COMPANY RESEARCH AND ANALYSIS REPORT

NS Group, Inc.

471A

Tokyo Stock Exchange Prime Market

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FISCO Ltd. Analyst
Takuma Yoshibayashi

FISCO Ltd.
https://www.fisco.co.jp

Contents

Summary

Developing the rent guarantee business nationwide, expecting high growth to continue driven by expansion in metropolitan areas and the commercial sector

NS Group, Inc. <471A> (hereafter, also “the Company”) is engaged in the rent guarantee business in the residential and commercial rental real estate markets. Its subsidiary, Nihon Safety Co., Ltd., acts as a joint guarantor for tenants and provides services nationwide to guarantee the payment of rent and management fees. Its main business partners are real estate agencies, property management companies, and property owners, and it earns revenue through a mechanism in which it receives new guarantee fees and renewal guarantee fees based on guarantee contracts concluded at the time of move-in. If a tenant is delinquent on rent, the Company provides subrogation to the property owner and subsequently collects the amount from the tenant. Usage is expanding due to changes in the social environment that make it difficult to secure guarantors, and the Company has grown its business by leveraging its years of screening know-how and its collection structure. In addition, it provides rent billing-proxy collection services, contributing to the efficiency of rental management operations through features such as separate remittances. Its nationwide sales network, business relationships with property management companies, and integrated operational structure from screening to collection serve as its competitive strengths.

1. Overview of FY12/25 results

In the FY12/25 results, operating revenue increased 13.2% year on year (YoY) to ¥29,826mn, operating profit increased 12.0% to ¥9,873mn, adjusted EBITDA increased 18.2% to ¥13,148mn, profit before tax increased 6.5% to ¥9,365mn, and profit attributable to owners of parent increased 11.3% to ¥6,325mn. The main factors behind the expansion in operating revenue were the increase in the number of new contracts and the expansion of new guarantee fees due to higher rent unit prices, with new guarantee fees increasing 12.2% to ¥14,257mn. Among these, the growth in commercial guarantees was significant. Since the COVID-19 pandemic, contracts utilizing guarantee companies have been increasing in commercial rentals due to a decline in security deposit levels and consideration for tenants’ cash flow, which is thought to have driven the Company’s contract acquisitions. Along with the expansion of contracts, the base number of future renewal contracts is also increasing, leading to growth in stock revenue. Renewal guarantee fees, which are stock revenue from the accumulation of past contracts, increased 9.5% to ¥11,956mn. Operating expenses increased 14.3% to ¥20,444mn. Although personnel costs increased due to a workforce expansion aimed at future business expansion, and employee benefit expenses increased 15.4% to ¥5,926mn as a result of the higher personnel costs, the adjusted EBITDA margin improved 1.9 percentage points (pp) to 44.1%.

2. FY12/26 forecasts

For the FY12/26 results, the Company forecasts operating revenue to increase 10.9% YoY to ¥33,069mn, operating profit to increase 20.5% to ¥11,898mn, adjusted EBITDA to increase 4.8% to ¥13,779mn, profit before tax to increase 21.5% to ¥11,379mn, and profit attributable to owners of parent to increase 24.9% to ¥7,900mn. Operating revenue is expected to continue expanding due to the increase in new contracts and the rise in rent levels in the rent guarantee business. In residential guarantees, the number of contracts is expected to continue expanding against the backdrop of an increasing number of households and solid rental demand in urban areas. In particular, the Company aims to increase the number of contracts by strengthening sales in major metropolitan areas where its market share is relatively low. In commercial guarantees, demand for rent guarantees for stores and offices is expanding, and the growth in commercial guarantees, which the Company positions as a growth area, is expected to drive revenue expansion. In terms of profits, in addition to the expansion of revenue, the suppression of bad debt costs and the decrease in temporary expenses will contribute, and operating profit is expected to achieve high growth, increasing 20.5%. In FY12/25, temporary expenses of ¥1,449mn, including costs related to the listing on the Tokyo Stock Exchange Prime Market, were incurred. The elimination of these expenses in FY12/26 will also be a factor boosting profits. The profit guidance gives a somewhat conservative impression, and FISCO thinks there is a certain amount of upside potential if the expansion of new contracts and the management of bad debt costs proceed as planned.

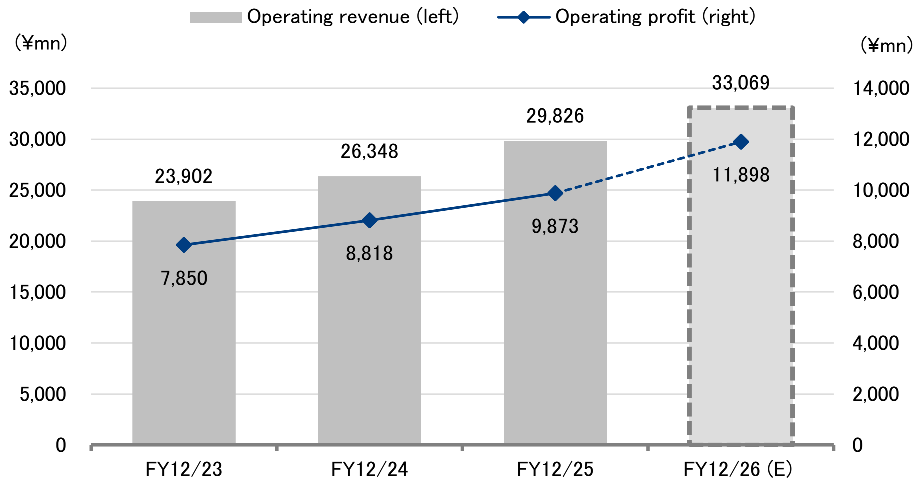
3. Medium- to long-term growth strategy

On November 12, 2025, the Company announced its medium-term management plan through FY12/27, setting forth a growth strategy centered on expanding the rent guarantee business and upgrading its earnings structure. While enhancing the competitiveness of its core rent guarantee business, the Company plans to further solidify its industry-leading position with a view toward expanding the guarantee domain and growing real estate DX-related services. As quantitative targets for FY12/27, the Company aims for operating revenue of ¥36.5bn (a compound annual growth rate of approximately 12% from FY12/24 to FY12/27) and an adjusted EBITDA margin of 43.0%, aiming to achieve both high sales growth and profitability. As business KPIs, it targets 385,000 new contracts and ¥18.5bn in new guarantee fees. The breakdown is 295,000 new contracts and ¥11.5bn in new guarantee fees for residential guarantees, and 35,000 new contracts and ¥6.0bn in new guarantee fees for commercial guarantees, aiming to expand the number of contracts in both the residential and commercial sectors. The core of this growth is the expansion of the rent guarantee business. In residential guarantees, the Company will strengthen its sales structure in major metropolitan areas, aiming to increase the number of contracts and improve its market share by allocating personnel to untapped areas and expanding the number of agencies. In commercial guarantees, it will strengthen sales to property management companies, developers, REITs, and others to grow high-unit-price fields. At the same time, it will advance improvements in profitability through the cross-selling of value-added services, the expansion of collection services, the enhancement of screening processes, and the improvement of operational efficiency.

