COMPANY RESEARCH AND ANALYSIS REPORT

WADAKOHSAN CORPORATION

8931

Tokyo Stock Exchange Standard Market

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FISCO Ltd. Analyst

Yuzuru Sato

FISCO Ltd.

https://www.fisco.co.jp

Contents

Summary

Announces a new medium-term management plan with a basic policy of "strengthening the management foundation"

WADAKOHSAN CORPORATION <8931> (hereafter, also "the Company"), founded in 1899, is a comprehensive real estate company with a long, 127-year history. It mainly operates in the Kobe, Akashi, and Hanshin areas, which are well-known residential areas in Japan. Particularly in Kobe, according to the Company's materials, the Company has been the top supplier of condominiums (based on the number of buildings) for 28 years in a row through 2025, 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 FY2/26 results

In FY2/26 financial results, net sales were ¥42,144mn, an increase of 5.0% year on year (YoY), and operating profit was ¥4,988mn, a decrease of 5.6%, resulting in higher sales and lower profits. This was mainly because net sales in the core Condominium Sales business increased for the second consecutive fiscal year, rising 11.6% to ¥34,175mn due to higher sales prices, despite lower sales in Detached House Sales and Other Real Estate Sales. On the profit side, however, the profit decline was attributable to the absence of highly profitable projects involving sales of land lots recorded in the previous fiscal year, as well as sluggish performance in Detached House Sales. Nevertheless, both net sales and operating profit exceeded the initial forecasts (net sales of ¥41,000mn and operating profit of ¥4,500mn). Against the backdrop of a favorable market environment, the Company made steady progress in landing Condominium Sales contracts, with the number of units delivered and the profit margin exceeding forecasts. In Other Real Estate Sales as well, the profit margin for profit-generating properties for sale exceeded expectations.

2. FY2/27 forecasts

For the FY2/27 results, the Company forecasts higher sales and lower profits, with net sales of ¥46,000mn, an increase of 9.1% YoY, and operating profit of ¥4,300mn, a decrease of 13.8%. For net sales, the Company forecasts solid growth of 1.5% in Condominium Sales, and plans significant increases of 24.7% in Detached House Sales, driven by a planned increase in the number of units delivered, and 101.4% in Other Real Estate Sales, driven mainly by sales of entire buildings. On the profit side, the main factor for the projected profit decline is an anticipated decrease in the gross profit margin, primarily in Condominium Sales, against the backdrop of rising construction costs. Although economic uncertainty is mounting due to rising interest rates and the situation in the Middle East, customer trends as of April 2026 show a continued strong appetite for purchasing, unchanged from before. If this situation continues, there is room for the profit margin to exceed forecasts, as it did in the previous fiscal year. In addition, the Company plans to carefully select sites for condominium development before acquiring them, in part due to rising construction costs.

3. New medium-term management plan

The Company announced a medium-term management plan (FY2/27–FY2/29) with FY2/29 as the final fiscal year. Amid growing uncertainty in the market environment, such as rising construction costs, and assuming that short-term financial results will level off, the basic policy for the next three fiscal years is to “strengthen the management foundation” to achieve medium- to long-term growth. It sets out three key strategies: a) developing an environment where diverse human resources can thrive and take on challenges, b) transforming the earnings structure and optimizing the business portfolio, and c) continuing to take on challenges involving new initiatives (geographical areas, businesses, fields, etc.). By implementing these measures, the Company plans to achieve cumulative financial results over the three-year period from FY2/27 to FY2/29 of ¥150.0bn in net sales (up 23.9% from the total in FY2/24–FY2/26) and ¥14.3bn in operating profit (down 3.4%). Although the profit level will temporarily drop in FY2/27, the first year of the plan, it is expected to recover to the FY2/26 profit level by FY2/29 as transformation of the earnings structure progresses through the expansion of new businesses. Furthermore, it aims to achieve ROE of 8% or more (FY2/26 result: 7.8%) and a D/E ratio of 2 times or less (1.89 times) as its targets.

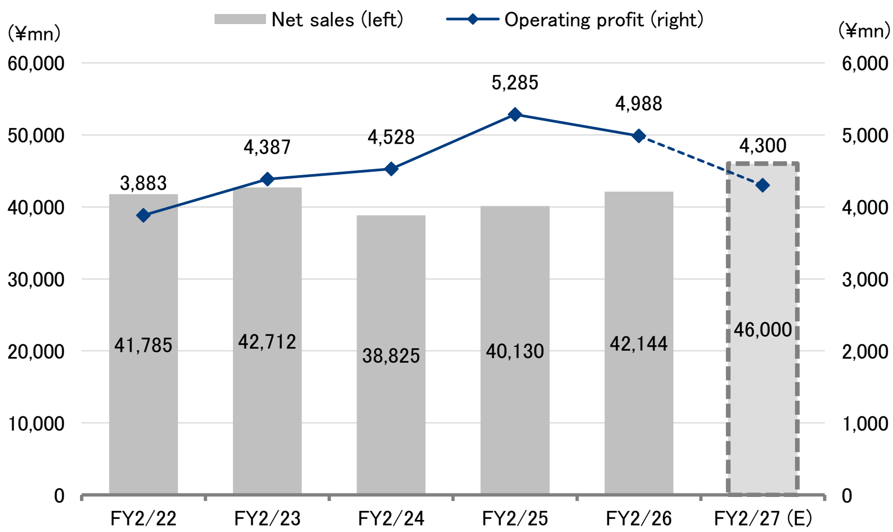
4. Shareholder return policy

Under its dividend policy, the Company seeks to pay out dividends targeting a dividend payout ratio of 30%, while taking into account factors that include the need for strengthening its financial base and ensuring adequate internal reserves necessary for growth investment. Based on this policy, the Company paid a dividend of ¥72.0 per share (dividend payout ratio of 30.1%) for FY2/26, an increase of ¥2.0 from the previous fiscal year, and plans to pay ¥60.0 (31.3%) for FY2/27, a decrease of ¥12.0.

