COMPANY RESEARCH AND ANALYSIS REPORT

SALA CORPORATION

2734

Tokyo Stock Exchange Prime Market

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Contents

Summary

Continued strong 1H performance in FY11/26; forecasting record-high net sales and operating profit

SALA CORPORATION <2734> (hereafter, also “the Company”) is a unique business group based in Toyohashi City, Aichi Prefecture, Japan. The Company operates diverse businesses, ranging from energy and engineering to housing and real estate, car importing, and animal health products. In the energy field, the Company provides last-mile services to approximately 540,000 customers, mainly in eastern Aichi Prefecture and western Shizuoka Prefecture. It has approximately 5,000 employees working at locations in 21 prefectures, from Hokkaido to Kumamoto. In January 2026, it announced its 6th Medium-Term Management Plan ending in FY11/30, which clarified the path to achieving dramatic growth in the housing business and consolidated operating profit of ¥12.0bn. Both of these were targets previously set in the 2030 Vision.

1. Business overview

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

2. Overview of 1H FY11/26 results

In 1H FY11/26, consolidated net sales decreased 1.2% year on year (YoY) to ¥129,672mn, operating profit rose 26.7% to ¥7,455mn, ordinary profit grew 48.7% to ¥8,522mn, and net profit attributable to owners of parent went up 38.1% to ¥5,593mn, with each profit line setting new record highs for 1H. Net sales edged down slightly companywide, as the Energy & Solutions business posted lower revenue (down ¥3,049mn). With regard to operating profit, in the Energy & Solutions business, sales of equipment and installation work trended favorably alongside proposals for home renovations in the lifestyle sector and solutions in the business sector, while in the Engineering & Maintenance business, an increase in the value of completed construction and ongoing improvements in process management proved effective, contributing to an increase in profit. From the standpoint of profit improvement, profit increased in five segments excluding the Animal Health Care business. This linked to record-high profit for the Company.

3. FY11/26 forecasts

For its FY11/26 consolidated results, the Company forecasts that net sales will increase 3.4% YoY to ¥260,000mn, operating profit will rise 5.7% to ¥7,800mn, ordinary profit will fall 5.3% to ¥9,400mn, and net profit attributable to owners of parent will rise 0.5% to ¥5,900mn, with net sales and operating profit expected to achieve record highs. Based on its strong 1H results, the Company revised its forecasts upward for each profit line. In FY11/26, revenue growth is expected in the five segments other than the Engineering & Maintenance business, which exceeded expectations in the previous fiscal year. In both the Housing and Car Life Support businesses in particular, sales were expected to increase ¥3,000mn or more at the beginning of the fiscal year. Following the end of 1H, while there were deviations from the forecasts for each business segment, the net sales forecast for the Company as a whole was left unchanged. Operating profit is projected to remain at a high level in the core Energy & Solutions business and the Engineering & Maintenance business, while significant profit growth is forecast in the Car Life Support and Animal Health Care businesses in particular after their structural reforms were mostly completed in the previous fiscal year. Coming off the end of 1H, profit improvement is progressing in five businesses excluding Animal Health Care. Moreover, given that operating profit increased 26.7% in 1H, the operating profit forecast for the full fiscal year (up 5.7% to ¥7,800mn) appears somewhat conservative.

4. Growth strategy

The Company will accelerate the restructuring of its business with a view to expanding its pre-owned housing business centered on home renovation. Specifically, the Company will establish SALA Reform Co., Ltd. in December 2026, with Yasue Construction Co., Ltd., which became a consolidated subsidiary in December 2024, and Living SALA Co., Ltd., which operates a home renovation business, as the core. The Company will also transfer the renovation functions of SALA E&L Nagoya Co., Ltd. (which serves gas and electricity customers) and SALA HOUSE SUPPORT (which serves SALA HOUSE homeowners). Its aim in doing so is to accelerate the growth of its housing business at a pace unattainable on a standalone basis by integrating SALA Group's strong customer base with Yasue Construction's high-value-added, highly profitable business model. The Company plans to first roll out this business model in its area of focus (western Aichi Prefecture) and, through a multifaceted approach that includes opening stores with restrained initial investment and agile M&A, establish a network of more than 30 stores by FY11/30, and eventually build a strong business base spanning the Kanto to Kansai regions to expand its share of the renovation market. Aiming to achieve net sales of ¥30.0bn and operating profit of approximately ¥1.5bn in FY11/30, it seeks to grow Housing into its third business pillar following the Energy & Solutions and Engineering & Maintenance businesses.

