

3484 INNOVATION HOLDINGS

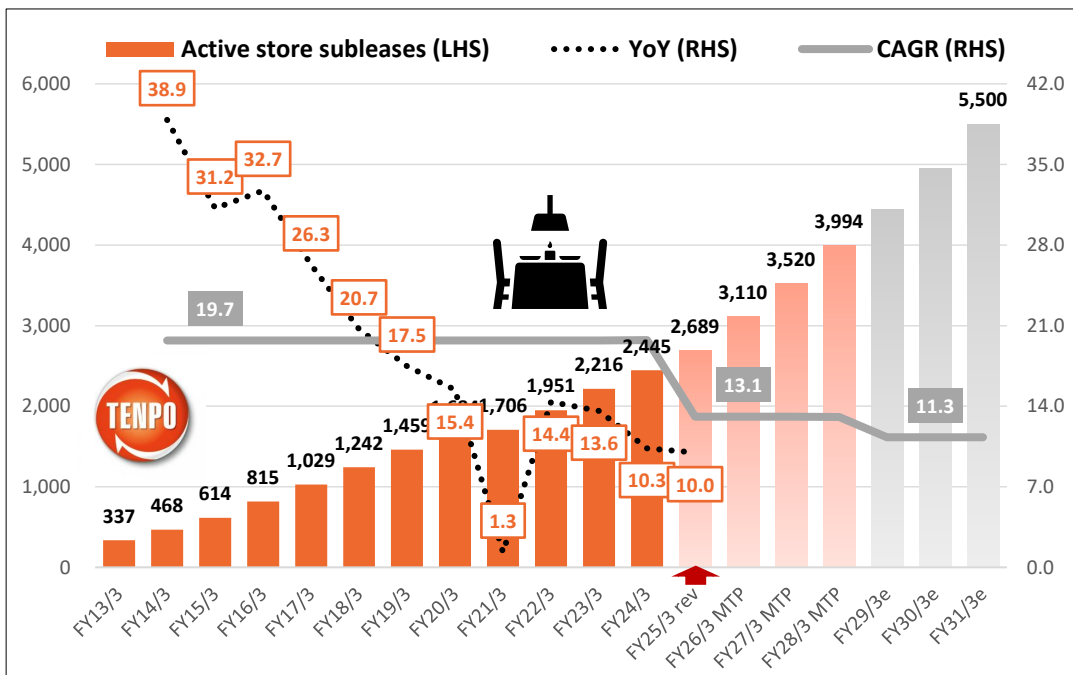


Transitioned to a holdings company on October 1
 Revised up full-term OP by +35% to record high on 1H results

SUMMARY

- By transitioning to a holding company structure, the holding company now oversees the management of the entire Group, while each subsidiary focuses on promoting its own business, thereby maximizing the corporate value of the Group. Relative to the initial forecasts for 1H OP -17.3%, the sharp improvement in GPM from 17.8% → 18.6% and control of SG&A absorbing increased personnel costs resulted in 1H consolidated OP rising +30.1% YoY, beating the initial forecast by 57%, and the Company accordingly revised up full-term forecasts, now forecasting record profit. Relative to the 1H OP overshoot of JPY 250mn, the new forecast assumes 2H OP was revised up by JPY 71mn.
- From FY24/3, the Company announced a change to its dividend policy, effectively raising the target payout ratio from the 30% level to the 40% level. Since listing, total cash dividends have grown at +31.5% CAGR, with DOE topping 10% in FY24/3. While making the necessary investments to accelerate growth going forward, the Company is also strengthening shareholder returns as a priority management issue. **The current DY is trading 63% above its historical average, and P/E and EV/EBITDA are 27% and 33% below their respective historical averages. Omega Investment believes the disconnect between profit growth and current weak share price is unsustainable.**

INNOVATION HOLDINGS: Sustainable double-digit growth, high stability



Source: compiled by Omega Investment from IR results briefing materials. Red arrow indicates FY25/3 revised CE.

2Q Follow-up

Financial Indicators

Share price (12/20)	922
YH (24/1/4)	1,050
YL (24/8/5)	805
10YH (23/3/10)	1,340
10YL (20/4/6)	477
Shrs out. (mn shrs)	17.674
Mkt cap (¥ bn)	16.295
EV (¥ bn)	12.007
Equity ratio (9/30)	24.4%
25.3 P/E (CE)	18.6x
25.3 EV/EBITDA (CE)	9.4x
24.3 ROE (act)	20.5%
24.3 ROIC (act)	19.9%
24.9 P/B (act)	4.48x
25.3 DY (CE)	2.28%

6M daily share price



INNOVATION HOLDINGS

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INNOVATION HOLDINGS

Omega Investment's case for INNOVATION HOLDINGS as an attractive opportunity

Over the last 7 fiscal years since listing in Oct-2017 through FY24/3, net sales have grown at +14.9% CAGR, OP has grown at +17.7% CAGR, and total cash dividends have grown at +31.5% CAGR, with DOE topping 10% in FY24/3, and the payout ratio topping 50%. As can be seen from the graph on the bottom of P1, **double-digit growth in active store sublease contracts is both remarkably stable and sustainable**, uncorrelated with the underlying restaurant market, and the Company revised up full-term FY25/3 profit forecasts along with 1H results. **There is a disconnect with strong profit growth and the current share price.**

INNOVATION HOLDINGS Financial Highlights and Key Indicators

JPY mn, %	FY17/3	FY18/3	FY19/3	FY20/3	FY21/3	FY22/3	*FY23/3	FY24/3	FY25/3	FY25/3	FY26/3	FY27/3	FY28/3
[J-GAAP]	NC act	NC act	NC act	NC act	NC act	NC act	con act	con act	init CE	rev CE	MTP CE	MTP CE	MTP CE
Net sales	5,386	6,689	8,229	9,985	10,343	11,415	13,070	14,264	16,840	16,657	19,190	22,138	25,644
YoY	27.4	24.2	23.0	21.3	3.6	10.4	14.5	9.1	18.1	16.8	14.0	15.4	15.8
• Store subleasing (running)	4,816	6,060	7,377	8,715	9,164	9,806	11,332	12,637					
• Store subleasing (initial)	570	628	729	715	430	656	735	794					
• Store subleasing rent guarantees	—	—	—	—	—	—	145	148					
• Sale of real estate (initial)	—	—	121	554	747	951	856	683					
No. of signed contracts* ¹	306	333	362	397	314	407	482	466	570	500	640	720	820
No. of active store subleases* ²	1,029	1,242	1,459	1,684	1,706	1,951	2,216	2,445	2,757	2,689	3,110	3,520	3,994
Gross profit	939	1,140	1,560	1,953	1,832	2,094	2,519	2,574					
GPM (%)	17.4%	17.0%	19.0%	19.6%	17.7%	18.3%	19.3%	18.0%					
SG&A expenses	627	743	826	1,168	1,100	1,184	1,307	1,600					
Ratio to sales (%)	11.6%	11.1%	10.0%	11.7%	10.6%	10.4%	10.0%	11.2%					
Depreciation	5	5	18	23	20	40	37	50					
EBITDA	316	402	751	808	751	949	1,249	1,024					
Operating profit	312	397	734	785	732	910	1,212	974	907	1,228	1,035	1,268	1,645
YoY	11.1	27.4	84.8	7.0	(6.8)	24.3	33.2	(19.6)	(6.9)	26.1	14.1	22.5	29.7
OPM (%)	5.8%	5.9%	8.9%	7.9%	7.1%	8.0%	9.3%	6.8%	5.4%	7.4%	5.4%	5.7%	6.4%
Ordinary profit	328	401	714	812	842	987	1,266	1,011	942	1,250			
Total income taxes	122	165	205	254	266	324	381	326					
Profit attributable to owners of parent (ATOP)	200	236	510	564	576	662	886	666	630	832			
Total assets	5,437	6,974	8,587	10,233	10,429	11,898	12,882	13,697					
Total shareholders' equity	1,041	1,530	2,107	2,546	2,961	3,328	3,195	3,317					
Shareholders' equity ratio	19.2%	21.9%	24.5%	24.9%	28.4%	28.0%	24.8%	24.2%					
Total cash dividends	49	67	125	160	160	212	272	335					
DOE	5.1%	5.2%	6.9%	6.9%	5.8%	6.7%	8.4%	10.3%					
Net profit	200	236	510	564	576	662	886	666					
Payout ratio	24.6%	28.5%	24.5%	28.4%	27.9%	32.0%	30.8%	50.3%	55.9%	42.3%			
ROE	20.9%	18.3%	28.0%	24.3%	20.9%	21.1%	27.1%	20.5%					
NOPAT (OP - income taxes)	190	232	529	531	466	586	831	648					
Invested capital (IBD + net assets)	1,041	1,530	2,107	2,546	2,961	3,328	3,195	3,324					
• Interest-bearing debt	—	—	—	—	—	—	—	—					
• Net assets	1,041	1,530	2,107	2,546	2,961	3,328	3,195	3,324					
ROIC	19.8%	18.0%	29.1%	22.8%	16.9%	18.6%	25.5%	19.9%					

Source: compiled by Omega Investment from YUHO financial statements (Annual Securities Report) and IR results briefing materials.

