COMPANY RESEARCH AND ANALYSIS REPORT

WADAKOHSAN CORPORATION

8931

Tokyo Stock Exchange Standard Market

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Contents

Summary

Cumulative profit for three fiscal years expected to exceed initial target set under the three-year medium-term management plan through February 2026 by slightly over 20%

WADAKOHSAN CORPORATION <8931> (hereafter, also “the Company”), founded in 1899, is a comprehensive real estate company with a long, 126-year history. It mainly operates in the Kobe, Akashi, and Hanshin areas, which are well-known residential areas in Japan. Particularly in Kobe, the Company has been the top supplier of condominiums (based on the number of buildings) for 27 years in a row through 2024, and it has developed robust brand power. In addition to condominium sales, the Company also operates businesses that include detached house sales, other real estate sales, and real estate rental, while also pursuing new businesses to achieve greater earnings diversification.

1. Overview of FY2/25 results

In FY2/25 financial results, net sales were ¥40,130mn, an increase of 3.4% year on year (YoY), operating profit was ¥5,285mn, an increase of 16.7%, as both sales and profits increased, reaching record highs for the third consecutive fiscal year. This is mainly due to significant increases in both sales and profits in the Other Real Estate Sales business attributable to progress made in selling highly profitable properties, in addition to higher sales and profits in the core Condominium Sales business driven by rising sales prices and improvement in profit margins.

2. FY2/26 forecasts

For the FY2/26 results, the Company forecasts higher sales and lower profits, with net sales of ¥41,000mn, an increase of 2.2% YoY, and operating profit of ¥4,500mn, a decrease of 14.9%. The condominium market is expected to remain firm despite rising interest rates on housing loans, given ongoing government support for home purchases and a limited supply of housing units due to persistently high construction costs. Amid these circumstances, the Company anticipates a continued increase in sales due to rising sales prices, and despite a decline to 600 condominium units delivered from 642 units delivered in the previous fiscal year. On the profit side, however, the Company forecasts a decline in profits due to the absence of the highly profitable projects undertaken in the previous fiscal year. In Other Real Estate Sales as well, the Company anticipates a profit decrease amid a pullback from strong results of the previous fiscal year. Nevertheless, the financial results forecast seems to be conservative and highly achievable given that contracts were concluded on roughly 80% of the condominium units subject to delivery by the end of the previous fiscal year.

3. Medium-term management plan progress

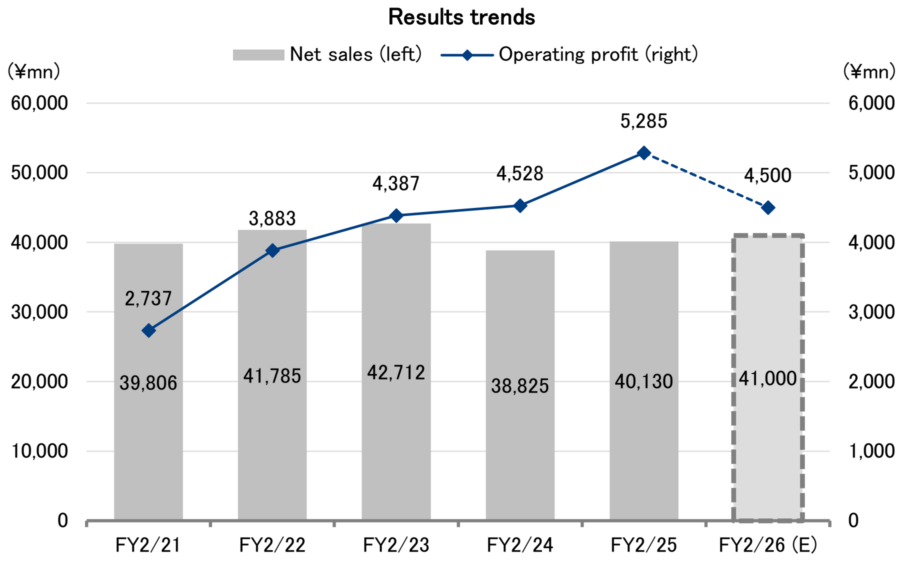
Under its medium-term management plan (FY2/24–FY2/26), the Company set a target for total net sales over the three-year period of ¥122.4bn (down 1.5% from the total in FY2/21–FY2/23) and operating profit of ¥11.8bn (up 7.2%), and furthermore aims to achieve ROE of 8% or more and a D/E ratio of less than 2 times as its KPIs. Looking at results of the cumulative two-year period through FY2/25 combined with the forecast for FY2/26, the Company projects net sales of ¥119.9bn, slightly below target, but operating profit of ¥14.3bn, exceeding the initial target by 21.3%. This is attributed to the favorable market environment and the fact that many projects have turned out to be more profitable than originally anticipated. In addition, the Company has achieved steady progress with respect to efforts taken under its key strategy of “moving into new geographical areas, businesses, and industries.” In terms of new geographical areas, the Company has entered new markets in locations that include Sakai, Osaka Prefecture and Kakogawa, Hyogo Prefecture. In terms of new businesses, it has launched a detached housing renovation services business. As for new industries, the Company embarked on operations of a grid-scale battery storage station in July 2025, and has been making progress in developing a senior living facility. The Company aims to further expand its earnings by continuing to take on such initiatives going forward.

4. Shareholder return policy

Under its basic policy on dividends, the Company seeks to pay out dividends on a consistent and continuous basis while taking into account factors that include the need for strengthening its financial base, ensuring adequate internal reserves necessary for growth investment, and overall earnings performance. Dividends per share for FY2/25 amounted to ¥70.0 (dividend payout ratio of 24.6%) for an increase of ¥10.0 from the previous fiscal year, thereby constituting an increase in dividends for a fourth consecutive fiscal year. The Company plans to pay a dividend of ¥70.0 per share (dividend payout ratio of 30.7%) again for FY2/26, with the amount unchanged relative to that of the previous fiscal year despite projections for a decrease in profit. If the Company’s FY2/26 results progress as planned, ROE is expected to slightly exceed 7%, which is below the medium-term management plan target of 8% or more. As such, we at FISCO think it is possible that the Company will undertake a buyback of shares as it did in the previous fiscal year, depending on its circumstances. In FY2/24, the Company purchased 144,000 shares of its treasury stock valued at ¥203mn for the purpose of granting shares to eligible executives accompanying discontinuance of its retirement benefits plan for corporate officers and introduction of a stock-based compensation plan to take its place.

Key Points

- Record high profit achieved for a fourth consecutive fiscal year with FY2/25 financial results having outperformed forecasts
- Forecast for FY2/26 conservative in projecting higher sales but lower profits under an assumption of a decrease in sales of highly profitable properties
- Outlook for all levels of profit to exceed forecasts by slightly over 20% in terms of cumulative financial results over the three fiscal years of the medium-term management plan



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

Company profile

Comprehensive real estate company based in Kobe marking its 126th anniversary of foundation

1. Company profile

Founded in 1899, WADAKOHSAN CORPORATION is a comprehensive real estate company with a long, 126-year history. Its main businesses are sales of real estate (development and sales of condominiums, detached houses, and residential lands), rental and leasing of real estate, and other businesses (rental, leasing, and management of condominiums, commercial properties, and parking lots). It mainly operates in the Kobe, Akashi, and Hanshin areas, which are well-known residential areas in Japan. In Kobe, where it has its headquarters, it has been the top supplier of condominiums (based on the number of buildings) 27 years in a row through 2024. The Company also ranked second in terms of the number of buildings supplied in the Kinki region. This indicates that the Company holds its own in competition with major rivals in its home territory.

Its corporate philosophy is symbiosis ("living together"). In the spirit of valuing the connections between people, supporting one another, and living in a way that contributes to the happiness of others, the Company aims to create unique places to live in that fit each customer's own way of life, while responding to the feelings of each person who resides there. The Company has declared the principle of Nanatomo Sustainability, which takes seven (nana) perspectives (with (tomo) daily life, with abundance, with neighborhoods, with the environment, with children, with the whole community, and with the future) to help build a sustainable society.

The Company also sets Premium Unique (uniqueness with value) as a product concept. This expresses the Company's ideal of building one-of-a-kind homes for residents, paying close attention to detail in construction and residents' feelings. It promotes Premium Unique as a brand originating from and representing Kobe, which allows residents to feel a lifelong attachment to their home and pride in its value as a residence.

