

Polaris Holdings (3010)

Transformation to a bona fide top-10 player

21 February 2025

Q3 FY3/25 results update

- Credible track record of growth** – Q1-3 FY3/25 results were in line with revised guidance, demonstrating high double-digit underlying OP growth with hotel operations continuing to experience robust demand. With the completion of the acquisition and integration of Minacia in December 2024, the company has transformed into the tenth-largest limited-service hotel operator in Japan, demonstrating an elevated growth trajectory of 25.2% CAGR (2019-25) in hotel room expansion. Upwardly revised company targets for FY3/27 aim to have 100 hotels and 15,000 hotel rooms on its operating platform, with the company already close to achieving this with its portfolio of 97 hotels and 14,964 rooms, which include eleven planned new openings.

Reflecting stronger earnings growth

- Forecasting higher earnings momentum** – We have revised our earnings estimates for FY3/25 and beyond, considering the accretive earnings from Minacia and factoring in stronger growth prospects as outlined in the revised medium-term plan. The hotel portfolio has improved via geographic diversification; the integration of Polaris Holdings with a higher proportion of fee-based and variable rent lease agreements and Minacia with a relatively higher proportion of fixed rent lease agreements has optimized the risk-return profile to focus on stable quality earnings.
- Valuations** - According to our estimates, the shares are trading at a PER FY3/26 of 27.2x, an FCF yield of 5.6%, and a 1.3% dividend yield. We expect to see sustained earnings growth from the continued expansion of the hotel operating platform, and given this outlook, we view the shares as undervalued.

Year-end	3/23	3/24	3/25E	3/26E	3/27E
Sales (¥bn)	7.02	22.55	26.90	32.48	47.29
OP (¥bn)	0.00	3.38	2.29	2.76	3.78
NI (¥bn)	0.53	2.36	1.54	1.97	2.73
EPS (¥)	4.98	19.21	9.93	8.41	11.66
DPS (¥)	-	-	3.00	3.00	3.50
Sales growth YoY (%)	+89.0	+221.3	+19.3	+20.8	+45.6
OP growth YoY (%)	N/A	+109,711	-32.4	+20.8	+37.0
NP growth YoY (%)	N/A	+341.5	-34.8	+27.9	+38.6
EPS growth YoY (%)	N/A	+285.8	-48.3	-15.3	+38.6
PER (x)	46.0	11.9	23.1	27.2	19.6
EV/EBITDA (x)	85.9	15.7	14.8	12.9	9.9
EV/Sales (x)	9.1	2.8	2.4	2.0	1.4
PBR (x)	18.4	7.8	1.8	2.0	2.1
ROE (%)	18.4	34.3	5.3	7.3	10.6
ROCE (%)	0.0	19.4	3.7	4.6	6.5
FCF yield (%)	(0.4)	26.7	10.7	5.6	9.2
Dividend yield (%)	-	-	1.3	1.3	1.5

Source: Company, Astris Advisory (estimates)

*Note: outstanding dilution is 8.4%

Share price: ¥229 Market cap: ¥53.5bn



Source: Bloomberg

Price Performance

	YTD	1M	3M	12M
Abs (%)	+24.5	+22.5	+45.9	+9.6
Rel (%)	+26.7	+21.4	+43.0	+5.2

Company sector

Real Estate Management/Services
Hotels, Restaurants & Leisure (GICS)

Stock data

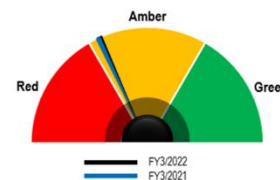
Price (¥)	229
Mkt cap (¥bn)	53.5
Mkt cap (\$m)	355.8
52-week range (¥)	139-285
Shares O/S (m)	233.8
Average daily value (\$m)	0.5
Free float (%)	13.6
Foreign shareholding (%)	77.4
Ticker	3010
Exchange	Tokyo Standard
Net Debt/Equity (x)	4.4
FFO leverage (x)	1.2
BBG BUY HOLD SELL	0 0 0

Source: Bloomberg

Business Overview

Polaris Holdings is a hotel operator with three domestic key franchises - Best Western Japan, KOKO HOTEL, and Value The Hotel. It is shifting its business model towards low-risk management contracts, variable-rent lease contracts, and as an owner/operator.

Astris-Sustainability ESG rating



Reference Ratings

MSCI	N/A
Sustainalytics	N/A
Refinitiv	N/A
S&P Global	N/A
Bloomberg	N/A

Next events

Q4 FY3/25 results May 2025

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This report has been commissioned and paid for by the company

Recent results

Q1-3 FY3/25 results

Reported earnings in line with guidance

Key financials

(¥bn)	Q1-3 FY3/24	Q1-3 FY3/25	YoY (%)	Run-rate versus FY guidance (%)
Sales	18.24	16.87	-7.5	64.9
Gross profit	11.79	16.21	+37.5	
Gross margins (%)	64.6	96.1		
Operating profit/(loss)	3.02	1.84	-39.1	83.6
Operating margins (%)	16.5	10.9		
Recurring profit	2.38	1.23	-48.3	82.0
Net income attributable to the parent	2.84	1.21	-57.3	80.8

Source: Company

Our estimated restated sales and OP when considering one-off gain on hotel property sales in FY3/24 (and ¥0.5bn distribution profit in FY3/25)

(¥bn)	Q1-3 FY3/24	Q1-3 FY3/25	YoY (%)
Sales	10.24	16.87	+64.7
Operating profit/(loss)	1.00	1.61	+61.0
Operating margins (%)	9.8	9.5	

Source: Company, Astris Advisory

Core Hotel operations maintain high growth momentum

Per business segment (pre-elimination)

(¥bn)	Q1-3 FY3/24	Q1-3 FY3/25	YoY (%)
Sales			
Hotel operations	10.23	16.21	+58.5
Real estate	8.29	0.66	-92.0
Operating profit/(loss)			
Hotel operations	1.33	1.83	+41.9
Real estate	2.26	0.66	-70.8
Operating margins			
Hotel operations	13.0	11.3	
Real estate	27.3	99.8	

Source: Company

Key highlights

Q1-3 FY3/25 results indicate that the domestic hotel market remains robust. The company experienced a high occupancy rate of 82.3% for Q3 FY3/25, and domestic RevPAR saw growth re-accelerate at 28.5% YoY, demonstrating solid revenue management. We estimate that the underlying growth trend at the OP level is 61.0% YoY, which illustrates a more accurate picture versus reported numbers. The trend overseas remained positive, with the occupancy rate at 72.3% (Q3 FY3/24 71.3%). overseas RevPAR at 1,242 Pesos (+26.0% YoY).

