



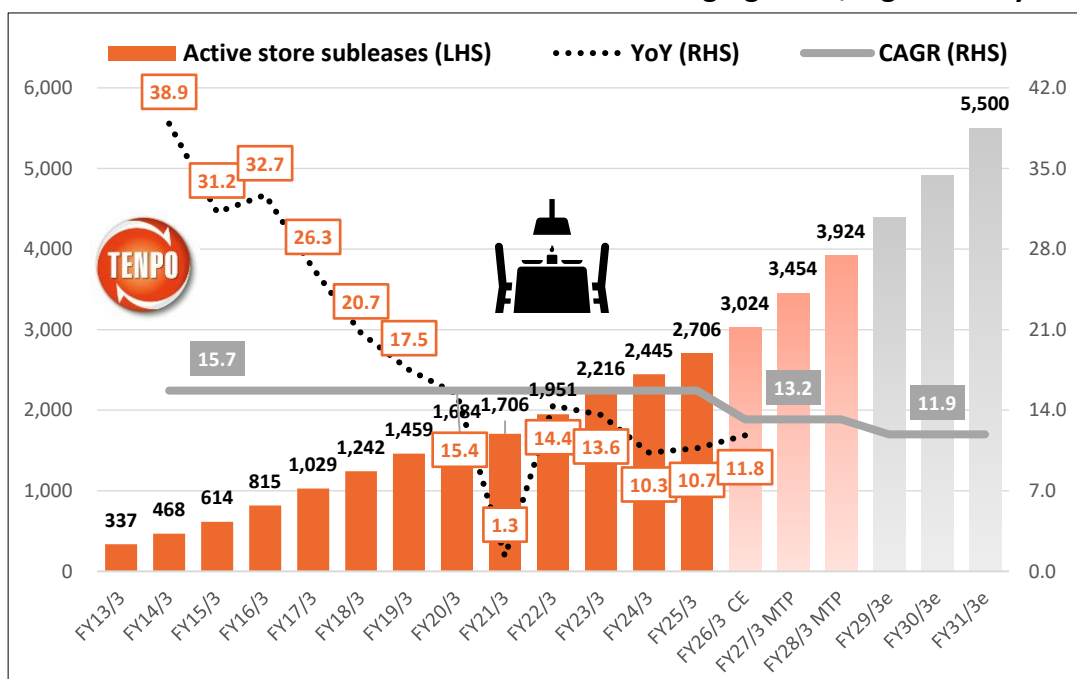
## Return to double-digit profit growth trajectory

Reorganized sales force beginning to deliver solid results

### SUMMARY

- Despite the initial cautious outlook for FY25/3 guiding for a second consecutive year of OP decline, positioned as a transition phase toward accelerating growth while profits would remain under pressure from upfront investments to strengthen the sales organization, 1H store subleasing 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, resulting in a 35% upward revision to full-term OP. Strong double-digit profit growth continued in the 2H, and management notes that the reorganized sales force is making a contribution.
- 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 +32.6% CAGR, with DOE topping 10% and the payout ratio topping 50% 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. In FY25/3, the annual dividend was hiked from ¥20.0 → 28.0 (+40% YoY). For FY26/3, the Company is indicating a 5<sup>TH</sup> consecutive hike of the annual dividend from ¥28.0 → 30.0 for a payout ratio of 48.8%.

### INNOVATION HOLDINGS: Sustainable double-digit growth, high stability



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

### Full Report

#### Financial Indicators

Share price (7/29)	1,000
YH (25/3/6)	1,038
YL (25/4/7)	854
10YH (23/3/10)	1,340
10YL (20/4/6)	477
Shrs out. (mn shrs)	17.674
Mkt cap (¥ bn)	17.674
EV (¥ bn)	12.597
Equity ratio (3/31)	25.6%
26.3 P/E (CE)	16.3x
26.3 EV/EBITDA (CE)	7.6x
25.3 ROE (act)	28.1%
25.3 ROIC (act)	24.7%
25.3 P/B (act)	4.18x
26.3 DY (CE)	3.00%

#### 6M daily share price



**INNOVATION HOLDINGS**

**Chris Schreiber CFA**  
Company Specialist

This report has been prepared at the request of TENPO INNOVATION. For details, please refer to the Disclaimer on the last page.



INNOVATION HOLDINGS

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

Over the last 8 fiscal years since listing in Oct-2017 through FY25/3, net sales have grown at +15.2% CAGR, OP has grown at +20.5% CAGR, total shareholders' equity at +18.4% CAGR and total cash dividends at +32.6% 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 consistent and sustainable.**

## 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	FY26/3	FY27/3	FY28/3
[J-GAAP]	NC act	NC act	NC act	NC act	NC act	NC act	con act	con act	con act	init CE	MTP CE	MTP CE
Net sales	5,386	6,689	8,229	9,985	10,343	11,415	13,070	14,264	16,659	18,872	21,957	25,342
YoY	27.4	24.2	23.0	21.3	3.6	10.4	14.5	9.1	16.8	13.3	16.3	15.4
• Store subleasing (running)	4,816	6,060	7,377	8,715	9,164	9,806	11,332	12,637	13,978			
• Store subleasing (initial)	570	628	729	715	430	656	735	794	910			
• Store subleasing rent guarantees	—	—	—	—	—	—	145	148	323			
• Sale of real estate (initial)	—	—	121	554	747	951	856	683	1,447			
No. of signed contracts* <sup>1</sup>	306	333	362	397	314	407	482	466	488	576	715	790
No. of active store subleases* <sup>2</sup>	1,029	1,242	1,459	1,684	1,706	1,951	2,216	2,445	2,706	3,024	3,454	3,924
Gross profit	939	1,140	1,560	1,953	1,832	2,094	2,519	2,574	3,238			
GPM (%)	17.4%	17.0%	19.0%	19.6%	17.7%	18.3%	19.3%	18.0%	19.4%			
SG&A expenses	627	743	826	1,168	1,100	1,184	1,307	1,600	1,856			
Ratio to sales (%)	11.6%	11.1%	10.0%	11.7%	10.6%	10.4%	10.0%	11.2%	11.1%			
Depreciation	5	5	18	23	20	40	37	50	55			
EBITDA	316	402	751	808	751	949	1,249	1,024	1,436			
Operating profit	312	397	734	785	732	910	1,212	974	1,382	1,604	1,832	2,237
YoY	11.1	27.4	84.8	7.0	(6.8)	24.3	33.2	(19.6)	41.8	16.1	14.2	22.1
OPM (%)	5.8%	5.9%	8.9%	7.9%	7.1%	8.0%	9.3%	6.8%	8.3%	8.5%	8.3%	8.8%
Ordinary profit	328	401	714	812	842	987	1,266	1,011	1,431	1,578	1,772	2,143
Total income taxes	122	165	205	254	266	324	381	326	461			
Profit attributable to owners of parent (ATOP)	200	236	510	564	576	662	886	666	1,029	1,030	1,141	1,380
Total assets	5,437	6,974	8,587	10,233	10,429	11,898	12,882	13,697	15,652			
Total shareholders' equity	1,041	1,530	2,107	2,546	2,961	3,328	3,195	3,317	4,010			
Shareholders' equity ratio	19.2%	21.9%	24.5%	24.9%	28.4%	28.0%	24.8%	24.2%	25.6%			
Total cash dividends	49	67	125	160	160	212	272	335	469			
DOE	5.1%	5.2%	6.9%	6.9%	5.8%	6.7%	8.4%	10.3%	12.8%			
Net profit	200	236	510	564	576	662	886	666	1,029			
Payout ratio	24.6%	28.5%	24.5%	28.4%	27.9%	32.0%	30.8%	50.4%	45.6%	48.8%		
ROE	20.9%	18.3%	28.0%	24.3%	20.9%	21.1%	27.1%	20.5%	28.1%			
NOPAT (OP - income taxes)	190	232	529	531	466	586	831	648	920			
Invested capital (IBD + net assets)	1,041	1,530	2,107	2,546	2,961	3,328	3,195	3,324	4,120			
• Interest-bearing debt	—	—	—	—	—	—	—	—	103			
• Net assets	1,041	1,530	2,107	2,546	2,961	3,328	3,195	3,324	4,017			
ROIC	19.8%	18.0%	29.1%	22.8%	16.9%	18.6%	25.5%	19.9%	24.7%			

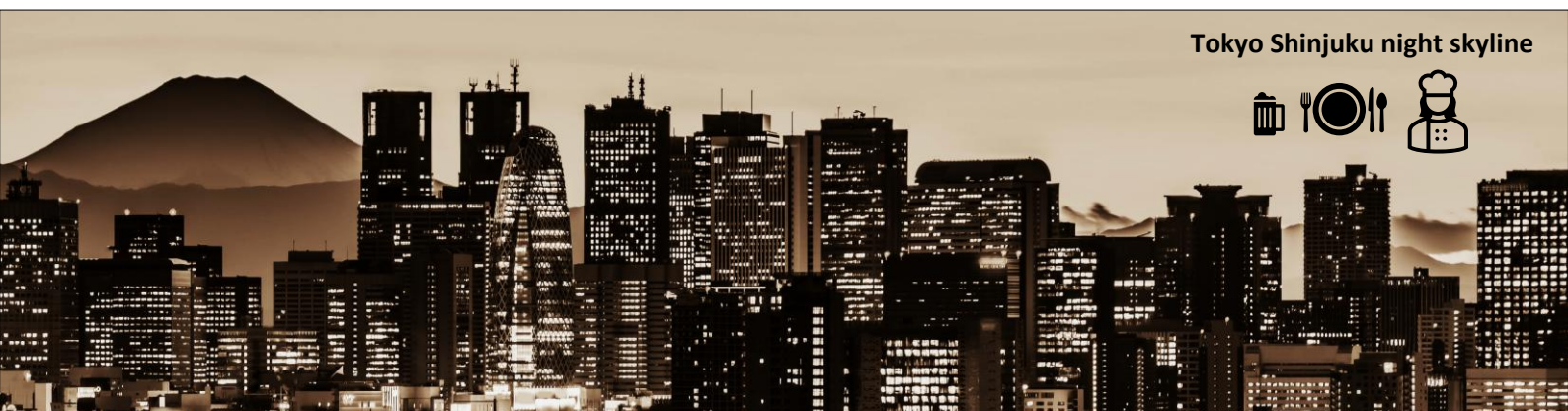
Source: compiled by Omega Investment from YUHO financial statements (Annual Securities Report) and IR results briefing materials.

No. of signed contracts\*<sup>1</sup> = new contracts plus successor contracts concluded during the period.

No. of active store subleases\*<sup>2</sup> = 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. (now Safety Innovation CO.,LTD.)