No. of signed contracts*¹ = new contracts plus successor contracts concluded during the period.

No. of active store subleases*² = number of active store sublease contracts at the end of the period.

*Note: the Company switched to reporting consolidated figures from FY23/3 with the addition of Tenpo Safety Inc. (sublease rent guarantees)

→ FY23/3 YOY figures, and DOE/ROE/ROIC figures which involve calculations of average equity are shown in italic gray for reference only.

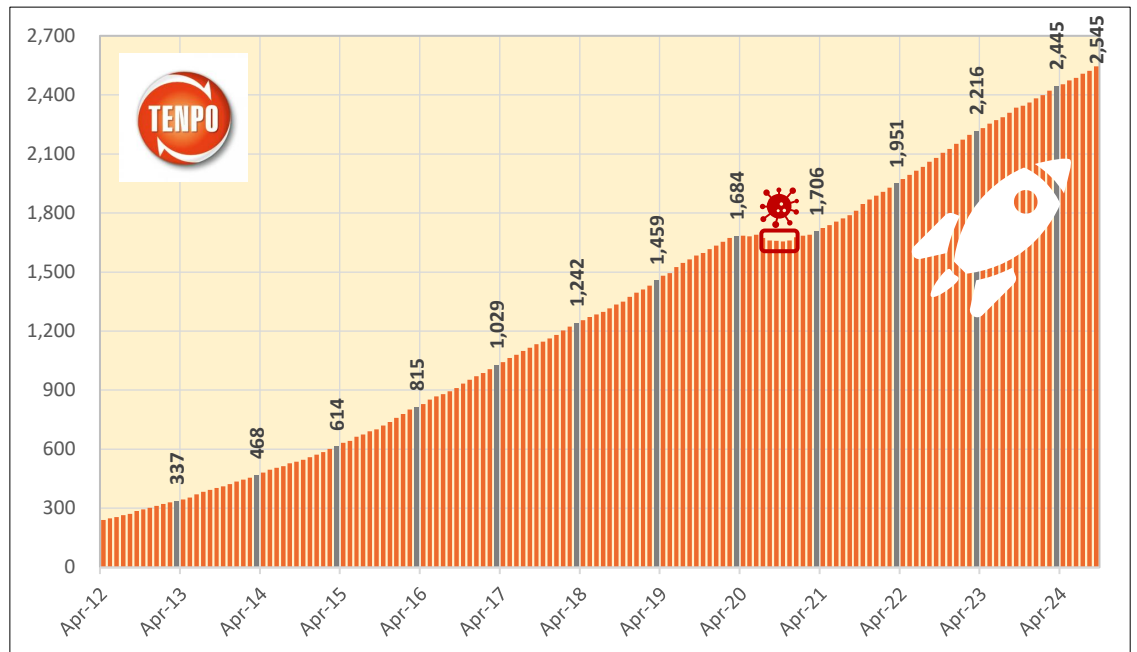
Tokyo Shinjuku night skyline



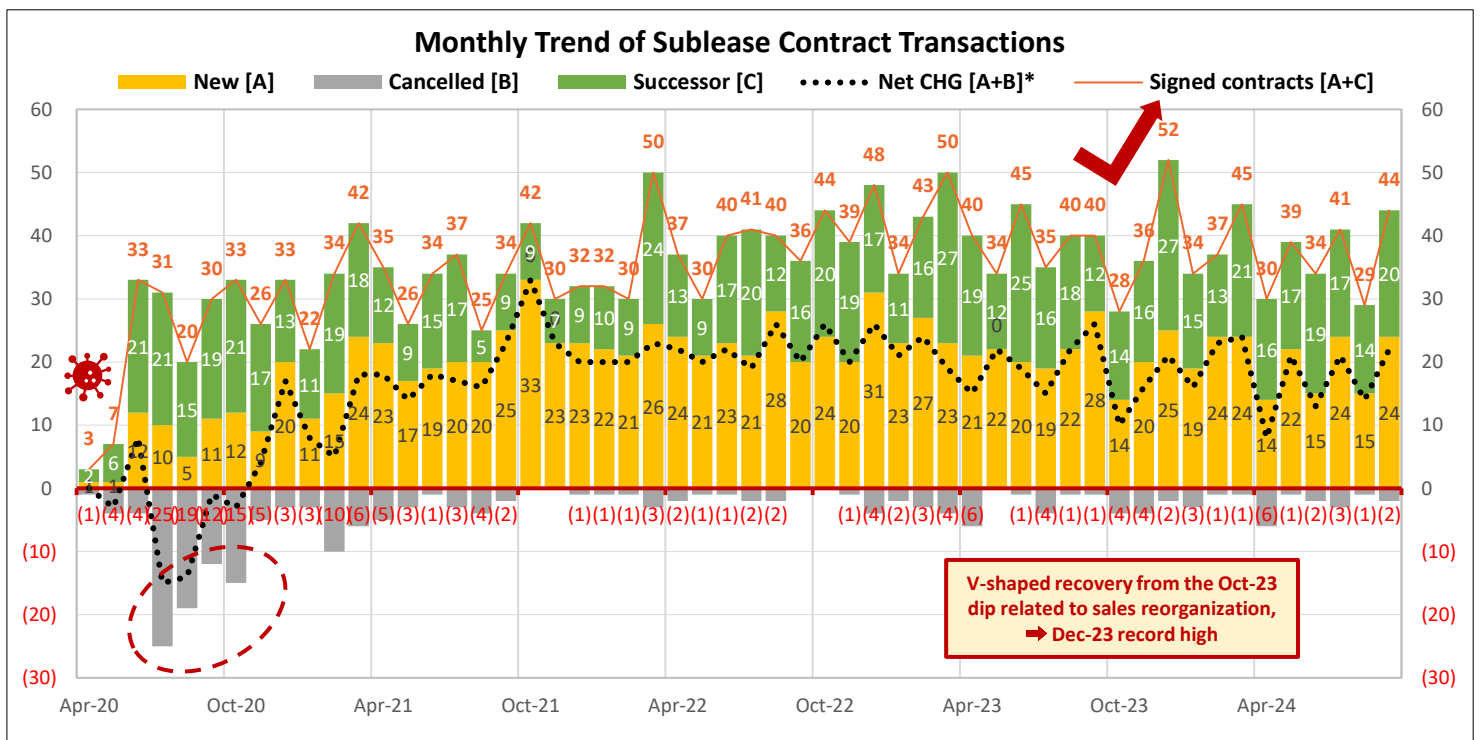


INNOVATION HOLDINGS subleased store properties: uncorrelated with the market
 Even during the height of COVID-19 in 2020, active subleased stores only dipped slightly, closing up YOY for the fiscal year. The strength of the business model can be summarized as **careful selection of store properties mainly in central Tokyo** (①the store property is on the 1F facing a street (regardless of station proximity), ②monthly rent is affordable in absolute terms (averaging around ¥400k/mo.), and ③the property is a vacated-furnished store (lowers the initial investment cost)) **are ALWAYS in high demand**. Average turnover has been quite consistent over time, equivalent to roughly 10% every year, or 50% every 5 years. **Relative to pre-pandemic level (Sep-2019) 1,584 stores, TI active subleased store properties increased +61% to 2,545 stores in Sep-2024, or +10% CAGR over 5 years.**

Monthly trend of subleased store properties: **stable and sustainable high growth**



Source: compiled by Omega Investment from company IR results briefing materials.



Source: compiled by Omega Investment from company IR results briefing materials. *Note: net change = "New - Cancelled" as well as reflects transfer from "sublease to leasehold" and "leasehold to sublease" (Dec 2021: -2; Jan 2022: -1; Oct 2021: +2; Nov 2022: +1; Dec 2022: -1; Aug-23 +1; Sep-23 -1, Dec-23 -2, Mar-24 +1).



INNOVATION HOLDINGS

Revised 2H forecasts appear conservative

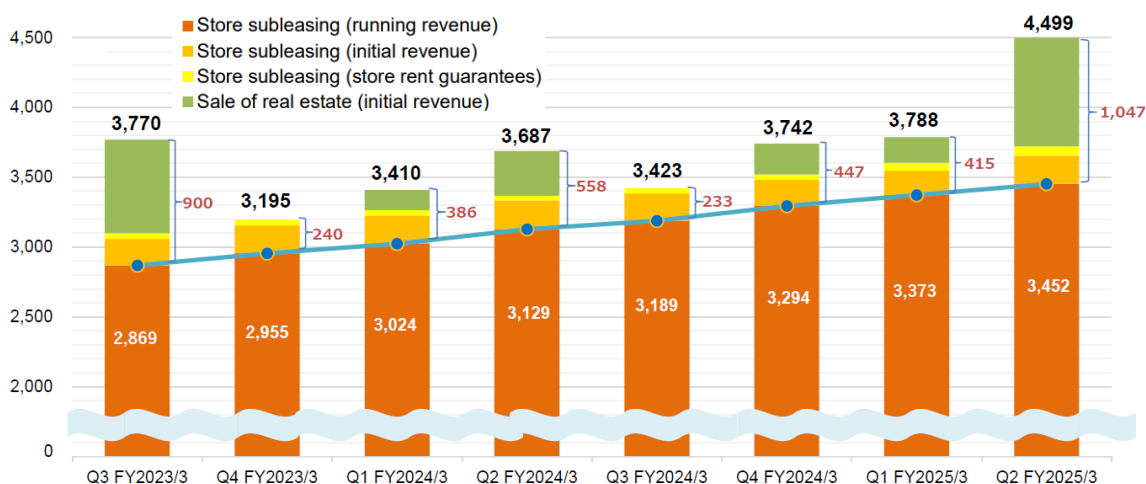
Relative to the 1H OP overshoot of JPY 250mn, the revised full-term forecast only assumes 2H OP was revised up by JPY 71mn. This can be partially explained by the 1H net sales overshoot of JPY 222mn driven in part by the sale of one large property, while 2H net sales were revised down by JPY 405mn on revising down full-term targets for signed contracts and active subleased store properties by 70 and 68, respectively (see table on P5), **GPM improvement and SG&A control are likely to continue, and the effect of sales reorganization should also begin to emerge, leaving a buffer in Omega's view.**