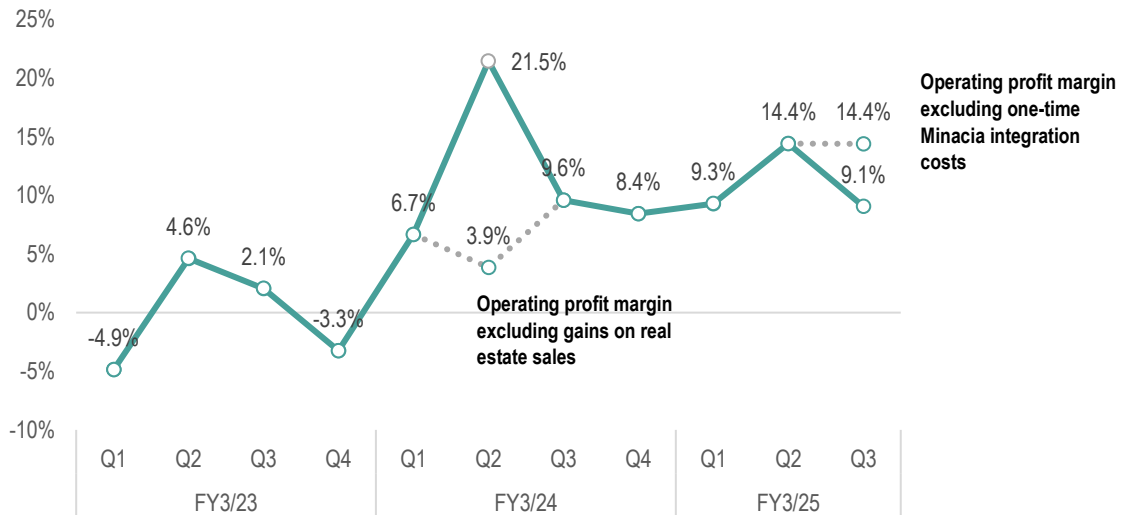
We note that the Hotel operation segment margin has fallen slightly YoY and quarterly Q3 FY3/25 OPM fell to 9.1% from 14.4% in Q2 FY3/25, due to one-time costs related to the

Minicia integration of ¥0.35bn (normalized for this the quarterly Q3 OPM would be approximately 14.4%). This points to the need for economies of scale, which the company has instigated with the growth of its operating platform with the management integration of Minacia.

The balance sheet demonstrates a stable and improving equity ratio, reaching 40.9%.

Sustaining high underlying OPM

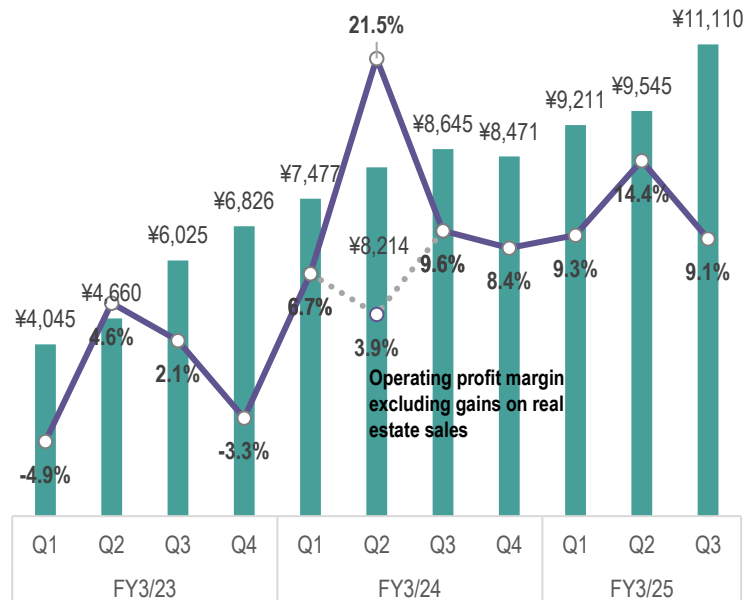
Quarterly operating margin (%)



Source: Company

Q3 FY3/25 domestic RevPAR grew 28.5% YoY

Quarterly total OPM (%) and Domestic RevPAR (¥)

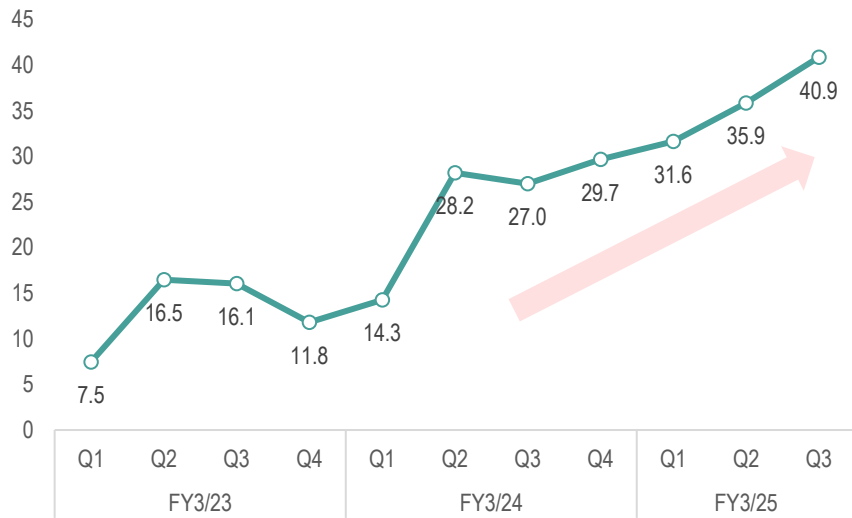


Source: Company



A continued trend of strengthening the equity base

Quarterly equity ratio (%)