Key Points

- Develops the rent guarantee business nationwide and supports the rental infrastructure with a comprehensive system from screening to collection
- Achieved double-digit profit growth in FY12/25 due to the expansion of the number of new contracts and the accumulation of stock revenue
- Commercial guarantees will drive growth in FY12/26, and high growth is expected to continue through the utilization of AI and improvements in the collection structure

Results trends



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

Company profile

Develops the rent guarantee business and supports rental infrastructure with a comprehensive system from screening to collection

1. Company profile

The Company is a corporate group whose core business is rent guarantees in the residential and commercial rental real estate markets. Its core subsidiary, Nihon Safety, acts as a joint guarantor for tenants and provides services nationwide to guarantee the payment of rent, management fees, and the like. Its main customers are real estate agencies, property management companies, and property owners, and it takes the position of providing a guarantee function for tenants. Its business model involves concluding a guarantee contract at the time of the lease contract and receiving new guarantee fees and renewal guarantee fees from the tenant.

In the rent guarantee service, if a tenant falls into arrears with their rent, the Company makes a subrogation payment to the property owner and subsequently claims compensation from the tenant. Property owners can stabilize their rental income, and tenants can reduce the burden of finding a joint guarantor. Against the backdrop of a declining birthrate and aging population, an increase in single-person households, and changes in the social environment that make it difficult to secure guarantors, the use of rent guarantees is expanding, and the Company has expanded its business based on the screening know-how and collection structure it has accumulated over many years.

In addition to guarantee services, the Company also provides billing-proxy collection services. It has partnered with financial institutions to establish a structure for executing rent collection operations on behalf of property management companies and property owners. It has built a mechanism to accurately remit the rent and management fees entrusted by tenants to designated accounts, contributing to the efficiency of rental management operations. In particular, its separate remittance service, which can separate rent, management fees, and others and remit them directly to different destinations, serves as a differentiating factor as a feature that meets practical needs.

The Company's strengths lie in its nationwide sales network and strong business foundation with property management companies. In addition to its credibility based on its long track record of transactions, the fact that it possesses a comprehensive operational structure covering everything from screening and subrogation to collection is also a source of its competitiveness. It has established specialized departments for tenant relations and reminder operations, conducting meticulous management. Centered on rent guarantees, the Company develops its business as an infrastructure-like presence that plays a risk-complementary role in the rental market.

2. History

The practical starting point of the Company's business was Nihon Safety Co., Ltd. (hereafter, "the former Nihon Safety"), established on February 25, 1997. Its founder was Yuji Iwamoto, and it was established in Osaka City, Osaka Prefecture, with investment from Akihiro Otani. From the time of its founding, it has been engaged in the rent guarantee business, establishing a business model in which it acts as a joint guarantor for tenants and guarantees the payment of rent and restoration costs. At that time, there were many cases where joint guarantors were required for lease contracts, and securing a guarantor was a barrier to moving in. The former Nihon Safety responded to this challenge and built its business foundation by providing a mechanism that simultaneously improves convenience for tenants and secures stable income for property owners.

From the 2000s onward, it focused on expanding its products and services and upgrading its business foundation. In 2009, it introduced downloadable contracts, pioneering the streamlining of procedures in the industry. In 2015, it released "SIONS," a proprietary mission-critical system for comprehensively managing rent guarantee services, promoting the sophistication of screening and receivables management. In 2018, it introduced "N-pallet," which enhanced operability for customers, and in 2019, it launched "N Tenant" with the aim of expanding the commercial sector. The number of registered agencies continued to expand, surpassing 60,000 in June 2023 and reaching 66,667 as of the end of December 2025. In April 2025, it began operating a highly accurate screening model incorporating AI from DataRobot Japan K.K., aiming to improve screening accuracy and operational efficiency.

A major turning point in terms of capital structure was the alliance with Bain Capital Private Equity, LP and its group companies (hereafter, collectively "Bain Capital Group") in 2021. In August 2021, BCJ-53 Co., Ltd. and BCJ-54 Co., Ltd. were established by a fund advised by Bain Capital Group. In December of the same year, BCJ-54 acquired all shares of the former Nihon Safety and BV Asset Co., Ltd., which was Mr. Otani's asset management company, and executed a business succession. This acquisition was conducted utilizing an LBO loan, and interest-bearing debt was initially ¥32,000mn. Subsequently, as a result of implementing a refinancing in November 2023 and proceeding with repayment, the balance as of the end of December 2025 is ¥25,868mn. Note that goodwill of ¥36,039mn arose in conjunction with the acquisition.

In January 2022, BV Asset absorbed and merged with the former Nihon Safety and changed its trade name to Nihon Safety. In 2023, the administrative departments were transferred to the holding company side, and the group management structure was organized. In October of the same year, BCJ-54 changed its trade name to NS Group (hereafter, "the former NS Group") and transitioned to a holding company structure. On the other hand, BCJ-53 had been positioned as a holding company from the beginning, and in October 2025, it absorbed and merged with the former NS Group and simultaneously changed its trade name to NS Group. This established the current structure integrating the holding company functions and the operating company.

Since its founding in 1997, the Company has specialized in the rent guarantee business and honed its business and system foundations, and since 2021, under the support of Bain Capital Group, it has reorganized its capital structure and strengthened its governance and financial foundation. In December 2025, it achieved a stock listing on the Tokyo Stock Exchange Prime Market, entering a stage aimed at further growth as a listed company.