→ 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

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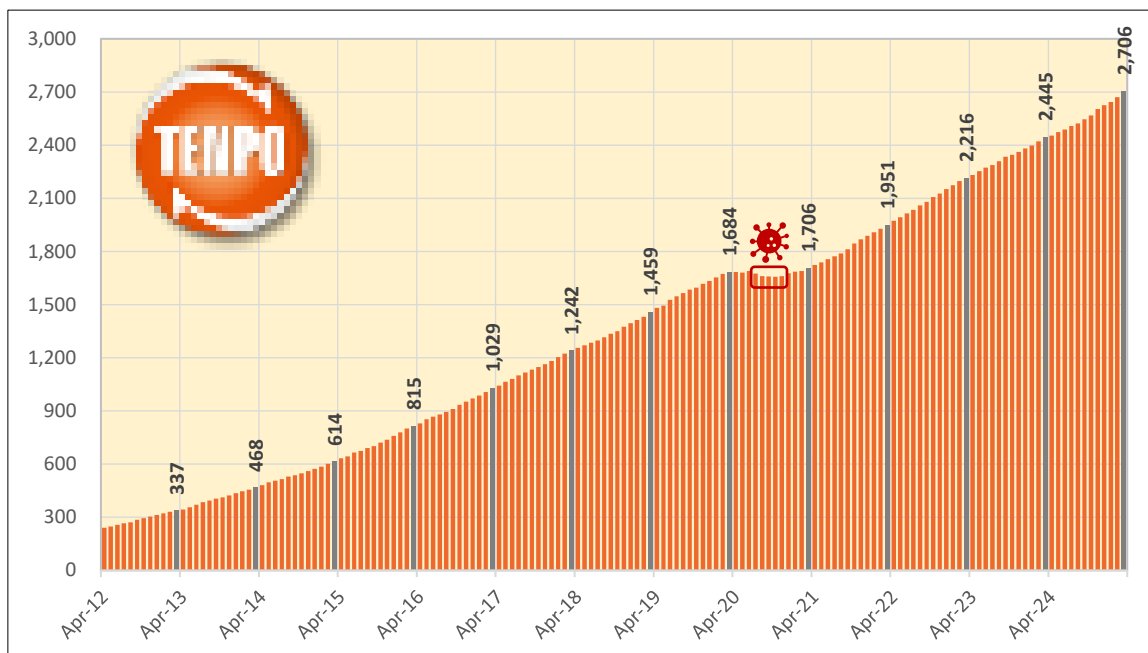
\*Note: average turnover does not equal cancellations. The lower graph lists separately successor contracts (new tenants) and contract terminations (low). The upper graph shows the trend of active sublease contracts at month-end.



## Consistent and sustainable double-digit growth

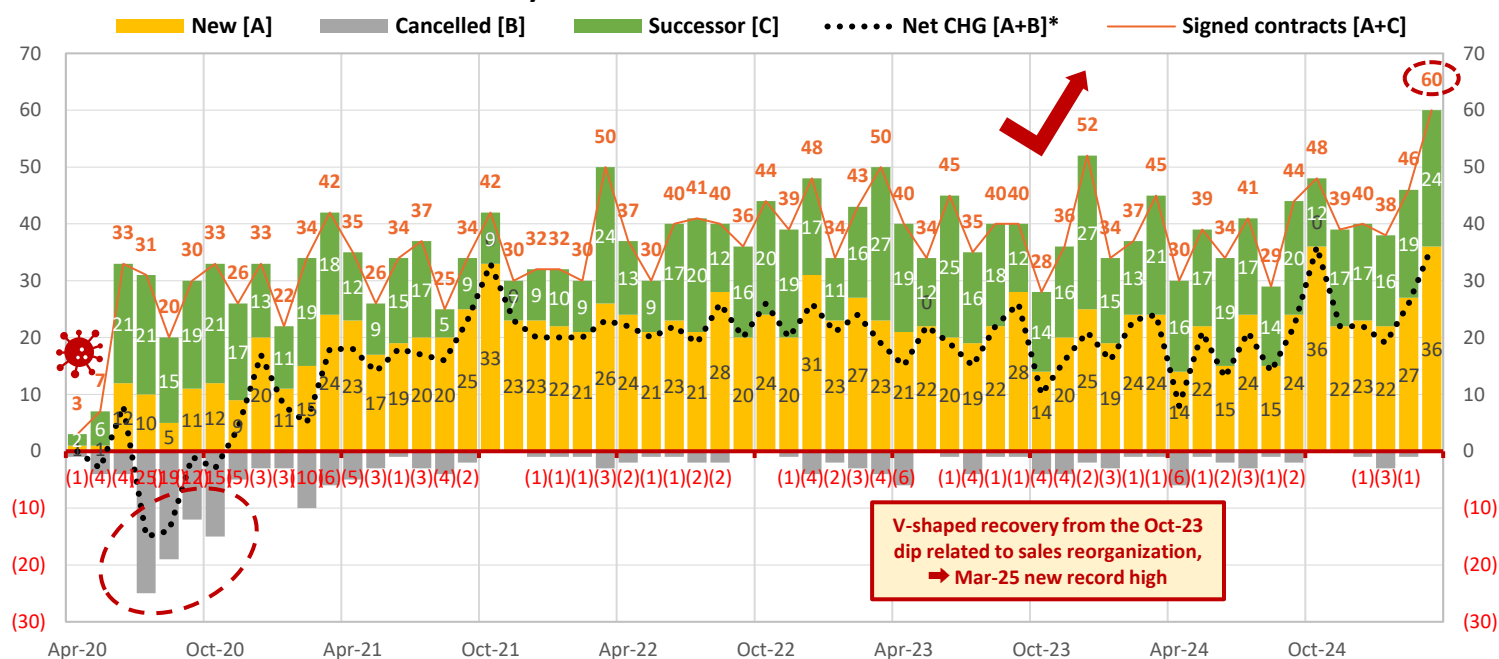
Even during the height of COVID-19 in 2020, active subleased stores only dipped slightly, closing up YOY for the fiscal year. The strength of the business model can be summarized as careful selection of store properties mainly in central Tokyo (①the store property is on the 1F facing a street (regardless of station proximity), ②monthly rent is affordable in absolute terms (averaging around ¥300-350k/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 the pre-pandemic level of 1,459 stores in Mar-2019, active subleased store properties increased +67.6% to 2,445 stores in Mar-2024, or +10.9% 5Y CAGR.

## Monthly trend of TENPO INNOVATION active subleased store properties



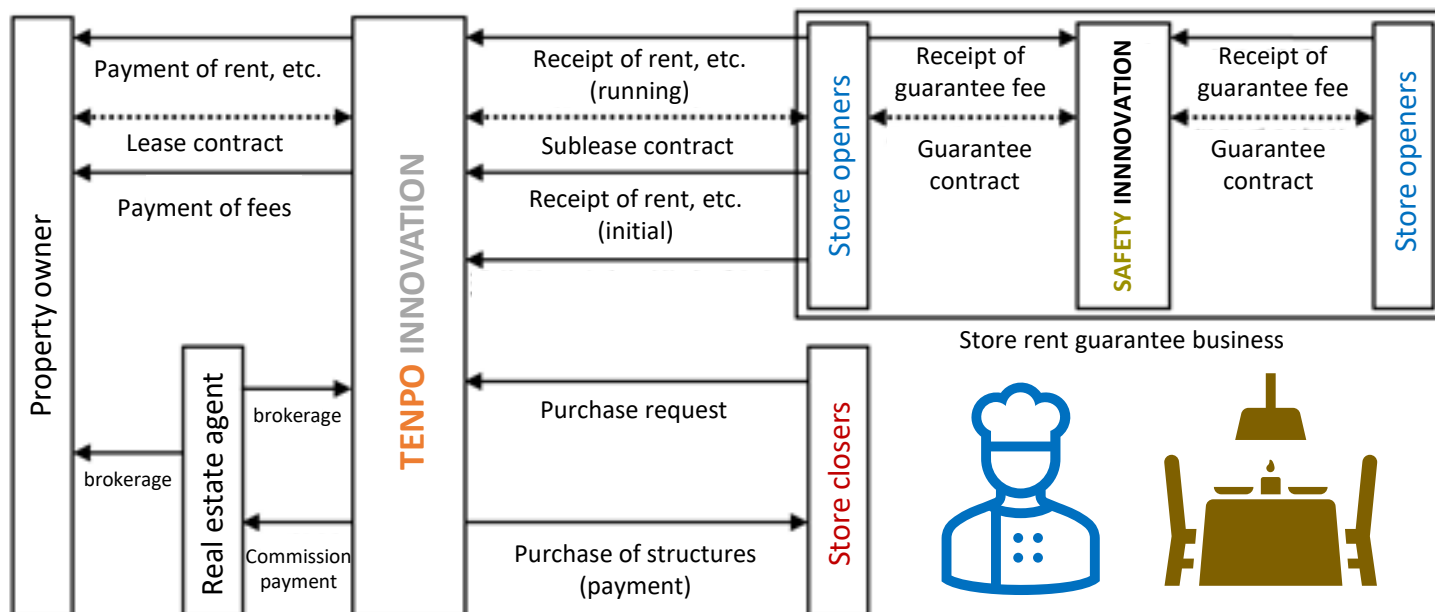
Source: compiled by Omega Investment from company IR results briefing materials.

### Monthly Trend of Sublease Contract Transactions



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).

## Flow Diagram of Store Subleasing Business

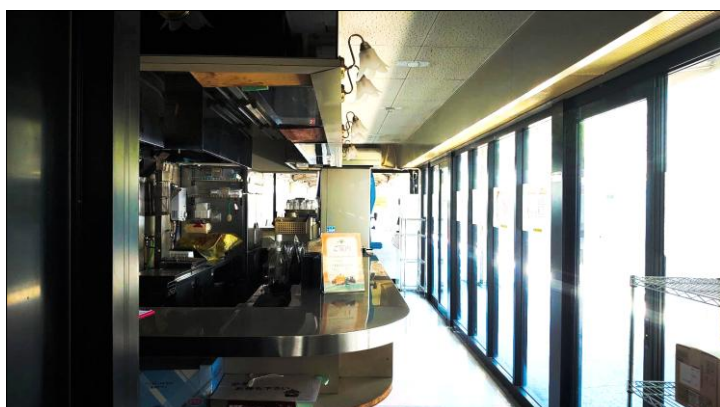
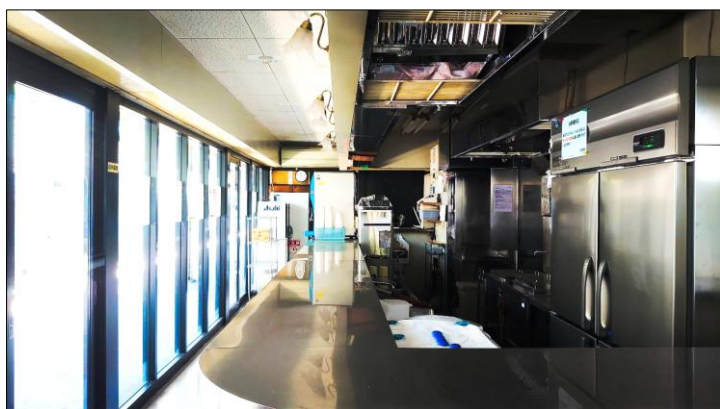