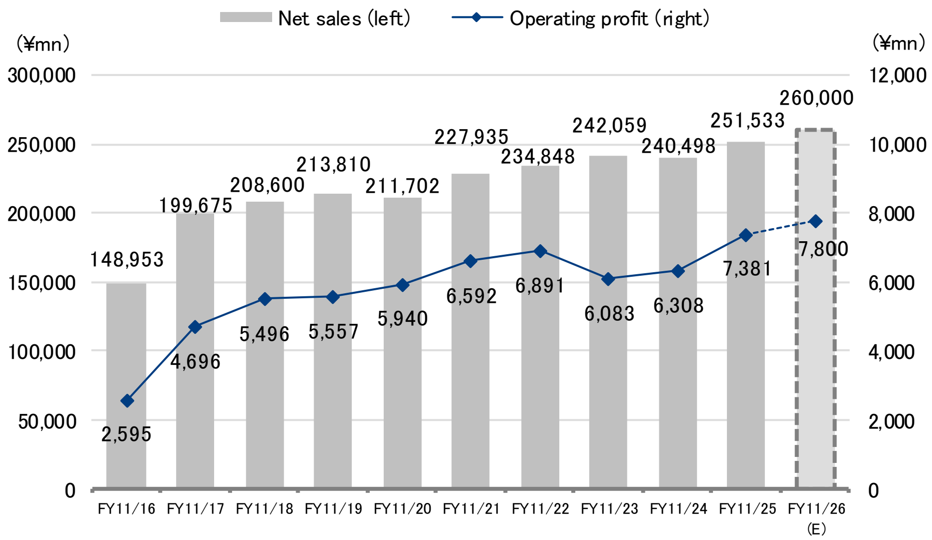
5. Shareholder return policy

In July 2024, the Company revised its dividend policy and clarified its stance on enhancing shareholder returns. The policy states that it is "targeting a consolidated payout ratio of 40% or higher excluding the effects of gain or loss on valuation of derivatives on forward exchange contracts while maintaining dividends that are equal to or higher than those of the previous fiscal year. Furthermore, the Company flexibly implements the purchase of treasury shares while considering the market environment and capital efficiency." Since FY11/13, the Company has continued to maintain or increase its annual dividend. For FY11/26, it has revised its forecast upward by ¥2.0 YoY to an annual dividend per share of ¥34.0 (interim dividend of ¥16.0 already paid; year-end dividend of ¥18.0 scheduled). According to the revised version of its capital allocation policy announced in January 2026, it will increase dividends and flexibly purchase treasury shares between now and FY11/30, and plans to use total funds in excess of ¥21.0bn for shareholder returns. In March 2026, to address concerns about the sale of strategic shareholdings and the issue of insufficient liquidity, the Company carried out a secondary offering of 5.93 million shares of strategic holdings held by eight financial institutions. As a result, as of the end of May 2026, the proportion of individual shareholders rose 6.5 percentage points (pp) to 49.1%, while the proportion of overseas institutional investors rose 2.8pp to 9.4%. This changed shareholder composition and improved liquidity.

Key Points

- In 1H FY11/26, profit improvement across a wide range of businesses, including energy and housing/real estate, resulted in the setting of a new record-high for 1H profit
- Revised profit forecasts for FY11/26 upward coming off strong 1H results. Forecasting record-high net sales and operating profit
- Aiming for operating profit of ¥12.0bn under the 6th Medium-Term Management Plan, with FY11/30 as the final year. Plans mergers and restructuring aimed at expanding the home renovation business
- Revised dividend forecast for FY11/26 upward to ¥34.0 (up ¥2.0 YoY). Sale of strategic shareholdings by eight financial institutions resulted in improved liquidity

Consolidated results trend



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

Company profile

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

1. Company profile and history

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

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

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

History

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

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

2. Business description

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

Comparing energy-related and non-energy-related businesses, approximately 50% of net sales and operating profit (as of FY11/25) are generated from non-energy-related businesses, putting the Company on track to “achieve dramatic growth in the housing business” as outlined in its 2030 Vision.

Overview of each segment

Segment	Business description	Consolidated subsidiaries, etc.	Composition (FY11/25)	
			Net sales	Operating profit
Energy & Solutions business	City gas, LPG, electricity, petroleum products, high-pressure gases, logistics services, home renovation, etc.	SALA ENERGY, SALA E&L Higashi Mikawa, SALA E&L Hamamatsu, SALA E&L Nagoya, SALA E&L Shizuoka, GOOD LIFE SALA KANTO, SALA e ENERGY, SALA e POWER, SALA Logistics, Living SALA, SALA Water, Mikawawan Gas Terminal, Nikko, Chubu Propane Stand, Hamamatsu Propane Stand, KANTOH	48.1%	58.1%
Engineering & Maintenance business	Urban infrastructure development (roads, construction, port engineering, etc.), facility construction and maintenance, system development, etc.	Chubu Engineering Corporation, Jinno Construction, Suzukigumi, Chubu Engineering Service, Techno Systems, Seien Concrete Industries, Tokiwa Doro, Showa Cleaner, Chubu Building Services, SEIWA SECURITY SERVICE	14.0%	46.8%
Housing business	Custom-built and built-for-sale housing, home renovation, sales of building materials, etc.	SALA HOUSE, Chubu Home Service, Taiyo-co, Miyashita Koumuten, SALA HOUSE SUPPORT, ECO-HOME PANEL, Yasue Construction, Toya House, Apricot, MIMA * Miyashita Koumuten has been excluded from consolidated subsidiaries as of June 2026 following the transfer of all its shares.	17.8%	12.4%
Car Life Support business	Sales and maintenance of imported automobiles (Volkswagen and Audi), etc.	SALA CARS JAPAN	7.1%	-8.5%
Animal Health Care business	Animal pharmaceuticals, therapeutic diets, etc.	ASCO, Dowa Chemical	9.3%	-7.7%
Properties business	Real estate leasing, sales, and brokerage, community development business, management of hotels, restaurants, and sports clubs, etc.	SALA Real Estate, SALA Hotels and Restaurants, SALA Sports	2.9%	5.5%

Note: Compositions are based on pre-adjustment amounts.
Source: Prepared by FISCO from the Company's financial results and Integrated Report

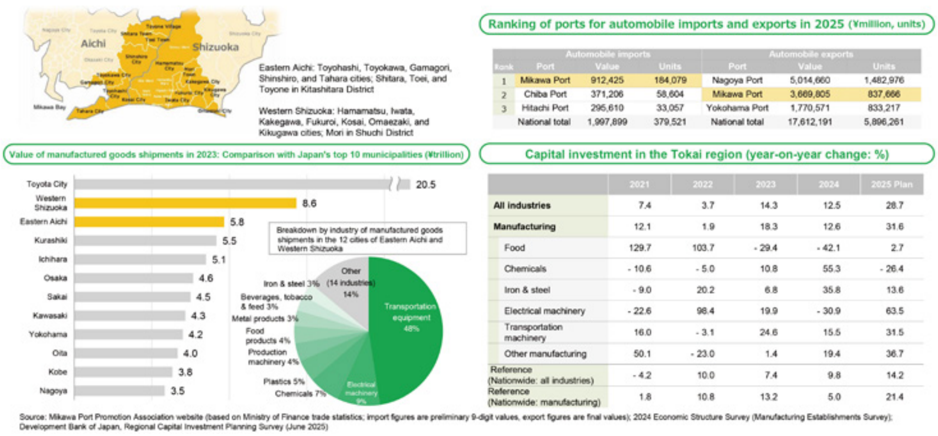
Business overview

Business base in eastern Aichi Prefecture and western Shizuoka Prefecture, which is among Japan's top industrial clusters

1. Business base

The Group's core market comprises eastern Aichi Prefecture, including Toyohashi City where headquarters are located, and western Shizuoka Prefecture centered on Hamamatsu City. Combined shipments of manufactured goods from the two regions approached ¥14.4tn in 2023, far exceeding Yokohama City, Kawasaki City, and Osaka City (all in the ¥4tn range), making it one of Japan's foremost industrial clusters. The region hosts numerous mother factories of companies such as Toyota Motor <7203>, Suzuki <7269>, and Yamaha Motor <7272> in transportation equipment, as well as Nitto Denko <6988>, Kao <4452>, and Tokyo Steel Manufacturing <5423>. The maritime gateway for the Company's business base is Mikawa Port, which ranked first in automobile imports and second in automobile exports in 2025, making it a hub port for the automobile industry. In terms of capital investment growth, the Tokai region exceeds the national average, and is an area prioritized by various industries. Building on these high-potential regions, the Company has expanded its business area from Tokai to nationwide under the philosophy of not only supplying energy but also "enriching people's lives," "supporting corporate growth," and "enhancing community appeal."