Key Points

- Higher sales and lower profits for FY2/26, but results outperformed the Company’s forecasts
- Forecast for FY2/27 anticipates lower profits, while net sales are set to hit a record high for the first time in four fiscal years
- Making efforts to “strengthen the management foundation” to achieve medium- to long-term growth

Results trends



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

Company profile

Comprehensive real estate company based in Kobe that mainly engages in Condominium Sales

Founded in 1899, WADAKOHSAN CORPORATION is a comprehensive real estate company with a long, 127-year history. It mainly operates in Kobe, Hyogo Prefecture, and its surrounding areas, engaging in sales of real estate (development, planning, 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). In Kobe, where it has its headquarters, according to the Company's materials, it has been the top supplier of condominiums (based on the number of buildings) 28 years in a row through 2025. The Company also ranked third in terms of the number of buildings supplied in the Kinki region in 2025. 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 launched its "Nanatomo Sustainability" initiative, structured around seven core pillars of co-existence ("tomo"): daily life, abundance, neighborhoods, the environment, children, the whole community, and the future. to help build a sustainable society.

The Company also sets Premium Unique (uniqueness with value) as a product concept, pursuing the creation of one-of-a-kind homes for residents. Through paying close attention to detail in construction and residents' feelings, this expresses the Company's ideal of what a home should be. 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 suitable for 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.

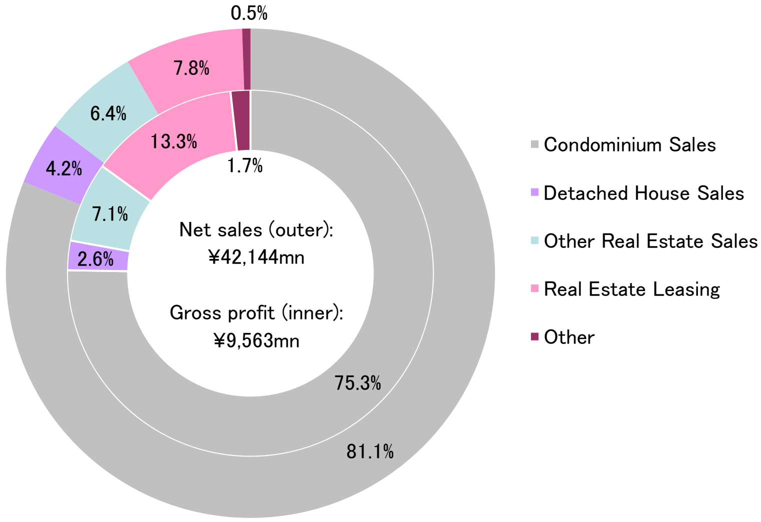
At the end of February 2026, the Company had 125 employees, of which 112 were full-time permanent employees. Management has been led by Chairperson Takenao Wada, a member of the founding family, and President and Representative Director Toshiya Mizomoto since May 2022.

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 Leasing businesses. In FY2/26, Condominium Sales was the core business, accounting for 81.1% of net sales and 75.3% of gross profit, followed by Real Estate Leasing accounting for 7.8% of net sales and 13.3% of gross profit, Other Real Estate Sales for 6.4% of net sales and 7.1% of gross profit, and Detached House Sales for 4.2% of net sales and 2.6% of gross profit. The Real Estate Leasing business generates higher profit margins than those of other business segments and serves as a stable source of earnings for the Company.

FY2/26 composition ratio by business segment



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

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 since 1991, while furthermore expanding into Osaka Prefecture, Himeji, and Kakogawa. The Company has continued to develop around 20 buildings per year primarily consisting of small and medium-size condominiums with 30 to 60 units per building. It has also been taking on development of 1 to 2 large condominiums per year with more than 100 units per building.

As expressed in the product concept Premium Unique, the Company aims to develop condominiums that serve as "symbols of the town," are safe and secure, and blend in with their surroundings. It harnesses its planning capability to create homes, prioritizing functionality and comfort by introducing features such as the latest housing fixtures. The Company provides quality-focused homes designed with buyers' asset value in mind, taking both asset potential and safety into consideration.

With respect to sales, the Company has established permanent condominium galleries in 16 locations throughout its sales area and seeks to reduce 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, sales, and management 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 has launched a cumulative total of 588 projects and 23,095 units (measured by construction starts) under the WAKOHRE brand as of the end of February 2026. According to the Company's materials, it ranked third in the number of condominium buildings supplied in the Kinki region in 2025 (down from second in the previous year), and first in the number of buildings supplied in Kobe for the 28th consecutive year. 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 proceeding with pre-completion sales. The Company tends to achieve swift closure of its condominium contracts given that it plans a diverse range of floor plans to fulfill the needs of a broad range of buyers, in addition to a persisting stable market environment.

Examples of condominium projects

WAKOHRE Ashiya Ohara

WAKOHRE Osaka Shinmachi Tower Residence

WAKOHRE THE KOBE TOR-ROAD

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 harmony with the townscape for developments of 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.

3. Other Real Estate Sales

The Company mainly plans, develops, and sells compact income-generating or income-producing properties for investors. 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 development land, 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. In addition, in recent years, the Company has been stepping up its business of developing and selling senior living facilities in response to growing demand.

4. Real Estate Leasing

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 properties 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 specialized for pets and those with unique architectural design features. In addition to developing new properties, 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 is expected to cost less and have a shorter construction period than a new build.

It has maintained a high occupancy rate for residential properties, stores, and others of around 98%. In FY2/26, rental income broke down into residences (74.7%), stores, offices, and others (21.2%), parking lots (2.7%), and self-storage and other (1.4%). The market value of rental and other real estate was ¥34,256mn at the end of February 2026, generating an unrealized gain of ¥6,916mn against the book value.

5. Other

"Other" includes income incidental to operations of the Company (contract cancellation fees, insurance agency fees, brokerage fees, etc.), as well as electricity sales revenue from a grid-scale battery storage station launched as a new business in FY2/26.

Results trends

Higher sales and lower profits for FY2/26, but results outperformed the Company's forecasts

1. Overview of FY2/26 results

In FY2/26 financial results, net sales were ¥42,144mn, an increase of 5.0% YoY, operating profit was ¥4,988mn, a decrease of 5.6%, ordinary profit was ¥3,982mn, a decrease of 11.6%, and net income was ¥2,623mn, a decrease of 16.0%. For net sales, the increase in Condominium Sales offset the decrease in Detached House Sales and Other Real Estate Sales. However, operating profit decreased due to a slump in Other Real Estate Sales amid a pullback from land lot sales recorded in the previous fiscal year, as well as sluggish performance in Detached House Sales.

