

# **New Constructor's Network Co., Ltd.**

**7057**

Tokyo Stock Exchange JASDAQ

23-Aug.-2021

FISCO Ltd. Analyst

**Tomokazu Murase**



FISCO Ltd.

<https://www.fisco.co.jp>

## ■ Index

<b>■ Summary</b>	<b>01</b>
1. Overview of FY3/21 results	01
2. FY3/22 consolidated results forecasts	01
3. Investment in growth fields	01
<b>■ Company profile</b>	<b>03</b>
<b>■ Business overview</b>	<b>05</b>
1. The wooden-construction, earthquake-resistant design business	05
2. Others	07
<b>■ Results trend</b>	<b>09</b>
1. FY3/21 full-year results	09
2. Business segments and segment net sales	09
3. Financial position	11
<b>■ Strengths</b>	<b>13</b>
1. The SE-Structure Method	13
2. Timber Structure Design	13
3. Lifestyle	15
<b>■ Business Outlook</b>	<b>16</b>
1. FY3/22 consolidated results forecasts	16
2. Investment in growth fields	17
<b>■ The Wood Shock Problem</b>	<b>19</b>
<b>■ Corporate Social Responsibility (CSR)</b>	<b>19</b>
<b>■ Shareholder return policy</b>	<b>21</b>

## Summary

### Is developing a franchise network for the SE-Structure Method, a structurally calculated earthquake resistant construction method for wooden buildings.

### Is actively investing, including in the non-residential wooden buildings and the BIM business

New Constructor's Network Co. Ltd. <7057> (hereafter, also "the Company") conducts a business for advanced structural calculations to ensure the earthquake resistance of wooden buildings. It also provides the SE-Structure Method, which is the Company's proprietary construction system that incorporates the rigid construction method (a method of bonding the respective parts to the framework (parts) with rigid joints), which has been the mainstream method for steel-framed and reinforced concrete (RC) structures, into wooden homes, to realize wooden buildings with high levels of structurally calculated earthquake resistance. It provides this method through its network of registered SE-structure contractors.

#### 1. Overview of FY3/21 results

In the FY3/21 results, sales decreased but profits increased, with net sales of ¥6,431mn (down 2.7% year-on-year (YoY)), gross profit of ¥1,613mn (up 4.1%), operating income of ¥282mn (up 23.3%), ordinary income of ¥323mn (up 25.1%), and profit attributable to owners of parent of ¥225mn (up 24.1%). In the large-scale wooden buildings (non-residential) field, sales declined because of the significant extensions to the construction periods of public works projects and other projects due to the impact of the novel coronavirus pandemic (hereafter, COVID-19). However, the Company was able to cover for this decline through improving work efficiency, and it achieved new record highs for operating income and ordinary income. In addition, gross profit was higher than in FY3/20 and FY3/19 due to acquisitions of new registered contractors and improved productivity.

#### 2. FY3/22 consolidated results forecasts

For the FY3/22 results, the Company is forecasting net sales of ¥7,365mn (up 14.5% YoY), gross profit of ¥1,938mn (up 20.1%), operating income of ¥202mn (down 28.6%), ordinary income of ¥257mn (down 20.4%), and profit attributable to owners of parent of ¥200mn (down 11.1%).

