COMPANY RESEARCH AND ANALYSIS REPORT

SALA CORPORATION

2734

Tokyo Stock Exchange Prime Market

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Contents

Summary

Double-digit growth in sales and each profit line in FY11/25, with sales and operating profit expected to continue increasing in FY11/26

SALA CORPORATION <2734> (hereafter, also "the Company") is a unique business group based in Toyohashi City, Aichi Prefecture, Japan. The Company operates diverse businesses, ranging from energy and engineering to housing and real estate, car importing, and animal health products. Consolidated net sales rose to ¥251.5bn in FY11/25. In the energy field, the Company provides last-mile services to roughly 540,000 customers, mainly in eastern Aichi Prefecture and western Shizuoka Prefecture. It has approximately 5,000 employees working at 327 locations in 21 prefectures, from Hokkaido to Kumamoto. In January 2026, it announced its 6th Medium-Term Management Plan ending in 2030, which clarified the path to achieving dramatic growth in the Housing business and consolidated operating profit of ¥12.0bn, which were targets previously set in the 2030 Vision.

1. Business overview

The Company's operations are divided into six business segments, which include the core Energy & Solutions business as well as the Engineering & Maintenance, Housing, Car Life Support, Animal Health Care, and Properties businesses. It employs two business models: a community-based business model, which leverages the Company's high brand visibility and market share, and a wide-area business model, which focuses on specialized businesses. The community-based business model includes the Energy & Solutions, Engineering & Maintenance, Housing, and Properties businesses, based in eastern Aichi and western Shizuoka prefectures, where the Company has gained high market shares through their close ties to the community. The specialized/wide-area business model aims to capture large shares of the national market by developing highly specialized niche markets over a wider area. The Car Life Support business (which operates authorized Volkswagen and Audi dealers) and the Animal Health Care business both fall under this category.

2. Overview of FY11/25

In FY11/25, consolidated net sales increased 4.6% year on year (YoY) to ¥251,533mn, operating profit rose 17.0% to ¥7,381mn, ordinary profit grew 21.2% to ¥9,927mn, and net profit attributable to owners of parent went up 11.8% to ¥5,870mn, with net sales and operating profit both setting new record highs. The increase in net sales was driven by the Housing and Engineering & Maintenance businesses. Operating profit growth was mainly driven by contributions from the Energy & Solutions and Engineering & Maintenance businesses. In the Energy & Solutions business, operating profit grew considerably due to factors such as an increase in gross profit for city gas, steady biomass power plant operation, and a decrease in SG&A expenses. Ordinary profit increased due to recording ¥1,892mn in derivative valuation gain on foreign exchange contracts (¥1,077mn gain in the previous fiscal year) under non-operating income. Gains or losses on valuation of derivatives are the fair market valuation of the year-end outstanding balance of foreign exchange contracts concluded to mitigate currency risk in the biomass power generation business (which primarily uses imported fuel). It should be noted that they are non-cash valuation gains or losses.

3. FY11/26 forecast

For the FY11/26 consolidated results, the Company forecasts record-high net sales and operating profit, with net sales to rise 3.4% YoY to ¥260,000mn and operating profit to increase 1.6% to ¥7,500mn. In FY11/26, it sees net sales rising in all five segments other than Engineering & Maintenance, which exceeded expectations in FY11/25. In both the Housing and Car Life Support businesses in particular, sales are expected to increase ¥3,000mn or more YoY. Operating profit is projected to remain at a high level in the core Energy & Solutions business and the Engineering & Maintenance business, while the Car Life Support and Animal Health Care businesses, which recorded losses in the previous fiscal year, are forecast to return to profitability. The Energy & Solutions business will achieve growth based on three new earnings pillars—the home renovation business, commercial total solutions business, and electric power business—as it pursues business model reform. The Engineering & Maintenance business will strengthen its base through Group collaboration, use of digital transformation (DX), and tackling the challenge of new services, with the aim of realizing further growth. The Housing business aims to improve the profitability of the new construction business by developing high-added-value products in Housing Sales and enhancing the efficiency of construction, as well as improving the profitability of renovation and expanding its business areas. In the Car Life Support business, the Company intends to revise its used car inventory management system, which was a main factor in recording a loss in the previous fiscal year, as well as enhancing sales by leveraging area characteristics. The Animal Health Care business will build a strong customer base by increasing the efficiency of its logistics network through warehouse consolidation and enhancing its on-site capabilities and sales capabilities using a residence model. In the Properties business, the Company will focus on the real estate investment business and secure high-quality income-generating properties.

4. Growth strategy

The 6th Medium-Term Management Plan is a five-year plan ending in 2030 whose basic policy is “X (Cross) 120.” “X” represents the Company’s intent to create new value through cross-cutting intersection, collaboration, co-creation, and transformation. “120” indicates that it will reach the milestone of its 120th anniversary (October 2029) and that it is targeting operating profit of ¥12.0bn. The plan defines the Company’s vision (business domains) as “E,” “Food,” and “Living.” In its core area, “E” (= energy and environment), it will accelerate expansion and monetization of the electric power business. In the highly innovative “Food” area (= food and agriculture), it will create new value across the food value chain with the intent of making this area a pillar of growth in 2030 and beyond. In “Living” (= housing, lifestyle, and social and industrial infrastructure), it will strengthen by establishing a recurring revenue housing business (BtoC) focused on renovation, building a smart energy and facility solutions business (BtoB), and expanding the real estate investment business. The numerical targets for the final year include net sales of ¥300.0bn (annual average growth rate of 3.6%), operating profit of ¥12.0bn (annual average growth rate of 10.2%), and ROE of 10.0% (up 3.3 percentage points [pp]).

