the acquisition of construction companies and an increase in sash installations utilizing subsidies from window renovation initiatives. In home equipment sales and installations, net sales increased due largely to higher demand for the replacement of high-efficiency water heaters utilizing subsidies from energy-saving initiatives and the increased handling of kitchen units, vanities, and sanitary ceramics through the development of new business partners plus higher demand for the replacement of air conditioning equipment as a countermeasure against extreme heat and heatstroke.

b) Large properties business

The large properties business posted net sales of ¥14,308mn (down 5.2% YoY) and segment profit of ¥1,140mn (up 9.2%). By sub-segment, net sales for tile sales and installations were ¥5,324mn (up 2.6%) and home equipment sales and installations were ¥8,984mn (down 9.3%).

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In tile and stone material installations and sales, for stone material installations in the Tokyo metropolitan area, large installations currently underway progressed as scheduled. However, for tile installations, the backlog of installation orders scheduled for completion in 2H was lower than expected at the beginning of the fiscal year, and this shortfall could not be made up during the period. As a result, this segment only saw a slight increase in net sales. In home equipment and air-conditioning equipment installations and sales, net sales decreased due to the transfer of some installations to a non-consolidated subsidiary and the occurrence of projects with timing differences. However, results were generally in line with targets. In terms of profit and loss, segment profit increased as the proportion of highly profitable installations rose.

Results by segment

(¥mn)

	FY9/24		FY9/25		YoY change	
	Results	% of sales	Results	% of sales	Change in value	Change %
Net sales	89,782	100.0%	92,272	100.0%	2,489	2.8%
Standalone homes business	74,684	83.2%	77,963	84.5%	3,278	4.4%
Exterior wall installations	16,859	18.8%	17,989	19.5%	1,129	6.7%
Home equipment installations	23,196	25.8%	24,552	26.6%	1,356	5.8%
Building materials sales	16,336	18.2%	16,518	17.9%	181	1.1%
Home equipment sales	18,291	20.4%	18,903	20.5%	611	3.3%
Large properties business	15,098	16.8%	14,308	15.5%	-789	-5.2%
Tile sales and installations	5,187	5.8%	5,324	5.8%	136	2.6%
Home equipment sales and installations	9,911	11.0%	8,984	9.7%	-926	-9.3%
Operating profit	2,171	2.4%	2,531	2.7%	360	16.6%
Standalone homes business	2,803	3.8%	3,121	4.0%	318	11.4%
Large properties business	1,044	6.9%	1,140	8.0%	95	9.2%
Adjustments	-1,676	-	-1,730	-	-	-

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

By business company, Avelco, INTELGROW, and OnchoGiken contributed to results

(3) Results by business company

Regarding results by business company, Avelco Co., Ltd., recorded net sales of ¥61,822mn (up 2.7% YoY) and operating profit of ¥2,265mn (up 33.0%), INTELGROW CORPORATION recorded net sales of ¥13,578mn (up 6.2%) and operating profit of ¥177mn (up 24.6%), OnchoGiken Co., Ltd. recorded net sales of ¥2,352mn (down 4.2%) and operating profit of ¥359mn (up 47.7%), Imamura Co., Ltd. recorded net sales of ¥3,434mn (down 0.9%) and operating profit of ¥7mn (down 82.9%), Artis Co., Ltd. recorded net sales of ¥655mn (up 2.0%) and operating profit of ¥24mn (profit/loss of ¥0mn in the previous fiscal year), MANIX Co., Ltd. recorded net sales of ¥9,547mn (up 1.9%) and operating profit of ¥72mn (down 43.3%), Maristo Co., Ltd. recorded net sales of ¥1,104mn (down 11.7%) and operating loss of ¥82mn (profit of ¥12mn in the previous fiscal year), and MIC Co., Ltd. recorded net sales of ¥1,255mn (down 7.9%) and operating profit of ¥73mn (down 68.5%).