Source: Company

National occupancy rates for business (Polaris' area of focus), city hotels continue to outperform the overall market

National occupancy rate

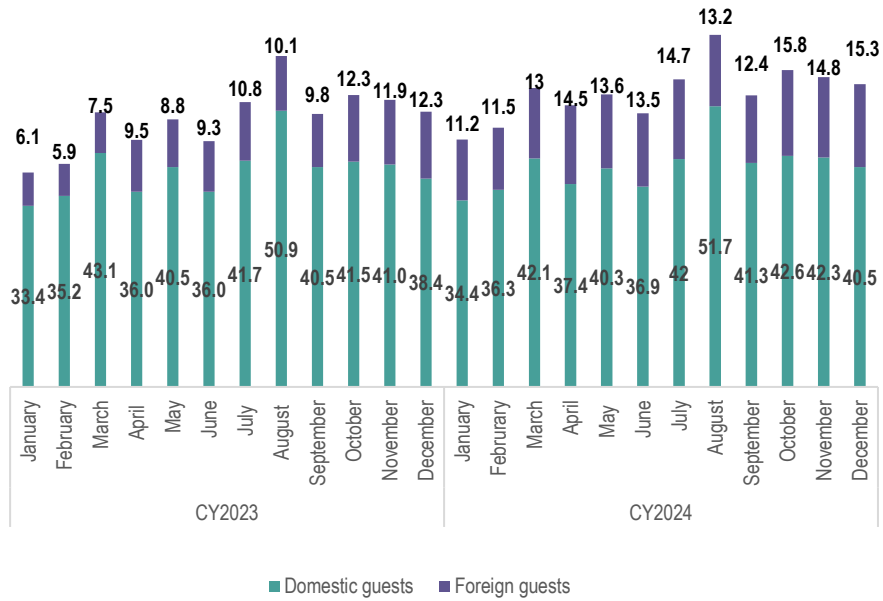


Source: Japan Tourism Agency



Continued momentum and growth acceleration of foreign guest overnight stays into CY24

The national trend in the number of guests (per million overnight stays per month)



Source: Japan Tourism Agency



Guidance for FY3/25

The company's **guidance (upwardly revised in December 2024)** indicates a strong underlying earnings trajectory, now with growth from management integration.

We calculate the adjusted growth profile YoY (ignoring the one-time impact of the real estate disposals in FY3/24), which shows a dynamic, positive underlying trajectory with 78.7% sales and 64.2% OP growth YoY.

High double-digit growth profile for FY3/25

FY3/25 revised company guidance and underlying trend analysis

(¥bn)	FY3/24 (actual)	FY3/24 (adjusted)	FY3/25 guidance (old)	FY3/25 guidance (new)	YoY (new %)	Adjusted YoY (new %)
Sales	22.55	14.55	20.08	26.00	+15.3	+78.7
Gross profit	15.95	-	-	-		
Gross profit margin (%)	70.8	-	-	-		
Operating profit	3.38	1.34	1.89	2.20	-35.0	+64.2
Operating profit margin (%)	15.0	9.2	9.4	8.5		
Recurring profit	2.61	0.69	1.32	1.50	-42.5	+117.4
Net income	3.30	1.38	1.47	1.50	-54.5	+8.7
EPS (¥)	26.86	11.24	11.87	9.71	-63.9	-13.3
DPS (¥) (FY-basis)	-	-	3.0	3.0	-	-
Payout ratio (%)	-	-	25.3	30.9	-	-

Source: Company

Detail of FY3/25 sales and OP revision

Guidance	(¥bn)
Previous sales	20.08
Positive factor 1: Impact of 3-month sales from Minacia acquisition	4.30
Positive factor 2: Stronger performance at existing hotels	1.60
Revised sales	26.00
Previous OP	1.89
Positive factor 1: Impact of management integration with Minacia	0.66
Positive factor 2: Stronger performance at existing hotels	0.34
Negative factor 1: One-time management integration costs and external advisor fees	(0.35)
Negative factor 2: Goodwill amortization	(0.31)
Revised OP	2.20
Revised OPM (%)	8.5
Revised underlying OPM (%) (for negative factor 1)	9.8

Source: Company

We also note that without the one-time management integration costs and external advisor fees, the implied OPM for FY3/25 guidance would be 9.8% versus the reported 8.5%.



Integration with hotel and restaurant operator Minacia

The company 100% acquired Minacia on December 27, 2024, with a total consideration of ¥23.49bn comprised of ¥5bn cash and share swap worth ¥18.49bn (resultant dilution was approximately 82.7%). Minacia is an unlisted domestic limited-service hotel operator with 41 hotels and 5,450 rooms under management and operates 32 restaurants across Japan.

With the signing of the business alliance agreement with Minacia in June 2024 the subsequent acquisition and management integration, we believe the following to become possible:

- Expanding presence in dominant geographic markets and driving business expansion.
- Economies of scale and optimization of operations and management, improving profitability.
- Developing a platform that will drive fast decision-making and high return on investment from capital and human resources to drive corporate value.
- The acquisition will be significantly earnings accretive, with expectations of similar returns at the OPM level.

The integration has already had the following positive impact:

- Securing a ¥10bn loan due to improved credit.
- Revising up the company's medium-term plan to FY3/27.