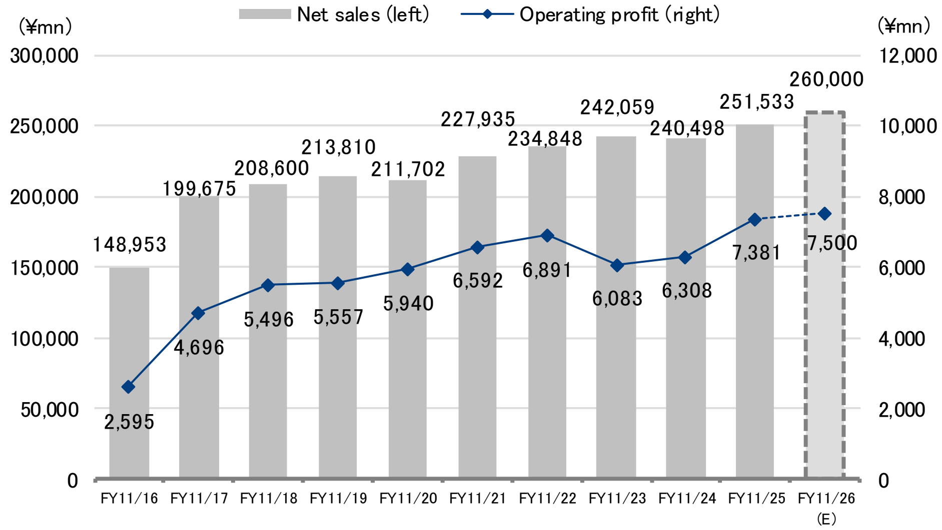
5. Shareholder return policy

The Company's basic policy is to pay stable and continuous dividends to shareholders. Based on this, it targets a consolidated payout ratio of 40% or higher excluding the effects of gain or loss on valuation of derivatives related to foreign exchange contracts while maintaining dividends that are equal to or higher than those of the previous fiscal year. Furthermore, the Company has a basic policy of flexibly implementing the purchase of treasury shares while considering the market environment and capital efficiency. It has continued to maintain or increase the annual dividend since FY11/13, and the annual dividend per share in FY11/25 was ¥32.0 (interim: ¥16.0, year-end: ¥16.0), for a dividend payout ratio of 35.0% (the ratio excluding the impact of gain or loss on valuation of derivatives was 45.7%). In FY11/26, it plans to raise the annual dividend per share by ¥1.0 YoY to ¥33.0 (interim: ¥16.0, year-end: ¥17.0), for a dividend payout ratio of 40.8%. In its January 2026 results briefing, it stated that it will control the equity ratio at around 40% going forward, and it will enhance shareholder returns between now and FY11/30 by increasing dividends and flexibly purchasing treasury shares.

Key Points

- In FY11/25, sales increased and each profit line achieved double-digit growth YoY, driven by two core businesses
- In FY11/26, sales and operating profit are forecast to continue increasing, with the Housing and Car Life Support businesses contributing to higher sales
- Launched the 6th Medium-Term Management Plan, which targets net sales of ¥300.0bn and operating profit of ¥12.0bn by 2030
- In FY11/26, plans to raise the annual dividend per share by ¥1.0 YoY to ¥33.0. Between now and 2030, will enhance shareholder returns by increasing dividends and flexibly purchasing treasury shares

Consolidated results trend



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

Company profile

Community-based company, mainly engaged in energy and urban infrastructure construction and engineering, housing, and real estate businesses

1. Company profile and history

The Company is a unique corporate group based in Toyohashi City, Aichi Prefecture, Japan. The Company operates diverse businesses, ranging from energy and engineering to housing and real estate, car importing, and animal health products. As of FY11/25, consolidated net sales totaled ¥251.5bn and it had roughly 540,000 customers, with 5,000 employees working at 327 locations across 21 prefectures from Hokkaido to Kumamoto, but primarily in Aichi and Shizuoka prefectures. The Aichi and Shizuoka region, the Company's main operating base, has significant potential as one of Japan's leading manufacturing centers and a top agricultural producer. Founded as a city gas supplier 117 years ago in 1909, the Company has a long corporate history. In the 1960s, it started to diversify its operations, aiming to become a corporate group that provides comprehensive support to local communities and people. Starting with a liquefied petroleum gas (LPG) business, the Company expanded into freight transportation and automobile maintenance and sales in 1962, equipment and civil engineering in 1963, and housing in 1969. In the 1990s, as Japan's economy matured, the Company began implementing a group management approach. As stated in the Group Corporate Philosophy, established in 1993, "Our goals are to realize an enriched society as a corporate group trusted by regional communities, through our creations of beautiful and comfortable living spaces." This philosophy continues to guide the Company today as it expands its non-energy-related businesses. The name "SALA" is a coined acronym for "Space Art Living Amenity," expressing the corporate group's desire to achieve "Beauty and Comfort for Living Spaces."

In 2002, SALA CORPORATION was established as a pure holding company for LPG, equipment and civil engineering, and automobile sales businesses, listing on the First Sections of the Tokyo Stock Exchange (TSE) and the Nagoya Stock Exchange (NSE) in the same year. In 2016, CHUBU GAS CO., LTD. (now SALA ENERGY CO., LTD.) and SALA HOUSE CO., LTD. became wholly owned subsidiaries of the Company through a share exchange, integrating the capital of the Group and creating a structure to pursue "the provision of value as a unified SALA." In 2020 the Company announced its 2030 Vision, which sets out a clear goal of achieving dramatic growth in the housing business, under the slogan, "SALA: Common in Your Town, Value to Your Life."

In April 2022, the Company's listings were moved to the TSE Prime Market and NSE Premier Market due to the restructuring of the two exchanges' market segments. The Company has also actively pursued M&A, incorporating Dowa Chemical Co., Ltd. (veterinary medicines wholesaling) as a subsidiary in March 2024 and YASUE CORPORATION, which was listed on the TSE Standard Market, in December 2024.

History

Date	History
Founding period (from 1909)	Toyohashi Gas Co., Ltd. established in 1909 and Hamamatsu Gas Co., Ltd. established in 1910 as city gas companies. The companies merged in 1943 to form CHUBU GAS CO., LTD. (now SALA ENERGY CO., LTD.)
Diversification period (from 1960s)	Moved into LPG business in 1959, automobile maintenance and sales business in 1962, equipment and civil engineering business in 1963, and housing business in 1969. CHUBU GAS CO., LTD. (now SALA ENERGY CO., LTD.) listed on Second Section of Nagoya Stock Exchange (NSE) in 1963; GASTEC SERVICE INC. (now SALA ENERGY CO., LTD.) listed on Second Section of NSE in 1985 (listing moved to First Section of TSE in 1988); Chubu Engineering Corporation listed on Second Section of NSE in 1991
Group management promotion period (from 1993)	Established Group Corporate Philosophy in 1993
May 2002	SALA CORPORATION — a pure holding company for LPG, equipment & civil engineering, auto sales businesses — was established and listed on First Sections of TSE and NSE
September 2004	Changed group name to the “SALA Group”
July 2016	Integrated Group’s capital; CHUBU GAS CO., LTD. and SALA HOUSE CO., LTD. made wholly owned subsidiaries through share exchange
December 2019	Energy business restructured. CHUBU GAS CO., LTD. completed an absorption-type merger with GASTEC SERVICE INC. and was renamed SALA ENERGY CO., LTD.
April 2022	Transferred to the TSE Prime Market and NSE Premier Market following market restructuring
December 2024	YASUE CORPORATION was consolidated as a subsidiary

Source: Prepared by FISCO from the Company’s Integrated Report, website, and corporate data

2. Business description

The Company’s Living & Energy Services are divided into six business segments. The largest business segment is 1) the Energy & Solutions business, which supplies city gas, LPG, and other energy-related services to roughly 540,000 local households and enterprises. It is the Group’s core business, accounting for 48.1% of consolidated net sales and 58.1% of operating profit. 2) The Engineering & Maintenance business includes urban infrastructure development (roads, construction, port engineering, etc.) and facility construction and maintenance. Generating 14.0% of net sales and 46.8% of operating profit, the business is the second-largest contributor to earnings. 3) The Housing business includes built-to-order and built-for-sale homes, renovation, and construction material sales. It provides 17.8% of net sales and 12.4% of operating profit. 4) The Car Life Support business sells and services imported automobiles (Volkswagen and Audi), accounting for 7.1% of net sales. It recorded a loss in FY11/25 due to factors such as inventory clearance. 5) The Animal Health Care business sells veterinary drugs and therapeutic foods wholesale. It provides 9.3% of net sales. In FY11/25, it recorded a loss due to implementing structural reforms. 6) The Properties business includes real estate leasing, sales, and brokerage, a community development business, and the management of hotels, restaurants, and sports clubs. It accounts for 2.9% of net sales and 5.5% of operating profit.

