AINAVO HOLDINGS (TYO:7539)

A Robust Business Foundation and Prospects for Improved Capital Efficiency

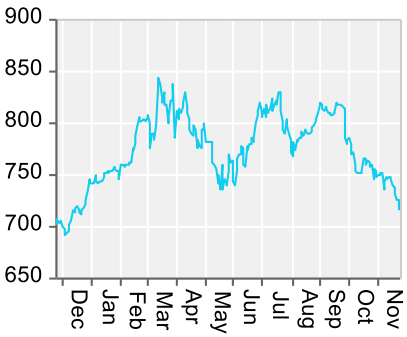
Basic report

Wholesale business

As of November 26, 2026

Share price (11/25)	**¥715**
52 weeks high/low	¥855/692
Avg Vol (3 month)	17.7 thou shrs
Market Cap	¥16.66 bn
Enterprise Value	¥4.53 bn
PER (27/9 CE)	9.8 X
PBR (26/9 act)	0.6 X
Dividend Yield (27/9 CE)	4.2 %
ROE (26/9 act)	7.0 %
Operating income margin (26/9 act)	2.6 %
Beta (5Y Monthly)	0.26
Shares Outstanding	23.295 mn shrs
Listed market	TSE Standard section

Price



This report (Investment report) has been prepared at the request of AINAVO HOLDINGS. For details, please refer to the Disclaimer on the last page.

1. Investment View

Integrated Distribution and Installation Capabilities and a Strong Balance Sheet Support Long-Term Shareholder Value

AINAVO HOLDINGS' appeal lies in its business foundation, which encompasses not only the sale of residential building materials but also specialized construction work, logistics, and on-site support. Starting with tile installation in 1955, the Company expanded into housing-equipment distribution, exterior-wall and air-conditioning work, and acquisitions of specialized regional businesses. Its ability to both deliver products and perform installation enables it to meet a broad range of customer requirements and deepen business relationships. The plan to exceed 100 billion yen in sales in the fiscal year ending September 2027 is also an attractive outcome of this steady broadening of its business activities. We believe the current share price does not necessarily fully reflect the value of the business foundation built over many years and its sound financial position.

Sales for the fiscal year ended September 2026 increased 2.9% year on year to 94.969 billion yen, representing a five-year compound annual growth rate of approximately 7.5% from the fiscal year ended September 2021. Conversely, operating profit declined 0.7% year on year to 2.513 billion yen in the fiscal year ended September 2026, and the operating margin remained in the 2.6% range. The failure of operating profit to rise alongside sales is one constraint on the market's valuation of the Company. Nevertheless, gross profit increased, so neither the product mix nor construction profitability deteriorated across the board. The Company's investment in logistics infrastructure and information systems and the strengthening of its sales and installation workforce also suggest scope to reinforce future earnings capacity.

At a share price of 748 yen, the Company's forecast EPS for the fiscal year ending September 2027 is 73.18 yen, implying a forecast PER of 10.2 times and an earnings yield of 9.8%. The dividend yield based on forecast dividends of 30 yen is 4.01%, also a reasonably attractive level for investors. Although forecast ROE calculated using the simplified method is only 6.1%, PBR is low at 0.62 times. Given that the market has already priced in the relatively low ROE to some extent, even modest earnings growth and improved capital efficiency could affect shareholder value.

Net cash at the end of September 2026 was 12.104 billion yen, equivalent to 69.5% of market capitalization of 17.425 billion yen. The mechanically calculated net-cash-adjusted PER is approximately 3.1 times. However, the Company operates construction and wholesale businesses and manages product procurement, trade receivables, and funding needed for installation daily. Valuation should not assume that all cash and deposits are immediately available for shareholder returns or acquisitions. The essential issue is whether the Company can deploy funds remaining after securing adequate operating liquidity at attractive rates of return.

The key driver of the share price over the next one to two years will be how the Company's forecast for the fiscal year ending September 2027 develops: 9.0% sales growth alongside a 4.5% decline in operating profit. If costs associated with growth investment and business integration progress as planned and the operating margin stabilizes, the medium-term targets for the fiscal year ending September 2028 will become more achievable. Investors with a three- to four-year horizon should assess not only short-term fluctuations in construction demand but also the resilience of a business model combining sales and installation.

Although questions remain about the stock market's valuation, the Company's investment appeal does not depend solely on whether its growth rate is high or low. Its stable business foundation, financial structure that does not rely on excessive borrowing, commitment to continued dividends, and prudent management policy merit consideration together. The current share price does not appear to anticipate excessive future improvement and can be viewed positively from a medium- to long-term perspective. For a sustained share-price advance, however, operating-margin and cash-generation improvements will need to become evident in reported results.

2. History and Business Structure

Expansion from Tiles into Housing Equipment, Installation, and Logistics

The Company originated as Abe Gyogyo, established in 1955 to undertake tile and brick installation work and sell these materials. It later separated its sales division and established an internal system to train skilled workers. The development of an organization responsible not merely for selling materials but also for installation quality and delivery schedules is essential to understanding the Company's business today. Its early commitment to developing technical personnel has become an accumulated management resource in the form of on-site construction capabilities.

In 1983, the Company began installing housing equipment, expanding into construction fields beyond tiles. It changed its name to Avelco in 1992 and began trading its shares over the counter in 1997. In 2013, it adopted a holding-company structure combining the individual character of operating companies with group-wide management. The acquisition of Intelgrow in 2013, Imamura in 2018, Manix in 2021, and Mick in 2022 exemplifies its efforts to broaden geographic coverage and complement its product and installation capabilities.

Major Historical Milestones and Their Significance for Enterprise Value

Year	Major milestone	Significance for investors
1955	Established Abe Gyogyo; began tile and brick sales and installation	Installation know-how and customer ties formed the business foundation
1964	Began in-house training of skilled workers	Installation quality and skilled personnel became pillars of competitiveness
1983	Began installing prefabricated bathrooms and housing equipment	Expanded beyond tiles into a broad range of housing equipment
1997	Registered shares for over-the-counter trading	Improved access to growth financing and management transparency
2013	Acquired Intelgrow and adopted a holding-company structure	Expanded into the Tokai region and advanced acquisition-led business development
2018–2022	Acquired Imamura, Manix, Mick, and other subsidiaries	Added coverage in Kansai and specialized construction capabilities
2024–2026	Acquired Ueno Tile and others; broadened consolidation in FY September 2026	Strengthened specialized construction operations and maintained growth

The Company's growth has also involved developing a product and service portfolio that is not dependent on any single item. Tiles, stone, exterior siding, window sashes, prefabricated bathrooms, kitchens, water heaters, and air-conditioning equipment relate to different stages of the construction process. Linking distribution and installation makes it easier to transact multiple products and types of work with the same customer. Meanwhile, expansion into numerous fields creates burdens in inventory control, construction management, and integrating information systems across group companies, making group-wide profit management important.

The annual securities report for the fiscal year ended September 2025 listed eight consolidated subsidiaries and seven nonconsolidated subsidiaries, with the pure holding company responsible for group management guidance, real estate leasing, and related functions. Ueno Tile was newly included in the scope of consolidation in the fiscal year ended September 2026. Subsidiaries should not be evaluated simply by their number; the focus should be on the extent to which acquisitions complement sales offices, skilled installers, products handled, and logistics functions, and on how the resulting goodwill and management expenses affect profits.

Classifying the Company merely as a conventional building-materials wholesaler would obscure its strengths in installation work. It supplies products to builders, housebuilders, general contractors, and other customers and provides installation capabilities as needed, reinforcing its position in the distribution chain. For building materials and equipment, requirements extend beyond price to include installation conditions, delivery schedules, on-site quality support, and the ability to propose substitute products. Companies that consistently offer these functions can more readily maintain long-term customer relationships.

Dependence on a particular supplier also deserves attention. According to the annual securities report for the fiscal year ended September 2025, LIXIL accounted for 38.4% of consolidated purchases of products and materials. The longstanding commercial relationship can be regarded as part of the Company's procurement strength. However, changes in purchasing terms, product supply and demand, or the manufacturer's distribution strategy could affect results. Maintaining relationships with manufacturers while diversifying its product range and enhancing higher-value-added installation services should help stabilize profitability.

The number of employees increased from 852 in the fiscal year ended September 2021 to 1,107 in the fiscal year ended September 2025. People are indispensable to expansion, and given the shortage of construction workers and logistics drivers, the ability to secure personnel is itself a source of competitiveness. The Company's initiatives to improve training programs, recruit mid-career employees, appoint foreign personnel, and encourage personnel exchanges within the group should be evaluated not only in terms of their current-year costs but also in relation to the sustainability of its business over the medium term.

3. Business Competitiveness and Market Conditions

Diverse Products and Renovation Demand Offset Headwinds in New Housing

Detached Housing Business: Equipment Replacement and Installation Capabilities Offset Weak New-Build Demand and Sustain Profit Growth

Sales in the Detached Housing Business for the fiscal year ended September 2026 were 79.883 billion yen, or approximately 84.1% of consolidated sales, and segment profit was 3.410 billion yen. Sales rose 2.5%, and segment profit increased 9.3% year on year. Profit growth despite weak demand for new housing is noteworthy. Although the business remains exposed to housing-related demand, a broader customer and product base may have developed a structure that can absorb fluctuations in individual product markets to some extent.

