COMPANY RESEARCH AND ANALYSIS REPORT

SEMBA CORPORATION

6540

Tokyo Stock Exchange Standard Market

17-Nov.-2026

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Summary

Profit declined in 1H FY12/26 due to upfront investment in human resources. Full-year net sales forecast of ¥37.0bn maintained

SEMBA CORPORATION <6540> (hereafter, also "the Company") is one of four major interior and spatial design companies in Japan. It has strong expertise in commercial facilities, and in recent years has also expanded its business scope to offices, hotels, medical and nursing care facilities, and infrastructure facilities such as railway stations and airports. In all these areas, it features expertise in creating bustling places, which it gained by creating commercial facilities, and supports spatial creation in an integrated manner from research and analysis to operation, with capabilities in conception & design (design work) as well as construction as its strengths. In recent years, it has adopted "Good Ethical Company" as its slogan, pursuing new added value with consideration for people, the global environment, society, and local communities.

1. Overview of 1H FY12/26 results

In 1H FY12/26 consolidated results, net sales fell 3.9% year on year (YoY) to ¥15,112mn, operating income declined 48.0% to ¥616mn, ordinary income decreased 39.0% to ¥704mn, and profit attributable to owners of parent dropped 40.2% to ¥455mn, marking declines in both sales and profit. Progress against the Company's plan was generally in line with expectations. In terms of net sales, although the offices & leisure facilities, etc. field grew 44.0% to ¥6,198mn, the large-scale stores & commercial complexes field declined 31.3% to ¥4,561mn, resulting in a slight decrease companywide. In the offices & leisure facilities, etc. field, strategic sales activities such as proactive proposals in upstream processes and alliances with leading companies bore fruit, and the field grew to become the largest business field in terms of 1H net sales. In the large-scale stores & commercial complexes field, the main factor behind the decline in sales was the concentration of large-scale projects in 2H. By project, sales from the Fukuoka Airport project were recorded in the same period of the previous fiscal year, and the pullback from this was significant. Overseas, net sales increased due to factors such as continued progress on long-term, large-scale development projects in Taiwan. Gross profit declined due to the decrease in net sales and a rise in the cost of sales ratio, while SG&A expenses increased. Amid the growing scale and higher added value of projects, the Company is actively strengthening its organization and increasing personnel for future growth, and the resulting increase in personnel costs was the main factor behind the rise in SG&A expenses. As a result, operating income declined.

2. FY12/26 results outlook

For FY12/26 consolidated results, the Company forecasts net sales will rise 12.7% YoY to ¥37,000mn, operating income will grow 1.9% to ¥2,350mn, ordinary income will increase 0.0% to ¥2,350mn, and profit attributable to owners of parent will increase 5.6% to ¥1,600mn, expecting steady growth in net sales and each profit category (initial forecasts maintained). The net sales forecast for 2H alone is ¥21,887mn, indicating that net sales will be weighted toward 2H. However, the companywide order backlog at the end of 1H stood at a high level of ¥10,049mn, up 23.9% from the end of the same period of the previous fiscal year, and we at FISCO therefore believe the earnings forecasts are achievable.

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3. Growth strategy and topics

(1) Upfront investment in human resources

In recent times, although the difficulty of recruiting talent is increasing even in the spatial design industry, the Company has been actively recruiting personnel, and organizational strengthening for future growth is progressing steadily. The number of consolidated employees reached 592 at the end of 1H FY12/26, an increase of 38 from the end of the previous fiscal year. The Company reports that it is attracting diverse and distinctive talent who resonate with the strategy and the dynamic nature of the work of the Company, which has high growth potential even within the industry. Although the personnel cost ratio will rise in the short term, it is likely to be contained in the medium term because the Company is reinforcing its workforce in preparation for an increase in large-scale projects.

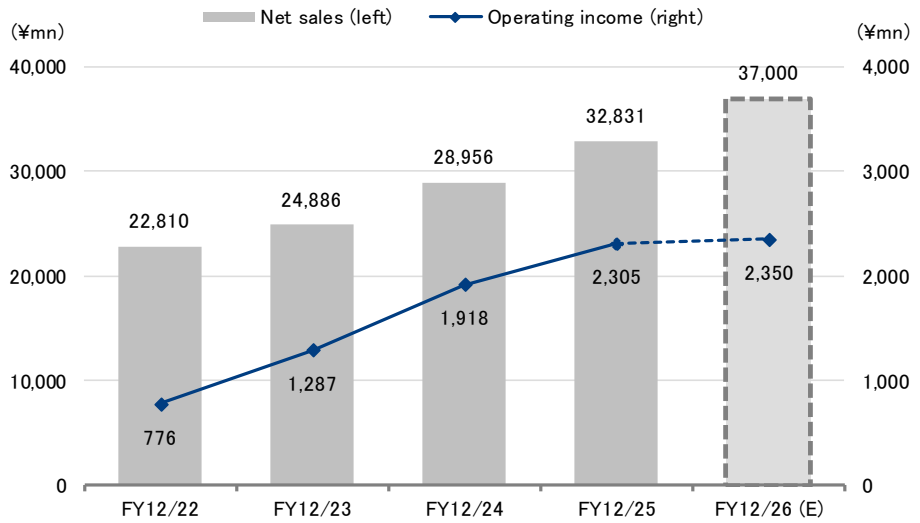
(2) Strategic alliance

In August 2026, the Company concluded a strategic business alliance with Conran Shop Japan Ltd., which operates The Conran Shop. By combining the Company's capabilities in spatial planning, design, construction, and on-site response with The Conran Shop's global brand power, product curation capabilities, and lifestyle proposal capabilities, the two companies aim to provide new value in the corporate market and expand their businesses. The two companies will make proposals that integrate spaces and products through the expansion of sales opportunities, joint proposals and joint order acquisition, and joint development of products and services.

