COMPANY RESEARCH AND ANALYSIS REPORT

FJ Next Holdings Co., Ltd.

8935

Tokyo Stock Exchange Prime Market

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Summary

Posted record-high results in FY3/26; looking to continue favorable performance in FY3/27 with a dividend increase planned

1. Company profile

FJ Next Holdings Co., Ltd. <8935> (hereafter, also "the Company") conducts its mainstay business of the development and sales of the Gala Condominium series, which is its own brand of asset management-type condominiums for single people located mainly in the center of Tokyo, and the Gala Residence series, which are condominiums for families. It also conducts a real estate management business, primarily for the properties that it has sold. It secures high occupancy rates through planning and development that are based on the residents' perspectives, such as for design features, safety, and comfort. In this way, it has increased the value of the Gala brand. The Company's results have been steadily expanding because purchase demand is also strong from individuals who feel concerned about the amount of future pension income, and who are facing issues such as inheritance tax planning. The Company's results temporarily worsened in FY3/21 under the impact of the COVID-19 pandemic, but they achieved a V-shaped recovery in FY3/22, and in FY3/24, net sales exceeded ¥100.0bn for the first time. In FY3/26, net sales reached a record high for the third consecutive year, demonstrating that the Company is still in a growth phase.

2. Overview of FY3/26 results

In the Company's FY3/26 results, net sales increased 26.6% year on year (YoY) to ¥142,374mn and operating income was up 51.8% to ¥14,402mn, with sales and profits exceeding the plan and surpassing the record-high results by a considerable margin. The number of condominium units sold in the Company's mainstay real estate development business increased to 3,878 units (up 629 units) including pre-owned condominiums. This was the most on record. The real estate management business also achieved steady growth as the Company increased the number of managed rental units. Furthermore, the construction business successfully increased the number of completed projects by a large margin amid a favorable order environment. On the profit front as well, although soaring construction costs and a higher ratio of pre-owned condominium sales weighed on margins, the dilution of fixed costs from higher net sales, coupled with rigorous profitability management, selective order intake, and other factors lifted the operating margin to 10.1% (8.4% in the previous fiscal year). A substantial increase in operating income was achieved as a result.

3. FY3/27 forecasts

For its FY3/27 results, the Company is forecasting higher sales and profits, with net sales to increase 6.8% YoY to ¥152,000mn and operating income to increase 4.2% to ¥15,000mn. The sustained growth of the real estate development business and construction business will continue to drive the increase in net sales. The Company expects 4,000 condominium units sold in the real estate development business (up 122 units). On the profit front as well, although raw material prices are anticipated to remain elevated in each segment, the Company will secure profit growth as the higher sales lift earnings. Additionally, the Company plans an annual dividend of ¥80 per share, up ¥14 from the previous fiscal year (up ¥24 versus the ordinary dividend).

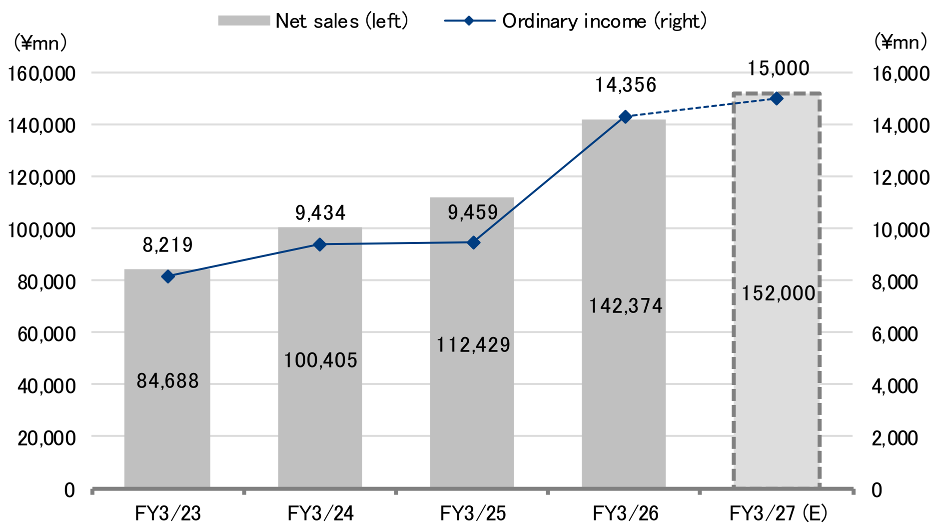
4. Growth strategy

The Company's policy is to realize sustainable growth by playing a socially significant role through its asset management-type condominium business, including by providing high-quality housing in the city center areas into which the population is returning, and providing opportunities for long-term asset management, mainly for general office workers. Despite the uncertain outlook for monetary policy and prices, rental income has been trending upwards as a whole, which has confirmed that demand for asset management-type condominiums is firmly rooted. Leveraging the strengths of its proprietary flow-and-stock business model, the Company seeks to maintain and enhance asset value while also gradually expanding its supply area from the center of Tokyo to broaden its earnings base. A considerable focus of interest will be how the Company evolves going forward as it moves into a new stage, having already exceeded ¥100.0bn in net sales.

Key Points

- Exhibited sales and profit growth that exceeded the plan to post record-high results in FY3/26
- Plans a substantial dividend increase backed by an ongoing trend of expansion in FY3/27 as well
- Leveraging the strengths of its proprietary flow-and-stock business model, the Company pushes forward with the expansion of its supply area and strengthening of its earnings base and aims for sustainable growth

Results trends



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

Company profile

Mainstay business is Gala brand asset management-type condominiums located mainly in the center of Tokyo

1. Business description

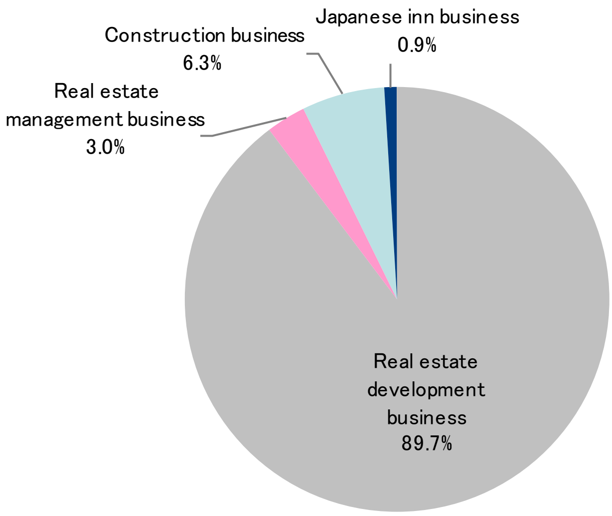
The Company's mainstay business is the development and sales of the Gala Condominium series, which are asset management-type condominiums located mainly in the center of Tokyo, and the Gala Residence series, which are condominiums for families. It also conducts a real estate management business, primarily for the properties that it has sold. It has four business segments: the real estate development business, the real estate management business, the construction business, and the Japanese inn business. The mainstay real estate development business contributes 89.7% of net sales.