Characteristics of the business areas



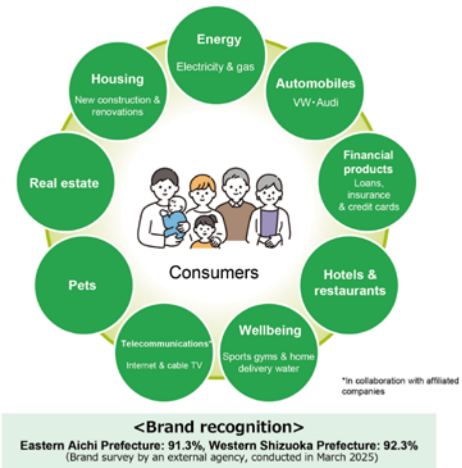
Source: The Company's 1H FY11/26 financial results and medium-term management plan briefing materials

2. BtoC and BtoB business models and key strengths

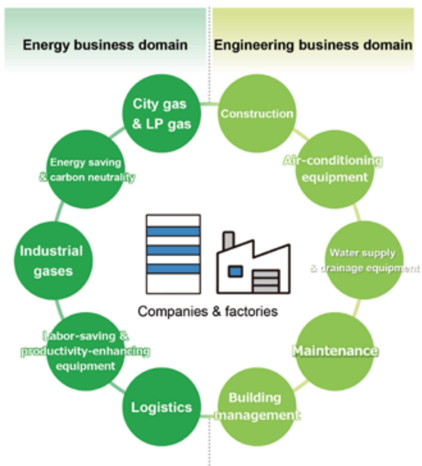
The Company's business model can be classified into two categories: BtoC and BtoB. In BtoC, the Company offers an extensive lineup of products and services that meet the needs of local consumers, including energy (electricity and gas), housing (new construction and renovation), real estate, financial products, hotels and restaurants, well-being (home-delivered water and fitness gyms), and telecommunications, and is highlighted by its overwhelming regional market share. The Company's brand recognition is 91.3% in eastern Aichi Prefecture and 92.3% in western Shizuoka Prefecture, indicating that it is a brand known by virtually everyone in the region*. The ability to cross-sell to 540,000 customers (as of end-May 2026) is a key strength of the Company, which operates 14 SALA PLAZA locations, mainly in the Tokai area, as bases for that purpose. In BtoB, the Company is deeply embedded in the rich industrial clusters of eastern Aichi Prefecture and western Shizuoka Prefecture, offering a wide range of proposals that include construction, air-conditioning equipment, plumbing equipment, maintenance, building management, logistics, and labor-saving/productivity-enhancing equipment. Its key strength in BtoB is its ability to build relationships of trust through regular, long-term points of contact created through the supply of energy and the maintenance and servicing of equipment, and to make highly precise proposals of solutions through information-gathering. Specifically, through continuous points of contact with customers, the Company forms an accurate grasp of information on replacement needs, including the degree of equipment aging, renewal timing, and perceived issues. In turn, this enables it to make timely proposals through which it circumvents price competition. As a result, the Company's Engineering & Maintenance business maintains relatively high profitability, with an operating margin of 11.2% (as of 1H FY11/26).

* Based on the results of a brand survey conducted by an external organization in March 2025.

BtoC business model



BtoB business model



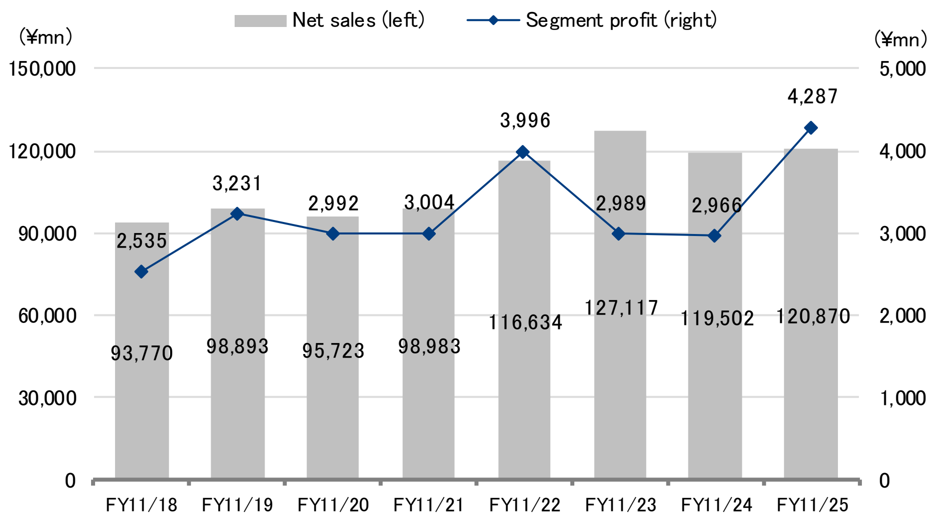
Source: The Company's 1H FY11/26 financial results and medium-term management plan briefing materials

3. Energy & Solutions business

The Energy & Solutions business operates energy businesses such as city gas, LPG, and electricity, as well as a renovation business, focused on eastern Aichi Prefecture and western Shizuoka Prefecture. The energy business provides the stable supply of conventional energy while also addressing carbon neutrality needs to create affluent lifestyles for customers and solve issues faced by businesses. Energy is the Company's founding business with a customer base of approximately 540,000 accounts (as of end-May 2026). One out of every two households in the city gas supply area is the Company's customer. The size of the renovation business, which carries out relatively small-scale renovation of specific parts (the Housing business carries out general renovations), is in the range of ¥11.0bn. Going forward, however, the Company will proceed with its integration with Yasue Construction. Energy & Solutions also focuses on BtoB energy supply. It has many large corporate customers due to the high concentration of automobile and other manufacturing industries in the region.