Sales of tiles and building materials increased 5.0% to 17.337 billion yen, supported by tiles for distribution channels and interior materials. Tile and building-material installation sales rose 2.3% to 18.396 billion yen, as increases in tile installation and window-sash handling offset a decline in exterior siding. Sales and installation of housing equipment rose 1.6% to 44.149 billion yen, supported by new transactions with renovation businesses and replacement demand for kitchens, washbasins, sanitary ware, and air-conditioning equipment. Differences in growth across these fields illustrate the significance of the Company's diversified sales mix.

In recent years, higher building-material prices, labor costs, housing prices, and mortgage rates have weighed on demand for newly built homes. Linking the Company's sales solely to housing starts could underestimate its actual business opportunities. Insulation upgrades to existing homes, equipment replacement, high-efficiency water heaters, air-conditioning replacement, and improvements in residential comfort may provide demand sources outside new construction. However, subsidies can bring demand forward, and demand that continues without subsidies must be distinguished from subsidy-driven demand.

The Company's strength lies less in market share for any single product than in its ability to combine product sourcing, installer networks, logistics, and customer service. Products requiring installation must be delivered in line with construction schedules and meet quality requirements; customers also benefit from stable business partners. This added value needs to be considered when comparing the Company with competitors that offer distribution alone. On the other hand, operating both distribution and installation means that site-management costs and shortages of skilled workers also influence profitability.

For growth, maintaining profitability by product category matters as much as expanding volumes handled. Even if higher product prices increase sales, profit does not necessarily rise at the same rate. If transportation and subcontracting costs increase faster than sales prices can be raised, gross profit will come under pressure. The accuracy of construction-progress and project-level profitability management can matter more to enterprise value than sales growth. The Company's efforts to improve installation quality and share suppliers and subcontractors across the group are also reasonable from this perspective.

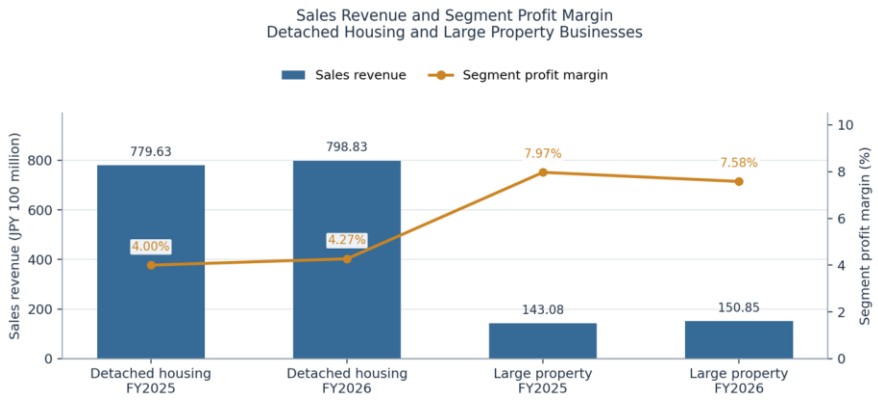
KPIs to monitor in the Detached Housing Business include sales by housing equipment and building-material category, construction sales, order backlogs in each field, segment profit margin, new-customer acquisition, the share of renovation-related business, and logistics efficiency. For KPIs the Company does not disclose quantitatively, figures should not be inferred, and the ability to disclose such figures should itself be viewed as an improvement in communication with the stock market. What matters is whether the expansion of business targeting existing homes and products for nonresidential uses contributes to profit without waiting for a recovery in the new housing market.

Large-Scale Properties Business: Profitable Specialized Work Supports Margins, While Project Mix Requires Careful Management

In the fiscal year ended September 2026, sales in the Large-Scale Properties Business increased 5.4% year on year to 15.085 billion yen, while segment profit edged up 0.4% to 1.144 billion yen. Tile and stone work sales grew 26.3% to 6.725 billion yen, whereas housing and air-conditioning equipment work sales fell 7.0% to 8.359 billion yen. The consolidation effect of acquired operations and large-scale tile installation work in the Tokyo metropolitan area supported the former. In contrast, a decline in orders for prefabricated bathrooms for apartment buildings and for kitchen installation work weighed on the latter. Demand trends and profitability vary across business areas, even within the same segment.

The Large-Scale Properties Business had a segment profit margin of approximately 7.6%, above the 4.3% recorded by the Detached Housing Business. Specialized installation skills and construction-management capabilities may help secure reasonable profitability. Nevertheless, margins vary according to project size, duration, outsourcing costs, and material prices. When highly profitable projects are concentrated in one fiscal year, it is not appropriate simply to extrapolate that margin into the next; the quality of the order backlog and project mix are important.

Sales and Segment Profit Margins of the Detached Housing and Large-Scale Properties Businesses



Source: Financial Results for the Fiscal Year Ended September 2026.

In the fiscal year ended September 2025, orders received by the Large-Scale Properties Business totaled 11.795 billion yen, and the order backlog stood at 8.996 billion yen, down 15.5% and 11.1%, respectively. Even if sales increased in the fiscal year ended September 2026, the sustainability of earnings cannot be judged without checking order trends that precede sales. Large-scale projects have extended construction periods, creating a lag between order receipt and sales recognition. Higher project pricing, selecting more profitable projects, and avoiding construction delays are among the factors determining profits.

In recent construction markets, private capital investment outside housing, renewal of public facilities, and building renovation can support demand for specialized work. Exterior installation on high-rise buildings, stonework, and air-conditioning and sanitary-equipment work all require coordination of construction processes and subcontractors. The Company's acquisition of specialized regional contractors to supplement technical skills and sales networks has significance beyond expanding sales. However, when integration costs precede benefits, improvements in consolidated operating margins may take time to emerge.

Sales growth of 5.4% in the Large-Scale Properties Business in the fiscal year ended September 2026 generated only 0.4% growth in segment profit. This business also shows that higher sales do not guarantee higher margins. Changes in the project mix following acquisitions and differences in construction profitability should be examined to explain the gap between sales and profit growth. For the Large-Scale Properties Business, segment margins and order quality deserve greater emphasis than sales alone.

Integrated Product Distribution and Installation Differentiate the Company from Competitors and Turn Renovation Demand into Growth

Relevant peers include Hashimoto Sogyo Holdings, a distributor of housing equipment and piping materials; OCHI Holdings, which distributes housing construction materials; and JK Holdings, which has a distribution base in wood-based building materials. Hashimoto Sogyo Holdings is also the company with which AINAVO HOLDINGS announced in March 2026 that it had begun considering a business integration, and attention will be focused on how the two companies' business foundations may complement each other going forward. However, because each company's balance of wholesaling, construction, manufacturing, and housing-related services differs, simple comparisons of reported operating margins do not adequately assess competitiveness. For AINAVO HOLDINGS, comparisons should focus on installation capabilities, regional customer relationships, product breadth, and the integration of construction management and logistics.

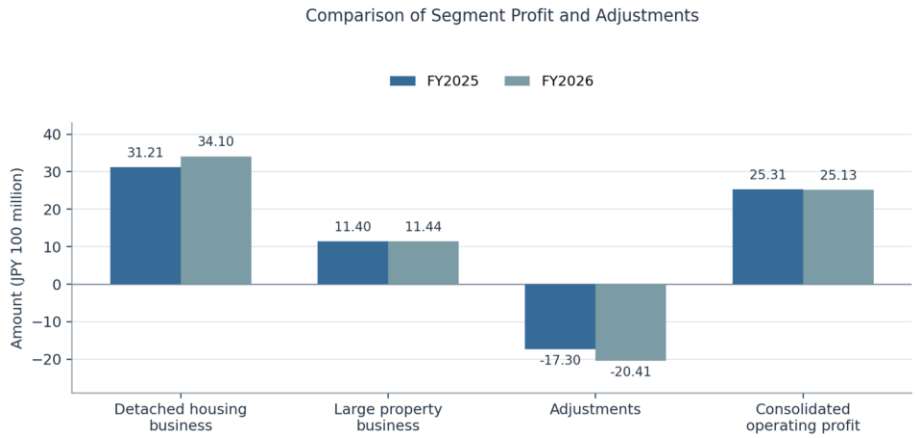
In the housing equipment industry, declining housing starts may constrain long-term growth, but renovation of existing homes, equipment efficiency upgrades, and replacement of air-conditioning equipment continue to generate demand. As homes are used for longer, housing starts and equipment demand need not move in parallel. Companies able to source necessary products and supply them to installation contractors may be better positioned to respond to changes in demand composition. The Company's growth should therefore be assessed using residential renovation investment and equipment-replacement demand, not housing starts alone.

Labor shortages are also a major constraint for the industry as a whole. Fewer installation workers can extend construction schedules and increase outsourcing rates. Securing drivers and improving delivery efficiency are similarly important in logistics. Companies able to address these issues can gain a competitive advantage, but doing so also requires spending on personnel, equipment, and systems. Rather than treating the Company's rising expenses simply as costs to be suppressed, it is appropriate to examine how they support future competitiveness.