Business overview by segment

Real estate development business	This business plans, develops, and conducts sub-lot sales of the studio-type condominium Gala Condominium series, which are mainly for asset management, and the family-type condominium Gala Residence series. It also conducts sub-lot sales, sales, and brokerage business for land and properties in the Izu region. It is actively working to expand purchases and sales of pre-owned condominiums. Mainly conducted by the Company's consolidated subsidiaries FJ Next Co., Ltd. and FJ Next Residential Co., Ltd.
Real estate management business	This business mainly conducts a rental building management business of its sub-lot condominiums. It is conducted by the Company's consolidated subsidiary, FJ Community Co., Ltd. Resort management operations in the Izu area in Shizuoka Prefecture are handled by Ito-Ippeki Management Services Co., Ltd., a consolidated subsidiary (second-tier subsidiary) of the Company.
Construction business	This business mainly conducts the design, construction, inspection, and renovation of condominiums and other buildings. It is conducted by the Company's consolidated subsidiary Resitec Corporation Co., Ltd.
Japanese inn business	The Japanese inn business manages the Ito Yukitei and Ito Yukitei Kawana Bettei hot spring ryokans (Japanese inns) in Ito City, Shizuoka Prefecture, the Gyokuhokan hot spring ryokan in Kawazu Town, Kamo District, Shizuoka Prefecture, and the Seiryuso hot spring ryokan in Shimoda City, Shizuoka Prefecture. Operations are conducted by the Company's consolidated subsidiary FJ Resort Management Co., Ltd.

Source: Prepared by FISCO from the Company's materials

Sales ratios by segment (FY3/26)



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

2. History

Yukiharu Hida, the Company's current Chairman, has said, "We want to support customers' asset management and increase the value of their real estate by creating high-quality living spaces that people will enjoy living in, and by building a comprehensive asset management and operation system in order to maintain asset value over the long term," while the Company's management philosophy is "Contributing to the formation of an affluent society through taking on the challenge of creating urban living spaces." Based on these philosophies, the Company was established in July 1980 as Fudo Juhan Co., Ltd.

In June 1991, the Company changed its company name to FJ Next Co., Ltd. In 1994, it launched sales of its own brand, Gala Condominium series, which are asset management-type condominiums, and its results have steadily expanded against the backdrop of growth in demand for rental properties and also demand for purchases in the Tokyo metropolitan area. In particular, the Company's results have been supported by the improvement in the trust placed in and the awareness of the Gala brand.

When the Company was listed on the JASDAQ market of the Tokyo Stock Exchange (TSE) in 2004, its credit and financial strength as a listed company, in addition to its track record of supplying properties up to that time, gave it an advantage in sales and acquisition and development, which accelerated its growth. In 2005, the Company ranked first for the first time in the number of investment condominiums supplied in the Tokyo metropolitan area (according to research by the Real Estate Economic Institute Co., Ltd.), and since then has consistently maintained a top-level ranking.* It was listed on the Second Section of the TSE in March 2007, and then upgraded to the First Section in October 2013. On October 1, 2021, with the aim of improving the corporate value of the Group, the Company transitioned to a holding company structure, and changed its corporate name to FJ Next Holdings Co., Ltd. From April 2022, the Company moved to the new TSE Prime Market. Keisuke Hida became the Company's new president in June 2024.

* In recent rankings, the Company ranked 1st for five consecutive years through 2023, and according to the latest data released in August 2025, it ranked 3rd in 2024.

Characteristics of the Company

Leveraging its position in the industry, the Company's strengths are creditworthiness, financial strength, and information volume

1. Growth model

The Company's growth model is comprised of two growth drivers: expanding the asset management-type condominium market itself and maintaining and improving its market share. In other words, to understand its growth potential, it is important to ascertain two aspects: whether the asset management-type condominium market in the Tokyo metropolitan area will develop, and how the Company will be able to demonstrate its competitive advantages considering this development. In addition, a feature of the real estate management business, which is ancillary to the main business, is that it supports profits as a recurring revenue business.

Recently, pre-owned condominium business has been expanding, driven by healthy demand. In FY3/26, the Company sold 2,885 pre-owned condominiums. In 2025, the Company marked its 45th anniversary, and with its large customer base, the Company believes after-sale follow-up services are also important, so it makes a point of communicating with customers on a regular basis. By quickly identifying customer needs such as restructuring of portfolios, and offering appropriate advice, the Company singlehandedly undertakes the sale of properties that customers wish to sell. Appropriate management by Group companies after the sale of condominiums developed by the Company maintains their asset value, and purchased pre-owned condominiums can be immediately sold without implementing special value enhancement measures. The Company's comprehensive capabilities of after-sale follow-up services and management operations that maintain condominium asset value, as well as its strong customer base, have contributed to the expansion of its pre-owned condominiums business. This is one of the Company's strengths.

The Company has also been active in the development and sale* of family-type condominiums. Its mainstay business is providing asset management-type condominiums on the assumption they will be held for the long term. However, business development into fields utilizing the management resources it has cultivated up to the present time (including its financial base and information capabilities) can be expected to improve results while also reducing risk, and thereby have the effect of adding depth to the profit structure (management stability).

* (Cumulative) supply of Gala Residence series family-type condominiums has steadily increased to 3,296 units (up to FY3/26).

2. An overview of asset management-type condominiums and their future development potential

In order to judge the future development potential of asset management-type condominiums, it is necessary to understand their mechanism, product potential, and social significance.

(1) Mechanism

The objective for asset management-type condominiums is not for the purchaser (the owner) to live in them, but to earn rental income by renting them to a third party. Therefore, securing high occupancy rates through the development of condominiums that ascertain the needs of residents, in addition to having good locations, stably generates rental income and builds the trust of the owners.

(2) The aim and merits for the owners

Many owners have been general office workers or public servants, and in most cases, they purchase with the aim of conducting asset management for the future. While securing the funds for the purchase from a home loan, generally, the monthly repayments are within the range of rental income and the owners' plan is to complete the repayments by the time they retire. Therefore, in principle, they can carry out asset management for the future from a long-term perspective without it affecting their daily lives. Also, in addition to the fact that stable rental income plays the role of a private pension in old age, another feature is that they have various other financial benefits, including substituting for life insurance by attaching group credit life insurance to the home loan and serving as an inheritance tax measure that can be expected to reduce the assessment amount. In particular, the low interest rate policy that has continued for some time, concerns about the amount of future pension income, and the need for measures to respond to inheritance tax have drawn attention to asset management-type condominiums over time. Recently, they have been attracting growing attention as a real asset resilient to inflation, and amid rising social interest in asset management, demand for asset management-type condominiums is expected to expand as an option for investment diversification.

(3) Social significance

The main customer group for asset management-type condominiums is general office workers, and the business has the social significance of providing opportunities for long-term asset management while offering high-quality rental properties in city center areas into which the population is returning. In the future also, it is forecast that the trends of an increase in the number of single-person households and the return of the population to city centers will continue. It is considered that the importance of providing infrastructure to support single persons living actively in city centers will continue to increase.

3. The Company's features (competitive advantages)

The Company boasts one of the highest numbers of units sold in the Tokyo metropolitan area, and its competitive advantages can be summarized as follows.

