COMPANY RESEARCH AND ANALYSIS REPORT

SEMBA CORPORATION

6540

Tokyo Stock Exchange Standard Market

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Contents

Summary

Offices & leisure facilities, etc. field drove growth in FY12/25, achieving record profit since listing in 2016

SEMBA CORPORATION <6540> (hereafter, also “the Company”) is one of four major interior and spatial design companies in Japan. It has strong expertise in commercial facilities, with business covering extensive ground from specialty stores to large-scale stores and shopping centers. Over the past few years, it has also expanded its business scope to fields such as offices, medical, and nursing care facilities, schools, and airport infrastructure. In both areas, it features expertise in creating bustling places gained by creating commercial facilities, and supports spatial creation in an integrated manner from research and analysis to operation, with capabilities in conception & design (design work) as well as construction as its strengths. In recent years, it has adopted “Good Ethical Company” as its slogan, pursuing new added value with consideration for people, the global environment, society, and local communities. The Company was founded in 1947 and began business manufacturing and selling display cases in Osaka. During the post-war economic boom, it expanded its business to interior finishing construction for stores. After that, it widened its scope to suburban shopping centers, chain stores, large-scale commercial facilities, and so forth, accompanying the advance of motorization. In 1984, it established a base (already closed) in Hong Kong in step with overseas expansion by Japanese companies, embarking on business expansion in Asia. It now has bases in Taiwan, China (hereafter Shanghai), Singapore, Vietnam, and Malaysia. It has an extensive track record of business with major developers including the Aeon Group <8267> (representative project: AEON LakeTown in Koshigaya) and Mori Building Co., Ltd. (representative project: Azabudai Hills). It had 554 employees (at the end of FY12/25). Many of them are engaged in design (about 40%) and supervision and construction management (about 30%). The Company listed on the Second Section of the Tokyo Stock Exchange (TSE) in 2016, was promoted to the First Section of the TSE in 2017 and transferred to the TSE Standard Market in 2022. In 2025, the Company has formed strategic alliances with industry leaders, Mercer Japan Ltd. (offices field enhancement), KOKUYO <7984> (offices field enhancement), and US-based Autodesk, Inc. (hereafter, Autodesk) (BIM* promotion).

* BIM: Building Information Modeling.

1. Business overview

The Company’s sole segment is the commercial environment creation business. However, it manages operations in three market areas: specialty stores, large-scale stores & commercial complexes, and offices & leisure facilities, etc. Specialty stores account for 31.9% of net sales, large-scale stores & commercial complexes for 36.7%, and offices & leisure facilities, etc. for 31.4% (all figures for FY12/25). In particular, the Company is positioning the offices & leisure facilities, etc. field as a focus area, and its earnings growth potential is high. Overseas business accounts for 12.0% of net sales. In recent years, it has been promoting BIM to raise operational efficiency and productivity. In particular, its use of 3D visualization has helped greatly to accelerate consensus building, deepening understanding with stakeholders and saving time to bring about more time for creative work. The percentage of its design personnel with basic skills in BIM exceeds 70%.

2. Results trends

In FY12/25 consolidated results, net sales rose 13.4% year on year (YoY) to ¥32,831mn and operating income grew 20.2% to ¥2,305mn, achieving double-digit YoY growth in net sales and operating income, and marking the highest profit since listing in December 2016. Net sales growth was driven by YoY increases in sales of ¥3,279mn in the focus field, offices & leisure facilities, etc., and ¥1,603mn in the specialty stores field. Specifically, net sales growth was supported by multiple factors, including office-related facilities where the Company is working to expand orders through strategic sales activities, leisure facilities, new interior projects for restaurants and specialty goods stores in luxury spaces, and ongoing contributions from infrastructure projects initiated in the previous year. Overseas, net sales increased due to factors such as progress on long-term, large-scale development projects in Taiwan. Gross profit rose 5.8%, primarily due to the increase in net sales, while the gross profit margin declined 1.4 percentage points (pp). This was mainly due to an increase in the ratio of business-related operations, including an increase in the number of personnel in business divisions accompanying the growth in sales, and the recording of those personnel and construction costs under cost of sales. Conversely, SG&A expenses decreased because the aforementioned personnel and construction costs for business divisions were recorded under cost of sales, and the SG&A expense ratio declined 1.8pp. As a result, operating income increased sharply by 20.2%. The levels of each profit reached new record highs since the Company's listing.