Revised medium-term plan

The company has upwardly revised its medium-term plan covering FY3/25 to FY3/27. It has already achieved the target of reaching a network of 60 hotels and 10,000 rooms. **The revised target is 100 hotels and 15,000 rooms by FY3/27.**

Major uplift in sales and OP

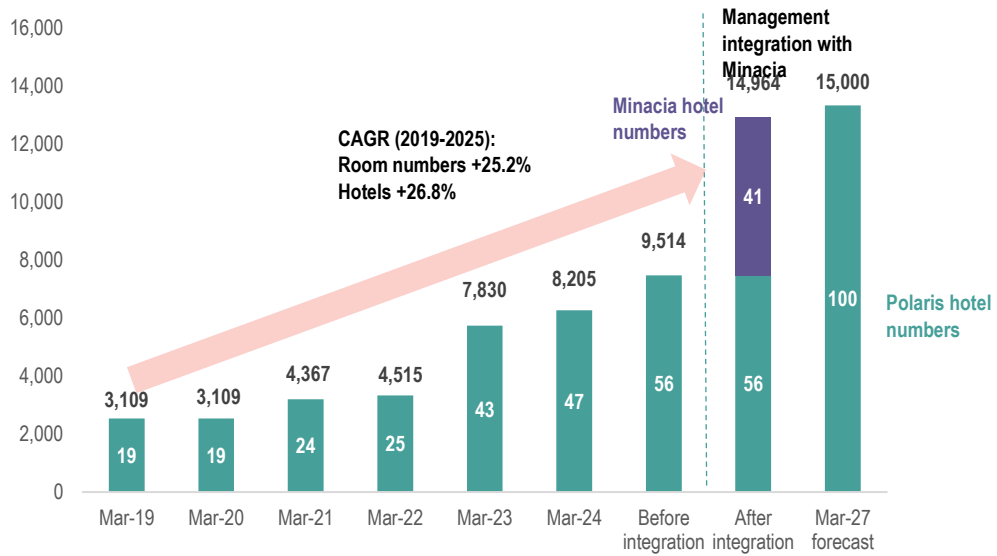
New medium-term plan targets

(¥bn)	FY3/26 (old)	FY3/26 (new)	Change (%)	FY3/27 (old)	FY3/27 (new)	Change (%)
Sales	-	-		25.00	49.00	+96.0
OP	1.69	2.60	+53.9	2.90	3.70	+27.6
<i>OPM (%)</i>	-	-		11.6	7.6	
Net Income	-	-		2.50	2.70	

Source: Company

High double-digit growth in hotel and room numbers

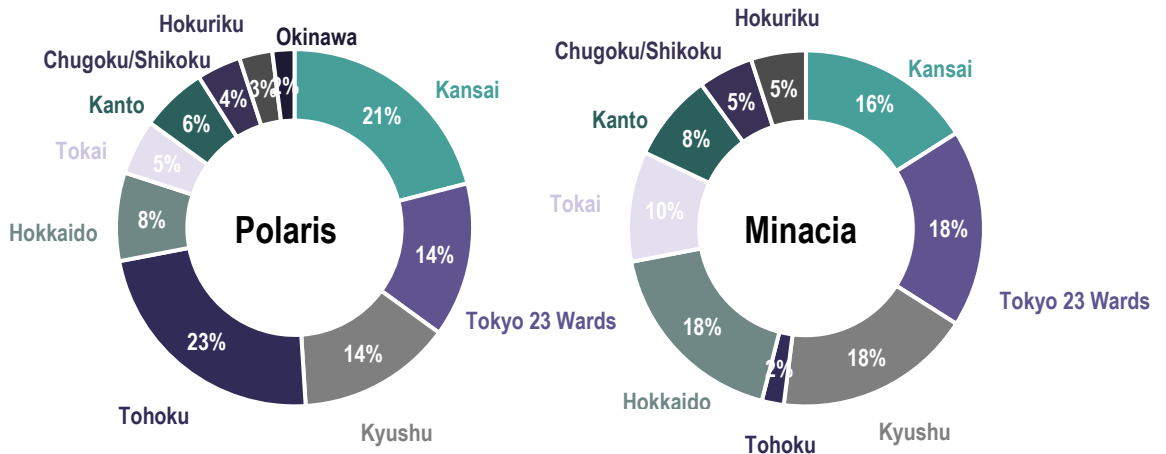
Track record of hotel and room numbers (domestic and overseas, includes new hotel openings)

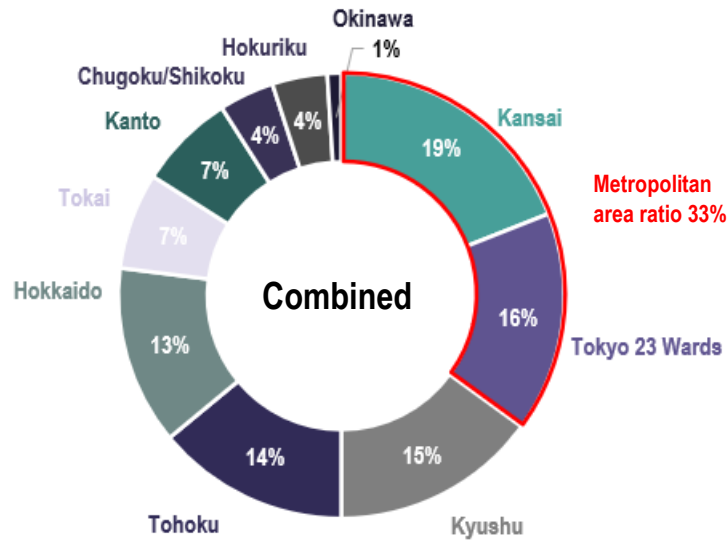


Source: Company

The outcome of the Minacia integration is that **Polaris Holdings has transformed into a bona fide top-10 player in the domestic limited-service hotel market**, with 91 hotels and 14,226 rooms. **Geographic diversification has progressed**, transforming the portfolio into one that can flexibly respond to the risk of fluctuations in hotel demand. **The hotel portfolio's overall risk-return profile has also been optimized**, with Polaris having a larger share of fee-based and variable-rent lease contracts versus Minacia, which has a relatively larger share of fixed-rent lease contracts resulting in an earnings structure with stability as well as strong growth potential.