The Company's history

Date	Overview
August 2021	A fund advised by Bain Capital Private Equity, LP, a global private equity firm, and its group companies (hereafter, collectively "Bain Capital Group") established BCJ-53 Co., Ltd.
October 2025	BCJ-53 absorbed and merged with NS Group, Inc. and changed its trade name to NS Group
December 2025	Listed on the Tokyo Stock Exchange Prime Market

History of the former NS Group

Date	Overview
August 2021	A fund advised by Bain Capital Group, a global private equity firm, established BCJ-54 Co., Ltd.
December 2021	BCJ-54 acquired 100% of the shares of Nihon Safety Co., Ltd. and BV Asset Co., Ltd.
June 2023	With the aim of making the administrative departments independent and strengthening them, the Audit Office, Corporate Planning Department, Information Systems Department, Finance & Accounting Department, Human Resources Department, and General Affairs Department were transferred from Nihon Safety (BV Asset absorbed and merged with Nihon Safety and changed its trade name to Nihon Safety) to BCJ-54
October 2023	Changed trade name from BCJ-54 to NS Group (the former NS Group)

History of Nihon Safety

Date	Overview
February 1997	Nihon Safety Co., Ltd. (hereafter, the "former Nihon Safety") was established for the purpose of conducting the rent guarantee business
February 2002	Opened the Tokyo Head Office and Tokyo Branch as the first bases in the Kanto region
August 2004	Opened the Nagoya Branch as the first base in the Tokai region
August 2004	Opened the Saitama Branch as the first base in the Northern Kanto region
August 2005	Opened the Hiroshima Branch as the first base in the Western Japan region
January 2006	The number of registered agencies exceeded 10,000
May 2006	Opened the Sendai Branch as the first base in the Tohoku region
April 2007	Established Safety Japan Risk Management Co., Ltd. as a company handling small-amount short-term insurance
February 2009	Introduced downloadable contracts (contracts downloaded from the web for use) ahead of competitors
February 2010	Established Ryukyu Safety Co., Ltd. for the purpose of developing the rent guarantee business in the Okinawa area
December 2010	The number of registered agencies exceeded 20,000
January 2011	Introduced guarantee contracts with one-year renewals and products with a uniform renewal guarantee fee of ¥10,000
November 2011	Launched billing-proxy collection services
February 2013	The number of registered agencies exceeded 30,000
January 2015	Released "SIONS," a proprietary mission-critical system for comprehensively managing rent guarantee services
May 2016	Began sales of "16 Plan," a new product that can be widely proposed based on the needs of agencies
September 2016	The number of registered agencies exceeded 40,000
September 2017	Akihiro Otani established BV Asset as an asset management company in Nishinomiya City, Hyogo Prefecture
December 2017	Completed registration as a rent guarantee business operator under the rent guarantee business operator registration system mandated by the Ministry of Land, Infrastructure, Transport and Tourism
September 2018	Released "N-pallet," an upgraded version of the conventional business support system with improved operability for customers and interactive features
January 2019	Launched "N Tenant" to expand market share in the commercial sector
December 2019	The number of registered agencies exceeded 50,000
September 2020	Formed a business alliance with Nealle Inc., which operates the monthly parking online contract service Park Direct, and began rent guarantees for monthly parking lots contracted via Park Direct
January 2021	The former Nihon Safety absorbed and merged with Ryukyu Safety
December 2021	Bain Capital Group acquired 51% of the shares of the former Nihon Safety by holding 51% of the shares of BCJ-53 Co., Ltd
December 2021	Sold all shares of Safety Japan Risk Management Co., Ltd.
January 2022	BV Asset absorbed and merged with the former Nihon Safety and changed its trade name to Nihon Safety
January 2023	Added a screening scoring function to SIONS
June 2023	The number of registered agencies exceeded 60,000
April 2025	Began operating a highly accurate screening model incorporating AI from DataRobot Japan K.K. to further improve the accuracy of the screening model and streamline the screening process

Source: Prepared by FISCO from securities reports and company releases

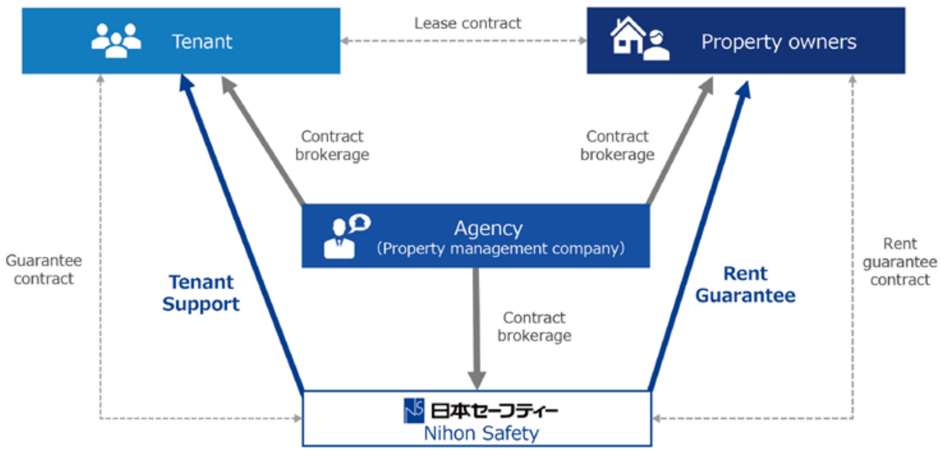
Business overview

Develops rent guarantees widely from residential to commercial, with demand expanding alongside changes in the market environment

1. Business description

The Company's core business is the residential and commercial rent guarantee business developed by its subsidiary, Nihon Safety. In rental housing contracts, the practice of tenants providing joint guarantors has long continued, but in recent years, the number of prospective tenants who cannot secure a guarantor is increasing due to the rise in single-person households and elderly households, and the contract format utilizing a guarantee company is becoming common. The Company plays the role of joint guarantor for tenants and provides services that support both tenants and property owners by guaranteeing the payment of rent and other fees. In addition to residential properties, the Company also provides rent guarantee services targeting commercial rental real estate such as offices and stores. In recent years, triggered by the COVID-19 pandemic, the cash flow of business operators has deteriorated, and cases where it is difficult to secure sufficient security deposits, which were traditionally required, are increasing. In this environment, the mechanism in which guarantee companies guarantee rent payments is becoming more widely used as a means to reduce the initial burden on tenants while also reducing the rent collection risk for property owners.

Schematic diagram of the rent guarantee business



Source: The Company's results briefing materials

In a rent guarantee, if a tenant falls into arrears with their rent, the Company pays the rent to the property owner on their behalf (subrogation). Subsequently, the Company collects the subrogated amount from the tenant. Guarantee coverage is not limited to rent and common area fees, but may also extend to restoration costs upon move-out, early termination penalty fees, disposal costs for left-behind items, eviction litigation costs, and the like. Because it enhances the stability of rental income for property owners and expands the possibility for tenants to move in even if they cannot provide a guarantor, the business functions as an infrastructure supporting smooth transactions in the rental housing market.

The Company's source of revenue is the guarantee entrustment fees received from tenants. It receives new guarantee fees at the time of contract, and thereafter it is structured to receive renewal guarantee fees annually or monthly. Contract brokerage is handled by real estate agencies and management companies, and it is common for the guarantee contract to be concluded simultaneously at the move-in application stage. Therefore, its partnership network with property management companies nationwide is an important sales channel, and they serve as partners forming the Company's business foundation.

