COMPANY RESEARCH AND ANALYSIS REPORT

New Constructor's Network Co., Ltd.

7057

Tokyo Stock Exchange Standard Market

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Contents

Summary

FY3/26 posts higher net sales but lower profits as the impact of legal amendments persists

New Constructor's Network Co., Ltd. <7057> (hereafter, also "the Company") has commercialized advanced structural calculation services to ensure the earthquake resistance of wooden buildings. At the same time, the Company provides the SE-Structure Method, its proprietary construction system that incorporates the rigid construction method (a structural system in which the members forming the structural frame are connected by rigid joints), which has been the mainstream method for steel-framed and reinforced concrete (RC) structures, into wooden housing, in order to realize structurally verified, highly earthquake-resistant wooden buildings. The Company provides this method through its network of registered SE-Structure contractors, consisting primarily of local building contractors. The Company is also expanding the scale of its business by applying its expertise in earthquake-resistant design for wooden buildings to non-residential, large-scale wooden buildings such as kindergartens, elderly care facilities, retail stores, and offices.

1. Overview of FY3/26 results

For the FY3/26 consolidated results, net sales increased while gross profit also rose, but operating income and all profit items below it declined, with net sales of ¥8,414mn (up 3.6% year on year (YoY)), gross profit of ¥2,279mn (up 5.4%), operating income of ¥152mn (down 14.6%), ordinary income of ¥187mn (down 36.0%), and profit attributable to owners of parent of ¥144mn (down 25.2%). Compared with the downwardly revised full-year earnings forecast announced with the 3Q FY3/26 results, net sales were generally in line with the revised forecast, whereas profit fell short of the forecast for all profit items except profit attributable to owners of parent. The primary factor was the residential business, where revisions to the building confirmation application standards following amendments to the Building Standards Act caused delays in the building confirmation review process to persist longer than expected. In addition, worsening business sentiment due to inflation concerns and other factors led to a decline in customer acquisition by registered contractors, affecting the number of structural calculation shipments.

2. FY3/27 forecasts

For the FY3/27 consolidated results, the Company forecasts higher sales and profit, with net sales of ¥9,310mn (up 10.6% YoY), operating income of ¥308mn (up 102.5%), ordinary income of ¥348mn (up 85.8%), and profit attributable to owners of parent of ¥246mn (up 69.9%). Following the end of the transitional measures for wall quantity calculations for wooden houses under the Building Standards Act at the end of March 2026, the required wall quantity for conventional construction methods*1 and 2x4 construction methods*2 increased to 1.4 times the previous level from April 2026. Accordingly, the SE-Structure Method is expected to become even more advantageous, as version upgrades minimize the required wall quantity while expanding the degree of freedom in floor plan design. In addition, the increase in the order backlog for the SE-Structure Method carried over from FY3/26 and the growth in the number of registered contractors are also expected to make a significant contribution. As a result, the Company forecasts growth in SE-Structure Method shipments compared with FY3/26 and projects net sales to increase 15.0%. On the profit front, the Company expects earnings to recover from the previous fiscal year due to the increase in net sales and other factors. Although uncertainty over the supply of construction materials triggered by the situation in the Middle East remains in the construction industry, the Company stated at the time of its initial forecast that, while construction material prices were expected to rise, it did not anticipate delays in construction starts due to material shortages, and therefore did not factor this impact into its earnings forecast.

*1 A traditional construction method in which the building is supported by columns and beams, forming a structural framework of linear members.
*2 One type of platform-frame construction method in which the floor, walls, and roof act together as structural panels to support the building.

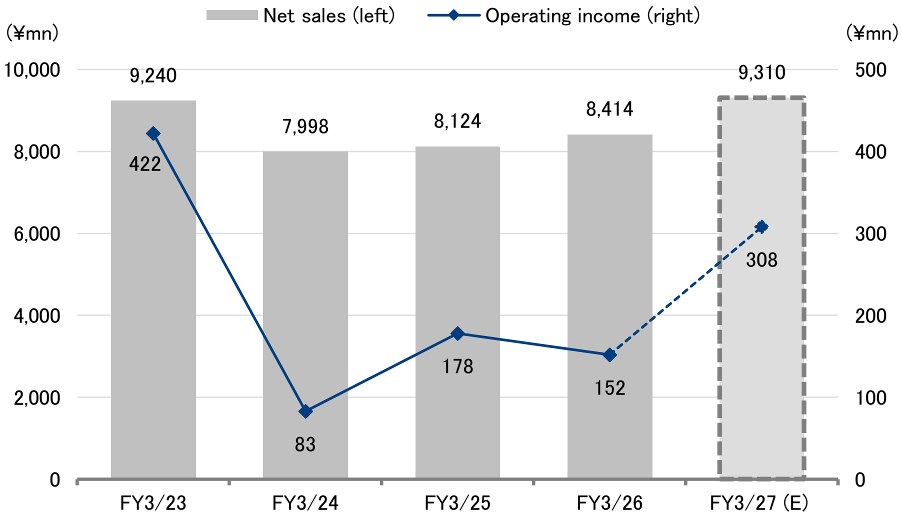
3. Future growth strategy

Regarding the new medium-term management plan, the Company plans to announce its details at an appropriate time after taking into consideration various factors, including trends in the number of new housing starts, the end of the impact of delays in building confirmation reviews resulting from the amendments to the Building Standards Act, and the uncertain situation in the Middle East. As part of its future growth strategy, in the residential field, the Company will promote sales expansion of the new version of the SE-Structure Method, SE-Structure Method Ver.3, while leveraging the legal amendments, and will strengthen the branding of "thick wooden-frame house." In the large-scale wooden buildings (non-residential) field, the Company will utilize the functions of the Large-Scale Wooden Building Network and the Medium to Large-Scale Wooden Building Support Center to identify demand for large-scale wooden buildings. In addition, it will actively pursue alliances with other companies and develop this sector into a future growth pillar. In the environmental design field, the Company will capitalize on the mandatory compliance with energy efficiency standards for all newly constructed buildings by implementing measures to expand sales through its network of registered contractors. In addition, it will pursue partnerships with major condominium resale operators and other companies targeting the growing pre-owned condominium renovation market, with the aim of capturing the trend toward improved energy efficiency in pre-owned condominiums and expanding its business.