Compared to the initial forecasts, both net sales and profits at all levels exceeded the plan. By business segment, Condominium Sales exceeded forecasts for both net sales and profit, as contracts grew smoothly on the back of robust home purchasing demand. On the other hand, Detached House Sales fell short of forecasts because the number of units delivered failed to reach the planned level. In Other Real Estate Sales, although net sales fell short of the forecast due to postponing the sale timing of some profit-generating properties for sale to FY2/27, the profit margin for other properties sold exceeded expectations, resulting in profit exceeding the forecast.

Results trends

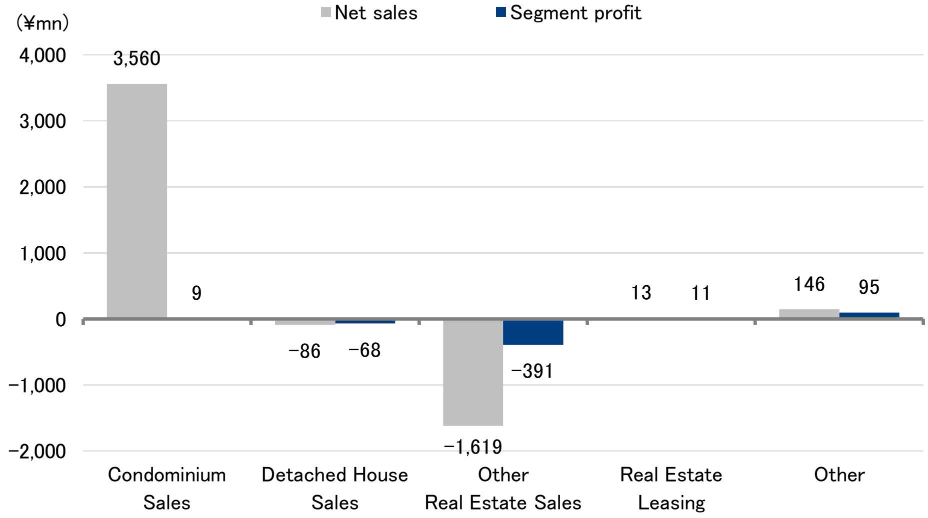
FY2/26 results

(¥mn)

	FY2/25		FY2/26				
	Results	% of net sales	Company forecasts	Results	% of net sales	YoY	vs. forecast
Net sales	40,130	-	41,000	42,144	-	5.0%	2.8%
Gross profit	9,756	24.3%	-	9,563	22.7%	-2.0%	-
SG&A expenses	4,470	11.1%	-	4,575	10.9%	2.3%	-
Operating profit	5,285	13.2%	4,500	4,988	11.8%	-5.6%	10.9%
Ordinary profit	4,502	11.2%	3,500	3,982	9.4%	-11.6%	13.8%
Extraordinary income/losses	-7	-	-	-134	-	-	-
Net income	3,122	7.8%	2,500	2,623	6.2%	-16.0%	4.9%

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

Financial results by business segment (change vs. FY2/25)



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

The gross profit margin declined 1.6 percentage points (pp) YoY to 22.7%. Partly due to a large number of highly profitable projects in the previous fiscal year, the gross profit margin decreased by around 1 pp in all business segments, notably, the Company managed to defend its high profitability staying above 20% for a third consecutive fiscal year. SG&A expenses increased ¥104mn. This was mainly due to an ¥83mn increase in sample room expenses to ¥546mn, driven by costs for opening new condominium galleries and disposal losses from existing locations as well as a ¥43mn increase in personnel expenses to ¥1,565mn, and a ¥35mn increase in taxes and dues accompanying land acquisition to ¥911mn. In addition, non-operating income and expenses deteriorated by ¥223mn, which was mainly attributable to an increase in interest expenses resulting from an increase in interest-bearing debt and rising interest rates. Other factors included ¥61mn in gain on sale of non-current assets recorded as extraordinary income, and ¥196mn in provision for doubtful accounts recorded as extraordinary losses.

Increases in both sales and profits persist in Condominium Sales on the back of continuing robust demand

2. Trends by business segment

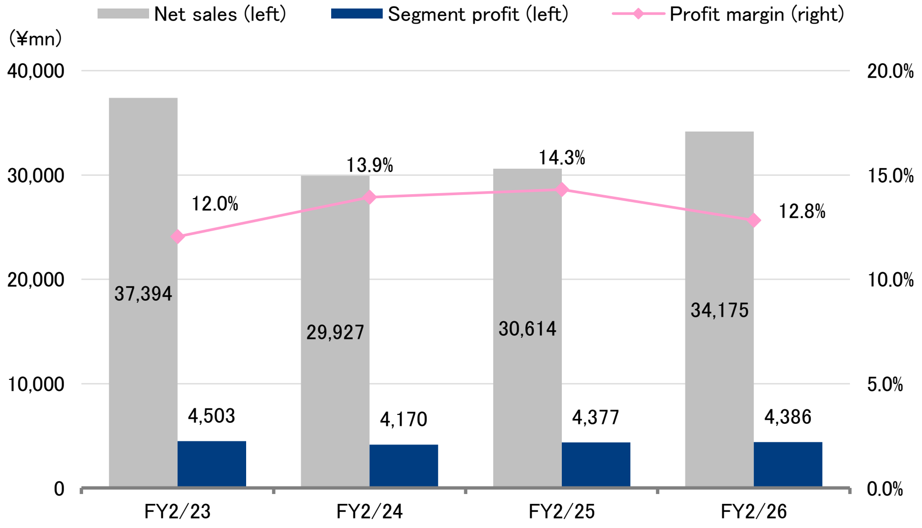
(1) Condominium Sales

In the core Condominium Sales business, net sales increased 11.6% YoY to ¥34,175mn and segment profit increased 0.2% to ¥4,386mn, thereby marking gains in both sales and profits for the second consecutive fiscal year. Although the number of units delivered declined by 32 units to 610 units, the increase in the average price per unit to ¥56mn from ¥48mn in the previous fiscal year constitutes a factor underpinning the higher sales amount. Furthermore, compared to the initial forecasts, results outperformed by 10 units for the number of units delivered, ¥1mn for the average price, and ¥1,275mn for net sales against the backdrop of robust purchasing demand.

The gross profit margin declined 1.7 pp YoY to 21.1% against the backdrop of rising construction costs, but the Company secured a higher-than-expected profit margin due to steady progress in landing contracts. The Company uses 17–18% as a benchmark for the gross profit margin in Condominium Sales when procuring land, but has maintained a profit margin of over 20% since FY2/24. The segment profit margin also exceeded the forecast, coming in at 12.8%, down 1.5 pp.