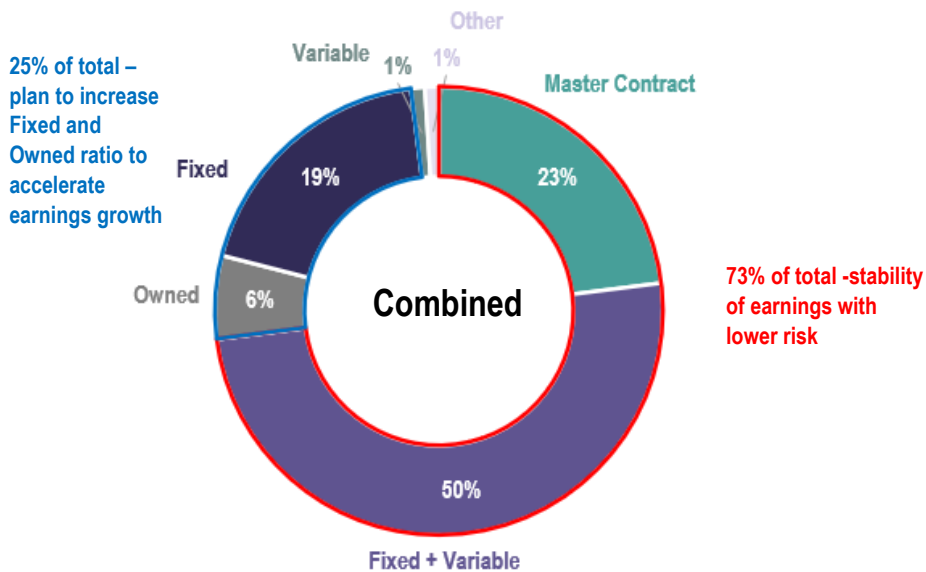
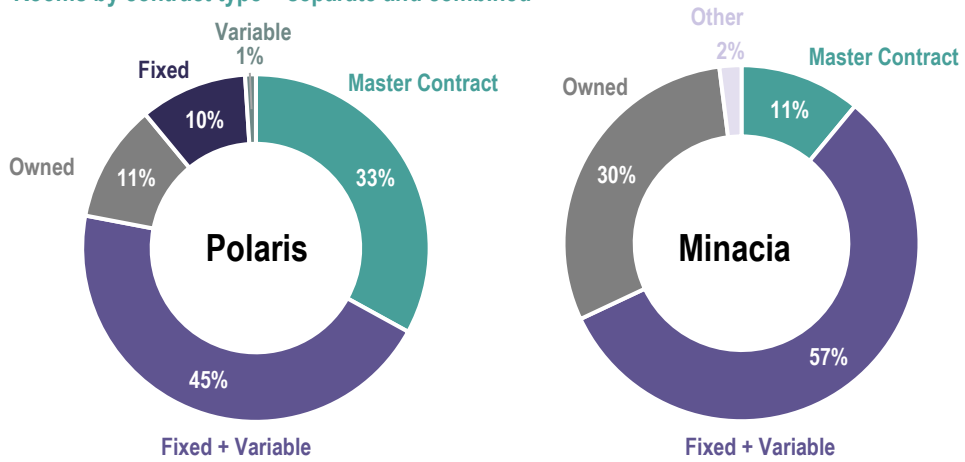
Rooms by region – separate and combined





Source: Company

Rooms by contract type – separate and combined



Source: Company



Astris earnings estimates and key assumptions

We have revised our earnings estimates for FY3/25 and beyond.

We have reflected on the impact of management integration of Minicia; the key assumption changes are as follows:

- More robust sales growth with an extended operating platform.
- OPM estimates have been lowered to reflect the approximate annual goodwill amortization cost of ¥1.24bn.
- Free cash flow estimates have been raised to partly reflect the goodwill amortization.

Astris Advisory earnings estimates

Year-end	FY3/25 guidance	FY3/25E (old)	FY3/25E (new)	FY3/26E (old)	FY3/26E (new)	FY3/27E (old)	FY3/27E (new)
Sales (¥bn)	26.0	20.56	26.90	23.75	32.48	26.33	47.29
Growth YoY (%)	+15.3	-8.8	+19.3	+15.5	+20.8	+10.9	+45.6
Operating profit (¥bn)	2.20	2.06	2.29	2.73	2.76	3.16	3.78
OPM (%)	8.5	10.0	8.5	11.5	8.5	12.0	8.0
EBITDA (¥bn)	N/A	2.67	4.33	3.44	4.98	3.95	6.44
EBITDA margin (%)	-	13.0	16.1	14.5	15.3	15.0	13.6
Recurring profit (¥bn)	1.50	1.37	1.55	2.05	2.19	2.48	3.21
Growth YoY (%)	-42.5	-47.3	-40.8	+49.1	+41.4	+20.9	+46.8
*Implied effective tax rate (%)	0	-11.0	0.5	10.0	10.0	20.0	15.0
Net income (¥bn)	1.50	1.53	1.54	1.84	1.97	1.98	2.73
Growth YoY (%)	-54.5	-35.4	-34.8	+34.2	+27.9	+7.5	+38.6
DPS (¥)	3.0	3.0	3.0	4.5	3.0	4.8	3.5
Payout ratio (%)	30.9	26.8	30.2	30.0	35.6	30.0	30.0
Dividend yield (%)	1.4	1.4	1.4	1.7	1.4	1.8	1.6
FCF (¥bn)	N/A	2.58	3.80	1.88	3.02	2.52	4.92
FCF margin (%)	-	2.4	14.1	3.4	9.3	4.4	10.4
FCF conversion (%)	-	39.2	245.7	47.3	138.1	48.3	153.5
FCF yield (%)	-	7.3	10.7	3.5	5.6	4.7	9.2
Diluted FCF yield (%)	-	6.7	9.9	3.2	5.2	4.3	8.5