## One of a kind Metropolitan Tokyo restaurant store property subleasing specialist

### TENPO INNOVATION's 3 Main Criteria for Selecting Store Sublease Properties Always in High Demand



- The store property is on the 1F facing a street (regardless of station proximity)
- Monthly rent is affordable in absolute terms (averaging around ¥300-350k/mo.)
- The property is a vacated-furnished store (lowers the initial investment cost)



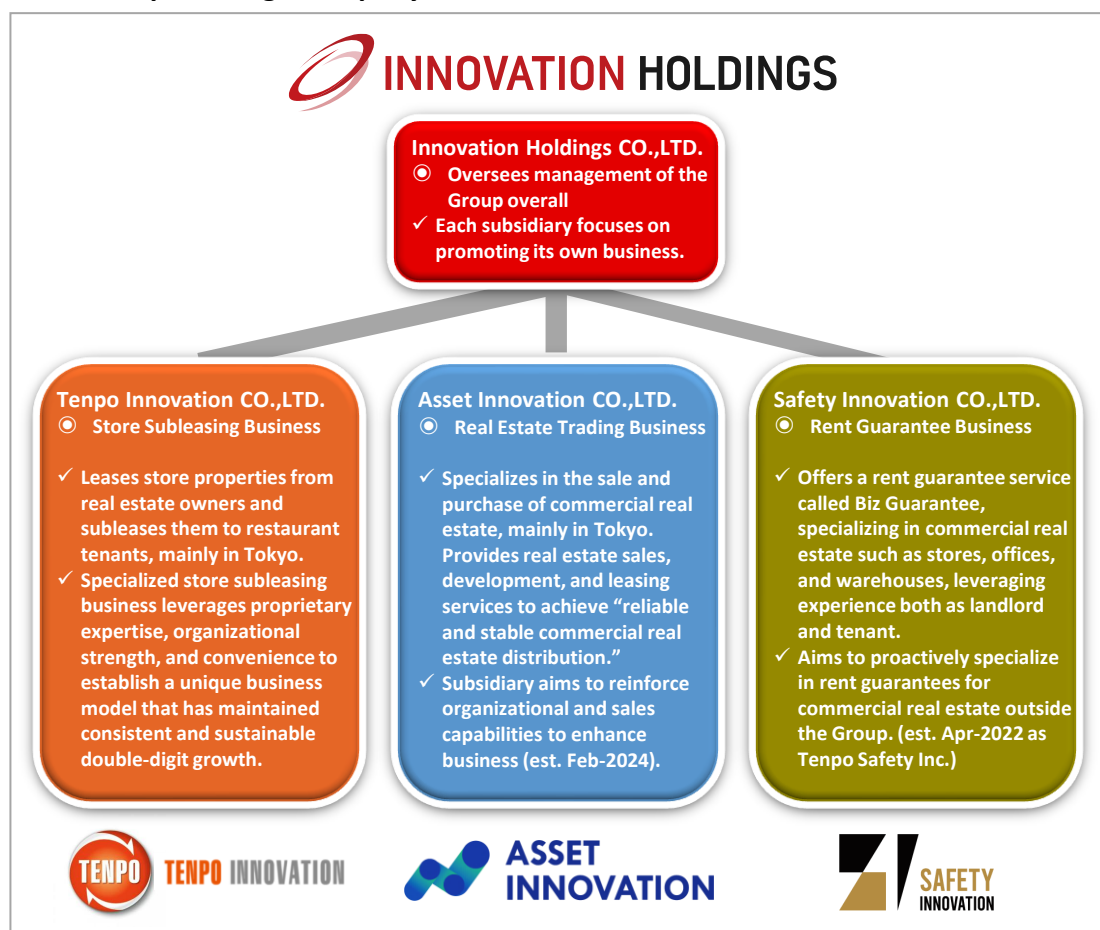


## Transition to a Holdings Company Structure

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 effective date of the absorption-type split was October 1, 2024. The Company continues to be listed as a holding company on the TSE Prime market. Details of the new holding company structure, new trade names/corporate logos, etc., are outlined in the exhibit below.

## New Group Holdings Company Structure from October 1, 2024




The Group operates mainly in the Greater Tokyo Metropolitan area

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



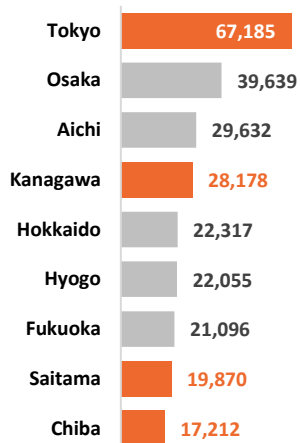




## Part ② Business Overview



### Ranking of No. of Restaurants by Prefecture



Note: 4 Tokyo area = roughly 132K  
Source: 2021 Economic Census of  
Business Activity (METI)



### Business description and strengths / attractive features of the business model

When you go to the Company's website and open the home page, you are presented with an aerial view of central Tokyo. Then if you click on the lower right-hand corner, a 1:24 minute flashy YouTube video with a catchy soundtrack starts playing, highlighting some headline bullet points about the attractiveness of the Tokyo restaurant market.

<https://www.tenpo-r.co.jp/>

### TOKYO × TENPO INNOVATION

#### Grab Tokyo.

The world's largest number of passengers  
The world's largest number of restaurants  
The world's top gastronomic city

Shinjuku Station: 3.59 million  
Metropolitan Tokyo: 79,601  
No. of Michelin-star restaurants: 226

#### We compete in this city with the highest potential.

The world's most traversed pedestrians  
The world's best subculture district

Shibuya  
Akihabara

#### There is more we can do.

99% untapped market.  
We will not stop and will keep pushing forward.  
It will become a big swell and envelop this city.

**Because we can do it → so we will do it.**





Expertise in finding and subleasing relatively small, low rent, vacated-furnished restaurant store properties, mainly in central Tokyo.

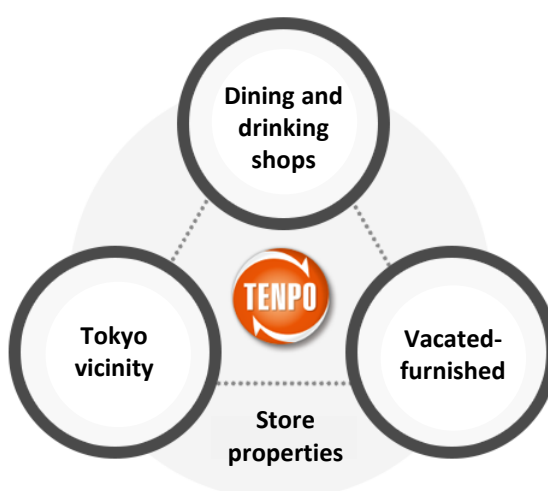


## TENPO INNOVATION: Restaurant store property subleasing specialist

TENPO INNOVATION is a real estate company, but it does not handle agency brokerage business and management business as in the case of a general real estate company. Further, TENPO INNOVATION is a real estate company specializing in stores. General real estate companies handle residential properties, offices, warehouses, parking lots, among others. The Company doesn't handle any of these, and only specializes in store properties. And roughly 90% of contracts are for restaurants, so the Company is a specialist in store subleasing business for restaurants.

The Company leases mainly vacated-furnished store properties from real estate owners, and then subleases them to restaurant operators. According to the Company, the standard format of lease contracts with owners stipulates 3-months notice required to cancel a contract, and **it is automatically granted a lease right, whereby unless the Company cancels a contract, in principle it can continue to renew the lease. This lease right is a key factor in the long-term stability of the Company's subleasing business**, as demonstrated in the exhibits on P4. Standard sublease contracts with restaurant operators stipulate 7-months notice required to cancel a contract. Store operators are required to give a deposit equivalent to 10-months rent, provide a co-signer on the lease, and enter a rent fulfillment guarantee agreement, now handled mainly in-house, as described on the following page.

Revenue from store subleasing business is divided into "initial" and "running." Initial revenue consists of 1) non-refundable "key money," a custom specific to the Japanese market, which is a mandatory payment from a new tenant to a landlord, and is not returned when the lease is cancelled, and 2) proceeds from the sale of fixtures to the new tenant entering a vacated-furnished property. Running revenue consists of monthly rent payments from store tenants. According to the Company, the breakdown is roughly 10% from initial revenue and 90% from running. While the restaurant industry itself is known to be plagued with a relatively high number of failures, making average contract length effectively immaterial, the Company says average turnover has been quite consistent over time, equivalent to roughly 10% every year, or 50% every 5 years.