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Results by business company

(¥mn)

	Avelco		INTELGROW		OnchoGiken		Imamura	
	FY9/24	FY9/25	FY9/24	FY9/25	FY9/24	FY9/25	FY9/24	FY9/25
Net sales	60,169	61,822	12,789	13,578	2,456	2,352	3,465	3,434
Operating profit	1,703	2,265	142	177	243	359	41	7
Operating profit ratio (%)	2.8%	3.6%	1.1%	1.3%	9.9%	15.3%	1.2%	0.2%

(¥mn)

	Artis		MANIX		Maristo		MIC	
	FY9/24	FY9/25	FY9/24	FY9/25	FY9/24	FY9/25	FY9/24	FY9/25
Net sales	642	655	9,368	9,547	1,250	1,104	1,363	1,255
Operating profit	0	24	127	72	12	-82	232	73
Operating profit ratio (%)	0.0%	3.7%	1.4%	0.8%	1.0%	-7.5%	17.1%	5.8%

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. Net sales of siding came to ¥4,281mn (up 10.7% YoY), showing solid growth. However, net sales of non-housing* came to ¥3,203mn (down 1.9%). In sashes, combined net sales for condominiums and standalone houses totaled ¥4,191mn (up 16.2%), with net sales for standalone houses alone steadily expanding at ¥3,493mn (up 14.2%). In addition to the fact that the reinforcement of sales capabilities, which the Company had been focusing on, is beginning to produce results, the impact of subsidies from local governments also had an impact. 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 Artis (system baths) were ¥655mn (up 1.9% YoY), which was a fair result. Net sales of Maristo (tile) were ¥1,104mn (down 11.7%), remaining sluggish. This was mainly because the products introduced did not match market needs. In terms of new customer development, the Company recorded 774 new customers (down 2.4%), and net sales were ¥1,595mn (down 13.9%). Both the number of projects and the monetary value decreased YoY. However, the Company stated that "as there are many cases in which net sales from new customers contribute starting from the fiscal year that follows, it is important to steadily build up the number of projects without being swayed by the current situation."

Progress with priority issues I

(¥mn)

		FY9/24	FY9/25	YoY change
Siding		3,866	4,281	10.7%
Non-housing		3,265	3,203	-1.9%
Sashes	Condominiums + Standalone houses	3,605	4,191	16.2%
	Standalone houses alone	3,058	3,493	14.2%

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

Progress with priority issues II

(¥mn)

		FY9/24	FY9/25	YoY change
Brand business	Maristo (tiles)	1,250	1,104	-11.7%
	Artis (unit bathrooms)	643	655	1.9%
New customer development	Number of projects	793	774	-2.4%
	Net sales	1,852	1,595	-13.9%

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

Stable financial base; surplus net cash of ¥12.0bn

2. Financial position

Looking at financial position at the end of FY9/25, current assets totaled ¥32,910mn (up ¥452mn from the end of FY9/24). In key items, cash and deposits were up ¥763mn, notes receivables and finished project unpaid funds were down ¥308mn, and unfinished project spending was up ¥47mn. Fixed assets totaled ¥14,571mn (up ¥2,067mn), including tangible fixed assets at ¥6,723mn (up ¥128mn), intangible fixed assets at ¥487mn (up ¥57mn; includes a ¥71mn decrease in goodwill), and investments and other assets at ¥7,359mn (up ¥1,881mn). As a result, total assets came to ¥47,481mn (up ¥2,520mn).

Current liabilities totaled ¥19,431mn (up ¥923mn from the end of FY9/24). In key items, notes payable and unpaid amounts were down ¥23mn, short-term loans payable were down ¥15mn, and other current liabilities were up ¥805mn. Non-current liabilities totaled ¥1,751mn (up ¥160mn), mainly due to a decrease of ¥15mn in long-term loans payable and an increase of ¥129mn in deferred tax liabilities. As a result, total liabilities came to ¥21,182mn (up ¥1,084mn). Net assets amounted to ¥26,298mn (up ¥1,435mn), mainly on a ¥1,146mn 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 ¥12,808mn as of the end of FY9/25 with ¥13,124mn in cash and deposits versus ¥316mn in total long- and short-term loans payable.