Key Points

- Net sales increase in FY3/26, while operating income and all profit items below that level declined due to the impact of legal amendments and other factors
- The Company forecasts higher sales and profits in FY3/27, with plans to increase orders in both the residential and non-residential fields by capitalizing on the legal amendments
- Announcement of the new medium-term management plan has been postponed due to the uncertain market environment, while the Company will promote the non-residential field as a future growth pillar

Results trends



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

Company profile

Founded with the aim of promoting safe and secure wooden structures and providing homes with high asset value

The Company has commercialized advanced structural calculations to ensure the earthquake resistance of wooden buildings. It also provides the SE-Structure Method, its proprietary construction system that incorporates the rigid construction method commonly used in steel-framed and RC structures into wooden housing, through its network of registered contractors. In addition to structural design and the stable supply of materials, the Company provides one-stop solutions to resolve the problems facing contractors and design offices, from confirming the heat insulation performance of wooden housing through to arranging guarantees and insurance. The New Constructor's Network Group (hereafter, also "the Group") is a corporate group centered on the Company. It brings together the technologies field through Timber Structure Design Co., Ltd., KINO BIM Co., Ltd. (formerly MAKE HOUSE Co., Ltd., renamed in January 2026), and Suihoo Fabricating Company, the assets field through SE Home Loan Services Co., Ltd., and the lifestyles field through MUJI HOUSE Co., Ltd., YADOKARI Co., Ltd., Ichinomiya Realize Co., Ltd., N&S Development Co., Ltd., and IDÉE Universal Co., Ltd.

In the technologies field, the Company strengthened its BIM*1 business for the wooden construction industry by acquiring shares in KINO BIM from its joint venture partner and making it a wholly owned subsidiary. In addition, following the Ministry of Land, Infrastructure, Transport and Tourism's (MLIT) introduction of the principle applying BIM to all public works projects (except small-scale projects) in April 2023, the Company has strengthened its BIM support services for architectural design offices and small to mid-size general contractors handling non-residential properties. Furthermore, the Company expanded its scope of business in the large-scale wooden buildings (non-residential) field by making Suihoo Fabricating Company (with strengths in large section laminated timber*2 processing, specialized wood processing, and construction of large-scale wooden buildings) a consolidated subsidiary. In May 2023, the Company obtained a structural assessment from the Building Center of Japan for its SE-Structure Method adapted for five-story wooden buildings. Leveraging its Timber Structure Lab research facility, the Company added specifications supporting five-story wooden buildings, which had previously been difficult to accommodate under the existing specifications.

*1 BIM (Building Information Modeling) refers to a solution to construct a 3D building information model on a computer and make use of it for building construction. It is a system that enables the necessary information to be utilized in each drawing by incorporating attribute information spanning design, construction, and management and maintenance.
*2 Laminated wood: wood material made by reconstructing panels bonded with adhesive.

In the lifestyles field, in December 2019 the Company entered into a capital and business collaboration with YADOKARI. It is engaged in survey research and media management on new ways of living in the world; the planning and development of idle land and interim land through utilizing cabins and movable assets; and town-development support. In April 2022, the Company established N&S Development jointly with Sanu Inc., which offers the SANU 2nd Home subscription service. By supplying lodging buildings utilizing the SE-Structure Method to Sanu's SANU 2nd Home, the Company aims to promote the spread of wooden buildings toward the realization of a decarbonized society. In April 2024, a new product incorporating the SE-Structure Method, SANU Apartment (a lodging building set up at Sea SANU), was completed in Ichinomiya Town, Chiba Prefecture, and began operations in the same month.

The Company was established in 1996 with the aims of promoting safe and secure wooden structures and building a framework to provide homes with asset value. In the Great Hanshin-Awaji Earthquake of 1995, which occurred while current CEO & President Ikuo Takusari was employed by Nissho Iwai Corporation (currently, Sojitz <2768>), residential areas suffered devastating damage. He recognized that structural calculations were not being performed for wooden houses, which account for the majority of homes, and concluded that the fundamental problem was not the vulnerability of wooden structures but the absence of structural design. Based on this experience, New Constructor's Network was established in 1996 as a joint venture between Seven Industries <7896> and Nissho Iwai Corporation. At that time, with the cooperation of structural designer Shigeru Ban, who had worked on the Nagano Olympics Memorial Arena, the Company developed the SE-Structure Method by applying expertise from large-scale structures to general homes and promoted innovation in wooden building construction technology. The name "New Constructor's Network" originates from the concept of a network of new construction companies and symbolizes the Company's commitment to serving as the core of a network of contractors, builders, housing manufacturers, and others to address the existing issues surrounding wooden housing (namely, the practice of not performing structural calculations and rapidly declining property values).

History

Date	History
December 1996	New Constructor's Network Co., Ltd., was established as a joint venture between Seven Industries Co., Ltd., and Nissho Iwai Corporation (currently, Sojitz Corporation)
October 1997	Acquired the Minister of Construction certification under Article 38 of the Building Standards Act for the SE (Safety Engineering) Structure Method Wood Frame System Started sales of the SE-Structure Method
September 1999	Started the SE Housing Performance Guarantee System ahead of the Defects Guarantee System Opened the Osaka branch office
May 2000	Acquired the Minister of Construction certification under Article 38 of the Building Standards Act for the α–SE-Structure Method Wood Frame System (expanded eave height limits and charring-rate design)
October 2001	Acquired the Specified Constructor Business License (the Minister of Land, Infrastructure and Transport License No. 023620)
May 2002	Acquired the Minister of Land, Infrastructure and Transport certification under Article 68-26 of the Building Standards Act for the SE-Structure Method-dedicated structural calculation program
December 2003	Started providing the "thick wooden-frame house" housing brand that uses the SE-Structure Method
January 2004	Acquired an equity stake in MUJI net Co., Ltd. (currently MUJI HOUSE Co., Ltd., an equity-method affiliate), a joint venture with Ryohin Keikaku Co., Ltd., making it an affiliated company
October 2005	Acquired the Minister of Land, Infrastructure and Transport certification under Article 68-26 of the Building Standards Act for the SE-Structure Method Wood Frame system (split-level home)
September 2006	Acquired the Forestry Certified PEFC-CoC certification Started the design office franchise network business (NDN business department)
June 2008	Started the supply of framing component materials and unit rebar in the SE-Structure Method Started sales of Walk in Structure, a SE-Structure Method-dedicated design CAD
October 2010	Started the environmental design service (currently the primary energy consumption volume calculation service)
March 2012	Established SE Home Loan Services Co., Ltd., (currently an equity-method affiliate) to conduct operations including loan agency operations and the brokerage of financial instruments The SE-Structure Method Wood Frame system received a structural assessment by the Building Center of Japan
March 2013	Spun-off the design office franchise network business as NDN Co., Ltd.
June 2015	Established MAKE HOUSE Co., Ltd., (currently a consolidated subsidiary) to develop and deploy BIM solutions for the housing industry
July 2016	Acquired the resilience certification
February 2017	Absorption merger of NDN Co., Ltd.
February 2018	Relocated the Head Office to Minato Ward, Tokyo
March 2018	Acquired the Housing Lots and Buildings Transactions Business License (Governor of Tokyo License (01) No. 101790)
March 2019	Listed on the Tokyo Stock Exchange JASDAQ Standard Market
December 2019	Entered into a capital and business collaboration with YADOKARI Co., Ltd.
February 2020	Established Timber Structure Design Co., Ltd. (currently a consolidated subsidiary) as a joint venture with NET EAGLE Co., Ltd.
October 2021	Launched the industry's first Non-Residential SE-Structure Method Structural Performance Guarantee Program
April 2022	Established N&S Development Co., Ltd. (currently an equity-method affiliate) through a joint investment with Sanu Inc.
June 2022	Acquired shares of MAKE HOUSE (making it a wholly owned subsidiary)
October 2022	Acquired shares of Suihoo Fabricating Company (currently a consolidated subsidiary)
January 2023	Relocated the Head Office to Chiyoda Ward, Tokyo
May 2023	MUJI HOUSE and the Ministry of Agriculture, Forestry, and Fisheries concluded an agreement regarding greater use of wood to promote use of wood in buildings Obtained structural assessment for adapting the SE-Structure Method to five-story wooden buildings
April 2025	Obtained a new structural assessment for the SE-Structure Method
June 2025	Started sales of SE-Structure Method Ver.3
July 2025	Established the Large-Scale Wooden Building Network to address challenges related to non-residential wooden buildings
January 2026	MAKE HOUSE was renamed to KINO BIM Co., Ltd.