#### 3. Investment in growth fields

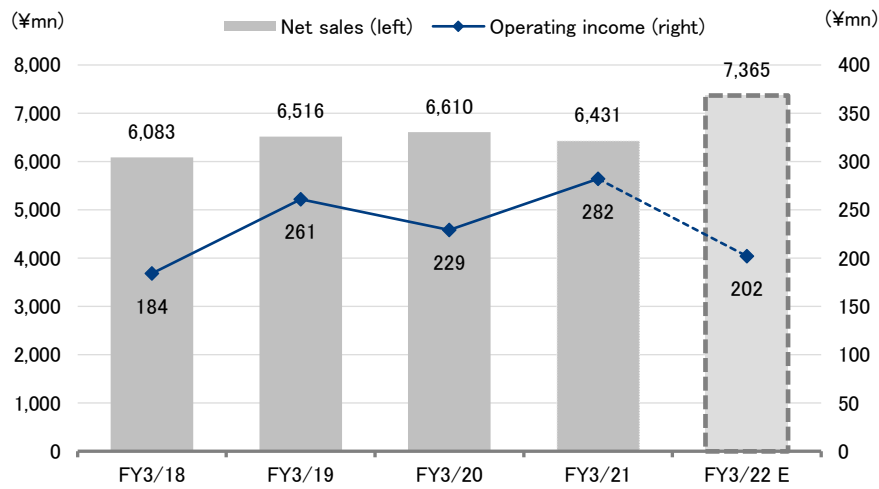
The Company has set investment in growth fields as the theme for FY3/22. It will actively invest in the growth fields of (1) the large-scale wooden buildings (non-residential) field and (2) the 3D CAD field in the BIM (Building Information Modeling) business, and also in (3) opening the R&D Center as investment in the Technology Department. The investment plan for the large-scale wooden buildings (non-residential) field involves (1) strengthening acquisitions of human resources, (2) expanding the pre-cut plants network, and (3) improving name awareness through actively conducting promotions. For the BIM business, considering the penetration of the BIM solution in the world and in the wooden-buildings field, at FISCO we think the BIM business will be the key to the Company's rapid growth. In Japan, which is lagging behind considerably from the trend for global standards, the utilization and development of BIM is expected to promote the societal implementation of Society 5.0 as part of the systems reforms in the construction field.

Summary

**Key Points**

- Is actively investing in the large-scale wooden buildings (non-residential) field, the BIM business, and the R&D Center
- Favorable business environment to perform its strength with the requirement of structural calculations for No.4 classification buildings which had not previously been required
- Is improving productivity through expanding the pre-cut plants network
- Will increase the growth of the BIM business toward the societal implementation of Society 5.0
- Will open the R&D Center to strengthen the SE-Structure Method's system

**Results trends**



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

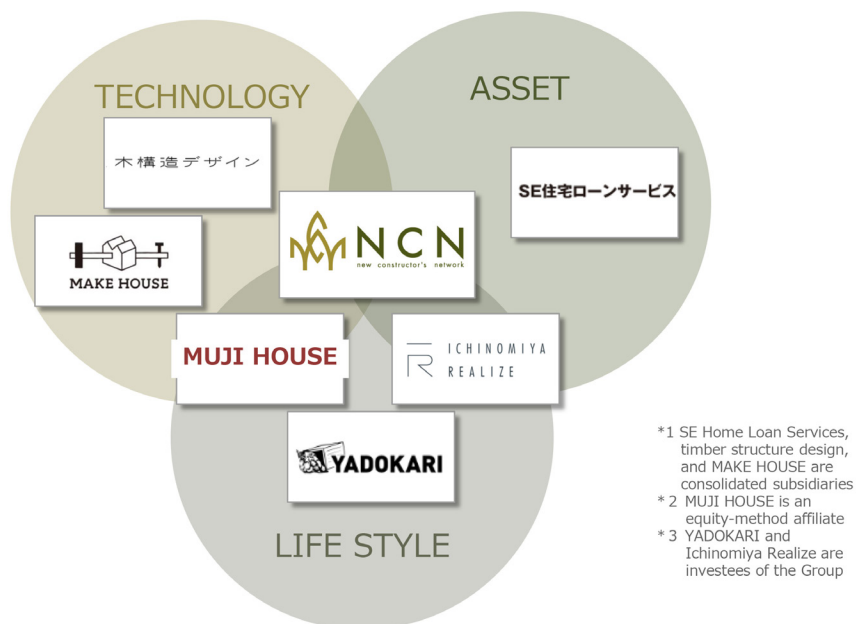
## Company profile

**Is developing a franchise network for the SE-Structure Method, its proprietary system for wooden buildings that ensures their earthquake resistance through structural calculations. Has shipped structural calculations for more than 25,000 buildings in total**

The Company conducts a business for advanced structural calculations to ensure the earthquake resistance of wooden buildings. It also provides the SE-Structure Method, which is the Company's proprietary construction system that incorporates the rigid construction method (a method of bonding the respective parts to the framework (parts) with rigid joints), which has been the mainstream method for steel-framed and reinforced concrete (RC) structures, into wooden homes, to realize wooden buildings with high levels of structurally calculated earthquake resistance. The system is provided through its franchise network of registered SE-structure contractors, mainly building contractors. The New Constructor's Network Group (hereinafter also "the Group") is a corporate group centered on the Company, combining the technologies field through Timber Structure Design Co., Ltd., and MAKE HOUSE Co. Ltd.; the assets fields through SE Home Loan Services Co., Ltd.; and the lifestyles field through MUJI HOUSE Co., Ltd., YADOKARI Co. Ltd., and Ichinomiya Realize Co., Ltd.