In addition, in FY2/26, the number of salable units increased by 103 units YoY to 840 units, the number of contracted units increased by 17 units to 656 units, and the number of units under contract pending delivery increased by 46 units to 733 units (average price of ¥61mn), all of which were increases and exceeded the initial forecasts. The total value of units under contract pending delivery also accumulated to ¥44,786mn, an increase of 15.6%, and is poised to contribute to net sales in FY2/27 and beyond. On the other hand, the number of units procured decreased by 59 units to 637 units, declining for the third consecutive fiscal year since peaking at 964 units in FY2/23, and falling short of the plan (650 units). This was because the Company carefully proceeded with procurement activities amid an ongoing upward trend in construction costs.

Results of the Condominium Sales business

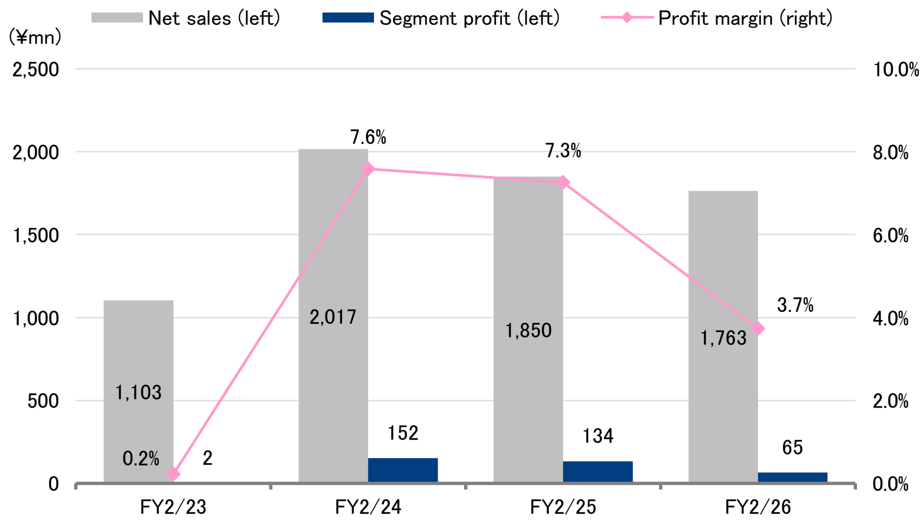


Source: Prepared by FISCO from the Company's financial results

(2) Detached House Sales

In the Detached House Sales business, net sales decreased 4.7% YoY to ¥1,763mn and segment profit declined 51.0% to ¥65mn. Although the segment focused on sales activities to acquire contracts mainly in sales of properties new to the market, the number of units delivered declined by 4 units to 38 units (down 5 units from the plan). As a result, the gross profit margin, which had been planned to remain relatively unchanged, declined 1.1 pp to 14.2%, and the segment profit margin also dropped 3.6 pp to 3.7%.

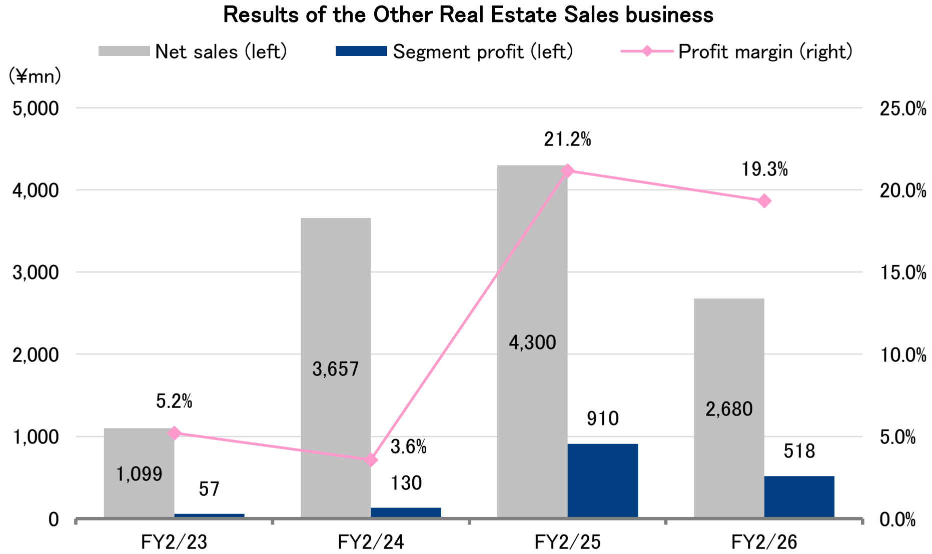
Results of the Detached House Sales business



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

(3) Other Real Estate Sales

The Other Real Estate Sales business recorded lower sales and profits, with net sales decreasing 37.7% YoY to ¥2,680mn and segment profit falling 43.1% to ¥518mn. Sales of rental condominiums, wooden apartments, and other such profit-generating properties for sale decreased 14.1% to ¥2,680mn, partly due to the effect of postponing the sale timing of some projects to FY2/27. In addition, the fact that no sales from development-related activities (land lot sales, etc.) were recorded in FY2/26 (compared to ¥1,181mn in the previous fiscal year) contributed to the decrease in both sales and profits. The gross profit margin declined 0.9 pp to 25.3%, and the segment profit margin dropped 1.9 pp to 19.3%. Compared to the plan, net sales fell short by ¥320mn, but profit exceeded the Company's forecasts as the profit margin on profit-generating properties for sale was higher than expected.