The Company has three strengths arising from operating a business rooted in the local area. First, it excels in site acquisitions. The Company has been procuring land from local real estate brokers over many years. This has enabled it to develop sound relationships of trust that facilitate access to land sale information earlier than its competitors, which directly contributes to its site acquisition capabilities. Success in condominium development hinges on the extent to which a company is able to acquire land in prime locations or land with future potential to become a prime site, which is why the Company has held the top ranking over many years in terms of the number of buildings supplied in Kobe. Second, it has the planning capability to make the most of the land. Having developed alongside the local community in which it has deep ties, the Company is able to come up with plans specifically tailored to distinctive characteristics of specific sites in a manner that provides added value to its customers. Third, it has networking capabilities. The Company comes up with plans to make the most of each site and establishes positive cooperative relationships with external design firms, construction companies, home sales companies, and others in order to actualize these plans and ensure the success of each project.

At the end of February 2025, the Company had 123 employees, of which 112 were full-time permanent employees. Since May 2022, Takenao Wada, a member of the founding family, has served as its Chairperson and Toshiya Mizomoto as President and Representative Director. The Company is solidly implementing its medium-term management plan under their leadership.

2. History

The Company was established as a real estate rental business in January 1899 by the Wada family, one of the largest landowners in Kobe. It established WADAKOHSAN Ltd. in December 1966 and reorganized as WADAKOHSAN Corporation in September 1979.

The Company engaged in the real estate rental business from the beginning. In March 1968, it began development of housing land and sales of houses and wooden detached houses. The Company began sales of entire condominium buildings in April 1982 and launched a full-scale rental condominium business in December 1985. The Company fully launched its condominium business under its own WAKOHRE brand in March 1991, and fully embarked on sales of wooden detached houses in May 2007. In the condominium business, the Company expanded its operations into the Osaka and Hokusetsu areas in August 2012.

The Company has expanded its business beyond Kobe into Akashi and the Hanshin area over the years. It formed capital and business alliances with The Japan Living Service Co., Ltd., a real estate brokerage in the Hanshin area in August 2013 and with Seikou Ukou Co., Ltd., which manages built-for-sale and rental condominiums mainly in the Hanshin area in February 2016. In March 2005, the Company entered the significantly larger Tokyo area condominium market, but then closed its Tokyo sales office in February 2016 in seeking to go back to its origins after the 2008 Global Financial Crisis due to intense competition and insufficient profits. Currently enlisting a community-based management approach in the Kinki region where it has a home-court advantage, the Company aims to increase its market share by leveraging its brand power.

As its business grew, the Company listed its stock on JASDAQ in September 2004, made a listing change to the Tokyo Stock Exchange (TSE) Second Section in April 2020, and to the TSE Standard Market in April 2022.

Company history

Date	Major events
January 1899	Founded real estate rental business in Hyogo-ku, Kobe
December 1966	Established Wadakosan Ltd. in Nagata-ku, Kobe
March 1968	Obtained real estate brokerage license, began development of housing land and sales of houses and wooden detached houses.
September 1979	Changed name to WADAKOSAN CORPORATION
April 1982	Began sales of entire condominium buildings
December 1985	Launched rental condominium business
March 1991	Launched full-scale condominium business under its own WAKOHRE brand
January 1995	Great Hanshin Earthquake
June 1996	Engaged in Outstanding Building Development Projects (Outstanding Redevelopment Category) for post-quake reconstruction in Kobe
August 1996	Registered as private-sector management corporation under Kobe City's System to Supply Specified Good Rental Housing
May 2000	Transferred head office from Nagata-ku, Kobe, to Chuo-ku, Kobe Began rental of the WAKOHRE-Vita series of fashionable condominiums mainly targeting women
February 2002	Began rentals of Ideal Cube series of urban rental condominiums
December 2002	Began development of rental condominiums by remodeling existing buildings to add value
September 2004	Listed shares on JASDAQ Market
March 2005	Launched sales of condominiums in the Tokyo metropolitan area
June 2005	Opened Tokyo Sales Office
March 2006	Planned investment of around ¥10.0bn in three years to strengthen rental business
May 2007	Began full-scale sales of wooden detached houses
June 2007	Exceeded 10,000 units in cumulative number of condominiums supplied (construction starts basis)
November 2011	Opened Osaka Sales Office
August 2012	Launched sales of condominiums in Osaka Prefecture
August 2013	Capital and business alliance with The Japan Living Service Co., Ltd.
February 2016	Capital and business alliance with Seikou Ukou Co., Ltd. Closed Tokyo Sales Office
April 2020	Changed market listing to Tokyo Stock Exchange Second Section
December 2021	Exceeded 20,000 units in cumulative number of condominiums supplied (construction starts basis)
April 2022	Transferred to the Tokyo Stock Exchange Standard Market

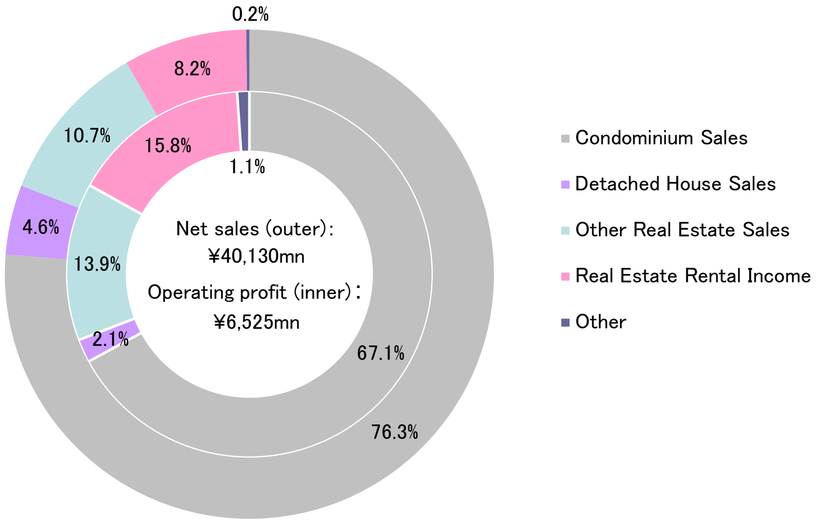
Source: Prepared by FISCO from the Company's website, Securities Report, and financial results briefings

Business overview

Core business is Condominium Sales

The Company has four reportable segments. They are Condominium Sales, Detached House Sales, Other Real Estate Sales, and Real Estate Rental Income. In FY2/25, Condominium Sales accounted for 76.3% of net sales and 67.1% of operating profit prior to deducting Companywide costs. Detached House Sales accounted for 4.6% of net sales and 2.1% of operating profit, Other Real Estate Sales for 10.7% of net sales and 13.9% of operating profit, Real Estate Rental Income for 8.2% of net sales and 15.8% of operating profit. The Real Estate Rental Income business generates higher profit margins than those of other business segments and serves as a stable source of earnings for the Company.

FY2/25 net sales and operating profit by segment



Note: Operating profit is calculated prior to deducting Companywide costs.
Source: Prepared by FISCO from the Company's financial results

Details of each of the Company's business segments are as follows.

1. Condominium Sales

The Condominium Sales business is the Company's core business, accounting for roughly 80% of net sales. This has entailed operating mainly in Japan's well-known residential sites of Kobe, Akashi, and the Hanshin area under the WAKOHRE brand name (originating from Wada Kohsan Residence) since 1991, while furthermore expanding into Osaka Prefecture, Himeji, and Kakogawa. The Company has continued to develop nearly 20 buildings per year primarily consisting of small and medium-size condominiums with 30 to 60 units per building. In recent years, it has also been taking on development of large condominiums with more than 100 units per building.

As expressed in the product concept Premium Unique, the Company aims to supply safe and secure condominiums that blend in with their surroundings as part of the local landscape. It also harnesses its planning capability to create homes, prioritizing functionality and comfort by introducing the latest housing fixtures. Quality is important in its condominium development. The Company aims to build condominiums with a focus on safety and their value as an asset, considering resale value at the time of development.

With respect to sales, the Company has established permanent condominium galleries in 14 locations throughout its sales area and seeks to streamline sales promotion costs by having capable home sales companies in each region carry out sales activities within the galleries. The Company outsources everything from design to construction and sales to partner companies, and enlists a strategy of appealing to customers through planning, design and other such product strengths under the key concept of "building desirable condominiums."