In addition, it provides collection services in conjunction with rent guarantees. It is a mechanism in which the Company collects rent from tenants and remits it on behalf of property management companies and property owners, and utilizes the collection agency functions of financial institutions to perform rent direct debit and remittance processing all at once. For property owners, the burden of payment management is reduced, and the certainty of fund collection increases. A characteristic feature is the "separate remittance service," which distributes rent, management fees, and others to separate remittance destinations. For example, flexible processing tailored to the practical operations of rental management is possible, such as remitting rent to the owner and management fees to the management company. Competitors providing similar mechanisms are limited, and its ability to respond to detailed business needs has led to high evaluations from property management companies. By combining rent guarantees and collection services, the Company has built a structure that comprehensively supports operations related to rent management.

The key points in the Company's business operations are its screening and collection mechanisms. In move-in screening, it utilizes data accumulated in its proprietary core system and past track records to evaluate the credit risk of applicants. The concept of screening is "screening to pass," and rather than setting excessively strict standards, it adopts a policy of managing risks while taking into account the circumstances of prospective tenants. It also emphasizes the speed of screening, establishing a system to present results in an average of about two hours. For property management companies that emphasize speed from move-in application to contract, this responsiveness is an important evaluation point.

On the other hand, the cornerstone of risk management is collection operations. When delinquency occurs, the Company classifies the delinquency status based on accumulated data and conducts collection responses suited to the situation. It places importance on returning to a normal payment status at an early stage, and implements responses such as phone calls and visits in stages. It has systematized the collection process, such as entrusting collection operations to lawyers for prolonged receivables. Maintaining a high collection rate while securing a wide range of acceptance in screening is the foundation of the Company's business model.

The Company's rent guarantee business is characterized by providing a comprehensive service covering everything from screening and collection to collection management, centered on rent guarantees. It is a business model that supports the smooth operation of the rental housing market by providing stable rental income to property owners and access to housing for tenants. Backed by years of data accumulation and practical know-how, the Company has built a structure to continuously acquire projects from property management companies.

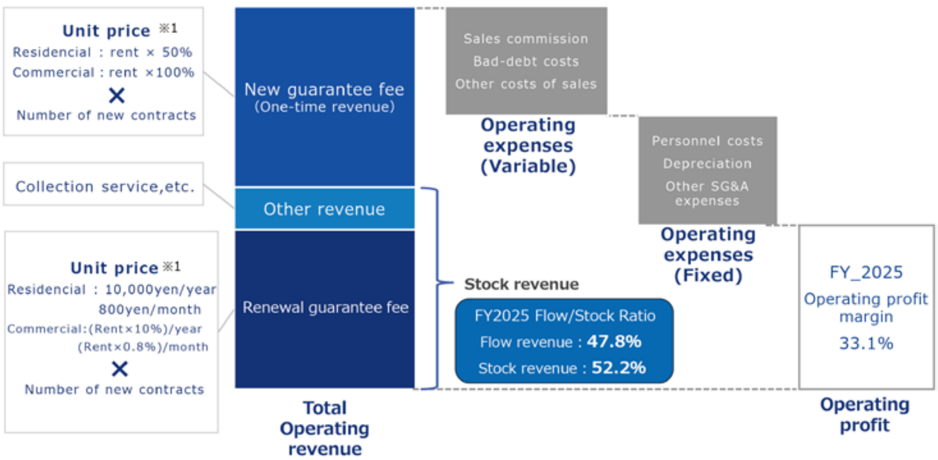
2. Earnings structure

The Company's revenue is mainly sourced from guarantee fees paid by tenants, and is divided into flow revenue and stock revenue. The Company's earnings structure is a model in which it acquires flow revenue through the accumulation of new contracts, and continuously accumulates stock revenue through subsequent contract renewals.

The core of flow revenue is the new guarantee fees generated at the time of new contracts. Guarantee fees are set based on rent, and standard levels are “rent x 50%” for residential and “rent x 100%” for commercial. Therefore, flow revenue is determined by the “guarantee fee unit price” and the “number of new contracts.” Having tenants introduced by property management companies nationwide and accumulating the number of contracts leads directly to the expansion of flow revenue. The core of stock revenue is renewal guarantee fees. Guarantee contracts are renewed at regular intervals, at which time renewal guarantee fees are generated. For residential use, standard levels are “¥10,000/year” or “¥800/month,” and for commercial use, the standard is “rent x 10%/year” or “rent x 0.8%/month.” Stock revenue is determined by the “unit price of renewal guarantee fees” and the “number of renewal contracts,” and the accumulation of past contracts directly becomes the foundation for future revenue. Because the number of renewal contracts increases as the number of new contracts increases, it is structured so that stock revenue grows stably along with the expansion of the contract balance. Looking at the FY12/25 results, flow revenue was 47.8% and stock revenue was 52.2%, forming a stable revenue base through the accumulation of contracts.

In terms of expenses, sales commissions and bad-debt costs are the main variable costs, centered on expenses associated with the acquisition of new contracts and the fulfillment of guarantees. Fixed costs include personnel costs and depreciation. The rent guarantee business is structured such that stock revenue accumulates as the contract balance expands, so once a certain scale is exceeded, the fixed cost ratio decreases, making it easier to achieve high profit margins.

Schematic diagram of the earnings structure in the rent guarantee business



※1 Standard plan figures. Subject to change based on contract terms.

Source: The Company’s results briefing materials

3. Competitive environment

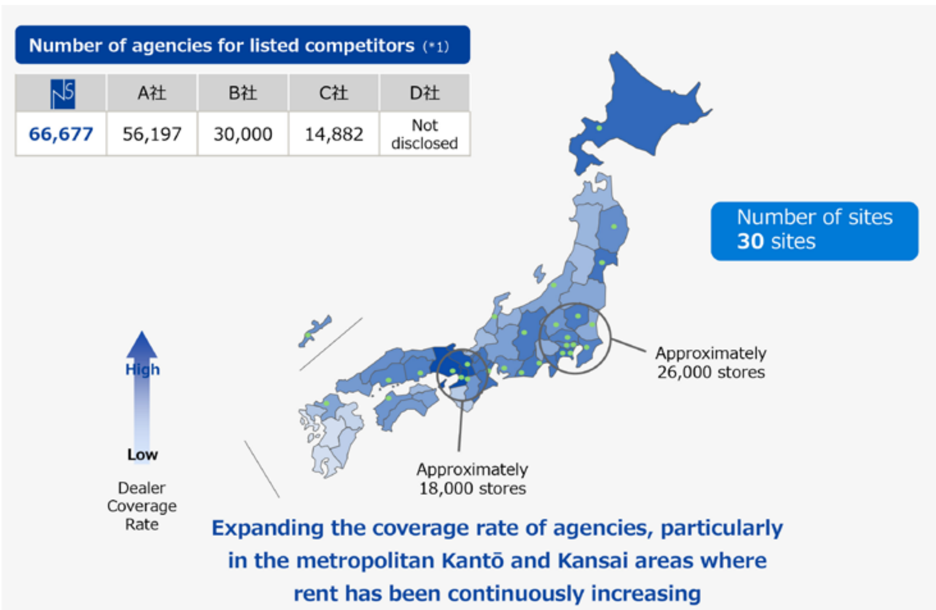
There are multiple competitor companies in the rent guarantee market. In the residential sector, Zenhoren Co., Ltd. <5845>, Entrust Inc. <7191>, J-Lease Co., Ltd. <7187>, and Casa Inc. <7196>, among others, are representative competitors, while in the commercial sector, 4C’s Co., Ltd., which focuses on tenant guarantees for stores and offices, can be cited as a representative competitor.