1H FY25/3 consolidated net sales +16.8% and OP +30.1%

In the restaurant industry, sales and the number of customers increased mainly in urban areas and tourist destinations, helped by the recovery in inbound visitors driven by the weak yen. For drinking establishments, the number of customers during late hours and the demand for large banquets gradually returned, but store operators continued to struggle with high raw materials and utilities costs, and the labor shortage. While the number of contracts signed (new + successor) decreased by 7.3% due to the ongoing reorganization of sales, the quarterly trend improved from 1Q 103 → 2Q 114), and store subleasing segment sales increased +10.9% on sublease properties up 210 to 2,545, +9.0%. Segment OP rose +34.1% due to GPM up sharply on reduced procurement costs (vacancy rent associated with aggressive procurement last term) and contract renewals, as well as control of SG&A expenses.

Real estate trading business posted a strong quarterly contribution in Q2 on the sale of one large property, with 1H segment sales increasing +8.0%, and segment OP increasing +13.7%. The new subsidiary Asset Innovation sold 3 properties and acquired 6 (Q2 sold 2 and acquired 5), bringing total inventory to 7 as of the end of September. As can be seen from the table below, **relative to the initial forecasts for 1H OP -17.3%, the sharp improvement in GPM from 17.8% → 18.6% and control of SG&A absorbing increased personnel costs (see OP change factor analysis graph on P5) resulted in 1H consolidated OP rising +30.1% YoY, beating the initial forecast by 57%, and the Company accordingly revised up full-term forecasts shown on the bottom of P5.**

2Q FY25/3 Quarterly Trend of Sales Breakdown by Revenue Category (JPY mn)



Note: initial income includes one-time payments of key money, contract-related fees and proceeds from the sale of fixtures from vacated-furnished store properties. Running income includes rent income and contract renewal fees from sublease tenants. Store sublease rent guarantees include some running income. Source: excerpt from IR results briefing materials.

INNOVATION HOLDINGS 1H FY25/3 Financial Results Summary

JPY mn	FY24/3 1H act	ratio to sales	FY25/3 1H act	ratio to sales	AMT CHG	PCT CHG	ACH ratio*	FY25/3 1H CE
Net sales	7,098	100.0%	8,288	100.0%	1,190	16.8	102.8%	8,066
Gross profit	1,267	17.8%	1,543	18.6%	276	21.9	—	—
SG&A expenses	741	10.4%	859	10.4%	118	16.0	—	—
Operating profit	525	7.4%	684	8.3%	159	30.1	157.3%	434
Ordinary profit	558	7.9%	698	8.4%	140	24.9	154.3%	452
Profit	381	5.4%	469	5.7%	88	23.2	150.8%	311
Signed contracts* ¹	234	—	217	—	(17)	(7.3)		
Sublease properties* ²	2,335	—	2,545	—	210	9.0		

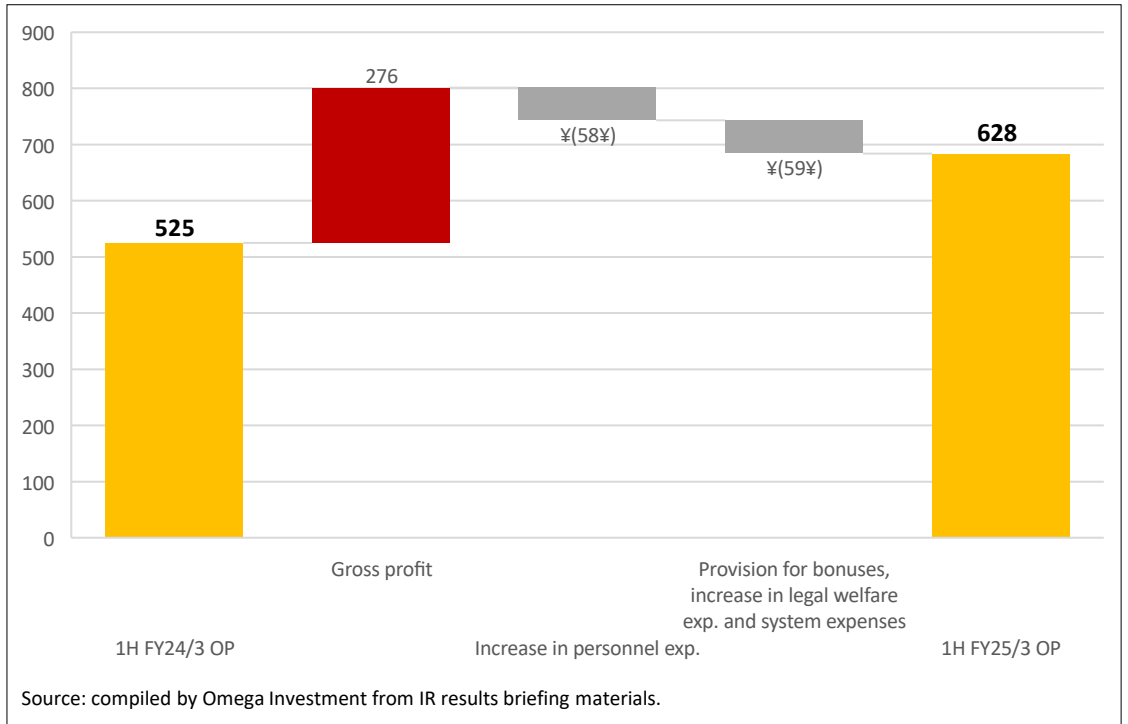
Note: *1 = new plus successor contracts signed. *2 = number of active sublease contracts at FY end.

Source: compiled by Omega Investment from IR results briefing materials.

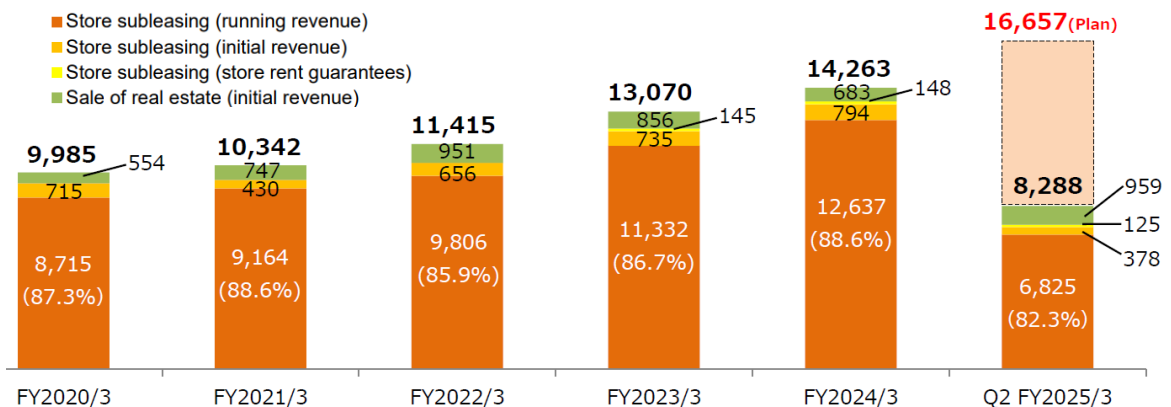
*ACH ratio = progress ratio relative to 1H initial guidance.



1H FY25/3 Increase/Decrease OP Change Factor Analysis (JPY mn)



INNOVATION HOLDINGS Annual Sales Breakdown by Revenue Category (JPY mn)



Note: initial income includes one-time payments of key money, contract-related fees and proceeds from the sale of fixtures from vacated-furnished store properties. Running income includes rent income and contract renewal fees from sublease tenants. Store sublease rent guarantees include some running income. Source: excerpt from IR results briefing materials. Figures for FY2023/3 onwards are consolidated. Figures up to FY2022/3 are non-consolidated.