Since having started the business in March 1991, the Company has supplied a cumulative total of 572 buildings under the WAKOHRE brand as of the end of February 2025. It ranks second in the number of condominium buildings supplied in the Kinki region in 2024 (up from third in the previous year), first in the number of buildings supplied in Kobe for the 27th consecutive year, and first in the number of units supplied in Kobe (excluding investment-use properties). It takes on average 2–2.5 years from land procurement to completion and delivery of a condominium building with 50–100 units. The Company minimizes price fluctuation risk by commencing sales within a month or two of starting construction and aggressively concluding sales contracts. The Company tends to achieve swift closure of its condominium contracts given that its dwelling designs feature a diverse range of floor plans that fulfill the needs of a broad range of buyers, in addition to a persisting stable market environment.

Condominium Sales

Condominium brand
WAKOHRE

WAKOHRE PREMIUM UNIQUE

■Core business that accounts for around 80% of net sales
■Mainly develops condominiums in well-known residential areas in Japan (Kobe, Akashi, and Hanshin area)
■Mostly develops small and medium-size condominiums; started developing larger condominiums in recent years
■Increasing properties near urban train stations and established expansion into Osaka and Himeji
■Permanent WAKOHRE condominium galleries opened

■Examples of condominium projects

WAKOHRE Ashiya Ohara
Ashiya, Hyogo (Handover February 2022)
No. of units: 13 5 minutes' walk from JR Ashiya Station
The most expensive property in the WAKOHRE series

WAKOHRE Osaka Shinmachi Tower Residence
Nishi-ku, Osaka (Handover January 2021)
No. of units: 118 8 minutes' walk from Osaka Metro Hommachi Station
First project within the city of Osaka

WAKOHRE THE KOBE TOR-ROAD
Chuo-ku, Kobe (Handover August 2019)
No. of units: 192 8 minutes' walk from JR Sannomiya Station
Project commemorating the Company's 120th anniversary

Source: The Company's results briefing materials

2. Detached House Sales

In the Detached House Sales business, the Company prepares and develops small to medium-size housing land lots and builds detached houses on them. Under the new WAKOHRE-Noie brand name launched in 2009, the Company has been operating primarily in Kobe and the Hanshin area, including the Hokusetsu region. The Company makes use of its land procurement network developed with respect to its Condominium Sales business, and furthermore differentiates itself from its competitors by providing added value through planning and design underpinned by the basic principle of townscape creation even for housing developments as small as around five units. The Detached House Sales business is subject to short project lead times relative to those of the Condominium Sales business, with such durations extending from six months to one year on average from land procurement to completion and delivery. However, the operating profit margin of Detached House Sales stood at 7.3% for FY2/25, which is roughly half that of the 14.3% operating profit margin of Condominium Sales. Recent projects include WAKOHRE-Noie Sakasegawa Nogami Gardens (Total: 8 units; Takarazuka, Hyogo Prefecture) and WAKOHRE-Noie Suzurandai Minamimachi (Total: 20 units; Kita-ku, Kobe).

3. Other Real Estate Sales

The Company mainly plans, develops, and sells smaller investment properties for sale as profit-generating properties. Brand names are WAKOHRE-Vita (reinforced concrete (RC) and steel-framed investment condominiums) and WAKOHRE-Viano (wooden investment apartments). As part of the process of utilizing its real estate holdings, the Company also sells land lots purchased for building condominiums and detached houses if it expects that selling the land will increase its value. In general, steel-framed investment condominiums and wooden investment apartments take about one year to complete construction after procuring the land, and they are then held for two to three years to earn rental income before being sold. Changes in the number of properties sold can cause fluctuations in real estate rental income. Recent projects include WAKOHRE-Vita Suma Kaihinkoen (Total: 40 units; Suma-ku, Kobe) and WAKOHRE Viano Suma Tenjincho (Total: 15 units; Suma-ku, Kobe)

4. Real Estate Rental Income

The business is the Company's founding business with stable earnings. It mainly manages residences as well as stores and offices, parking lots, and self-storage. It owns rental condominiums with good transport access (within 1 km radius of a train station) in Kobe and the Hanshin area to earn rental income. The Company prioritizes fixtures and functionality, offering distinctive properties such as condominiums that allow pets and those with unique architectural design features. It develops new rental condominiums, but may switch to developing condominiums for sale instead depending on the project. The Company also develops rental condominiums by adding value to an existing rental property with renovation work to maximize the value of the asset. This method costs less and has a shorter construction period than a new build.

The Real Estate Rental Income business has maintained a high occupancy rate for residential properties and stores of over 95% (excluding parking lots). At the end of February 2025, its assets broke down into residences (79.8%), stores and offices (16.8%), parking lots (0.5%), and self-storage and other (3.0%). Examples of properties the Company owns include WAKOHRE VITA AKASHI AIOI (Total: 32 units; Akashi, Hyogo Prefecture) and WAKOHRE Kobe Sannomiya Building (Chuo-ku, Kobe City; retail stores on floors B1 to 2, offices on floors 3 to 9).

5. Other

"Other" includes income incidental to operations of the Company (contract cancellation fees, insurance agency fees, brokerage fees, etc.).

Results trends

Record high profit achieved for a fourth consecutive fiscal year with FY2/25 financial results having outperformed forecasts

1. Overview of FY2/25 results

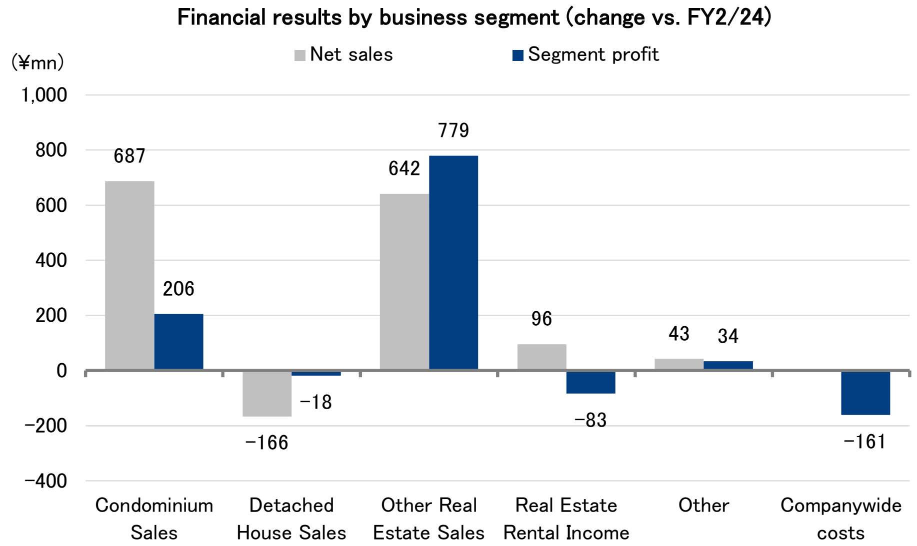
In FY2/25 financial results, net sales were ¥40,130mn, an increase of 3.4% YoY, operating profit was ¥5,285mn, an increase of 16.7%, ordinary profit was ¥4,502mn, an increase of 17.9%, and net income was ¥3,122mn, an increase of 18.3%. Net sales increased for the first time in two fiscal years and operating profit hit a record high for a third consecutive fiscal year, while both ordinary profit and net income reached record highs for a fourth consecutive fiscal year. All of these figures also exceeded both the initial forecasts and the upwardly revised forecasts announced in September 2024. This was due to factors that include significant increases in both sales and profits in the Other Real Estate Sales business attributable to sales of highly profitable properties, in addition to higher sales and profits in the core Condominium Sales business driven by rising sales prices and improvement in profitability. The results exceeded forecasts also because the Condominium Sales business delivered 12 more units than the forecast upon having made steady progress in landing contracts relative to projections of initial forecasts, and because the Other Real Estate Sales business had properties sold at prices exceeding expectations.

FY2/25 results

(¥mn)

	FY2/24		FY2/25					
	Results	% of net sales	Initial forecast	Revised forecast*	Results	% of net sales	YoY	vs. revised forecast
Net sales	38,825	-	39,000	40,000	40,130	-	3.4%	0.3%
Gross profit	8,489	21.9%	-	-	9,756	24.3%	14.9%	-
SG&A expenses	3,960	10.2%	-	-	4,470	11.1%	12.9%	-
Operating profit	4,528	11.7%	4,700	4,950	5,285	13.2%	16.7%	6.8%
Ordinary profit	3,820	9.8%	3,800	4,150	4,502	11.2%	17.9%	8.5%
Net income	2,638	6.8%	2,700	2,950	3,122	7.8%	18.3%	5.8%

* Figures released in September 2024
Source: Prepared by FISCO from the Company's financial results



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

The gross profit margin rose to 24.3% from 21.9% in FY2/24. The increase is attributable to higher profit margins in the Condominium Sales and Other Real Estate Sales businesses. Although the Detached House Sales business incurred decreases in both sales and profit, its gross profit margin improved 0.1 percentage points (pp) YoY, reaching 15.3%. On the other hand, the Real Estate Rental Income business encountered temporary deterioration in its profit margin due to major repair work performed on Company-owned properties. As a result, gross profit increased 14.9% to ¥9,756mn.