(1) Provides high-quality living environments based on a clear product concept

The Company is developing the asset management-type Gala Condominium series and the family-type condominium Gala Residence series as its own brands. It conducts planning and development from the perspective of residents, which has increased the value of the Gala brand, and this is demonstrated by its track record of supplying properties and high occupancy rates up to the present time. In particular, the features of its mainstay, asset management-type Gala Condominium series are entrances with a dignified feeling, and facility specifications that emphasize external appearance, safety, and comfort. The construction business divisions within the Group are responsible for construction inspections, which contributes to improving the quality of properties sold. Gala Prime Yokohama-Kannai won the National Association of Living Industries'*1 14th Excellent Project Award*2 in 2024. This is the Company's third award, following the 4th and 7th Excellent Project Awards in 2014 and 2017, respectively.

*1 This organization has 1,700 companies in Japan in the real estate industry, mainly consisting of mid-sized companies but also including listed companies. (The Company's Representative Director, Chairman and CEO Yukiharu Hida has served as this organization's third chairman since June 2025.)

*2 With the aim to promote quality housing provision and development of living environments, etc., this award is bestowed upon selected projects implemented by members of the National Association of Living Industries that excel in creativity to form good living environments through sociability, product planning, residential performance and design, as well as harmony with the townscape, surrounding environment, etc.

Gala Prime Yokohama-Kannai (a total of 199 units)

Windbreak room

Exterior of building's southwest side

Entrance approach

Entrance hall

Source: The Company's press release

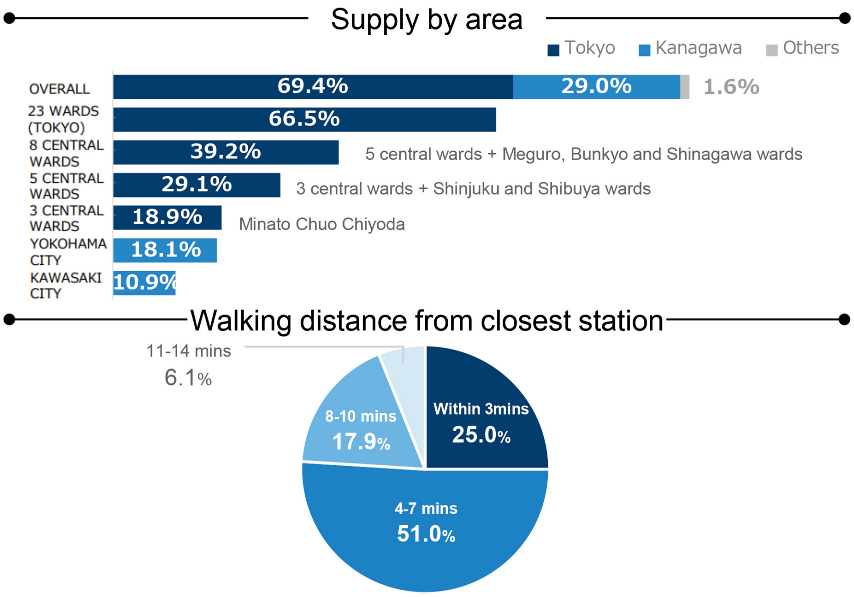
In addition, based on the expertise that the Company has cultivated for asset management-type condominiums, the features of the family-type condominium Gala Residence series are easy traffic access, a surrounding environment that is rich in amenities and convenience, and advanced design features with high basic performance. On June 12, 2025, the Company announced that it won the top award in the Quality and Price Balance category for the third consecutive year and an excellence award in the Customer Service Satisfaction category in the SUUMO AWARD (2025 Tokyo metropolitan area)* customer satisfaction rankings as selected by new condominium buyers. This demonstrates that the Company's having supplied a cumulative total of over 3,200 units and provided higher quality home building and services are winning the trust of customers. In March 2026, the Company announced the introduction of a new quality standard, Co.Da.Wa.Rism (a play on “Kodawari Sumu,” which means “Uncompromising Living” in Japanese). This is an initiative for the Company to elevate its expertise in highly flexible spatial design, meticulously detailed storage, and universal design that is easy for everyone to use to a higher standard, and incorporate it into product planning.

* Rankings for various aspects of satisfaction such as quality, price, and initiatives of condominium developers and condominium sellers compiled by Recruit Co., Ltd. based on the views of new condominium buyers in the Tokyo metropolitan area.

(2) Focuses on good locations and information capabilities

It goes without saying that the most important element in the evaluation of the asset value of rental housing is a good location. Therefore, whether a company is able to purchase land in good locations will greatly influence its competitiveness. On the other hand, there is a tendency for location information to gather in companies with a track record of results and financial strength, so there is an industry structure in which the strong become even stronger. In the case of the Company, it has industry-leading sales results, strong brand power, and a stable financial base. The Company also has a competitive advantage in terms of information capabilities, and it is considered that this is producing a virtuous circle, as it further improves the Company's sales results (it has a record of providing a cumulative total of more than 26,000 units up until now) and brand power, which in turn increases its information capabilities. The Company specializes in areas in which the need for housing is high, particularly in central Tokyo, Yokohama, and Kawasaki. In addition, it provides housing in carefully selected locations; for example, approximately 94% of its properties are within a 10-minute walk of their nearest station.

Supply areas for Gala Condominium series (As of end-FY3/26)



Source: The Company's supplementary results briefing materials

(3) High-level management expertise and extensive after-sales support

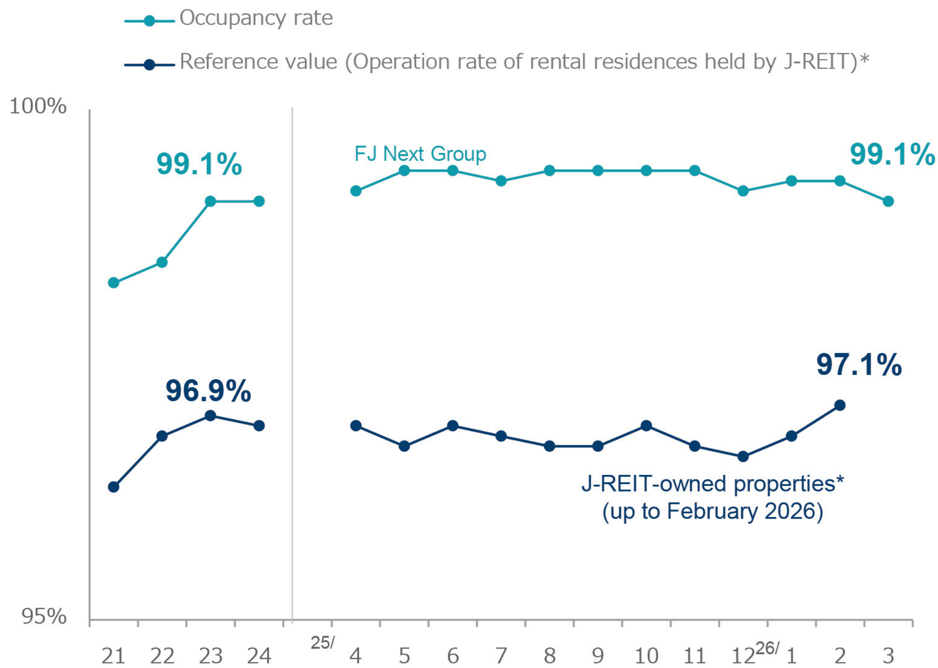
The Company's involvement in real estate management of properties it sold translates into the improvement of tenant satisfaction levels (maintaining high occupancy rates) through the maintenance of asset value and services that are useful for the residents' lives (concierge services)*1. In addition, the Company offers complete after-sales support, such as reviewing asset management plans and providing consultations on selling properties, which earns it the strong trust of owners. Looking at the results for the number of managed rental units, this number has grown steadily year by year alongside the results for the supply of its own-brand properties, and by the end of FY3/26, it had increased to 20,307 units. Meanwhile, the occupancy rates have trended stably at extremely high levels, 99.1%*2 at the end of March 2026, due to the Company's strict selection of good locations and its accumulation of management expertise. At the same time, the Company is increasing rents*3 through an appropriate management framework and efficient leasing activities. One could say that its balancing of that with high occupancy rates is another strength.