In the lifestyles field, in December 2019 the Company entered into a capital and business collaboration with YADOKARI. It is engaged in survey research and media management on new ways of living in the world; planning and development of idle land and interim land through utilizing cabins and moveable assets; and town-development support. Ichinomiya Realize was established in August 2016 for regional revitalization as a town-development company through funding by Ichinomiya Town, Chosei District, Chiba Prefecture, the Company, and other private-sector companies.

Status of the New Constructor's Network



Source: Reprinted from the Company's financial results briefing materials

We encourage readers to review our complete legal statement on "Disclaimer" page.

## New Constructor's Network Co., Ltd.

|

## 23-Aug.-2021

7057 Tokyo Stock Exchange JASDAQ

<https://www.ncn-se.co.jp/>

### Company profile

The Company was established in 1996 with the aims of disseminating safe and secure wooden structures and building a framework to provide homes with asset value. The Company President, Mr. Ikuo Takusari, was formerly employed in Nissho Iwai Corporation (currently, Sojitz Corporation <2768>). The Great Hanshin-Awaji Earthquake occurred in 1995, when he was active as a businessman in a trading company, and he witnessed the catastrophic damage to wooden housing. This informed him of the fact that wooden housing, which constitutes the majority of housing, does not employ structural calculations. So rather than being “weak because they are wooden,” these structures lacked structural designs from the start.

New Constructor's Network Co., Ltd., was established in 1996 as a joint venture between Seven Industries Co., Ltd. <7896> and Nissho Iwai. At that time, it requested the assistance of Mr. Shigeru Ban, the structural designer who had worked on the construction of the Nagano Olympics Memorial Arena. Utilizing Mr. Ban's expertise in large-scale buildings, the Company developed the SE-Structure Method for general homes also and worked on innovations in wooden building construction technologies. This proprietary system for wooden buildings, which offers overwhelming strength, has been one of the Company's strengths up to the present time. The SE-Structure Method is its intellectual property that cannot be duplicated by other companies because it is the result of its accumulation of 20 years of construction experience. Since the launch of the SE-Structure Method in 1997, the Company had shipped a total of more than 25,000 buildings in SE-Structure Method by the end of March 2021. Many major housing manufacturers request its OEM supply for the standard of their housing. The company name of New Constructor's Network means a network of new suppliers toward a new common sense that replaces the previous common sense in which structural calculations were not carried out, causing the asset value of pre-owned homes to decline.