Source: Prepared by FISCO from the Company's securities reports, webpage, and press releases

Business overview

Establishing earthquake resistance through structural calculations and the Company's proprietary SE-Structure Method

1. The wooden-construction, earthquake-resistant design business

The Company conducts a business for advanced structural calculations to ensure the earthquake resistance of wooden buildings. At the same time, it provides its proprietary SE-Structure Method, which incorporates the rigid construction method commonly used for steel-framed and RC structures into wooden housing to realize wooden buildings with high levels of structurally calculated earthquake resistance, through a network of registered SE-Structure Method contractors (building contractors) nationwide.

(1) The residential field (the SE-Structure Method, an earthquake-resistant construction method)

In the residential field, when the registered contractor receives an order for wooden buildings with the SE-Structure Method, the Company provides structural calculation reports during the design stage. Then, it sells the processed structural parts and related products during the construction stage. The Company also receives registration fees and monthly membership fees from the registered contractors. The SE-Structure Method is a state-of-the-art wood-construction technology that realizes both robust earthquake resistance and large spaces. The wood used for the structural framework is structural laminated wood with high quality and consistent strength. The homes also have the advantage of few cross-section defects due to the use of SE hardware materials in the column base parts that connect the columns and the beams. Also, during strong earthquake tremors, pull-out resistance is improved by using column base hardware at the connection between the columns and the foundation, which is the most vulnerable part of the structure. Although the high strength of the wood and the connecting hardware is an important factor, the primary reason the SE-Structure Method provides superior earthquake resistance is that structural calculations are performed. Like steel-framed and RC structures, the SE-Structure Method employs structural calculations for wooden houses based on quantitative analysis and is sold with a guarantee, thereby providing homes with high asset value. Up until now, there have been no cases of houses incorporating the SE-Structure Method collapsing or partially collapsing due to earthquake.

a) The franchise network (residential field franchise network)

To further promote the adoption of highly earthquake-resistant wooden housing using the SE-Structure Method, the Company is aiming to strengthen efforts to secure registered contractors for its network. "Thick wooden-frame house" is the collective name for houses with high asset value built using the SE-Structure Method by "thick wooden-frame house" premium partners (selected contractors among the Company's 637 registered contractors). The Company is promoting DX (digital transformation) to harness its partnership with registered contractors, including a digital showroom on YouTube and communicating with consumers on Instagram.

b) Housing manufacturer services (OEM supply)

The Company provides the SE-Structure Method on an OEM basis to partner companies, including several major house manufacturers, that sell standardized houses. When a partner company sells a standardized house, the Company supplies structural calculation reports and sells processed structural parts and other products. "Younoie," a MUJI HOUSE model offered by equity-method affiliate MUJI HOUSE Co., Ltd., features a single-story, open-plan layout that does not require hallways. Demand is increasing for use as a second home and as villa-style accommodations, including rental vacation homes. In addition, MUJI HOUSE is engaged in a project with the Urban Renaissance Agency (UR) to promote regional revitalization through the renovation of housing complexes.

(2) The large-scale wooden buildings (non-residential) field

In the large-scale wooden buildings (non-residential) field, the Company provides the SE-Structure Method for wooden buildings with a total floor area of 500 m^2 or more. Following the enforcement of laws such as the Act for Promotion of Use of Wood in Public Buildings (October 2010) and the Act on Promotion of Use of Wood in Buildings, etc. to Contribute to the Realization of a Decarbonized Society, etc. (October 2021), demand for the construction of large-scale wooden buildings requiring structural calculations has been increasing. To meet this demand, the Company has applied its expertise in the earthquake-resistant design of wooden buildings to large-scale wooden buildings, thereby expanding the scale of its business. Compared with steel-framed and RC structures, large-scale wooden buildings are lighter in weight, enabling construction costs and construction periods to be reduced.

This business field is a growth area in which the use of wood and wood-based materials in buildings is being promoted worldwide, driven by environmental issues such as forest conservation and global warming. To further accelerate growth, the Company entered into a business collaboration with NET EAGLE Co., Ltd., the market leader in the development of CAD software for wooden pre-cut components, to engage in the structural design business for large-scale wooden buildings (non-residential), including construction methods other than the SE-Structure Method. As a result, the Company established the joint venture Timber Structure Design, in February 2020, and in October of the same year launched Japan's first large-scale wooden building matching platform connecting general contractors, design firms, and pre-cut plants. Timber Structure Design provides structural design support and processing support, while also developing production systems through the formation of a pre-cut plant network and conducting advertising and promotional activities targeting general contractors and design offices, providing a one-stop service from structural design to production design. For the structural design support, the Company proposes construction methods according to the intended use, scale, and other characteristics of each building, including the SE-Structure Method, the conventional framework construction method*1, the 2x4 construction method, laminated wood structures, and CLT*2 method. Through these proposals, it aims to expand its market share in the large-scale wooden building market. To address challenges facing the market and respond to growing demand for non-residential wooden buildings, the Company established the Large-Scale Wooden Building Network, a new organization specializing in non-residential wooden buildings, and commenced operations on July 1, 2025.