SG&A expenses increased 12.9% YoY to ¥4,470mn. The higher amount is attributable to a 21.3% increase in advertising expenses and sample room expenses (gallery expenditure) for the Condominium Sales business, as well as higher personnel expenses and other such costs associated with increases in base pay. Although the SG&A expense ratio rose 0.9pp, improvement in the gross profit margin culminated in a 1.5pp increase in the operating profit margin to 13.2%, marking the fourth consecutive fiscal year of increase.

Non-operating income and expenses deteriorated by ¥74mn YoY. Although the Company recorded surrender value of insurance policies of ¥88mn (up ¥77mn) accompanying discontinuance of its retirement benefits plan for corporate officers, financial income and expenses deteriorated by ¥130mn due to an increase in interest-bearing debt and rising interest rates, and financing expenses increased ¥16mn.

Condominium Sales and Other Real Estate Sales businesses achieved higher sales and profits

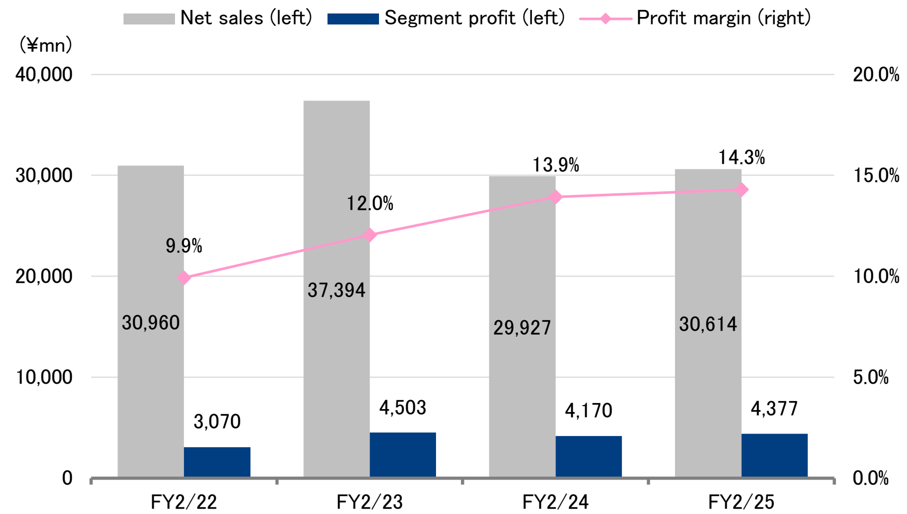
2. Trends by business segment

(1) Condominium Sales

In the core Condominium Sales business, net sales increased 2.3% YoY to ¥30,614mn and segment profit increased 5.0% to ¥4,377mn, thereby marking gains in both sales and profits for the first time in two fiscal years. The profit margin rose to 14.3% from 13.9%. Although the number of units delivered declined 6.4% to 642 units, an increase in the average sales price of approximately 9% to ¥47mn constitutes a factor underpinning the higher sales amount. In addition, the increase in profit margin is partially a result of the Company having made steady progress in landing contracts without the need to rush sales by lowering prices, amid an environment of persistently robust demand and limited supply of housing units in new condominiums due to elevated construction costs.

In FY2/25, the number of salable units increased 55.8% YoY to 737 units (14 buildings) and the number of contracted units increased 9.4% to 639 units for an increase 23.2% on a monetary basis to ¥35,787mn. There were 687 units under contract pending delivery as of the end of FY2/25 for a decrease of 0.4% relative to the end of FY2/24, the total value of which increased 15.4% to ¥38,752mn with an average sales price of ¥56mn. Of the 687 units under contract pending delivery, 486 units are to be delivered in FY2/26 and 201 units are to be delivered in FY2/27, indicating that upward pressure on sales prices is likely to continue into FY2/26.

Results of the Condominium Sales business



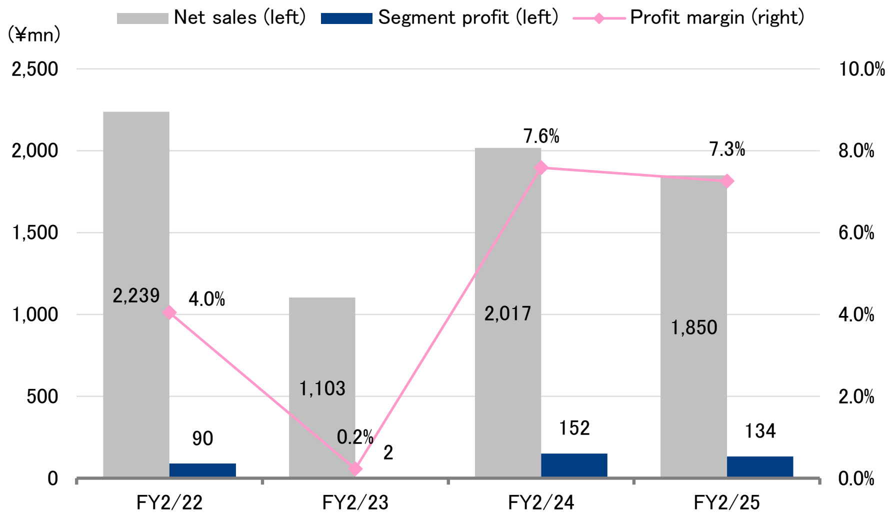
Source: Prepared by FISCO from the Company's financial results

(2) Detached House Sales

In the Detached House Sales business, net sales decreased 8.3% YoY to ¥1,850mn and segment profit declined 12.2% to ¥134mn. Although the segment focused on sales activities to acquire contracts mainly in sales of properties new to the market, it incurred decreases in both sales and profit. This was mainly due to a postponed release date as a result of delays in obtaining government permits and licenses related to new projects, and a result of diminished momentum in sales caused by pricing mismatch with respect to some properties listed for sale.

In FY2/25, the number of units delivered declined 12.5% YoY to 42 units, but the average sales price rose approximately 5% to ¥44mn. Although the scenario of persistently elevated construction costs caused by labor shortages with respect to detached housing remains unchanged, the segment's gross profit margin rose 0.1pp to 15.3% partially due to it having carefully selected land for acquisition with a focus on profitability. Despite the segment's modest sales volume, the notion that its operating profit margin has remained in the 7% range over two consecutive fiscal years indicates that it is making progress in strengthening its earnings capacity.

Results of the Detached House Sales business

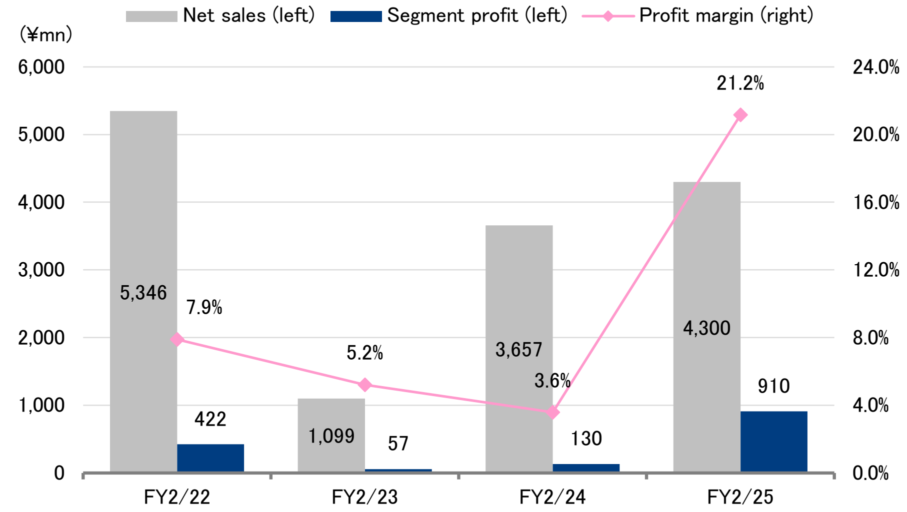


Source: Prepared by FISCO from the Company's financial results

(3) Other Real Estate Sales

The Other Real Estate Sales business achieved significant increases in both sales and profits with net sales having risen 17.6% YoY to ¥4,300mn and segment profit having surged 596.3% to ¥910mn. In breaking down the net sales amount, sales of rental condominiums, wooden apartments, and other such profit-generating properties for sale increased 29.9% to ¥3,119mn (15 properties) and sales from development-related activities (land lot sales, etc.) decreased 6.0% to ¥1,181mn (3 properties). The significant increase in both sales and profits was largely attributable to sales of such profit-generating properties at prices higher than expected overall and sales of land lots for building condominiums.