*1 Concierge services deliver home-related services and information that include house cleaning, moving arrangements, buybacks of unwanted items, and storage services through a member website, email newsletters, and other channels.

*2 For your reference, the occupancy rate for J-REIT-owned properties is 97.1% (as of February 28, 2026; Source: The Investment Trusts Association, Japan (now the Investment Management Association of Japan)), so the Company's occupancy rate is constantly above this rate.

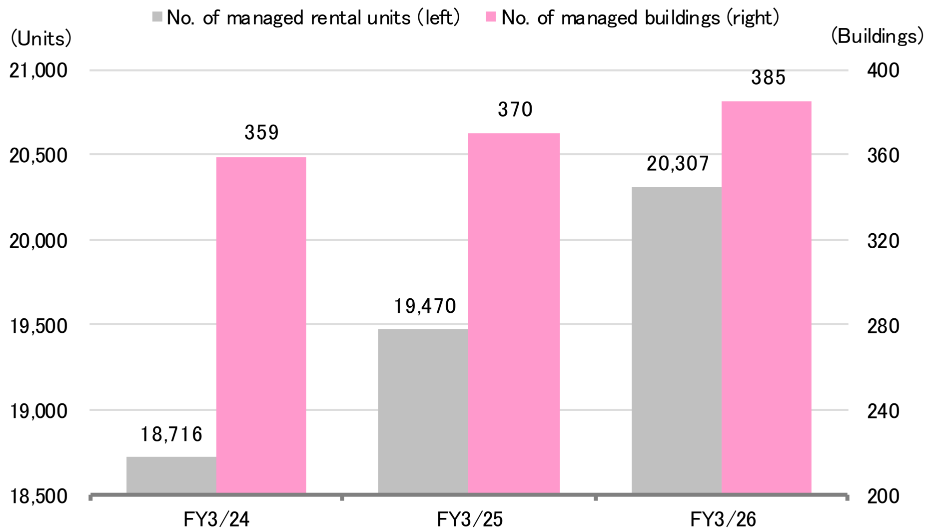
*3 The Company is realizing an increase in rents when concluding new contracts with tenants, and rents are on average ¥4,033 higher for new than old contracts according to its documents.

Occupancy rate trend for rental properties managed by the Group



* Prepared by the Company based on data from The Investment Trusts Association, Japan
Source: The Company's supplementary results briefing materials

Trend in number of managed rental units and number of managed buildings



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

The Company is also partnering with other companies to provide various added-value services for safer, more comfortable residential living. To date, this has been accomplished by introducing an electric vehicle charging service in August 2022 and an electricity plan called Gala Eleco Denki, also in August 2022. On May 27, 2024, the Company introduced MOBAKAN, a condominium management IoT service to digitize the operation of the homeowners' association. This service has been producing results. The Company has also been promoting measures to drive real estate DX. In April 2026, its consolidated subsidiary FJ Community Co., Ltd. began implementing the GMO Rental DX Tenant App, which features chat and electronic contract functions.

Examples of added-value services provided in partnership, etc. with other companies

		Partner/collaborator	Description
Installation of monitoring system with sensors for flooding and earthquakes	October 2021	Security company	Continuous monitoring system for heavy rain and earthquakes. The system works by sensors detecting flooding and earthquakes, notifying the security company, which rushes to the scene. This enables a swift initial response, and helps prevent or reduce the impact of a natural disaster on the condominium.
Services provided using out-of-hours emergency platform	April 2022	Fast Doctor, Inc.	Provides free medical diagnosis by doctors during nighttime and holidays when hospital access is difficult
Installation of electric vehicle charging service	August 2022	Terra Motors Corporation	Installation of Terra Charge, an electric vehicle charging service for condominiums
Provision of Gala Eleco Denki electricity plan	August 2022	Mitsuuroko Green Energy Co., Ltd.	Switching to the Gala Eleco Denki plan reduces the cost of electricity used in condominium common areas
Installation of condominium management IoT service MOBAKAN	May 2024	Electric Works Company, Panasonic Corporation (now Panasonic Electric Works Co., Ltd.)	Aims to reduce homeowners' workload by promoting the use of IT and digitizing the operation of the homeowners' association, and streamlining administration by going paperless
Installation of "GMO Rental DX Tenant App"	April 2026	GMO ReTech, Inc.	Enables the checking of information on the app that was previously confirmed by phone or in writing; includes the use of chat and electronic contracts

Source: Prepared by FISCO from the Company's press releases

(4) Attributes of owners and residents

Most owners are general office workers and public servants, and 59% of new customers are in their 20s to 30s (This figure becomes 86% when those in their 40s are included.). Also, even though the locations of the properties are in the Tokyo metropolitan area, the owners live throughout the country, showing that their objective for their purchase is asset management. On the other hand, the residents are often company workers in their 20s to 30s living alone, and because the properties have excellent locations, facilities, and specifications, there is strong demand for them as company housing. They are also very popular among women thanks to their high-level security and kitchen and bathroom facilities.

Industry environment

Posted record-high results in FY3/26. Investment condominiums in the Tokyo metropolitan area performing strong

1. Sales environment

The number of investment condominiums supplied in the Tokyo metropolitan area steadily grew from the second half of the 1990s to the first half of the 2000s. However, it subsequently trended downward as a succession of businesses fell into bankruptcy and withdrawal due to soaring land prices and the economic crisis triggered by the global financial crisis in 2008. However, this decline bottomed out in 2010, and since then, rental demand in the Tokyo metropolitan area has been growing against the backdrop of the increase in the number of single-person households and the return of the population to the city center*. In addition to the continuing low interest rates and concerns about the amount of future pension income, a need has emerged for measures to respond to inheritance tax. In recent years, while the overall condominium industry is headed towards an adjustment phase due to a rise in property prices, robust demand for purchases from individuals has supported a strong performance. The background to this is considered to be that as an asset management method for the future, purchasing an investment condominium can be expected to provide tax benefits and an insurance function, while also offering a sense of security as a stable source of cash flow and an investment in a tangible asset when compared to other assets, such as stocks, investment trusts and bonds. Additionally, there has been a new trend in the form of small-lot financial products starting from ¥10,000 per unit, such as crowdfunding, that have made investing easier, creating investment opportunities for younger generations and expanding the range of real estate investment.