### History

History	
<b>December 1996</b>	In order to not repeat the tragedy in 1995 of the Great Hanshin-Awaji Earthquake, New Constructor's Network Co., Ltd., was established in Minokamo City, Gifu Prefecture, as a joint venture between Seven Industries Co., Ltd., <7896> and Nissho Iwai Corporation (currently, Sojitz Corporation) to disseminate safe and secure wooden structures in Japan and to build a mechanism to supply homes with asset value.
<b>October 1997</b>	Acquired the Minister of Construction certification in the Building Standards Law Article 38 for the SE (Safety Engineering) Construction Method Wood Frame System Started sales of the SE-Structure Method
<b>November 1998</b>	Held the SE-Structure Method Housing Exhibition (SELL HOUSE Exhibition) by seven architects
<b>September 1999</b>	Started the SE Housing Performance Guarantee System ahead of the Defects Guarantee System Opened the Osaka branch office
<b>May 2000</b>	Acquired the Minister of Construction certification in the Buildings Standards Law Article 38 for the $\alpha$ - SE-Structure Method Wood Frame System (expanded the eaves height limit and an alternative-burning design)
<b>October 2001</b>	Acquired the Specified Constructor Business License (the Minister of Land, Infrastructure and Transport License No. 023620)
<b>May 2002</b>	Acquired the Minister of Land, Infrastructure and Transport certification in the Buildings Standards Law Article 68.26 for the SE-Structure Method-dedicated structural calculation program
<b>December 2003</b>	Started providing the “thick wooden-frame house” housing brand that uses the SE-Structure Method
<b>January 2004</b>	Conducted a capital participation and made an affiliate of MUJI net Co., Ltd., (currently MUJI HOUSE Co., Ltd., an equity method affiliate), a joint-venture subsidiary with Ryohin Keikaku Co., Ltd.
<b>October 2005</b>	Acquired the Minister of Land, Infrastructure and Transport certification for the Buildings Standards Law Article 68.26 for the SE-Structure Method Wood Frame system (split-level home)
<b>September 2006</b>	Acquired the Forestry Certified PEFC-CoC certification Stated the design office franchise network business (NDN business department)
<b>June 2008</b>	The system that includes the SE-Structure Method was adopted by the Ministry of Land, Infrastructure, Transport and Tourism for the Ultra-long-term Housing Leading Model Project Started the supply of feather-pattern materials and unit rebar in the SE-Structure Method Started sales of Walk in Structure, a SE-Structure Method-dedicated design CAD
<b>April 2009</b>	Following the enactment of the Act to Promote Ultra-long-term Excellent Housing, established the Ultra-long-term Excellent Housing Support Office (currently, the Ultra-long-term Excellent Housing Support Section, New Business Department) The residential housing supply system using the SE-Structure Method was certified as a Ministry of Land, Infrastructure, Transport and Tourism, Long-term Excellent Housing Leading Business and adopted as an auxiliary business Started the use of domestically produced timber in the SE-Structure Method
<b>October 2010</b>	The system that includes the SE-Structure Method was selected by the Ministry of Land, Infrastructure, Transport and Tourism as the FY2010 Ultra-long-term Excellent Housing Leading Business Started the environmental design service (currently the primary energy consumption volume calculation service)

We encourage readers to review our complete legal statement on “Disclaimer” page.

Company profile

History	
March 2012	Established SE Home Loan Services Co., Ltd., (currently a consolidated subsidiary) to conduct operations including loan agency operations and the brokerage of financial instruments The SE-Structure Method Wood Frame system received a structural assessment by the Building Center of Japan Improved the performance of the SE-Structure Method for long-term use (introduced lag screw bolts and improved the rigid frame)
March 2013	Spun-off the design office franchise network business as NDN Co., Ltd.
June 2015	Established MAKE HOUSE Co., Ltd., (currently a consolidated subsidiary) to develop and deploy BIM solutions for the housing industry
July 2016	Acquired the resilience certification
February 2017	Absorption merger of NDN Co., Ltd.
February 2018	Relocated site of the Head Office to Minato Ward, Tokyo
March 2018	Acquired the Housing Lots and Buildings Transactions Business License (Governor of Tokyo License (01) No. 101790)
March 2019	Listed on the Tokyo Stock Exchange JASDAQ market
October 2019	Participated in Isumi Forest Living, a regional revitalization project of Isumi City, Chiba Prefecture
December 2019	In the 23rd Japan Timber Engineering Society Technology Presentation, the Company's executive officer was awarded the Motoaki Okuma Award Entered into a capital and business collaboration with YADOKARI Co. Ltd., which is engaged in survey research and media management on new ways of living in the world; planning and development of idle land and interim land through utilizing cabins and moveable assets; and town-development support
February 2020	Established Timber Structure Design Co., Ltd., as a joint venture with NET EAGLE, which has the leading market share for wooden pre-cut CAT development

Source: prepared by FISCO from the Company's securities reports and press releases

## Business overview

**The SE-Structure Method's structural calculations, which are just as precise as for steel-frame buildings, provide wooden homes with high asset value.**

**Is focusing on introductions of BIM in the wooden-construction field which will be the growth engine going forward**

### 1. The wooden-construction, earthquake-resistant design business

The Company conducts a business for advanced structure calculations to ensure the earthquake resistance of wooden buildings. It also provides the SE-Structure Method, which is the Company's proprietary construction system that incorporates the rigid construction method (a method of bonding the respective parts to the framework (parts with rigid joints), which has been the mainstream method for steel-framed and reinforced concrete (RC) structures, into wooden homes, to realize wooden buildings with high levels of structurally calculated earthquake resistance. The system is provided through the Company's network of registered SE-structure contractors, mainly building contractors, offering one-stop service from structural calculation to supply of the pre-cut materials.