For FY12/26 consolidated results, the Company forecasts net sales growth of 12.7% YoY to ¥37,000mn and operating income growth of 1.9% to ¥2,350mn, anticipating steady growth in net sales and profit. The order backlog at the end of FY12/25 was ¥8,429mn, up 29.0% from the end of the previous fiscal year. While this typically stands at around 20% of the full-year sales target in a normal year, it is 3pp higher this fiscal year. A characteristic of the fiscal year underway is the large order backlog in the offices & leisure facilities, etc. field at ¥5,500mn. Although the profit growth rate is expected to slow, with operating income up 1.9% and ordinary income up 0.0%, we at FISCO view the plan as incorporating active upfront investments and organizational strengthening aimed at medium-term growth. FISCO thinks there is also potential to exceed forecasts partly since the Company's earnings targets look somewhat conservative, given the thriving spatial design industry, growth in repeat customers (fans) driven by past accomplishments, etc., and results having landed above initial forecasts for the past three years.

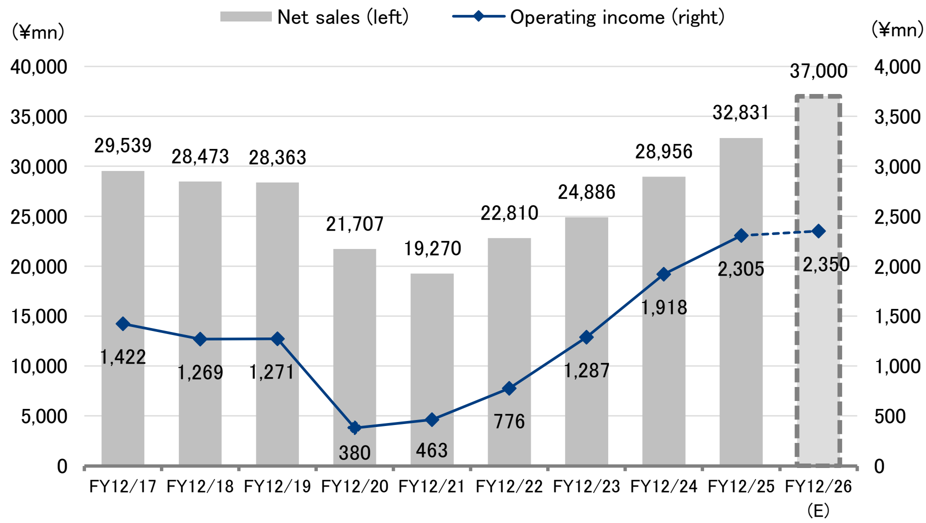
3. Growth strategy and topics

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

Key Points

- Features expertise in creating bustling places gained from creating commercial facilities. Provides fully integrated spatial design support from research and analysis to operation
- In FY12/25, the offices & leisure facilities, etc. field drove growth, reaching record profit since listing
- In FY12/26, double-digit growth in net sales is forecast, with steady profit growth expected while proceeding with organizational strengthening
- Key initiatives of the Medium-term Management Plan 2027 and upfront investments for subsequent medium-term growth are underway

Results trends



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

Company profile

Pursuing new added value as a "Good Ethical Company"

1. Company profile and history

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

The Company was founded in 1947 and began business manufacturing and selling display cases in Osaka. During the post-war economic boom, it expanded its business to interior finishing construction for stores. After that, it widened its scope to suburban shopping centers, chain stores, large-scale commercial facilities and so forth accompanying the advance of motorization. In 1984, it established a base (already closed) in Hong Kong in step with overseas expansion by Japanese companies, embarking on business expansion in Asia. It now has bases in Taiwan, Shanghai, Singapore, Vietnam, and Malaysia. It has a track record of business with major developers including the Aeon Group (representative project: AEON LakeTown in Koshigaya) and Mori Building (representative project: Azabudai Hills). It had 554 employees (at the end of FY12/25). Many of them are engaged in design (about 40%) and supervision and construction management (about 30%). The Company listed on the Second Section of the TSE in 2016, was promoted to the First Section of the TSE in 2017 and transferred to the TSE Standard Market in 2022.

History

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

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

2. Business description

SEMBA's sole segment is the commercial environment creation business. However, it manages operations in three market fields: specialty stores, large-scale stores & commercial complexes, and offices & leisure facilities, etc. Specialty stores account for 31.9% of net sales, large-scale stores & commercial complexes for 36.7%, and offices & leisure facilities, etc. for 31.4%. Overseas business accounts for 12.0% of net sales (all shares of net sales are for FY12/25).