* According to "Population, Demographics and Counts of Households Derived from Basic Resident Registration (As of January 1, 2025)" released by the Ministry of Internal Affairs and Communications in August 2025, in net migration by prefecture (in-migrants from other prefectures less out-migrants to other prefectures (excluding foreigners)), with the exception of Osaka, Tokyo and the three surrounding prefectures occupied the top rankings, so, even after the COVID-19 pandemic, there has been no change in the fact that the Company's supply area holds the top rankings. In addition, according to the Company, in demographic projections provided by the Tokyo Metropolitan Government (Statistics Division, Bureau of General Affairs), while Japan's population is decreasing overall, the population of central Tokyo (23 wards) is expected to continue increasing until 2045, centering on single-person households, and thereafter it is expected to be flat or to decrease moderately.

2. The purchase and development environment

In terms of purchases and development, as land purchase prices and construction costs remain at high levels, it has become even more important to ascertain which sites will be profitable, and it is increasingly likely that business results will be determined by the outcomes of land purchases. The Company utilizes its creditworthiness, financial strength, and abundant information capabilities, and its policy has consistently been to emphasize profitability in purchasing activities since its establishment.

3. Competitive environment

The Company's industry peers are mostly specialists in investment condominiums, with many companies that are comparatively small in scale. In this situation, the Company has achieved leading sales results in the ranking of the number of investment condominium units supplied in the Tokyo metropolitan area.

Results trends

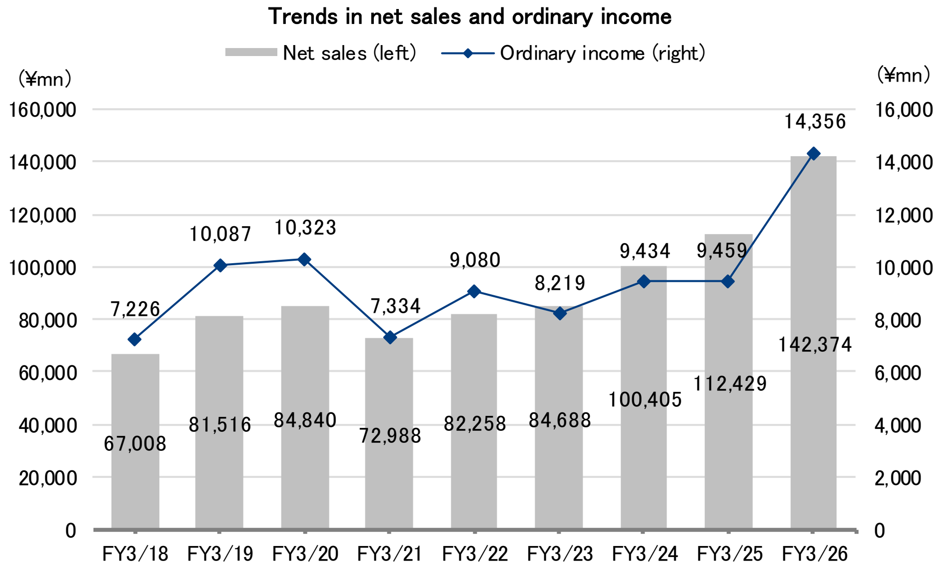
Brisk sales of asset management-type condominiums (including pre-owned condominiums)

1. Trends in past results

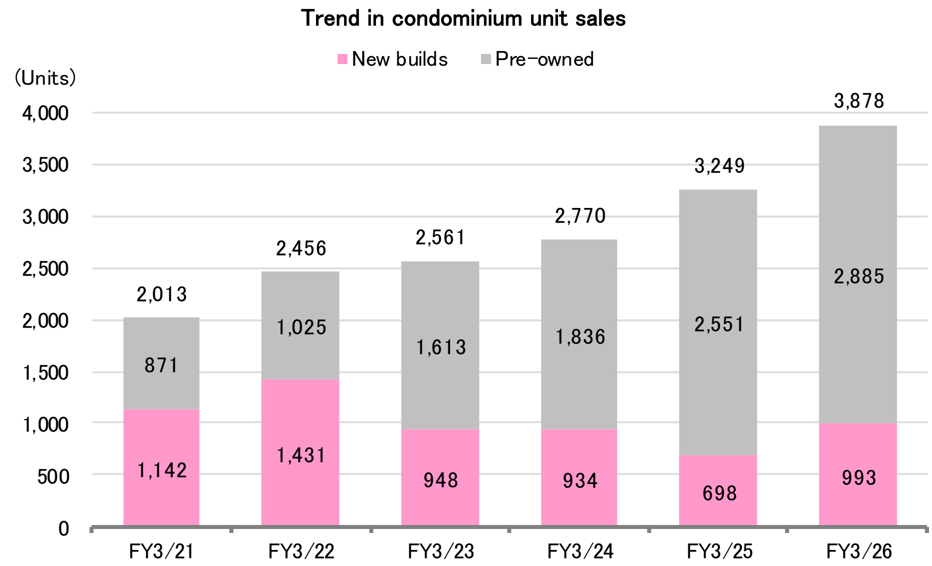
On looking back on past results, it can be said that they have trended steadily as a whole, supported by growth in rental demand and the demand for purchases of asset management-type condominiums in the Tokyo metropolitan area. The results hit bottom in FY3/09 due to the effects of the economic recession following the 2008 global financial crisis. But based on its policy of continuing to make purchases based on profitability rather than focusing only on purchasing, and steadily advancing property development, the Company was able to ride out the recession with a comparatively small decline in contrast to the real estate industry as a whole, which suffered greatly. Subsequently, its results expanded steadily alongside the economic recovery. Since FY3/16, its sales and profits have continued to increase significantly, and net sales achieved record highs for five consecutive years until FY3/20. Sales temporarily worsened in FY3/21 under the impact of the COVID-19 pandemic, but they achieved a V-shaped recovery in FY3/22. In FY3/24, net sales exceeded ¥100.0bn for the first time, and have continued to successively reach record-high net sales since then. This shows that even though the Company has built up a history, it is still in a growth phase.

Financially, the interest-bearing debt balance has increased alongside the growth in the results, but the equity ratio is also maintained at a high level due to the accumulation of internal reserves, and there are no concerns about the stability of its financial base.