However, in the rent guarantee industry, the competitive environment differs greatly depending on the size of the property management company. Major management companies with more than 5,000 units under management often have their own guarantee functions in-house, limiting the room for external guarantee companies to enter. On the other hand, for mid-sized management companies with around 1,250 to 5,000 units under management, consumer credit-affiliated guarantee companies such as Orico Forrent Insure Co., Ltd. and Epos Card Co., Ltd. primarily compete in this market, resulting in intense competition centered on sales commissions.

In contrast, the Company has accumulated transactions with small- and medium-sized property management companies with relatively few units under management over many years. In this area, there is a tendency to place importance on meticulous services such as flexibility in screening and day-to-day business responses. As a result, direct competition with consumer credit-affiliated guarantee companies is limited, and the Company has built a unique position.

One of the factors supporting the Company's competitiveness is its network of agencies spreading nationwide. It has deployed a sales structure at 30 bases nationwide, centered on major metropolitan areas, and the number of partnered property management companies as of the end of December 2025 was 66,677, boasting one of the largest scales in the industry. This network not only leads to the acquisition of new contracts, but by deepening day-to-day cooperation with property management companies, it also has a positive impact on the operations of screening and collection.

The Company's number of agencies



※1. Number of cases as of the end of December 2025. Comparison among the top five listed companies by revenue primarily engaged in rent guarantee services.

Source: The Company's results briefing materials

Its screening structure utilizing AI and high debt collection capabilities are also strengths. It has built a screening model utilizing AI based on delinquency data and transaction information accumulated through years of business operations, and has adopted the concept of “screening to pass.” Rather than making judgments based solely on the credit information of tenants, it places importance on widely collecting information to increase the possibility of collection. By preparing a collection structure in advance through the acquisition of emergency contact information and the confirmation of guarantor information, it conducts risk management while securing the screening approval rate. At the same time, utilizing accumulated delinquency data, it classifies the delinquency status of tenants into multiple stages and has established a structure to conduct collection responses according to the situation. By combining an experienced collection team with divided operations, it maintains a high collection rate of 96.5% (FY12/25 results). By securing information with an eye toward collection at the screening stage and utilizing data for responses in actual collection operations, it realizes both a high screening approval rate and a high collection rate.

In this way, the sources of the Company’s competitiveness lie in its unique positioning with small- and medium-sized property management companies as its main customers, its nationwide sales network, and its operational capabilities in screening and debt collection. All of these have been built through business relationships, data, practical know-how, and the like accumulated over years of business operations, and cannot be built in a short period. Backed by its unique customer base and operational capabilities, FISCO thinks it is highly likely that the Company will continue to maintain a stable competitive advantage in the rent guarantee market going forward.

Results trends

Double-digit profit growth in FY12/25 due to the expansion of the number of new contracts and new guarantee fees

1. Overview of FY12/25 results

In the FY12/25 results, operating revenue increased 13.2% YoY to ¥29,826mn, operating profit increased 12.0% to ¥9,873mn, adjusted EBITDA increased 18.2% to ¥13,148mn, profit before tax increased 6.5% to ¥9,365mn, and profit attributable to owners of parent increased 11.3% to ¥6,325mn. Adjusted EBITDA is calculated as operating profit + management fee + listing-related expenses + depreciation and amortization.

The main factors behind the expansion of operating revenue were the increase in the number of new contracts and the expansion of new guarantee fees due to higher rent unit prices. New guarantee fees based on guarantee fees received at the time of contract (before period allocation) increased 10.3% YoY to ¥15,075mn. Looking at the growth factors, the volume factor due to the increase in the number of new contracts increased 6.0%, and the unit price factor due to rising rent levels and the like increased 4.3%, meaning both the expansion in the number of contracts and the rise in unit prices supported growth. By use, residential guarantees expanded, increasing 6.8% to ¥10,014mn, and commercial guarantees expanded, increasing 20.7% to ¥4,463mn. Among these, the growth in commercial guarantees was significant. Since the COVID-19 pandemic, contracts utilizing guarantee companies have been increasing in commercial rentals due to a decline in security deposit levels and consideration for tenants’ cash flow, which is thought to have driven the Company’s contract acquisitions.

New guarantee fees on an accounting sales recognition basis increased 12.2% YoY to ¥14,257mn. Along with the expansion of contracts, the base number of future renewal contracts is also increasing, leading to growth in stock revenue. Renewal guarantee fees, which are stock revenue from the accumulation of past contracts, increased 9.5% to ¥11,956mn. Of this, annual renewal fees were ¥10,217mn, and monthly renewal fees were ¥1,739mn. In addition, other revenue such as rent collection service fees grew significantly, increasing 32.7% to ¥3,614mn. Against the backdrop of the need for property management companies to streamline operations, cases of using these services in conjunction with guarantee services appear to be increasing.

Operating expenses increased 14.3% YoY to ¥20,444mn. Personnel costs increased due to a workforce expansion aimed at future business expansion, and employee benefit expenses increased 15.4% to ¥5,926mn. On the other hand, the Company has high collection capabilities for delinquent receivables, enabling it to suppress bad debt costs and litigation costs. Looking at the factors for the change in adjusted EBITDA, the increased revenue effect was an increasing factor of ¥3,625mn, the increase in variable costs was a decreasing factor of ¥521mn, and the increase in fixed costs was a decreasing factor of ¥1,075mn (of which the increase in personnel costs was ¥668mn). As a result, operating profit expanded, increasing 12.0% to ¥9,873mn, and adjusted EBITDA expanded, increasing 18.2% to ¥13,148mn, and the adjusted EBITDA margin improved 1.9pp to 44.1%.

In FY12/25, flow revenue grew due to the expansion of new contracts, and stock revenue, mainly renewal guarantee fees, steadily accumulated, confirming the expansion of the earnings base. In terms of costs, it is evaluated positively that the Company is maintaining a high profit margin while suppressing bad debt costs backed by its strong collection structure and absorbing growth investments for the future such as workforce expansion. Because its business structure is one in which stock revenue continuously accumulates, FISCO believes it is highly likely that the Company will continue to maintain and improve stable cash flows and high profitability going forward.