4. Long-Term Performance and FY September 2026 Results

From Scale Expansion to Earnings Quality

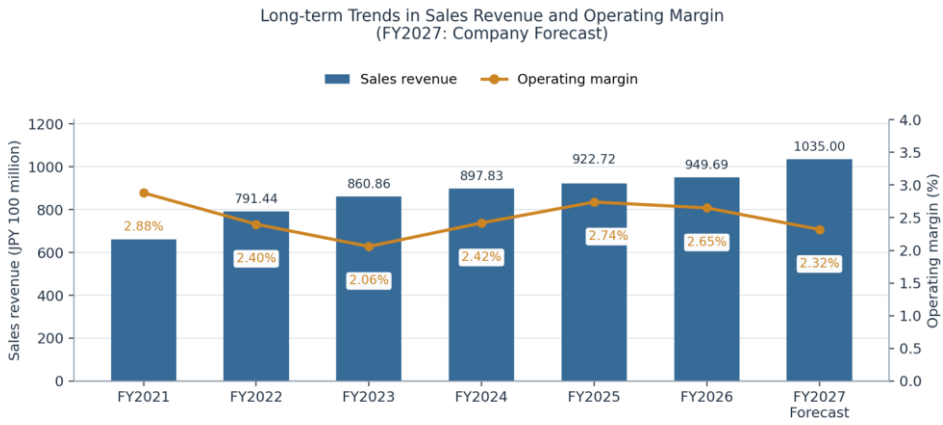
Comparison of Segment Profits and Adjustments



Source: Prepared by Omega Investment based on data for the fiscal years ended September 2025 and 2026.

Sales increased from 66.122 billion yen in the fiscal year ended September 2021 to 94.969 billion yen in the fiscal year ended September 2026, a five-year CAGR of approximately 7.5%. Operating profit also generally increased through the fiscal year ended September 2025, but margins fluctuated. While business expansion has been steady, earnings-generation capacity has not increased at the same pace as sales. This difference is an important factor shaping how the stock market assesses the Company.

Long-Term Sales and Operating Margin Trends. FY September 2027: Company Forecast.



Sources: Financial Results and Annual Securities Reports.

Gross profit for the fiscal year ended September 2026 rose 926 million yen from 13.625 billion yen to 14.551 billion yen. The gross profit margin also improved from approximately 14.8% to 15.3%. The combination of distribution and installation, along with improved cost control, appears to have contributed. Meanwhile, selling, general and administrative expenses increased 945 million yen from 11.093 billion yen to 12.038 billion yen, almost completely absorbing the additional gross profit. As a result, operating profit slipped slightly year on year to 2.513 billion yen.

It would not be appropriate to characterize these results simply as a deterioration in earnings capacity. The higher gross profit margin deserves recognition, and if the growth rate of administrative expenses settles, margins could improve. However, currently available disclosure does not fully separate costs incurred in advance from costs that will remain structurally necessary. Because management expenses may rise to some extent as business scale expands, improvements in operating efficiency, not just expense restraint, should be monitored.

Attention should also be paid to the gap between consolidated operating profit and segment profit. For the fiscal year ended September 2025, total reported segment profit was 4.261 billion yen against consolidated operating profit of 2.531 billion yen, with adjustments of negative 1.730 billion yen. For the fiscal year ended September 2026, total segment profit increased to 4.554 billion yen, but consolidated operating profit was 2.513 billion yen, and adjustments widened to negative 2.041 billion yen. It is necessary to communicate to investors how rising corporate-level costs constrain the consolidated operating margin.

Ordinary profit for the fiscal year ended September 2026 increased 2.3% to 2.914 billion yen, and profit attributable to owners of parent grew 12.2% to 1.883 billion yen. The growth in net profit despite lower operating profit reflects nonoperating gains and losses, gains on sales of investment securities, and changes in the tax burden, among other factors. EPS growth alone should therefore not be treated as a representative measure of earnings growth potential; operating margins and cash flow also need to be evaluated.

For the fiscal year ending September 2027, the Company's forecast calls for sales of 103.5 billion yen, operating profit of 2.4 billion yen, ordinary profit of 2.7 billion yen, and net profit attributable to owners of the parent of 1.7 billion yen. Sales are expected to rise 9.0%, above the recent growth pace, while operating profit is forecast to decline 4.5% and net profit 9.8%. The earnings outlook may be conservative, but it would be inappropriate to assume upside without examining the associated cost increases and contribution from newly consolidated operations.

If the operating margin in the fiscal year ending September 2027 were maintained at approximately 2.65%, the fiscal year ended September 2026 level, operating profit on sales of 103.5 billion yen would reach approximately 2.74 billion yen, exceeding the Company's forecast by about 340 million yen. This is not a forecast of a specific profit level but a sensitivity analysis showing how changes in margins affect performance. In assessing the near-term share price, preserving or improving the operating margin deserves greater attention than sales progress alone.

Long-term EPS increased from 56.63 yen in the fiscal year ended September 2021 to 81.10 yen in the fiscal year ended September 2026, equivalent to a five-year CAGR of approximately 7.4%. However, year-to-year fluctuations have been substantial, and the Company's forecast of 73.18 yen for the fiscal year ending September 2027 is below the prior-year figure. A model assuming a constant earnings growth rate can understate such fluctuations. The assessment should distinguish between the forecast for the fiscal year ending September 2027 and the earnings level targeted from the fiscal year ending September 2028 onward.

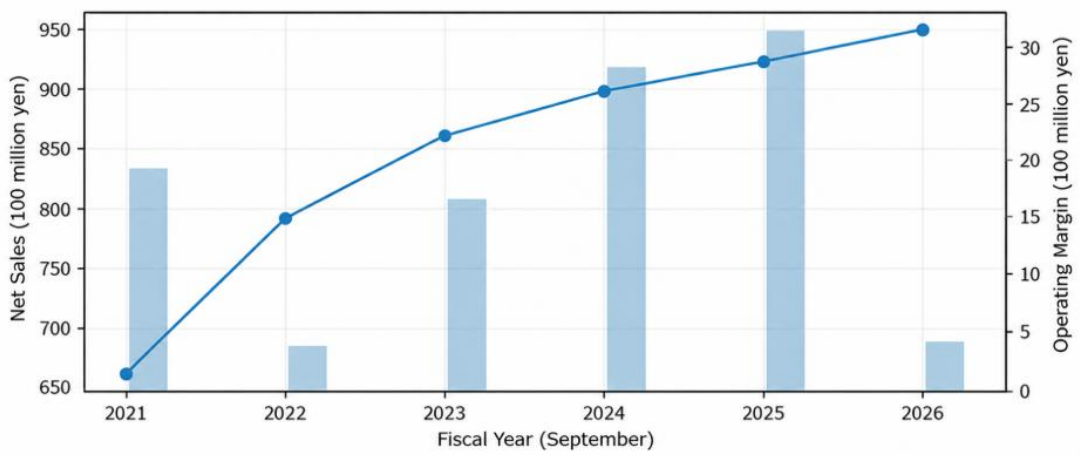
Item	FY Sep. 2024 Actual	FY Sep. 2025 Actual	FY Sep. 2026 Actual	FY Sep. 2027 Forecast
Sales (billion yen)	89.783	92.272	94.969	103.500
Operating profit (billion yen)	2.171	2.531	2.513	2.400
Net profit attributable to owners of the parent (billion yen)	1.269	1.679	1.883	1.700
EPS (yen)	54.86	72.39	81.10	73.18
BPS (yen)	1,074.87	1,132.04	1,197.07	—
ROE (%)	5.2	6.6	7.0	6.1*
Dividend (yen)	22.00*	26.00	30.00	30.00

Note: The dividend of 22 yen for the fiscal year ended September 2024 is a comparative amount retroactively adjusted for the two-for-one stock split in October 2024. The actual annual dividend declared at that time was 44 yen. ROE for the fiscal year ending September 2027 is calculated using the simplified method of dividing forecast EPS by BPS at the end of September 2026 and is not a Company target.

5. Cash Flow and Financial Position

Substantial Cash Holdings and Recovery in Cash Generation

Long-Term Trends in Sales (Line) and Operating Cash Flow (Bars)



Source：Prepared by Omega Investment, Fiscal Years Ended September 2025 and 2026

Fluctuations in Operating Cash Flow Primarily Reflect Working Capital and Tax Payments Rather Than Weaker Profit

The Company's operating cash flow fluctuates more widely than earnings. Operating cash flow was 1.942 billion yen in the fiscal year ended September 2021, 396 million yen in 2022, 1.677 billion yen in 2023, 2.825 billion yen in 2024, 3.146 billion yen in 2025, and 437 million yen in 2026. This shows that cash generation can change substantially even without a loss being reported. Rather than equating this volatility directly with weakness in the Company's financial structure, it should be explained through the transaction model and changes in working capital.

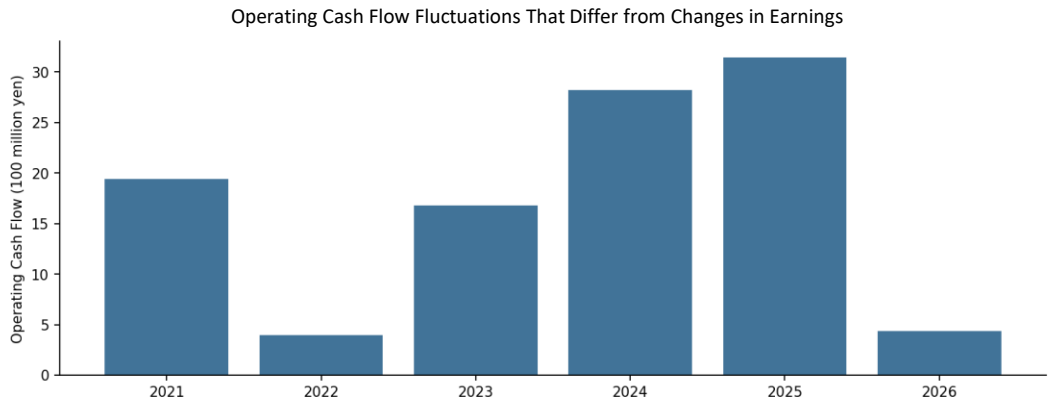
In the wholesale distribution of housing equipment and building materials, payment to suppliers, product inventories, and collection from customers occur at different times. Construction operations also involve costs of uncompleted construction and advances received for uncompleted work, with receipts and payments changing as projects progress. The recognition of sales and profits does not necessarily coincide with cash collection and payment. Working-capital requirements may also change as the business expands or the composition of construction projects shifts.