Comparing energy-related and non-energy-related businesses, approximately 50% of net sales and segment profit (based on the latest full fiscal year) are generated from non-energy-related businesses, putting the Company on track to establish the SALA in Life model outlined in its 2030 Vision.

Overview of each segment

Segment	Business description	Consolidated subsidiaries, etc.	Composition (FY11/25)	
			Net sales	Segment profit
Energy & Solutions business	City gas, LPG, electricity, petroleum products, high-pressure gas, logistics services, home renovation, etc.	SALA ENERGY, SALA E&L Higashi Mikawa, SALA E&L Hamamatsu, SALA E&L Nagoya, SALA E&L Shizuoka, GOOD LIFE SALA KANTO, SALA e ENERGY, SALA e POWER, SALA Logistics, Living SALA, SALA Water, Mikawawan Gas Terminal, Nikko, Chubu Propane Stand, Hamamatsu Propane Stand, KANTOH	48.1%	58.1%
Engineering & Maintenance business	Urban infrastructure development (roads, construction, port engineering, etc.), facility construction and maintenance, system development, etc.	Chubu Engineering Corporation, Jinno Construction, Suzukigumi, Chubu Engineering Service, Techno Systems, Seien Concrete Industries, Tokiwa Doro, Showa Cleaner, Chubu Building Services, SEIWA SECURITY SERVICE	14.0%	46.8%
Housing business	Built-to-order and built-for-sale homes, renovation, construction material sales, etc.	SALA HOUSE, Chubu Home Service, Taiyo-co, Miyashita Koumuten, SALA HOUSE SUPPORT, ECO-HOME PANEL * From FY11/25, YASUE, Toya House, APRICOT, MIMA, and Garden are included.	17.8%	12.4%
Car Life Support business	Sale and servicing of imported automobiles (Volkswagen, Audi), etc.	SALA CARS JAPAN	7.1%	-8.5%
Animal Health Care business	Veterinary medicines, therapeutic food, etc.	ASCO, Dowa Chemical	9.3%	-7.7%
Properties business	Real estate leasing, sales and brokerage, community development business, management of hotels, restaurants, and sports clubs, etc.	SALA Real Estate, SALA Hotels and Restaurants, SALA Sports	2.9%	5.5%

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

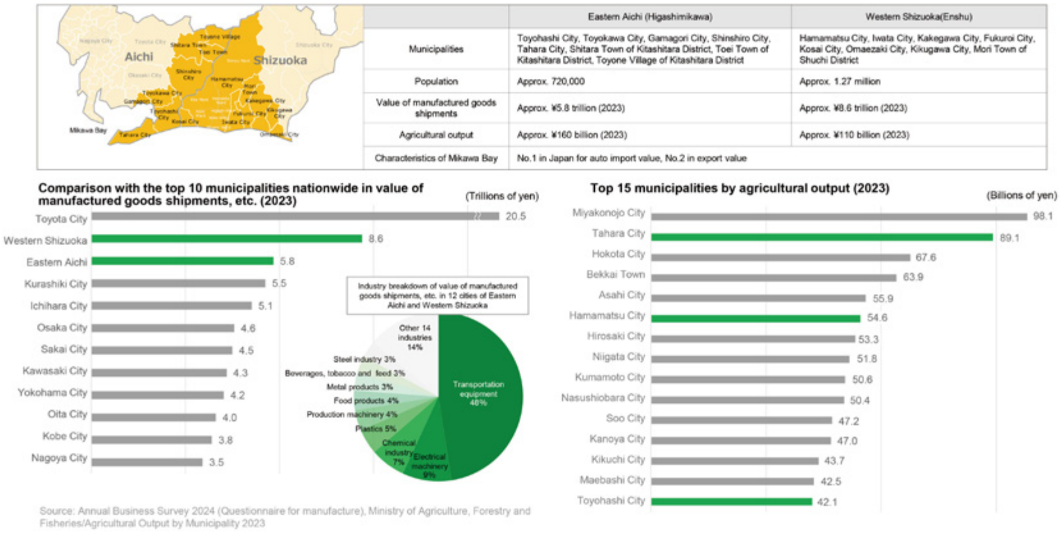
Business overview

Based in eastern Aichi and western Shizuoka—among Japan's top industrial clusters

1. Expanding nationwide from our base in the Tokai region, a key industrial hub in Japan

The Group's core market comprises eastern Aichi Prefecture, including Toyohashi City where headquarters are located, and western Shizuoka Prefecture centered on Hamamatsu City. Combined shipments of manufactured goods from the two regions approached ¥14.4tn in 2023, far exceeding Yokohama, Kawasaki, and Osaka (all in the ¥4tn range), making it one of Japan's foremost industrial clusters. The region hosts numerous mother factories of companies such as Toyota Motor <7203>, Suzuki <7269>, and Yamaha Motor <7272> in transportation equipment, as well as Nitto Denko <6988>, Kao <4452>, and Tokyo Steel Manufacturing <5423>. Agricultural output is also among the highest in Japan, reaching around ¥270.0bn (total for both regions), with many agricultural products ranking near the top nationwide. Furthermore, with a population of around 1.99 million, there are many consumers. Building on this high-potential region, the Company has expanded its business area from Tokai to nationwide under the philosophy of "enriching people's lives," "supporting corporate growth," and "enhancing community appeal," not only supplying energy but also delivering broader value.

Regional strength of business area

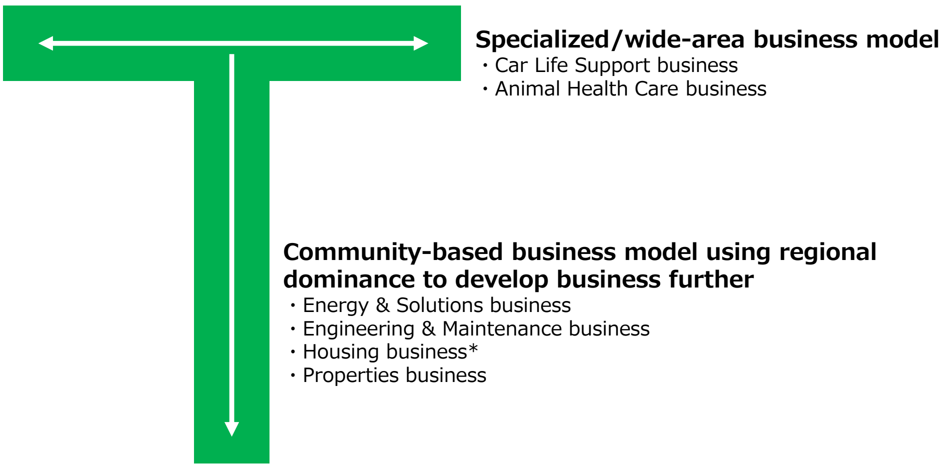


Source: The Company's financial results and 6th Medium-Term Management Plan briefing materials

2. Two business models: Community-based and specialized

The Company's six business segments can be divided into two business models: a community-based business model, which leverages the Company's high brand visibility, and a wide-area business model, which focuses on specialized businesses. The community-based business model includes the Energy & Solutions, Engineering & Maintenance, Housing, and Properties businesses, based in eastern Aichi and western Shizuoka prefectures, where the Company's strength is in energy and other last-mile personalized services. The specialized/wide-area business model aims to capture large shares of the national market by developing highly specialized niche markets over a wider area. The Car Life Support and Animal Health Care businesses both fall under this category.