Overview of FY12/25 results

(¥mn)

	FY12/24		FY12/25		YoY	
	Results	% of sales	Results	% of sales	Change	Change (%)
Operating revenue	26,348	-	29,826	-	3,478	13.2%
Operating expenses	17,879	67.9%	20,444	68.5%	2,565	14.3%
Operating profit	8,818	33.5%	9,873	33.1%	1,055	12.0%
Adjusted EBITDA	11,119	42.2%	13,148	44.1%	2,029	18.2%
Profit before tax	8,790	33.4%	9,365	31.4%	575	6.5%
Profit attributable to owners of parent	5,681	21.6%	6,325	21.2%	644	11.3%

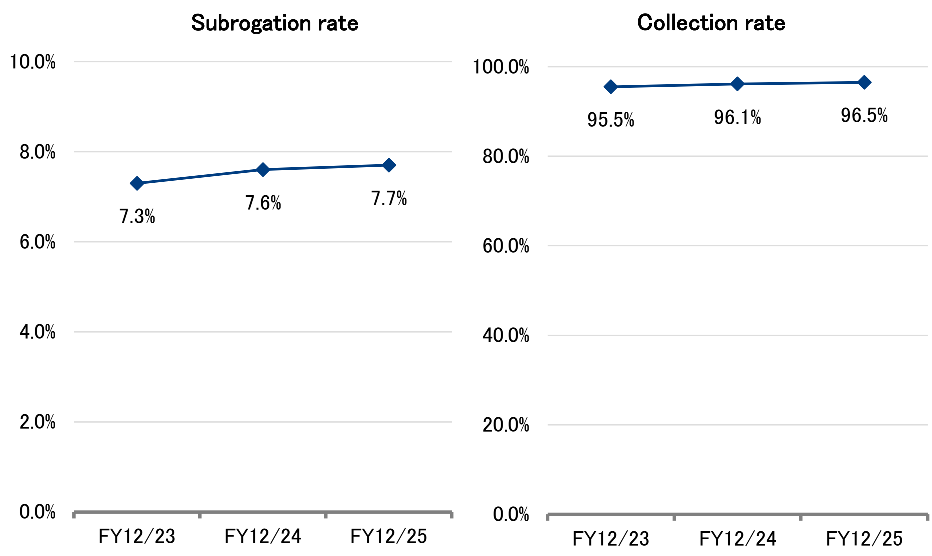
Source: Prepared by FISCO from the Company's financial results

2. Subrogation rate and collection rate

The subrogation rate for FY12/25 was 7.7%, an increase of 0.1pp YoY. The level remains stable even as the guarantee balance expands, and the risk level in the Company's guarantee portfolio is generally stable. Currently, the accuracy of move-in screening is improving through the sophistication of the screening model utilizing AI, and efforts are being made to prevent delinquencies beforehand through initiatives such as advance notifications of rent withdrawal dates using LINE. Through these measures, the subrogation rate is trending stably even in a phase of business scale expansion, and risk management is thought to be functioning appropriately.

The collection rate was 96.5%, an increase of 0.4pp YoY. This reached the highest level in the past three years, demonstrating once again the strength of the Company's collection structure. A large number of personnel are allocated to the collection department, and a feature is that a staged collection process according to the delinquency status has been established. By combining phone calls, reminders, and proposals for installment repayments in a meticulous response, it maintains debt collection at a high level. The improvement in the collection rate also contributed to the suppression of bad-debt costs and litigation costs, and the ability to absorb the expansion of guarantee contracts while curbing the increase in bad-debt costs appears to have led to the maintenance of profitability.

The Company is sufficiently absorbing the risk of an increase in the amount of subrogation accompanying the expansion of guarantee contracts by strengthening its collection capabilities. The fact that the subrogation rate is stable and the collection rate has improved is a result that corroborates that both the screening structure and the collection structure are functioning effectively. The expansion of the guarantee balance and risk management are coexisting, which again confirms the stability and high profitability of the Company's business model.



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

3. Financial position and financial indicators

Looking at the financial position at the end of FY12/25, total assets increased ¥1,942mn from the end of the previous fiscal year to ¥76,141mn. Current assets increased ¥2,185mn from the end of the previous fiscal year to ¥29,498mn, mainly due to an increase of ¥1,287mn in trade and other receivables and an increase of ¥616mn in cash and cash equivalents. Non-current assets decreased ¥243mn from the end of the previous fiscal year to ¥46,643mn, mainly because while deferred tax assets increased ¥611mn, intangible assets decreased ¥1,027mn due to amortization.

Total liabilities increased ¥1,598mn from the end of the previous fiscal year to ¥47,256mn. Current liabilities increased ¥2,952mn from the end of the previous fiscal year to ¥19,571mn, mainly due to increases of ¥1,145mn in income taxes payable, ¥664mn in trade and other payables, and ¥625mn in financial guarantee liabilities. Non-current liabilities decreased ¥1,353mn from the end of the previous fiscal year to ¥27,685mn, mainly due to decreases of ¥959mn in borrowings and ¥569mn in deferred tax liabilities. Total equity increased ¥343mn from the end of the previous fiscal year to ¥28,884mn. This was mainly because while it decreased ¥6,000mn due to dividends of surplus, it increased ¥6,343mn due to the recording of comprehensive income.

Looking at the main financial indicators, the ratio of equity attributable to owners of parent was 37.9%. The Company has a history of utilizing an LBO loan in connection with a past business succession, resulting in a capital structure that carries a certain amount of interest-bearing debt. Because a large amount of goodwill was also recorded in connection with the acquisition, the equity ratio cannot be said to be at a high level, but debt repayment is progressing against the backdrop of a stable earnings base, and the capital structure is gradually improving. The current ratio, which indicates short-term debt-paying ability, is 150.7%, securing sufficient liquidity to respond even if funding needs associated with guarantee fulfillment or the like arise. Net debt, calculated by subtracting cash and cash equivalents from interest-bearing debt, was ¥9,885mn, a decrease of ¥1,480mn from the end of the previous fiscal year, and the debt level is steadily declining. The Company's rent guarantee business has a high proportion of stock revenue such as renewal guarantee fees, making it easy to generate stable cash flows. It can be said that this earnings base is supporting debt reduction.

Based on the above, although the Company has a capital structure with a high proportion of borrowing due to the LBO, its leverage is improving against the backdrop of a stable business foundation. In addition, liquidity indicators maintain a sound level, and it is evaluated as having a financial constitution capable of responding to the risks of the guarantee business. With future business expansion, it is expected that debt reduction will progress and the capital structure will further improve.