Overview of market fields

Field	Overview	Share of net sales (FY12/25)
Specialty stores	Specialty goods stores, restaurants, specialty service stores, etc.	31.9%
Large-scale stores & commercial complexes	Department stores, mass-market retail shops, commercial buildings, shopping centers, etc.	36.7%
Offices & leisure facilities, etc.	Offices, showrooms, hotels, infrastructure facilities, educational facilities, etc.	31.4%
Companywide total		100.0%
(Reference) Overseas business	Interior and spatial design business overseas mainly in Asia	12.0%

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

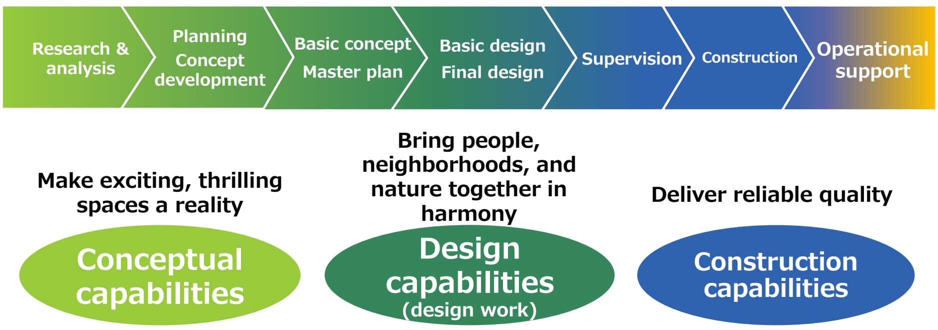
Business overview

Providing fully integrated spatial design support from research and analysis to operation

1. Business fields and strengths

With a focus on commercial facilities, SEMBA is capable of undertaking the entire interior design process in an integrated fashion. Although its mainstays are design, supervision, and construction, it also provides services prior to that such as marketing research and analysis, planning and concept development, and basic concept and master planning. In addition, it provides post-construction services including repairs and operational support. It features expertise in creating bustling places gained by creating commercial facilities, and supports spatial creation in an integrated manner from research and analysis to operation, with capabilities in conception & design (design work) as well as construction as its strengths. Furthermore, on the sales front, a strength lies in the development of agile and speedy sales activities by forming sales teams that transcend job categories.

Expertise in creating bustling places



Source: The Company's results briefing materials

2. Spatial design market trends

The spatial design market consists of two core domains, event/exhibition-related applications and architectural interior solutions. The Company's primary focus is on the field of architectural interior solutions. Key growth drivers included renovation projects aimed at elevating brand presence and foot traffic in hotels and global retail spaces, workplace transformation efforts to improve workplace environments, and, most recently, major events such as EXPO 2025 Osaka, Kansai, Japan. In the offices field, in particular, there is a trend toward active investment in office relocations and workplace environment improvements from the perspective of corporate branding driven by aggressive recruitment amid labor shortages and the retention of talented employees.

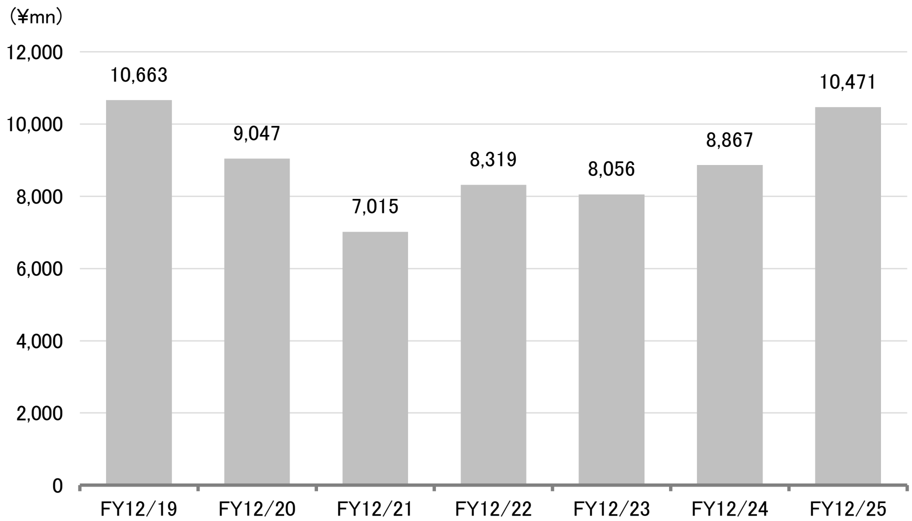
3. Productivity improvement through the promotion of BIM

In recent years, the Company has been actively promoting BIM to raise operational efficiency and productivity. In particular, its use of 3D visualization has helped greatly to accelerate consensus building, deepening understanding with stakeholders and saving time to bring about more time for creative work. The percentage of its design personnel with basic skills in BIM reached 76% in FY12/24, and currently continues to exceed 70%. In August 2025, the Company entered into a memorandum of understanding (MOU) of strategic partnership with Autodesk, a global leader in the BIM domain. Through the development of a Common Data Environment (CDE) and deployment of educational content, it launched initiatives to contribute to DX promotion and BIM adoption in the interior design industry.