Two business models



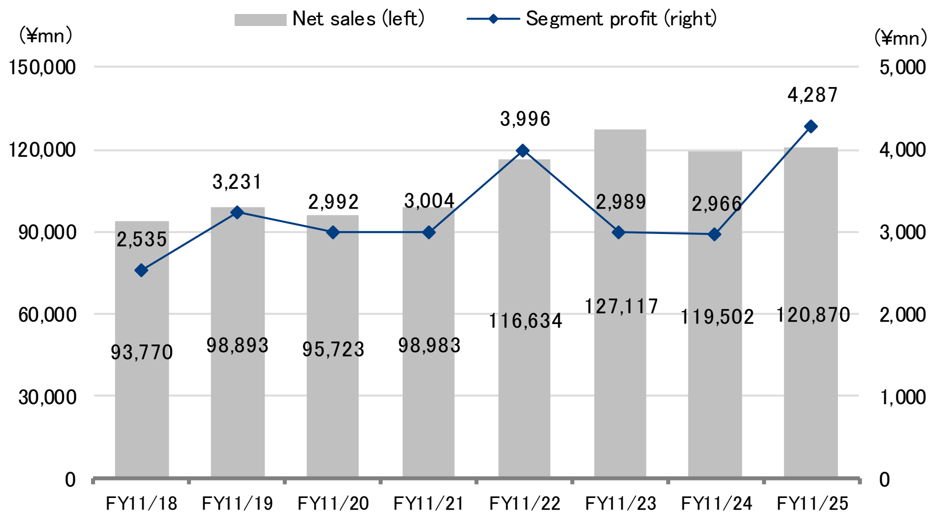
* Envisions wide-area development revolving around renovation business in the future
Source: Prepared by FISCO based on interviews

3. Energy & Solutions business

The Energy & Solutions business operates energy businesses such as city gas, LPG, and electricity, as well as a renovation business, focused on eastern Aichi and western Shizuoka prefectures. The energy business provides stable supplies of conventional energy, while also addressing carbon neutrality needs to create affluent lifestyles for customers and solve issues faced by businesses. Energy is the Company's founding business, boasting 540,000 customers (as of end-November 2025). One out of every two households in the city gas supply area are the Company's customers. The size of the renovation business, which carries out relatively small-scale renovation of specific parts (the Housing business carries out general renovations), is around ¥11.0bn. Energy & Solutions also focuses on BtoB energy supply. It has many large corporate customers due to the high concentration of automobile and other manufacturing industries in the region.

In recent years, earnings in the Energy & Solutions business were impacted by fluctuations in energy costs (higher sales prices tend to weigh on demand) and the changing climate, but net sales and profits have risen steadily on the back of growth in the customer base. In FY11/25, net sales rose 1.1% YoY to ¥120,870mn and operating profit jumped 44.6% to ¥4,287mn. Net sales increased due to an increase in equipment and construction related to home renovation, carbon neutrality efforts, and productivity enhancement, along with a rise in city gas sales volumes for residential and commercial customers. On the profit front, operating profit grew considerably due to factors such as an increase in gross profit for city gas, steady biomass power plant operation, and a decrease in SG&A expenses.

Results trend in the Energy & Solutions business



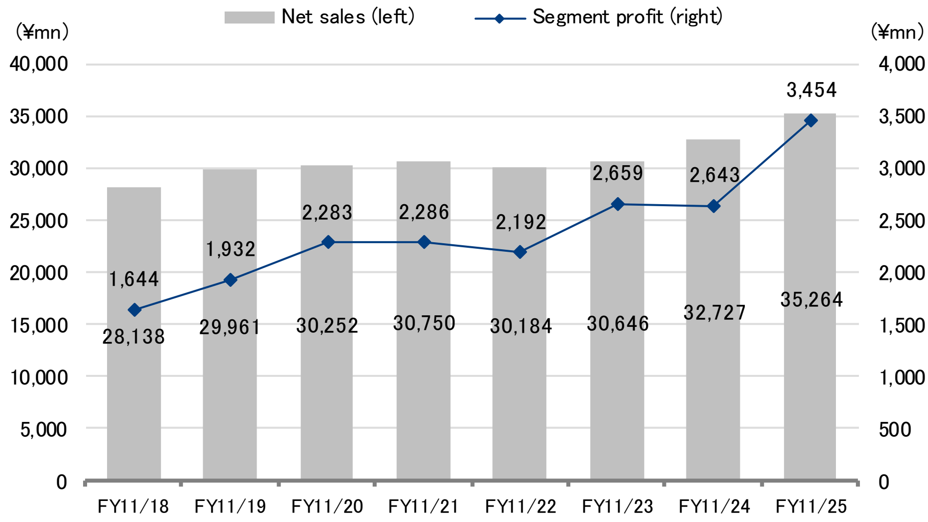
Source: Prepared by FISCO from the Company's financial results

4. Engineering & Maintenance business

Aiming to create safe, secure, affluent, and comfortable spaces, the Engineering & Maintenance business constructs and repairs urban infrastructure that requires advanced technology, such as office buildings, factories, hospitals, schools, condominiums, parks, roads, bridges, and port facilities. It also contributes to carbon neutrality in customers' business activities by proposing equipment and maintenance solutions that help them decarbonize their operations using energy efficiency, energy creation, and carbon offsets. In this business segment, the civil engineering department accounts for roughly 40% of net sales, while the construction, maintenance, and facilities departments each account for about 20%. Historically, the business has strengths in port engineering and also facility construction, including air conditioning, plumbing and sanitation, and energy-related equipment.

In recent years, both sales and profits have shown steady growth. On the profit front in particular, performance is on par with the Energy & Solutions business, with the operating margin relatively high at 9.8% (FY11/25), driving the Company's earnings growth. In recent years, the business has stepped up marketing to BtoB customers in the energy business, and synergies are now starting to emerge. In FY11/25, net sales rose 7.8% YoY to ¥35,264mn and operating profit jumped 30.6% to ¥3,454mn. Revenue increased due to strong orders and growth in completed works across the equipment, construction, and maintenance departments. On the profit front, profits increased significantly as gross profit on completed works rose across all departments, driven by both higher value of completed works and continuous process management improvements.