*1 Conventional framework construction method: a construction method that simplifies and further develops traditional Japanese construction methods.
*2 An artificially processed and joined wood-based building material that has strength comparable to concrete and high thermal insulation performance.

Provides energy efficiency calculation services and other solutions to enhance the asset value of residential properties

2. Others

In order to achieve its goal of "creating a mechanism to provide homes with asset value in Japan" centered primarily on the wooden-construction, earthquake-resistant design business, the Company provides a variety of services to improve the asset value of homes, including energy efficiency calculation services and long-term quality housing certification services.

(1) Energy efficiency calculation service, etc.

The Company provides various services, including energy efficiency calculation services and long-term quality housing certification services. It started providing the energy efficiency calculation service in 2010, in anticipation of the addition of primary energy consumption to the evaluation standards under the 2013 revision of the Energy Efficiency Standards for Houses and Buildings and the enforcement of the revised Building Energy Efficiency Act planned for 2020 onward. Under the revised Building Energy Efficiency Act, the obligation to explain a building's energy-saving performance was introduced in April 2021, while in April 2025, all newly constructed buildings were required to comply with the energy-saving standards.

The Company provides services not only for homes constructed using the SE-Structure Method, but also for homes constructed using other construction methods, and it is working to promote zero energy homes. Energy efficiency calculations make it possible to determine a building's heating and cooling load from design drawings before the building is constructed. This means that it is possible to confirm in advance whether a wide range of energy-saving measures will be effective. The Company supports customers in obtaining an Energy Performance Certificate for housing that includes calculation results for heat insulation performance, solar radiation shielding performance, and energy consumption using methods specified by the government, as well as explanations for customers. Additionally, it started an application support service for obtaining ZEB certification for wooden non-residential buildings.

(2) BIM (Building Information Modeling) business

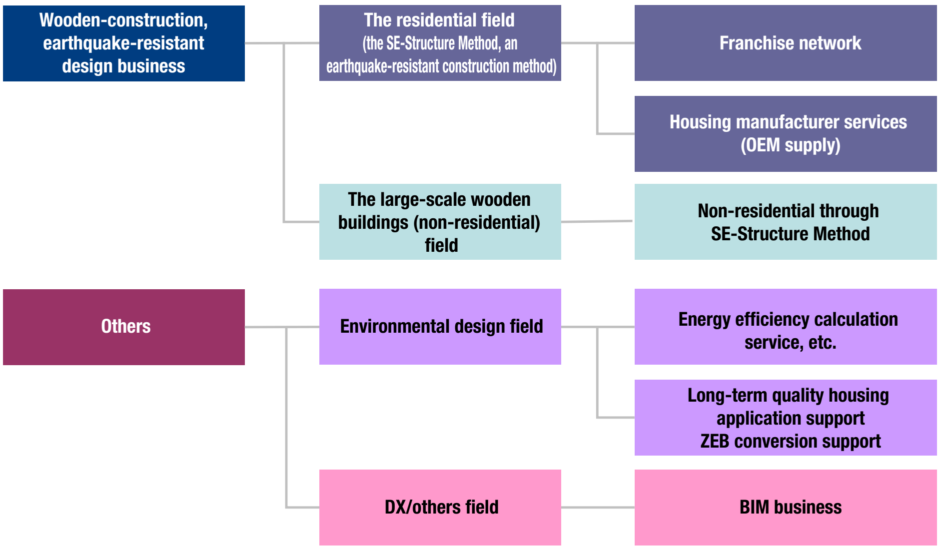
Consolidated subsidiary KINO BIM develops and sells BIM solutions that integrate data from the design through construction of wooden homes, with the aim of supplying the market with more affordable homes that have high asset value. In June 2022, the Company acquired 49% of KINO BIM shares held by PaperlessStudio Japan Inc., making it a wholly owned subsidiary.

KINO BIM promotes improvements in work efficiency and the introduction of IT utilizing BIM. In addition to BIM consulting for construction businesses, it provides BIM project outsourcing services. Other than these, it is conducting various businesses, from content production that utilizes VR (virtual reality) and MR (mixed reality) technologies, through to developing various simulations. It is also developing various tools to automate and accelerate BIM. The BIM adoption rate among general contractors in Japan had risen to as high as around 80% (as of 2018). But the BIM adoption rate in the wooden-construction field remains low and there is little data on it. Although measures to promote the mandatory adoption of BIM are progressing around the world, Japan is lagging considerably behind in this area. Amid the promotion of DX, the Japanese government is promoting the utilization of 3D data through introducing the principles of BIM. In 2D designs, it is difficult to identify clashes, but BIM makes it possible to improve the efficiency of interference checking. Furthermore, it enables the creation of construction plans that include the surrounding environment and the automation of calculations of quantities and construction costs from 3D models, bringing changes to the workstyles of both the ordering party and the party receiving the order. For the Company, whose strengths include BIM for wooden buildings, this business is expected to become one of the Company's future growth drivers.

(3) Home loan business (SE Home Loan Services)

SE Home Loan Services, an equity-method affiliate, brokers Flat 35 loans as an agent of Credit Saison <8253> and supports funding for home buyers who place orders with registered contractors. Flat 35 lowers the initial interest rate for high-quality homes with superior earthquake resistance and energy-saving performance. Together with the Company's support for high-quality homes, it provides home loans with preferential interest rates. In July 2023, the Company transferred 60% of its shareholding in SE Home Loan Services to Public Holdings Co., Ltd., which, like SE Home Loan Services, acts as an agent for Credit Saison, brokers Flat 35, and is engaged in residential financial agency services (including bank agency services and insurance services such as fire insurance). As a result, SE Home Loan Services will operate as a joint venture with Public Holdings.

The Company's businesses



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

Strengths

Unique supply chain management built around structural design

The Company provides a business platform for wooden construction companies in order to work with contractors and housing manufacturers nationwide to address societal issues in Japan, including the earthquake resistance of wooden buildings and the resale value of pre-owned wooden houses. It can accurately procure materials through the management of its own integrated supply chain that starts from structural design and covers every process, from materials procurement through to construction work. This proprietary supply chain is perhaps the Company's greatest strength.

Up to FY3/20, the Company focused on revitalizing its 550 existing registered contractors. However, as its systems and organizational structure have become more established, it has strengthened efforts to secure new registered contractors to further promote the adoption of highly earthquake-resistant wooden housing. As a result, the number of registered contractors expanded to 637 at the end of FY3/26. The Company intends to continue expanding its network of registered contractors while further strengthening its business platform, which integrates the technology field (structural calculations, construction of large-scale wooden buildings, energy efficiency calculations, and BIM) through Timber Structure Design, Suihoo Fabricating Company, and KINO BIM; the assets field by SE Home Loan Services; and the lifestyles field through MUJI HOUSE, YADOKARI, Ichinomiya Realize, and N&S Development.