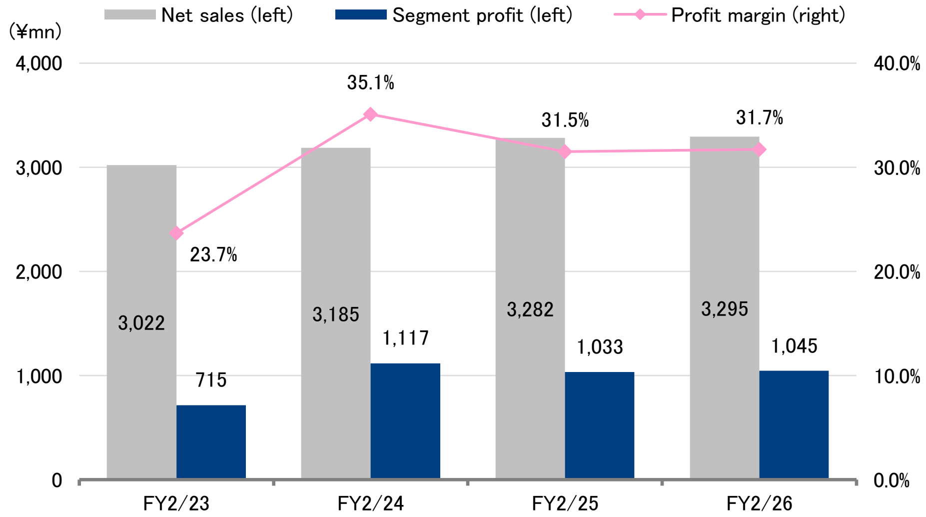
Source: Prepared by FISCO from the Company's financial results

(4) Real Estate Leasing

In the Real Estate Leasing business, rental income increased 0.4% YoY to ¥3,295mn and segment profit increased 1.1% to ¥1,045mn, indicating steady performance. This was mainly because the occupancy rate remained at a high level, particularly for its mainstay residential properties, and rent levels were also stable. Although the gross profit margin declined 1.1 pp to 38.5%, the segment profit margin increased 1.1 pp to 38.5% due to the containment of SG&A expenses. The decline in the gross profit margin was driven by an increase in depreciation accompanying the acquisition of new properties (up by approximately ¥62mn).

Breaking down the total rental income, residential properties generated ¥2,460mn (up 1.9% YoY), stores and offices generated ¥698mn (down 0.6%), parking lots generated ¥89mn (flat), and self-storage and others generated ¥46mn (down 37.2%). As a result of making progress in replacing Company-owned properties to build an optimal rental real estate portfolio, the number of units owned at the end of the fiscal year was 2,755 units for residential properties (flat), 117 units for stores and offices (up 1 unit), and 337 units for parking lots (down 29 units). The market value of owned properties increased 7.3% from the end of the previous fiscal year to ¥34,256mn, with unrealized gains expanding by 14.8% to ¥6,916mn.

Results of the Real Estate Leasing business



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

(5) Other

In Other, net sales increased 178.3% YoY to ¥229mn, and segment profit increased 136.8% to ¥165mn. The recording of approximately ¥160mn in electricity sales revenue from a grid-scale battery storage station launched as a new business contributed to the increases in both sales and profits. 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." In the first phase at the battery storage station in Tamba-Sasayama, the Company installed lithium iron phosphate batteries with a storage capacity of 7.4 MWh, and commenced operations in July 2025. Capital investment amounts to ¥600mn, and the business is expected to generate a certain level of earnings even when factoring in depreciation, battery storage station maintenance costs, and market transaction fees for electricity.

Increase in assets due to progress achieved in procuring sites for projects and investing in new businesses

3. Financial position and management indicators

(1) Financial position

With respect to the Company's financial position at the end of FY2/26, total assets increased ¥2,421mn from the end of the previous fiscal year to ¥113,076mn. Factors primarily attributable to changes are as follows. In current assets, cash and deposits decreased ¥4,582mn, but real estate for sale and real estate for sale in process (hereafter, inventories) increased ¥4,443mn as a result of the acquisition of land for business purposes in FY2/27 and beyond, and progress with construction. In non-current assets, property, plant and equipment increased ¥2,427mn due to factors such as the completion of the grid-scale battery storage station and rental real estate for business purposes. Newly acquired properties in FY2/26 totaled ¥8,643mn on a monetary basis, a decrease of 5.9% YoY. This was because the Company took a highly selective approach to procuring development land for condominiums, partly due to the overheating of market conditions. As a result, this amount decreased for the third consecutive fiscal year since peaking at ¥9,519mn in FY2/23.

Total liabilities increased ¥629mn from the end of the previous fiscal year to ¥78,355mn. Trade payables decreased ¥5,220mn, driven by the settlement of electronically recorded obligations (Densai), and advances received decreased ¥2,447mn due to progress in deliveries, but interest-bearing debt increased ¥8,140mn due to progress in the procurement of land for business purposes. Total net assets increased ¥1,791mn to ¥34,721mn. This is primarily attributable to the recording of net income of ¥2,623mn, against outflows of ¥870mn in dividends.

Non-consolidated balance sheet

(¥mn)

	End of FY2/23	End of FY2/24	End of FY2/25	End of FY2/26	Change
Current assets	57,744	72,380	79,771	79,850	78
Cash and deposits	11,756	17,345	17,198	12,615	-4,582
Real estate for sale and real estate for sale in process	44,225	53,894	61,447	65,891	4,443
Non-current assets	28,399	28,847	30,883	33,226	2,342
Total assets	86,144	101,228	110,655	113,076	2,421
Current liabilities	29,062	34,723	38,671	31,998	-6,672
Non-current liabilities	28,502	35,846	39,054	46,356	7,301
Total liabilities	57,564	70,569	77,726	78,355	629
Interest-bearing debt	44,521	52,589	57,356	65,496	8,140
Net assets	28,579	30,658	32,929	34,721	1,791

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

(2) Management indicators

The equity ratio (a stability indicator) increased 0.9 pp from the end of the previous fiscal year to 30.7%. It has remained at around 30% for the past few years. The D/E ratio increased to 1.89 times from 1.74 times at the end of the previous fiscal year due to an increase in interest-bearing debt, but it is considered to be at a level that is not cause for concern given that the Company has established a policy to operate its business using a level of 2.0 times or less as a benchmark. Due to ongoing price increases, the Bank of Japan is highly likely to implement another policy rate hike later this year, but the level is still in the low range and there is no visible change in the lending stance of financial institutions. 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 3.6%, return on equity (ROE) at 7.8%, and operating profit margin at 11.8%, all of which declined after peaking in the previous fiscal year. With the Company having set a target for ROE of 8% or more, it fell slightly short of that target, but considering factors such as highly profitable projects in the previous fiscal year and rising construction costs, it can be evaluated as having progressed steadily. ROE declined 2.1 pp YoY, but breaking down the factors into three components, total asset turnover (times) remained at the same level as the previous fiscal year at 0.38 times, but financial leverage (times) declined 0.10 and the net profit margin declined 1.6 pp, which were factors behind the decline in ROE.