Results trend in the Engineering & Maintenance business



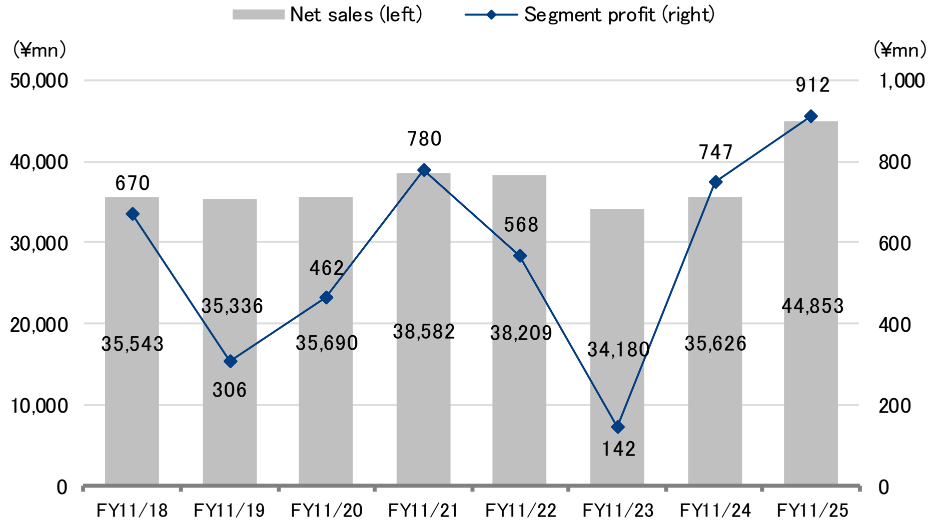
Source: Prepared by FISCO from the Company's financial results

5. Housing business

The Housing business offers comprehensive services related to home building, including the sale of detached houses with a focus on comfort and the sale of housing construction materials and equipment. In its latest SINKA series, it develops and sells homes with superior energy-efficiency and environmental performance that are compatible with the Net-zero Energy House (ZEH) standard. The ZEH ratio has reached approximately 56%. In January 2025, the business began sales of a new product, SINKA KIWAMI, which meets grade 7 insulation performance (the highest grade). In addition to a whole-building HVAC system that keeps the house at a comfortable temperature with a single residential air conditioner, it is equipped with a humidity control system that maintains humidity at 40% to 60%. These features reduce annual utility costs by around 40% compared to homes with conventional multiple air conditioning units, making SINKA KIWAMI a competitive product.

In recent years, net sales have remained stable and the business has been profitable at the operating profit level, albeit with some fluctuations. In FY11/25, net sales rose 25.9% YoY to ¥44,853mn and operating profit went up 22.1% to ¥912mn. In the Housing Sales department, net sales and operating profit both grew due to growth in orders for SINKA series custom-built houses and increased orders in the Housing Materials Processing & Sales department, along with the inclusion of YASUE's results after it became a consolidated subsidiary in FY11/25.

Results trend in the Housing business



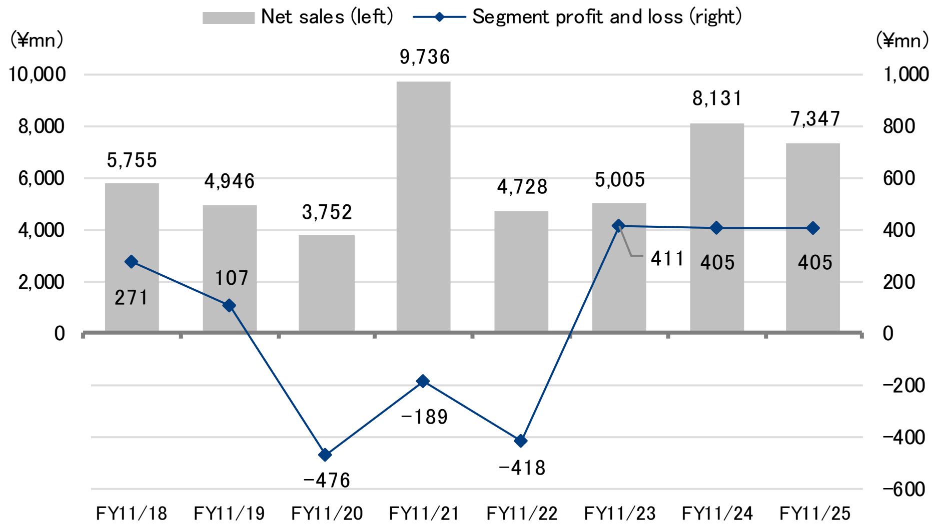
Source: Prepared by FISCO from the Company's financial results

6. Properties business

The Properties business operates businesses related to real estate, hospitality (restaurant and hotel management), and sports (sports club management) in eastern Aichi and western Shizuoka prefectures. The real estate properties department accounts for around 60% of net sales, the hospitality department about 30%, and the sports department the remaining 10% (based on the latest full fiscal year). In the real estate properties department, the business maximizes the Group's customer base and network to propose comprehensive, optimal solutions that meet customer needs.

The business reported losses during the pandemic, but profitability has recovered since FY11/23, with the operating margin reaching 5.5% in FY11/25. In FY11/25, net sales decreased 9.6% YoY to ¥7,347mn and operating profit fell 0.0% to ¥405mn. In the real estate department, revenue decreased in reaction to delivery of condominiums completed in the prior period. Despite the impact of the decrease in the number of condominium units sold, profit was at the same level as the previous fiscal year due to disposal of company-owned assets and an increase in buy-to-sell transactions.

Results trend in the Properties business



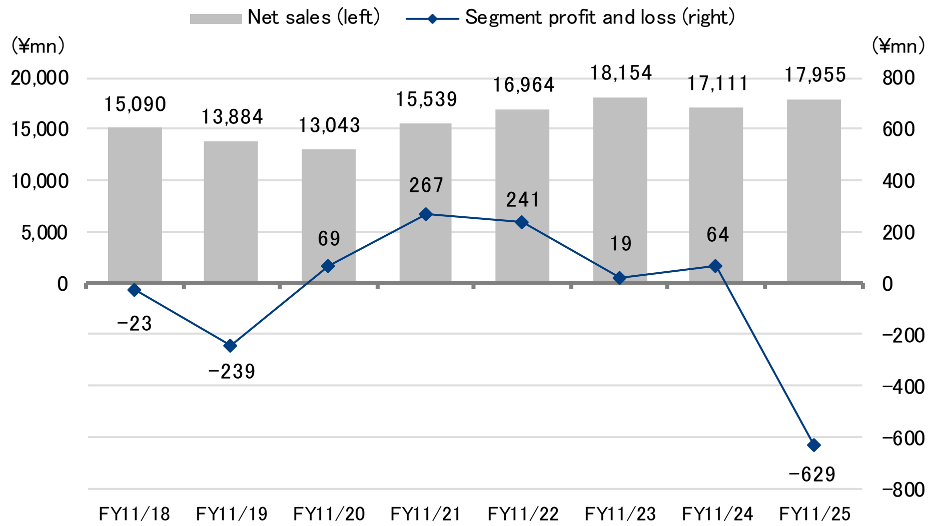
Source: Prepared by FISCO from the Company's financial results

7. Car Life Support business

As an authorized dealer of imported Volkswagen and Audi vehicles, the Car Life Support business operates 13 dealers in Aichi, Shizuoka, and Tokyo (ranking among Japan's top-selling Volkswagen/Audi companies). The business offers optimal proposals for customer needs through the integrated operation of new and used car sales and service divisions. It also provides insurance, financing, and ancillary services to improve the profitability of the business. Another feature of this business is its balanced sales of new and used cars.

Net sales have been growing steadily in recent years, but has also been affected by disruptions in the supply chain and other factors. In FY11/25, net sales rose 4.9% YoY to ¥17,955mn and there was an operating loss of ¥629mn (vs. ¥64mn operating profit in the previous fiscal year). Net sales increased as Volkswagen's new car sales rose with recovering import vehicle supply, combined with the active disposal of used car inventory previously acquired for resale. However, on the profit front, an operating loss was recorded due to the impact of inventory clearance as well as a drop in gross profit attributable to a considerable decline in sales volume for Volkswagen used cars. In FY11/26, this business is expected to return to profitability as the Company will enhance measures such as revising its used car inventory management system.