Results of the Other Real Estate Sales business



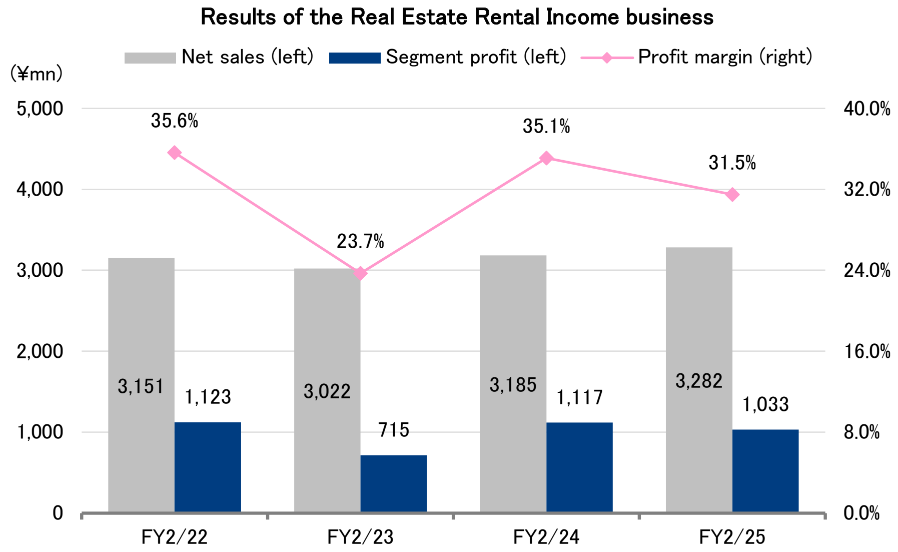
Source: Prepared by FISCO from the Company's financial results

(4) Real Estate Rental Income

In the Real Estate Rental Income business, rental income increased 3.0% YoY to ¥3,282mn and segment profit declined 7.5% to ¥1,033mn. Breaking down the total rental income, its mainstay residential properties generated ¥2,415mn (up 3.3% YoY) due to a high occupancy rate of 97.0% at the end of FY2/25, as well as progress in reducing the delinquency rate and replacing Company-owned properties to build an optimal rental real estate portfolio. Meanwhile, rental income from stores and offices was ¥702mn (up 2.3%), parking lots was ¥89mn (down 8.1%), and self-storage and others was ¥74mn (up 20.4%).

On the profit side, the decrease in segment profit is attributable to an increase of ¥73mn in repair expenses associated with major repair work performed on Company-owned properties, and also attributable to higher cost of sales, including a ¥20mn increase in depreciation. Although the book value of rental and other real estate on the balance sheet increased ¥1,333mn from the end of the previous fiscal year to ¥25,886mn, the market value rose by ¥2,607mn to ¥31,912mn, resulting in unrealized gain of ¥6,026mn for an increase of ¥1,274mn.

Results trends



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

Increase in assets due to progress achieved in procuring sites for projects

3. Financial position and management indicators

(1) Financial position

With respect to the Company's financial position at the end of FY2/25, total assets increased ¥9,426mn from the end of the previous fiscal year to ¥110,655mn. Factors primarily attributable to changes in total assets are as follows. In current assets, cash and deposits decreased ¥147mn, but real estate for sale and real estate for sale in process increased ¥7,553mn as a result of procurement of land for business purposes such as condominiums that will generate earnings over the next fiscal year and beyond, and progress with construction. In non-current assets, property, plant and equipment increased ¥1,863mn due to acquisitions of rental properties and other such assets.

Total liabilities increased ¥7,156mn from the end of the previous fiscal year to ¥77,726mn. Interest-bearing debt rose ¥4,767mn primarily to fund acquisition of land for business purposes, trade payables increased ¥1,186mn due to payment of construction costs, and advances received increased ¥1,115mn due to receipt of cash proceeds from sales. Total net assets increased ¥2,270mn to ¥32,929mn. This is primarily attributable to recording of net income of ¥3,122mn, against outflows of ¥664mn in dividends and ¥206mn for purchase of treasury shares.

Consolidated balance sheet

(¥mn)

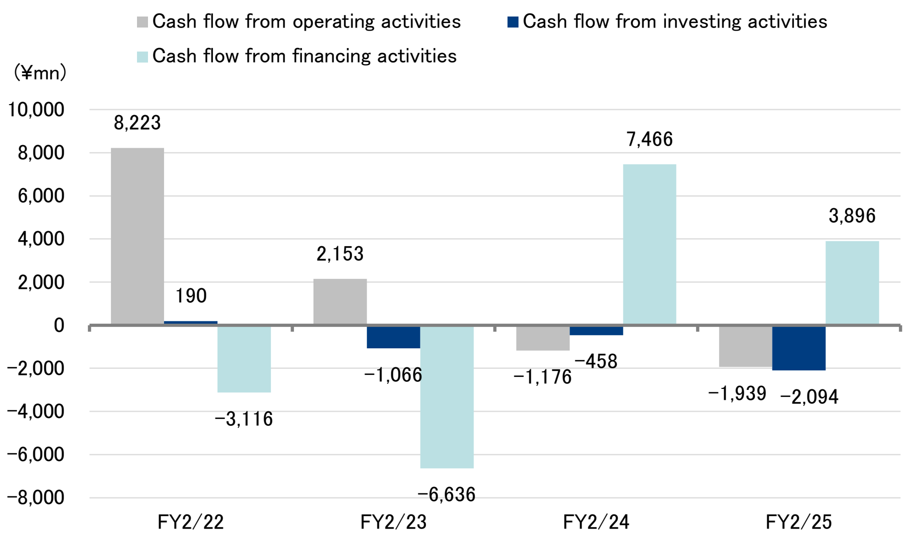
	End of FY2/22	End of FY2/23	End of FY2/24	End of FY2/25	Change
Current assets	69,945	57,744	72,380	79,771	7,391
Cash and deposits	17,007	11,756	17,345	17,198	-147
Real estate for sale and real estate for sale in process	51,350	44,225	53,894	61,447	7,553
Non-current assets	28,356	28,399	28,847	30,883	2,035
Total assets	98,302	86,144	101,228	110,655	9,426
Current liabilities	47,848	29,062	34,723	38,671	3,948
Non-current liabilities	23,796	28,502	35,846	39,054	3,207
Total liabilities	71,645	57,564	70,569	77,726	7,156
Interest-bearing debt	50,667	44,521	52,589	57,356	4,767
Net assets	26,656	28,579	30,658	32,929	2,270

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

(2) Cash flow situation

In FY2/25, net cash used in operating activities totaled ¥1,939mn, mainly due to an increase in inventories (real estate for sale and real estate for sale in process). Net cash used in investing activities totaled ¥2,094mn, due to an increase in capital expenditures such as acquisition of rental properties. Free cash flow (operating cash flow minus investing cash flow) has been negative over two consecutive fiscal years. Aggressive procurement activities looking toward future growth and rising real estate prices have resulted in greater funding needs. Net cash provided by financing activities totaled ¥3,896mn due to meeting such funding needs through borrowings from financial institutions. As a result, cash and cash equivalents decreased ¥137mn from the end of the previous fiscal year to ¥14,832mn at the end of FY2/25.

Cash flow situation



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

(3) Management indicators

The equity ratio (a stability indicator) decreased 0.5pp from the end of the previous fiscal year to 29.8% and the debt-equity ratio (D/E ratio) increased 0.02pp to 1.74 times. This was mainly due to the increase in interest-bearing debt, but the D/E ratio remains at a level that is not cause for concern given that the Company deems a D/E ratio of 2.0 times or less to be an appropriate level for business operations. Although borrowing costs rose somewhat due to a shift in the Bank of Japan's interest rate policy, the lending stance of financial institutions does not seem to have changed. Accordingly, the Company plans to continue leveraging borrowings within a certain range going forward, thereby expanding its business by making use of financial leverage (total assets ÷ equity).