Results trends

FY3/26 posts higher net sales but lower profits, while orders remained strong despite the impact of legal amendments

1. Overview of FY3/26 results

For the FY3/26 consolidated results, the Company recorded net sales of ¥8,414mn (up 3.6% year on year (YoY)), gross profit of ¥2,279mn (up 5.4%), operating income of ¥152mn (down 14.6%), ordinary income of ¥187mn (down 36.0%), and profit attributable to owners of parent of ¥144mn (down 25.2%). Although net sales and gross profit increased, profit at the operating level and below declined. Achievement rates against the forecasts revised downward in the third quarter were 97.7% for net sales (forecast of ¥8,616mn), 78.6% for operating income (forecast of ¥194mn), 87.6% for ordinary income (forecast of ¥214mn), and 109.7% for profit attributable to owners of parent (forecast of ¥132mn). Results fell below forecasts for all items other than profit attributable to owners of parent.

FY3/26 was the first fiscal year following the revision of the building confirmation application standards accompanying the amendment to the Building Standards Act. In the residential field, the Company had forecast net sales growth from increased demand for structural calculations resulting from the legal revisions, while anticipating that the time required for building confirmation applications would become longer. However, the slowdown in building confirmation reviews lasted longer than expected, while worsening business sentiment due to concerns over inflation led to a decline in customer acquisition by registered contractors, affecting the number of structural calculation shipments. On the profit side, Suihoo Fabricating Company was affected by the absence of the strong demand related to Expo 2025 Osaka, Kansai that had occurred in the previous fiscal year, and the resulting reactionary decline led to lower profit.

FY3/26 consolidated results

(¥mn)

	FY3/25 Results	FY3/26		YoY		Achievement rate
		Forecast	Results	Change amount	% change	
Net sales	8,124	8,616	8,414	289	3.6%	97.7%
Gross profit	2,163	-	2,279	115	5.4%	-
Operating income	178	194	152	-26	-14.6%	78.6%
Ordinary income	292	214	187	-105	-36.0%	87.6%
Profit attributable to owners of parent	193	132	144	-48	-25.2%	109.7%

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

2. Net sales by business segment

(1) Residential field

Net sales were ¥4,754mn (up 0.5% YoY). In terms of KPIs, structural calculation shipments declined 5.8% to 932 buildings, while SE-Structure Method shipments, which serve as the basis for structural calculation shipments, declined 6.0% to 848 buildings. However, for the SE-Structure Method, the average sales amount per building increased 6.9%. One contributing factor was the promotion of sales of "thick wooden-frame houses," the SE-Structure Method's branded housing product. As a result, the brand's average selling price increased 15.6% to ¥56.3mn, while its average floor area increased 2.4% to 139.2 m^2, lifting the average sales per SE-Structure Method building. Meanwhile, regarding the extension of the building confirmation review period from 7 days to 35 days following the legal revisions in April 2025, the Company prepared its earnings forecasts based on the expectation that the pace of shipments would slow. However, as the slowdown was more severe and prolonged than expected, an increasing number of structural calculations had been completed but could not be shipped, resulting in a growing amount of unrecognized revenue. In light of these circumstances, order intake for structural calculations itself remained solid. The unshipped orders will remain in the order backlog, which increased 108 orders YoY at the end of FY3/26. Accordingly, these orders are expected to be recognized as net sales in FY3/27. During FY3/26, the Company's nationwide network of registered contractors added 38 new members, while 22 contractors ceased operations or otherwise left the network, bringing the total number of registered contractors to 637 at the fiscal year-end, an increase of 16. As the advantages of the SE-Structure Method have become more widely recognized, the number of participating contractors has continued to increase steadily.

(2) Large-scale wooden buildings (non-residential) field

Net sales were ¥3,077mn (up 4.5% YoY). The KPI of structural calculation shipments totaled 261 buildings (up 9.2%). Of these, 183 were SE-Structure Method buildings (up 22.8%), while 78 were non-SE-Structure Method buildings handled by Timber Structure Design (down 13.3%), resulting in a higher share for the SE-Structure Method. For the SE-Structure Method, the establishment of the Large-Scale Wooden Building Network and the release of SE-Structure Method Ver.3 in FY3/26 drove an increase in the number of orders. The decline in non-SE-Structure Method projects was due to a reactionary decline following the strong performance in the previous fiscal year.

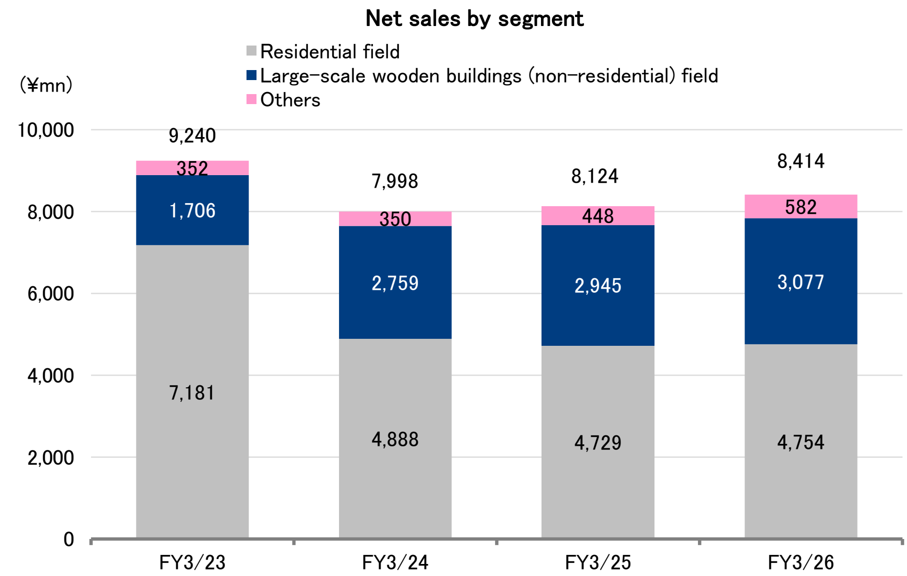
(3) Environmental design field

Net sales were ¥403mn (up 39.0% YoY). As compliance with the energy efficiency standards became mandatory for newly constructed homes (detached and multi-family housing), the number of energy efficiency calculations for detached houses rose to 1,633 buildings (up 12.3%). Following this trend, the number of energy efficiency calculations for multi-family and non-residential buildings also increased significantly, rising to 2,247 buildings (up 53.4%). The results of the energy efficiency calculation service launched in 2010 are beginning to materialize. In addition, shipments for pre-owned condominium renovation projects also increased significantly, rising to 435 buildings (up 44.5%). This was driven by the growing emphasis on improving energy efficiency of condominium renovations amid the continued high prices of newly built condominiums. Specifically, the Company has partnered with Cosmos Initia Co., Ltd. to promote the acquisition of Energy Performance Certificates for housing (ZEH* Standard / Energy Efficiency Standard) for resale properties in FY2025. In addition, following its industry-first initiative in 2025 with Mitsubishi Estate Residence Co., Ltd. to improve the energy efficiency of pre-owned condominiums through renovation, the Company plans to expand partnerships in this area with major condominium resale companies. This business is expected to continue contributing to the Company's earnings going forward.