INNOVATION HOLDINGS FY25/3 Revised Full-term Financial Forecasts

JPY mn	FY24/3 act	ratio to sales	FY25/3 init CE	ratio to sales	FY25/3 rev CE	ratio to sales	AMT REV	INIT YOY	REV YOY
Net sales	14,263	100.0%	16,840	100.0%	16,657	100.0%	(183)	18.1	16.8
Operating profit	974	6.8%	907	5.4%	1,228	7.4%	321	(6.9)	26.1
Ordinary profit	1,011	7.1%	942	5.6%	1,250	7.5%	308	(6.9)	23.6
Profit	666	4.7%	630	3.7%	832	5.0%	202	(5.3)	24.9

Signed contracts* ¹	466	—	570	—	500	—	(70)	22.3	7.3
Sublease properties* ²	2,445	—	2,757	—	2,689	—	(68)	12.8	10.0

Note: *1 = new plus successor contracts signed. *2 = number of active sublease contracts at FY end.

Source: compiled by Omega Investment from IR results briefing materials.



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Earnings Reference (pp5-8)

- 4Q FY24/3
- 2Q FY24/3
- 4Q FY23/3

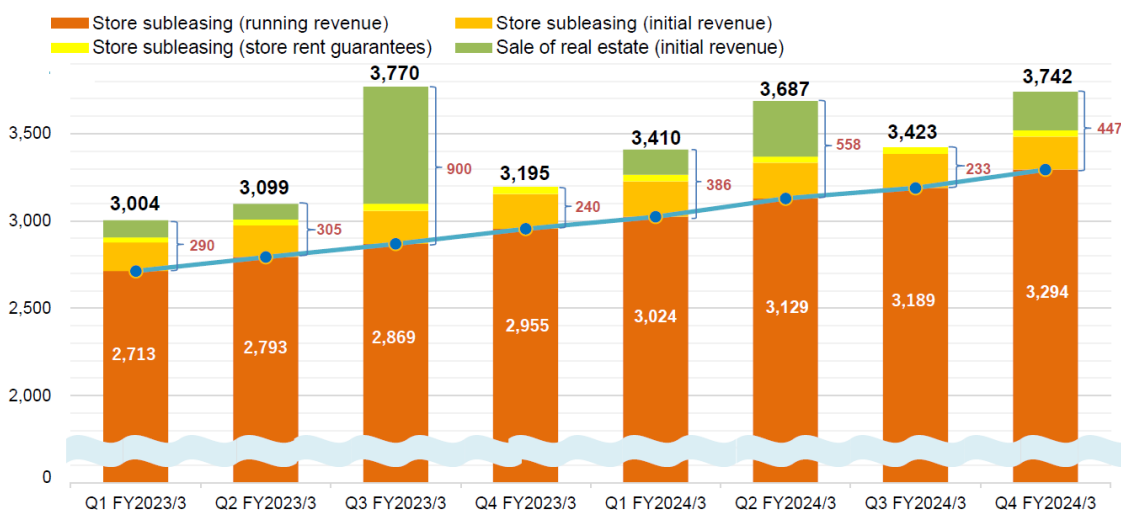
FY24/3 consolidated net sales +9.1% and OP -19.6%

As described in Part 1, restaurant industry sales in 2023 increased for the second consecutive year, driven by steady normalization of customer traffic with the downgrade of COVID to Class 5 and lifting of immigration restrictions around golden week, prompting a recovery of inbound tourists. However, while total sales for all formats increased +14.1% YoY, a large component was the 7.3% increase in average spend reflecting inflation. The environment for restaurant operators was extremely challenging with soaring utility and raw materials costs, exacerbated by the worsening labor shortage. By formats, the recovery of Izakaya (Japanese pubs) was delayed due to the -9.7% YoY decline in the number of stores (-33.6% versus 2019).

Against this backdrop, TENPO INNOVATION still achieved net sales growth of +9.1% YoY, driven by the +10.3% increase in active store sublease properties to 2,445. While the number of signed contracts (new + successor contracts) dipped slightly by -3.3% YoY, in part due to the reorganization of sales in Oct-2023 (see P2), the quarterly average of 116.5 contracts was still a high level. **Ultimately, the strength of the business model of adhering to strict proven criteria when selecting store properties for subleasing ALWAYS results in being able to find demand in an industry known for constant turnover.**

Despite the increase in net sales, GPM declined 1.3pp as costs increased due to aggressive purchasing of subleasing properties (vacancy rents, construction, commissions, etc.) and the...

4Q FY24/3 Quarterly Trend of Sales Breakdown by Revenue Category (JPY mn)



Note: initial income includes one-time payments of key money, contract-related fees and proceeds from the sale of fixtures from vacated-furnished store properties. Running income includes rent income and contract renewal fees from sublease tenants. Store sublease rent guarantees include some running income. Source: excerpt from IR results briefing materials.

TENPO INNOVATION 4Q FY24/3 Financial Results Summary

JPY mn	FY23/3 act	ratio to sales	FY24/3 act	ratio to sales	AMT CHG	PCT CHG	ACH ratio*	FY24/3 init CE
Net sales	13,070	100.0%	14,263	100.0%	1,193	9.1	96.1%	14,844
Gross profit	2,518	19.3%	2,573	18.0%	55	2.2	—	—
SG&A expenses	1,306	10.0%	1,599	11.2%	293	22.4	—	—
Operating profit	1,212	9.3%	974	6.8%	(238)	(19.6)	76.4%	1,276
Ordinary profit	1,266	9.7%	1,011	7.1%	(255)	(20.1)	77.4%	1,306
Profit ATOP	885	6.8%	666	4.7%	(219)	(24.8)	74.8%	891
Signed contracts* ¹	482	—	466	—	(16)	(3.3)	81.8%	570
Sublease properties* ²	2,216	—	2,445	—	229	10.3	96.8%	2,527

Note: *1 = new plus successor contracts signed. *2 = number of active sublease contracts at FY end.

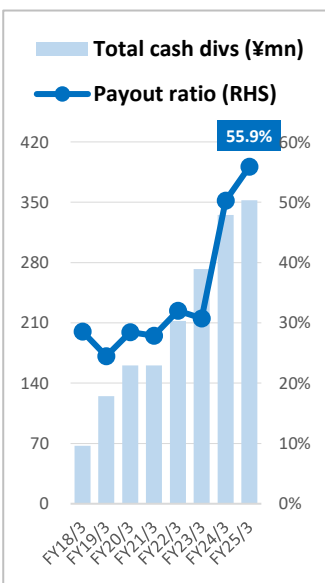
Source: compiled by Omega Investment from IR results briefing materials.

*ACH ratio = progress ratio relative to full-term guidance.



INNOVATION HOLDINGS

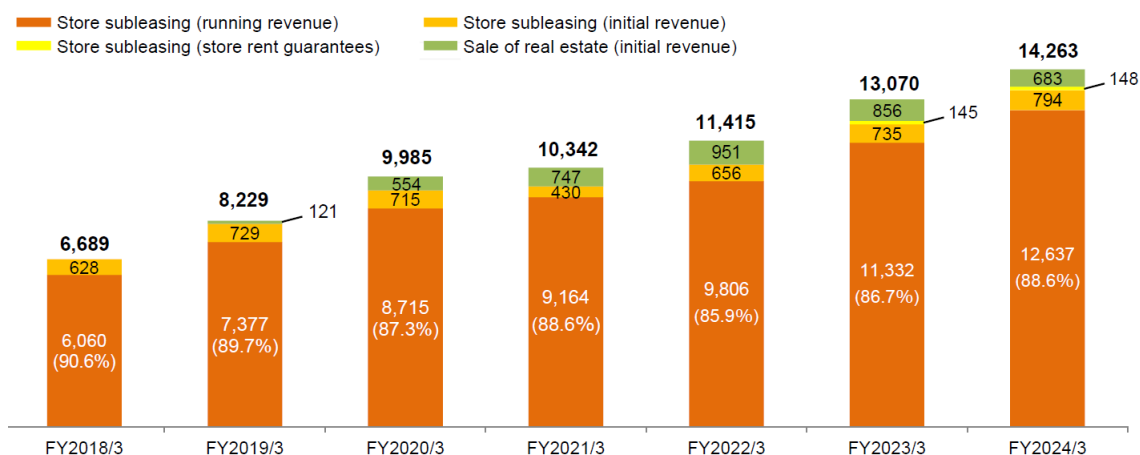
*Note: the full-term forecast for FY25/3 OP was subsequently revised up by +35% to a record JPY 1,228mn, +26.1% YoY, on 2024.11.13 along with strong 1H results, as described on P4. As a result, the initial expected payout ratio shown below declines to 42.3%.