In recent years, earnings in the Energy & Solutions business were impacted by fluctuations in energy costs (higher sales prices tend to weigh on demand) and the changing climate, but net sales and profits have risen steadily on the back of growth in the customer base. In 1H FY11/26, net sales fell 4.5% YoY to ¥64,960mn and operating profit rose 7.1% to ¥5,442mn. Net sales decreased due to a decline in gas sales volume, which was compounded by a downward adjustment to city gas selling prices under the fuel cost adjustment system. On the profit front, sales of equipment and construction related to the home renovation business and to commercial carbon neutrality efforts and productivity enhancement increased, the composition of high-value-added businesses rose, and operating profit increased.

Results trend in the Energy & Solutions business



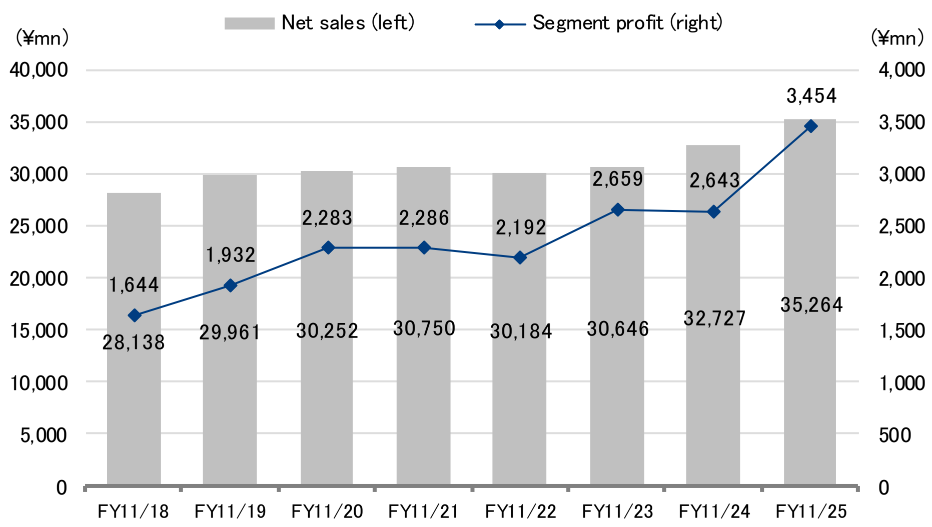
Source: Prepared by FISCO from the Company's financial results

4. Engineering & Maintenance business

Aiming to create safe, secure, affluent, and comfortable spaces, the Engineering & Maintenance business constructs and repairs urban infrastructure that requires advanced technology, such as office buildings, factories, hospitals, schools, condominiums, parks, roads, bridges, and port facilities. It also contributes to carbon neutrality in customers' business activities by proposing equipment and maintenance solutions that help them decarbonize their operations using energy saving, energy creation, carbon offsetting, and other means. In this business segment, the civil engineering department accounts for roughly 40% of net sales, while the construction, maintenance, and equipment installation departments each account for about 20% (as of FY11/25). Historically, the business has strengths in port engineering and also facility construction, including air conditioning, plumbing and sanitation, and energy-related equipment.

In recent years, both sales and profits have shown steady growth. On the profit front in particular, performance is on par with the Energy & Solutions business, with the operating margin relatively high at 9.8% (as of FY11/25), driving the Company's earnings growth. In recent years, the business has stepped up marketing to BtoB customers in the energy business, and synergies are now starting to emerge. In 1H FY11/26, net sales rose 13.5% YoY to ¥19,526mn, and operating profit went up 11.1% to ¥2,189mn. Revenue increased due to the steady performance of construction for large projects across the equipment installation, construction, and maintenance departments. On the profit front, profits increased by double-digits, driven by both higher value of completed works and continuous process management improvements.

Results trend in the Engineering & Maintenance business



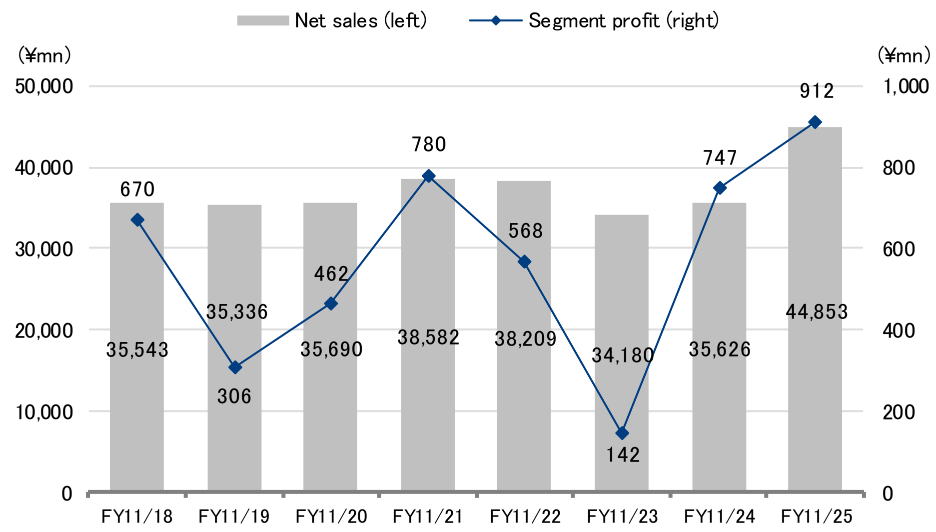
Source: Prepared by FISCO from the Company's financial results

5. Housing business

The Housing business offers comprehensive services related to home building, including the sale of detached houses with a focus on comfort and the sale of housing construction materials and equipment. In its SINKA series of custom-built houses, it develops and sells homes with superior energy saving and environmental performance that are compatible with the Net-zero Energy House (ZEH) standard. The ZEH ratio has reached 68%. In January 2025, the business began sales of a new product, SINKA KIWAMI, which meets grade 7 insulation performance (the highest grade). In addition to a whole-building HVAC system that keeps the house at a comfortable temperature with a single residential air conditioner, it is equipped with a humidity control system that maintains humidity at 40% to 60%. These features reduce annual utility costs by around 40% compared to homes with conventional multiple air conditioning units, making SINKA KIWAMI a competitive product.