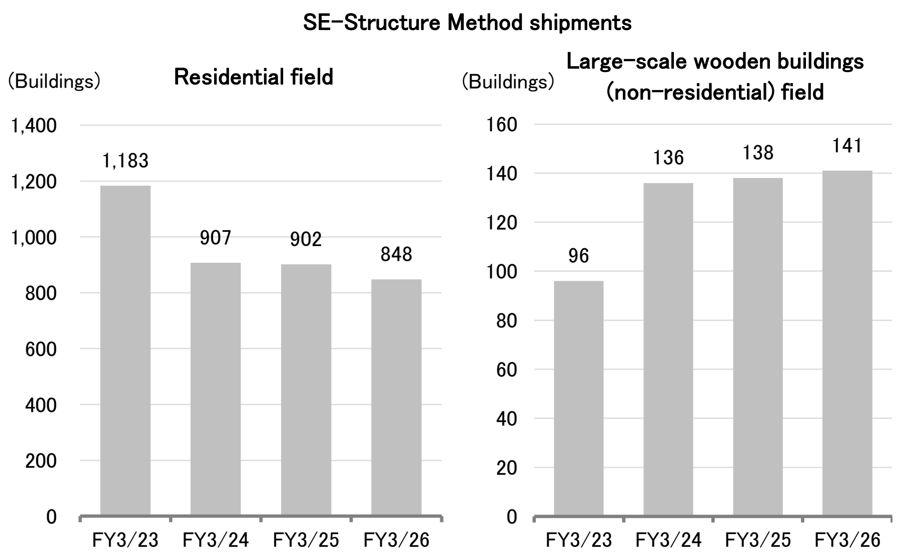
* ZEH (Net Zero Energy House): Refers to a house in which the annual balance of primary energy consumption (energy derived from natural resources such as fossil fuels, uranium, and solar energy) is net zero or negative.

(4) DX/others field

Net sales remained solid at ¥179mn (up 13.0% YoY). Subsidiary KINO BIM, which develops and provides BIM solutions for wooden construction, continued to receive strong orders for MAKE ViZ, a high-resolution architectural space simulation service that it began providing in October 2021. These orders contributed to sales growth in this field. MAKE ViZ makes it possible to generate highly detailed 3D renderings (a visualization technique) from 2D design drawings. The use of MAKE ViZ for presentation materials for high-end custom-built homes using the SE-Structure Method has increased not only among major housing manufacturers but also among regional housing manufacturers. As orders for the SE-Structure Method have increased, orders for MAKE ViZ have also risen. In addition, as the digitalization of design documents is expected to continue, the range of applications for BIM is expected to expand further.



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



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

3. Topics

(1) Cosmos Initia achieves a 37% acquisition rate for ZEH Standard / Energy Efficiency Standard certification

The Company collaborates with Cosmos Initia as a partner for energy-efficient design in INITIA&Renovation, the company's condominium renovation business. As a result of this collaboration, Cosmos Initia announced in April 2026 that the acquisition rate for Energy Performance Certificates for housing (ZEH Standard / Energy Efficiency Standard) for properties commenced in FY2025 under the business had achieved its initial target of approximately 37%. Against this backdrop, the Company joined a four-company alliance with Cosmos Initia, YKK AP Inc., and u.company inc. to promote the adoption of ZEH standards and improved energy efficiency for existing condominiums. Leveraging its expertise in energy-efficient design, the Company supported the acquisition of the Energy Efficiency Standard and ZEH Standard certifications for older properties, including those completed in 1995 and 2006, where achieving high levels of energy efficiency is particularly challenging. As the lead company in this partnership, Cosmos Initia has set a target of increasing the acquisition rate for the ZEH Standard / Energy Efficiency Standard to 60% in FY2026, and the Company will strengthen its support to help achieve this target. The growing adoption of high energy-efficiency standards in condominium renovations is expected to continue contributing to the Company's earnings.

(2) Launch of the Medium to Large-Scale Wooden Building Support Center

Beginning in FY3/27, the Company will establish a consultation service called the Medium to Large-Scale Wooden Building Support Center to provide comprehensive support for large-scale wooden construction projects. The center will support not only the SE-Structure Method, but also environmental design and architectural design through KINO BIM, as well as all types of wooden construction, including the conventional construction method and the CLT construction method. Furthermore, by leveraging the Company's experience and network, the center will provide solutions to issues and challenges related to wooden construction, including material procurement and the selection of construction companies. Through these efforts, the Company aims to increase opportunities to engage with new customers and thereby increase the number of commissioned structural design projects for large-scale non-residential wooden buildings.

Outlook

Higher sales and profit forecast for FY3/27, supported by the competitive advantages of the SE-Structure Method

1. FY3/27 forecasts

For the FY3/27 consolidated results, the Company forecasts higher sales and profit, with net sales of ¥9,310mn (up 10.6% YoY), operating income of ¥308mn (up 102.5%), ordinary income of ¥348mn (up 85.8%), and profit attributable to owners of parent of ¥246mn (up 69.9%). In the residential field, following the expiration of the transitional measures for wall quantity calculations and other requirements for wooden houses under the Building Standards Act in March 2026, the required wall quantity for the conventional construction method and the 2x4 construction method increased to 1.4 times the previous level from April 2026. As a result, the SE-Structure Method is expected to further strengthen its competitive advantage, as upgrades have minimized the required wall quantity while allowing greater flexibility in floor plan design. In addition, the increase in the SE-Structure Method order backlog carried over from FY3/26 and the growth in the number of registered contractors are expected to make significant contributions. The Company forecasts a substantial increase in SE-Structure Method shipments compared with FY3/26, and expects net sales to increase 15.0%. On the profit side, the Company expects earnings to recover from the previous fiscal year, supported by higher sales and other factors. Although uncertainty over the supply of construction materials remains in the construction industry due to the situation in the Middle East, at the time it announced its initial forecast, the Company expected that while construction material prices would increase, there would be no delays in the start of construction due to material shortages. Accordingly, the impact has not been factored into its forecast.