Results trend in the Car Life Support business



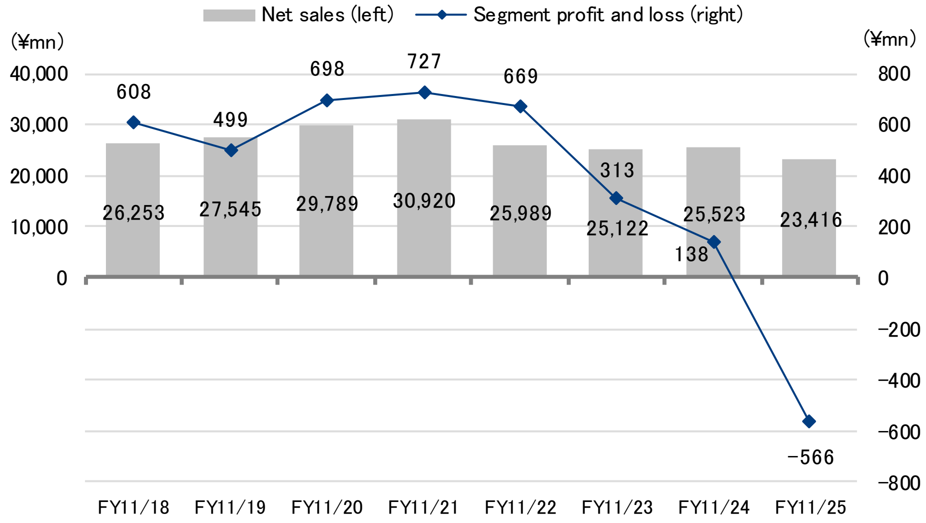
Source: Prepared by FISCO from the Company's financial results

8. Animal Health Care business

The Animal Health Care business operates offices in various Honshu regions and Hokkaido, creating a nationwide service network for the wholesale distribution of veterinary medicines and other products. The livestock farming department accounts for more than 50% of net sales and the pet-related department (serving veterinary clinics) accounts for less than 50%. The pet-related department has a strong position within the industry. The business currently has the second-largest market share in the industry, but it aims to become the market leader by 2030 through strengthening its logistics and supply chain and reinforcing its sales capabilities.

There has been stable growth in net sales in recent years (although they declined in FY11/22 due to the application of the Accounting Standard for Revenue Recognition, etc., which reduced net sales by ¥4,789mn), but in FY11/25, they decreased 8.3% YoY to ¥23,416mn and there was an operating loss of ¥566mn (vs. operating profit of ¥138mn in the previous fiscal year). In the livestock farming department, sales remained firm due to steady orders for veterinary medicines. However, overall revenue declined as the pet-related department discontinued supplying certain therapeutic diets following changes in supplier distribution channels. In terms of profit, the Company recorded an operating loss due to the impact of changes in distribution channels in the pet-related department as well as an increase in SG&A expenses from business restructuring. In FY11/26, the effects of a more efficient logistics network based on warehouse consolidation and switching to a new sales model should be realized, and the business is therefore expected to return to profitability.

Results trend in the Animal Health Care business



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

Results trends

In FY11/25, due in part to the contribution of M&A, sales increased and there was double-digit growth in each profit line, driven by two core businesses

1. Overview of FY11/25

In FY11/25, consolidated net sales increased 4.6% YoY to ¥251,533mn, operating profit rose 17.0% to ¥7,381mn, ordinary profit grew 21.2% to ¥9,927mn, and net profit attributable to owners of parent went up 11.8% YoY to ¥5,870mn, with net sales and operating profit both setting new record highs.

FY11/25 was the final year of the 5th Medium-Term Management Plan (FY11/23–FY11/25). Based on the theme of collaboration and co-creation with internal and external companies, the Company implemented key strategies such as targeting growth through business model transformation and creating new value. In particular, following the consolidation of YASUE in December 2024, it achieved results through pursuing synergistic effects between its existing businesses and the housing/lifestyle domain, including the renovation business, and creating agricultural production, grid-scale battery storage, and real estate investment businesses.

Net sales growth was driven by the Housing and Engineering & Maintenance businesses. In the Engineering & Maintenance business (up ¥2,537mn YoY), completed projects increased across the equipment installation, construction, and maintenance services departments. In the Housing business (up ¥9,227mn), orders for SINKA series custom-built houses increased in the Housing Sales department and orders increased in the Housing Materials Processing & Sales department, while YASUE's sales were also recorded in the consolidated results. Operating profit growth was mainly driven by contributions from Energy & Solutions business (up ¥1,321mn YoY) and Engineering & Maintenance business (up ¥810mn YoY). In the Energy & Solutions business, operating profit grew considerably due to factors such as an increase in gross profit for city gas, steady biomass power plant operation, and a decrease in SG&A expenses. Ordinary profit increased due to recording ¥1,892mn in derivative valuation gain on foreign exchange contracts (¥1,077mn gain in the previous fiscal year) under non-operating income. This stems from long-term foreign exchange contracts executed to mitigate currency risk in the biomass power generation business (which primarily uses imported fuel). It should be noted that these are non-cash valuation gains or losses.

Consolidated results for FY11/25

(¥mn)

	FY11/24		FY11/25		YoY
	Result	Vs. net sales	Result	Vs. net sales	
Net sales	240,498	100.0%	251,533	100.0%	4.6%
Cost of sales	183,273	76.2%	190,277	75.6%	3.8%
Gross profit	57,225	23.8%	61,255	24.4%	7.0%
Selling, general and administrative expenses	50,916	21.2%	53,874	21.4%	5.8%
Operating profit	6,308	2.6%	7,381	2.9%	17.0%
Ordinary profit	8,193	3.4%	9,927	3.9%	21.2%
Net profit attributable to owners of parent	5,249	2.2%	5,870	2.3%	11.8%

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

Maintaining sound finances to support aggressive investment in growth and M&A; healthy equity ratio of 42.0%

2. Financial position and key management indicators

Total assets as of end-FY11/25 increased ¥16,064mn YoY to ¥218,345mn. Of this amount, current assets increased by ¥5,875mn, primarily driven by a ¥5,485mn rise in cash and deposits. Non-current assets rose ¥10,190mn, which was mainly attributable to a ¥5,345mn jump in investments and other assets and a ¥2,484mn rise in property, plant and equipment.

Total liabilities increased ¥8,115mn from the end of the previous fiscal year to ¥124,777mn. Of this amount, current liabilities rose ¥2,506mn, mainly due to a ¥3,582mn increase in other current liabilities (advances received on uncompleted construction contracts, etc.). Non-current liabilities increased ¥5,610mn, largely due to a ¥6,563mn rise in long-term borrowings. The balance of interest-bearing debt (total of short-term borrowings, current portion of long-term borrowings, and long-term borrowings) rose ¥5,667mn to ¥60,277mn. Net assets increased ¥7,949mn to ¥93,567mn. This was mainly due to an increase in retained earnings, reflecting the booking of net profit attributable to owners of parent.