Source: Astris Advisory

Note: FCF conversion is FCF/Pre-tax Profit

Note*: Implied effective tax rate assumes no extraordinary gains or losses

Current domestic Polaris hotel portfolio – 34 hotels

Name	Location	Rooms	Contract type
BW Osaka Tsukamoto	Osaka	105	Fixed + variable rent
BW Plus Hotel Fino Chitose	Chitose	154	Fixed + variable rent
BW Plus Hotel Fino Osaka Kitahama	Osaka	129	Fixed rent lease
BW Plus Nagoya Sakae	Nagoya	143	Fixed + variable rent
BW Hotel Fino Tokyo Akasaka	Tokyo	87	Fixed + variable rent
BW Hotel Fino Shin Yokohama	Yokohama	108	Fixed + variable rent
BW Plus Fukuoka Tenjin Minami	Fukuoka	236	Fixed + variable rent
VTH Ishinomaki	Miyagi	82	Fixed rent lease
VTH Narahakidoekimae	Fukushima	107	Fixed rent lease
Sure Stay Plus Hotel Shin-Osaka	Osaka	108	Fixed + variable rent
KOKO HOTEL Osaka Namba	Osaka	100	Variable rent lease
BW Hotel Fino Osaka Shinsaibashi	Osaka	179	Management contract
KOKO HOTEL Ginza Itchome	Tokyo	305	Fixed + variable rent
KOKO HOTEL Sapporo Ekimae	Sapporo	224	Fixed + variable rent
KOKO HOTEL Fukuoka Tenjin	Fukuoka	159	Fixed + variable rent
KOKO HOTEL Hiroshima Ekimae	Hiroshima	250	Fixed + variable rent
KOKO HOTEL Kagoshima Tenmonkan	Kagoshima	295	Fixed + variable rent
KOKO HOTEL Premier Kanazawa Korinbou	Kanazawa	207	Fixed + variable rent
KOKO HOTEL Premier Tokyo Nihonbashi Hamacho	Tokyo	223	Fixed rent lease
KOKO HOTEL Nagoya Sakae	Nagoya	204	Fixed + variable rent
KOKO HOTEL Osaka, Shinsaibashi	Osaka	211	Management contract
KOKO HOTEL Kobe, Sannomiya	Kobe	141	Fixed rent lease
KOKO HOTEL Premier Kumamoto	Kumamoto	205	Fixed + variable rent
KOKO HOTEL Residence Tokyo, Asakusa Kappabashi	Tokyo	47	Fixed + variable rent
KOKO HOTEL Residence Tokyo, Asakusa Tawaramachi	Tokyo	42	Fixed + variable rent
KAYA Kyoto Nijo Castle, BW Signature Collection by BW	Kyoto	57	Management contract
KOKO HOTEL Residence Kyoto Nijo Castle	Kyoto	36	Management contract
KOKO HOTEL Sendai Kotodai Park	Sendai	230	Fixed + variable rent
KOKO HOTEL Sendai Station West	Sendai	170	Fixed + variable rent
KOKO HOTEL Sendai Station South	Sendai	190	Fixed + variable rent
VTH Higashi Matsushima Yamoto	Miyagi	407	Owner-and-operator
VTH Sendai Naton	Miyagi	314	Owner-and-operator
KOKO HOTEL Tsukiji Ginza	Tokyo	188	Fixed + variable rent
KOKO HOTEL Sapporo Odori	Sapporo	145	Fixed + variable rent
Domestic total		5,788	

Source: Company



Current domestic Minacia hotel portfolio – 39 hotels

Name	Location	Rooms	Contract type
Hotel Wing International Asahikawa Ekimae	Asahikawa	260	Fixed + variable rent
Hotel Wing International Sapporo Susukino	Sapporo	165	Fixed + variable rent
Hotel Wing International Tomakomai	Tomakomai	182	Fixed + variable rent
Hotel Wing International Chitose	Chitose	152	Fixed + variable rent
Hotel Wing International Sukagawa	Fukushima	106	Fixed rent lease
Hotel Wing International Hitachi	Hitachi	67	Fixed + variable rent
Hotel Wing International Kashima	Kamisu	134	Franchise contract
Hotel Wing International Premium Tokyo Yotsuya	Tokyo	185	Fixed + variable rent
Hotel Wing International Shimbashi Onarimon	Tokyo	93	Fixed rent lease
Hotel Wing International Ikebukuro	Tokyo	90	Fixed + variable rent
Hotel Wing International Select Ikebukuro	Tokyo	152	Fixed rent lease
Hotel Wing International Korakuen	Tokyo	114	Fixed + variable rent
Hotel Wing International Select Ueno Okachimachi	Tokyo	141	Fixed rent lease
Hotel Wing International Select Asakusa Komagata	Tokyo	69	Fixed + variable rent
Hotel Wing International Tokyo Akabane	Tokyo	109	Fixed + variable rent
Hotel Wing International Shonan Fujisawa	Fujisawa	80	Fixed + variable rent
Hotel Wing International Sagamiyama	Sagamihara	130	Fixed + variable rent
Hotel Wing International Shizuoka	Shizuoka	186	Variable rent lease
Hotel Wing International Premium Kanazawa Ekimae	Kanazawa	121	Fixed rent lease
Hotel Wing International Hida Takayama	Takayama	139	Fixed + variable rent
Hotel Wing International Nagoya	Nagoya	224	Fixed + variable rent
Hotel Wing International Select Nagoya Sakae	Nagoya	120	Fixed rent lease
Hotel Wing International Premium Kyoto Sanjo	Kyoto	88	Fixed rent lease
Hotel Wing International Kyoto Shijo Karasuma	Kyoto	78	Fixed + variable rent
Hotel Wing International Premium Osaka Shinsekai	Osaka	128	Management contract
Hotel Wing International Select Osaka Umeda	Osaka	138	Fixed rent lease
Hotel Wing International Select Higashi Osaka	Osaka	132	Fixed rent lease
Hotel Wing International Kobe Shinnagataekimae	Kobe	133	Fixed + variable rent
Hotel Wing International Himeji	Himeji	111	Fixed + variable rent
Hotel Wing International Takamatsu	Takamatsu	132	Fixed rent lease
Hotel Wing International Shimonoseki	Shimonoseki	101	Fixed + variable rent
Hotel Wing International Select Hakata Ekimae	Hakata	213	Fixed + variable rent
Hotel Wing International Hakata Shinkansenguchi	Hakata	109	Management contract
Hotel Wing International Select Kumamoto	Kumamoto	152	Fixed rent lease
Hotel Wing International Kumamoto Yatsushiro	Kumamoto	130	Fixed + variable rent
Hotel Wing International Miyakonojo	Miyakonojo	93	Fixed + variable rent
Hotel Wing International Izumi	Izumi	108	Fixed + variable rent
Tenza Hotel & Sky Spa Sapporo Central	Sapporo	195	Management contract
Tenza Hotel Hakata Station	Hakata	120	Management contract
Domestic total		5,180	