4. Specialty stores field

The specialty stores field covers specialty goods stores, restaurants, specialty service stores, etc. Clients are mainly chain stores, but projects are relatively small in scale. Although the Company initially focused on apparel and other retail shops in this field with a long history, it now also has significant business in the services and food and beverage industries. Projects last about three months. Earnings declined during the Covid-19 pandemic, but gradually picked up thereafter. While the upward curve is somewhat gradual, there is an increase in projects from client companies that seek more luxurious and comfortable spaces, an area where the Company excels. As a recent example, the Company handled the interior design, planning, production, and construction for Wolfgang's Steakhouse Takanawa, a renowned restaurant originating in New York.

Specialty stores field: Net sales trends

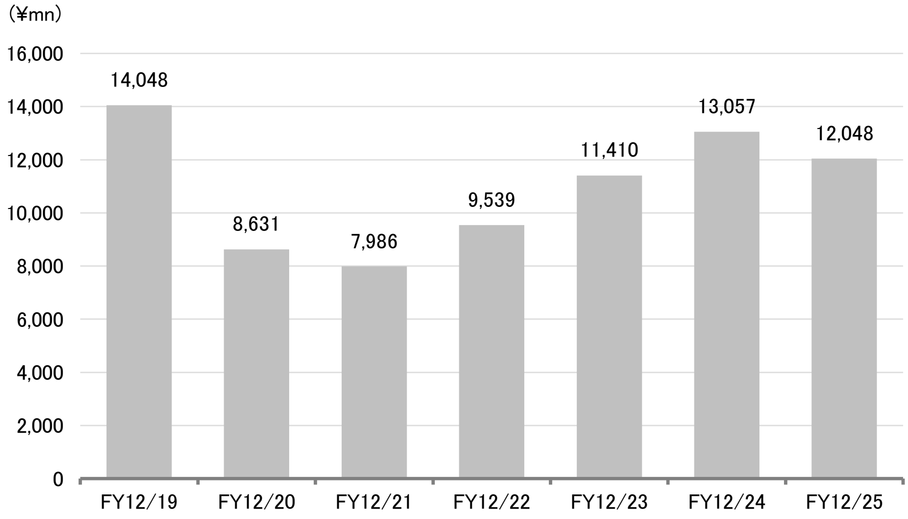


Source: Prepared by FISCO from the Company's results briefing materials

5. Large-scale stores & commercial complexes field

The large-scale stores & commercial complexes field covers department stores, mass-market retail shops, commercial buildings, and shopping centers, and accounts for the largest share of the Company's net sales. Earnings slumped during the Covid-19 pandemic, but have been on a V-shaped recovery since FY12/22, and while performance stabilized in FY12/25, it maintains a certain volume. In this field, the Company also has a lot of business with major developers such as the AEON Group and Mitsui Fudosan <8801>. Large-scale projects take from six months to one year.

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



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

6. Offices & leisure facilities, etc. field

The offices & leisure facilities, etc. field covers offices, showrooms, hotels, infrastructure facilities, and educational facilities. Commercial facility market development accelerated following the Covid-19 pandemic slump. For offices and showrooms, continued market growth looks promising as there is strong demand for improving working environments amid worsening labor shortages. For wellbeing and hospitality, strong demand is anticipated for new and remodeling projects for hotels and infrastructure facilities such as airports due to heightened inbound demand. For educational facilities, there are opportunities in renovation to address aging facilities and make facilities more attractive to acquire students. The Company also handles projects for leisure facilities such as clubhouses at golf courses. As a recent example, YAMAHA MOTOR Regenerative Lab, a co-creation space for Yamaha Motor <7272> handled by the Company, won the Young Talent Award and the Gold Prize—the highest award in the Corporate Promotion Space category—at the Japan Kukan Design Award 2025. High praise was given to the fact that the production process of this space itself embodies the co-creation for regeneration between Yamaha Motor and the Company, and that the facility goes beyond being a place where waste materials are simply upcycled and displayed, serving as a space where Yamaha Motor's corporate stance and legacy can be felt throughout.