## Store rent guarantee business of Safety Innovation CO., LTD.

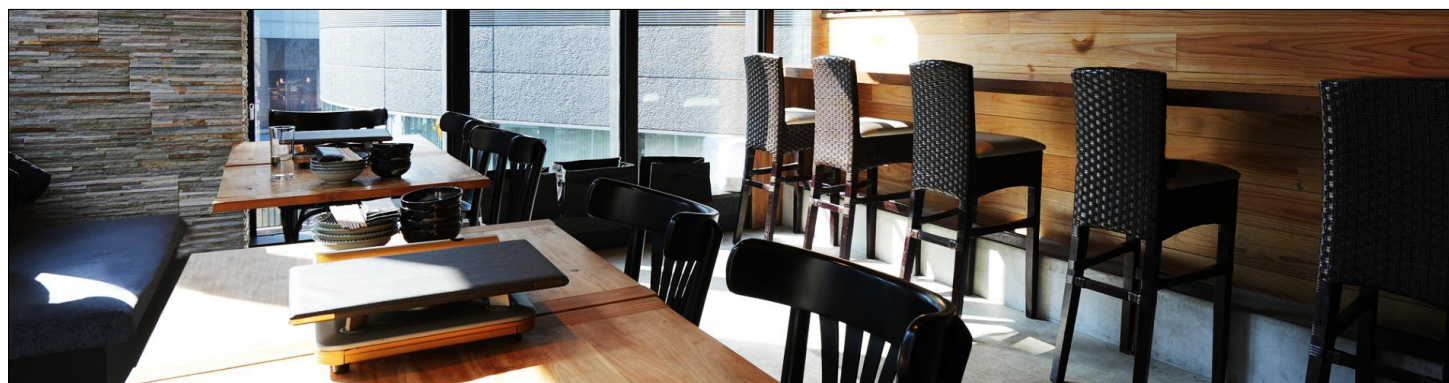
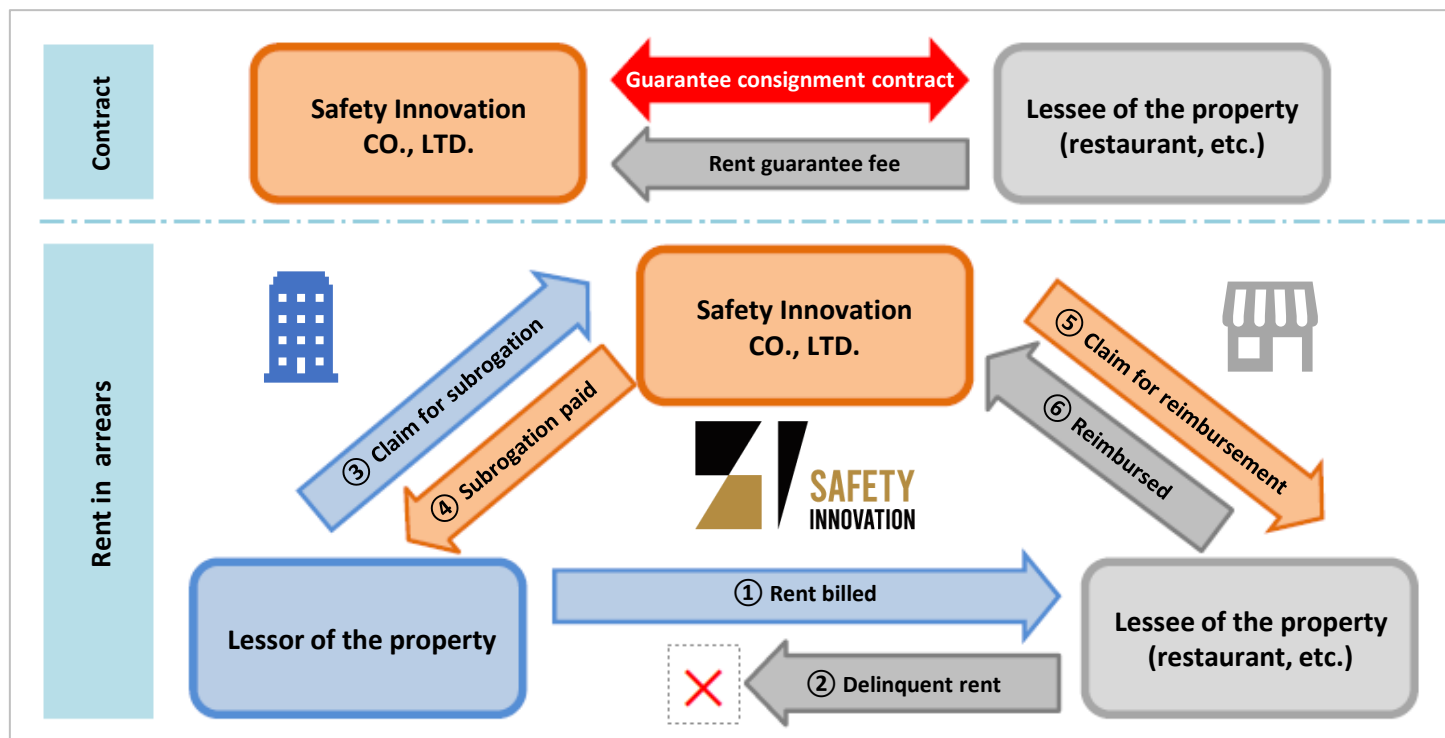
Since the Revised Civil Code went into effect from April 2020, rent guarantees for store lease properties are expanding socially as a system that benefits both property landlords and tenants. In the past, the Company had tenants enter a rent guarantee contract automatically upon application, and the business was consigned to outside providers of rent guarantees. However, with over 17 years experience in subleasing over 2,000 restaurant store properties, and unique screening know-how, the Company is fully capable of assessing the risk of its subleased properties. In April 2022, the Company established Tenpo Safety Inc. (currently Safety Innovation CO., LTD.) with the aim of bringing this income stream in-house.

According to the Company, every contract signed requires entering a rent guarantee agreement, and the rent guarantee fee is equivalent to roughly 1 month's rent. The majority of these contracts are handled by the newly established Safety Innovation CO., LTD. Thus, the number of contracts signed exceeds 100 per quarter, the majority of which directly contribute to the Group's profit each quarter. This business carries a virtual 100% OPM, and growth is linked directly to signed contracts. Along with the rise in profitable successor contracts, store rent guarantee business will be a structural driver of margins going forward.

\*Note: The trade name was changed from Tenpo Safety Inc. to Safety Innovation CO., LTD. in February 2024.



## Safety Innovation CO., LTD. Store Rent Guarantee Business Overview



Source: FY22/3 4Q IR results briefing materials, restaurant store image from Tenpo Safety Inc. website.



The company is also engaged in real estate trading business, which is revenue recorded from the sale of real estate for sale, etc. For subleasing business, procuring attractive store properties is a key point, and real estate agents are a prime source of good information on viable candidate properties meeting the Company's requirements. However, from a real estate agent's point a view, one month's rent, or roughly 300,000-350,000 yen, is the standard commission to find a tenant, which is not a significant amount of money. At the same time, commission on the purchase or sales of a property can be several million yen up to 10,000,000 yen.

Since real estate agents have valuable information on subleased properties, the intent is to strengthen relationships with real estate agents and to meet the real estate transaction needs of clients. Since the average purchase price of real estate is small, around 90 million yen, and the properties are quickly resold, the average holding period is about 7.7 months (sometimes more than a year), and the average gross profit margin is about 35%, and properties procured as vacant units are sometimes leased within the Group and then sold at a higher value. Next, we look at the typical workflow for the 3 main areas of operation for mainstay restaurant store subleasing business.

### Store property leasing from owners (procurement)

Through sales activities to real estate agents by sales representatives assigned by major train station areas, introductions from business partners and existing store operators, etc., as well as through in-house website "TENPOKAITORI.com," ('Store repurchase'.com) which specializes in store purchases, the Company collects information on stores that are considering withdrawing from the market, and proceeds to research properties to be handled by the Company. TENPO INNOVATION has accumulated expertise in property evaluation based on lengthy experience in handling store properties and subsequent verification and analysis of such properties.



Note: [TENPOKAITORI.com](https://tenpokaitori.com) ('Store repurchase'.com) and [INUKITENPO.com](https://inukitenpo.com) ('Vacated-furnished stores'.com) are websites operated by the Company.





## INUKITENPO.com website specialized in vacated-furnished store properties

As of the writing of this report, there were 111,113 members (registered applicants to open stores), with a cumulative record of listing 91,829 properties, currently listing 3,328 properties, mainly in Tokyo's 23 Wards, but including Greater Tokyo, Kanagawa, Saitama and Chiba Prefectures.



居抜き店舗.com







INNOVATION HOLDINGS

## Property Management

Property management is based on the results of on-site surveys of subleased properties. The survey of each property is based on the know-how cultivated through the experience and expertise of the Company's procurement staff, and this supports the handling of properties. The company focuses on preventing problems before they occur, and from the property procurement stage, a detailed inspection record is prepared for each property, including leaks and equipment problems.

Screening management is conducted according to the nature and stage of the problem, and an organizational structure has been established to respond to the problem in the shortest possible time and to do everything possible to prevent serious problems. The number of properties handled by each property management staff member is approximately 140, and the department is dispatched more than 1,000 times a year.

In addition, each property survey is conducted based on the know-how cultivated through the experience and expertise of TI's property management staff, which supports the handling of properties. After the property survey, TI negotiates with the lender or real estate agent of the candidate property, negotiate the details of the lease agreement, pay the deposit and other contractual fees, and conclude the lease agreement between the property owner and the Company.

## Store property subleasing to tenants

For store properties for which TI has concluded lease contracts, we solicit prospective tenants by using real estate agents as intermediaries and by introducing them to members of TI's website "INUKITENPO.com" ('Vacated-furnished stores'.com), which provides information mainly on vacated-furnished store properties, a mechanism that facilitates those who wish to open stores to search for properties. The site enhances the value of information by quickly posting and updating property information obtained daily, which is one of the Company's strengths in matching prospective tenants with stores. After receiving an application for a property from a prospective tenant, staff conduct a credit screening, negotiate the details of a sublease agreement, receive a security deposit and other contractual payments, and conclude a sublease agreement with the tenant.

## Store property management

In property management work, TENPO INNOVATION is utilizing its accumulated know-how to address issues such as rent collection and troubleshooting that plague real estate owners and property management companies, performing the work itself on their behalf. In addition, in order to prevent problems or detect and deal with them at an early stage, it checks properties, collects information, and builds relationships with store operators, etc.

## Innovation Holdings CO., LTD. Corporate History

Date	Summary
2007.11	In preparation for spin-off, Tenpo Renovation Spin-off Unit Co., Ltd. established in Roppongi, Minato-ku, Tokyo (capital 50,000 yen, now the Company)
2007.12	Took succession of a portion of the restaurant store open and exit support business from the former Tenpo Renovation Co., Ltd. through spin-off
2008.01	Company name changed to Tenpo Renovation Co., Ltd.
2008.01	Increased capital to 10 million yen
2008.05	Telewave Co., Ltd. (now iFLAG Co., Ltd.) acquired all shares (became a consolidated subsidiary of Telewave Co., Ltd.)
2008.05	Head office relocated to Nishi-Shinjuku, Shinjuku-ku, Tokyo
2009.06	Launched INUKITENPO.com (i-tenpo.com), a website for information on vacated furnished properties for restaurant stores
2009.07	CROPS CORPORATION acquired all shares (became a consolidated subsidiary of CROPS CORPORATION)
2009.09	Head office relocated to Ebisu, Shibuya-ku, Tokyo
2010.04	Increased capital to 90 million yen
2010.06	Launched TENPOKAITORI.com (k-tenpo.com), a website for buyout of vacated furnished properties for restaurant stores
2012.02	Head office relocated to Nishi-Shinjuku, Shinjuku-ku, Tokyo
2012.12	Shinbashi Branch opened in Shinbashi, Minato-ku, Tokyo
2013.04	Ikebukuro branch opened in Higashi-Ikebukuro, Toshima-ku, Tokyo
2013.05	Company name changed to Tenpo Innovation CO., LTD.
2014.11	Ueno Branch opened in Ueno, Taito-ku, Tokyo
2015.05	Roppongi Branch opened in Roppongi, Minato-ku, Tokyo
2016.05	Head office relocated to Shinjuku, Shinjuku-ku, Tokyo (4 branches including Shinbashi branch closed and integrated into head office)
2017.10	Listed on the Tokyo Stock Exchange Mothers Market
2018.10	Changed listing designation to the First Section of the Tokyo Stock Exchange
2022.04	Established Tenpo Safety, Inc. (now a consolidated subsidiary) and commenced store rent guarantee business
2022.04	Moved to the Tokyo Stock Exchange Prime Market
2024.02	Established Tenpo Innovation CO., LTD. Split Preparation Company (currently a consolidated subsidiary)
2024.02	Established Asset Innovation CO., LTD. (currently a consolidated subsidiary)
2024.02	Changed trade name of Tenpo Safety Inc. to Safety Innovation CO., LTD.

Source: compiled by Omega Investment from FY25/3 Annual Securities Report (YUHO).