Operating cash flow in the fiscal year ended September 2026 declined 2.709 billion yen from 3.146 billion yen to 437 million yen. Profit before income taxes rose from 2.846 billion yen to 2.972 billion yen, and cash inflows arising from decreases in trade receivables increased from 58 million yen to 689 million yen. Meanwhile, the impact of inventories shifted from a cash inflow of 120 million yen to an outflow of 380 million yen, and the outflow arising from a decrease in trade payables expanded from 102 million yen to 805 million yen. These movements weighed on cash flow.

In addition, the change in other current liabilities shifted from a cash inflow of 753 million yen in the previous year to an outflow of 570 million yen. In comparison, income taxes paid increased from 700 million yen to 1.473 billion yen. Working capital and tax payments were major influences; the modest decline in operating profit alone cannot explain the cash-flow change. Because certain items generated cash inflows in the fiscal year ended September 2025, that year's high operating cash flow should not automatically be regarded as the normal level of cash generation either.

As described above, the decline in operating cash flow in the fiscal year ended September 2026 was primarily attributable to fluctuations in working capital and tax payments, and did not necessarily correspond to trends in operating profit. When assessing future cash-generating capacity, it will be important to examine cash flow and working-capital trends over multiple years, in addition to fluctuations in a single fiscal year.

Long-Term Trends in Sales (Line) and Operating Cash Flow (Bars)



Source: Prepared by Omega Investment, FY9/2025 and FY9/2026

Against operating cash flow of 437 million yen in the fiscal year ended September 2026, spending on tangible fixed assets was 567 million yen and spending on intangible fixed assets was 13 million yen. Free cash flow, calculated under the simplified method by deducting these two items, was negative 143 million yen. Overall investing cash flow was negative 1.020 billion yen, including subsidiary acquisitions and purchases and sales of investment securities. Distinguishing capital expenditure on operations from strategic acquisition spending is essential for assessing future cash-generating capacity.

Net Cash Is Substantial, but Funds Available After Working-Capital Requirements Need Careful Assessment

At the end of September 2026, subtracting short-term borrowings of 241 million yen, long-term borrowings of 120 million yen, current lease liabilities of 21 million yen, and noncurrent lease liabilities of 30 million yen from cash and deposits of 12.516 billion yen gives net cash of 12.104 billion yen. At the end of September 2025, net cash was 12.734 billion yen, based on cash and deposits of 13.124 billion yen and borrowings and lease liabilities of 390 million yen, a decline of approximately 630 million yen over the latest year. Figures in the financial results are truncated to the nearest million yen, and minor rounding differences remain in the precise amounts.

Net cash represents 69.5% of market capitalization of 17.425 billion yen. Applying the simplified formula that multiplies forecast PER of 10.2 times by one minus the ratio of net cash to market capitalization produces a net-cash-adjusted PER of approximately 3.1 times. The considerable difference from ordinary PER is an important valuation characteristic, but deducting all net cash from enterprise value does not measure actual surplus cash.

At the end of September 2026, notes receivable and completed construction receivables, etc. stood at 13.711 billion yen, merchandise at 1.402 billion yen, and costs of uncompleted construction at 3.228 billion yen. On the other side, trade notes and construction payables, etc. totaled 9.459 billion yen, factoring payables 3.844 billion yen, and advances received for uncompleted construction 1.410 billion yen, among other payment and advance items related to operating activities. It would be inappropriate to deduct all these balances from cash indiscriminately, but they indicate seasonal variation in funding requirements.

To secure necessary working capital, the Company has used commitment-line agreements with its principal financial institutions. The total credit facilities of 3 billion yen described in the annual securities report for the fiscal year ended September 2025, together with its cash holdings, enhance funding stability. However, contract terms and facility amounts may change upon renewal; The effective contractual terms from the end of September 2026 onward must be confirmed and assessed. Available borrowing facilities should not be added directly to surplus cash.

To determine cash actually available for shareholder returns or growth investment, the Company would need to deduct funds required for normal operating settlements, buffers for seasonal fluctuations, tax and dividend payments, and planned acquisitions and capital expenditure. Since the Company has not disclosed a minimum cash balance target, it is difficult to establish one definitive amount of unrestricted surplus cash. Items for which figures are unavailable should be treated as unconfirmed, distinguishing the substantial liquidity position from uncertainty over the amount available for allocation.

A large cash balance strengthens resilience to business cycles, but capital efficiency does not improve solely because more cash is held. Capital allocation decisions regarding whether to use part of cash and deposits to promote business growth, prioritize financial security, or return funds to shareholders are important. Management is using funds to strengthen installation capacity and sales locations. If these investments contribute more to profit, the accumulated cash can translate into future shareholder value.

Investment Securities and Operating Real Estate Reinforce Financial Strength, but Realizable Values Require Conservative Assessment

The book value of investment securities at the end of September 2026 was 2.308 billion yen, equivalent to 13.2% of market capitalization of 17.425 billion yen. Adding this to net cash yields 14.412 billion yen, or 82.7% of market capitalization. However, strategically held shares serve to maintain business relationships, and sales require management decisions. Tax on unrealized securities gains must also be considered; therefore, the full book value should not be treated as immediately realizable funds.

In the fiscal year ended September 2026, gains on sales of investment securities of 129 million yen were recorded. This is an example of portfolio review contributing to earnings, but the same amount of gains should not be assumed every year. Reducing investment securities could improve capital efficiency, although a balance is needed with business relationships and future capital requirements. Clearer explanations from management about the role of retained assets and criteria for divestment would also aid investor communication.

The Company owns land at numerous sales and logistics facilities, with a total land book value of 5.142 billion yen as of September 2026. The annual securities report for the fiscal year ended September 2025 discloses book values for principal facilities in Adachi and Musashimurayama in Tokyo, Yokohama, Chiba, and Osaka, among other locations. Long-held land may contain unrealized gains, but without confirmation of market value, tax on realization, and its necessity for continued operations, an overall market-value assessment is not undertaken.

For enterprise valuation, real estate essential to operating activities should be distinguished from idle real estate available for sale. Disposing of sales facilities could create new rent and relocation expenses. Accordingly, unrealized real estate gains should not simply be added to share value. For now, land book values and facility functions are presented as facts; if differences between book values and market values of real estate can be confirmed, the policy is to estimate the after-tax amounts and their per-share value.

6. Management Strategy, Leadership, and Capital Efficiency

Building the Framework for the Next Phase of Earnings Growth

The Fifth Medium-Term Management Plan covers the fiscal years ending September 2026 through September 2028, targeting sales of 112.0 billion yen, operating profit of 3.1 billion yen, an operating margin of 2.8%, and ROE of 8% in its final year. Relative to sales of 94.969 billion yen and operating profit of 2.513 billion yen for the fiscal year ended September 2026, these goals require two-year CAGRs of approximately 8.6% in sales and 11.1% in operating profit. The plan calls for simultaneous business expansion and margin improvement.

The increase from the Company's operating-profit forecast of 2.4 billion yen for the fiscal year ending September 2027 to its target of 3.1 billion yen for September 2028 would be approximately 29%. Because the Company anticipates higher sales but lower profit in the fiscal year ending September 2027, earnings improvement in September 2028 is particularly important to the medium-term goals. The Company's efforts to improve logistics functions, enhance operational efficiency, and strengthen its installation and sales capabilities could provide the foundation for achieving these goals. However, the timing of expense stabilization and its translation into profit improvement must be confirmed through actual results.

In addition, in March 2026, the Company announced that it had begun considering a business integration with Hashimoto Sogyo Holdings, which distributes housing equipment, piping materials, and other products. The integration is expected to strengthen the business foundation by leveraging the complementary nature of the two companies' product ranges, sales networks, logistics functions, and installation capabilities. Meanwhile, the specific terms and schedule of the business integration have not yet been finalized, and attention will be focused on the progress of future discussions. If the integration is realized, it could also affect the current Medium-Term Management Plan, capital policy, and stock market valuation.

For assessing capital efficiency, it is useful to consider both ROE, net profit divided by equity, and ROIC, which measures profit relative to capital supplied. Actual ROE in the fiscal year ended September 2026 was 7.0%, while simplified forecast ROE, calculated by dividing the Company's forecast EPS for the fiscal year ending September 2027 by the latest BPS, is 6.1%. The ROE target of 8% for the fiscal year ending September 2028 does not appear excessively ambitious, but it requires contributions from growth investment and appropriate capital allocation.

ROIC for the fiscal year ended September 2026, calculated under the approximation, is 6.9%. Invested capital was calculated by adding long-term borrowings and noncurrent lease liabilities to equity at the ends of September 2025 and September 2026. The average of these two amounts was then calculated, and net profit of 1.883 billion yen was divided by that average. This definition differs from a more conventional economic ROIC for the business as a whole and does not separate operating capital from surplus cash. It is important to retain this definition and compare like-for-like in future report updates.