...disappearance of the sale of several large and highly profitable properties in the real estate trading business in the previous fiscal year. OP declined -19.6% YoY mainly due to a higher ratio of SG&A to sales from increased salary and recruiting expenses, executive compensation linked to the previous year's strong performance, and DX system investments such as the move to electronic contracts, etc. Initial forecasts for FY25/3 are shown below. Net sales are forecast to increase +18.1% YoY (16th consecutive YoY gain), mainly driven by the resumption of double-digit growth in signed contracts following the reorganization of sales last term, and forecast +12.8% YoY increase in active store subleases. However OP is forecast to decline -6.9% YoY, a second consecutive YoY decline*, due to the impact of higher SG&A expenses accompanying the increase in headcount for aggressive expansion of each business under the new holdings company structure to take effect from October 1, 2024. **As year one of the new MTP, FY25/3 is positioned as a transition phase toward accelerating growth going forward, and while profits will remain under pressure from upfront investments to strengthen the sales organization, the growth opportunity going forward is substantial.**

From FY24/3, the Company announced a change to its dividend policy, effectively raising the target payout ratio from the 30% level to the 40% level. As can be seen from the left-hand graph, along with making proactive upfront investments to capture the significant growth opportunity, **over the last 7 fiscal years since listing in Oct-2017 through FY24/3, total cash dividends have grown at +31.5% CAGR, with DOE topping 10% in FY24/3, and the payout ratio forecast to exceed 50% for the second consecutive year in FY25/3* (see table below).**

Store subleasing (running revenue) accumulation is the main growth driver (JPY mn)



Note: initial income includes one-time payments of key money, contract-related fees and proceeds from the sale of fixtures from vacated-furnished store properties. Running income includes rent income and contract renewal fees from sublease tenants. Store sublease rent guarantees include some running income. Source: excerpt from IR results briefing materials.

TENPO INNOVATION New Medium-Term Management Plan

JPY mn, %	FY24/3	FY25/3	YOY	FY26/3	YOY	FY27/3	FY28/3	4-year
	act	init. CE	PCT	MTP	PCT	MTP	MTP	CAGR
Net sales	14,263	16,840	18.1	19,190	14.0	22,138	25,644	15.8
Operating profit	974	907	(6.9)	1,035	14.1	1,268	1,645	14.0
OPM	6.8%	5.4%	—	5.4%	—	5.7%	6.4%	—
Signed contracts* ¹	466	570	22.3	640	12.3	720	820	15.2
Sublease properties* ²	2,445	2,757	12.8	3,110	12.8	3,520	3,994	13.1
DPS (¥)	¥20.00	¥21.00	5.0	¥22.00	4.8	—	—	—
Payout ratio	50.5%	55.9%	+5.4p	52.9%	-3.0p	40-45%	40-45%	—

Note: *1 = new plus successor contracts signed. *2 = number of active sublease contracts at FY end.

Source: compiled by Omega Investment from IR results briefing materials.



INNOVATION HOLDINGS



★ 1H hiring of sales staff achieved success

The biggest risk to achieving medium-term targets lies in successful execution of its sales force recruitment • training • assignment plan, particularly for sublease store property procurement. **The number of procurement staff increased by 2 in 2Q, from 14 at the end of March to 16 at the end of September.** The effect of the transfer of purchasing authority is expected to be realized from 2H into the next fiscal year.

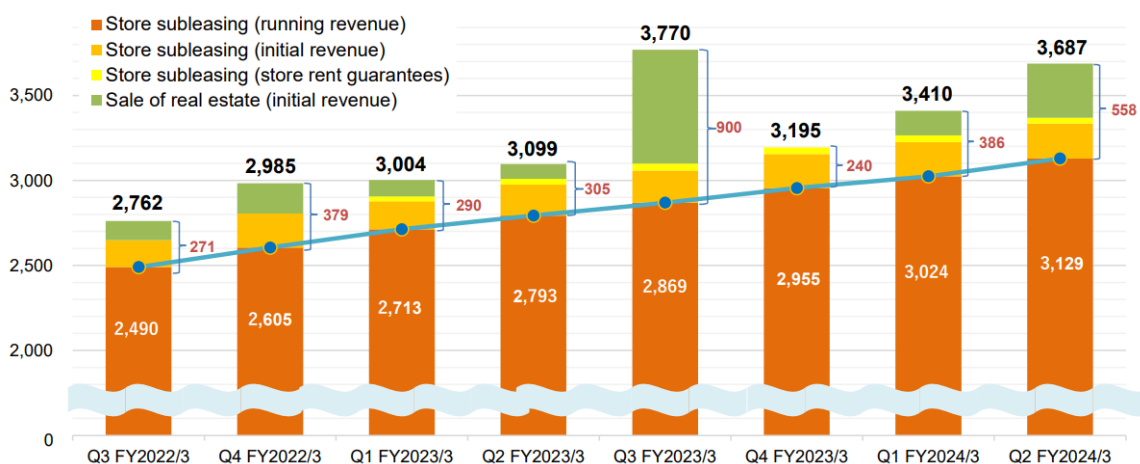
The newly established "Sales Development Department" specializing in sales recruitment (headed by a sales executive) **hired 15 new sales staff during the 1H.**

1H FY24/3 consolidated net sales +16.3% and OP -5.3%

In the restaurant industry, sales and the number of customers increased due to the first summer holidays since the downgrade of COVID-19 to "category 5," an increase in demand for eating out due to the extremely hot summer, and a recovery in inbound sales supported by the weak yen. For drinking establishments, the number of customers during late hours and the demand for large banquets gradually returned, but overall recovery was delayed due to the decrease in the number of establishments. Store subleasing sales increased +12.2% (sublease properties rose to 2,335, +12.3%). Although the number of contracts signed remained at a high level of 115 (2Q), the pace is expected to slow slightly in the near term due to reorganization of the sales organization. Store subleasing OP declined -17.3% due to GPM declining 1.3pp on the increase in costs (vacancy rent, construction, commissions, etc.) associated with aggressive sublease property purchases, while the ratio of SG&A to sales deteriorated 0.4pp on increased salary and recruiting expenses, executive compensation linked to the previous year's strong performance, and DX system investments such as the move to electronic contracts, etc.

Real estate trading business sold 6 properties and acquired 6 as the wait-and-see trend in the market diminished with the normalization of economic and social activities (2Q-only 4 sold, 1 acquired), bringing total inventory to 6 as of the end of September. Net sales increased +39.1%, and OP increased +35.0%. Although the table below shows a slight shortfall to 1H profits, **the key takeaway from 1H results is that margins were depressed due to aggressive procurement of new sublease stores and recruitment, which the Company expects to leverage in the 2H.**

2Q FY24/3 Quarterly Trend of Sales Breakdown by Revenue Category (JPY mn)



Note: initial income includes one-time payments of key money, contract-related fees and proceeds from the sale of fixtures from vacated-furnished store properties. Running income includes rent income and contract renewal fees from sublease tenants. Store sublease rent guarantees include some running income. Source: excerpt from IR results briefing materials.

TENPO INNOVATION 1H FY24/3 Financial Results Summary

JPY mn, %	FY23/3 1H act	ratio to sales	FY24/3 1H act	ratio to sales	AMT CHG	PCT CHG	ACH ratio*	FY24/3 1H init CE
Net sales	6,103	100.0%	7,098	100.0%	995	16.3	-0.8%	7,158
Gross profit	1,163	19.1%	1,267	17.8%	104	8.9	—	—
SG&A expenses	608	10.0%	741	10.4%	133	21.7	—	—
Operating profit	554	9.1%	525	7.4%	(29)	(5.3)	-13.9%	610
Ordinary profit	581	9.5%	558	7.9%	(23)	(3.9)	-10.7%	625
Profit	398	6.5%	381	5.4%	(17)	(4.3)	-10.7%	427

Signed contracts* ¹	224	—	234	—	10	4.5	—	—
Sublease properties* ²	2,080	—	2,335	—	255	12.3	—	—

Note: *1 = new plus successor contracts signed. *2 = number of active sublease contracts at period end.

Source: compiled by Omega Investment from IR results briefing materials.

*ACH ratio = percent progress relative to 1H initial guidance.

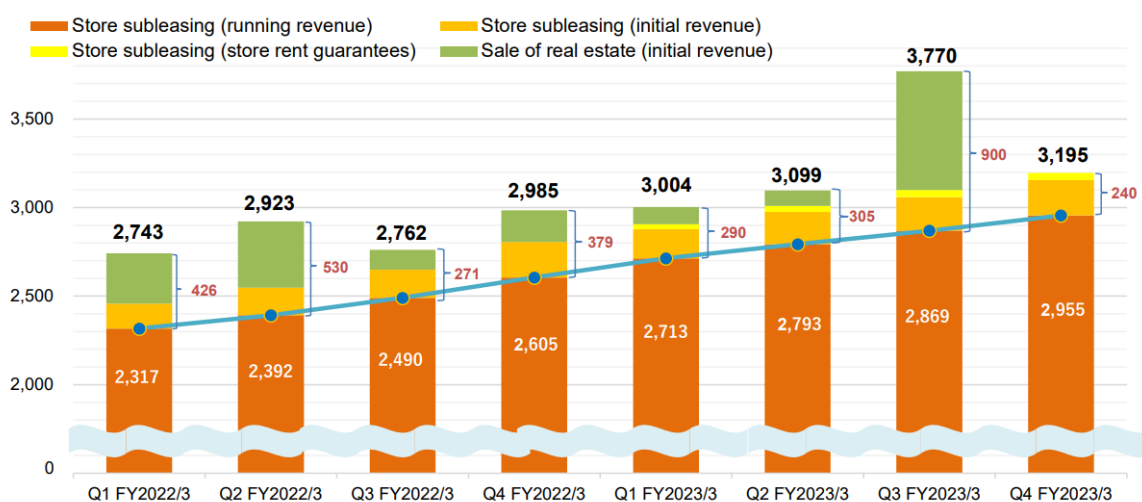


FY23/3 consolidated net sales +14.5% and OP +33.2%

Since the Company began consolidating the accounts of newly established wholly-owned subsidiary Tenpo Safety Inc. from FY23/3, YoY figures are provided for reference versus non-consolidated results the previous term. Net sales increased +14.5% YoY, OP increased +33.2% YoY, GPM rose from 18.3% → 19.3%, and OPM rose from 8.0% → 9.3%. In addition to the contribution from new high-margin rent guarantee business, store subleasing business got a boost from the increase in new successor contracts from 135 → 197 (+45.9% YoY). Store subleasing sales increased +16.7% (sublease properties rose to 2,216, +13.6%), and **store subleasing OP of ¥962mn increased +32.9%**.