Regarding profitability indicators, return on assets (ROA) stood at 4.3%, return on equity (ROE) at 9.8%, and operating profit margin at 13.2%, all of which continue holding to an upward trajectory. With the Company having set a target for ROE of 8% or more in its medium-term management plan, ROE exceeded that target in FY2/25. Although ROE rose 0.9pp YoY, factors underpinning the increase in ROE are evident upon analysis of the three constituent indicators of ROE, such that: total asset turnover declined by 0.03 times, but financial leverage increased by 0.06pp and the ratio of net income to net sales increased by 1.0pp.

Management indicators

	FY2/22	FY2/23	FY2/24	FY2/25	YoY
Stability					
Equity ratio	27.1%	33.2%	30.3%	29.8%	-0.5pp
D/E ratio (times)	1.91	1.56	1.72	1.74	0.02
Profitability					
ROA	3.3%	3.9%	4.1%	4.3%	0.2pp
ROE	9.1%	8.6%	8.9%	9.8%	0.9pp
Operating profit margin	9.3%	10.3%	11.7%	13.2%	1.5pp
Components of ROE					
Total asset turnover (times)	0.44	0.46	0.41	0.38	-0.03
Financial leverage (times)	3.69	3.01	3.30	3.36	0.06
Net profit margin	5.6%	5.6%	6.8%	7.8%	1.0pp

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

Outlook

Forecast for FY2/26 conservative in projecting higher sales but lower profits under an assumption of a decrease in sales of highly profitable properties

1. FY2/26 forecasts

Looking at the business environment in FY2/26, housing demand is expected to remain solid with the government continuing its housing assistance measures, despite rising interest rates on housing loans. Robust demand for condominiums in particular is likely to persist amid an environment of elevated construction costs as labor shortages cause construction costs to escalate and limited supply of housing units in new condominiums. The number of new condominium units supplied in the Kinki region projected to increase by 2.4% YoY to 15,500 units in 2025, there are no signs of a slowdown in part given that the contract rate was 78.7% in March 2025, marking the third consecutive month that benchmark has exceeded the 70% threshold over which the market is considered strong.

Against this backdrop, for FY2/26, the Company forecasts higher sales and lower profits with net sales increasing 2.2% YoY to ¥41,000mn, operating profit decreasing 14.9% to ¥4,500mn, ordinary profit decreasing 22.3% to ¥3,500mn, and net income decreasing 19.9% to ¥2,500mn. This forecast reflects the notion that profits of the Condominium Sales and Other Real Estate Sales businesses, which contributed to earnings growth in the previous fiscal year, are likely to decrease due to a downturn in the number of highly profitable projects. The Company forecasts a decrease in its gross profit margin and a slight increase in SG&A expenses relative to the previous fiscal year mainly due to higher condominium sales costs and personnel expenses. Meanwhile, it also expects deterioration amounting to ¥217mn in non-operating income and expenses. This is primarily attributable to the absence of ¥88mn in surrender value of insurance policies previously recorded, in addition to an increase in interest-bearing debt and higher interest expenses stemming from rising interest rates. Given that the Company's balance of interest-bearing debt exceeds ¥57.0bn, a 0.5% hike in interest rates would increase its debt payment burden by nearly ¥300mn. This suggests the need to closely monitor interest rate trends going forward. Nonetheless, approximately 80% of the 600 units slated for delivery in the core Condominium Sales business are already under contract (479 units), which suggests that the Company's financial results forecast is conservative. Results could outperform the forecast if the remaining contracts proceed smoothly as was the case in the previous fiscal year.

FY2/26 results outlook

(¥mn)

	FY2/25		FY2/26				
	Results	% of net sales	1H forecast	YoY	Full-year forecast	% of net sales	YoY
Net sales	40,130	-	23,000	14.1%	41,000	-	2.2%
Operating profit	5,285	13.2%	2,500	14.9%	4,500	11.0%	-14.9%
Ordinary profit	4,502	11.2%	2,000	9.6%	3,500	8.5%	-22.3%
Net income	3,122	7.8%	1,400	12.7%	2,500	6.1%	-19.9%
Earnings per share (¥)	284.51		127.79		228.20		

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

Sales growth in the Condominium Sales business likely to persist due to rising prices

2. Trends by business segment

Net sales forecast by segment

(¥mn)

	FY2/24	FY2/25	FY2/26 (E)	YoY
Condominium Sales	29,927	30,614	32,900	7.5%
Detached House Sales	2,017	1,850	1,900	2.7%
Other Real Estate Sales	3,657	4,300	3,000	-30.2%
Real Estate Rental Income	3,185	3,282	3,200	-2.5%
Other	38	82	-	-
Total	38,825	40,130	41,000	2.2%

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

(1) Condominium Sales

The Company forecasts net sales of ¥32,900mn, an increase of 7.5% YoY. Although the Company expects a 6.5% decrease in the number of units delivered to 600 units, the projected increase in sales is largely attributable to the average sales price increasing by roughly 15% to approximately ¥55mn amid multiple completions of high-end properties*. On the profit front, meanwhile, the Company forecasts lower profits premised on the assumption that the gross profit margin will decrease by around 3pp due to a downturn in the number of highly profitable projects.

* WAKOHRE Rokko The Residence (Total: 24 units; Nada-ku, Kobe; approximately ¥3.8mn per 3.3m^2) is slated for delivery in July 2025. WAKOHRE Ashiya-Miyazukacho Kunpu Residence (Total: 20 units; Ashiya, Hyogo Prefecture; approximately ¥4.0mn per 3.3m^2) is slated for delivery in August 2025.

The Company plans to complete 594 units in 14 buildings in FY2/26 and has 479 contracted units as of the end of FY2/25. Also, the number of projects procured but not yet on sale by area is 784 units in 19 buildings in Kobe, 77 units in 4 buildings in the Hanshin area, 432 units in 8 buildings from Akashi to Himeji, and 357 units in 5 buildings in Osaka Prefecture. The Condominium Sales business is thus likely to continue driving the Company's earnings.

(2) Detached House Sales

The Company forecasts net sales of ¥1,900mn, an increase of 2.7% YoY. It projects that the number of units delivered will remain relatively unchanged at an increase of 1 unit to 43 units at an average sales price of ¥44mn. The Company expects segment profit to remain relatively unchanged amid plans to continue engaging in land procurement efforts focused on profitability. It plans to sell WAKOHRE-Noie Takarazuka Front (Takarazuka, Hyogo Prefecture; total of 4 lots), which is a key project in this segment. The houses on the site, located four to five minutes on foot from JR Takarazuka Station, meet certified low-carbon housing standards that exceed conventional energy-saving criteria. The houses are also equipped with MAMORY seismic control devices for wooden houses for mitigating effects of earthquake tremors.

(3) Other Real Estate Sales

The Company forecasts net sales of ¥3,000mn, a decrease of 30.2% YoY along with a double-digit decrease also in segment profit. Properties slated for sale consist of 6 projects for wooden-construction profit-generating properties (69 units) and 12 projects for steel-framed profit-generating properties (131 units). In FY2/24, this consisted of 1 project for wooden-construction profit-generating properties (3 units) and 14 projects for steel-framed profit-generating properties (216 units). The projected decline in both sales and profit is attributable to the likelihood of a higher proportion of wooden-construction profit-generating properties, which are sold at a lower price, and a lack of sales of land for condominiums. As for properties under development, there are currently 59 projects in total (827 units), consisting of 7 projects for wooden-construction profit-generating properties (84 units), 51 projects for steel-framed profit-generating properties (703 units), and 1 project for RC profit-generating properties (40 units). These projects are poised to successively contribute to earnings.

(4) Real Estate Rental Income

The Company forecasts net sales of ¥3,200mn, a decrease of 2.5% YoY. Although the Company continues working to achieve high occupancy rates of residential and other properties, it plans to sell some Company-owned properties as profit-generating properties. As such, the Company projects a temporary decrease in net sales. On the profit side, however, earnings are expected to remain relatively unchanged relative to those of the previous fiscal year in part due to a decrease in repair expenses, which were elevated in the previous fiscal year.