Key Points

- In 1H FY12/26, the offices & leisure facilities, etc. field grew, but profit declined due to upfront investment in human resources
- For FY12/26, the Company maintains its forecasts of net sales of ¥37.0bn and operating income of ¥2.35bn
- Aims to expand corporate scale and improve profit margins through active growth investments (human resources, DX, alliances, etc.)

Results trends



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

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Company profile

A major interior and spatial design company that has adopted “Good Ethical Company” as its slogan

1. Company profile and history

SEMBA is one of four major interior and spatial design companies in Japan. It has strong expertise in commercial facilities, with business covering extensive ground from specialty stores to large-scale stores and shopping centers. Over the past few years, it has also expanded its business scope to fields such as offices, hotels, medical and nursing care facilities, schools, and infrastructure facilities such as railway stations and airports, and in all these areas, it features expertise in creating bustling places, which it has gained from creating commercial facilities. In recent years, it has adopted “Good Ethical Company” as its slogan, pursuing new added value with consideration for people, the global environment, society, and local communities.

The Company was founded in 1947 and began business manufacturing and selling display cases in Osaka. During the post-war economic boom, it expanded its business to interior finishing construction for stores. After that, it widened its scope to suburban shopping centers, chain stores, large-scale commercial facilities, and so forth accompanying the advance of motorization. In 1984, it established a base (already closed) in Hong Kong in step with overseas expansion by Japanese companies, embarking on business expansion in Asia. It now has bases in Taiwan, Shanghai, Singapore, Vietnam, and Malaysia. It has a track record of business with major developers including the AEON Co., Ltd. <8267> Group (representative project: AEON LakeTown in Koshigaya) and Mori Building Co., Ltd. (representative project: Azabudai Hills). It had 592 consolidated employees (at the end of 1H FY12/26). Many of them are engaged in design (about 40%) and supervision and construction management (about 30%). The Company listed on the Second Section of the Tokyo Stock Exchange (TSE) in 2016, was promoted to the First Section of the TSE in 2017, and transferred to the TSE Standard Market in 2022.

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History

Date	Outline
July 1947	Founder Shiro Kuriyama opened Kuriyama Display Case Shop to sell showcases and display fixtures (Higashi-ku, Osaka City)
February 1962	Semba Window Co., Ltd. (now SEMBA CORPORATION) established in Nihonbashi Kodenmacho, Chuo-ku, Tokyo
December 1967	Osaka Design Office (now Kansai Branch Office) opened
February 1968	Semba Window Co., Ltd. renamed SEMBA CORPORATION, head office relocated to Yaesu, Tokyo
September 1968	Tempo Sobi Co., Ltd. established
March 1971	Sapporo Sales Office (now Hokkaido Branch Office) opened
January 1974	Sendai Branch Office (now Tohoku Branch Office) opened
April 1974	Fukuoka Design Office (now Kyushu Branch Office) opened
June 1974	Tempo Sobi Co., Ltd. renamed Semba Sobi Industry Co., Ltd.
September 1980	Nagoya Branch Office (now Chubu Branch Office) opened
August 1984	Hong Kong Semba Ltd. established (now closed)
January 1985	Semba Sobi Industry Co., Ltd. renamed Sobi Kogyo Co., Ltd.
November 1987	TAIWAN SEMBA CO., LTD. established (now a consolidated subsidiary)
July 1989	Sobi Kogyo Co., Ltd. renamed Sobi Corporation (now a consolidated subsidiary)
April 1990	SEMBA SINGAPORE PTE. LTD. established (now a consolidated subsidiary)
November 1991	SEMBA's Izumo Industrial Complex (now Sobi Corporation's Izumo Factory) completed
April 2005	Nonscale Corporation established
September 2006	SEMBA (SHANGHAI) CO., LTD. established (now a consolidated subsidiary)
March 2013	SEMBA VIETNAM CO., LTD. established (now a consolidated subsidiary)
May 2013	Nonscale Corporation Taipei Office established
December 2016	Listed on Second Section of TSE
December 2017	Reassigned to First Section of TSE
April 2019	SEMBA MALAYSIA DESIGN & CONSTRUCTION SDN. BHD. established
April 2022	Transferred to TSE Standard Market

Source: Prepared by FISCO from the Company's annual securities reports

2. Business description

SEMBA's sole segment is the commercial environment creation business. However, it manages operations in three market fields: specialty stores, which covers specialty goods stores, restaurants, and specialty service stores; large-scale stores & commercial complexes, which covers department stores, mass-market retail shops, commercial buildings, and shopping centers; and offices & leisure facilities, etc., which covers offices, showrooms, hotels, infrastructure facilities, educational facilities, and so forth. In terms of the composition of net sales in 1H FY12/26, the specialty stores field accounted for 28.8%, the large-scale stores & commercial complexes field for 30.2%, and the offices & leisure facilities, etc. field, which the Company is strategically developing, for 41.0%. The Company also conducts interior and spatial design business overseas, mainly in Asia, with overseas business accounting for 13.0% of net sales.

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Business overview

Providing fully integrated spatial design support from research and analysis to operation. Strong in high-value-added projects

1. Business fields and strengths

With a focus on commercial facilities, SEMBA is capable of undertaking the entire interior design process in an integrated fashion. Although its mainstays are design, supervision, and construction, it also actively handles the upstream processes that precede them (marketing research and analysis, planning and concept development, and basic concept and master planning). In upstream processes, its strengths include the ability to make proactive proposals based on clients' management strategies and the conceptual capabilities to give concrete form to spatial concepts. On the sales front, it conducts agile and speedy sales activities by forming sales teams that transcend job categories. In design, its strength lies in design capabilities that create harmony between people, neighborhoods, and the natural environment. In supervision and construction, its strength lies in construction capabilities that ensure quality. Today, it also handles advanced office spaces, hotels, public infrastructure, and so forth, and provides fully integrated spatial design support, leveraging its expertise in creating bustling places, which it has gained from creating commercial facilities, and its extensive track record in high-value-added projects such as ethical and luxury projects.