Management indicators

		FY2/23	FY2/24	FY2/25	FY2/26	YoY
Stability	Equity ratio	33.2%	30.3%	29.8%	30.7%	0.9pp
	D/E ratio	1.56	1.72	1.74	1.89	0.14
Profitability	ROA	3.9%	4.1%	4.3%	3.6%	-0.7pp
	ROE	8.6%	8.9%	9.8%	7.8%	-2.1pp
	Operating profit margin	10.3%	11.7%	13.2%	11.8%	-1.3pp
Components of ROE	Total asset turnover	0.46	0.41	0.38	0.38	-
	Financial leverage	3.01	3.30	3.36	3.26	-0.10
	Net profit margin	5.6%	6.8%	7.8%	6.2%	-1.6pp

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

Outlook

Forecast for FY2/27 anticipates lower profits, while net sales are set to hit a record high for the first time in four fiscal years

1. FY2/27 forecasts

(1) Business environment

Looking at the business environment in FY2/27, housing demand is expected to remain solid with the government continuing its housing assistance measures, despite rising interest rates on housing loans. Although views that the Bank of Japan will raise interest rates one more notch within 2026 are strengthening, the level remains in the low range, and the lending stance of financial institutions is not expected to change significantly. Average sales prices of condominiums in the Company's sales areas of Kobe and the Hanshin area are expected to continue rising moderately due to higher construction costs, but recently there has been an increase in cases where dual-income households are utilizing joint mortgages to boost their borrowing capacity and purchase homes, so we at FISCO think robust demand will continue for the time being. In fact, according to the Company's materials, the number of new condominium units supplied in the Kinki region in 2025 increased for the first time in four years, rising 11.8% YoY to 16,922 units. However, demand shows no signs of a slowdown, as evidenced by metrics such as the contract rate reaching 73.5%, which exceeded the 70% strong-market threshold for the 16th consecutive year. Because the supply of new condominiums is limited due to higher construction costs, there is almost no risk of oversupply, so FISCO believes that companies in the Kinki region will continue taking a stance of not rushing to sell, and sales prices will remain firm. On the other hand, there are concerns about the impact on construction projects due to soaring materials costs and supply shortages caused by high crude oil prices resulting from the situation in the Middle East, but the portion needed for FY2/27 has already been secured, and if there is an impact on the Company's financial results, it will be in FY2/28 or later.

(2) Financial results forecasts

For FY2/27, the Company forecasts higher sales and lower profits with net sales increasing 9.1% YoY to ¥46,000mn, operating profit decreasing 13.8% to ¥4,300mn, ordinary profit decreasing 24.7% to ¥3,000mn, and net income decreasing 20.0% to ¥2,100mn. The Company forecasts lower profits due to a decline in the gross profit margin, centered on Condominium Sales, but net sales are set to hit a record high for the first time in four fiscal years due to increases in Detached House Sales and Other Real Estate Sales. As for SG&A expenses, the Company plans for them to remain at the same level as the previous fiscal year, as personnel expenses and advertising expenses will increase, partly offset by a decrease in taxes and dues. The Company expects non-operating income and expenses to deteriorate by approximately ¥300mn, mainly due to an increase in interest expenses. Furthermore, financial results for FY2/27 are expected to be weighted toward the second half due to delivery timing, and for the first half, it plans net sales of ¥21,000mn, a decrease of 5.3%, and operating profit of ¥1,600mn, a decrease of 42.0%.

FY2/27 results outlook

(¥mn)

	FY2/26		FY2/27				
	Full-year results	% of net sales	1H forecast	YoY	Full-year forecast	% of net sales	YoY
Net sales	42,144	-	21,000	-5.3%	46,000	-	9.1%
Operating profit	4,988	11.8%	1,600	-42.0%	4,300	9.3%	-13.8%
Ordinary profit	3,982	9.4%	900	-61.0%	3,000	6.5%	-24.7%
Net income	2,623	6.2%	700	-57.5%	2,100	4.6%	-20.0%
Net income per share (¥)	239.44		63.89		191.66		

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

Net sales expected to expand in Detached House Sales and Other Real Estate Sales

2. Trends by business segment

Net sales forecast by segment

(¥mn)

	FY2/25	FY2/26	FY2/27 (E)	YoY
Condominium Sales	30,614	34,175	34,700	1.5%
Detached House Sales	1,850	1,763	2,200	24.7%
Other Real Estate Sales	4,300	2,680	5,400	101.4%
Real Estate Leasing	3,282	3,295	3,300	0.1%
Other	82	229	400	74.3%
Total	40,130	42,144	46,000	9.1%

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

(1) Condominium Sales

The Company forecasts net sales of ¥34,700mn, an increase of 1.5% YoY. Although the number of units delivered is expected to decrease 4.1% to 585 units, an approximately 6% increase in the average sales price to approximately ¥59mn will be a factor for the higher sales. On the profit front, the Company forecasts lower profits assuming the gross profit margin will decrease by 3 to 4 pp, but we at FISCO think it is possible that the gross profit margin will exceed expectations if contracts proceed smoothly as they did in the previous fiscal year.

In addition, of the 14 buildings (total of 591 units) scheduled for completion in FY2/27, the number of contracted units as of the end of February 2026 was 429 units, for a contract rate of 72.6%. The number of projects procured but not yet on sale by area is 695 units in 17 buildings in Kobe, 131 units in 6 buildings in the Hanshin area, 248 units in 6 buildings from Akashi to Himeji, and 353 units in 5 buildings in Osaka Prefecture, totaling 1,427 units. Assuming an annual sales pace of 600 units, the Company can cover more than two years with its properties on hand.

Condominium units results and forecasts

(units)

	FY2/24	FY2/25	FY2/26	FY2/27 forecast
Units delivered	686	642	610	585
Average price per unit (¥mn)	44	48	56	59
Salable units	473	737	840	520
Contracted units	584	639	656	540
Units under contract pending delivery	690	687	733	-
Procured units	854	696	637	600
Completed inventory (uncontracted)	13	13	9	-

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

Large projects slated for delivery in FY2/27 include WAKOHRE Kobe Motomachi The Gate Tower (Chuo-ku, Kobe; total of 101 units; delivery in February 2027). Furthermore, WAKOHRE Sumiyoshi Hommachi (Higashinada-ku, Kobe; total of 29 units; slated for delivery in November 2027), which commenced sales in April 2026, features integrated facial-recognition access control for all unit entrances, which represents a pioneering adoption for condominiums in Hyogo Prefecture, and the average sales price is expected to be high as it will be sold in a high-end residential area. Similarly, WAKOHRE City Shirokitakoendori (Asahi-ku, Osaka; total of 175 units; slated for delivery in March 2028), which commenced its first phase of sales in April 2026, has direct train access to JR Shin-Osaka Station and Osaka Station, and features large parks, promenades, and other amenities nearby, so a certain level of demand is expected as a large-scale family condominium.