Medium- to long-term growth strategy

Outlook for all levels of profit to exceed forecasts by slightly over 20% in terms of cumulative financial results over the three years of the medium-term management plan

1. Medium-term management plan progress

Under its medium-term management plan (FY2/24–FY2/26) released in April 2023, the Company newly formulated its Wada-Way code of conduct as its basic principles for building a new corporate culture, which it considers essential in aiming to serve as a company capable of achieving sustainable growth. Specifically, Wada-Way consists of the following principles.
Initiative and self-regulation: Approach matters with a proactive mindset and take action with a sense of responsibility
One and only: Harness individuality to create (buildings) with value that add vibrancy to the area
Fast and bold decisions: Nimble business decision-making
Mutual trust: Teamwork and communication through constructive discussions

Its vision for the future is to create a roadmap to becoming “a comprehensive real estate company rooted in the community,” and its goals are to surpass total profit recorded in FY2/21–FY2/23 and optimize its business segments by transforming its earnings structure. Furthermore, the Company has adopted a policy of taking on the three key strategies of: “promoting the creation of new business pillars while actively taking on challenges involving new initiatives (geographic areas, businesses, fields, etc.),” “changing an inward-looking culture to a more outward-looking one, and effectively utilizing personnel strategies and alliances,” and “enhancing and developing the solutions function focused on solving social problems from the perspectives of ESG and SDGs.”

Based on these principles and strategies, the medium-term management plan (FY2/24–FY2/26) targets total net sales for the three-year period of ¥122.4bn (down 1.5% from the total in FY2/21–FY2/23), operating profit of ¥11.8bn (up 7.2%), ordinary profit of ¥9.4bn (up 8.2%), and net income of ¥6.4bn (up 6.9%). KPI targets are ROE of over 8% and D/E ratio of 2 times or less. The Company has adopted cumulative financial results targets of the three-year period because many of the projects in its mainstay condominium business span two to three years. As such, financial results targets on a single fiscal year basis are not particularly meaningful given that results in any given fiscal year are subject to significant variation based on the extent of progress achieved in carrying out projects.

Progress toward the profit targets achieved thus far through FY2/25 has exceeded the initial targets. Although net sales are expected to fall slightly below the initial target, each level of profit is projected to exceed the initial targets by at least 30%. Accordingly, the three-year cumulative totals encompassing forecasts for FY2/26 are net sales of ¥119.9bn (down 3.5% from the total in FY2/21–FY2/23), operating profit of ¥14.3bn (up 30.0%), ordinary profit of ¥11.8bn (up 36.1%), and net income of ¥8.2bn (up 38.0%). This strong performance is mainly attributable to profitability outperforming initial expectations amid a favorable market for new condominiums, and also attributable to the Other Real Estate Sales business generating profits exceeding expectations up through the previous fiscal year. Profit is expected to decline in FY2/26 due to the absence of the exceptionally strong financial results through the previous fiscal year, as previously noted. However, FISCO deems that the Company has been making steady progress toward achieving the three-year cumulative totals given that it has been proceeding steadily with procurement that includes land for condominiums. The one segment falling short is the Detached House Sales business, which is not expected to achieve its annual sales target of 50 units. This remains a concern going forward.

Medium-term management plan numerical targets and progress

(¥bn)

	FY2/21–FY2/23 Total results	FY2/24–FY2/26 Medium-term management plan target	vs FY2/21–FY2/23	FY2/24 & FY2/25 results + FY2/26 forecast	vs FY2/21–FY2/23	Progress on the medium-term management plan target (projection)
Net sales	124.3	122.4	-1.5%	119.9	-3.5%	98.0%
Condominium Sales	1,00.0			93.4	-6.6%	
Detached House Sales	5.6			5.7	2.2%	
Other Real Estate Sales	8.9			10.9	21.8%	
Real Estate Rental Income	9.3			9.6	3.8%	
Operating profit	11.0	11.8	7.2%	14.3	30.0%	121.3%
Ordinary profit	8.6	9.4	8.2%	11.8	36.1%	125.8%
Net income	5.9	6.4	6.9%	8.2	38.0%	129.1%
ROE	7.6%	8% or more	-	-	-	-
D/E ratio	1.9 times	Less than 2 times	-	-	-	-

Note: Figures have been rounded down to the nearest ¥100mn
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Launch of senior housing development, detached housing renovation, and grid-scale battery storage station businesses

2. Development by business segment

(1) Condominium Sales

In the Condominium Sales business, the Company plans to create growth opportunities while harnessing its strengths, which are its outstanding site acquisition capabilities, brand power, and planning capabilities through its locally-based business development, as well as its efficient sales structure utilizing the establishment of permanent condominium galleries and outsourcing. Operating environment assumptions are a stabilizing supply and demand balance, upward trend in the number of households (but a smaller number of people per household), and higher construction costs. For growth opportunities and business strategies, the Company will explore expansion into new geographical areas, large projects through joint ventures, and redevelopment. Although the Company has set a target of 2,000 units to be delivered in total over three fiscal years, it is expected to fall somewhat short of that target given that the combined total of results from the first two fiscal years and the forecast for FY2/26 comes to 1,928 units.

In FY2/25, the Company's efforts to expand into new areas entailed launching sales of a second condominium building in Sakai, Osaka Prefecture and procuring a condominium site in Kakogawa, Hyogo Prefecture. Going forward, the Company plans to actively acquire sites deemed likely to generate returns above a certain threshold.

(2) Detached House Sales

Business strategies in Detached House Sales consist of setting priority areas (Kobe and further west), responding to rising construction costs, and engaging in custom-designed house initiatives. Although the target for the number of delivered units (total in three years) is 50% more than in FY2/21–FY2/23, reaching 50 units per year in the first stage, the Detached House Sales business is likely to fall somewhat short of that objective with a total of 133 delivered units over the three years.

In FY2/24, the Company exceeded a cumulative total of 700 WAKOHRE-Noie units supplied since its launch in 2009, and also embarked a renovation services business that aims to provide assurance to house buyers in the form of after-sales support. With 16 years having elapsed since the launch of WAKOHRE-Noie, the Company seeks to tap into escalating renovation demand. It has turned to direct marketing (DM) as its approach to marketing. In addition, the Company is also exploring options with respect to a renovation services business for condominiums. It aims to maximize customer lifetime value (LTV) by extending this segment's business reach to also include after-sales services provided subsequent to home purchases.

(3) Other Real Estate Sales, etc.

This is a growth business in recent years and a business model that earns income and capital gains. Under its plans for making the most of its networks fostered for buying up sites and property rentals, the Company is implementing a business strategy of selecting the most suitable plots for projects and optimizing the number of years it owns properties (i.e., determining when to sell) to address rising construction costs. It targets (three-year totals) more than 600 units sold, around 800 units owned, and annual rental income of ¥600mn. Of these, the Company is expected to achieve its target for number of units sold given a projection of 627 units.

(4) Real Estate Rental Income

This is the Company's founding business and its strengths lie in its ability to secure stable earnings mainly from residential properties, to diversify risk by focusing on small- and medium-sized properties, and to consistently maintain a high occupancy rate of over 95%. Growth opportunities and business strategies include rebuilding older buildings and increasing their value, using them in another business, initiatives for buildings on leased land, and expanding into new property types. It targets around 2,200 units owned at the end of FY2/26 (2,054 units at the end of FY2/25). In regard to value enhancement, the Company is striving to ensure that its employees gain expertise by continuing to have them seconded to Tokyo area real estate companies with strong track records.

(5) Initiatives in other new businesses

The Company has consistently achieved growth thus far underpinned by its condominium business, but it now faces the future prospect of demand for new condominiums tapering off due to Japan's declining population. To address this situation, the Company has been moving forward with various initiatives in seeking to develop new businesses beyond its existing operations.

One such initiative is the Company's grid-scale battery storage station business. As large battery systems connected to electric utility power transmission and distribution networks, grid-scale battery storage stations are expected to play a key role as regulators in balancing electricity supply and demand. The business model involves storing electricity that has been purchased on the market during times of surplus and low prices, then discharging and selling the electricity when power is in short supply and prices are higher in seeking to earn a margin on the price difference. The Company made the decision to enter this domain as part of its medium-term management plan initiative of "enhancing and developing the solutions function focused on solving social problems." The Company has installed lithium iron phosphate batteries with a storage capacity of 7.4MWh at the battery storage station in Tamba-Sasayama, with the facility scheduled to commence operations in July 2025. Associated capital investment amounts to ¥600mn, with the main expenditures consisting of depreciation, battery storage station maintenance costs, and market transaction fees for electricity. Meanwhile, the Company is looking toward expanding the facility if there is sufficient demand given the prospect of favorable investment returns.