## Business overview

**(1) The residential field (the SE-Structure Method, an earthquake-resistant construction method)**

At first, when the franchisee gets an order, the Company ships structural calculation sheets at the design stage. Then, it sells the structure-processed parts and other products at the construction stage. It also receives registration fees and monthly membership fees from the registered construction companies. The SE-Structure Method is a state-of-the-art wood-construction technology that realizes both excellent earthquake-resistant performance and a high degree of freedom for spaces. The wood used in the SE-Structure Method for the structural framework is all "custom laminated-wood," which is extremely strong and has consistently high levels of quality. The homes also have the advantage of few cross-section defects due to the use of SE metallic materials in the pedestal parts that connect the columns and the beams. Also, to protect against the tremors that occur in a large earthquake, the Company uses a metallic material called "pedestal metallic material," which directly connects the foundation and the pillars for the parts connecting the pillars and the foundation, which are the most fragile parts. This greatly improves their resistance to separation. Moreover, the metallic materials that are bonded to the wooden materials are extremely strong, which is also a major element of the method. However, the main reason why it is said that the SE-Structure Method is strong against earthquakes is related to the structural calculations. For wooden homes, the SE-Structure Method uses structural calculations that are supported by numerical values, the same as for steel-frame and reinforced-concrete structures, and as all properties are sold with a guarantee, houses with high asset value are provided.

**a) The franchise network (residential field franchise network)**

Toward the spread of wooden homes with high earthquake resistance through its proprietary construction system SE-Structure Method, the Company is aiming to strengthen acquisitions of registered contractors for its network, and in FY3/21, the number of contractors increased by 45 from the previous year to 546 companies. It is promoting the appeal of joining the network on a digital exhibition site using YouTube with partners promoting DX, and by incorporating on Instagram the "Thick wooden-frame house," which is the Company's brand for housing using the SE-Structure Method. "Thick wooden-frame house" is the general term for houses with high asset value constructed by the Company's "thick wooden-frame house premium partners" that it selects from among its 546 SE-Structure Method registered contractors.

**b) Housing manufacturer services (OEM supply)**

The Company provides OEM supply of its SE-Structure Method for its partner companies, such as house manufacturers that sell standard housing (including several major housing manufacturers). When a partner company sells a standard home, the Company ships the structural calculations sheets, and it also sells the structure-processed parts and other products. Younoie from MUJI HOUSE, which is the subsidiary that provides MUJI homes, is a one-floor building that does not require corridors being only one-story and needs are high as a double-base dwelling or villa. Other than these, MUJI HOUSE is also working on a regional revitalization business with the Urban Renaissance Agency based on housing-complex renovation.

**(2) The large-scale wooden buildings (non-residential) field**

In the large-scale wooden buildings (non-residential) field, the Company uses the SE-Structure Method to provide wooden buildings with a total floor area of more than 500 m<sup>2</sup>. Due to the enforcement of the Act for Promotion of Use of Wood in Public Building (October 2010), construction demand for large-scale wooden buildings that require structural calculations is expected to grow, and the Company is applying its expertise in earthquake-resistant designs for wooden buildings to large-scale wooden buildings to develop its business in this field. The features of its large-scale construction work include that its structures are lighter in weight than steel-frame and reinforced-concrete structures and it is able to keep down on construction costs and the construction period.



#### Business overview

The SE-Structure Method, an earthquake-resistance construction method, realizes both excellent earthquake resistance and a high degree of freedom for spaces through the use of materials that are thoroughly quality controlled and calculated structurally. This business field is growing remarkably due to the global promotion of wooden buildings and wooden materials, made relevant by environmental issues like forest conservation and global warming. In order to further accelerate growth, the Company has entered-into a business collaboration with NET EAGLE, which has the leading market share for wooden pre-cut CAD development. This collaboration is for a structural design business in the large-scale wooden buildings (non-residential) field, which also handles construction methods other than the SE-Structure Method. In February 2020, the two companies established Timber Structure Design as a joint venture. Further, in October 2020, it started providing Japan's first matching platform business to match general contractors and design offices in the large-scale wooden buildings market to pre-cut plants. Timber Structure Design will provide structural design support and processing support, in addition to establishing a production system through forming a network of pre-cut plants. At the same time, through conducting advertising activities to general contractors and design offices, it will provide a one-stop service, from structural design through to production design. For the structural design support, it will propose construction methods according to aspects such as the building's use and size (the SE-Structure Method, the conventional framework construction method\*1, the 2x4 construction method, laminated wood\*2 structures, the CLT\*3 construction method, etc.), and the Company is aiming to increase its share in the large-scale wooden buildings market by applying to other construction methods its expertise cultivated through conducting structural calculations for more than 25,000 buildings.