Management has developed a foundation in product distribution and specialized construction over many years and expanded operations through alliances with and acquisitions of regional companies. President and Representative Director Kazunari Abe's extensive management experience is an important resource in a business where relationships with customers, suppliers, and contractors matter. Meanwhile, as the scale of operations grows, management must also address integration, digitalization, human-capital management, capital allocation, and other functions. Establishing a system to pass strengths accumulated since the Company's founding to the next generation is important for investors over the long term.

Outside directors are responsible for reviewing medium- to long-term enterprise value and capital efficiency, drawing on their management experience and industry expertise. What matters is how internal directors familiar with the businesses and outside directors with independent perspectives review priorities for growth investment and profitability. Transparent disclosure and a consistent shareholder-return policy may enhance confidence among minority shareholders.

Management with Extensive On-Site Experience and Business Integration Capabilities; Improving Capital Efficiency Is the Next Focus

Kazunari Abe joined the predecessor company in 1979, became a Managing Director in 1984, and was appointed President and Representative Director in 1991. He has overseen the expansion from tile and building-material installation and sales into the housing equipment sector, the transition to a holding-company structure, and acquisitions of regional companies, playing a key role in the Company's long-term business development. Investors will focus on how accumulated cash can support future profitability while preserving the customer base. The annual securities report for the fiscal year ended September 2025 lists his shareholding as 675 thousand shares.

Yutaka Sudo joined a group predecessor in 1988 and served as General Manager of Accounting and Head of Corporate Planning before becoming Senior Managing Director and CFO in December 2022. His experience in finance, planning, and group management makes him well-suited to explain the balance among substantial cash holdings, acquisitions, and dividend policy. The annual securities report for the fiscal year ended September 2025 records 18 thousand shares held.

Yoshiaki Sukigara joined Sukigara Kenzai in 1986, has been President and Representative Director of Intelgrow since 1997, and has served as Managing Director of AINAVO HOLDINGS since 2013. His management experience in the Chubu region's business base, installation, and distribution operations is a strength. Satoshi Okuyama joined a group predecessor in 1990 and, after working in sales and administration, became Managing Director in December 2022 and President and Representative Director of Ainavo Logistics in February 2023. Both executives play important roles in logistics efficiency and managing corporate-level costs.

Tetsuro Fujinuma worked in banking and business management and has served as a director since December 2015. Masako Otsuka is a certified social insurance and labor consultant and a small and medium enterprise management consultant, and has served as a director since December 2021. They are expected to review the rationale for business investment, human capital, labor-related matters, and their relationship to enterprise value from an independent standpoint. The board's role as a forum for discussing capital efficiency is an important consideration for investors.

7. Share Price Trends and Enterprise Valuation

Why the Stock Underperformed the Market Despite Growth

The Company's shares have generated positive returns, including dividends since 2020, but have underperformed TOPIX during much of this period. The annual securities report for the fiscal year ended September 2025 shows a five-year total shareholder return of 188.8% from the end of September 2020, versus 217.8% for TOPIX including dividends. This does not mean shareholders suffered losses: they earned approximately 88.8% including dividends, but this fell short of the market's return of approximately 117.8%.

The Company's relative performance against the market average is considered to be influenced by investors' assessments of growth expectations in the housing and construction-related markets and the Company's business structure. While the Company has a stable business foundation combining distribution and installation, its profitability is affected by fluctuations in material prices and labor costs. If improvements in profit margins and capital efficiency can be confirmed on a sustained basis going forward, there may be greater scope for EPS and BPS growth to be reflected in the share price.

Second, FactSet data for November 2026 show institutional ownership of 0.32% and insider ownership of 44.47%. Long-term holdings by the founding family and the employee shareholding association support management stability, while the Company's size and liquidity may make it less likely to attract institutional investors, potentially limiting valuation expansion. Trading volume on November 13, 2026 was 5,600 shares, and investors placing relatively large orders should take account of their potential market impact.

However, limited liquidity is not necessarily unfavorable for the share price. A stable base of long-term shareholders can ease short-term selling pressure, while investor interest could also increase if management demonstrates improvements in margins and ROE. Changing the shareholder base is not the only solution. Continuing to disclose readily understandable KPIs, capital allocation policies, and progress on profitability improvements should contribute to the market's valuation of the Company.

At a share price of 748 yen on November 13, 2026, the forecast PER is 10.2 times based on the Company's forecast EPS of 73.18 yen for the fiscal year ending September 2027, while the PBR is 0.62 times based on actual BPS of 1,197.07 yen. The forecast earnings yield is 9.8%, a level unlikely to indicate that the stock market is pricing in extremely high earnings growth. However, forecast ROE in the 6% range is partly reflected in the low PBR, so assuming that PBR will simply recover to 1.0 times as the base case would be inappropriate.

To simplify the consideration of earnings growth implied by the market, inserting a forecast PER of 10.22 times, a forecast payout ratio of approximately 41.0%, and a required return of 9.0% into a perpetual-growth dividend-discount relationship implies a long-term growth rate of approximately 4.8%. This is not a uniquely determined rate based on the share price, but an indicative figure highly sensitive to assumptions about the required return and future payout ratio. Compared with an EPS CAGR of approximately 7.4% from the fiscal year ended September 2021 through September 2026, the current share price does not appear to assume that the historical EPS growth rate will persist unchanged.

Enterprise valuation is examined from three distinct perspectives: PBR, DCF, and ROIC. Under the PBR method, medium-term ROE and the cost of equity are considered, with a reference PBR range of 0.65–0.85 times implying a value of approximately 778–1,018 yen per share. A simple PBR multiple approach readily captures capital-efficiency improvement but does not adequately explain differences in growth rates and capital requirements.

The DCF approach requires explicit assumptions for operating margins, tax rates, capital expenditure, working capital, and terminal value. Because normalized working capital and minimum cash holdings have not yet been established, a precise DCF value based on detailed business forecasts is not asserted. Assuming operating margins within a range of 2.3–2.8% and normalizing long-term working-capital movements, a provisional reference range of 700–1,000 yen is used. This is a sensitivity range, not a definitive appraisal.

Under the ROIC approach, the key factor is how much return on invested capital exceeds the cost of capital. Under the specified definition, ROIC was 6.9% most recently, but the denominator includes equity associated with substantial cash holdings. Because operating capital has not been isolated, the measure does not directly represent returns on capital invested in operations alone. Assuming a cost of capital of 7–9%, a large value-creation premium should not be taken for granted; a provisional range of 680–940 yen is used, allowing for potential capital-efficiency improvement.

The midpoints of the three reference ranges are 898 yen under PBR, 850 yen under DCF, and 810 yen under ROIC. The median of these three midpoints is 850 yen, approximately 13.6% above the current share price of 748 yen. A reference range spanning the lowest lower bound and highest upper bound of the three approaches is 680–1,018 yen. These figures are not definitive price targets and may change materially if the underlying assumptions change.

Based on the above valuation results, the Company's shares are considered to have some potential for revaluation in light of current earnings levels and its financial position. However, the reference ranges derived from each valuation method depend on assumptions regarding operating margins, the cost of capital, capital allocation, and other factors, and should therefore not be regarded as fixed price targets. Going forward, it will be important to continuously review the enterprise valuation while monitoring improvements in earnings power and capital efficiency in line with the Medium-Term Management Plan.

Method	Valuation Range (yen)	Midpoint (yen)	Assumptions
PBR method	778–1,018	898	Actual BPS; PBR of 0.65–0.85 times
DCF method	700–1,000	850	Provisional sensitivity based on 2.3–2.8% margins and normalized working capital
ROIC method	680–940	810	Provisional sensitivity based on 6.9% ROIC and a 7–9% cost of capital
Median of three methods	—	850	Median of the three midpoints

8. Investment Considerations Going Forward

What to Verify over the Next Two Years

In assessing the Company's shares going forward, the first point is the degree to which the sales growth plan for the fiscal year ending September 2027 is achieved. The Company forecasts sales of 103.5 billion yen, an increase of approximately 8.5 billion yen from the fiscal year ended September 2026. New customer acquisition within existing businesses, an expanded product range, and contributions from acquired operations are expected, but the effect on margins will depend on the sources of that growth. Investors need to determine whether low-margin projects are increasing as the Company seeks to secure orders, or whether specialized work and renovation-related business are expanding.

The next focus is the consolidated operating margin. The margin was approximately 2.65% in the fiscal year ended September 2026, compared with the Company's forecast of approximately 2.32% for the fiscal year ending September 2027. If the forecast factors in higher costs, actual performance against the plan may improve. However, if personnel and logistics costs continue to rise, margin recovery will require higher selling prices, more efficient construction management, and labor savings from IT investment. Both gross margins and consolidated margins after corporate expenses should be monitored.

For the Large-Scale Properties Business, changes in order backlog and project profitability are particularly important. Specialized stonework, tile installation, and air-conditioning projects support profitability, but margins vary considerably by project. Higher order values alone do not establish future profit, so effective project cost control and passing cost increases on to customers matter. Investment in installation capabilities should be evaluated with the understanding that it can be needed over the medium term even if it depresses earnings in a single fiscal year.