Looking at management indicators, the current ratio was 145.3% (vs. 141.8% at the end of FY11/24) and the equity ratio was 42.0% (41.5%), indicating the Company's finances are sound and stable. The Company is maintaining a solid financial base to support aggressive investment in growth (¥45.0bn over five years until the end of FY11/30) and in M&A. However, ROE was only 6.7% (FY11/25). To tackle this issue, the Company is currently implementing operational and financial measures to lift ROE.

Consolidated balance sheets and management indicators

(¥mn)

	End of FY11/24	End of FY11/25	Change (amount)
Current assets	89,235	95,110	5,875
Cash and deposits	26,396	31,881	5,485
Work-in-process	4,496	5,283	786
Non-current assets	113,045	123,235	10,190
Property, plant and equipment	80,210	82,694	2,484
Intangible fixed assets	4,570	6,930	2,359
Investments and other assets	28,265	33,610	5,345
Total assets	202,281	218,345	16,064
Current liabilities	62,943	65,449	2,506
Short-term borrowings	5,990	4,356	-1,634
Current portion of long-term borrowings	8,234	8,972	738
Other	13,963	17,545	3,582
Non-current liabilities	53,718	59,328	5,610
Long-term borrowings	40,386	46,949	6,563
Total liabilities	116,662	124,777	8,115
Total net assets	85,618	93,567	7,949
Retained earnings	45,859	49,488	3,629
Total liabilities and net assets	202,281	218,345	16,064
<Stability>			
Current ratio (current assets ÷ current liabilities)	141.8%	145.3%	3.5pp
Equity ratio (shareholders' equity ÷ total assets)	41.5%	42.0%	0.5pp
<Profitability>			
ROE (net profit attributable to owners of parent ÷ shareholders' equity)	6.5%	6.7%	0.2pp
ROA (ordinary profit ÷ total assets)	4.2%	4.7%	0.5pp
ROS (operating profit ÷ net sales)	2.6%	2.9%	0.3pp

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

Outlook

In FY11/26, sales and operating profit are forecast to increase, with the Housing and Car Life Support businesses contributing to revenue growth

● **FY11/26 forecast**

For the FY11/26 consolidated results, the Company forecasts that net sales will increase 3.4% YoY to ¥260,000mn, operating profit will rise 1.6% to ¥7,500mn, ordinary profit will drop 15.4% to ¥8,400mn, and net profit attributable to owners of parent will fall 11.4% to ¥5,200mn, with net sales and operating profit expected to achieve record highs. Since the forecast does not expect any gain or loss on valuation of derivatives to be recorded under non-operating profit and loss, ordinary profit and net profit attributable to owners of parent are projected to decrease (gain on valuation of derivatives of ¥1,892mn was recorded under non-operating profit in the previous fiscal year).

The Company has formulated its 6th Medium-Term Management Plan (FY11/26–FY11/30). With the aim of realizing its 2030 Vision (e.g., operating profit of ¥12.0bn), it will pursue drastic reform through intersection, collaboration, co-creation, and transformation. The plan outlines five key strategies, including establishing business models for SALA in Life and SALA in Business and creating new value to generate business, and it began related initiatives in FY11/26 (the 6th Medium-Term Management Plan is explained in the next section).

In FY11/26, revenue growth is expected in the five segments other than the Engineering & Maintenance business, which exceeded expectations in the previous fiscal year. In both the Housing and Car Life Support businesses in particular, sales are expected to increase ¥3,000mn or more YoY. In the Housing business, sales of SINKA series custom-built houses are performing strongly, with back orders carried over from the previous fiscal year increasing by over 50. In the Car Life Support business, the supply of new cars is stable and sales of new cars, used cars, and services are expected to grow. Operating profit is projected to remain at a high level in the core Energy & Solutions business and the Engineering & Maintenance business, while significant profit growth is forecast in the Car Life Support and Animal Health Care businesses in particular, after their structural reforms were mostly completed in the previous fiscal year. The Energy & Solutions business will achieve growth based on three new earnings pillars—the home renovation business, commercial total solutions business, and electric power business—as it pursues business model reform. The Engineering & Maintenance business will strengthen its base through Group collaboration, use of DX, and tackling the challenge of new services, with the aim of realizing further growth. The Housing business aims to improve the profitability of the new construction business by developing high-added-value products in Housing Sales and enhancing the efficiency of construction, as well as improving the profitability of renovation and expanding its business areas. In the Car Life Support business, the Company intends to revise its used car inventory management system, which was a main factor in recording a loss in the previous fiscal year, as well as enhancing sales by leveraging area characteristics. The Animal Health Care business will build a strong customer base by increasing the efficiency of its logistics network through warehouse consolidation and enhancing its on-site capabilities and sales capabilities using a residence model. In the Properties business, the Company will focus on the real estate investment business and secure high-quality income-generating properties.

Key issues will be building a recurring revenue housing business model focused on renovations for SALA in Life and a smart energy and facility solutions business for SALA in Business. For both of these, collaboration will be crucial, but based on the strengths that the Company has accumulated in these areas, it should be able to deliver results quickly. In June 2026, it plans to start operating a new core system to share customer information across the Group. In light of the above, we at FISCO believe that the forecast YoY net sales increase of 3.4% and operating profit increase of 1.6% are somewhat conservative.

Consolidated results outlook for FY11/26

(¥mn)

	FY11/25		FY11/26		YoY
	Result	Vs. net sales	Forecast	Vs. net sales	
Net sales	251,533	100.0%	260,000	100.0%	3.4%
Operating profit	7,381	2.9%	7,500	2.9%	1.6%
Ordinary profit	9,927	3.9%	8,400	3.2%	-15.4%
Net profit attributable to owners of parent	5,870	2.3%	5,200	2.0%	-11.4%

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

Growth strategy

Launched the 6th Medium-Term Management Plan, which targets net sales of ¥300.0bn and operating profit of ¥12.0bn by 2030

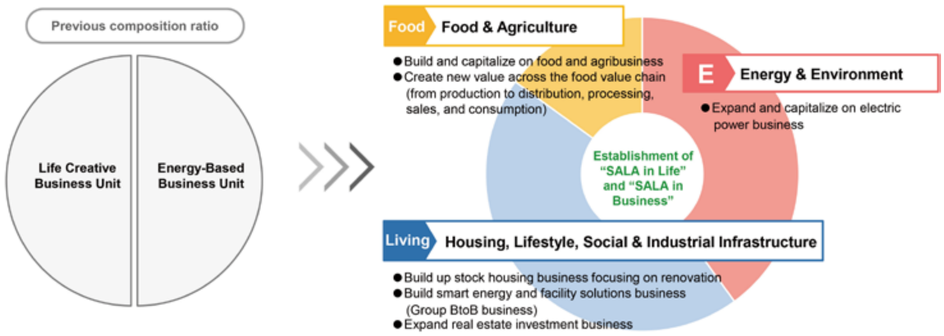
1. Formulation of 6th Medium-Term Management Plan

The Company is working toward its 2030 Vision, "SALA: Common in Your Town, Value to Your Life." The 2030 Vision sets out a clear strategy to provide new value in people's lives by expanding non-energy business areas (such as housing and engineering), while leveraging its combined strengths as a corporate group across different business units. The Vision targets net sales of ¥280.0bn (revised to ¥300.0bn in the new medium-term plan) and operating profit of ¥12.0bn in FY11/30.