\*1 Conventional framework construction method: a construction method that simplifies and was developed from traditional Japanese construction methods

\*2 Laminated wood: wood material made by reconstructing panels bonded with adhesive

\*3 CLT (Cross Laminated Timber): thick laminated panels bonded together in layers so that each layer is perpendicular to the other layers

## 2. Others

In order to achieve its goal of "creating a mechanism to provide homes with asset value in Japan" centered primarily on the wooden-construction, earthquake-resistant design business, the Company provides a variety of services to improve the asset value of homes, including an energy conservation calculation service and a long-term quality housing certification agency service.

### (1) Energy conservation calculation service

The Company provides various services, including an energy conservation calculation service and a long-term quality housing certification agency service. It started providing the energy conservation calculation service in 2010, looking ahead to the addition of primary energy consumption volume to the evaluation standards in 2013 with the introduction of the New Energy Saving Standard and the enforcement of the revised Building Energy Efficiency Act from 2020. (Since April 2021 in the revised Building Energy Efficiency Act, it has been made obligatory for the constructing party to explain whether or not the building complies with energy-saving standards.)

The Company provides services not only for homes constructed using the SE-Structure Method, but also for homes constructed using other construction methods, and it is working for the dissemination of zero energy homes. In order to create fuel-efficient housing, there are a wide range of techniques for keeping down the energy consumed, and "energy conservation calculations" is the method to confirm whether each one of these techniques is functioning properly before actually constructing the home. In energy conservation calculations, the home's thermal insulation performance, sunlight shielding performance, and energy volume consumption are each calculated using the calculation methods prescribed by the Japanese government. The Company issues an Energy Conservation Performance Report, which adds an explanation of the results for customers in addition to the results of these calculations.

## Business overview

**(2) Home loan business (SE Home Loan Services)**

SE Home Loan Services, which is a consolidated subsidiary and the agency of Credit Saison's Flat 35, is establishing a framework to financially back-up people acquiring homes by ordering with registered contractors.

Flat 35 lowers the initial interest rate for high-quality homes with earthquake resistance and energy-saving performance, and it is provided as a home loan that can provide support for purchasing the Company's high-quality homes while also providing peace of mind.

**(3) BIM (Building Information Modeling) business**

BIM refers to a system to construct a building information model with attribute information on the building, mainly of 3D shape information created on a computer, but also other information such as on the name and area of the room, the specifications and performance of the materials and parts, and the finishing. Consolidated subsidiary MAKE HOUSE is realizing the integration of data, from the designs of wooden homes through to production, and it is developing and selling BIM solutions in order to supply to the market inexpensive homes with high asset value.

MAKE HOUSE's main service is a consulting business to improve work efficiency through BIM and to promote introductions of IT. In addition to BIM consulting for construction businesses, it conducts a BIM projects consignment business as a service that directly supports actual projects. Other than these, it is conducting various businesses, from content production that utilizes VR (virtual reality) and MR (mixed reality) technologies to developing various simulations, including presentation environments. It is also developing various tools to accelerate the automation of BIM, holding BIM-related seminars and conducting an education business jointly with its parent company PaperlessStudio Co., Ltd., which is a group of BIM professionals, and developing tools to accelerate operations for design work. The rate of introduction of BIM into general contractors in Japan had risen to as high as around 80% (as of 2018). But its rate of introduction in the wooden-construction field is low and there is little data on it, and although measures to make the introduction of BIM obligatory are being progressed around the world, the situation is that Japan is lagging behind considerably for this. Within the promotion of DX, the Japanese government has indicated an awareness of the need to gradually show and share an understanding of the effects and contribution of introducing BIM and its functions and the technological elements of its application. So at FISCO, we think that for the Company, whose strengths include a BIM business for wooden buildings, this business will become its engine of growth in the future.