Balance sheet and main financial indicators

(¥mn)

	End of FY12/24	End of FY12/25	Change
Current assets	27,313	29,498	2,185
Cash and cash equivalents	15,367	15,983	616
Trade and other receivables	10,496	11,782	1,287
Non-current assets	46,886	46,643	-243
Property, plant and equipment	1,288	1,433	145
Intangible assets	8,710	7,682	1,027
Goodwill	36,039	36,039	-
Deferred tax assets	494	1,106	611
Total assets	74,199	76,141	1,942
Current liabilities	16,619	19,571	2,952
Trade and other payables	3,127	3,792	664
Financial guarantee liabilities	10,245	10,869	625
Borrowings	866	961	95
Non-current liabilities	29,039	27,685	-1,353
Borrowings	25,866	24,907	-959
Total liabilities	45,658	47,256	1,598
Interest-bearing debt	26,732	25,868	-864
Total equity	28,541	28,884	343
Retained earnings	14,314	20,657	6,343
Total assets	74,199	76,141	1,942
Main financial indicators			
Ratio of equity attributable to owners of parent	38.5%	37.9%	-0.6pp
Current ratio	164.3%	150.7%	-13.6pp
Net debt	11,365	9,885	-1,480

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

Outlook

Commercial guarantees growth to drive revenue expansion in FY12/26

For the FY12/26 results, the Company forecasts operating revenue to increase 10.9% YoY to ¥33,069mn, operating profit to increase 20.5% to ¥11,898mn, adjusted EBITDA to increase 4.8% to ¥13,779mn, profit before tax to increase 21.5% to ¥11,379mn, and profit attributable to owners of parent to increase 24.9% to ¥7,900mn.

Operating revenue is expected to continue expanding due to the increase in new contracts and the rise in rent levels in rent guarantees. It plans for new guarantee fees (before period allocation) to increase 10.8% YoY to ¥16,073mn, and looking at the breakdown, it forecasts the volume growth rate to increase 5.1% and the unit price growth rate to increase 5.7%. In residential guarantees, the number of contracts is expected to continue expanding against the backdrop of an increasing number of households and solid rental demand in urban areas. In particular, the Company aims to increase the number of contracts by strengthening sales in major metropolitan areas where its market share is relatively low. In commercial guarantees, demand for rent guarantees for stores and offices is expanding, and the growth in commercial guarantees, which the Company positions as a growth area, is expected to drive revenue expansion. The breakdown of new guarantee fees is ¥10,686mn for residential guarantees (an increase of 6.7%) and ¥5,298mn for commercial guarantees (an increase of 18.7%), forecasting high growth in commercial guarantees. In addition, along with the renewal of contracts accumulated to date, renewal guarantee fees are also expected to continue to expand stably.

In terms of costs, it will continue to suppress bad-debt costs by strengthening the collection structure and improving screening accuracy. The Company has established a structure to manage delinquent receivables by stage, and has stabilized risk costs by maintaining a high collection rate. It plans to proceed with the reduction of bad-debt costs while maintaining this structure in FY12/26 as well. At the same time, it will advance IT investments aimed at improving internal productivity, and aim to improve operational efficiency by expanding the scope of utilization of AI technology to operations other than screening. Through this, it aims to achieve both an improvement in operational quality and an improvement in cost efficiency.

In terms of profits, in addition to the expansion of revenue, the suppression of bad-debt costs and the decrease in temporary expenses will contribute, and operating profit is expected to achieve high growth, increasing 20.5% YoY. In FY12/25, temporary expenses of ¥1,449mn, including costs related to the listing on the Tokyo Stock Exchange Prime Market, were incurred. The elimination of these expenses in FY12/26 will also be a factor boosting profits. The profit guidance gives a somewhat conservative impression, and FISCO thinks there is a certain amount of upside potential if the expansion of new contracts and the management of bad-debt costs proceed as planned. Because FY12/26 will be the first full-year results after the stock listing, we at FISCO would like to pay attention to the extent to which the balance between business expansion and profitability progresses.

FY12/26 forecasts

(¥mn)

	FY12/25		FY12/26		YoY	
	Results	% of sales	Forecasts	% of sales	Change	Change (%)
Operating revenue	29,826	-	33,069	-	3,243	10.9%
Operating profit	9,873	33.1%	11,898	36.0%	2,025	20.5%
Adjusted EBITDA	13,148	44.1%	13,779	41.7%	631	4.8%
Profit before tax	9,365	31.4%	11,379	34.4%	2,014	21.5%
Profit attributable to owners of parent	6,325	21.2%	7,900	23.9%	1,575	24.9%

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

Medium- to long-term growth strategy

Aiming for operating revenue of ¥36.5bn and to achieve both sales growth and profitability in FY12/27

On November 12, 2025, the Company announced its medium-term management plan through FY12/27, setting forth a growth strategy centered on expanding the rent guarantee business and upgrading its earnings structure. While enhancing the competitiveness of its core rent guarantee business, the Company plans to further solidify its industry-leading position with a view toward expanding the guarantee domain and growing real estate DX-related services.

As quantitative targets for FY12/27, the Company aims for operating revenue of ¥36.5bn (a compound annual growth rate of approximately 12% from FY12/24 to FY12/27) and an adjusted EBITDA margin of 43.0%, aiming to achieve both high sales growth and profitability. As business KPIs, it targets 385,000 new contracts and ¥18.5bn in new guarantee fees. The breakdown is 295,000 new contracts and ¥11.5bn in new guarantee fees for residential guarantees, and 35,000 new contracts and ¥6.0bn in new guarantee fees for commercial guarantees, aiming to expand the number of contracts in both the residential and commercial sectors.

Quantitative targets of the medium-term management plan

(¥bn)

	FY12/24 Results	FY12/25 Results	FY12/26 Forecasts	FY12/27 Plan	FY12/24-FY12/27 CAGR
Operating revenue	26.3	29.8	33.0	36.5	Approx. 12%
Adjusted EBITDA margin	42.2%	44.1%	41.7%	43.0%	-
New guarantee fees	13.7	15.1	16.7	18.5	Approx. 11%
Residential guarantees	9.4	10.0	10.7	11.5	Approx. 7%
Commercial guarantees	3.7	4.5	5.3	6.0	Approx. 18%
Number of new contracts (thousands)	320	339	357	385	-
Residential guarantees	249	-	-	295	-
Commercial guarantees	23	-	-	35	-

Source: Prepared by FISCO from the medium-term management plan materials and results briefing materials

The core of this growth will be the expansion of the existing rent guarantee business. In residential guarantees, strengthening sales in major metropolitan areas will be the main measure. Leveraging its sales structure centered on the Tokyo Head Office and Osaka Head Office, it will focus personnel deployment on areas with low market share or untapped regions within metropolitan areas. It will subdivide its sales strategy by customer size and area, and also establish a structure to continuously verify sales results at the headquarters and bases. By proceeding with the expansion of agencies while enhancing sales productivity, it aims to increase the number of contracts and improve its market share.