2. Spatial design market trends

The spatial design market consists of two core domains, event/exhibition-related applications and architectural interior solutions. The Company's primary focus is on the field of architectural interior solutions. Key growth drivers include new construction and renovation projects aimed at elevating brand presence and foot traffic in hotels and global retail spaces, office renovation initiatives to improve workplace environments, and the hosting of international events. The market in 2026 will see a pullback from the special demand generated by EXPO 2025 Osaka, Kansai, Japan, but the impact on the Company will be small because it did not have many Expo-related projects. In the offices field, there is a trend toward active investment in office relocations and workplace environment improvements from the perspective of corporate branding driven by aggressive recruitment amid labor shortages and the retention of talented employees.

3. Productivity improvement through the promotion of BIM

In recent years, the Company has been actively promoting BIM* to raise operational efficiency and productivity. In particular, its use of 3D visualization has greatly helped accelerate consensus building, deepening understanding among stakeholders and saving time, thereby allowing more time for creative work. The percentage of its design personnel with basic skills in BIM reached 76% in FY12/24, and currently remains above 70%. In August 2025, the Company entered into a memorandum of understanding (MOU) on a strategic partnership with US-based Autodesk, Inc. (hereafter, "Autodesk"), a global leader in the BIM domain. Through the development of a Common Data Environment (CDE) and deployment of educational content, it is stepping up initiatives to contribute to DX promotion and BIM adoption in the interior design industry. In June 2026, looking 10 years ahead, the Company independently defined "BIM Level 5 (liberation of space)," which lies beyond the evolution of BIM, and presented a vision of the future in which not only experts but also clients and users can participate in space creation through the use of AI and data. It is pursuing a new approach to BIM-based management in which spaces are not simply "built and finished" but continue to grow and evolve based on operational data.

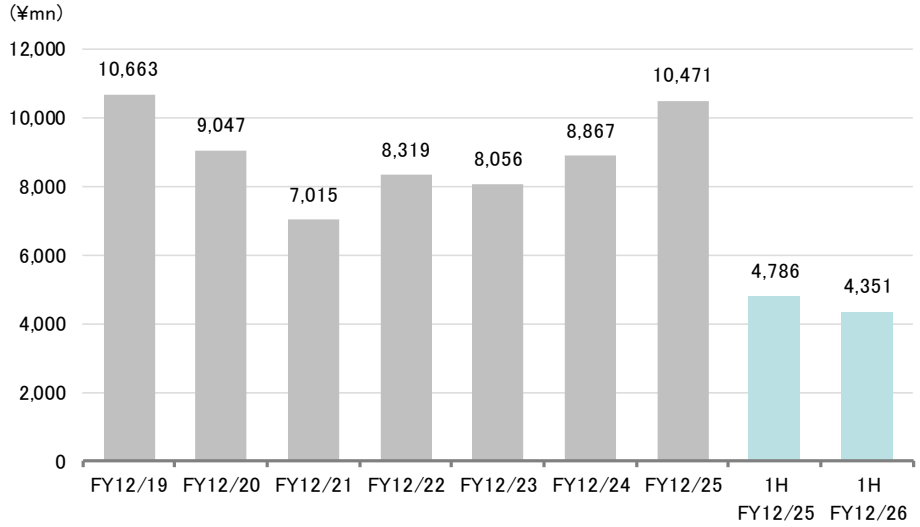
* BIM: Building Information Modeling

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4. Specialty stores field

The specialty stores field covers specialty goods stores, restaurants, specialty service stores, etc. Clients are mainly chain stores, but projects are relatively small in scale. Although the Company initially focused on apparel and other retail shops in this field with a long history, it now also has significant business in the services and food and beverage industries. Projects last about three months. Earnings declined during the Covid-19 pandemic, but have been recovering gradually since then. While the pace of recovery is somewhat slow, there is an increase in projects from client companies that seek luxurious and comfortable spaces, an area where the Company excels. As a recent example, the Company handled the interior design, planning, production, and construction for Wolfgang's Steakhouse Takanawa, a renowned restaurant originating in New York. Net sales in FY12/25 were ¥10,471mn, and in 1H FY12/26, the Company steadily secured specialty store projects, recording net sales of ¥4,351mn, although this fell short of the ¥4,786mn recorded in the same period of the previous fiscal year, when sales were strong.

Specialty stores field: Net sales trends



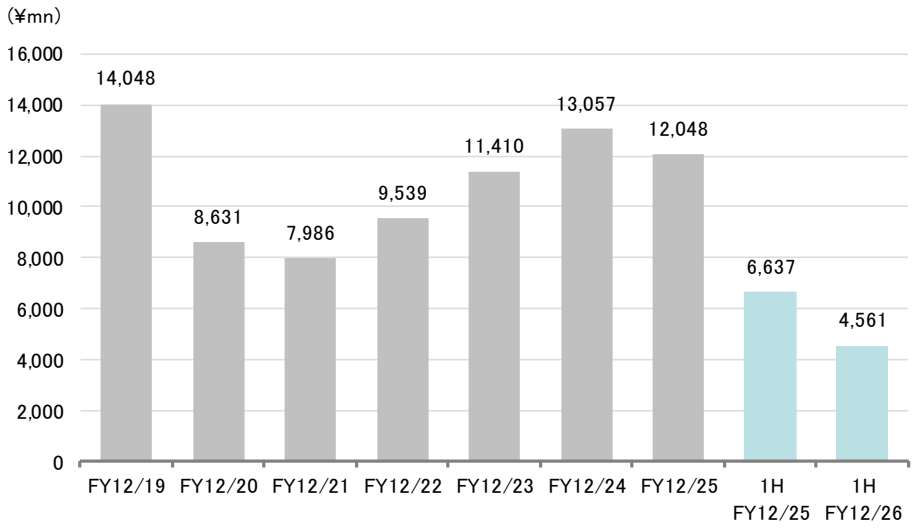
Source: Prepared by FISCO from the Company's results briefing materials