Regarding operating cash flow, it will be important to monitor how the fluctuations in working capital and tax payments that affected the fiscal year ended September 2026 develop going forward. In particular, the key question is whether growth in operating profit will translate into stable cash generation. By continuously monitoring quarterly balances of trade receivables, inventories, trade payables, and uncompleted construction-related accounts, among other items, the Company's financial capacity to support acquisitions, growth investments, and shareholder returns will be assessed.

How net cash is used will also be important. Substantial cash holdings strengthen financial resilience through business cycles but can also depress ROE. Investment in existing operations, acquisitions, reviews of assets held, and dividend policy may all be reasonable, but the key consideration is their relationship to the earnings power investors expect. If management can explain the necessary level of cash holdings and its approach to capital efficiency, this could also help investors better understand the current low market valuation.

On dividends, the increase in annual dividends to 30 yen for the fiscal year ended September 2026 and the plan to maintain 30 yen for the fiscal year ending September 2027 deserve a positive assessment. The Company targets a payout ratio of approximately 40%, and the planned dividend represents approximately 41.0% of forecast EPS of 73.18 yen for the fiscal year ending September 2027. To assess whether dividends remain sustainable despite some earnings volatility, the medium-term recovery in cash flow must be considered together with increasing funding needs.

Targets for the fiscal year ending September 2028 of sales of 112.0 billion yen, operating profit of 3.1 billion yen, and ROE of 8% provide a medium-term benchmark. If upfront expenses rise in the fiscal year ending September 2027, investors should evaluate how their benefits appear in September 2028. Rather than unconditionally assigning a high share valuation on the assumption that the September 2028 targets will be achieved, it is appropriate to assess their feasibility incrementally through quarterly margins and working-capital movements.

In assessing the share price going forward, it will be important to examine improvements in construction project profitability and the contributions of growth investments to earnings, in addition to trends in housing and construction demand. Dividend yield and substantial net cash could provide support for the valuation of the Company's shares, while sustained improvement in valuation will require higher operating margins and stronger cash-generating capacity. If progress in these areas can be confirmed, it could lead to a reassessment of valuation multiples in addition to EPS growth.

It is important to assess the Company‘s medium- to long-term investment appeal by considering not only its low PBR and substantial asset base but also its business foundation and potential for improved profitability. The essential question is whether it can leverage the installation track record cultivated since its founding in 1955, sales capability combining products and construction work, regional customer base, complementary functions added through acquisitions, and financial flexibility to support its next stage of growth. Results for the fiscal year ended September 2026 were complex, with earnings and cash flow moving in different directions. Carefully examining that divergence highlights both the value of its business foundation and the issues ahead.

Our current investment view remains positive, reflecting the prospects for medium- to long-term business growth and the security provided by the Company's finances. For share valuation over the next one to two years, the consolidated operating margin and indications of a cash-flow recovery are particularly important. Over three to four years, improvements in ROE targeted by the Fifth Medium-Term Management Plan and the quality of capital allocation will be key. The stock's historical underperformance relative to the market is a fact that should not be dismissed, but understanding its background and evaluating the conditions for future improvement can lead to a better-founded investment judgment.

Supplementary Analysis: Further Examination of the Business Model and Capital Allocation

Combining Products and Installation Deepens Customer Relationships and Expands the Range of Products Handled

In construction-related distribution channels, numerous services are required beyond the functionality and prices of products supplied by manufacturers. These include on-site delivery, arranging replacement parts, introducing installers, coordinating construction schedules, and responding to technical inquiries. The Company's network of sales locations and installation contractors provides a foundation for addressing these individual needs daily. Although it cannot rapidly generate demand through advertising like a consumer brand, the customer relationships and practical expertise cultivated over many years are not easily replicated.

In the Detached Housing Business, engaging in both product distribution and installation is a strength, but sales efficiency also varies with customer size and installation conditions. Handling several products together can improve delivery and order-processing efficiency; however, carrying a broad range of products with limited demand increases inventory burdens. Expansion in the products handled should be assessed alongside inventory turnover, gross margins, and logistics costs, not sales alone. The increase in product inventory that depressed operating cash flow in the fiscal year ended September 2026 illustrates how business growth and financing requirements are closely linked.

Improving the energy efficiency of housing is expected to support medium-term demand, but subsidy-supported sales fluctuate with changes in policy. Even if demand for energy-efficient products grows, intense competition among manufacturers does not necessarily increase the Company's added value. Installation quality, coordination of work schedules, after-sales service, and the ability to propose products determine profitability. Therefore, changes in the proportion of installation work as sales grow and differences in margins among products should be continuously monitored.

For regional expansion, pursuing areas where connections with existing locations generate logistics and installation synergies appears more rational than uniformly extending the network nationwide. Where customer territories overlap, sales efficiency may improve. At the same time, entry into new regions can require upfront spending on personnel, logistics, and supplier relationships; when evaluating sales growth through acquisitions, both the acquired company's stand-alone profit and the expenses incurred by the group as a whole need to be considered.

Margin Recovery under the Medium-Term Plan Will Be Key to Share Price Appreciation, While Financial Strength Provides Downside Support

A moderate scenario for the share price assumes that sales grow as planned in the fiscal year ending September 2027, but margins take time to recover and approach the medium-term targets in the fiscal year ending September 2028. Even if earnings growth is gradual, dividends and accumulated BPS would support investor returns. Shareholder value can be assessed as it builds alongside business performance without assuming a substantial expansion in valuation multiples.

In an upside earnings scenario, selling, general and administrative expense growth is contained despite higher sales in the fiscal year ending September 2027, allowing the consolidated operating margin to exceed the Company's forecast. If profitable large-scale construction projects continue and improved logistics efficiency is reflected in costs, market expectations for profits in subsequent years could strengthen. If ROE approaches 8% and cash flow returns to a normalized level, more investors may reassess the current PBR of 0.62 times.

If improvement is delayed, higher construction costs and mortgage burdens reduce demand for new housing, making the sales target harder to reach. If higher personnel, subcontracting, and logistics costs cannot be passed through to prices, segment margins and the consolidated operating margin could decline. Furthermore, if profits from acquired operations fall short of plans, the burden of goodwill and fixed costs may become more prominent. Even with substantial cash holdings, market valuation may be slow to improve without earnings progress.

When comparing these three scenarios, the direction of operating margins and ROE matters more than short-term share-price movements. In addition to EPS growth from higher profits, investors should examine ROE improvements through capital allocation, dividend sustainability, and whether operating cash flow supports earnings. Enterprise valuation ranges are one input to the assessment, but the market valuation should be revised if the underlying business structure and capital efficiency change.

Disclosure on Capital Allocation and Profit Margins Could Help Enhance Market Valuation

The Company regularly discloses sales, earnings, and financial condition, but to help investors better understand business value, the relationship between growth investment and its results is important. Consistently reported figures for the costs and benefits of logistics integration, investment in new sales areas, profit contributions following acquisitions, and construction order backlogs would help explain changes in margins. Organizing and communicating existing information could help narrow gaps in understanding between the Company and the stock market.

For operating cash flow in particular, continued explanations of trade receivables, trade payables, inventories, and funding requirements related to uncompleted construction would help investors trace the reasons for the substantial divergence from operating profit. Merely describing the decline in operating cash flow in the fiscal year ended September 2026 as temporary is insufficient; it is important to clarify how the Company's business transactions give rise to these fluctuations and the normal range of working capital requirements. Such explanations would deepen understanding of the Company's financial position and support assessment of its surplus cash.

Underperformance relative to the market should not be directly equated with an assessment of the Company's management. Management's emphasis on business stability can differ from investor expectations for rapid near-term profit growth. To narrow that gap, it is important to translate accumulated earnings into appropriate capital efficiency and make the results measurable. This report's fundamental approach is to respect the Company's long experience while identifying what investors should monitor.

Focus on Revaluation Driven by Improvements in Profitability and Cash Generation, Not Just Low PBR

When comparing relative stock-market performance, the periods and treatment of shareholder returns must be consistent. A simple share-price comparison beginning at the end of 2020 and a total-return comparison with reinvested dividends beginning at the end of September 2020 could produce different results. This report uses the total shareholder return in the annual securities report as the most direct comparison, while historical share-price charts are supplementary indications of direction. Daily supply and demand can determine highs and lows, so a medium- to long-term valuation of the business should not be based solely on movements on a particular date.

To enhance the market valuation of the Company's shares over the medium to long term, it will be important for investors to be able to continuously confirm improvements in operating margins, ROE, and cash-generating capacity, in addition to the expansion of its business foundation. If these improvements accumulate, the market's assessment of the current PBR and forecast PER could change. Expected returns should also be assessed based on multiple factors: earnings growth, dividends, BPS growth, and changes in valuation multiples.

At the current share price, the forecast earnings yield of approximately 9.8% is attractive, but accounting profit is not automatically cash available for immediate distribution to shareholders. Assessing earnings quality requires examining multiyear average operating cash flow, necessary capital expenditure, and future corporate tax burdens together. If improvements in both earnings and cash flow can be confirmed, the high earnings yield would provide a more persuasive basis for valuing the investment.

Notes

The share price is the closing price of 748 yen on November 13, 2026. Forecast EPS of 73.18 yen and annual dividends of 30 yen are Company forecasts for the fiscal year ending September 2027. BPS of 1,197.07 yen is actual for the fiscal year ended September 2026. The forecast ROE of 6.1% is our estimate, calculated using a simplified method that divides forecast EPS by the latest BPS. Forecast PER, PBR, earnings yield, dividend yield, and market capitalization are also calculated using that share price and the relevant financial figures and share count.