Consolidated balance sheet

(¥mn)

	End of FY9/24	End of FY9/25	Change in value
Current assets	32,457	32,910	452
Cash and deposits	12,361	13,124	763
Notes receivables and finished project unpaid funds	14,242	13,933	-308
Unfinished project spending	2,844	2,892	47
Fixed assets	12,503	14,571	2,067
Tangible fixed assets	6,595	6,723	128
Intangible fixed assets	429	487	57
Goodwill	278	207	-71
Investments and other assets	5,478	7,359	1,881
Total assets	44,961	47,481	2,520
Current liabilities	18,507	19,431	923
Notes payables and unpaid amounts	9,648	9,624	-23
Short-term loans payable	230	215	-15
Other current liabilities	2,270	3,075	805
Non-current liabilities	1,590	1,751	160
Long-term loans payable	116	101	-15
Total liabilities	20,098	21,182	1,084
Net assets	24,863	26,298	1,435

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

3. Cash flow

Looking at the cash flow in FY9/25, net cash provided by operating activities was ¥3,146mn. Main income sources were ¥2,846mn in profit before income taxes, a ¥58mn decrease in accounts receivables, and a ¥120mn decrease in inventories. The main outflow was a ¥102mn decrease in accounts payables. Net cash used in investing activities was ¥1,830mn. The main income source was ¥52mn in proceeds from sales of investment securities (net), while main outflows were ¥230mn in purchase of tangible fixed assets (net) and ¥1,505mn in purchase of shares of non-consolidated subsidiaries. Net cash used in financing activities was ¥534mn. The main outflows were ¥30mn in repayment of long-term loans payable and ¥538mn in dividend payments. As a result, compared to the end of previous fiscal year, cash and cash equivalents increased by ¥781mn to ¥13,003mn at the end of the period.

Consolidated cash flow statement

(¥mn)

	FY9/24	FY9/25
Cash flows from operating activities	2,825	3,146
Cash flows from investing activities	-641	-1,830
Cash flows from financing activities	-640	-534
Cash and cash equivalents at the end of period	12,184	13,003

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

Outlook

Forecasts an increase in net sales but a decrease in operating profit due to higher personnel and other expenses in FY9/26

● Forecasts for FY9/26

For FY9/26, the Company is forecasting net sales of ¥98,500mn (up 6.7% YoY), operating profit of ¥2,100mn (down 17.1%), recurring profit of ¥2,600mn (down 8.8%), and profit attributable to owners of parent of ¥1,600mn (down 4.7%).

The Company expects an increase in net sales due to growth in existing businesses and contributions from newly consolidated subsidiaries through M&As. However, it is forecasting a decrease in operating profit, reflecting factors such as planned increases in personnel expenses from improved employee compensation and a decline in the proportion of sales from highly profitable installations, which were strong in the previous fiscal year. Although segment forecasts have not been disclosed, the Company's guidance calls for higher sales but lower profits in both its standalone homes business and large properties business.

Overview of FY9/26 forecasts

(¥mn)

	FY9/25		FY9/26		YoY change	
	Results	% of sales	Forecast	% of sales	Change in value	Change %
Net sales	92,272	100.0%	98,500	100.0%	6,228	6.7%
Operating profit	2,531	2.7%	2,100	2.1%	-431	-17.1%
Recurring profit	2,849	3.1%	2,600	2.6%	-249	-8.8%
Profit attributable to owners of parent	1,679	1.8%	1,600	1.6%	-79	-4.7%