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5. Large-scale stores & commercial complexes field

The large-scale stores & commercial complexes field covers department stores, mass-market retail shops, commercial buildings, shopping centers, etc., and accounts for a large share of net sales. Business performance slumped during the Covid-19 pandemic. However, net sales recovered from a low in FY12/21 to ¥13,057mn in FY12/24. Although net sales declined to ¥12,048mn in FY12/25, the field maintained a certain volume of sales. In this field, the Company also has a lot of business with major developers such as the AEON Group and Mitsui Fudosan <8801>. Large-scale projects take from six months to one year. In 1H FY12/26, net sales declined to ¥4,561mn (¥6,637mn in the same period of the previous fiscal year) due to the small number of new projects and the limited number of properties for which sales were recorded in 1H. The Company aims to build up projects, centered on renovation projects.

Large-scale stores & commercial complexes field: Net sales trends

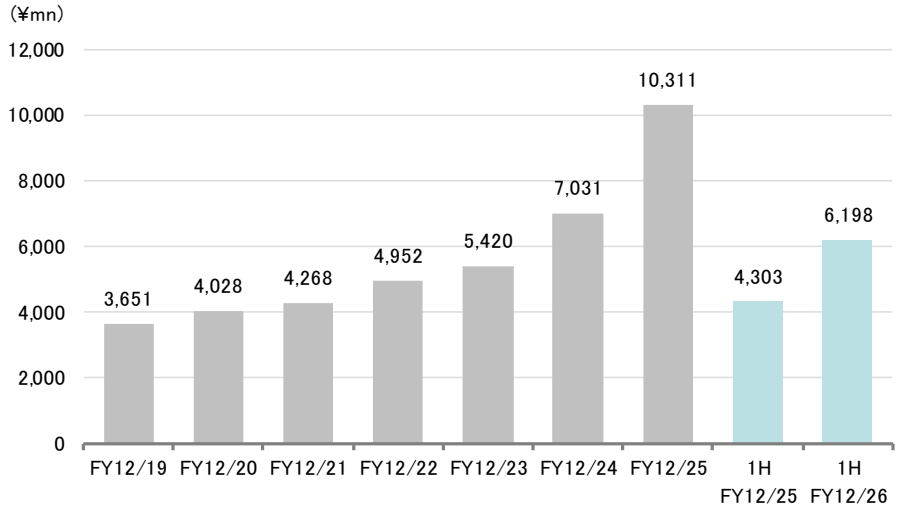


Source: Prepared by FISCO from the Company's results briefing materials

6. Offices & leisure facilities, etc. field

The offices & leisure facilities, etc. field covers offices, showrooms, hotels, infrastructure facilities, educational facilities, and so forth, and its development has accelerated following the Covid-19 pandemic, during which the commercial facility market slumped. Net sales in FY12/25 were ¥10,311mn. In 1H FY12/26, net sales grew to ¥6,198mn (from ¥4,303mn in the same period of the previous fiscal year). For offices and showrooms, continued market growth looks promising as there is strong demand for improving working environments amid worsening labor shortages. For wellbeing and hospitality, strong demand is anticipated for new and remodeling projects for hotels and infrastructure facilities such as railway stations and airports due to heightened inbound demand. For educational facilities, there are opportunities in renovation to address aging facilities and make facilities more attractive to acquire students. The Company also handles projects for leisure facilities such as golf courses. As a recent example, the Company participated in the spatial creation of KOKUYO HQ, the new head office of KOKUYO <7984>.

Offices & leisure facilities, etc. field: Net sales trends

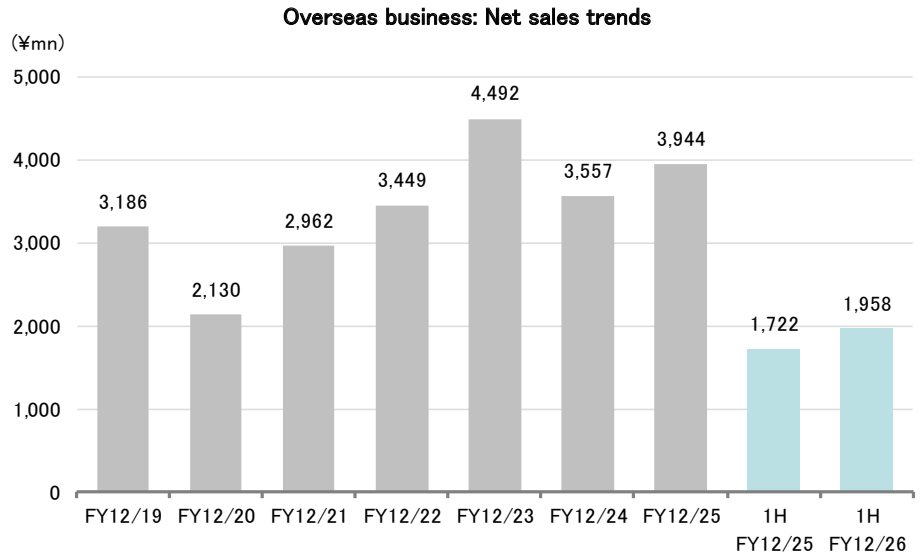


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7. Overseas business

Since embarking on overseas business in Hong Kong in the 1980s, the Company has established a track record of business in Asia. Although orders fluctuate each year, business performance has generally been expanding steadily. Net sales in FY12/25 were ¥3,944mn, and in 1H FY12/26 they increased to ¥1,958mn (¥1,722mn in the same period of the previous fiscal year), due to factors such as progress on long-term, large-scale development projects in Taiwan. By region, Taiwan accounts for the largest share of net sales, and the Company operates from five bases in Taiwan, Singapore, Shanghai, Vietnam, and Malaysia. Traditionally, the Company has expanded business overseas primarily in step with Japanese companies entering foreign markets, but it is expected to expand its business targeting local companies as well moving forward. As an example in recent years, the Company provided integrated services covering everything from research and MD planning to environmental design and construction for LaLaport TAIPEI NANGANG, the first LaLaport in Taipei City, which opened in the new city center of Taipei Nangang.