(2) Detached House Sales

The Company forecasts net sales of ¥2,200mn, an increase of 24.7% YoY, and a gross profit margin of around 14%, remaining roughly at the same level as the previous fiscal year. The number of units delivered is expected to increase by 2 units to 40 units, but a high sales growth rate is expected because it plans to sell relatively high-priced properties. New projects include WAKOHRE-Noie Tarumihyuga Forest Town II (Tarumi-ku, Kobe; total of 4 units), WAKOHRE-Noie Nigawa Tsukimigaoka (Takarazuka, Hyogo Prefecture; 3 units for sale), and WAKOHRE-Noie Aotanicho Sanchome (Nada-ku, Kobe; 4 units for sale).

(3) Other Real Estate Sales

The Company forecasts net sales of ¥5,400mn, an increase of 101.4% YoY. Properties slated for sale consist of 1 project for wooden-construction profit-generating properties (15 units) and 12 projects for steel-framed profit-generating properties (182 units), in addition to 2 new projects (125 units) planned for sales of entire buildings. Of these, 1 project is a fee-based senior living facility (95 units) with a confirmed buyer. The total number of units sold will be 322 units. In the previous fiscal year, this consisted of 4 projects for wooden-construction profit-generating properties (69 units) and 11 projects for steel-framed profit-generating properties (119 units) for a total of 188 units. Sales of entire buildings are expected to generate net sales of approximately ¥2.0bn, but the profit margin will be low due to early sales, and the profit margin of this business is also expected to decline.

As for properties under development (excluding sales of entire buildings), there are currently 50 projects in total (722 units), consisting of 1 project for wooden-construction profit-generating properties (15 units), 48 projects for steel-framed profit-generating properties (667 units), and 1 project for RC profit-generating properties (40 units). These projects are poised to successively contribute to earnings.

Results and forecasts for profit-generating properties for sale

		FY2/24	FY2/25	FY2/26	FY2/27 forecast
Wooden-construction profit-generating properties	No. of PJs	7	1	4	1
	No. of units	87	3	69	15
Steel-framed profit-generating properties	No. of PJs	9	14	11	12
	No. of units	121	216	119	182
Sales of entire buildings	No. of PJs	-	-	-	2
	No. of units	-	-	-	125
Of which, senior living facilities	No. of PJs	-	-	-	1
	No. of units	-	-	-	95
Total	No. of PJs	16	15	15	15
	No. of units	208	219	188	322

Note: PJ is an abbreviation for project.
Source: Prepared by FISCO from the Company's results briefing materials

(4) Real Estate Leasing

The Company forecasts net sales of ¥3,300mn, an increase of 0.1% YoY to remain at a flat level, and expects the profit margin to remain at a similar level. It will continue working to maintain high occupancy rates for residential and other properties. The Company will also proceed to acquire new properties in order to sell some of its owned properties as profit-generating properties.

(5) Other

The Company forecasts net sales of ¥400mn, an increase of 74.3% YoY. The increase in sales will be driven by electricity sales revenue from grid-scale battery storage stations. The battery storage station in Tamba-Sasayama, which commenced operations in July 2025, will contribute for the full year, and a battery storage station of the same scale under development in Kirishima, Kagoshima Prefecture is also scheduled to commence operations around May or June 2026. In addition, a development project underway in Matsusaka, Mie Prefecture is also scheduled to commence operations in FY2/28.

Growth strategy

Making efforts to "strengthen the management foundation" to achieve medium- to long-term growth

1. New medium-term management plan

(1) Basic policy and key strategies of the new medium-term management plan

Under the new medium-term management plan (FY2/27–FY2/29) announced in April 2026, the Company set a basic policy to "strengthen the management foundation" to achieve medium- to long-term growth amid a pause in earnings growth. As key strategies, it will focus on three points: a) re-instilling its corporate philosophy of symbiosis ("living together") by developing an environment where diverse human resources can thrive and take on challenges, b) promoting the transformation of its earnings structure and optimizing its business segments, and c) continuing to take on challenges involving new initiatives (geographical areas, businesses, fields, etc.).

Regarding a), the Company will work to train and increase the number of excellent employees supporting earnings growth by enhancing training systems to improve the skills of individual employees, and by improving engagement through the expansion of welfare systems and reform of personnel systems aimed at enhancing work-life balance.
As for b), in the previous medium-term management plan, partly due to the strong performance of the core Condominium Sales business, the transformation of the earnings structure and the optimization of business segments did not ultimately progress, so the Company will continue this initiative this time as well.
Regarding c) as well, in the previous medium-term management plan, as part of geographical expansion, the Company expanded its Condominium Sales area into Osaka Prefecture and Hyogo Prefecture (Kakogawa, Akashi, and Sakai), and launched solution businesses such as the development of fee-based senior living facilities and grid-scale battery storage stations as new businesses, achieving certain results. However, this is still in the initial stages and will continue to be a focus as a key strategy. For this reason, the Company increased the personnel structure of the Solution Business Office from three to six members starting in April 2026.

(2) Business strategy

a) Condominium Sales

In Condominium Sales, the Company will work to strengthen its procurement capabilities for geographical expansion and establish a sustainable supply system, proceed with the development of attractive condominiums by accurately grasping customer needs, and build a system that sells well to improve sales efficiency. Regarding the business environment, assuming that construction costs will continue to rise moderately, the Company will promote development land procurement activities emphasizing profitability.

b) Detached House Sales

In Detached House Sales, the Company will promote the strengthening of development land procurement, the establishment of in-house design and construction schemes, and the expansion of after-sales services. As for in-house design and construction, the Company currently relies on outsourcing, but is considering insourcing as one option, including the utilization of M&A. In expanding after-sales services, it will focus on nurturing the renovation business. As the detached houses handled by the Company will enter a phase where an increasing number reach the time for renovation, it will capture this demand. In addition, the Company launched the renovation business for condominiums on a small scale starting in FY2/26, and aims to expand orders.

c) Other Real Estate Sales

In Other Real Estate Sales, in addition to diversifying business schemes (establishing new schemes), expanding procurement channels (such as project development via joint ventures), and trialing diverse exit strategies, the Company will verify the profitability of large projects, such as sales of entire fee-based senior living facilities, and promote future business expansion.

d) Real Estate Leasing

In Real Estate Leasing, the Company will aim to expand earnings while increasing the profit ratio of non-residential asset classes.