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

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Regarding results by subsidiary, the Company is expecting Avelco to achieve net sales of ¥62,600mn (up 1.3% YoY) and operating profit of ¥1,958mn (down 13.6%), INTELGROW to achieve net sales of ¥14,194mn (up 4.5%) and operating profit of ¥258mn (up 45.8%), OnchoGiken to achieve net sales of ¥2,450mn (up 4.2%) and operating profit of ¥150mn (down 58.2%), Avelco Imamura*1 to achieve net sales of ¥5,647mn (up 64.4%) and operating profit of ¥91mn (up 1.200%), Artis to achieve net sales of ¥590mn (down 9.9%) and operating profit of ¥0mn (profit of ¥24mn in the previous fiscal year), MANIX to achieve net sales of ¥10,000mn (up 4.7%) and operating profit of ¥100mn (up 38.9%), Maristo to achieve net sales of ¥1,403mn (up 27.1%) and operating loss of ¥6mn (loss of ¥82mn in the previous fiscal year), MIC to achieve net sales of ¥1,350mn (up 7.6%) and operating profit of ¥47mn (down 35.6%), and Ueno Tile*2 to achieve net sales of ¥1,620mn (no YoY comparison available) and operating profit of ¥90mn (no YoY comparison available).

*1 From FY9/26, Imamura will merge with the Osaka Branch of Avelco and become Avelco Imamura.
*2 Newly consolidated subsidiary from FY9/26

Although Avelco, a main subsidiary, is expecting to increase sales, it is forecasting a decline in profits due to higher personnel expenses and other factors. INTELGROW continues to aim for higher sales and profits. OnchoGiken is forecasting flat sales and a decline in operating profit due in part to a reactionary fall from the previous fiscal year. Avelco Imamura is expecting to achieve higher sales and profits under its new management structure, while Artis is forecasting lower sales and profits. MANIX is also expecting to achieve higher sales and profits. Maristo will aim to improve profitability through increased sales. 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. Ueno Tile, a newly consolidated subsidiary, plans to record operating profit.

Full-year earnings forecast by business company

(¥mn)

	Avelco		INTELGROW		OnchoGiken		Avelco Imamura		Artis	
	FY9/25	FY9/26 (E)	FY9/25	FY9/26 (E)	FY9/25	FY9/26 (E)	FY9/25	FY9/26 (E)	FY9/25	FY9/26 (E)
Net sales	61,822	62,600	13,578	14,194	2,352	2,450	3,434	5,647	655	590
Operating profit	2,265	1,958	177	258	359	150	7	91	24	0
Operating profit ratio (%)	3.6%	3.1%	1.3%	1.8%	15.3%	6.1%	0.2%	1.6%	3.7%	0.0%

	MANIX		Maristo		MIC		Ueno Tile	
	FY9/25	FY9/26 (E)	FY9/25	FY9/26 (E)	FY9/25	FY9/26 (E)	FY9/25	FY9/26 (E)
Net sales	9,547	10,000	1,104	1,403	1,255	1,350	-	1,620
Operating profit	72	100	-82	-6	73	47	-	90
Operating profit ratio (%)	0.8%	1.0%	-7.5%	-0.5%	5.8%	3.5%	-	5.6%

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

Target values are ¥5,300mn in net sales for siding (up 23.8% YoY), ¥6,100mn in net sales for sashes (condominiums + standalone houses; up 45.5%), and ¥5,524mn in net sales for sashes (standalone houses alone; up 58.1%) under "priority issues;" ¥1,400mn in net sales for Maristo (up 26.8%) and ¥590mn in net sales for Artis (down 9.9%) under the brand business; and ¥2,400mn for net sales (up 50.5%) and 919 for the number of projects (up 18.7% or 145 projects) under new customer development.