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

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8. Benchmarks in the spatial design industry

We at FISCO compared the Company's results with those of other companies in the spatial design industry in terms of sales scale, growth potential, and profitability. In terms of sales scale, there is a gap between the Company and the comprehensive players NOMURA Co., Ltd. <9716>, TANSEISHA Co., Ltd. <9743>, and SPACE CO., LTD. <9622>, but its forecast YoY sales growth rate of 12.7% for the full year surpasses the 3.3%, -0.2%, and 0.7% forecast for the three companies, respectively. Possible factors behind this include the Company's focused allocation of resources to growth fields such as the offices field and the relatively small impact of the pullback from EXPO 2025 Osaka, Kansai, Japan. In addition, its return on sales (ROS) of 6.4% is slightly below the 8.0%, 7.5%, and 7.0% of the three companies, respectively, but is still at a comparable level. The periods covered are FY2/27 for NOMURA, FY1/27 for TANSEISHA, and FY12/26 for SPACE and the Company.

Results comparison for major spatial design industry companies

(¥mn)

	Sales scale Full-year forecast	Growth potential (YoY) Full-year forecast	Profitability (ROS) Full-year forecast
NOMURA	168,000	3.3%	8.0%
TANSEISHA	107,000	-0.2%	7.5%
SPACE	72,000	0.7%	7.0%
The Company (SEMBA)	37,000	12.7%	6.4%

Note: The periods covered are FY2/27 for NOMURA, FY1/27 for TANSEISHA, and FY12/26 for SPACE and the Company.
Source: Prepared by FISCO from the respective companies' financial results

Results trends

In 1H FY12/26, the offices & leisure facilities, etc. field grew, but profit declined due to upfront investment in human resources

1. Overview of 1H FY12/26 results

In 1H FY12/26 consolidated results, net sales fell 3.9% YoY to ¥15,112mn, operating income declined 48.0% to ¥616mn, ordinary income decreased 39.0% to ¥704mn, and profit attributable to owners of parent dropped 40.2% to ¥455mn, marking declines in both sales and profit. Progress against the Company's plan was generally in line with expectations.

The Company's operating environment is marked by robust capital investment not only in the commercial field but also in space creation for offices, hotels, entertainment facilities, etc., driven by strong corporate performance and inbound demand, although uncertainties remain, such as greater pressure on profitability due to continued increases in personnel costs, soaring energy and raw material prices, and so forth.

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Results trends

In terms of net sales, although the offices & leisure facilities, etc. field grew 44.0% YoY to ¥6,198mn, the large-scale stores & commercial complexes field declined 31.3% to ¥4,561mn, resulting in a slight decrease companywide. In the offices & leisure facilities, etc. field, strategic sales activities such as proactive proposals in upstream processes and alliances with leading companies (KOKUYO, Mercer Japan Ltd., etc.) bore fruit, and the field grew to become the largest business field in terms of 1H net sales. In the large-scale stores & commercial complexes field, the main factor behind the decline in sales was the concentration of large-scale projects in 2H. By project, sales from the Fukuoka Airport project were recorded in the same period of the previous fiscal year, and the pullback from this was significant. Overseas, net sales rose 13.7% to ¥1,958mn, due to factors such as continued progress on long-term, large-scale development projects in Taiwan and a corporate facility project in Singapore.

Gross profit declined 10.4% YoY to ¥2,766mn due to the decrease in net sales and a rise in the cost of sales ratio. SG&A expenses increased 13.1% to ¥2,150mn. Amid the growing scale and higher added value of projects, the Company is actively strengthening its organization and increasing personnel for future growth, and the resulting increase in personnel costs was the main factor behind the rise in SG&A expenses. As a result, operating income declined 48.0%.

1H FY12/26 results

(¥mn)

	1H FY12/25		1H FY12/26		
	Results	% of net sales	Results	% of net sales	YoY
Net sales	15,727	-	15,112	-	-3.9%
Cost of sales	12,639	80.4%	12,345	81.7%	-2.3%
Gross profit	3,087	19.6%	2,766	18.3%	-10.4%
SG&A expenses	1,901	12.1%	2,150	14.2%	13.1%
Operating income	1,186	7.5%	616	4.1%	-48.0%
Ordinary income	1,155	7.3%	704	4.7%	-39.0%
Profit attributable to owners of parent	761	4.8%	455	3.0%	-40.2%

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

Debt-free operations with high stability and an equity ratio of 65.4%. Sufficient capacity for M&A as well

2. Financial position and management indicators

Total assets decreased to ¥21,658mn at the end of 1H FY12/26, down ¥480mn from the end of the previous fiscal year. Looking at the main components, current assets declined ¥716mn, mainly because accounts receivable - trade decreased ¥4,288mn, which more than offset increases of ¥3,039mn in cash and deposits and ¥593mn in inventories. Non-current assets increased ¥236mn, due to factors such as an increase in property, plant and equipment. The balance of cash and deposits was ¥12,779mn.