Real estate trading business got a boost from the sale of 5 properties which included several large-scale profitable properties (see graph below). In FY23/3, 5 properties were sold and 8 properties were acquired (Q4-only: 0 properties sold, 3 properties acquired), bringing the number of properties held by the Company to 6 at the end of FY23/3. Real estate trading sales declined -9.6%, however **real estate trading OP of ¥251mn increased +34.7%**. Although the primary objective of this business was to maintain a good relationship with RE brokers by paying meaningful commissions in return for good information on sublease candidates, the Company has recently also received interest from existing owner landlords to purchase properties, enhancing a stable supply pipeline without referrals, and this is now a full-fledged business.

4Q FY23/3 Quarterly Trend of Sales Breakdown by Revenue Category (JPY mn)



Note: initial income includes one-time payments of key money, contract-related fees and proceeds from the sale of fixtures from vacated-furnished store properties. Running income includes rent income and contract renewal fees from sublease tenants. Store sublease rent guarantees include some running income. Figures for 1Q FY23/3 are consolidated; figures for 4Q FY22/3 and earlier are non-consolidated. Source: excerpt from IR results briefing materials.

TENPO INNOVATION 4Q FY23/3 Financial Results Summary

JPY mn	FY22/3 act	ratio to sales	FY23/3 initial CE	FY23/3 act	ratio to sales	AMT CHG	PCT CHG*	vs initial CE
Net sales	11,415	100.0%	12,655	13,070	100.0%	1,655	14.5	3.3
Gross profit	2,094	18.3%	—	2,519	19.3%	425	20.3	—
SG&A expenses	1,184	10.4%	—	1,307	10.0%	123	10.4	—
Operating profit	910	8.0%	1,059	1,212	9.3%	302	33.2	14.5
Ordinary profit	987	8.6%	1,074	1,266	9.7%	280	28.3	17.9
Profit	662	5.8%	733	886	6.8%	223	33.7	20.8
Signed contracts* ¹	407		450	482		75	18.4	7.1
Sublease properties* ²	1,951		2,221	2,216		265	13.6	(0.2)

*YOY comparisons are provided as reference values versus the previous year's non-consolidated figures.

Note: *1 = new plus successor contracts signed. *2 = number of active sublease contracts at FY end.

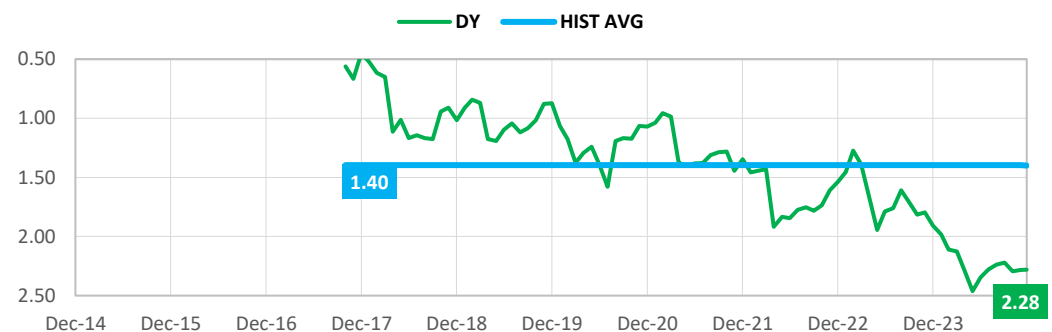
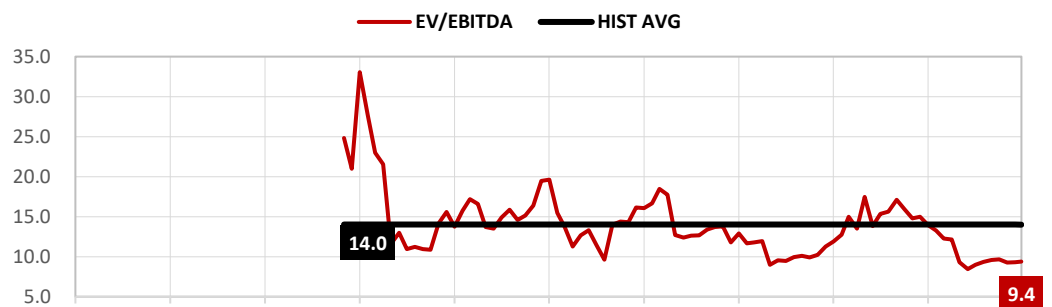
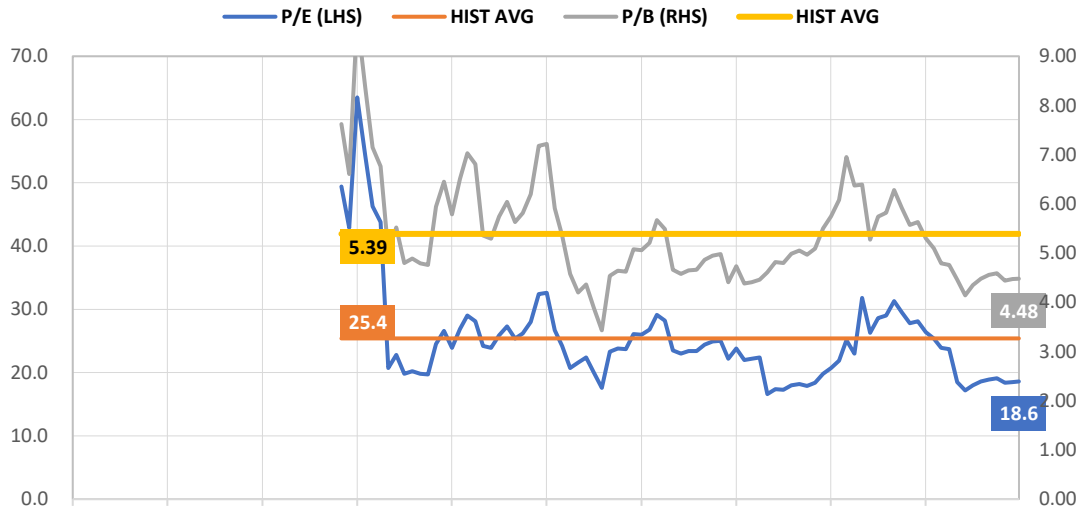
Source: compiled by Omega Investment from IR results briefing materials.



Key takeaways:

- ❶ The current P/E and P/B are trading on discounts of 27% and 17%, respectively, to their historical averages. EV/EBITDA is trading on an 33% discount. **Importantly, DY is trading 63% above its historical average.**
- ❷ The equity ratio on the surface may appear low at 24.4%, however this reflects the fact that the B/S is comprised of a large amount of deposits paid and received (see B/S on P12). The Company is debt-free, and the B/S is extremely healthy.
- ❸ Following the revised dividend policy from FY24/3 raising target payout effectively from the 30% level → to the 40% level, **DOE topped 10% for FY24/3, and the payout ratio topped 50%.**