Yamaha Motor co-creation space YAMAHA MOTOR Regenerative Lab

Source: The Company's press releases

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

(¥mn)

	FY12/19	FY12/20	FY12/21	FY12/22	FY12/23	FY12/24	FY12/25	YoY change
Offices & leisure facilities, etc. total	3,651	4,028	4,268	4,952	5,420	7,031	10,311	3,279
Offices & showrooms	-	-	-	1,840	3,292	3,976	6,200	2,224
Wellbeing & hospitality	-	-	-	1,818	1,594	2,259	2,952	693
Educational	-	-	-	639	365	350	442	92
Public, etc.	-	-	-	653	167	445	717	272

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

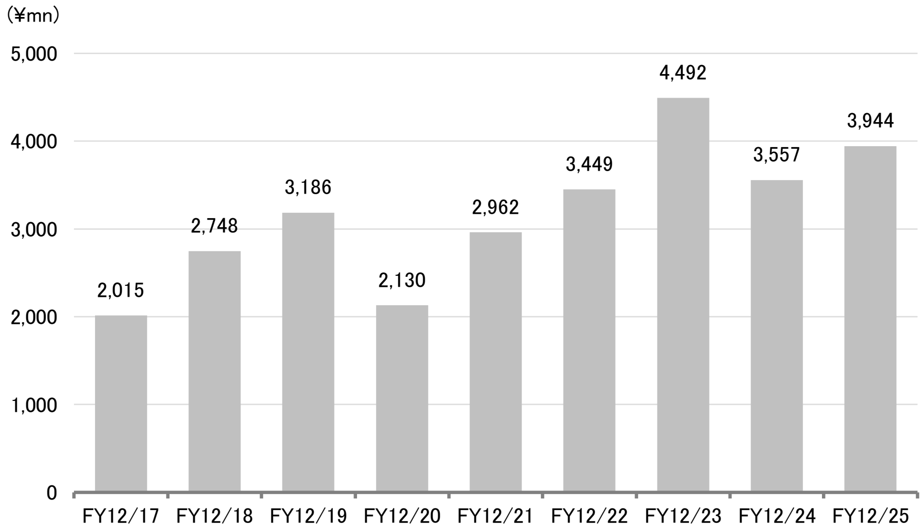
7. Overseas business

Since embarking on overseas business in Hong Kong in the 1980s, the Company has established a track record of business in Asia. Although orders fluctuate each year, earnings have been steadily expanded. In FY12/25, net sales increased ¥386mn YoY to ¥3,944mn, accounting for 12.0% of companywide net sales. By country, Taiwan accounted for the largest share at ¥2,800mn, followed by Singapore (¥554mn), Shanghai (¥463mn), and Vietnam (¥308mn). The Company has fundamentally expanded business overseas in step with Japanese companies hitherto, but looks to develop business with local companies as well moving forward. As an example in recent years, the Company handled everything from research and MD planning to environmental design and construction in an integrated manner for the first LaLaport in Taipei City, which opened in the new city center of Taipei Nangang.

Mitsui Shopping Park LaLaport TAIPEI NANGANG

Source: The Company's results briefing materials

Overseas business: Net sales trends



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

8. Benchmarks in the spatial design industry

The Company's earnings are on par with three relatively large companies in the spatial design industry. Its return on equity (ROE), an indicator of profitability and efficiency, exceeds 10% in line with industry peers, and its shareholders' equity ratio, an indicator of stability, is in line with industry peers due to debt-free operations. In terms of growth potential, the Company is the top runner, albeit by a narrow margin.

Results comparison for major spatial design industry companies

Industry peers	Profitability and efficiency (ROE)	Stability (Equity ratio)	Growth potential (Latest fiscal year/Previous fiscal year)
NOMURA Co., Ltd. <9716>	12.9%	53.0%	12.0%
TANSEISHA Co., Ltd. <9743>	11.9%	61.6%	13.1%
SPACE CO., LTD. <9622>	11.2%	77.2%	11.4%
The Company	10.7%	65.9%	13.4%

Source: Prepared by FISCO from the respective companies' financial results

Results trends

In FY12/25, the offices & leisure facilities, etc. field drove growth, reaching record profit since listing

1. Overview of FY12/25 results

In FY12/25 consolidated results, net sales rose 13.4% YoY to ¥32,831mn, operating income grew 20.2% to ¥2,305mn, ordinary income increased 17.1% to ¥2,349mn, and profit attributable to owners of parent rose 1.1% to ¥1,515mn. The Company achieved double-digit YoY sales growth, as well as operating and ordinary income growth.

The Company's operating environment was marked by lively capital investment not only in the commercial field but also in space creation at offices, infrastructure facilities, leisure facilities, etc., driven by strong corporate performance and inbound demand, although there were also some remaining uncertainties such as greater challenges on the profitability front due to continuing growth in personnel costs, soaring energy and raw material prices, and so forth.