In recent years, net sales have remained stable, and the business has been profitable at the operating profit level throughout the fiscal year, albeit with some fluctuations. In 1H FY11/26, net sales rose 1.2% YoY to ¥20,654mn, and operating profit came to ¥123mn (vs. ¥56mn in an operating loss in the same period of the previous fiscal year). In the Housing Sales department, orders for the “SINKA” series grew. In the Housing Materials Processing & Sales department, despite a decline in new housing construction starts, orders were maintained at the same level as the same period of the previous year. As a result, net sales and profits increased.

Results trend in the Housing business



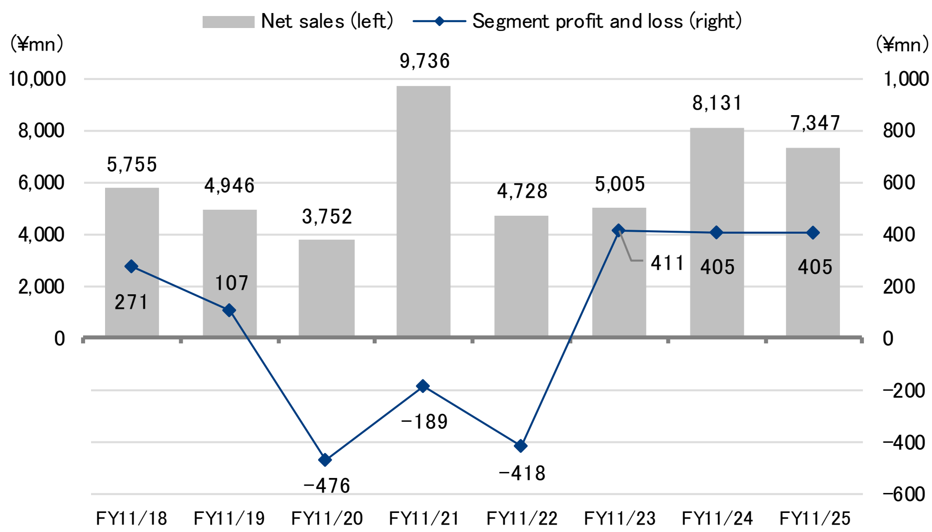
Source: Prepared by FISCO from the Company’s financial results

6. Properties business

The Properties business operates businesses related to real estate, hospitality (restaurant and hotel management), and sports (sports club management) in eastern Aichi Prefecture and western Shizuoka Prefecture. The real estate properties department accounts for around 60% of net sales, the hospitality department about 30%, and the sports department the remaining 10% (as of FY11/25). In the real estate properties department, the business maximizes the Group's customer base and network to propose comprehensive, optimal solutions that meet customer needs.

The business reported losses during the pandemic, but profitability has recovered since FY11/23, with the operating margin reaching 5.5% in FY11/25. In 1H FY11/26, net sales decreased 1.0% YoY to ¥3,247mn, and operating profit came to ¥285mn (vs. an operating loss of ¥3mn in the same period of the previous fiscal year). Net sales decreased due to the inclusion of condominium sales recorded two fiscal years prior in the results for the previous fiscal year. On the profit front, due to progress in the disposal of company-owned assets and buy-to-sell transactions for distribution properties, as well as growth in rental income that accompanied the acquisition of new properties, profit increased by a large margin.

Results trend in the Properties business



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

7. Car Life Support business

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

Net sales have been growing steadily in recent years, but have also been affected by disruptions in the supply chain and other factors. In 1H FY11/26, net sales fell 8.3% YoY to ¥8,263mn, and there was an operating loss of ¥316mn (vs. ¥693mn in an operating loss in the same period of the previous fiscal year). Net sales decreased, reflecting a reactionary decline following the clearance of used car inventory carried out in the same period of the previous year. On the profit front, due largely to the elimination of the impact from the inventory clearance as well as increased unit sales in the Volkswagen used-car department and the Audi new-car department and stronger results in the service department, profitability improved.

8. Animal Health Care business

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

As for results in recent years, although there has been stable growth in net sales (although they declined in FY11/22 due to the application of the Accounting Standard for Revenue Recognition, etc., which reduced net sales by ¥4,789mn), in FY11/25, both a decline in revenue and an operating loss were recognized. This was mainly due to the discontinuation of certain therapeutic diets in the pet-related department following changes in suppliers' distribution channels and to upfront reform costs aimed at streamlining the logistics network through warehouse consolidation and making the transition to a new sales model. In 1H FY11/26, net sales rose 1.1% YoY to ¥12,512mn, and there was an operating loss of ¥190mn (vs. ¥83mn in an operating loss in the same period of the previous fiscal year). While orders remained solid in the pet-related department, profit margins declined as a whole due to intensified price competition. Note that for the full fiscal year, the Company expects to return to the black on an operating profit line as the effects of structural reforms materialize.

Results trends

In 1H FY11/26, profit improvement across a wide range of businesses resulted in the setting of a new record-high for 1H profit

1. Overview of 1H FY11/26 results

In 1H FY11/26, consolidated net sales decreased 1.2% YoY to ¥129,672mn, operating profit rose 26.7% to ¥7,455mn, ordinary profit grew 48.7% to ¥8,522mn, and net profit attributable to owners of parent went up 38.1% to ¥5,593mn, with each profit line setting new record highs for 1H.

Net sales edged down slightly companywide, as the Energy & Solutions business posted lower revenue (down ¥3,049mn YoY). In addition to a decrease in household and commercial gas sales volumes, the downward adjustment to city gas selling prices under the fuel cost adjustment system exerted an impact. In the Engineering & Maintenance business (up ¥2,316mn), there was steady progress in construction for large projects across the equipment installation, construction, and maintenance departments. With regard to operating profit, in the Energy & Solutions business, sales of equipment and installation work trended favorably alongside proposals for home renovations in the lifestyle sector and solutions in the business sector, while in the Engineering & Maintenance business, an increase in the value of completed construction and ongoing improvements in process management proved effective, contributing to an increase in profit. From the standpoint of profit improvement, profit increased in five segments excluding the Animal Health Care business. This linked to record-high profit for the Company. Ordinary profit increased due to recording ¥793mn in gain on valuation of derivatives on forward exchange contracts (vs. ¥430mn loss on valuation of derivatives on forward exchange contracts in the same period of the previous fiscal year) under non-operating income. This stems from long-term foreign exchange contracts executed to mitigate currency risk in the biomass power generation business (which primarily uses imported fuel). It should be noted that these are non-cash valuation gains or losses.