(3) Organizational strategy

The Company will build an organizational structure that leads to the development of a workplace environment where diverse human resources can thrive, the strengthening of governance and risk management, and the improvement of customer satisfaction.

(4) Financial results targets

The financial results targets of the new medium-term management plan are ¥150.0bn in net sales (up 23.9% from the total in FY2/24–FY2/26), ¥14.3bn in operating profit (down 3.4%), ¥10.0bn in ordinary profit (down 18.7%), and ¥7.0bn in net income (down 16.5%) in total over the three-year period from FY2/27 to FY2/29, and it has set targets of achieving ROE of 8% or more and a D/E ratio of 2 times or less as its KPIs. The Company sets cumulative financial results targets over a three-year period because many projects in the core condominium business span two to three years, and financial results fluctuate significantly depending on their progress, making the effectiveness of setting single-year financial results targets limited.

Although sales targets by business segment are undisclosed, the ratio of Detached House Sales, Other Real Estate Sales, and new businesses is expected to increase as the Company works to transform its earnings structure and optimize its business segments. On the other hand, the expectation of lower profits is believed to have been formulated conservatively due to increasing future uncertainties, such as interest rate trends, rising construction costs and supply concerns caused by labor shortages, and the future course of the situation in the Middle East. The operating profit margin will drop 2.7 pp to 9.5% during the period of the new medium-term management plan, compared to 12.2% during the previous medium-term management plan period, which is mainly believed to be because it has set the gross profit margin of Condominium Sales at its benchmark level of 17–18%, compared to 21.8% during the previous medium-term management plan period. This can also be seen as a pullback from the continued boom in the condominium market environment over the most recent three periods.

Although there is currently no visible change in market conditions for condominiums, demand is expected to peak out eventually amid the ongoing population decline, so nurturing and strengthening businesses other than condominiums is necessary to achieve medium- to long-term growth. The next three periods can be described as a period for building such a structure. Although profits will decline in FY2/27, they are expected to recover to the FY2/26 profit level in FY2/29 through the transformation of the earnings structure, such as new businesses initiated in FY2/25 moving into full swing.

Furthermore, as its profit allocation policy, the Company plans to allocate 50% to 60% of total profits to reinvestment funds for businesses, 10% to 20% to financial resources for human capital investment and environmental measures and other initiatives, and the remaining 30% to shareholder dividends.

Medium-term financial results targets

(¥mn)

	FY2/24–FY2/26 Total	% of net sales	FY2/27–FY2/29 Total	% of net sales	vs. previous period
Net sales	121,101	-	150,000	-	23.9%
Operating profit	14,802	12.2%	14,300	9.5%	-3.4%
Ordinary profit	12,305	10.2%	10,000	6.7%	-18.7%
Net income	8,384	6.9%	7,000	4.7%	-16.5%
ROE	8.8%	-	8% or more	-	-
D/E ratio	1.78 times	-	2 times or less	-	-

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

2. 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. The resolution of 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," aims to put the Company's corporate philosophy of symbiosis ("living together") into practice.

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, and aims to reduce annual primary energy consumption by 20% or more throughout the entire residential building by improving insulation performance and introducing energy-saving equipment. Other 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 Company-owned rental condominiums with emergency meal rations, setting up vending machines whose proceeds help fund community spaces for children, carrying out youth development initiatives, and participating in a traditional house restoration project through donations using the corporate furusato nozei hometown tax program*3. With respect to governance and human capital (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.

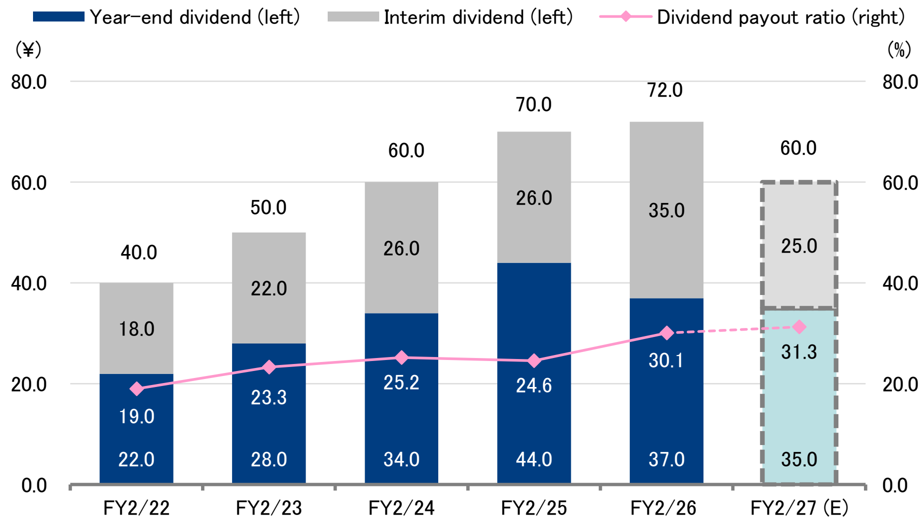
*3 Corporate furusato nozei hometown tax program is a tax incentive scheme under which corporations can claim tax credits against corporate taxes when making donations to regional revitalization projects undertaken by local governments and included in government-approved regional revitalization plans.

Shareholder return policy

Dividends to be paid targeting a dividend payout ratio of 30%

The Company pays dividends as a way to return profit to shareholders. The Company positions maintaining and expanding shareholder profit for the long term as a management priority, and its policy is to prioritize shareholder returns. It strives to continue stable dividends while seeking to improve earning capacity and strengthen governance through the expansion of business areas and efficient management. Regarding dividends, the Company seeks to pay out dividends targeting a dividend payout ratio of around 30%. In line with this policy, it paid a dividend of ¥72.0 per share (dividend payout ratio of 30.1%) for FY2/26, an increase of ¥2.0 from the previous fiscal year. It forecasts lower profits for FY2/27, and plans to pay ¥60.0 (31.3%), a decrease of ¥12.0.

Dividend and dividend payout ratio



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

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