Since it started providing the SE-Structure Method, the Company has conducted structural calculations for all its properties, totaling more than 25,000 buildings. Despite experiencing the Niigata Chuetsu Earthquake, the Great East Japan Earthquake and the Kumamoto Earthquake, these homes did not collapse, nor suffer other damage, such as being fully or partially destroyed. The Company is building a property database that is its intellectual property and cannot be easily duplicated by other companies. This has become a strength that increases its growth potential.

## Results trend

**In FY3/21, sales declined due to the impact of COVID-19, but both operating income and ordinary income set new record highs. Gross profit rose due to the improved productivity**

### 1. FY3/21 full-year results

In the FY3/21 results, sales decreased but profits increased, with net sales of ¥6,431mn (down 2.7% YoY), gross profit of ¥1,613mn (up 4.1%), operating income of ¥282mn (up 23.3%), ordinary income of ¥323mn (up 25.1%), and profit attributable to owners of parent of ¥225mn (up 24.1%). In the large-scale wooden buildings (non-residential) field, sales declined because of the significant extensions to the construction periods of public works projects and other projects due to the impact of COVID-19. However, the Company was able to cover for this decline in sales through improving work efficiency, and it achieved new record highs for operating income and ordinary income. In addition, gross profit was higher than in FY3/20 and FY3/19 due to acquisitions of new registered contractors and improved productivity.

#### FY3/21 full-year results

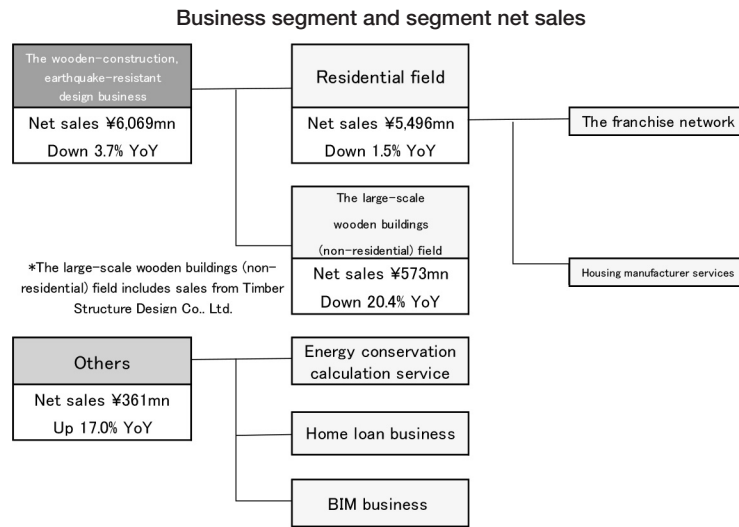
	(¥mn)			
	FY3/20	FY3/21	Change	Increase/ decrease rate
Net sales	6,610	6,431	-178	-2.7%
Gross profit	1,550	1,613	63	4.1%
Operating income	229	282	53	23.3%
Ordinary income	258	323	64	25.1%
Profit attributable to owners of parent	181	225	43	24.1%

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

### 2. Business segments and segment net sales

In terms of the housing market environment in FY3/21, the number of new housing starts in 2020 (January to December) declined 9.92% compared to the previous year to 815,000 houses. This included due to the impact of the self-restraint on sales activities because of COVID-19 and a continuation of the rebound decline following the hike in the consumption tax rate in 2019, and in the market as a whole, the ordering-environment conditions remained severe. Also, in January 2021, the Japanese government once again issued a declaration of a state of emergency in major urban areas and the end of the COVID-19 pandemic continues to remain out of sight. In this sort of business environment, the Company quickly implemented measures to prevent the spread of COVID-19 infections, introduced a remote working system, and changed workspaces. In sales measures, it conducted new sales activities during the COVID-19 pandemic, including establishing a virtual exhibition site on YouTube and actively holding remote seminars, to keep down to the absolute minimum the impact of the self-restraint on sales.