Total liabilities were ¥7,487mn, down ¥60mn from the end of the previous fiscal year. Looking at the main components, current liabilities increased ¥6mn, mainly reflecting a ¥707mn decrease in trade payables (notes and accounts payable - trade, electronically recorded obligations - operating) and a ¥658mn increase in contract liabilities. Non-current liabilities decreased ¥67mn, mainly reflecting a decrease in long-term accounts payable - other. The Company has no interest-bearing debt and operates debt-free. Net assets declined ¥419mn to ¥14,170mn. The primary factor was dividends of surplus (¥810mn), despite the recording of profit attributable to owners of parent of ¥455mn.

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In management indicators, the current ratio of 268.7% (279.0% at the end of the previous fiscal year) and shareholders' equity ratio of 65.4% (65.9%) show that the Company maintains high stability. In terms of profitability and efficiency, FY12/25 results were ROE of 10.7% (11.6% in the previous fiscal year), ROA of 10.3%, and ROS of 7.0%, with ROE remaining above 10%. The Company's highly stable and profitable business model is reflected in its finances. The Company appears to have sufficient capacity for investment as it develops future growth strategies, including M&A.

Consolidated balance sheets and management indicators

(¥mn)

	End-FY12/25	End-1H FY12/26	Change
Current assets	19,840	19,123	-716
Cash and deposits	9,740	12,779	3,039
Accounts receivable - trade	8,760	4,472	-4,288
Non-current assets	2,298	2,534	236
Total assets	22,138	21,658	-480
Current liabilities	7,110	7,116	6
Trade payables	5,150	4,443	-707
Contract liabilities	588	1,246	658
Non-current liabilities	438	371	-67
Total liabilities	7,548	7,487	-60
Total net assets	14,589	14,170	-419
Total liabilities and net assets	22,138	21,658	-480
<Stability>			
Current ratio (current assets ÷ current liabilities)	279.0%	268.7%	-10.3pp
Equity ratio (shareholders' equity ÷ total assets)	65.9%	65.4%	-0.5pp

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

Outlook

For FY12/26, the Company maintains its forecasts of net sales of ¥37.0bn and operating income of ¥2.35bn

For FY12/26 consolidated results, the Company has maintained its initial forecasts, expecting steady growth in net sales and each profit category, with net sales rising 12.7% YoY to ¥37,000mn, operating income growing 1.9% to ¥2,350mn, ordinary income increasing 0.0% to ¥2,350mn, and profit attributable to owners of parent increasing 5.6% to ¥1,600mn.

In the Company's operating environment, investment is expected to remain steady across a wide range of spaces, including not only the commercial field but also offices and leisure facilities, etc. In particular, companies are increasingly seeking to strengthen their branding for the purpose of aggressive recruitment amid labor shortages and the retention of talented employees, and active investment in office relocations and improvements to workplace environments is expected.

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Outlook

The Company forecasts net sales growth of 12.7% YoY, underpinned by robust demand. In the second year of the medium-term management plan, the Company is working on key initiatives. The themes “build a fan base as a Good Ethical Company” aimed at expanding orders by strengthening relationships with clients and partners, “expand service fields and enhance value proposition” entailing clearly transforming tasks yet to be successfully converted to value into services providing added value, and “delve deeper into the global market” looking to strong growth potential in the Asian market will probably be key to sales growth. By field, performance is expected to benefit from robust performance in the offices & leisure facilities, etc. field. The net sales forecast for 2H alone is ¥21,887mn, indicating that net sales will be weighted toward 2H. The companywide order backlog at the end of 1H FY12/26 was ¥10,049mn, up 23.9% from the end of the same period of the previous fiscal year, representing steady progress. Historically, the Company has achieved 2H net sales equivalent to at least twice the order backlog at the end of 1H (2.1 times in 2H FY12/23, 2.0 times in 2H FY12/24, and 2.1 times in 2H FY12/25). The 2H net sales forecast for FY12/26 is equivalent to 2.2 times the order backlog. A particular characteristic of FY12/26 is the large order backlog in the offices & leisure facilities, etc. field at ¥5,263mn.

The profit growth rate is expected to slow, with operating income forecast to rise 1.9% YoY and ordinary income to rise 0.0%. We at FISCO view the plan as incorporating active upfront investments and organizational strengthening aimed at medium-term growth. FISCO believes that the earnings forecasts are achievable, albeit weighted toward 2H, given the strong demand for spatial design, centered on high-value-added projects, growth in repeat customers (fans) driven by past accomplishments, etc., the upfront investment in human resources and organization made in 1H, and the high level of the order backlog at the end of 1H.

FY12/26 forecast

(¥mn)

	FY12/25		FY12/26		
	Results	% of net sales	Forecast	% of net sales	YoY
Net sales	32,831	-	37,000	-	12.7%
Operating income	2,305	7.0%	2,350	6.4%	1.9%
Ordinary income	2,349	7.2%	2,350	6.4%	0.0%
Profit attributable to owners of parent	1,515	4.6%	1,600	4.3%	5.6%