Net sales growth was driven by YoY increases in sales of ¥3,279mn in the focus field, offices & leisure facilities, etc., and ¥1,603mn in the specialty stores field. Performance was supported by multiple factors, including strategic sales initiatives driving order growth in office-related facilities, new interiors for leisure facilities and luxury-space restaurants and retail stores, and ongoing contributions from infrastructure projects initiated in the previous year. Overseas, net sales rose ¥386mn to ¥3,944mn, due to progress on long-term, large-scale development projects in Taiwan, among other factors. Gross profit rose 5.8% primarily due to the increase in net sales, while the gross profit margin declined 1.4pp to 18.5%. This was mainly due to an increase in the ratio of business-related operations, including an increase in the number of personnel in business divisions accompanying the growth in sales, and the recording of those personnel and construction costs under cost of sales. Conversely, SG&A expenses decreased because the aforementioned personnel and construction costs for business divisions were recorded under cost of sales, and the SG&A expense ratio declined 1.8pp to 11.5%. As a result, operating income increased sharply by 20.2%. The levels of each profit reached new record highs since the Company's listing.

FY12/25 results

(¥mn)

	FY12/24		FY12/25		
	Results	% of net sales	Results	% of net sales	YoY
Net sales	28,956	100.0%	32,831	100.0%	13.4%
Cost of sales	23,201	80.1%	26,742	81.5%	15.3%
Gross profit	5,755	19.9%	6,088	18.5%	5.8%
SG&A expenses	3,837	13.3%	3,783	11.5%	-1.4%
Operating income	1,918	6.6%	2,305	7.0%	20.2%
Ordinary income	2,006	6.9%	2,349	7.2%	17.1%
Profit attributable to owners of parent	1,499	5.2%	1,515	4.6%	1.1%

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

Debt-free operations with high stability and an equity ratio of 65.9%. Sufficient capacity for future M&A activities

2. Financial position and management indicators

Total assets decreased to ¥22,138mn at the end of FY12/25, down ¥1,181mn from the end of the previous fiscal year. Within that, current assets declined ¥1,132mn, mainly because cash and deposits decreased ¥2,749mn, which offset a ¥1,531mn increase in accounts receivable - trade. Non-current assets decreased ¥49mn, with no material changes.

Total liabilities were ¥7,548mn, down ¥2,147mn from the end of the previous fiscal year. Within that, current liabilities declined ¥2,359mn, mainly reflecting a ¥1,611mn decrease in trade payables (notes and accounts payable - trade, electronically recorded obligations-operating), and decreases in income taxes payable and consumption taxes payable. Non-current liabilities increased ¥211mn, mainly reflecting an increase in deferred tax liabilities. The Company has no interest-bearing debt and operates debt-free. Net assets rose ¥965mn to ¥14,589mn. The primary factor was the recording of profit attributable to owners of parent (¥1,515mn), offsetting dividend payments (¥744mn).

In management indicators, the current ratio of 279.0% (221.5% at the end of the previous fiscal year) and shareholders' equity ratio of 65.9% (58.4%) contribute to further enhancement of high stability. In terms of efficiency and profitability, ROE was maintained above 10% at 10.7% (11.6% in the previous fiscal year). The Company's highly stable and profitable business model is reflected in its finances. It has sufficient capacity for investment as it charts out a strategy for growth including through M&A in the future.

Consolidated balance sheets and management indicators

(¥mn)

	End-FY12/24	End-FY12/25	Change
Current assets	20,972	19,840	-1,132
Cash and deposits	12,489	9,740	-2,749
Accounts receivable - trade	7,229	8,760	1,531
Non-current assets	2,347	2,298	-49
Total assets	23,320	22,138	-1,181
Current liabilities	9,469	7,110	-2,359
Trade payables	6,762	5,150	-1,611
Non-current liabilities	226	438	211
Total liabilities	9,696	7,548	-2,147
Total net assets	13,624	14,589	965
Total liabilities and net assets	23,320	22,138	-1,181
<Stability>			
Current ratio (current assets ÷ current liabilities)	221.5%	279.0%	-
Equity ratio (shareholders' equity ÷ total assets)	58.4%	65.9%	-
<Profitability and efficiency>			
ROE (Profit attributable to owners of parent ÷ Shareholders' equity)	11.6%	10.7%	-
ROA (Ordinary income ÷ Total assets)	9.4%	10.3%	-
ROS (Operating income ÷ Net sales)	6.6%	7.0%	-

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

Outlook

Double-digit growth in net sales forecast for FY12/26

For FY12/26 consolidated results, the Company forecasts net sales will rise 12.7% YoY to ¥37,000mn, operating income will grow 1.9% to ¥2,350mn, ordinary income will increase 0.0% to ¥2,350mn, and profit attributable to owners of parent increase 5.6% to ¥1,600mn, expecting steady growth in net sales and each profit category.