Results trends

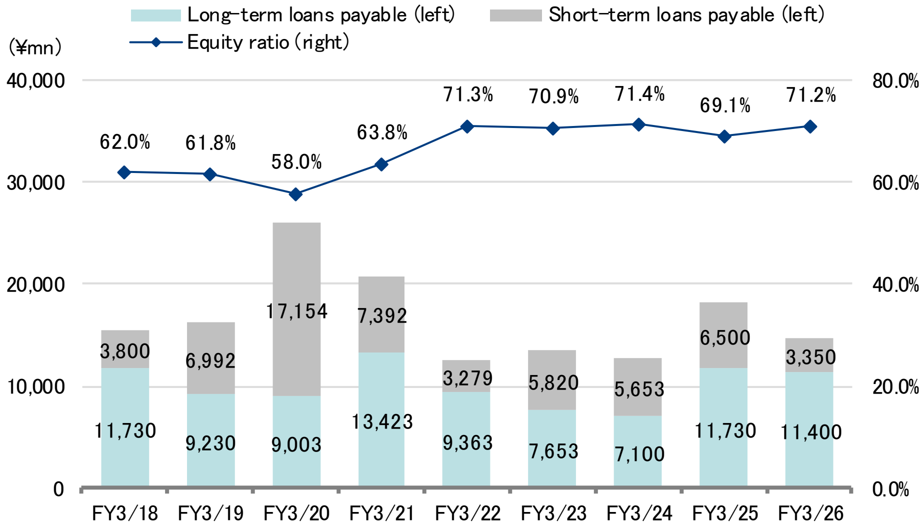


Source: Prepared by FISCO from the Company's financial results



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

Trends in interest-bearing debt and the equity ratio



Note: Short-term loans payable include long-term loans payable scheduled to be repaid within one year.
Source: Prepared by FISCO from the Company's financial results

2. Overview of FY3/26 results

In the Company's FY3/26 results, net sales improved 26.6% YoY to ¥142,374mn, operating income increased 51.8% to ¥14,402mn, ordinary income rose 51.8% to ¥14,356mn, and net income attributable to shareholders of parent company increased 54.4% to ¥10,010mn, with sales and profits exceeding the plan and surpassing the record-high results by a considerable margin.

The real estate development business's growth contributed significantly to the increase in net sales. The number of condominium units sold in the Company's mainstay real estate development business increased to 3,878 units (up 629 units YoY) including pre-owned condominiums. This was the most on record. Rental demand in the Tokyo metropolitan area remained resilient, particularly among single-person households. For purchase demand as well, growing recognition of the condominiums as an investment product capable of generating stable revenues over the long term, together with a supportive financial environment*1, kept demand for asset management-type condominiums firm. Average sales prices successfully maintained their high levels for both newly-built and pre-owned condominiums as well*2. Net sales exceeded the Company's forecast mainly because pre-owned condominium sales grew more than expected. This was supported by a vibrant overall pre-owned condominium market, the Gala brand's strong popularity, and the Company's support system and speedy purchases and resales*3. Additionally, the real estate management business also steadily expanded due to the Company increasing the number of managed rental units, among other factors. Furthermore, the construction business increased the number of completed projects (including condominium construction) by a large margin amid a favorable order environment, successfully building up its construction backlog, which will contribute to future net sales growth, by a considerable amount*4. Meanwhile, in the Japanese inn business, with travelers tending to shift to lower-priced accommodations, the occupancy rate fell short of expectations and failed to offset higher costs.

*1 While a rising interest rate environment is a factor that serves to increase the interest burden on borrowings (in cases of loan purchases), the continuation of accommodative monetary policy, rising rents, and the fact that condominiums are real assets resistant to inflation are propping up the real estate market.
*2 The average sales price for the Gala Condominium series increased 7.9% YoY to ¥31.00mn, while that for pre-owned condominiums increased 5.5% to ¥28.59mn.
*3 The Company realizes speedy purchases and resales, with it taking an average of 32.0 days to sell pre-owned condominiums (industry average of 82.5 days) in FY3/26. While the condominiums are held as inventory, lease revenue serves as a revenue source, and in FY3/26, net sales from lease revenue increased 6.0% to ¥6,543mn.
*4 The balance of construction work carried forward (condominium construction) as of the end of March 2026 had been built up to ¥16,107mn, up 58.1% from the end of the previous fiscal year.

On the profit front, although soaring purchase prices and construction costs and a higher ratio of pre-owned condominium sales weighed on margins, the effect of fixed-cost dilution from increased revenue, together with the success of large-scale projects (family-type, etc.) in the real estate development business, selective order intake in the construction business, and other factors led to an improvement in the operating margin to 10.1% (8.4% in the previous fiscal year).

Regarding inventory assets (pipeline) that will support future earnings growth, the combined balance of real estate for sale (completed condominiums) and real estate for sale in process (development land and condominiums being developed) increased substantially from the end of the previous fiscal year. This indicates that the Company has continued to acquire properties with a focus on profitability despite a challenging acquisition environment, securing a solid pipeline. For real estate for sale, the Company secured ¥25,431mn, approximately 1.5 times the level at the end of the previous fiscal year. For real estate for sale in process as well, it currently has 45 projects underway.

Looking at the Company's financial condition, total assets increased 8.0% from the end of the previous fiscal year to ¥113,869mn, owing to a significant increase in inventory assets. Meanwhile, shareholders' equity increased 11.3% to ¥81,127mn due to an increase in retained earnings, and the equity ratio rose slightly to 71.2% (69.1% at the end of the previous fiscal year). At the same time, interest-bearing debt decreased 19.1% from the end of the previous fiscal year to ¥14,750mn, and interest-bearing debt dependence* decreased to 13.0% (17.3% at the end of the previous fiscal year). Accordingly, the Company maintains financial soundness even as it increases investment aimed at future business expansion. Also, ROE, which shows capital efficiency, also improved considerably to 13.0% (9.2% at the end of the previous fiscal year), suggesting that the Company's financial condition is exceptionally good.

* Calculated as interest-bearing debt/(total liabilities + net assets) x 100

Overview of FY3/26 results

(¥mn)

	FY3/25		FY3/26		YoY		FY3/26		YoY	
	Results	% of sales/ profit margin	Results	% of sales/ profit margin	Change amount	Change (%)	Initial forecast	% of sales/ profit margin	Change amount	Change (%)
Net sales	112,429	-	142,374	-	29,944	26.6%	125,000	-	17,374	13.9%
Real estate development business	99,901	88.9%	127,725	89.7%	27,824	27.9%	-	-	-	-
Real estate management business	4,214	3.7%	4,284	3.0%	70	1.7%	-	-	-	-
Construction business	6,976	6.2%	8,988	6.3%	2,012	28.8%	-	-	-	-
Japanese inn business	1,297	1.2%	1,333	0.9%	36	2.7%	-	-	-	-
Cost of sales	91,785	81.6%	115,507	81.1%	23,722	25.8%	-	-	-	-
Gross profit	20,644	18.4%	26,866	18.9%	6,222	30.1%	-	-	-	-
SG&A expenses	11,155	9.9%	12,464	8.8%	1,309	11.7%	-	-	-	-
Operating income	9,488	8.4%	14,402	10.1%	4,914	51.8%	9,600	7.7%	4,802	50.0%
Real estate development business	7,959	8.0%	12,453	9.7%	4,494	56.5%	-	-	-	-
Real estate management business	1,201	28.5%	1,108	25.9%	-93	-7.8%	-	-	-	-
Construction business	291	4.2%	829	9.2%	538	184.1%	-	-	-	-
Japanese inn business	12	0.9%	-2	-0.2%	-14	-	-	-	-	-
Ordinary income	9,459	8.4%	14,356	10.1%	4,897	51.8%	9,600	7.7%	4,756	49.5%
Net income attributable to shareholders of parent company	6,483	5.8%	10,010	7.0%	3,527	54.4%	6,600	5.3%	3,410	51.7%
Condominium unit sales	3,249		3,878		629	19.4%	3,500	-	378	10.8%
Gala Condominium series	516		652		136	26.4%	-	-	-	-
Gala Residence series	182		341		159	87.4%	-	-	-	-
Pre-owned condominiums	2,551		2,885		334	13.1%	-	-	-	-
Balance of inventory assets	59,738		64,712		4,974	8.3%				
Real estate for sale	16,414		25,431		9,016	54.9%				
Real estate for sale in process	43,324		39,281		-4,043	-9.3%				
Total assets	105,477		113,869		8,391	8.0%				
Shareholders' equity	72,922		81,127		8,204	11.3%				
Equity ratio	69.1%		71.2%		2.1pp	-				
Interest-bearing debt	18,230		14,750		-3,480	-19.1%				
ROE	9.2%		13.0%		3.8pp	-				