In addition, the Company has embarked on new development of a fee-based senior living facility, which is poised to encounter growing demand going forward given the advent of Japan's rapidly aging society. Construction of Fiore Vita Hirakata (Hirakata, Osaka Prefecture; total of 48 rooms) was completed in March 2025, the first phase of the project, with residents to begin moving in starting from the end of April 2025. Leased to Full Life Care Co., Ltd., which engages in operations of care facilities and related businesses, the property is expected to generate an investment yield in the 6% range. Moreover, the Company plans to make a single sale to a business operator of two properties (Moriguchi, Osaka Prefecture and Settsu, Osaka Prefecture) for which land was acquired in FY2/25. The Company aims to expand this business while proceeding with efforts to form alliances with enterprises engaged in business catering to senior citizens.

Initiatives involving new businesses

Tamba-Sasayama Hadachi Battery Storage Station

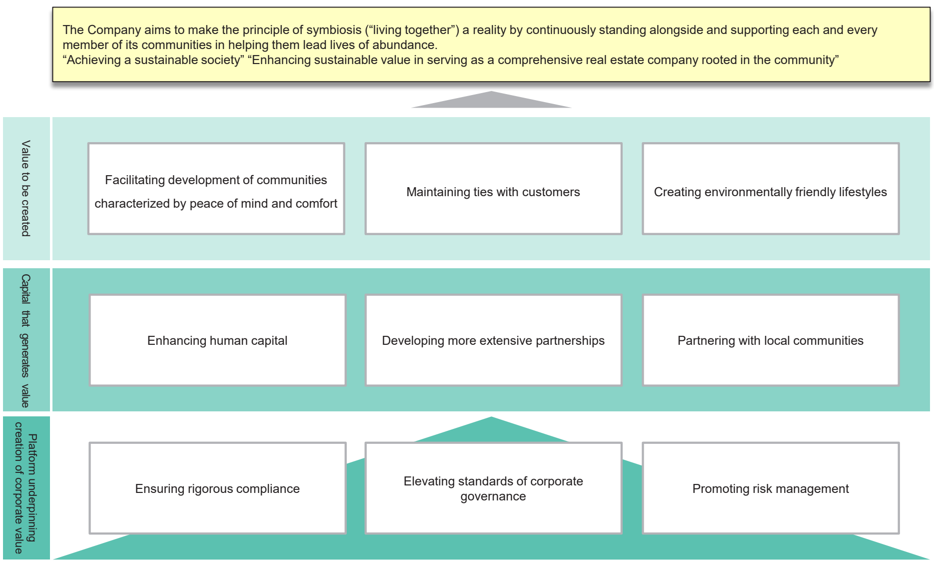
Fiore Vita Hirakata Total of 48 rooms Construction completed on March 31, 2025

Source: The Company's results briefing materials

3. Sustainability management initiatives

The Company seeks to pursue sustainability management more aggressively to enhance corporate value. To such ends, it has identified nine materialities (material issues) aligned with the future it aspires to achieve based on its sustainability basic policy. In aiming to put its corporate philosophy of symbiosis ("living together") into practice, the Company seeks to address these material issues, which have been classified under the three categories "platform underpinning creation of corporate value," "capital that generates value," and "value to be created."

Nine materialities for sustainability management



Source: The Company's results briefing materials

The Company engages in various ESG initiatives. With respect to the environment (E), the Company actively embraces concepts of Net Zero Energy House (ZEH) condominiums in seeking to help achieve carbon neutrality. Other energy-related initiatives include opening a grid-scale battery storage station and setting up SmaGO waste containers*1 equipped with smart technologies. The Company's social (S) initiatives entail participating in the Phoenix Mutual Aid housing reconstruction mutual aid program, acquiring "Kurumin" logo certification*2, supplying rental condominiums with emergency meal rations, setting up vending machines whose proceeds help fund community spaces for children, supporting youth development initiatives including special sponsorship of Japanese national high school and junior high school spring season golf championships, and participating in a traditional house restoration project through donations using the corporate furusato nozei hometown tax program. With respect to governance (G), the Company has been enhancing its corporate governance practices. To such ends, the Company discontinued its retirement benefits plan for corporate officers and adopted a stock-based compensation plan effective from February 2025, and also passed a resolution to establish discretionary nomination and remuneration committees as advisory bodies of the Board of Directors at a meeting of its Board of Directors held in October 2024. The Company has also been taking steps to develop a supportive working environment by upgrading various employee benefit programs, enhancing policies to improve employment conditions for women, and engaging in health and productivity management practices.

*1 SmaGO (Smart action on the GO) waste containers are solar powered smart trash receptacles equipped with Internet of Things (IoT) features. These waste containers automatically compress the waste inserted into the receptacles to about one-fifth the original volume of such matter. This consequently decreases the frequency of garbage collection from twice a day to once a day, thereby improving the efficiency of waste collection. SmaGO units have been installed at three locations within the Chuo Ward district of Kobe.

*2 Under the "Kurumin" program, enterprises that meet certain standards related to addressing declining birthrates and providing childcare support are recognized by Japan's Minister of Health, Labour and Welfare as employers that support child-rearing.

4. Profit allocation policy

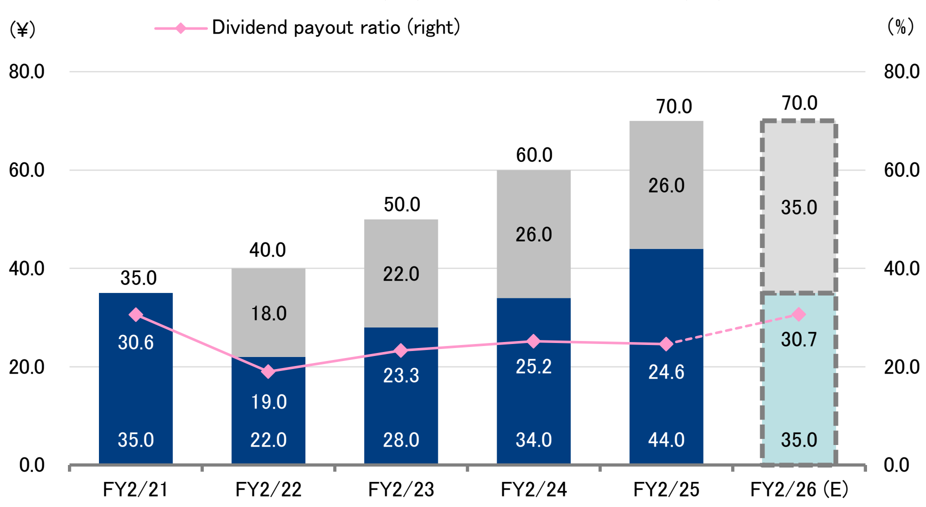
To ensure the continuity and profitability of the Company, it aimed to clarify a profit allocation policy, which incorporates expanding shareholder return measures and ESG/SDGs perspectives, whose main component is re-investing in new and existing businesses. Specifically, the Company will allocate 50% to 70% of profits to business reinvestment and 20% to 30% to dividends (aiming for a dividend payout ratio of 30%). The remaining 10% to 20% will be directed toward sustainability-related initiatives such as environmental measures encompassing investment in new business areas, and human capital investment.

Shareholder return policy

Dividends for FY2/26 to remain at same amount as in FY2/25 despite outlook for lower profits

The Company pays dividends as a way to return profit to shareholders. Its basic dividend policy positions maintaining and expanding shareholder profit for the long term as a management priority, putting shareholder returns first, seeking to pay continuous, stable dividends while taking into consideration earnings improvement and strengthened governance by expansion into new business areas and efficient management.

Upon having comprehensively assessed factors that include its financial results trends and financial position, the Company consequently increased its dividend per share for FY2/25 for a fourth consecutive fiscal year, thereby raising the amount to ¥70.0 (dividend payout ratio of 24.6%), which is ¥10.0 higher than in FY2/24. Also in FY2/26, the Company plans to pay a dividend of ¥70.0 (dividend payout ratio of 30.7%), which is the same amount as in FY2/25, despite an outlook for lower profits. The annual dividend yield of 5.1% has been calculated based on the closing price of the Company's shares of ¥1,386 on April 28, 2025. Moreover, if the Company's FY2/26 results progress as planned, ROE is likely to be in the 7% range, which is below the medium-term management plan target of 8% or more. If it is below 8%, we at FISCO think it is possible that the Company will undertake a buyback of shares in order to improve shareholders' equity efficiency. In FY2/24, the company purchased 144,000 shares of its treasury stock valued at ¥203mn for the purpose of granting shares to eligible executives accompanying discontinuance of its retirement benefits plan for corporate officers and introduction of a stock-based compensation plan to take its place.



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

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