Source: Company



The Philippine overseas platform is to operate the “Red Planet” brand hotels as an owner-operator. Furthermore, Red Planet BGC The Fort had a soft opening in December 2023, with the formal opening in May 2024, and is expected to grow earnings.

Hotel Portfolio in the Philippines – 14 hotels

Name	Location	Rooms	Contract type
Red Planet Davao	Davao	155	Owner-and-operator
Red Planet Manila Ortigas	Pasig	182	Owner-and-operator
Red Planet Aurora Boulevard	Quezon	167	Owner-and-operator
Red Planet Manila Aseana City	Paranaque	200	Owner-and-operator
Red Planet Manila Amorsolo	Makati	189	Owner-and-operator
Red Planet Angeles City	Angeles	165	Owner-and-operator
Red Planet Cebu	Cebu	150	Owner-and-operator
Red Planet Manila Mabini	Manila	167	Owner-and-operator
Red Planet Manila Bay	Manila	150	Owner-and-operator
Red Planet Manila Binondo	Manila	171	Owner-and-operator
Red Planet Manila Makati	Makati	213	Owner-and-operator
Red Planet Cagayan de Oro	Cagayan de Oro	159	Owner-and-operator
Red Planet Quezon Timog	Davao	140	Owner-and-operator
Red Planet BGC The Fort	Bonifacio Global City	245	Owner-and-operator
Total		2,453	

Source: Company



Summary

Polaris Holdings is a hotel operator with six core brands (five domestic and one overseas), acquiring Red Planet's business in the Philippines and Minicia in December 2024. During the pandemic, it underwent significant capital raising and is positioned to capitalize on the recovering hotel demand in a post-pandemic environment.

With the support of the Star Asia Group and a key focus on stable earnings growth, the company is implementing strategic investments into substantial reforms and demonstrating growth in the hotel market. Recovery and growth since the COVID-19 pandemic have been remarkable.

Growth strategy in the revised medium-term management plan

Shifting hotel
operator model to
higher return
formats

- The revised medium-term management plan aims to reach 100 operated hotels and 15,000 operational hotel rooms by FY3/27.
- Actively transitioning from the domestic legacy model involving long-term fixed rent leases towards low-risk **"Fee-For-Service"** management and variable rent lease contracts and constructing a portfolio that balances growth and stability by incorporating a well-balanced mix of fixed-rent and ownership-type assets where more upside potential can be realized.
- As a member of the Star Asia Group ecosystem, it is possible to implement flexible strategies such as expanding opportunities to manage new hotels, achieving long-term operational revenue, and executing selective investments or joint investments as an owner-operator.
- In addition to hotel operation contracts from Star Asia Group, the business portfolio should continue expanding by accepting operations from new third-party owners.
- In addition to operating lodging-focused hotels, which is the current main area, consider managing new hotel types such as resorts and traditional Japanese inns (ryokan). To pursue the expansion of the operational portfolio while enhancing organizational operational capabilities.

We estimate that Polaris Holdings will demonstrate sustainable growth, driven by the following factors:

- The business environment will remain positive for domestic and overseas travellers.
- Continued expansion of the operating platform.
- The shift in the hotel operating model is expected to improve operational leverage by reducing fixed costs and increasing earnings, while the outlook is for achieving higher growth through more profitable operational models.

The shares are trading on an estimated PER FY3/26 of 27.2x, an FCF yield of 5.6%, and a 1.3% dividend yield.



JGAAP Financial Summary

(¥bn)	FY 3/23	FY 3/24	FY 3/25E	FY 3/26E	FY 3/27E
Sales	7.02	22.55	26.90	32.48	47.29
COGS	0.51	6.59	2.69	3.25	4.73
Gross profit	6.51	15.95	24.21	29.23	42.56
Gross profit margin (%)	92.7	70.8	90.0	90.0	90.0
Operating profit	0.00	3.38	2.29	2.76	3.78
OP margin (%)	0.0	15.0	8.5	8.5	8.0
Non-operating income	0.03	0.05	0.05	0.05	0.05
Non-operating expense	(0.25)	(0.82)	(0.79)	(0.62)	(0.62)
Recurring profit	(0.22)	2.61	1.55	2.19	3.21
Extraordinary gains	1.46	1.46	-	-	-
Extraordinary losses	(0.69)	(0.69)	-	-	-
Pre-tax profit	0.55	3.38	1.55	2.19	3.21
Tax	0.02	1.02	0.01	0.22	0.48
Effective tax rate (%)	(5.4)	(3.6)	0.5	10.0	15.0
Net income	0.53	2.36	1.54	1.97	2.73
Non-controlling NI	-	-	-	-	-
Parent attributable NI	0.53	2.36	1.54	1.97	2.73
Sales growth YoY (%)	+89.0	+221.3	+19.3	+20.8	+45.6
OP growth YoY (%)	N/A	N/A	-32.4	+20.8	+37.0
NI growth YoY (%)	N/A	+341.5	-34.8	+27.9	+38.6