Consolidated results for 1H FY11/26

(¥mn)

	1H FY11/25		1H FY11/26		YoY
	Result	Vs.	Result	Vs.	
Net sales	131,253	-	129,672	-	-1.2%
Cost of sales	98,397	75.0%	95,750	73.8%	-2.7%
Gross profit	32,856	25.0%	33,922	26.2%	3.2%
Selling, general and administrative expenses	26,969	20.5%	26,467	20.4%	-1.9%
Operating profit	5,886	4.5%	7,455	5.7%	26.7%
Ordinary profit	5,732	4.4%	8,522	6.6%	48.7%
Net profit attributable to owners of parent	4,051	3.1%	5,593	4.3%	38.1%

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

1H FY11/26 net sales and operating profit by segment

(¥mn)

Net sales	1H FY11/25		1H FY11/26		YoY
	Result	Composition	Result	Composition	
Energy & Solutions business	68,010	52.2%	64,960	50.3%	-4.5%
Engineering & Maintenance business	17,210	13.2%	19,526	15.1%	13.5%
Housing business	20,417	15.7%	20,654	16.0%	1.2%
Car Life Support business	9,006	6.9%	8,263	6.4%	-8.3%
Animal Health Care business	12,376	9.5%	12,512	9.7%	1.1%
Properties business	3,279	2.5%	3,247	2.5%	-1.0%
Operating profit	**1H FY11/25**		**1H FY11/26**		**YoY**
	Result	Profit margin	Result	Profit margin	
Energy & Solutions business	5,080	7.5%	5,442	8.4%	7.1%
Engineering & Maintenance business	1,971	11.5%	2,189	11.2%	11.1%
Housing business	-56	-0.3%	123	0.6%	-
Car Life Support business	-693	-7.7%	-316	-3.8%	-
Animal Health Care business	-83	-0.7%	-190	-1.5%	-
Properties business	-3	-0.1%	285	8.8%	-

Note: The profit margin is the ratio of operating profit to net sales under each business.
Source: Prepared by FISCO from the Company's financial results

Maintaining sound finances to support aggressive investment in growth and M&A; healthy equity ratio of 43.0%

2. Financial position and key management indicators

Total assets as of the end of 1H FY11/26 increased ¥4,296mn from the end of the previous fiscal year to ¥222,641mn. Of this amount, current assets decreased ¥805mn, primarily due to a ¥2,703mn fall in notes and accounts receivable - trade, and contract assets and a ¥2,135mn fall in cash and deposits. Non-current assets rose ¥5,101mn, which was mainly attributable to a ¥2,677mn increase in investments and other assets and a ¥2,242mn rise in property, plant and equipment.

Total liabilities increased ¥104mn from the end of the previous fiscal year to ¥124,881mn. Of this amount, current liabilities decreased ¥3,339mn. Non-current liabilities increased ¥3,443mn, largely due to a ¥3,141mn rise in long-term borrowings. The balance of interest-bearing debt (total of short-term borrowings, current portion of long-term borrowings, and long-term borrowings) rose ¥7,813mn to ¥68,090mn. Net assets increased ¥4,192mn to ¥97,759mn. This was mainly due to an increase in retained earnings, reflecting the booking of net profit attributable to owners of parent.

Looking at management indicators, the current ratio was 151.8% (vs. 145.3% at the end of FY11/25) and the equity ratio was 43.0% (42.0%), indicating the Company's finances are sound and stable. The Company is maintaining a solid financial base to support aggressive investment in growth (¥45.0bn over five years until the end of FY11/30) and in M&A. However, ROE was only 6.7% (FY11/25). To tackle this issue, the Company is currently implementing operational and financial measures to lift ROE.

Consolidated balance sheets and key management indicators

(¥mn)

	End of FY11/25	End of 1H FY11/26	Change
Current assets	95,110	94,305	-805
Cash and deposits	31,881	29,746	-2,135
Notes receivable, accounts receivable, and contract assets	35,069	32,366	-2,703
Work-in-process	5,283	6,737	1,454
Non-current assets	123,235	128,336	5,101
Property, plant and equipment	82,694	84,936	2,242
Investments and other assets	33,610	36,287	2,677
Total assets	218,345	222,641	4,296
Current liabilities	65,449	62,110	-3,339
Short-term borrowings	4,356	8,125	3,769
Notes and accounts payable - trade	22,799	21,034	-1,765
Provision for bonuses	3,132	1,513	-1,619
Non-current liabilities	59,328	62,771	3,443
Long-term borrowings	46,949	50,090	3,141
Total liabilities	124,777	124,881	104
Total net assets	93,567	97,759	4,192
Retained earnings	49,488	53,999	4,511
Total liabilities and net assets	218,345	222,641	4,296
<Stability>			
Current ratio (current assets ÷ current liabilities)	145.3%	151.8%	6.5pp
Equity ratio (shareholders' equity ÷ total assets)	42.0%	43.0%	1.0pp

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

Outlook

Revised profit forecasts for FY11/26 upward. Forecasting record-high net sales and operating profit

● **FY11/26 forecasts**

For its FY11/26 consolidated results, the Company forecasts that net sales will increase 3.4% YoY to ¥260,000mn, operating profit will rise 5.7% to ¥7,800mn, ordinary profit will fall 5.3% to ¥9,400mn, and net profit attributable to owners of parent will rise 0.5% to ¥5,900mn, with net sales and operating profit expected to achieve record highs. Note that based on its strong 1H results, the Company revised its forecasts upward for each profit line.