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

3. FY3/27 forecasts

For its FY3/27 results, the Company is forecasting higher sales and profits, with net sales to increase 6.8% YoY to ¥152,000mn, operating income to increase 4.2% to ¥15,000mn, ordinary income to increase 4.5% to ¥15,000mn, and net income attributable to shareholders of parent company to increase 4.9% to ¥10,500mn.

The sustained growth of the real estate development business and real estate management business will continue to drive the increase in net sales. The Company expects 4,000 condominium units sold in the real estate development business (up 122 units YoY)*. In addition, the Company apparently also expects significant growth in the construction business due to the clearing of the order backlog that it steadily built up.

* Includes 343 units in the Gala Residence series.

On the profit front as well, although the likes of soaring construction costs will continue to be anticipated, the Company will secure profit growth through a boost in earnings from higher sales and thorough profitability management. The Company assumes an operating margin of 9.9% (10.1% in the previous fiscal year).

FY3/27 forecasts

(¥mn)

	FY3/26		FY3/27		YoY	
	Results	% of sales/ profit margin	Forecast	% of sales/ profit margin	Change amount	Change (%)
Net sales	142,374	-	152,000	-	9,626	6.8%
Operating income	14,402	10.1%	15,000	9.9%	598	4.2%
Ordinary income	14,356	10.1%	15,000	9.9%	644	4.5%
Net income attributable to shareholders of parent company	10,010	7.0%	10,500	6.9%	490	4.9%

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

FISCO believes the Company's net sales forecast is well within reach, although impact from things like surging raw material prices and changes in the financial environment require attention. This is because rental demand is solid in the Tokyo metropolitan area, demand for purchases including of pre-owned condominiums is firmly rooted, the Company has significantly built up its pipeline, and the construction business has secured an adequate order backlog. In addition, with regard to the Company's profit forecast, FISCO thinks it conservatively factors in higher raw material costs and other negatives. Therefore, it is possible that earnings will exceed the Company's forecasts due to stronger-than-expected sales of pre-owned condominiums as in the previous fiscal year. Our focus remains on the status of the pipeline for earnings growth from the next fiscal year onward, as well as initiatives with an eye to the future, including business alliances and M&A with other companies.

Growth strategy

Ascertaining supply and demand and moving to expand supply. Creating investment opportunities as well by applying diverse customer acquisition methods and setting up crowdfunding

The Company's growth strategy is regarded as a niche-top strategy that broadens supply from the Tokyo city center to its neighboring areas and peripheral growth areas in line with population dynamics (rental demand trends) while identifying high-demand areas in the Tokyo metropolitan area, and links expansion of the overall market to the Company's growth. Looking at this from the opposite direction, one could also view there is a growth bottleneck (constraint), in which growth is determined by market trends. Therefore, a key point for the Company, which leads its industry, would seem to be how it will promote the sound development of the asset management-type condominium market.

The Company is working to strengthen its ability to acquire new customers through in-person events and online measures. Targeting individuals with a strong interest in asset management, the Company intends to raise awareness and create customer touchpoints through independently-held real estate investment seminars and one-on-one consultations as well as collaborations with highly compatible companies and events. The Company is also expanding new customer traffic through means that include Web advertising and social media while simultaneously bolstering its efforts to disseminate information on asset management and real estate investment, and is also focusing on building ongoing points of contact.

The Company also commenced real estate crowdfunding* on May 10, 2022. Its first fund, GALA FUNDING #1, reached its goal within five minutes of its launch, demonstrating a high level of interest. The Company has since created 35 funds to date, and future developments are attracting attention as a method for creating new opportunities for investment in asset management-type condominiums.

> * A service that raises funds from multiple investors through the Internet, and conducts real estate investment using such funds. The terms at the time of accepting applications for funds currently under management were set at ¥10,000 per investment unit, with an expected distribution rate of 3% after a six-month investment period.

Crowdfunding track record

GALA FUNDING #31 (Yokohama-Kannai)	GALA FUNDING #32 (Yokohama-Kannai)	GALA FUNDING #33 (Nihonbashi-Hamacho)	GALA FUNDING #34 (Shibuya Nanpeidai)	GALA FUNDING #35 (Shirokane-Takanawa)

Amount raised: 25,900,000 yen	Amount raised: 25,900,000 yen	Amount raised: 34,160,000 yen	Amount raised: 43,890,000 yen	Amount raised: 72,800,000 yen

Estimated distribution rate	Operation period	Minimum investment	Selection method	Investment structure
3%	6 months	¥10,000	Lottery format	Priority and subordinate structure (Priority 70%, Subordinate 30%)

Note: The above are the terms and conditions at the time of offer for the fund currently under management (before operation), and are not necessarily applied to the funds scheduled to be formed in the future.

Source: The Company's supplementary results briefing materials

In addition, while focusing on asset management-type condominiums, the Company is aiming to further expand the scope of its business and acquire earning opportunities, while its policy for its family-type condominium business is to steadily accumulate a track record of results.

FISCO thinks it will be necessary to monitor the external environment from various angles, including the sharp increases in land purchase prices and construction costs and trends in prices and interest rates. However, the demand from residents and owners for asset management-type condominiums in the Tokyo metropolitan area is strong, and there remains sufficient room for growth in the future. Moreover, the Company has a comparatively robust business model (such as a conservative purchasing policy and financial strength, and a focus on high-quality rental housing), and a recurring revenue business (for example, rental management operations and asset management operations, including for the properties of other companies). Taking these and other factors, including the capture of growing demand for pre-owned condominiums, into account, FISCO considers the Company to have high potential for sustainable growth. In particular, the significant potential and asset value of Tokyo and its surrounding areas, which continue to develop as an international city, have the power to raise the level of the entire area down to the smallest details, as they continually transform and renew themselves—and this is undoubtedly the biggest advantage for the Company. A key focus will be how the eight-year process of increasing net sales from ¥50.0bn to ¥100.0bn will evolve to the stage of net sales reaching ¥150.0bn and then ¥200.0bn. Compared to eight years ago, there is significantly more public awareness and appreciation of asset management-type condominiums, which is reflected in the Company's growth. However, there is a major shift in the operating environment, not only in terms of changing demographics, but also diversification of consumers' lifestyles and awareness of asset formation, and new trends such as real estate DX and crowdfunding. A key point is to what extent the Company can turn these changes to its advantage. To this end, FISCO thinks that it must further pursue efforts it has accumulated to date, including initiatives aimed at increasing brand awareness (acquiring new customers), crowdfunding, and the improvement of its asset value and pioneering of marketing channels through various business alliances so it can keep its business model current. In addition, the Company's network with a wide range of owners, about 20,000 residents (mainly young people), and so forth is a valuable asset. There are expectations with regard to how it puts that to use in business plans going forward. Moreover, options such as expanding scale through M&A and business reforms probably warrant consideration. FISCO is also focusing on the strategic option of eventually bringing the Gala brand established in Tokyo and the surrounding area to major regional cities, and possibilities such as securing management resources through M&A look promising. In any case, FISCO will monitor the direction of the Company's future evolution, timing of investments, and pace of growth.