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

The Company forecasts net sales growth of 12.7% YoY, underpinned by robust demand. The Company will work on key initiatives in accordance with the medium-term management plan, which has entered its second year in the fiscal year underway. The themes "build a fan base as a Good Ethical Company" aimed at expanding orders by strengthening relationships with clients, partners, and other stakeholders, "expand service fields and enhance value proposition" entailing clearly transforming tasks yet to be successfully converted to value into services providing added value, and "delve deeper into the global market" looking to strong growth potential in the Asia market will probably be key to sales growth. By field, performance is expected to benefit from robust performance in the offices & leisure facilities, etc. field. The company-wide order backlog at the end of FY12/25 was ¥8,429mn, up 29.0% from the end of the previous fiscal year. While this typically stands at around 20% of the full-year sales target in a normal year, it is 3pp higher this fiscal year. A characteristic of the fiscal year underway is the large order backlog in the offices & leisure facilities, etc. field at ¥5,500mn.

Although the profit growth rate is expected to slow, with operating income forecast to rise 1.9% YoY and ordinary income to rise 0.0%, we at FISCO view the plan as incorporating active upfront investments and organizational strengthening aimed at medium-term growth. FISCO thinks there is also potential to exceed forecasts partly since the Company's earnings targets look somewhat conservative, given the thriving spatial design industry, growth in repeat customers (fans) driven by past accomplishments, etc., and results having landed above initial forecasts for the past three years.

FY12/26 forecast

(¥mn)

	FY12/25		FY12/26		
	Results	% of net sales	Forecast	% of net sales	YoY
Net sales	32,831	100.0%	37,000	100.0%	12.7%
Operating income	2,305	7.0%	2,350	6.4%	1.9%
Ordinary income	2,349	7.2%	2,350	6.4%	0.0%
Profit attributable to owners of parent	1,515	4.6%	1,600	4.3%	5.6%

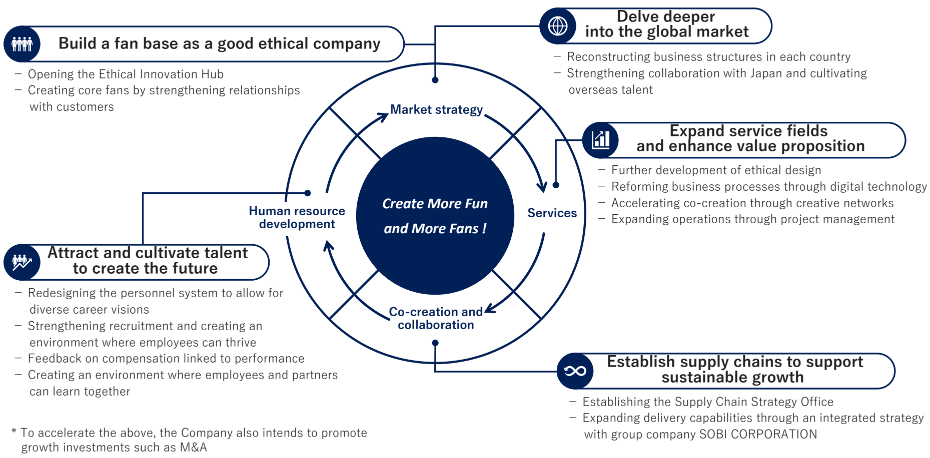
Source: Prepared by FISCO from the Company's financial results

Growth strategy and topics

Key initiatives of Medium-term Management Plan 2027 and upfront investments for subsequent medium-term growth are underway

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

Correlation diagram of initiatives in Medium-term Management Plan 2027



Source: The Company’s results briefing materials

(1) Attract and cultivate talent to create the future

In recent times, where the difficulty of recruiting talent is increasing even in the spatial design industry, the Company recruited approximately 80 people in FY12/25, and organizational strengthening for future growth is progressing steadily. As for the Company’s ingenuity in recruitment activities, it has adopted a style of conducting executive interviews at an early stage (a method used by foreign-affiliated companies), which reportedly leads to securing talented personnel and speeding up decision-making. Furthermore, regarding compensation, a new personnel system has been introduced. The new personnel system has strengthened performance links and visualization in order to implement swift business operations.