In FY11/26, revenue growth is expected in the five segments other than the Engineering & Maintenance business, which exceeded expectations in the previous fiscal year. In both the Housing and Car Life Support businesses in particular, sales were expected to increase ¥3,000mn or more YoY at the beginning of the fiscal year. Following the end of 1H, while there were deviations from the forecasts for each business segment, the net sales forecast for the Company as a whole was left unchanged. Relative to the full-year net sales forecast, the 1H progress rate exceeded 50% in the Energy & Solutions business, the Engineering & Maintenance business, and the Animal Health Care business. Meanwhile, the remaining three businesses were below 50%. Operating profit is projected to remain at a high level in the core Energy & Solutions business and the Engineering & Maintenance business, while significant profit growth is forecast in the Car Life Support and Animal Health Care businesses in particular after their structural reforms were mostly completed in the previous fiscal year. Coming off the end of 1H, profit improvement is progressing in five businesses excluding Animal Health Care. The focus going forward will be whether the Car Life Support and Animal Health Care businesses can successfully enter the black.

The Energy & Solutions business will achieve growth based on three new earnings pillars—the home renovation business, commercial total solutions business, and electric power business—as it pursues business model reform. The Engineering & Maintenance business will strengthen its base through Group collaboration, use of DX, and tackling the challenge of new services, with the aim of realizing further growth. The Housing business aims to improve the profitability of the new construction business by reinforcing sales of high-value-added products, as well as to improve the profitability of renovation and expand its business areas. In the Car Life Support business, the Company intends to revise its used car inventory management system, which was a main factor in recording a loss in the previous fiscal year, as well as enhancing sales by leveraging area characteristics. The Animal Health Care business will enhance its on-site capabilities and sales capabilities by increasing the efficiency of its logistics network through warehouse consolidation and using a residence model, and will build a strong customer base. In the Properties business, the Company will focus on the real estate investment business and secure high-quality income-generating properties.

Key themes will be building a pre-owned housing business model focused on renovations for SALA in Life and a smart energy and facility solutions business for SALA in Business. However, based on the strengths that the Company has accumulated in these areas, it should be able to deliver results quickly. In June 2026, a new core system to share customer information across the Group entered operation. This holds the promise of stronger cross-selling. In addition to the above points, given that operating profit increased 26.7% YoY in 1H, the operating profit forecast for the full fiscal year (up 5.7% to ¥7,800mn) appears somewhat conservative.

FY11/26 consolidated forecasts

(¥mn)

	FY11/25		FY11/26		YoY
	Result	Vs.	Forecast	Vs.	
Net sales	251,533	-	260,000	-	3.4%
Operating profit	7,381	2.9%	7,800	3.0%	5.7%
Ordinary profit	9,927	3.9%	9,400	3.6%	-5.3%
Net profit attributable to owners of parent	5,870	2.3%	5,900	2.3%	0.5%

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

Growth strategy

Aiming for operating profit of ¥12.0bn under the 6th Medium-Term Management Plan, with FY11/30 as the final year. Plans mergers and restructuring aimed at expanding the home renovation business

1. 6th Medium-Term Management Plan

The Company is working toward its 2030 Vision, "SALA: Common in Your Town, Value to Your Life." Under this vision, the Company seeks to establish business models for "SALA in Life" and "SALA in Business" through providing new value in people's lives by expanding non-energy business areas (such as housing and engineering) while leveraging its combined strengths as a corporate group across different business units. Under its 6th Medium-Term Management Plan (FY11/26–FY11/30), which will serve as the finishing touch of its 2030 Vision, the Company will pursue drastic reform through intersection, collaboration, co-creation, and transformation. For numerical targets, in FY11/30, the final year of the plan, the Company is targeting net sales of ¥300.0bn (annual average growth rate of 3.6%), operating profit of ¥12.0bn (annual average growth rate of 10.2%), and ROE of 10.0% (up 3.3pp compared to FY11/25). Regarding ROE improvement, the Company has stated that it will control the equity ratio at around 40% to ensure that it does not increase excessively.

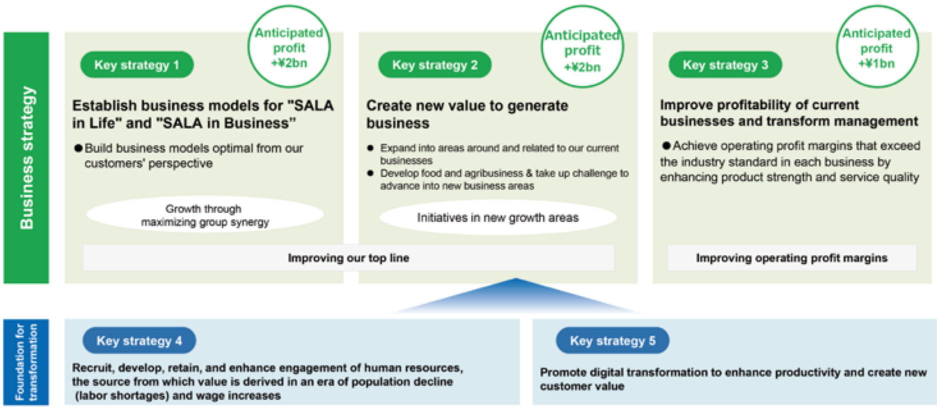
2. Key strategies aimed at achieving operating profit of ¥12.0bn

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

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

The Company's operating profit in FY11/25, its most recent fiscal year, was approximately ¥7.3bn, representing a gap of approximately ¥5.0bn relative to the target figure of ¥12.0bn. In "SALA in Life" under 1) above, the Company expects an increase in profit of approximately ¥1.0bn through fostering its home renovation business by leveraging the strengths of Yasue Construction, which became a consolidated subsidiary in December 2024. In "SALA in Business," also under 1) above, it expects an increase in profit of approximately ¥1.0bn driven by growth in the smart energy and facility solutions business stemming from synergy between the Energy & Solutions business and the Engineering & Maintenance business. In "Create new value to generate business" under 2) above, the Company will commit itself to expanding into areas around and related to its current businesses and into new business areas, and expects an approximately ¥2.0bn increase in profit mainly from growth in the electric power business and the expansion of the real estate investment business. In "Improve profitability of current businesses and transform management" under 3) above, the Company will engineer improved profitability in the Car Life Support business and the Animal Health Care business (approximately ¥1.0bn increase in profit).