## Innovation Holdings CO., LTD. Corporate History continued

Date	Summary
2024.10	Tenpo Innovation Co., Ltd. changed its name to Tenpo Innovation Co., Ltd. Split Preparation Company
2024.10	Tenpo Innovation Co., Ltd. Split Preparation Company changed its name to Innovation Holdings CO., LTD.
2024.10	Through a company split, Tenpo Innovation CO., LTD. transferred its store sublease business to Innovation Holdings CO., LTD. and transitioned to a holding company

Source: compiled by Omega Investment from FY25/3 Annual Securities Report (YUHO).

## Corporate history

In November 2007, the Company was established as Tenpo-Renovation Inc. to prepare for the spin-off of Tenpo-Renovation Inc. in December 2007, and took over a part of the restaurant exit support business (introduction of properties and support for those who wish to open new restaurants, and purchase of restaurant facilities and support for those who wish to exit) from Tenpo-Renovation. The former Tenpo-Renovation Inc. was established in October 2001 as a subsidiary of REINS International Inc. for the purpose of managing restaurants (the trade name at the time of incorporation was Rayfields Corporation, with brands such as “Gyu-Kaku,” the largest yakiniku chain in Japan, as well as Izakaya and Shabu-Shabu restaurants).

In April 2005, the company started a new restaurant opening/closing support business (the actual beginning of the present Company's business activities). At the time of the corporate spin-off in December 2007, the restaurant opening/closing support business was divided into the business related to REINS International properties and the business related to properties other than REINS International properties, and the Company took over the business related to properties other than those related to REINS International properties. It became a consolidated subsidiary of Telewave (now iFlag) in the same year, a consolidated subsidiary of CROPS CORPORATION (9428) in 2009, and changed the Company's name to TENPO INNOVATION in 2013. Details about the transition to the Group holdings company structure as Innovation Holdings CO.,LTD. from Oct-2024 are stated on P4. Next, we look at the origin story of how these 2 directors developed the current profitable business model.



**Representative Director and President Yasuo Hara**

## Yasuo Hara (born December 25, 1964)

Date	Career summary, and positions and responsibilities in the Company
Nov-2005	Joined REINS International inc. Seconded to the former Tenpo Renovation Inc.
May-2008	Director, General Manager of Sales Department of the Company
Oct-2009	Director, supervising WEB Sales Department and Planning & Sales Department, and General Manager of WEB Sales Department
Jan-2010	Director, supervising Opening Support & Sales Department
Jun-2011	Representative Director and President, General Manager of Opening Support & Sales Department
Oct-2015	Representative Director and President (current position)

Note: Yasuo Hara owns 100,000 shares of the Company.



**Senior Managing Director Yohei Shimura**

## Yohei Shimura (born August 20, 1977)

Date	Career summary, and positions and responsibilities in the Company
Apr-2001	Joined Reins International Inc.
Apr-2005	Director, the former Tenpo Renovation Inc.
Nov-2007	Director, General Manager of Administration Department of the Company
Jun-2011	Managing Director, supervising Administration Department, and General Manager of Administration Department
Jun-2016	Managing Director, supervising Business Administration Department
Apr-2019	Senior Managing Director, supervising Business Administration Department
Oct-2023	Senior Managing Director, in charge of the Corporate Administration Division and General Manager of the Corporate Administration Division (current position)
Feb-2024	Director of Safety Innovation (current position)
Feb-2024	Director of Asset Innovation (current position)
Feb-2024	Director of Tenpo Innovation Split Preparatory Company (now Tenpo Innovation CO., LTD.) (current position)

Note: Yohei Shimura owns 254,000 shares of the Company.

Source: compiled by Omega Investment from FY25/3 Annual Securities Report (YUHO financial statements).



INNOVATION HOLDINGS



## Major Shareholders (as of March 31, 2025)

Name or designation	Shares Owned	*Pct Owned
CROPS Corporation	10,044,400	59.88%
UNION BANCAIRE PRIVEE (Standing proxy: The Bank of Mitsubishi UFJ, Ltd.)	784,000	4.67%
Yohei Shimura	254,000	1.51%
Yasuo Hara	100,000	0.59%
Innovation Holdings Employee Stock Ownership Plan	84,000	0.50%
Yujun Moriyama	44,200	0.26%
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (Standing proxy: The Bank of Mitsubishi UFJ, Ltd.)	43,395	0.25%
Yuji Kondo	34,400	0.20%
Kentaro Mamiya	33,800	0.20%
Junichi Maruyama	32,000	0.19%
<b>Top 10 total</b>	<b>11,454,195</b>	<b>68.28%</b>
Total number of shares issued and outstanding	17,674,400	
Treasury shares	900,600	

Source: compiled by Omega Investment from FY25/3 Annual Securities Report (YUHO financial statements).

\*Note: pct owned excludes treasury shares.

## Origin story of TENPO INNOVATION's current attractive business model

When the Company was originally established in 2007, it was not real estate business, rather, consulting business to support restaurant store exiting and opening. The only thing that had been decided was to engage in business related to restaurant store openings in Tokyo, but it was not clear in what form the business would be monetized. The most important focus at that time was not only handling restaurant store properties, but also introducing the business model of prosperous restaurants in the form of franchises, undertaking construction work on store properties, consulting work for unprofitable restaurants to help them improve their sales, etc., however, the Company stopped all of these activities when demand was low and the business was unprofitable. **Management found the highest demand was for introductions to vacated-furnished store properties in good locations in Tokyo**, and accordingly focused efforts in that area.

TI converted its consulting business into real estate business in order to earn recurring stock income from subleasing. This was a critical turning point for the Company. It would likely have been difficult for professionals well-versed in real estate to be successful in this area. The market for store properties is quite small and highly specialized, even within the real estate industry. Management's background was in a company that operated "Gyu-Kaku" yakiniku restaurants, and they were admittedly amateurs in the real estate field. However, they did have professional expertise in restaurant business, and significant accumulated store property know-how.

Management's aim was to engage in a unique business specializing in store properties rather than plan to engage in the real estate business in a comprehensive manner. It took a while to find the right model, but this put the Company on a sustainable growth path.





## Subleasing store property selection criteria, general policy on tenant selection

There are 3 main criteria when selecting properties to lease for the purpose of subleasing: 1) The store is on the ground floor facing a street, 2) rent is affordable in absolute terms, and 3) it is a vacated-furnished store. Conventional wisdom is that a “good store property” has high pedestrian traffic, is near a station and/or is located on a main street. For fast food and other major restaurant chain stores, that is likely a requirement. However, for individual or small business restaurant operators, the corresponding high rents for those store properties is simply a non-starter economically, considering initial start-up costs in addition to running costs. In TI’s accumulated experience, there is always high demand for store properties with low rent and that are vacated-furnished stores, even if the location is slightly further away from a station. Similar to low rent, the key point about vacated-furnished properties is lowering the initial investment cost.

According to the Company, there are actually not many requirements when selecting prospective tenants. The Company is quite strict in selecting store properties to procure for subleasing, however in the case of prospective tenants, after undergoing a routine credit screening, incoming tenants are required to put down a 10-month security deposit, have a co-signer on the lease as guarantor, and enter a rent guarantee agreement. In the end, it is very difficult to judge whether a new tenant will have a successful restaurant business or not, since the restaurant industry itself has a high open and close ratio, and many restaurants are prone to failure. **TENPO INNOVATION’s business model is designed such that, even if a tenant opens a restaurant that fails, if the store property meets the aforementioned criteria, the Company can simply recruit the next tenant, as these store properties are always in high demand.**

Attributes of prospective tenants that work in their favor would include having existing store (s) with a good track record, as well as being able to fund the opening without taking out a loan. Regarding type of restaurant format, TENPO INNOVATION’s portfolio reflects general trends in the overall market. For example, there are a large number of Izakaya (Japanese-style pubs) and ramen (Chinese noodles) shops as tenants.

## Reasons TENPO INOVATION’s business model can deliver both growth and stability

Regarding stability, a key point is the lease right automatically granted when TI leases a store property from an owner. In principle, unless the Company cancels the lease contract, it can continue to renew it. In the case of the global outbreak of COVID-19 from Feb-2020, confronted with declarations of a state of emergency, stay-at-home orders and shortened/suspended business hours for restaurants by the Governor of Tokyo, out of an abundance of caution, TI decided to give 3-months notice on a certain number of lease contracts in April, resulting in the pickup in contract cancellations in July through October of that year. However, strong underlying demand for TI’s carefully selected store properties supported a rapid turnaround.

Regarding growth, there is the growth achieved from steadily increasing the number subleased store properties. However, there is also a less understood structural growth element from rising profit margins on store subleasing business. Specifically, there are initial acquisition costs associated with entering a new lease agreement, including one-time costs of non-refundable key money, contract-related costs, etc. Annual subleasing contract cancellations have been consistent over time, averaging 10% every year, or 50% every 5 years. When one of TI’s existing tenants exits the business, and a new tenant is recruited, the aforementioned acquisition costs of the store property were sunk on the first subleasing contract, and from the second contract onward, key money and other initial income are effectively pure profits, without an associated acquisition cost. Roughly 35% of current sublease contracts have been replaced by successor tenants, but this ratio is steadily rising over time, resulting in a steady structural increase in profit margins going forward.





INNOVATION HOLDINGS

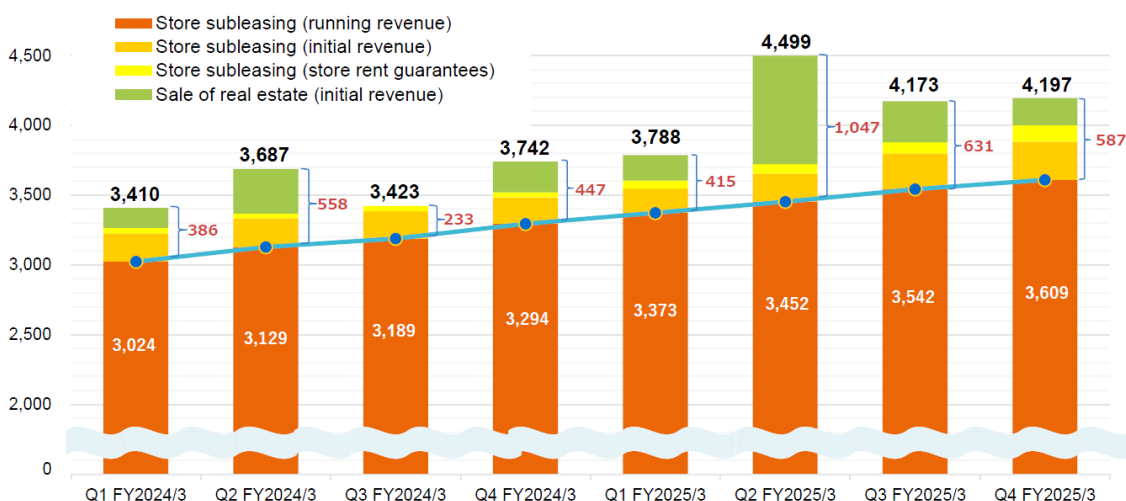
## Part ③ Earnings Review

### FY25/3 consolidated net sales +16.8% and OP +41.8%

As can be seen from the table below, active sublease properties at FY-end increased by 261 to 2,706 (+10.7% YoY), and as can be seen from the graph on the bottom of P4, the number of signed contracts (new + successor) posted a record high during the Jan-Mar 4Q. Consolidated net sales increased +16.8% YoY. Gross profit increased +25.8% YoY and GPM rose 1.4pp from 18.0% → 19.4%, getting a boost from the increase in subleased properties, sales of large real estate properties, store subleasing initial revenue, and growth in high-margin rent guarantees. Operating profit increased +41.8% due to rising rental income, recording real estate sales, and winding up of upfront growth investment expenses, while controlling SG&A expenses. For real estate trading business, the Company sold 8 properties and acquired 8 properties (2 properties sold and none acquired in 4Q Jan-Mar). The no. of properties owned at the end of the FY was 4.