Company disclosures are prioritized for financial data, and standardized FactSet data are referenced for long-term comparisons. These figures may differ from financial-statement line items, reclassifications, rounding, and segment information disclosed by the Company. Unconfirmed items, such as sales contributions from acquisitions, future capital efficiency, and the amount of surplus cash, have not been filled in as facts.

The enterprise valuation ranges under PBR, DCF, and ROIC are our provisional sensitivity calculations based on simplified assumptions, not definitive price targets. Because detailed business-by-business capital and working-capital plans are not available for the DCF and ROIC approaches, the precision of these figures is limited. They do not guarantee investment outcomes or future share prices.

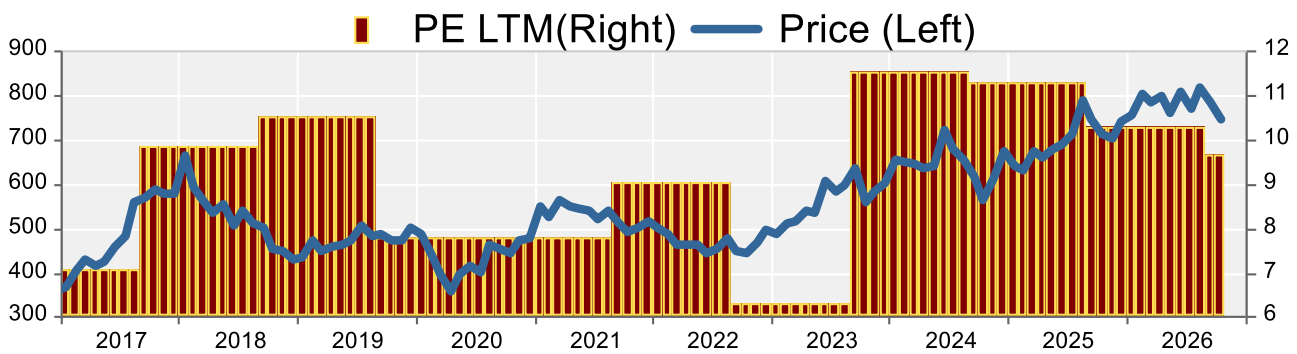
Free cash flow for the fiscal year ended September 2026 (negative 143 million yen) presented in the main text is the Company's estimate calculated using a simplified method that deducts expenditures for the acquisition of tangible and intangible fixed assets from operating cash flow. Free cash flow presented in the key financial data at the end of this report is based on FactSet's standardized data and may differ due to differences in calculation methods.

Key financial data

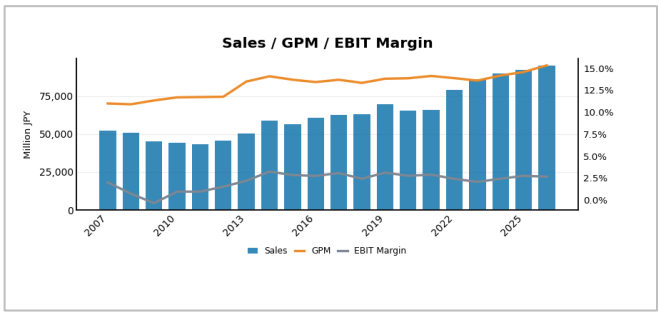
Unit: million yen	2022/9	2023/9	2024/9	2025/9	2026/9	2027/9 CE
Sales	79,144	86,086	89,783	92,272	94,969	103,500
EBIT	1,899	1,770	2,171	2,531	2,513	
Pretax Income	2,447	2,049	2,359	2,847	2,972	
Net Profit Attributable to Owners of Parent	1,647	1,274	1,269	1,679	1,883	1,700
Cash & Short-Term Investments	12,195	10,246	12,362	13,125	12,516	
Total assets	42,640	44,003	44,962	47,482	48,027	
Total Debt	715	511	423	391	412	
Net Debt	-11,480	-9,735	-11,939	-12,733	-12,104	
Total liabilities	19,431	19,823	20,098	21,183	20,218	
Shareholders' Equity	23,209	24,180	24,863	26,299	27,809	
Net Operating Cash Flow	396	1,677	2,825	3,147	437	
Capital Expenditure	162	145	197	412	580	
Net Investing Cash Flow	388	-2,877	-642	-1,831	-1,020	
Net Financing Cash Flow	-1,457	-811	-640	-534	-701	
Free Cash Flow	274	1,594	2,703	2,912	-130	
ROA (%)	4.14	2.94	2.85	3.63	3.94	
ROE (%)	7.26	5.38	5.17	6.56	6.96	
EPS (Yen)	71.2	55.1	54.9	72.4	81.1	73.2
BPS (Yen)	1,003.3	1,045.3	1,074.9	1,132.0	1,197.0	
Dividend per Share (Yen)	22.00	22.00	22.00	26.00	30.00	30.00
Shares Outstanding (Million shares)	23.30	23.30	23.30	23.30	23.30	

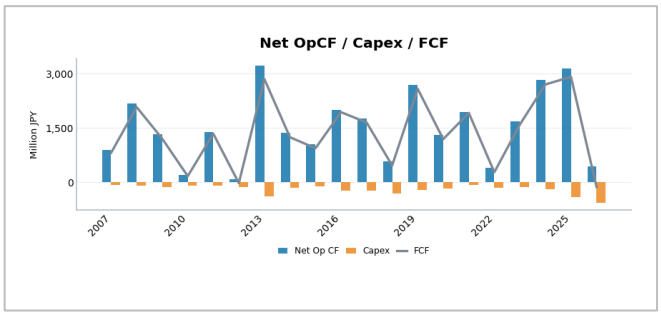
Source: Prepared by Omega Investment based on calculations using FactSet's standard criteria, rounded to the nearest whole number.

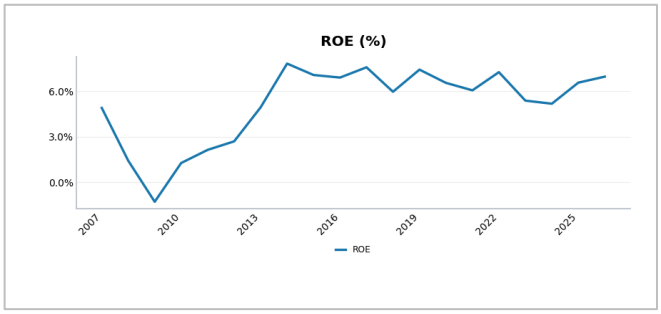
Share price

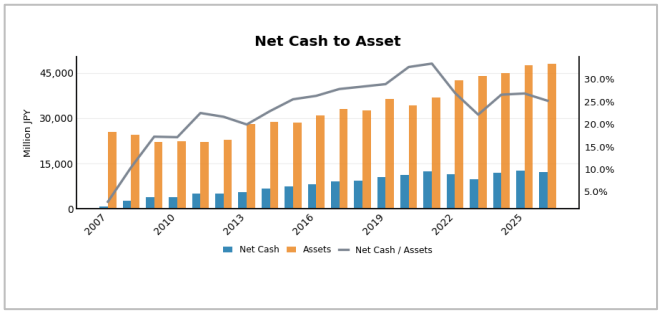


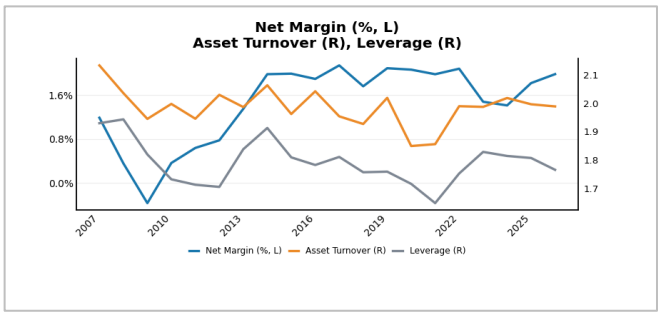
Key stock price data

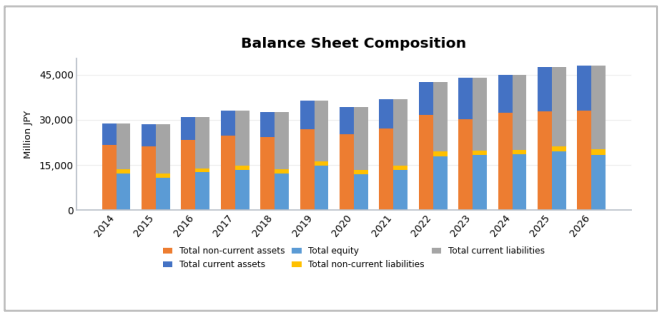


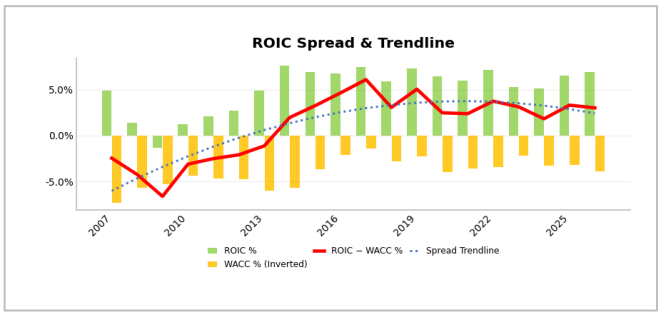


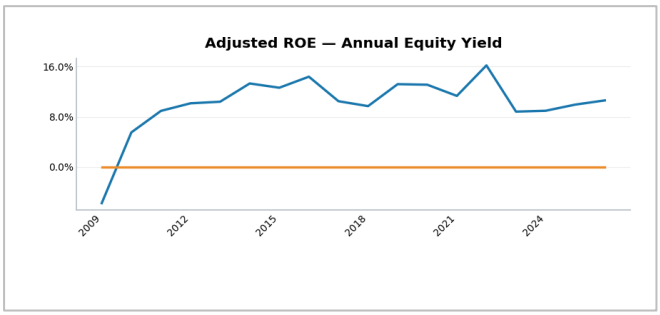












Financial data (quarterly basis)