Initiatives for sustainability and information security

Promoting sustainability as a leading company

As a leading company representing its industry, the Company is actively conducting corporate social responsibility (CSR) activities and environmental measures. As one of its initiatives, it recognizes climate change as a management issue that has an impact on business continuity, and is disclosing information and conducting scenario analysis based on the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. Specifically, it is adopting various environmentally friendly equipment, including LED lighting, environmentally friendly plywood (for example, sustainable timber supplied from forests with permission for afforestation from the government of the producing country), interior materials with low formaldehyde specifications to address sick building syndrome, air conditioners that are compliant with energy-saving standards (installed as standard), water-saving toilets, and electric vehicle charging services. It is also advancing the greening of the roofs of its condominiums as part of its measures to respond to the heat island effect. Moreover, it is actively sponsoring* various environmental conservation activities.

* Support of environmental conservation activities in Akagi Nature Park (Shibukawa City, Gunma Prefecture), participation in BRING UNIFORM (promoting recycling of uniforms worn by staff engaged in the Company's condominium management operations to reduce CO_2 emissions), endorsement of the Deco-Katsu (decarbonization activities) campaign to prevent global warming, support of tree-planting activities, etc.

The Company is also implementing measures related to human capital. This includes promoting women's advancement alongside creating a comfortable working environment as part of initiatives targeting diversity (supporting workers in taking childcare leave regardless of their gender, introduction of a shortened work hours system, etc.), employee health and safety activities, and extension of the mandatory retirement age from 60 to 65.

The Company is implementing measures to strengthen information security, including the management of personal information, which is its greatest corporate social responsibility. In November 2006, it acquired ISO/IEC 27001 certification, which is the international standard for information security management systems. In addition, it is working to build a strict management system by implementing the PDCA cycle.

Shareholder returns and share price valuation

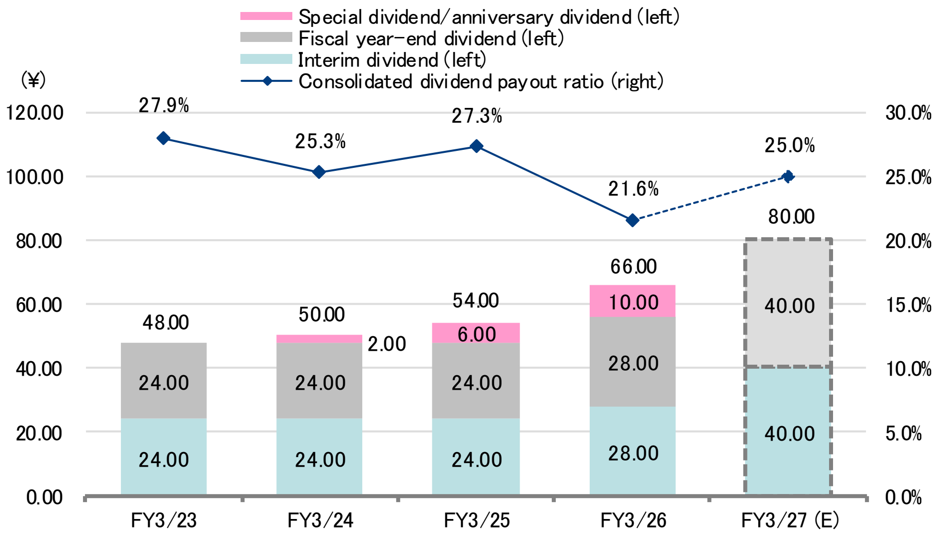
Plans annual dividend increase of ¥14 YoY, a major increase of ¥24 compared to the ordinary dividend, in FY3/27

The Company's basic shareholder return policy is to stably and continuously pay dividends according to profits after comprehensively considering various factors, including internal reserves for active business development and maintaining capital efficiency. It implements a progressive dividend policy*, increasing dividends in line with medium- to long-term profit growth.

* A policy based on maintaining or increasing dividends without reducing them.

In FY3/26, the Company paid a dividend of ¥66 per share (interim ¥28; fiscal year-end ¥28; special ¥10), a ¥12 increase YoY due to the payment of a special dividend of ¥10 since earnings exceeded plan. For FY3/27, it plans to pay a dividend of ¥80 per share (interim ¥40; fiscal year-end ¥40), an increase of ¥14 compared with the previous fiscal year and ¥24 compared with the ordinary dividend, with a projected dividend payout ratio of 25.0%. Going forward, continuous dividends in line with profit growth are expected based on the Company's relatively stable business characteristics and high profit levels.

Trends in dividend per share and consolidated dividend payout ratio



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

Also, as a measure for individual shareholders and to promote greater understanding of its Group businesses, the Company is implementing a shareholder benefits program. Benefits consist of shareholders with 1,000 or more shares as of March 31 of each year receiving vouchers (worth up to ¥60,000) that can be used at four hot spring Japanese inns managed by the Group, and shareholders who have held shares for at least three years being able to select an item from a department store gift catalog with a value of ¥5,000.

Looking at how the share price has trended over the past few years, although it reached a record high of ¥1,325 on March 23, 2021 in recognition of strong earnings even during the COVID-19 pandemic, it subsequently remained sluggish for a while at levels above ¥1,000. However, the share price hit a new record high of ¥1,948 on February 27, 2026, mainly reflecting strong earnings in the immediate term and enhanced shareholder returns. While the share price has continued to trend favorably afterwards, the closing price on May 22, 2026 was ¥1,798 with PER (forecast) and PBR (actual) halting at 5.61 times and 0.73 times, respectively. The dividend yield (forecast) is at 4.45%.

While a simple comparative analysis is not possible since there are no similar listed companies with the same growth model, the Company's current share price level still seems undervalued, given the TSE Prime Market average PER (forecast) of 17.50 times, PBR (actual) of 1.72 times, and dividend yield (forecast) of 2.35% on the same day, as well as factors that include firmly rooted demand for asset management-type condominiums in the Tokyo metropolitan area, future development potential, and the Company's relatively robust business model. Accordingly, FISCO believes that there is ample potential for further revision of the Company's share price valuations as interest in asset management-type condominiums as a long-term investment product grows and the advantages of the Company's unique business model and its sustainable growth potential become better understood.

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