6th Medium-Term Management Plan

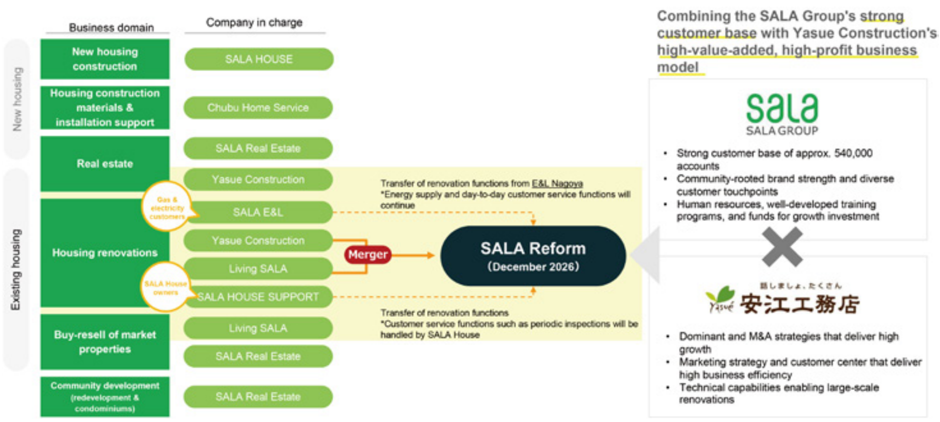


Source: The Company's 1H FY11/26 financial results and medium-term management plan briefing materials

3. Reorganization plan to expand the pre-owned housing business

The Company will accelerate the restructuring of its business with a view to expanding its pre-owned housing business centered on home renovation. Specifically, the Company will establish SALA Reform in December 2026, with Yasue Construction, which became a consolidated subsidiary in December 2024, and Living SALA, which operates a home renovation business, as the core. The Company will also transfer the renovation functions of SALA E&L Nagoya (which serves gas and electricity customers) and SALA HOUSE SUPPORT (which serves SALA HOUSE homeowners). Its aim in doing so is to accelerate the growth of its housing business at a pace unattainable on a decentralized, standalone basis by integrating SALA Group's strong customer base with Yasue Construction's high-value-added, highly profitable business model. The Company plans to first roll out this business model in its area of focus (western Aichi Prefecture) and, through a multifaceted approach that includes opening stores with restrained initial investment and agile M&A, establish a network of more than 30 stores by FY11/30, and eventually build a strong business base spanning the Kanto to Kansai regions to expand its share of the renovation market. It will target net sales of ¥30.0bn and operating profit of approximately ¥1.5bn by FY11/30.

Reorganizing to Expand the Pre-Owned Housing Business Centered on Renovations



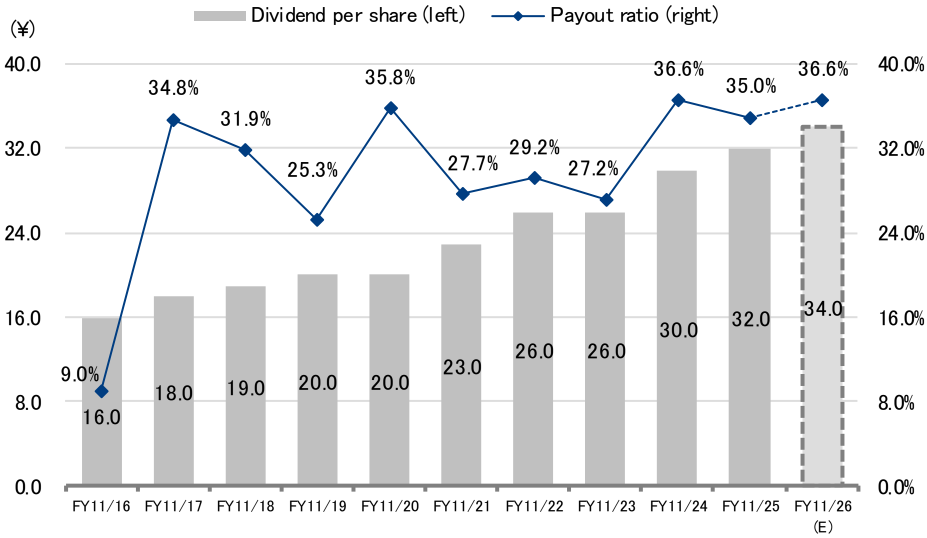
Source: The Company's 1H FY11/26 financial results and medium-term management plan briefing materials

Shareholder return policy

Revised dividend forecast for FY11/26 upward to ¥34.0. Sale of strategic shareholdings by eight financial institutions resulted in improved liquidity

In July 2024, the Company revised its dividend policy and clarified its stance on enhancing shareholder returns. The policy states that it is "targeting a consolidated payout ratio of 40% or higher excluding the effects of gain or loss on valuation of derivatives on forward exchange contracts while maintaining dividends that are equal to or higher than those of the previous fiscal year. Furthermore, the Company flexibly implements the purchase of treasury shares while considering the market environment and capital efficiency." Since FY11/13, the Company has continued to maintain or increase its annual dividend. For FY11/26, it has revised its forecast upward by ¥2.0 YoY to an annual dividend per share of ¥34.0 (interim dividend of ¥16.0 already paid; year-end dividend of ¥18.0 scheduled), and is planning a dividend payout ratio of 36.6%. According to the revised version of its capital allocation policy announced in January 2026, the Company stated that it will increase dividends and flexibly purchase treasury shares between now and FY11/30, and plans to use total funds in excess of ¥21.0bn for shareholder returns.

Trends in dividend per share and payout ratio



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

In March 2026, to address concerns about the sale of strategic shareholdings and the issue of insufficient liquidity, the Company carried out a secondary offering of 5.93 million shares of strategic holdings held by eight financial institutions. As a result, as of the end of May 2026, the proportion of individual shareholders rose 6.5pp YoY to 49.1%, while the proportion of overseas institutional investors rose 2.8pp to 9.4%. This changed shareholder composition and improved liquidity. Meanwhile, the Company's second-largest shareholder is the employee stock ownership plan, and its shareholding ratio excluding treasury shares exceeds 7.4%. Following the Company's March 2026 resolution to introduce restricted stock (RS) for that plan, its participation rate rose to 94%. This initiative follows the performance-linked stock compensation for directors that the Company previously introduced, and is noteworthy as an effort to align its values with those of investors.

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