FY3/27 forecasts

(¥mn)

	FY3/26 Result	FY3/27 Forecast	YoY Change amount	YoY % change
Net sales	8,414	9,310	896	10.6%
Operating income	152	308	156	102.5%
Ordinary income	187	348	160	85.8%
Profit attributable to owners of parent	144	246	101	69.9%

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

2. Net sales outlook by business segment

(1) Residential field

The Company forecasts net sales of ¥5,468mn (up 15.0%) and SE-Structure Method shipments, a KPI, of 1,041 buildings (up 22.8%). The Company expects 36 new contractors to join the network of registered SE-Structure Method contractors. Backed by the enhanced competitive advantage of the SE-Structure Method following the legal revisions in April 2026, inquiries for the SE-Structure Method have remained strong, orders for structural calculations have been stable, and the number of registered contractors has continued to increase. Regarding the slowdown in building confirmation applications resulting from the series of amendments to the Building Standards Act, the Company has been working closely with designated private building confirmation and inspection bodies by carefully explaining the changes to support the normalization of the application process. It expects the situation to gradually return to normal during FY3/27. Meanwhile, the number of unshipped projects for which structural calculations had been completed increased as a result of these factors, reaching 463 buildings (up 30.4%) as of the end of FY3/26, and these projects are expected to contribute to future sales.

(2) Large-scale wooden buildings (non-residential) field

The Company forecasts net sales of ¥3,152mn (up 2.4%). It expects its KPIs to continue growing steadily following the previous fiscal year, with structural calculation shipments forecast to reach 278 buildings (up 6.5%) and SE-Structure Method shipments to reach 156 buildings (up 10.6%). Leveraging its strength in providing a one-stop total solution encompassing the entire process from structural design using the SE-Structure Method to environmental design, BIM, and construction by registered contractors, the Company plans to stimulate demand while supporting members of its steadily expanding Large-Scale Wooden Building Network, thereby increasing orders. In its first year following its establishment, FY3/26, the Large-Scale Wooden Building Network contributed to the operations of contractors involved in Sanu and MUJI HOUSE projects. It also began producing results, as referrals from contractors serving as consulting contacts became increasingly active. Furthermore, the Medium to Large-Scale Wooden Building Support Center, established in the previous fiscal year, is also expected to drive order growth by helping customers resolve challenges and uncover new demand.

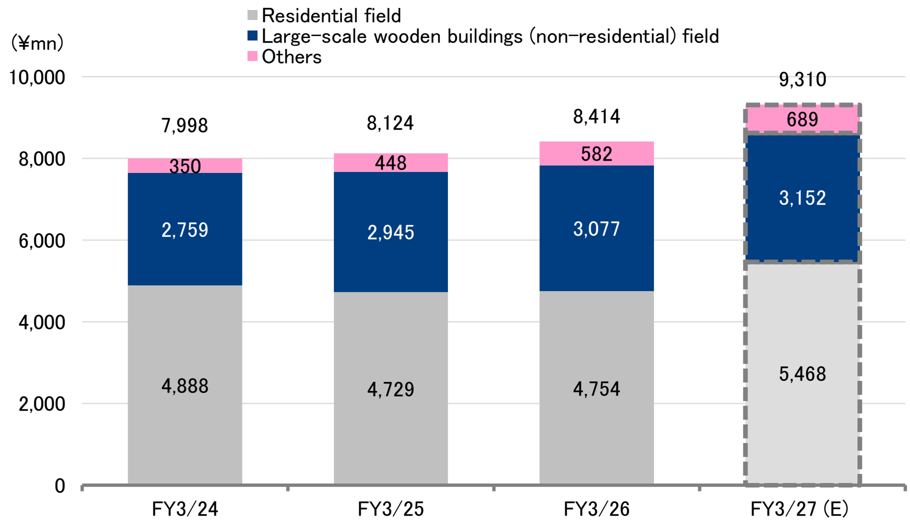
(3) Environmental design field

The Company forecasts net sales of ¥485mn (up 20.4%). It plans for its KPI, the number of energy efficiency calculations, to reach 4,750 units (up 10.1%). It expects the number of calculations for detached houses to remain at the previous fiscal year's level, while those for multi-family and non-residential buildings and renovation projects are expected to increase. In addition to newly constructed buildings subject to mandatory compliance with the energy efficiency standards, the Company aims to expand orders by capturing particularly strong demand for renovation projects.

(4) DX/others field

The Company forecasts net sales of ¥204mn (up 13.8%). In addition to continuing to promote sales of MAKE ViZ, KINO BIM's high-resolution architectural space simulation service, it will strengthen the rollout of MAKE DoC, a BIM-based service for preparing building confirmation application documents and detailed design documents in anticipation of the future digitalization of building confirmation applications.

Net sales plan by segment



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

3. Future growth strategy

The Company concluded its previous three-year medium-term management plan, which ended in FY3/26, after having planned to revise it as of the end of FY3/25 in response to sluggish housing starts. Regarding its new medium-term management plan, the Company intends to announce the details at an appropriate time after taking into consideration various factors, including trends in housing starts, the normalization of the impact of the amendments to the Building Standards Act, and the uncertain situation in the Middle East. At present, the Company's growth strategies by business field are as follows.

(1) Residential field

The Company will promote measures to expand sales of SE-Structure Method Ver.3, the latest version of the SE-Structure Method, while advancing the branding of the "thick wooden-frame house." In response to the increase in the required wall quantity resulting from the legal revisions in April 2026, the latest version of the SE-Structure Method adopts G-BOARD, a structural particle board, enabling the construction of ultra-high strength walls with a wall strength coefficient of 11.7 (compared with 2.5 for the plywood used in the conventional construction method). This makes it possible to reduce the wall quantity required for residential construction, thereby providing greater flexibility in floor plan design. For the affluent customers targeted by the Company, the SE-Structure Method, which makes it possible to create open and flexible floor plans, is a highly attractive option. By leveraging this competitive advantage and working closely with its registered contractors, the Company aims to increase the number of orders. The branding of "thick wooden-frame house" is also aligned with the Company's high-value-added strategy targeting affluent customers. Leveraging its SE-Structure Method and energy efficiency calculation services, the Company has established a strong cooperative framework with its registered contractors and plans to expand sales of homes that offer not only superior performance but also outstanding design.