Initial forecasts for FY26/3 and the Medium-term Management Plan are shown on the bottom of the next page. Headline numbers for FY26/3 are net sales +13.3% YoY, operating profit +16.1%, and OPM rising 0.2pp from 8.3% → 8.5%. The Company is forecasting signed contracts to increase by 88 to 576 (+18.0%) and active store sublease contracts at the end of the fiscal year to increase by 318 to 3,024 (+11.8%). Key business initiatives for the three subsidiaries are outlined on the following 2 pages. **The Company is indicating a 5<sup>TH</sup> consecutive hike in the annual dividend from ¥28.0 → ¥30.0 for a payout ratio of 48.8%.**

### 4Q 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 FY25/3 Consolidated Financial Results

JPY mn	FY24/3 act	ratio to sales	FY25/3 init CE	ratio to sales	FY25/3 act	ratio to sales	AMT YOY	PCT YOY
Net sales	14,263	100.0%	16,840	100.0%	16,659	100.0%	2,396	16.8
Operating profit	974	6.8%	907	5.4%	1,381	8.3%	407	41.8
Ordinary profit	1,011	7.1%	942	5.6%	1,431	8.6%	420	41.5
Profit ATOP*	666	4.7%	630	3.7%	1,029	6.2%	363	54.5
Signed contracts* <sup>1</sup>	466	—	570	—	488	—	22	4.7
Sublease properties* <sup>2</sup>	2,445	—	2,757	—	2,706	—	261	10.7

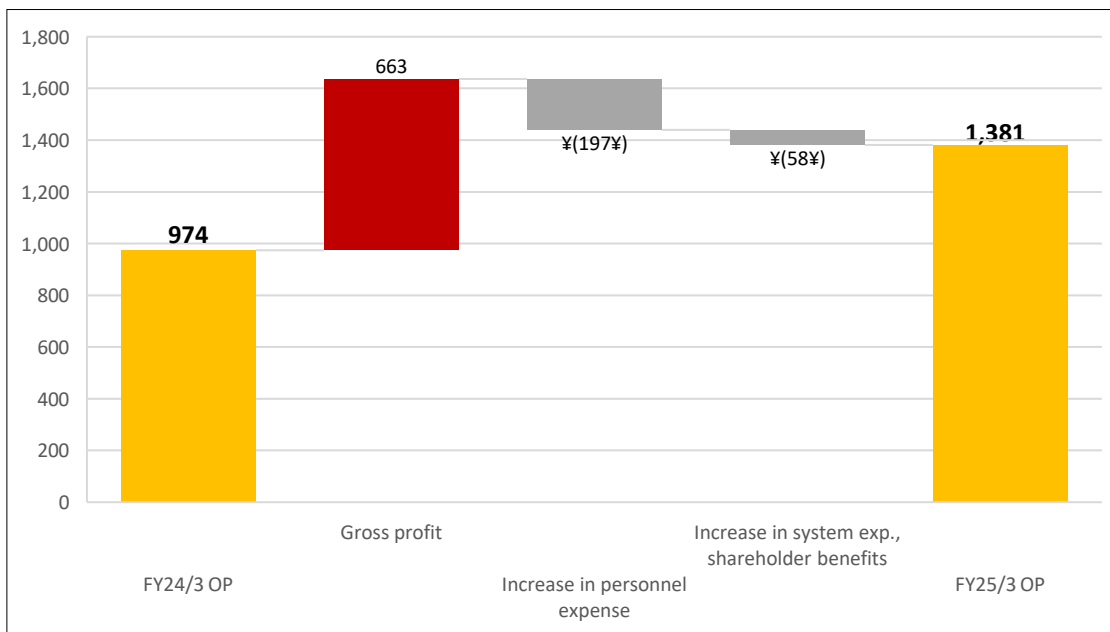
Note: \*1 = new plus successor contracts signed. \*2 = number of active sublease contracts at FY end.

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

\*ATOP = profit attributable to owners of parent



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

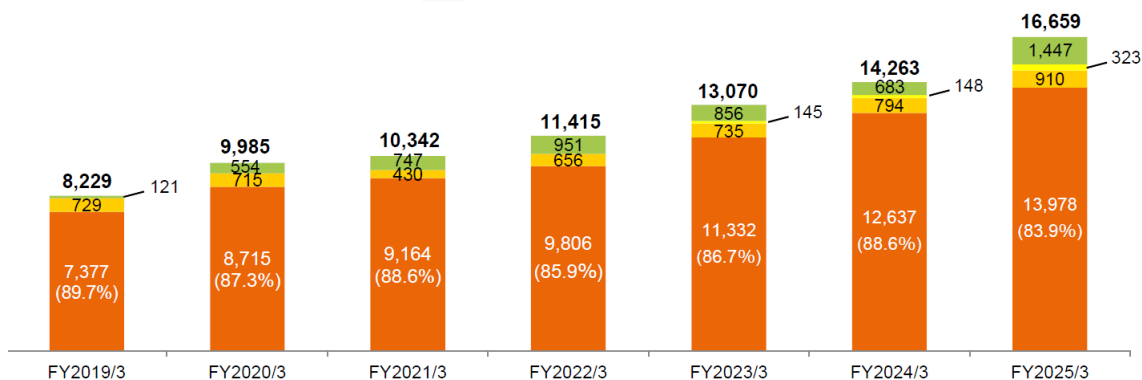


Source: compiled by Omega Investment from IR results briefing materials.



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

■ Store subleasing (running revenue)
 ■ Store subleasing (initial revenue)
 ■ Sale of real estate (initial revenue)
 ■ Store subleasing (store rent guarantees)



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 Medium-Term Management Plan

JPY mn, %	FY24/3 act	FY25/3 act	YOY PCT	FY26/3 init CE	YOY PCT	FY27/3 MTP	FY28/3 MTP	4-year CAGR
Net sales	14,264	16,659	16.8	18,872	13.3	21,957	25,342	15.5
Operating profit	974	1,382	41.8	1,604	16.1	1,832	2,237	23.1
OPM	6.8%	8.3%	—	8.5%	—	8.3%	8.8%	—
Signed contracts* <sup>1</sup>	466	488	4.7	576	18.0	715	790	14.1
Sublease properties* <sup>2</sup>	2,445	2,706	10.7	3,024	11.8	3,454	3,924	12.6
DPS	¥20.00	¥28.00	40.0	¥30.00	7.1	—	—	—
Payout ratio	50.5%	45.6%	-4.9pp	48.8%	+3.2pp	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

## FY26/3 key business initiatives by subsidiary

- Tenpo Innovation
- Safety Innovation
- Asset Innovation



TENPO INNOVATION

## Tenpo Innovation CO., LTD. – Store subleasing business

### ① Procurement expansion

➔ Start procuring properties from new channels and begin full-scale handling of properties in upper floors and non-food service establishments

- Increase the number of properties procured by sourcing them from new channels such as real estate industry organizations
- Full-scale handling of well-located upper floor properties (3F and above) mainly occupied by non-food service establishments (clinics, gyms, etc.)

### ② Recruitment

➔ Based on the results of FY25/3 (21 sales staff and 9 property management staff hired), continue to actively recruit new employees

- Aim to hire roughly one sales staff per month. Plan to actively recruit property management staff, as in the previous term
- Continue to reduce recruitment unit costs (13% reduction in FY25.3)

### ③ In-house websites

➔ Expand attracting customers for in-house websites "INUKITENPO.com" (finding tenants for vacated-furnished stores) and "TENPOKAITORI.com" (purchase of vacated equipment)

- Improve the quality and quantity of properties listed on "INUKITENPO.com" and enhance convenience to achieve 10,000 annual member registrations
- Boost the presence of "TENPOKAITORI.com" by expanding advertising, increasing the number of properties handled, and continuing existing initiatives

## Tenpo Innovation CO., LTD. Sales Strategy

Build a sales structure by implementing three measures to strengthen sales capabilities: 1. increase personnel, 2. optimize the organization, 3. enhance training.

4. Implement procurement area tactics, aiming to achieve 5,500 subleased properties under management by FY31/3.

### [Developing a Sales Structure]

FY25/3 Number of sales staff: 56 (17 procurement staff, 39 leasing staff)

**1. Increasing the number of sales staff** Quantitative Improvements

➢ Actively recruit sales personnel (mid-career and experienced salespeople) with aptitude and potential.

**2. Organizational optimization** Optimized Placements

➢ Leasing is divided into separate operations for overall optimization and early turnaround of the workforce.

➢ Check the appropriateness of each individual while transitioning them to procurement work.

**3. Sales training** Qualitative Improvements

➢ Visualize, systemize and develop e-learning based on unique leasing expertise to provide efficient lectures to hired staff.

➢ Proceed to visualize and systemize procurement expertise to efficiently train new staff and develop their potential.

FY28/3 Number of sales personnel: approx. 80  
(The systematization and streamlining of sales operations have progressed, enabling response with fewer staff than before)

### [Expansion to Achieve 5,500 Subleased Properties Under Management]

FY25/3 Number of subleased properties 2,706

**4. Implementing procurement area tactics** Market Development

➢ Cover 1,000 stations and 2,000 real estate agencies with a procurement force of about 35 people

➢ Assign multiple procurement staff to terminal stations serving at least 1 million passengers and large and influential real estate agencies

➡ Number of properties acquired:  
50 per month, 600 per year

FY31/3 Number of subleased properties **5,500**

➢ Net sales Approx. 30 billion yen

➢ Operating profit Approx. 3 billion yen

Source: excerpt from IR results briefing materials.