In the 5th Medium-Term Management Plan, based on the theme of collaboration and co-creation with internal and external companies, the Company implemented key strategies such as targeting growth through business model transformation and creating new value and achieved significant results, including the expansion of its renovation business through the consolidation of YASUE and growth in its electric power and Engineering & Maintenance businesses. However, it did not achieve its numerical forecasts (net sales, operating profit, operating margin, ROE) and there are issues remaining from the perspective of improving profitability.

The 6th Medium-Term Management Plan is a five-year plan ending in 2030 whose basic policy is "X (Cross) 120." "X" represents the Company's intent to create new value through intersection, collaboration, co-creation, and transformation. "120" indicates that it will reach the milestone of its 120th anniversary (October 2029) and that it is targeting operating profit of ¥12.0bn. The plan defines the Company's vision (business domains) as "E," "Food," and "Living." In its core area, "E" (= energy and environment), it will accelerate expansion and monetization of the electric power business. In "Living" (= housing, lifestyle, and social and industrial infrastructure), it will strengthen by establishing a recurring revenue housing business (BtoC) focused on renovations, building a smart energy and facility solutions business (BtoB), and expanding the real estate investment business. In the highly innovative "Food" area (= food and agriculture), it will create new value across the food and agriculture-related food value chain with the intent of making this area a pillar of growth in 2030 and beyond. Through these businesses, the Company aims to establish business models for SALA in Life and SALA in Business.

Vision in 6th Medium-Term Management Plan



Source: The Company's financial results and 6th Medium-Term Management Plan briefing materials

2. Numerical targets in 6th Medium-Term Management Plan

The numerical targets for the final year of the 6th Medium-Term Management Plan are net sales of ¥300.0bn (average annual growth rate of 3.6%), operating profit of ¥12.0bn (average annual growth rate of 10.2%), net profit attributable to owners of parent of ¥8.4bn (average annual growth rate of 7.4%), operating profit margin of 4.0% (up 1.1pp from FY11/25 result), ROE of 10.0% (up 3.3pp), and ROIC of 6.0% (up 2.2pp). The net sales forecast for FY11/30 was revised upward from the initial forecast of ¥280.0bn when the 2030 Vision was formulated to factor in rising energy and raw material prices. The forecast for net profit attributable to owners of parent does not include gain or loss on valuation of derivatives (the FY11/25 results included the impact of gain on valuation of derivatives of ¥1,892mn). Regarding ROE improvement, the Company has stated that it will control the equity ratio at around 40% to ensure that it does not increase excessively.

3. Key strategies

The five key strategies in the 6th Medium-Term Management Plan area as follows:

1) Establish business models for SALA in Life and SALA in Business
2) Create new value to generate business
3) Improve profitability of current businesses and transform management
4) Recruit, develop, retain, and enhance engagement of human resources, the source from which value is derived in an era of population decline and wage increases
5) Promote DX to enhance productivity and create new customer value

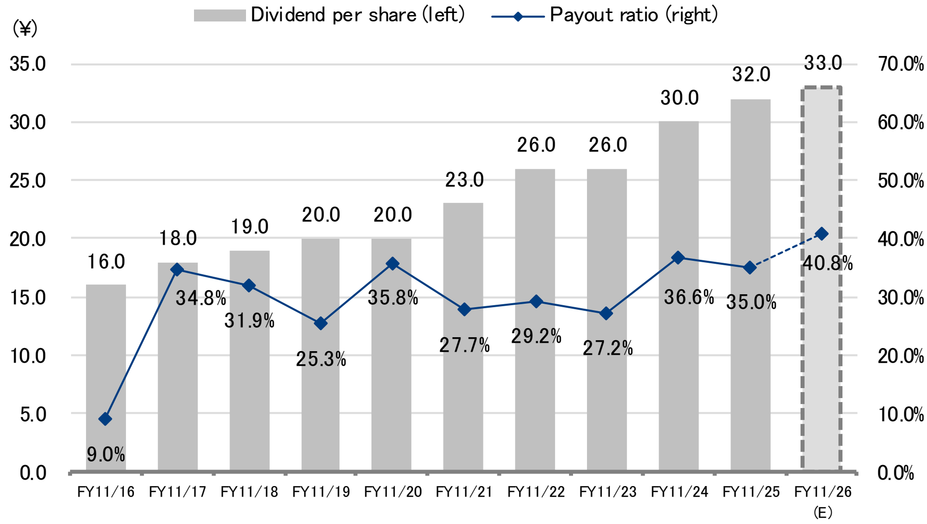
Key strategies 1 and 2 in particular will have a significant impact on results. Based on top-line improvements, they are expected to help boost operating profit by ¥2.0bn each (¥4.0bn in total). With regard to key strategy 1, in the housing area, the Company will combine the existing strengths possessed by SALA Group companies and YASUE to build a recurring revenue business model focused on renovation that is optimal from customers' perspective. It will first establish it in the Nagoya and Nishimikawa areas, with the ultimate aim of becoming the number-one independent renovation company nationwide. Also with regard to key strategy 1, in the business area, it will combine its areas of expertise related to energy business (energy management, etc.) and areas of expertise related to equipment and maintenance (plumbing and sanitation equipment, air-conditioning equipment, etc.) to establish a smart energy and facility solutions business that not only supplies energy and provides equipment installation but also offers solutions such as post-installation maintenance, renewal, and carbon neutral efforts. Key strategy 2 includes expanding the electric power and real estate investment businesses, developing food and agribusiness, and tackling the challenge of expanding into new business areas.

Shareholder return policy

Plans to raise the annual dividend per share to ¥33.0, for a dividend payout ratio of 40.8% in FY11/26. Between now and 2030, will enhance shareholder returns by increasing dividends and purchasing treasury shares

In July 2024, the Company revised its dividend policy and clarified its stance on enhancing shareholder returns. The policy states that it is "targeting a consolidated payout ratio of 40% or higher excluding the effects of gain or loss on valuation of derivatives on forward exchange contracts while maintaining dividends that are equal to or higher than those of the previous fiscal year. Furthermore, the Company flexibly implements the purchase of treasury shares while considering the market environment and capital efficiency." It has continued to maintain or increase the annual dividend since FY11/13, and the annual dividend per share in FY11/25 was ¥32.0 (interim: ¥16.0, year-end: ¥16.0), for a dividend payout ratio of 35.0% (the ratio excluding the impact of gain or loss on valuation of derivatives was 45.7%). In FY11/26, it plans to raise the annual dividend per share by ¥1.0 YoY to ¥33.0 (interim: ¥16.0, year-end: ¥17.0), for a dividend payout ratio of 40.8%. According to the revised version of its capital allocation policy announced in January 2026, it stated that it will increase dividends and flexibly purchase treasury shares between now and FY11/30 and plans to use total funds in excess of ¥21.0bn for shareholder returns.

Trends in dividend per share and payout ratio



Note: The very low payout ratio in FY11/16 reflects significant negative goodwill arising from transactions to make CHUBU GAS and SALA HOUSE wholly owned subsidiaries.
Source: Prepared by FISCO from the Company's financial results

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