Balance sheet (¥bn)	FY 3/23	FY 3/24	FY 3/25E	FY 3/26E	FY 3/27E
Cash & equivalents	4.28	3.38	10.18	10.50	12.61
Trade debtors	1.84	1.76	2.10	2.54	3.69
Real estate for sales and stock	5.86	-	-	-	-
Other	0.88	2.81	3.35	4.05	5.90
Current assets	12.86	7.96	15.63	17.09	22.20
Tangible assets	9.87	12.81	21.61	20.40	18.83
Intangible assets	0.03	0.03	26.16	24.92	23.68
Investment & others	1.89	2.41	5.68	5.68	5.68
Fixed assets	11.79	15.25	53.45	51.00	48.20
Total assets	24.65	23.21	69.09	68.09	70.39
Short term borrowing	1.74	1.83	0.80	0.80	0.80
Trade creditors	0.39	0.36	0.19	0.23	0.33
Other	2.62	3.58	6.04	7.30	10.63
Current liabilities	4.75	5.78	7.03	8.33	11.76
Long term borrowing	15.50	9.89	19.89	19.89	19.89
Other LT liabilities	1.49	0.65	13.00	13.00	13.00
Long term liabilities	16.99	10.54	32.89	32.89	32.89
Shareholder's equity	2.91	6.88	29.16	26.87	25.74
Non-controlling interests	-	-	-	-	-
Total net assets	2.91	6.88	29.16	26.87	25.74
Total liabilities & net assets	24.65	23.21	69.09	68.09	70.39

Source: Company, Astris Advisory (estimates)

Cash flow statement (¥bn)	FY 3/23	FY 3/24	FY 3/25E	FY 3/26E	FY 3/27E
Profit before tax	0.55	3.38	1.55	2.19	3.21
Depreciation/amortization	0.74	0.70	2.05	2.21	2.66
Other non-cash items	(1.37)	(1.19)	(0.50)	(0.84)	(0.67)
Changes in working capital	(0.04)	4.85	1.40	0.16	0.43
Cash from Operating Activities	(0.11)	7.74	4.50	3.72	5.62
Capex	(0.00)	(0.24)	(0.70)	(0.70)	(0.70)
Acquisitions/increase stakes	(0.27)	(0.02)	(5.00)	-	-
Other investing cash flow	(0.46)	(1.40)	(0.93)	(1.17)	(1.05)
Cash from Investing Activities	(0.73)	(1.66)	(6.63)	(1.87)	(1.75)
Total cash dividends paid	-	-	-	(0.46)	(0.70)
Debt issuance/retirement	0.04	(6.48)	10.00	-	-
Equity financing	2.18	0.61	-	-	-
Other	(0.04)	(1.08)	(1.08)	(1.08)	(1.08)
Cash from Financing Activities	2.19	(6.94)	8.92	(1.54)	(1.78)
FX impact	-	0.01	0.01	0.01	0.01
Net cash flow	1.35	(0.85)	6.80	0.32	2.11
Free cash flow	(0.11)	7.50	3.80	3.02	4.92
EBITDA	0.75	4.09	4.33	4.98	6.44
Free cash flow margin (%)	-3.2	2.3	2.4	3.4	4.4
Free cash flow conversion (%)	N/A	40.1	39.2	47.3	48.3
EBITDA margin (%)	10.6	18.1	16.1	15.3	13.6
Capex/sales (%)	0.2	0.2	0.1	0.1	1.1
Capex/depreciation (%)	30.4	26.3	23.3	21	22
CFO margin (%)	-3.1	2.4	2.6	3.5	4.5

Key metrics	FY 3/23	FY 3/24	FY 3/25E	FY 3/26E	FY 3/27E
Profitability					
Gross margin (%)	92.7	70.8	90.0	90.0	90.0
Operating margin (%)	0.0	15.0	8.5	8.5	8.0
Net margin (%)	7.6	10.5	5.7	6.1	5.8
ROA (%)	2.2	10.2	2.2	2.9	3.9
ROE (%)	18.4	34.3	5.3	7.3	10.6
ROCE (%)	0.0	19.4	3.7	4.6	6.5
ROIC (%)	0.0	18.1	6.6	5.1	6.8
Liquidity					
Current ratio (x)	2.7	1.4	2.2	2.1	1.9
Quick ratio (x)	1.5	1.4	2.2	2.1	1.9
Leverage					
Debt/Equity ratio (x)	5.9	1.7	0.7	0.8	0.8
Net Debt/Equity ratio (x)	4.4	1.2	0.4	0.4	0.3
Equity ratio (x)	0.1	0.3	0.4	0.4	0.4
Interest cover (x)	0.0	4.6	2.9	4.4	6.1
Net Debt/EBITDA (x)	17.4	2.0	2.4	2.0	1.3
Valuation					
EPS reported (¥)	4.98	19.21	9.93	8.41	11.66
PER (x)	46.0	11.9	23.1	27.2	19.6
Diluted PER (x)	49.9	12.9	25.0	29.5	21.3
DPS (¥)	-	-	3.0	3.0	3.5
Dividend payout ratio (%)	-	-	30.2	35.6	30.0
Dividend yield (%)	-	-	1.3	1.3	1.5
Free cash flow yield (%)	(0.4)	26.7	10.7	5.6	9.2
Diluted FCF yield (%)	(0.4)	24.6	9.9	5.2	8.5
PBR (x)	18.4	7.8	1.8	2.0	2.1
EV/sales (x)	9.1	2.8	2.4	2.0	1.4
EV/EBITDA (x)	85.9	15.7	14.8	12.9	9.9
EV/EBIT (x)	20,792	18.9	28.0	23.2	16.9
EV/FCF (x)	N/A	8.5	16.9	21.2	13.0



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