## Safety Innovation CO., LTD. – Rent guarantee business

### ① Strengthening sales

➔ **Strengthen sales capabilities through aggressive branch expansion and recruitment, and promote the development of new agencies and the utilization of guarantees**

- Open branches in Osaka, Shinjuku, and Fukuoka, and plan to proactively recruit approximately 23 new staff
- Conduct proactive sales agency development through station-by-station visit plans and campaigns, and implement thorough route visits)

### ② Human resource development

➔ **Utilize study sessions, case sharing, and a Q&A LINE group, etc. to develop personnel with expertise in finance and real estate**

- Conduct regular company-wide study sessions, timely sharing of market trends and individual case studies, and efficient training through a Q&A LINE group
- Aim for self-reliance within three months of employment while continuously fostering professionals in the rent guarantee industry

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

### ① Developing new customers

➔ **In addition to recruitment and focused sales efforts in the six central wards of Tokyo, proactively expand customer base by approaching general corporations and real estate brokers**

- Increase the number of procurement experienced staff (plan to hire two additional staff this fiscal year) and deploy sales personnel primarily in the six central wards of Tokyo to prioritize customer acquisition
- Launch new sales initiatives targeting general corporations and send direct mail to real estate brokers to enhance brand awareness

### ② Digital transformation (DX) and collaboration

➔ **Improve business efficiency through the introduction of business systems (DX) and conduct study sessions to enhance collaboration within the Group companies**

- Introduce business systems to enhance operational efficiency and standardization
- Continue to hold biannual business briefings for Group companies to share procurement and sales information





INNOVATION HOLDINGS

## Earnings Reference

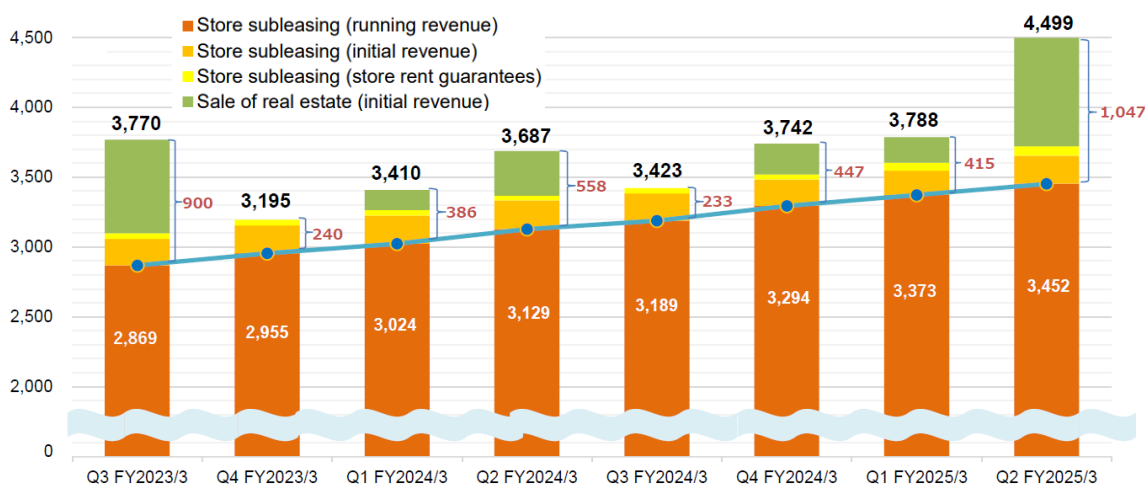
- 2Q FY25/3 (upw rev)
- FY25/3 initiatives under the holding company

## 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 P21) 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 P21.**

## 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* <sup>1</sup>	234	—	217	—	(17)	(7.3)		
Sublease properties* <sup>2</sup>	2,335	—	2,545	—	210	9.0		

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

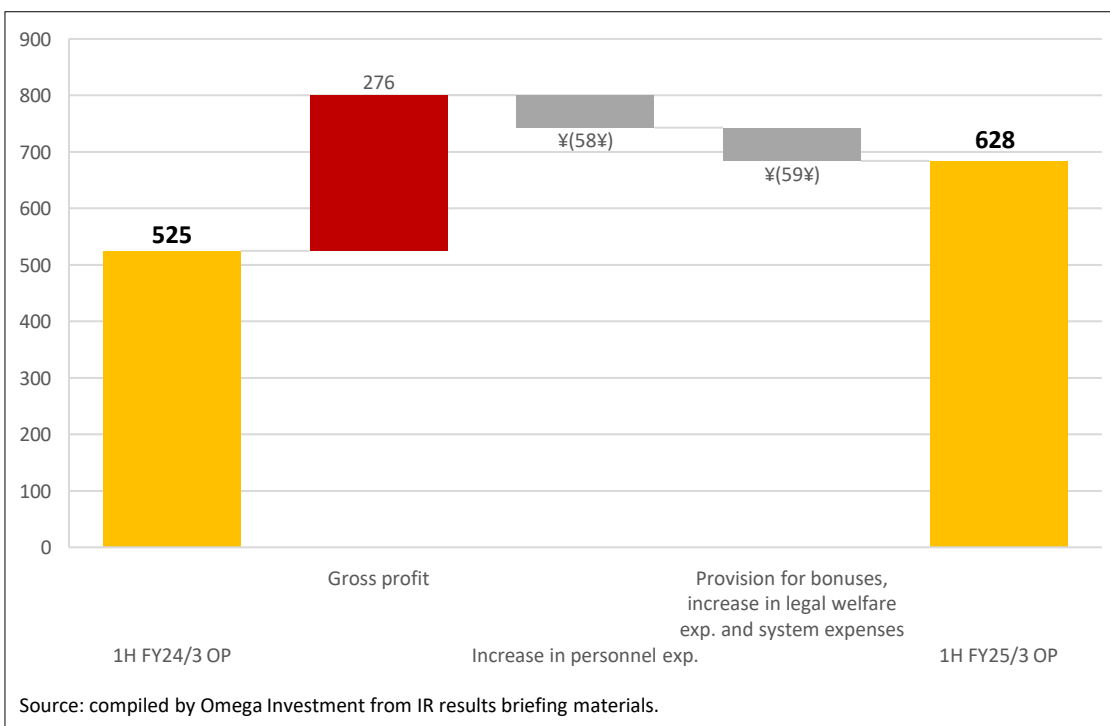
Source: compiled by Omega Investment from IR results briefing materials.

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

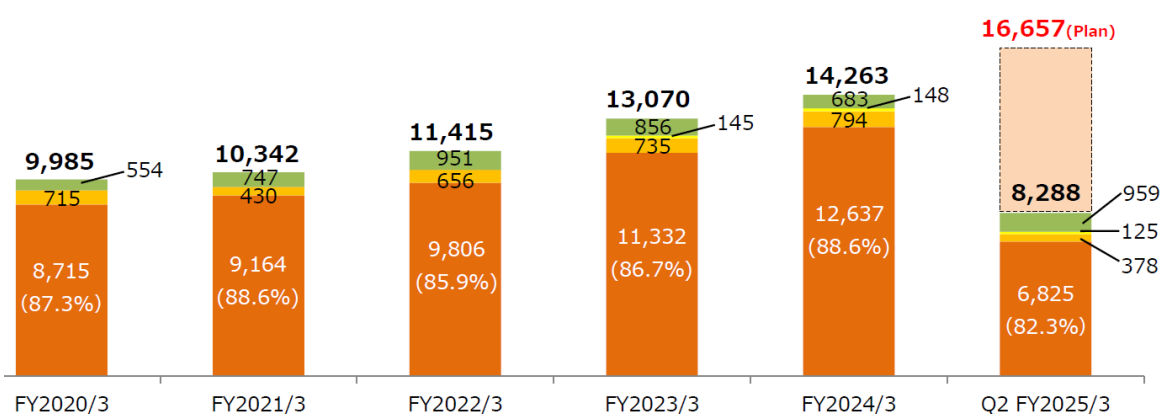




## 1H FY25/3 Increase/Decrease OP Change Factor Analysis (JPY mn)



## 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* <sup>1</sup>	466	—	570	—	500	—	(70)	22.3	7.3
Sublease properties* <sup>2</sup>	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.



## FY25/3 Business expansion initiatives under the new holdings company structure

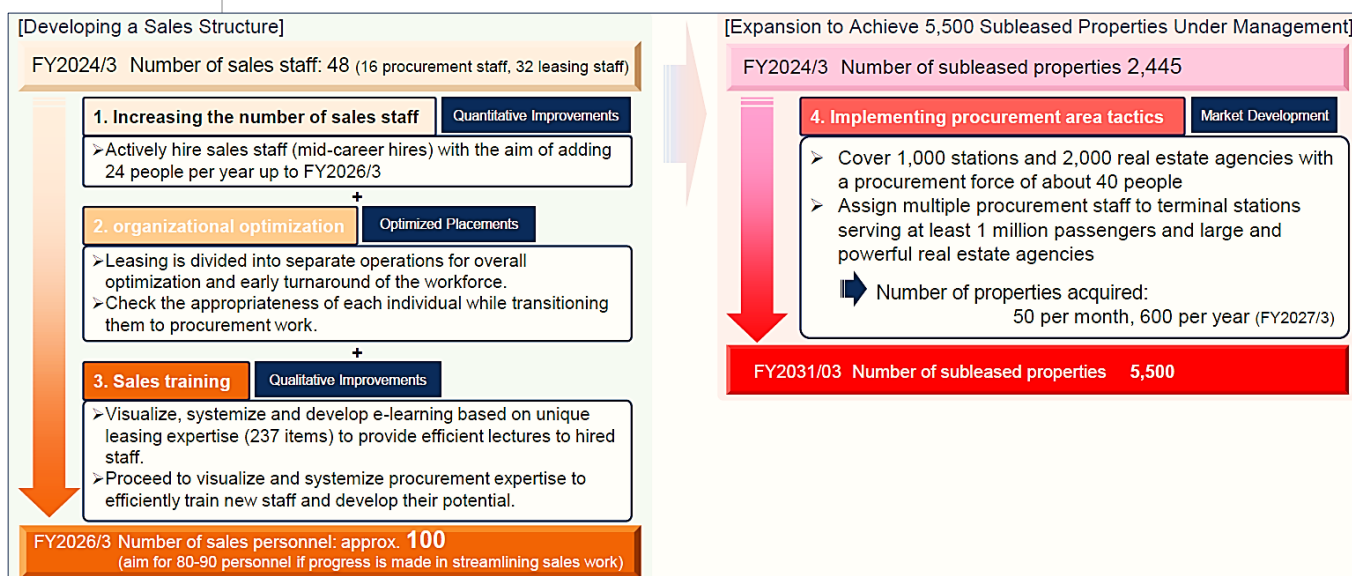
During the first year of the new MTP in FY25/3, while net sales are forecast to increase, operating profit was initially forecast to decline another -6.9% YoY due to the impact of higher SG&A expenses accompanying the increase in headcount for aggressive expansion of each business. However, the sharp 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](https://www.inukitenpo.com)" (finding tenants for vacated-furnished stores) and "[TENPOKAITORI.com](https://www.tenpokaitori.com)" (purchase of vacated equipment)
- Expand the range of properties handled by "[INUKITENPO.com](https://www.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](https://www.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.**

#### [Business Model Overview]



#### [Services for Agents]

- **Support for Finding Tenants**  
Provide strong support for finding tenants for newly listed properties and property leases that have been cancelled by leveraging the property referral website operated by the Group.
- **Support for Resolving Equipment Issues**  
Consult with landlords, tenants, and management companies about problems from their various perspectives, and support solutions by proposing investigations into the causes and introducing contractors, etc.
- **Manual for Surrender & Bankruptcy Cases**  
Provide manuals and consultation services with items to be done in order to create an environment where new tenants can be found as soon as possible.
- **Rent Market Price Advice**  
Based on our own database, provide advice on market rents in the vicinity of the property that can be used as a reference for setting asking rents.