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Target values for priority issues I

(¥mn)

		FY9/25	FY9/26 (E)	YoY change
Siding		4,281	5,300	23.8%
Sashes	Condominiums + Standalone houses	4,191	6,100	45.5%
	Standalone houses alone	3,493	5,524	58.1%

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

Target values for priority issues II

(¥mn)

		FY9/25	FY9/26 (E)	YoY change
Brand business	Maristo (tiles)	1,104	1,400	26.8%
	Artis (unit bathrooms)	655	590	-9.9%
New customer development	Number of projects	774	919	18.7%
	Net sales	1,595	2,400	50.5%

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

Medium- to long-term growth strategy

Profit target under fourth medium-term management plan was achieved; new plan is being formulated

As the main strategies under the fourth medium-term management plan (FY9/23 to FY9/25) that defines its medium- to long-term growth strategy, the Company pursued "transformation of the business model," "rebuilding of the profit structure," "promotion of DX," "securing and development of human resources," and "capital policy."

Specifically, these strategies consist of the following.

(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

* Short for "Net Zero Energy House." Refers to a house where the annual balance of primary energy consumption in the household is net zero or negative. "Mandatory enforcement of ZEH" refers to the mandatory compliance of new housing with energy-saving standards from FY2025 as part of efforts to realize a decarbonized society by 2050. Energy-saving standards from FY2030 onward will be raised to the ZEH level.

(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%

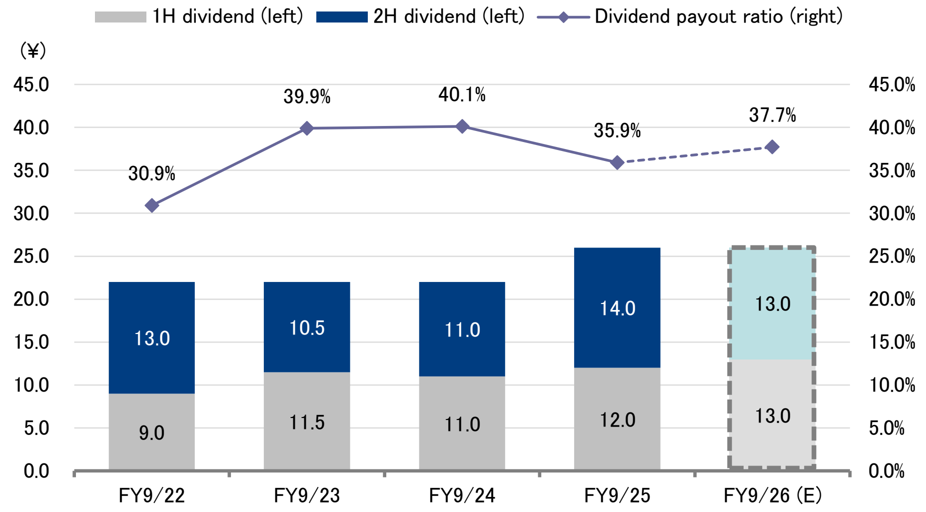
On the other hand, the plan's quantitative targets for FY9/25 were net sales of ¥97,000mn, an operating profit ratio of 2.6% (ensuring operating profit of ¥2,500mn), and an ROE of 8.0% for FY9/25. In the end, however, net sales came to ¥92,272mn and operating profit to ¥2,531mn, with net sales falling short of target. Still, it should be recognized that operating profit exceeded its target value. According to the Company, it is currently formulating a new medium-term management plan. This new medium-term management plan, which will be announced soon, merits attention.

Shareholder return policy

Annual dividend of ¥26.0 expected for FY9/26

The Company fundamentally aims for a 30% dividend payout ratio as its shareholder return policy. Based on this policy, for FY9/25, the Company paid an annual dividend of ¥26.0 (dividend payout ratio: 35.9%). For the FY9/26 currently in progress as well, the Company plans to pay an annual dividend of ¥26.0 (¥13.0 for 1H; ¥13.0 for 2H; forecast dividend payout ratio: 37.7%) despite forecasting a decline in profits. As the Company aims for a dividend payout ratio of 30%, it is believed that it is also possible the Company will increase its dividend if earnings improve.

Dividend per share and dividend payout ratio



Note: A two-for-one stock split was conducted as of October 1, 2024, and monetary amounts for periods prior to FY9/24 have been retrospectively adjusted.
Source: Prepared by FISCO from the Company's financial results

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