On the other hand, in commercial guarantees, it plans to accelerate growth while capturing the expansion of the commercial rental market for stores, offices, and the like. Utilizing the sales network and know-how cultivated in residential guarantees, it will strengthen sales to property management companies, developers, REITs, and others that handle commercial rentals. In terms of products, it will engage in flexible product design according to corporate needs to differentiate itself from competitors. Because commercial guarantees have high unit prices and high profitability, the expansion of this field has the potential to contribute significantly to revenue growth.

As a revenue measure, it will also focus on raising Average Revenue Per User (ARPU) by providing value-added services to rent guarantee users and promoting cross-selling. It already provides products combining rent guarantees and emergency maintenance services, as well as multilingual support plans, and going forward it is also considering the expansion of bundled products with fire insurance, opening support services for tenants, and the like. It intends to increase revenue per customer by expanding related services starting from the use of guarantee services.

In addition, as measures that will lead to an improvement in profitability, it will aim to expand fee income by increasing the ratio of collection services among contracts, and proceed with the recovery of costs associated with delinquency responses by collecting reminder and billing administrative fees. Furthermore, it is also proceeding with the strengthening of credit management through the sophistication of screening functions and the refinement of scoring. In terms of operations, it will also aim to reduce variable costs through the streamlining of the screening process, the review of collection service fees, and the like.

Note that there are also multiple potential upsides that are not incorporated into the medium-term management plan. Examples of this include market share expansion through the acquisition of independent mid-sized and small regional guarantee companies, and business scale expansion through alliances with consumer credit-affiliated rent guarantee companies. Improvements in unprofitable transactions due to the sophistication of AI screening, and the streamlining of collection operations utilizing analysis of the degree of difficulty in collection also have the potential to contribute to earnings improvement. If the opening of branches in untapped regions progresses, effects are expected not only in sales growth but also in terms of easing competition. If the review of the cost structure progresses, there also remains room for improvement in the profit margin.

If the strengthening of sales, the improvement of ARPU, and the accumulation of various revenue measures proceed as planned, FISCO thinks that there is ample possibility of achieving the medium-term management plan. By proceeding with the expansion of the guarantee domain and real estate-related services while utilizing the rent guarantee business as a foundation, medium- to long-term profit expansion and sustainable corporate value enhancement are expected.

Sustainability

A business model that achieves both the resolution of social issues and the enhancement of corporate value

The Company's sustainability is characterized by the fact that the rent guarantee business itself is closely linked to the resolution of social issues. In the rental housing market, accompanying the increase in single-person households and elderly households, the number of prospective tenants who cannot secure a joint guarantor is increasing. As a guarantee company, the Company plays the role of guaranteeing the payment of tenants, providing a mechanism that supports both the expansion of move-in opportunities and the stabilization of income for property owners. Rent guarantees are a service that has the character of a social infrastructure supporting the smooth operation of the rental housing market, and the Company's business expansion leads directly to the formation of a safe and secure rental housing market. This point is the most essential element within the Company's sustainability.

The Company has set forth five items as its materiality: 1) Realizing a society where more people can live safely and securely, 2) Promoting diversity, 3) Ensuring compliance, 4) Protection of personal information, and 5) Addressing climate change risks. Among these, given the characteristics of the business, the importance of compliance and information management is high. Rent guarantees are a business that handles personal information and credit information, and a high sense of ethics is required even in the process of screening and collection. The Company has established an internal control system centered on the Compliance Committee, and is implementing the establishment of consultation counters, training for managers, and the like. These initiatives serve as the foundation supporting the reliability of the guarantee business, which has a character close to finance.

The Company positions human resources as "the core asset for sustainable business growth and corporate value creation," and is proceeding with system development in each aspect of recruitment, development, and engagement. In terms of recruitment, in addition to securing personnel responding to base expansion, it is proceeding with the acquisition of personnel in the DX specialized domain. It has adopted a recruitment design targeting diverse personnel such as second-time graduates, women, and regional talent, aiming to achieve both organizational diversity and close contact with the local community. In terms of development, it has arranged education systems by rank and job type, and established mechanisms for assignment and early promotion. It is also working on improving the transparency of the evaluation system and reviewing the compensation system, advancing the creation of an organization that links job satisfaction with results. The guarantee business largely depends on the expertise of human resources, such as screening, collection, and customer relations, and human capital investment is an area directly linked to competitiveness.

In terms of the environment, it is promoting resource and energy conservation in each process of its business activities, and working on reducing environmental impact such as waste reduction. Although the Company's business is not an industry with a large direct environmental impact like the manufacturing industry, the energy consumption of offices and IT infrastructure increases as the scale of business expands. Efficient business operations and the promotion of digitalization can be described as initiatives with effects in terms of both improving operational efficiency and reducing environmental impact.

The Company's sustainability is evaluated positively in that its business model itself inherently contains social significance, rather than adding ESG measures externally. The structure in which the expansion of business scale and the expansion of social value proceed in the same direction is also important from the perspective of long-term corporate value. In addition, FISCO thinks that if human capital investment and the development of organizational culture progress, it will also lead to an improvement in the quality of guarantee screening and debt collection, becoming a foundation that supports the sustainable growth of the business.

Shareholder return policy

Sets out a high-level dividend policy backed by stable cash flows

The Company has a basic policy of stable and continuous dividends. It intends to return profits to shareholders while balancing with the internal reserves necessary for business operations and strengthening its financial constitution, while being conscious of improving capital efficiency. Its policy is to utilize internally retained funds to strengthen its business foundation and expand services for medium- to long-term growth, aiming for a capital policy that balances growth investments and shareholder returns.

The Company basically pays dividends twice a year, an interim dividend and a year-end dividend, and it targets a dividend payout ratio of 50% or higher. This is a relatively high level even among domestic listed companies, demonstrating an attitude that emphasizes stable dividends. The rent guarantee business has a high proportion of stock revenue such as renewal guarantee fees, with a business structure that easily generates stable cash flows. FISCO thinks that a stable earnings base is an element that supports continuous dividends.

The year-end dividend for FY12/25 was ¥35.0 per share. In FY12/26, it forecasts a dividend increase to ¥76.0 annually (¥38.0 interim, ¥38.0 year-end). Because the Company has an earnings structure in which its earnings base becomes more robust as its business scale expands, there is room for dividends to also expand in stages in accordance with future profit growth. Going forward, along with the expansion of its business performance, there is a possibility that its reputation as a stable dividend stock will increase.

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■ For inquiries, please contact: ■
FISCO Ltd.
5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062
Phone: 03-5774-2443 (IR Consulting Business Division)
Email: support@fisco.co.jp