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

As the number of customers who favor ethical value increases, the Company is pursuing its strengths in ethical planning capabilities, business processes, material utilization, and implementation methods, such as through the opening of the Ethical Innovation Hub, with the aim of becoming the No. 1 ethical spatial design company in Asia. In October 2025, the Company co-hosted ETHICAL DESIGN WEEK TOKYO 2025, an event to communicate ethical initiatives together with companies from various industries starting from space creation. ETHICAL DESIGN WEEK is an event the Company has held annually since 2021; in 2025, 79 companies participated, and there were 1,200 business visitors.

(3) Expand service fields and enhance value proposition

A recent challenging project is the Fukuoka Airport project. The Company was responsible for the interior design, planning, production, and construction of large-scale areas of the airport (access hall, duty-free area, food hall, North concourse, premium lounges, and airline lounges), and sought to contribute to the preservation and development of culture by incorporating elements iconic to Fukuoka, such as Nakasu's streetscape, yatai food stalls, and festive parade floats, into the design. Furthermore, collaboration with Mercer Japan (May 2025), one of the world's leading organizational and human capital consulting firms, and a strategic alliance with Autodesk (August 2025), a global leader in the BIM domain, aimed at building a CDE and reforming business processes, can also be said to be initiatives that contribute to the medium- to long-term expansion of service fields and enhancement of value proposition.

(4) Establish supply chains to support sustainable growth

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

(5) Delve deeper into the global market

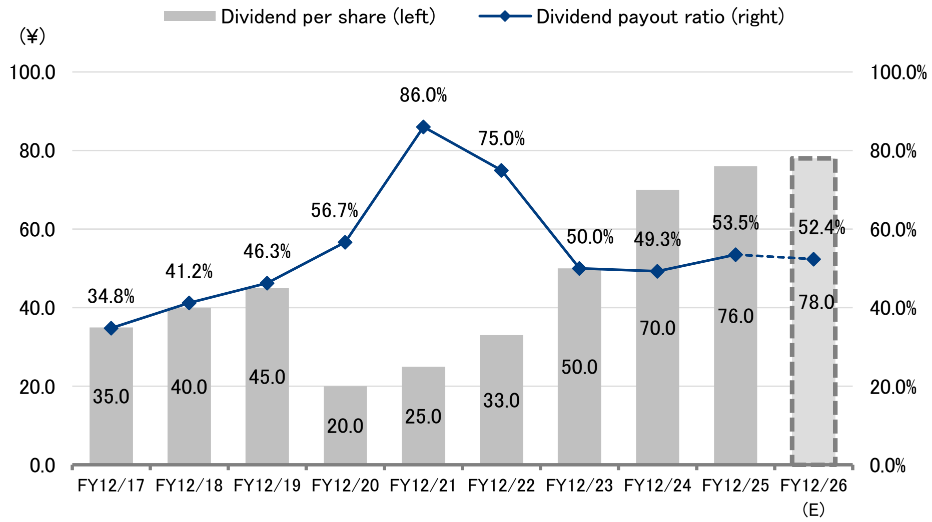
The Company currently operates at five locations in Asia, and it is working to reconstruct business structures by formulating medium-term management plans at each overseas subsidiary. It also strengthened its personnel by appointing two individuals in charge of overseas operations. For the time being, Taiwan, where the Company has a high market share, will be the mainstay, but places like Singapore, where project unit prices are high, also have potential. Furthermore, in the future, the Company will consider business expansion into major cities such as New York, Los Angeles, London, and Paris. In July 2025, the Company and KOKUYO entered into a business alliance as spatial design partners for domestic and global growth strategies, and collaboration is expected to respond swiftly and flexibly to the increasingly sophisticated and diverse needs of office spaces.

Shareholder return policy

The annual dividend for FY12/25 is ¥76.0, an increase of ¥6.0 YoY. The Company continues to increase dividends in line with profit growth

The Company positions returning profits to shareholders as a key management priority. Its basic policy is to pay dividends in accordance with results each fiscal year, maintaining a balance with internal reserves needed for future business expansion and its financial standing. It also targets a dividend payout ratio of at least 50% during the period of Medium-term Management Plan 2027. Over the past 10 years, it has continued to provide dividends. Although the dividend level declined during the Covid-19 pandemic (FY12/20–FY12/22), the annual dividend topped the pre-pandemic level in FY12/23 at ¥50.0 and the dividend payout ratio recovered to 50.0%. For FY12/25, having achieved profit growth, it will pay an annual dividend of ¥76.0 (¥6.0 YoY increase) that exceeds initial forecasts, with a dividend payout ratio of 53.5%. For FY12/26, it forecasts an annual dividend of ¥78.0 (¥2.0 increase) and dividend payout ratio of 52.4% backed by a favorable profit outlook.

Dividend per share and dividend payout ratio



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

Disclaimer

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