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

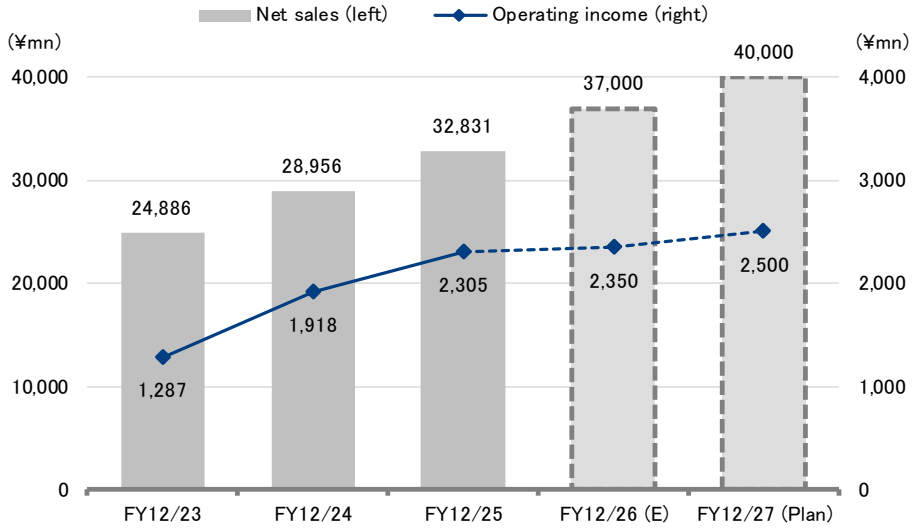
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Growth strategy and topics

Aiming to expand corporate scale and improve profit margins through active growth investments (human resources, DX, alliances, etc.)

The Company is moving forward with its Medium-term Management Plan 2027, covering the three years from FY12/25 to FY12/27. With “Create More Fun and More Fans!” as its slogan, the plan sets out to deliver high added value by focusing even more on customers. Its key initiatives are (1) attract and cultivate talent to create the future, (2) build a fan base as a Good Ethical Company, (3) expand service fields and enhance value proposition, (4) establish supply chains to support sustainable growth, and (5) delve deeper into the global market. The numerical targets for the final fiscal year, FY12/27, include net sales of ¥40.0bn, operating income of ¥2.5bn, profit attributable to owners of parent of ¥1.7bn, a dividend payout ratio of 50% or more, and ROE of 10% or more. In terms of business domains, the offices & leisure facilities, etc. field is expected to be a growth driver in the short term, while overseas markets are expected to drive growth in the medium term. Progress is steady, and upfront investments are continuing with an eye toward the period beyond the final year of the medium-term management plan.

Medium-term Management Plan 2027: Numerical targets



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

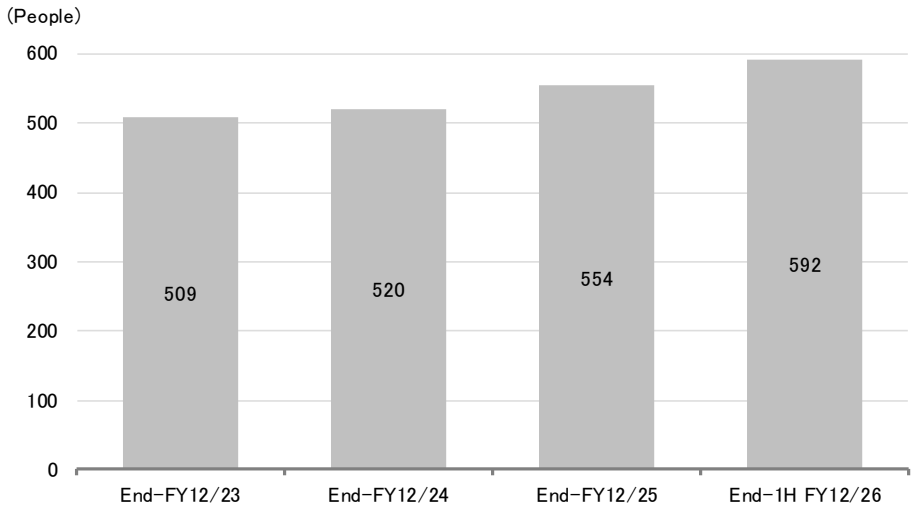
(1) Attract and cultivate talent to create the future

In recent times, although the difficulty of recruiting talent is increasing even in the spatial design industry, the Company has been actively recruiting personnel, and organizational strengthening for future growth is progressing steadily. The number of consolidated employees reached 592 at the end of 1H FY12/26, an increase of 38 from the end of the previous fiscal year. The Company reports that it is attracting diverse and distinctive talent who resonate with the strategy and the dynamic nature of the work of the Company, which has high growth potential even within the industry. Although the personnel cost ratio will rise in the short term, it is likely to be contained in the medium term because the Company is reinforcing its workforce in preparation for an increase in large-scale projects.

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As for the Company's efforts to improve recruitment activities, it has adopted a style of conducting executive interviews at an early stage (a method used by foreign-affiliated companies, among others), which reportedly leads to securing talented personnel and speeding up decision-making. Furthermore, the Company has also introduced a new personnel system for compensation. Under the new personnel system, the Company has strengthened performance linkage and transparency in evaluations and compensation, in order to realize swift business operations.

Group headcount trends



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

(2) Build a fan base as a Good Ethical Company

The Company is further developing its strengths in ethical planning capabilities, business processes, material utilization, and implementation methods, through initiatives such as the opening of the Ethical Innovation Hub, with the aim of becoming the "No. 1 ethical spatial design company in Asia." As a recent example, at the World Ocean Plastic Planning Center (PLA PLA, Karatsu City, Saga Prefecture), a facility at the forefront of efforts to address the ocean plastic problem, the Company handled everything from the planning of experiential exhibition content to design, production, and construction in an integrated manner. By upcycling discarded fishing nets for use in exhibition fixtures and elements of the spatial presentation, and combining diverse experiential content including video and dioramas, it created an exhibition space designed to encourage behavioral change in each individual visitor. In the renovation project for Gensen Itto Minamiizu at Shimogamo Onsen, the Company handled the detailed design and construction of guest rooms, the reception, the restaurant, and the large communal bath.