7-Year Monthly Share Price Chart, 6M/12M/24M MA, Volume and Valuation Trends



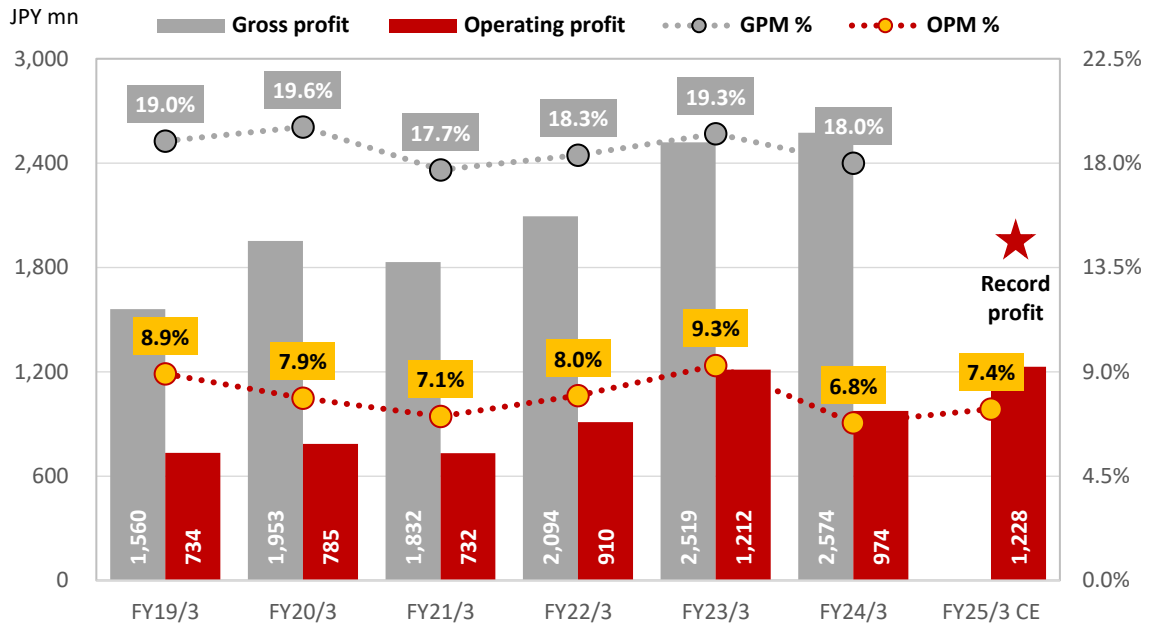
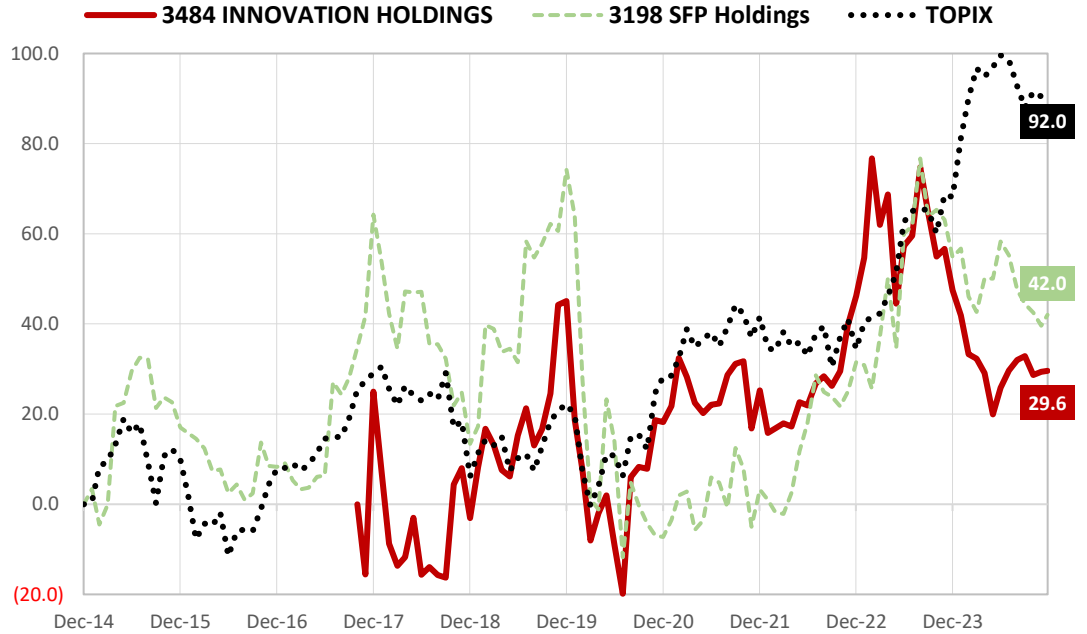
Source: compiled by Omega Investment from historical price data. Forecast values based on current Company estimates.



Sharp underperformance in FY24/3 can clearly be attributed to discounting margin deterioration in the short-term from leading upfront investments to capture the substantial growth opportunity going forward under the new holdings company structure.

Despite initial expectations for a second consecutive year of OP declining YoY, the current share price has yet to incorporate the revised outlook on the sharp improvement in GPM and control of SG&A absorbing increased personnel costs, now forecasting record profit. Omega Investment believes the disconnect between profit growth and current weak share price is unsustainable.

10-Year Monthly Relative Share Price Performance and Trend of GPM/OPM





INNOVATION HOLDINGS

Consolidated Balance Sheets

(thousands of yen)

	as of March 31, 2024	as of September 30, 2024
Assets		
Current assets		
Cash and deposits	3,331,233	3,461,414
Real estate for sale	823,765	892,178
Prepaid expenses	1,195,477	1,218,081
Other	129,281	216,198
Total current assets	5,479,757	5,787,873
Non-current assets		
Property, plant and equipment	676,760	653,973
Intangible assets	31,165	35,269
Investments and other assets		
Guarantee deposits	6,841,860	7,004,286
Other	667,767	676,407
Total investments and other assets	7,509,628	7,680,694
Total non-current assets	8,217,554	8,369,937
Total assets	13,697,311	14,157,811
Liabilities		
Current liabilities		
Income taxes payable	162,074	238,939
Provision for bonuses	39,453	56,872
Unearned revenue	1,515,682	1,590,268
Other	674,587	648,549
Total current liabilities	2,391,797	2,534,630
Non-current liabilities		
Retirement benefit liability	37,000	43,500
Guarantee deposits received	7,506,961	7,648,052
Other	437,509	475,162
Total non-current liabilities	7,981,471	8,166,714
Total liabilities	10,373,269	10,701,345
Net assets		
Shareholders' equity		
Share capital	308,394	308,394
Capital surplus	539,930	539,930
Retained earnings	3,547,222	3,681,563
Treasury shares	-1078830	-1078830
Total shareholders' equity	3,316,717	3,451,057
Share acquisition rights	2,358	2,358
Non-controlling interests	4,967	3,050
Total net assets	3,324,042	3,456,466
Total liabilities and net assets	13,697,311	14,157,811

Source: excerpt from YUHO Semi-annual Securities Report.



Tokyo Shinjuku daytime skyline





Transition to a Holdings Company Structure

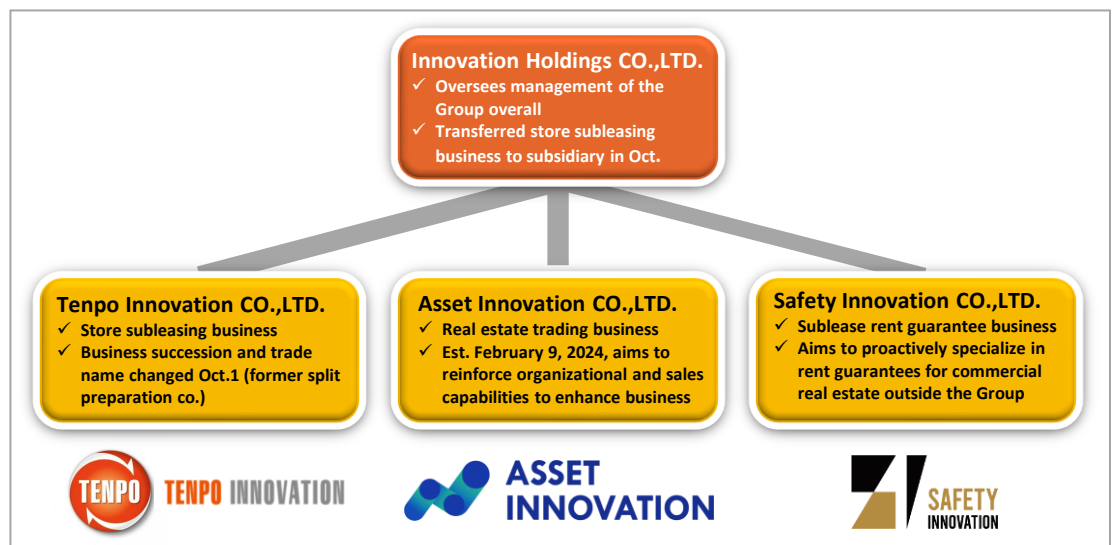
The Group decided to transition to a holding company structure in order to optimize the allocation of management resources, to promote the development of the next generation of management personnel, and to create a structure that will enable flexible decision-making and flexible responses to changes in business conditions in order to promote business expansion by focusing more on each of the Group's businesses. By transitioning to a holding company structure, the holding company will oversee the management of the entire Group, while each subsidiary will focus on promoting its own business, thereby maximizing the corporate value of the Group.

The business divested was transferred to a wholly owned subsidiary (split preparation company) through a company split (absorption-type split) with the Company as the splitting company, and the split preparation company as the successor company. In addition, the Company will continue to be listed as a holding company on the TSE Prime market. The 18th Annual General Meeting of Shareholders held on June 17, 2024 approved the absorption-type split agreement and partial amendment to the Articles of Incorporation to change the trade name to Innovation Holdings CO.,LTD. (effective date of the absorption-type split: October 1, 2024). Details of the new holding company structure, new trade names/corporate logos, etc., are outlined in the exhibit below.

Schedule of the company split

- 1) Board of Directors' meeting resolved to approve the establishment of the successor split preparation company: February 2, 2024
- 2) Establishment of the successor split preparation company, Tenpo Innovation Split Preparation Company: February 9, 2024
- 3) Board of Directors' meeting resolved to approve the transition to a holding company structure: May 17, 2024
- 4) Board of Directors' meeting resolved to approve the absorption-type split agreement: May 17, 2024
- 5) Conclusion of absorption-type split agreement: May 17, 2024
- 6) General Meeting of Shareholders approved the absorption-type split agreement and partial amendment to the Articles of Incorporation to change the trade name to Innovation Holdings CO.,LTD.: June 17, 2024
- 7) Effective date of the absorption-type split: October 1, 2024

New Group Holdings Company Structure from October 1, 2024



Source: compiled by Omega Investment from IR results briefing materials and related press releases regarding the transition to a holdings company structure.