## 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





## Part ④ Share Price Insights



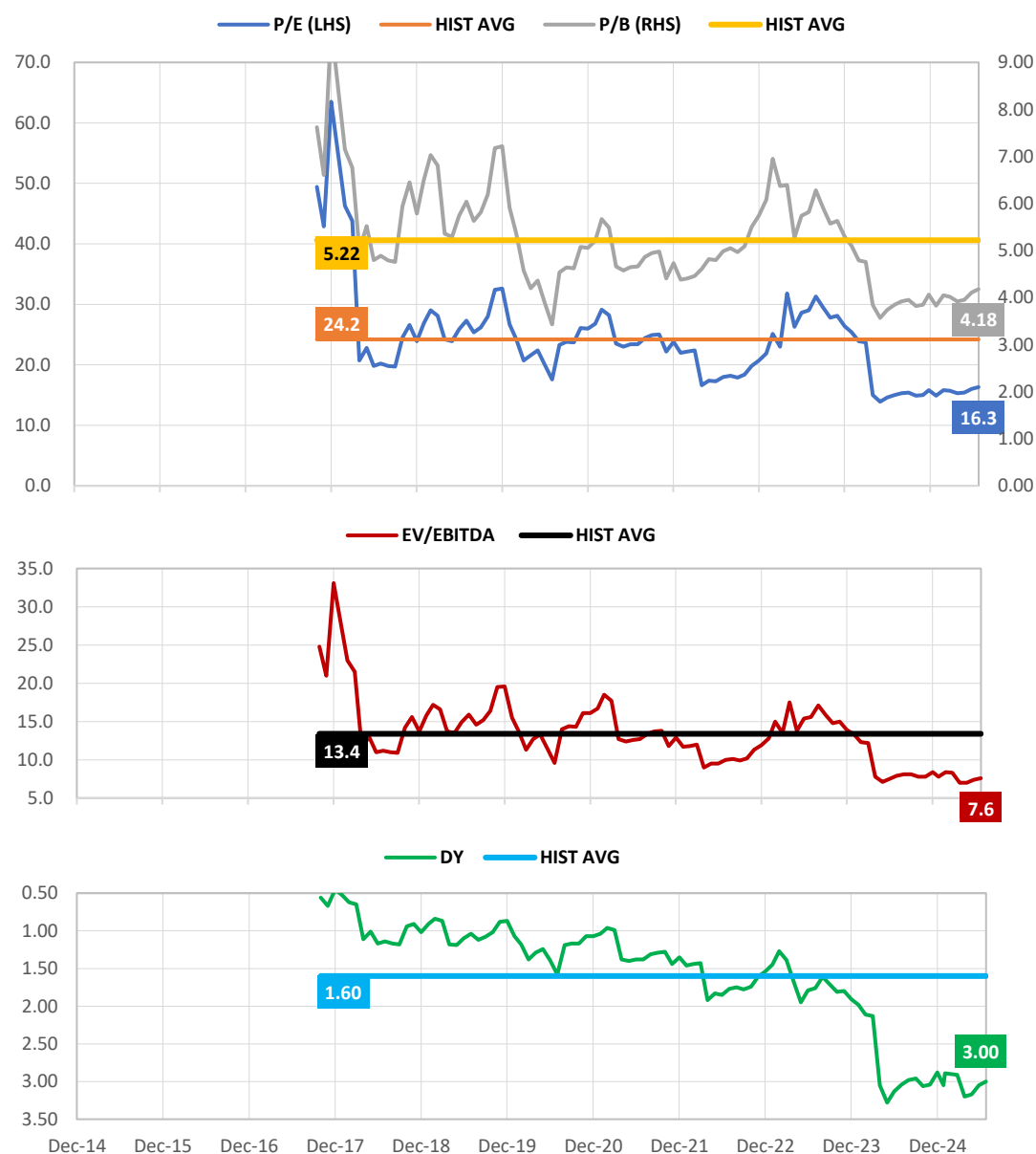
### Key takeaways:

❶ The current P/E and P/B are trading on discounts of 33% and 20%, respectively, to their historical averages. EV/EBITDA is trading on an 43% discount. **Importantly, DY is trading 88% above its historical average.**

❷ The equity ratio on the surface may appear low at 25.6%, however this reflects the fact that the B/S is comprised of a large amount of deposits paid and received (see B/S on P26). The Company is effectively 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%.**

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



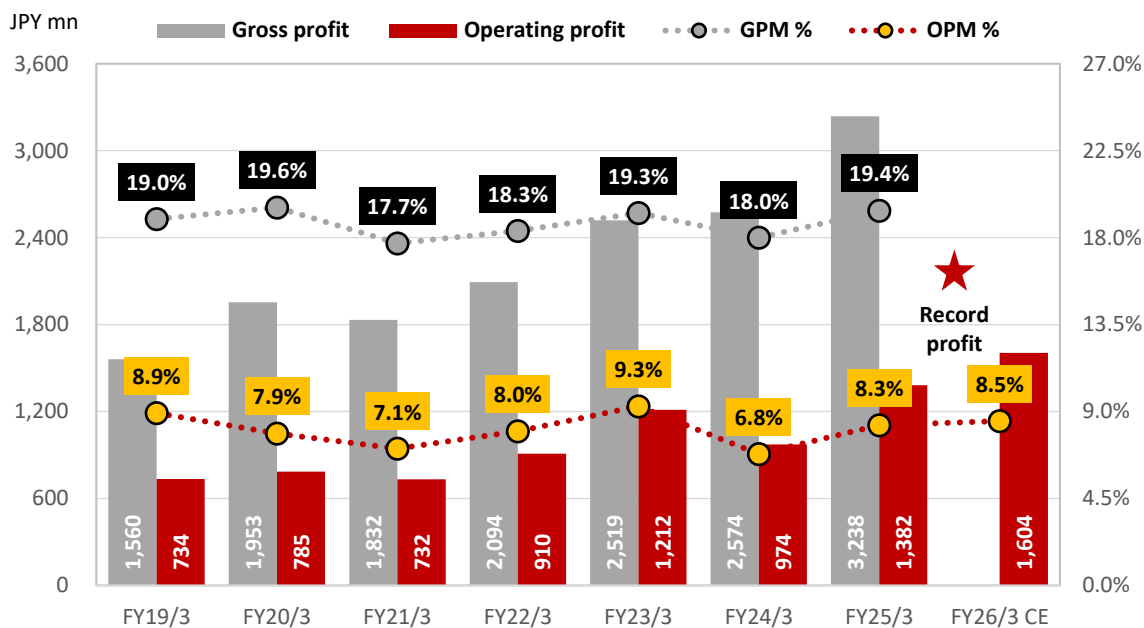
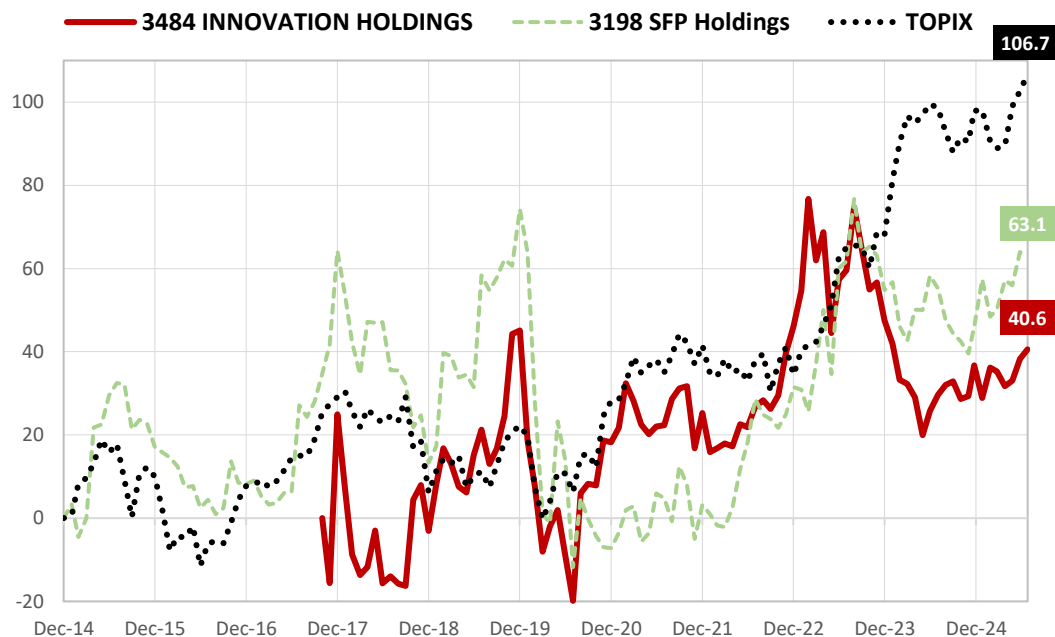
Source: compiled by Omega Investment from historical price data. Forecast values based on current Company estimates.



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 relative 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 March 31, 2025
<b>Assets</b>		
Current assets		
Cash and deposits	3,331,233	4,283,926
Accounts receivable - trade	9,444	11,516
Real estate for sale	823,765	895,861
Prepaid expenses	1,195,477	1,313,930
Other	119,836	536,546
Total current assets	5,479,757	7,041,781
Non-current assets		
Property, plant and equipment		
Buildings, net	634,164	396,157
Other	42,596	16,337
Total property, plant and equipment	676,760	412,494
Intangible assets	31,165	36,187
Investments and other assets		
Deferred tax assets	351,715	505,817
Guarantee deposits	6,841,860	7,412,403
Other	316,052	243,742
Total investments and other assets	7,509,628	8,161,962
Total non-current assets	8,217,554	8,610,645
Total assets	13,697,311	15,652,426
<b>Liabilities</b>		
Current liabilities		
Income taxes payable	162,074	441,978
Provision for bonuses	39,453	62,278
Unearned revenue	1,515,682	1,649,981
Other	674,587	887,377
Total current liabilities	2,391,797	3,041,615
Non-current liabilities		
Long-term borrowings	—	103,000
Asset retirement obligations	48,824	49,041
Retirement benefit liability	37,000	52,500
Guarantee deposits received	7,506,961	7,885,972
Other	388,685	503,678
Total non-current liabilities	7,981,471	8,594,192
Total liabilities	10,373,269	11,635,808
<b>Net assets</b>		
Shareholders' equity		
Share capital	308,394	308,394
Capital surplus	539,930	539,930
Retained earnings	3,547,222	4,240,873
Treasury shares	(1,078,830)	(1,078,880)
Total shareholders' equity	3,316,717	4,010,317
Share acquisition rights	2,358	2,358
Non-controlling interests	4,967	3,942
Total net assets	3,324,042	4,016,617
Total liabilities and net assets	13,697,311	15,652,426

Source: Summary of Consolidated Financial Results (TANSHIN financial statements)



Tokyo Shinjuku daytime skyline





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