Gensen Itto Minamiizu



Opened: June 2026
Location: Minami-Izu Town, Kamo District, Shizuoka Prefecture
Client: SMFL MIRAI Partners Company, Limited
Scope of work: Detailed design, production, and construction
Photo: 住宅撮影.com (house-photo.com)

Source: The Company's results briefing materials

(3) Expand service fields and enhance value proposition

One of the Company's recent challenges has been the Fukuoka Airport project. The Company was responsible for the interior design, planning, production, and construction of large-scale areas of the airport (access hall, duty-free area, food hall, north concourse, paid lounges, and airline lounges), and sought to contribute to the preservation and development of culture by incorporating elements iconic to Fukuoka, such as Nakasu's streetscape, yatai food stalls, and festival floats, into the design. In March 2026, Fukuoka Airport International Terminal won the iF Design Award 2026, an international design award from Germany that is counted among the world's three major design awards.

Co-creation through networks with other creative companies is also accelerating. The Company reports that collaboration with Mercer Japan (May 2025), part of one of the world's largest organizational and human capital consulting firms, the global alliance with KOKUYO (July 2025), and the strategic alliance with US-based Autodesk (August 2025), a global leader in the BIM domain, aimed at developing a CDE and transforming business processes, are beginning to contribute to the expansion of its business scope and enhancement of its value proposition in FY12/26.

In August 2026, the Company concluded a strategic business alliance with Conran Shop Japan Ltd., which operates The Conran Shop, a home furnishing store offering a wide range of furniture, lighting, interior accessories, gifts, and original items carefully selected from around the world. By combining the Company's capabilities in spatial planning, design, construction, and on-site response with The Conran Shop's global brand power, product curation capabilities, and lifestyle proposal capabilities, the two companies aim to provide new value in the corporate market and expand their businesses. Behind the alliance is a change in the value demanded of commercial facilities, accommodation facilities, medical facilities, and the like. Interest is reportedly expanding beyond functionality and construction quality to a cohesive design concept encompassing furniture, lighting, art, accessories, and the like, as well as the experience of spending time in the space itself. The two companies will make proposals that integrate spaces and products through the expansion of sales opportunities, joint proposals and joint order acquisition, and joint development of products and services.

(4) Establish supply chains to support sustainable growth

The Company has established the Supply Chain Strategy Office and is working to expand delivery capabilities through an integrated strategy with group company Sobi Corporation. In addition to its strong networks in Kansai and Kyushu, it is also proceeding with strengthening its presence in Kanto.

(5) Delve deeper into the global market

The Company currently operates at five locations in Asia (Taiwan, Singapore, Shanghai, Vietnam, and Malaysia), and it is working to restructure its business operations by formulating medium-term management plans for each overseas subsidiary. Efforts to strengthen personnel are also proving successful, with former employees of general trading companies playing active roles as dedicated overseas staff. Because market characteristics differ by region, the Company's policy is to adapt its operations to local markets by forming teams that combine personnel who know the local market well and globally experienced personnel. For the time being, Taiwan, where the Company has a high market share, will be the mainstay, but Singapore, where project unit prices are high, and Vietnam, where the market is growing, also have potential. Furthermore, in the future, the Company will consider business expansion into major cities such as New York, Los Angeles, London, and Paris. In July 2025, the Company and KOKUYO entered into a strategic business alliance as spatial design partners for their domestic and global growth strategies, and the collaboration is expected to enable them to respond swiftly and flexibly to the increasingly sophisticated and diverse needs of office spaces. The share of overseas sales in net sales rose 2.0 percentage points (pp) YoY to 13.0% (1H FY12/26), indicating steady progress.

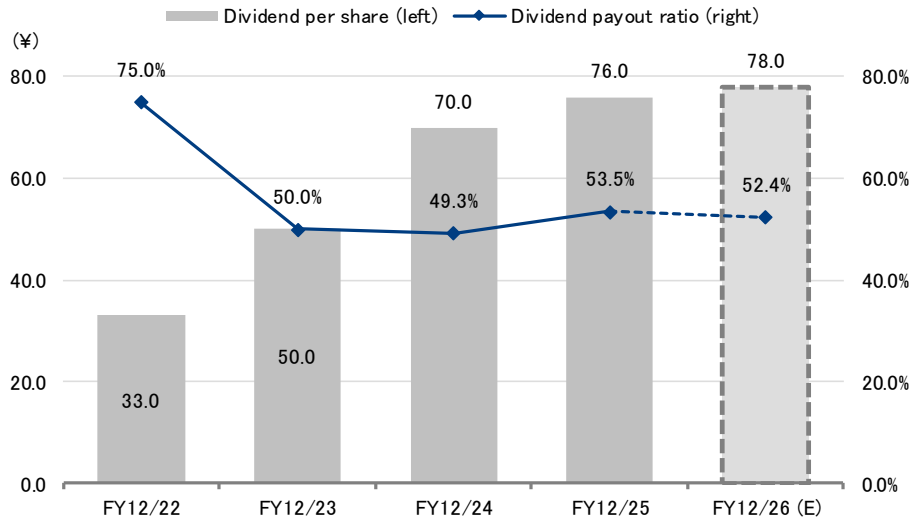
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Shareholder return policy

Annual dividend of ¥78.0 forecast for FY12/26, the sixth consecutive year of dividend increases

The Company positions returning profits to shareholders as one of its most important management priorities. Its basic policy is to pay dividends in accordance with results each fiscal year, while maintaining a balance with its financial standing and internal reserves needed for future business expansion. It also targets a dividend payout ratio of at least 50% during the period of the Medium-term Management Plan 2027. In FY12/25, it paid an annual dividend of ¥76.0 with a dividend payout ratio of 53.5%. For FY12/26, backed by a favorable earnings outlook, it forecasts an annual dividend of ¥78.0 (¥2.0 YoY increase), which would mark the sixth consecutive year of dividend increases since FY12/21, with a dividend payout ratio of 52.4%.

Dividend per share and dividend payout ratio



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

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