Unit: million yen	2024/9	2025/9				2026/9			
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
(Income Statement)									
Sales	22,636	23,462	23,989	21,907	22,914	23,705	24,553	22,474	24,237
Year-on-year	4.6%	2.7%	2.9%	4.4%	1.2%	1.0%	2.4%	2.6%	5.8%
Cost of Goods Sold (COGS)	19,266	20,032	20,337	18,728	19,550	19,978	20,569	19,245	20,625
Gross Income	3,370	3,430	3,651	3,180	3,364	3,727	3,984	3,229	3,612
Gross Income Margin	14.9%	14.6%	15.2%	14.5%	14.7%	15.7%	16.2%	14.4%	14.9%
SG&A Expense	2,820	2,765	2,723	2,772	2,833	3,092	2,874	3,007	3,065
EBIT	551	665	928	408	530	635	1,110	222	547
Year-on-year	358.3%	-4.1%	5.9%	709.7%	-3.7%	-4.6%	19.6%	-45.6%	3.1%
Operating Income Margin	2.4%	2.8%	3.9%	1.9%	2.3%	2.7%	4.5%	1.0%	2.3%
EBITDA	593	734	1,008	470	606	704	1,187	304	629
Pretax Income	635	719	1,033	512	583	714	1,207	350	701
Consolidated Net Income	265	439	645	338	257	444	758	213	468
Minority Interest	0	0	0	0	0	0	0	0	0
Net Income ATOP	265	439	645	338	257	444	758	213	468
Year-on-year	65.0%	-8.0%	7.3%	-550.4%	-3.3%	1.1%	17.5%	-37.0%	82.4%
Net Income Margin	1.2%	1.9%	2.7%	1.5%	1.1%	1.9%	3.1%	0.9%	1.9%
(Balance Sheet)									
Cash & Short-Term Investments	12,362	11,471	13,111	13,046	13,125	12,667	14,025	13,292	12,516
Total assets	44,962	46,979	47,446	46,907	47,482	48,589	49,284	47,948	48,027
Total Debt	423	866	1,453	1,047	391	918	1,297	879	412
Net Debt	-11,939	-10,606	-11,659	-11,999	-12,733	-11,749	-12,728	-12,413	-12,104
Total liabilities	20,098	21,893	21,741	21,142	21,183	22,111	22,139	20,750	20,218
Shareholders' Equity	24,863	25,086	25,705	25,766	26,299	26,474	27,142	27,194	27,809
(Profitability %)									
ROA	2.85	2.67	2.75	3.71	3.63	3.52	3.72	3.52	3.94
ROE	5.17	4.98	5.03	6.70	6.56	6.53	6.80	6.31	6.96
(Per-share) Unit: JPY									
EPS	11.5	19.0	27.8	14.6	11.0	19.1	32.6	9.2	20.1
BPS	1,074.9	1,084.5	1,106.5	1,109.1	1,132.0	1,139.6	1,168.3	1,170.6	1,197.0
Dividend per Share	11.00	0.00	12.00	0.00	14.00	0.00	13.00	0.00	17.00
Shares Outstanding (million shares)	23.30	23.30	23.30	23.30	23.30	23.30	23.30	23.30	23.30

Source: Prepared by Omega Investment based on calculations using FactSet's standard criteria, rounded to the nearest whole number.

Financial data (full-year basis)

Unit: million yen	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
(Income Statement)										
Sales	62,481	63,199	69,585	65,338	66,122	79,144	86,086	89,783	92,272	94,969
Year-on-year	2.9%	1.1%	10.1%	-6.1%	1.2%	19.7%	8.8%	4.3%	2.8%	2.9%
Cost of Goods Sold	53,928	54,775	59,978	56,285	56,787	68,165	74,384	77,059	78,647	80,417
Gross Income	8,553	8,424	9,607	9,054	9,335	10,978	11,702	12,724	13,625	14,551
Gross Income Margin	13.7%	13.3%	13.8%	13.9%	14.1%	13.9%	13.6%	14.2%	14.8%	15.3%
SG&A Expense	6,638	6,898	7,442	7,257	7,432	9,079	9,932	10,552	11,093	12,038
EBIT	1,914	1,526	2,164	1,797	1,903	1,899	1,770	2,171	2,531	2,513
Year-on-year	15.3%	-20.3%	41.9%	-17.0%	5.9%	-0.2%	-6.8%	22.7%	16.6%	-0.7%
Operating Income Margin	3.1%	2.4%	3.1%	2.7%	2.9%	2.4%	2.1%	2.4%	2.7%	2.6%
EBITDA	2,114	1,783	2,484	2,104	2,220	2,259	2,057	2,456	2,818	2,824
Pretax Income	2,096	1,728	2,390	2,080	2,143	2,447	2,049	2,359	2,847	2,972
Consolidated Net Income	1,338	1,113	1,455	1,349	1,310	1,647	1,274	1,269	1,679	1,883
Minority Interest	0	0	0	0	0	0	0	0	0	0
Net Income ATOP	1,338	1,113	1,455	1,349	1,310	1,647	1,274	1,269	1,679	1,883
Year-on-year	16.3%	-16.8%	30.7%	-7.3%	-2.9%	25.8%	-22.7%	-0.4%	32.3%	12.1%
Net Income Margin	2.1%	1.8%	2.1%	2.1%	2.0%	2.1%	1.5%	1.4%	1.8%	2.0%
(Balance Sheet)										
Cash & Short-Term Investments	9,640	9,694	10,930	11,459	12,780	12,195	10,246	12,362	13,125	12,516
Total assets	32,997	32,604	36,327	34,343	36,922	42,640	44,003	44,962	47,482	48,027
Total Debt	464	452	433	230	428	715	511	423	391	412
Net Debt	-9,176	-9,242	-10,497	-11,230	-12,352	-11,480	-9,735	-11,939	-12,733	-12,104
Total liabilities	14,749	13,551	16,186	13,291	14,722	19,431	19,823	20,098	21,183	20,218
Shareholders' Equity	18,294	19,053	20,142	21,052	22,199	23,209	24,180	24,863	26,299	27,809
(Cash Flow)										
Net Operating Cash Flow	1,759	576	2,692	1,311	1,942	396	1,677	2,825	3,147	437
Capital Expenditure	242	319	217	171	77	162	145	197	412	580
Net Investing Cash Flow	-159	-105	-116	-127	-364	388	-2,877	-642	-1,831	-1,020
Net Financing Cash Flow	-326	-416	-1,340	-654	-256	-1,457	-811	-640	-534	-701
Free Cash Flow	1,651	460	2,581	1,189	1,916	274	1,594	2,703	2,912	-130
(Profitability)										
ROA (%)	4.18	3.39	4.22	3.82	3.68	4.14	2.94	2.85	3.63	3.94
ROE (%)	7.58	5.96	7.42	6.55	6.06	7.26	5.38	5.17	6.56	6.96
Net Margin (%)	2.14	1.76	2.09	2.06	1.98	2.08	1.48	1.41	1.82	1.98
Asset Turn	1.95	1.93	2.02	1.85	1.86	1.99	1.99	2.02	2.00	1.99
Assets/Equity	1.81	1.76	1.76	1.72	1.65	1.75	1.83	1.81	1.81	1.77
(Per-share) Unit: JPY										
EPS	57.9	48.1	62.9	58.3	56.6	71.2	55.1	54.9	72.4	81.1
BPS	790.8	823.6	870.7	910.1	959.7	1,003.3	1,045.3	1,074.9	1,132.0	1,197.0
Dividend per Share	16.00	15.00	18.00	18.00	18.00	22.00	22.00	22.00	26.00	30.00
Shares Outstanding (million shares)	23.30	23.30	23.30	23.30	23.30	23.30	23.30	23.30	23.30	23.30

Source: Prepared by Omega Investment based on calculations using FactSet's standard criteria, rounded to the nearest whole number.

General disclaimer and copyright

This report has been prepared and presented based on the company's disclosed materials and other information; however, it does not guarantee the accuracy, completeness, or reliability of its content or data.

This report is for informational purposes only and is not intended to solicit or recommend investment. Omega Investment is not responsible for the consequences of using this report.

This report was prepared at the request of the subject company, with reference to materials disclosed by the company. All hypotheses, conclusions, and any other content contained in this report are based on Omega Investment's independent research and analysis.

Intellectual ownership, including copyrights of the text and data, belongs to Omega Investment. Distribution, transfer, reproduction, transmission, or other use constitutes copyright infringement of this report and is strictly prohibited.

Omega Investment Co. Ltd.
E-mail: info@omegainv.com
KS Floor, Risona kudan building 5F, 1-5-6, kudan-minami, chiyoda-ku,
Tokyo, Japan