(2) The large-scale wooden buildings (non-residential) field

To address the expanding market for non-residential wooden buildings, the Company will leverage the Large-Scale Wooden Building Network, which commenced operations in July 2025. With a nationwide network covering Hokkaido to Okinawa, the Company aims to uncover demand for large-scale wooden buildings across Japan and increase orders by responding promptly to customer needs. In particular, as few housing manufacturers in Japan possess the expertise required to design and construct large-scale wooden buildings, providing the Company's expertise through the Medium to Large-Scale Wooden Building Support Center and alliances with other companies is expected to create mutual benefits for both parties. The Company also intends to expand its large-scale wooden buildings (non-residential) business to the point where it accounts for more than half of net sales in the future (36.6% in FY3/26).

(3) Environmental design field

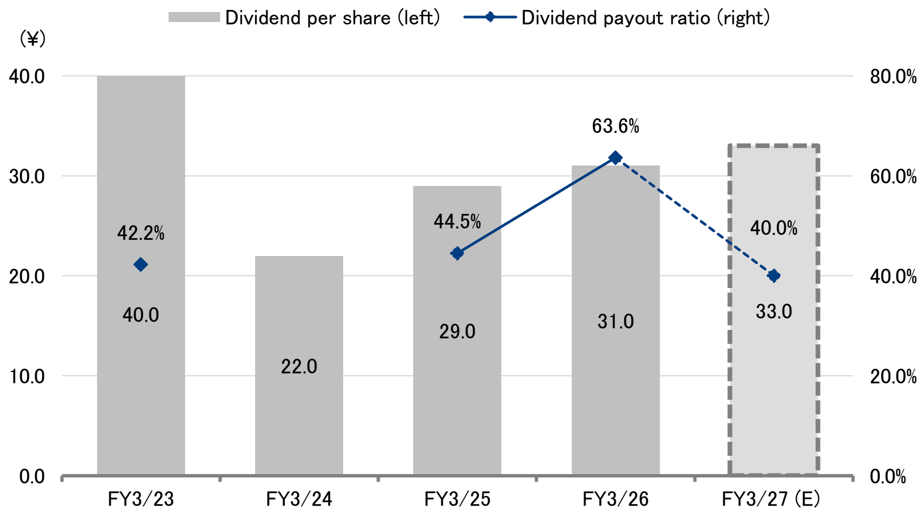
The Company will implement sales expansion initiatives through its network of registered contractors, capitalizing on the mandatory compliance with the energy efficiency standards for all newly constructed buildings, both residential and non-residential. The pre-owned condominium renovation market, in particular, is expected to achieve strong growth as prices of newly built condominiums in urban areas remain elevated. The Company has already established an early lead through partnerships with Mitsubishi Estate Residence and Cosmos Initia, and plans to further expand its alliances with major condominium resale companies. The Company aims to drive further growth in its business results by capitalizing on the growing trend toward improving the energy efficiency of pre-owned condominiums.

Shareholder return policy

Plans to pay an annual dividend of ¥33.0 per share in FY3/27

The Company considers returning profits to shareholders to be one of its most important management issues. In determining dividends, the Company's basic policy is to maintain adequate internal reserves to support its business plan and business expansion (including funding for R&D and capital expenditures necessary for growth and development), while taking into consideration the profit level and cash flow in each fiscal year, and to pay dividends continuously and stably based on a target annual consolidated dividend payout ratio of 40%. In FY3/27, it plans to pay an annual dividend of ¥33.0 per share (40.0% payout ratio).

Dividend per share and the dividend payout ratio



Note: The FY3/24 dividend payout ratio is not calculated due to the impact of profit attributable to owners of parent.
Source: Prepared by FISCO from the Company's financial results

Corporate Social Responsibility (CSR)

Promoting earthquake-resistant and energy-efficient wooden buildings while contributing to regional revitalization through corporate partnerships

The 17 Sustainable Development Goals (SDGs) have been established with 2030 as the target year for achievement. From among these goals, the Company has selected themes relevant to its business and is working toward achieving them through its business activities.

(1) Improving the earthquake resistance of wooden buildings

With the theme of improving the earthquake resistance of wooden buildings, the Company aims to achieve two SDGs. The first is to make cities and human settlements inclusive, safe, resilient, and sustainable, in line with Goal 11: Sustainable Cities and Communities. The second is to ensure sustainable consumption and production patterns, in line with Goal 12: Responsible Consumption and Production. As specific initiatives, the Company promotes its wooden-construction, earthquake-resistant design business and works to achieve 100% earthquake-resistant housing. As part of this initiative, a general incorporated association established by the Company is soliciting donations from various sources and planning projects such as seismic retrofitting of aging buildings used as children's cafeterias and cultural properties in collaboration with local governments. In particular, the Company has a proven track record in the seismic retrofitting of cultural properties, including the seismic retrofit of the birthplace of Jirocho Shimizu in 2017, and continues to receive strong interest from local governments.

(2) Increasing the wooden construction rate

With the theme of increasing the wooden construction rate, the Company aims to achieve three SDGs. The first is to contribute to Goal 9: Industry, Innovation and Infrastructure by building resilient infrastructure, promoting inclusive and sustainable industrialization, and fostering innovation. The second is to contribute to Goal 15: Life on Land by promoting the protection, restoration, and sustainable use of terrestrial ecosystems, sustainable forest management, combating desertification, halting and reversing land degradation, and halting biodiversity loss. The third is to contribute to Goal 12: Responsible Consumption and Production by ensuring sustainable consumption and production patterns. As specific initiatives, the Company cites the establishment of Timber Structure Design and the utilization of CLT.

(3) Promoting the adoption of energy-efficient homes

With the theme of promoting the adoption of energy-efficient homes, the Company aims to achieve two SDGs. The first is to contribute to Goal 7: Affordable and Clean Energy by contributing to the provision of affordable, reliable, sustainable, and modern energy services. The second is to contribute to the achievement of Goal 11: Sustainable Cities and Communities by conducting surveys of actual energy-saving conditions.

(4) Revitalizing regional communities beyond Tokyo-centric development

With the theme of shifting from Tokyo-centric development to regional revitalization, the Company is committed to achieving Goal 11: Sustainable Cities and Communities. As specific initiatives, it is promoting a capital and business alliance with YADOKARI, which conducts research into new lifestyles, in addition to collaboration with Sanu, a provider of second-home services. Through its collaboration with Sanu, the Company supplies wooden buildings using the SE-Structure Method for Sanu's facilities, and the business partnership continues to progress. Through these business collaboration initiatives, the Company utilizes forest resources and builds cooperative frameworks with local communities, going beyond the supply of wooden buildings to offer a variety of proposals that lead to new lifestyles.

Disclaimer

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