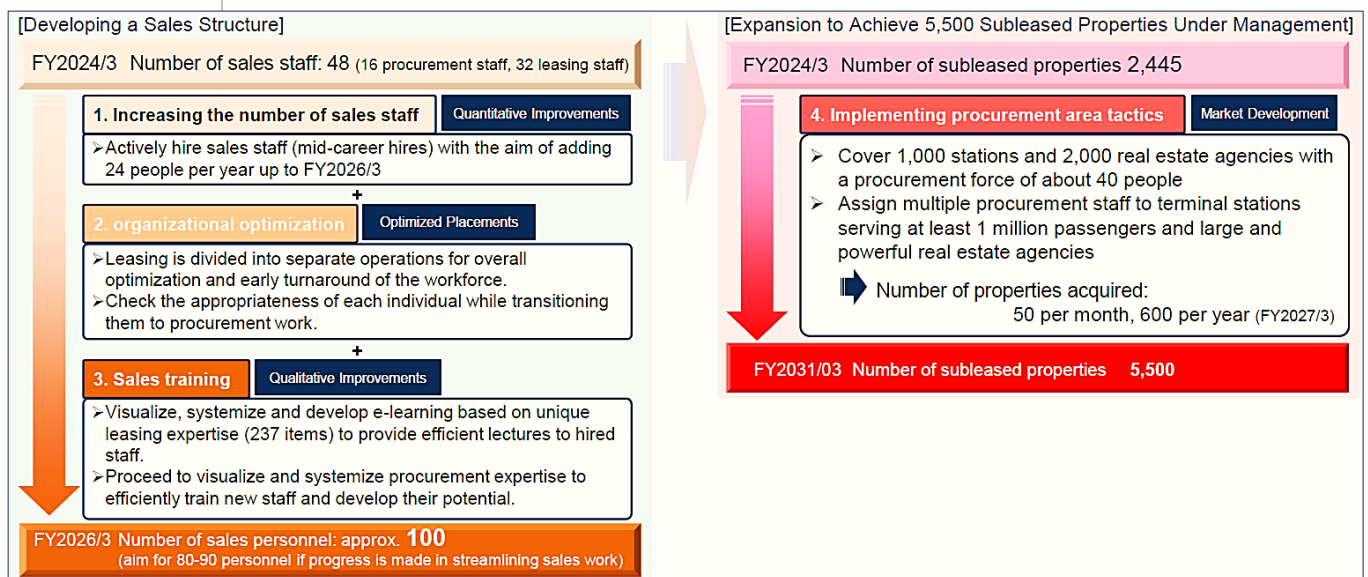
FY25/3 Business expansion initiatives under the new holdings company structure
 Numerical targets for the new Medium-term Management Plan under the new holdings company structure are shown in the table on P2. During the first year of the new MTP in FY25/3, while net sales are forecast to increase, operating profit was initially forecast to decline another -6.9% YoY due to the impact of higher SG&A expenses accompanying the increase in headcount for aggressive expansion of each business. However, the sharp improvement in GPM from 17.8% → 18.6% and control of SG&A absorbing increased personnel costs resulted in 1H consolidated OP rising +30.1% YoY, beating the initial forecast by 57%, and the Company accordingly revised up full-term forecasts, now forecasting record profit for year 1. **The effect of sales reorganization is expected to emerge going forward.**

Tenpo Innovation CO., LTD. – Store subleasing business

Vision: Change business practices in the subleasing industry and create a new standard for store properties

① Sales

- Measures to expand purchasing opportunities (Property Development Department) and division of labor and specialization of leasing operations (Sales Department)
- Along with increasing procurement, establish procurement channels centered on web-based purchasing and implement measures to build relationships with leading suppliers
- Shift from traditional all-in-one leasing to a division of labor by business, pursuing total optimization and specialization



② Training

- Training system to quickly turn inexperienced sales representatives into an effective force
- Efficient education through active use of e-learning tools such as videos
- Establish and disseminate mission, vision, and values for each department, and organize and manualize procurement know-how

③ Recruitment

- Continue to actively recruit based on the previous year's results (23 sales hires)
- Established the "Recruitment Promotion Department" to succeed the Sales Development Department of the previous fiscal year, and plans to actively recruit property management staff in addition to sales staff
- Aiming to maximize the number of applicants, while increasing efficiency and reducing costs

④ In-house websites

- Improve the appeal and presence of our websites "INUKITENPO.com" (finding tenants for vacated-furnished stores) and "TENPOKAITORI.com" (purchase of vacated equipment)
- Expand the range of properties handled by "INUKITENPO.com" and improve convenience by using search engine optimization (SEO) measures and use of LINE, etc.; expand the range of properties handled by "TENPOKAITORI.com" and increase awareness through advertising, begin operations by a specialized team



Safety Innovation CO., LTD. – Rent guarantee business

Vision: Become No. 1 in the rent guarantee industry in terms of the number of commercial real estate rent guarantee contracts

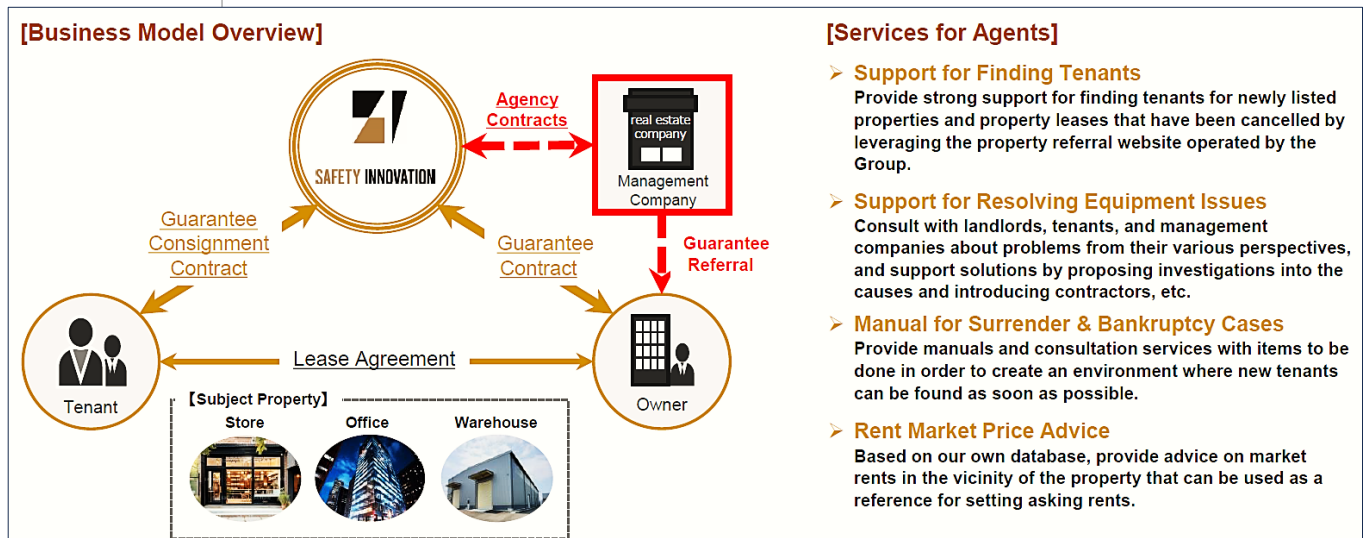
① Startup preparations

- Initially, place priority on approaching Group business partners, with full-scale recruiting activities beginning in the second half of the fiscal year
- Conduct sales activities to real estate companies (on the scale of 1,000 companies) that deal with subleasing business to increase awareness in the Tokyo metropolitan area
- Full-scale recruiting activities are scheduled to begin in the 2H of the current fiscal year (planning to hire approximately 15 employees), and planning to establish a branch in the Tokyo metropolitan area

② Business flow

- Proactively utilize IT while improving workflow and manuals, and establish a training / education system
- Proactive use of cloud services and OCR to develop workflows and manuals for making contracts, screening, and collection
- Improve convenience and reduce the burden on clients, while improving operational efficiency and training systems

Actively acquire projects outside the Group through rent guarantees specializing in commercial real estate properties. Expand business through synergies by leveraging store property know-how and providing added value to agents.



Asset Innovation CO., LTD. – Real estate trading business

Vision: Become a leading company in commercial real estate distribution

① Developing customers

- Taking the opportunity of the company's establishment, strengthen organizational and sales capabilities, and actively collect information and cultivate customers
- Strengthen sales and marketing for purchasing to Yamanote Line and surrounding stations (plan to add 2 sales staff this fiscal year) and develop sales channels other than RE agents
- Strengthen purchasing capabilities through direct mailings to RE agents and property owners

② Training and collaboration

- Start compiling know-how and creating manuals, and hold study sessions for Group cooperation
- Through organizing know-how and creating manuals, aim to increase human resource short-term competitiveness
- Hold study sessions for Group companies twice a year to share information on purchases and sales



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