Results trend



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

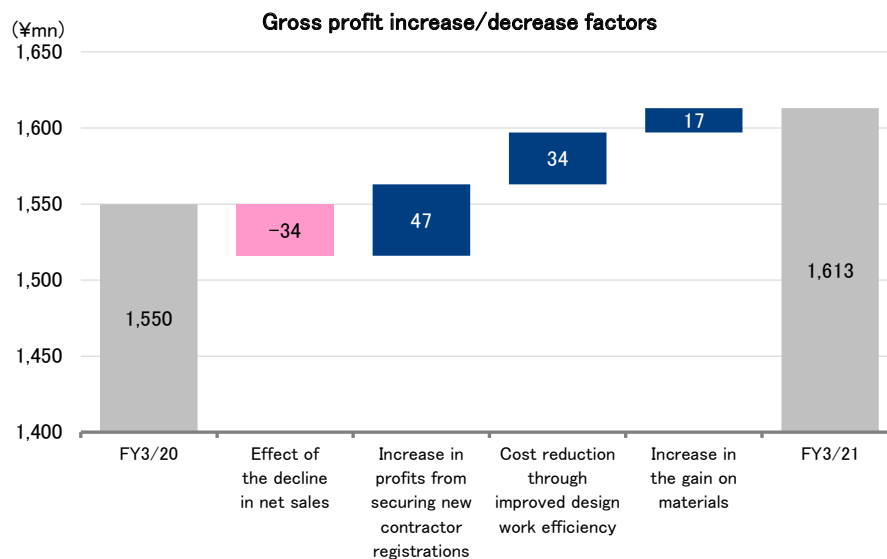
In this sort of economic environment, net sales in the wooden-construction, earthquake-resistant design business were ¥6,069mn (down 3.7% YoY). Within the wooden-construction, earthquake-resistant design business, the residential field's net sales were ¥5,496mn (down 1.5%). In the 1Q, net sales decreased significantly from April 2020 onwards due to the major impact of COVID-19, while in the 4Q as well, they were affected by the re-declaration of a state of emergency. Conversely, the number of structural calculation shipments recovered steadily from August onwards, and in the 3Q and the 4Q, they exceeded the numbers in the same periods in the previous fiscal year. The Company first conducts the structural calculations upon receiving an order. The building's structural calculations are conducted in advance and after confirming the application, finally the structure-processed parts and other items are shipped. For a residential home, this will complete the framework (the customer conducts a "framework completion ceremony") and the Company records a sale at this point. Among the shipments of structural calculations, many housing manufacturers and contractors do not consult with customers due to their self-restraint and find themselves in a situation in which they cannot directly obtain the customer's seal (to complete the contract). In a construction consignment contract, a seal is necessary and an explanation must be provided through a direct consultation. Structural calculations are followed by shipping of the structure and the framing completion ceremony is performed. But the worksite is currently recovering and there are only an extremely small number of people, enabling the Company to make progress on the site while taking sufficient measures to prevent the spread of infections. Therefore, while it appears that the net sales of major housing manufacturers declined by nearly 10% YoY, those of the Company declined by only 1.5%.

In the large-scale wooden buildings (non-residential) field, net sales declined greatly to ¥573mn (down 20.4%). Following the enforcement in October 2010 of the Act for the Promotion of the Use of Wood in Public Buildings, the use of wood in public buildings involving the national government and local governments is being promoted, and orders are increasing alongside the shift to wooden construction for buildings that are larger in scale than residential homes. But the major extension of the construction periods of public work projects and other projects due to the impact of COVID-19 has had a major effect. There has been significant movements for project postponements and cancellations during the COVID-19 pandemic. But in contrast, the needs for structural calculations are rising from the viewpoint of the importance of earthquake resistance, and the number of consultations with the Company is increasing. So at FISCO, we think that it is fully possible that it can acquire orders that will cover for the negative aspects in FY3/21.

Results trend

In others (development and support departments), net sales were ¥361mn (up 17.0% YoY). From April 2021, providing an explanation was made obligatory for energy saving performance of homes. To address the higher demand in response to this change, the Company now issues Energy Saving Performance Report that adds an explanation to the energy-saving calculations data. It achieved double-digit growth by responding to the needs at the current time for energy saving and decarbonization.

Gross profit increased to ¥1,613mn (up 23.3% YoY). The effect of the decline in net sales was ¥34mn, but gross profit still rose because of the increases in newly registered contractors and network partners, and also due to the effect of active IT investment made from an early stage to progress DX. Therefore, profit increased ¥47mn by securing new contractor registrations, while the effects of reducing costs through improved design work efficiency was ¥34mn and the increase in the gain on materials was ¥17mn.



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

### 3. Financial position

Total assets were ¥5,103mn, increasing ¥390mn from the end of the previous period. This was mainly due to increases of cash and deposits of ¥298mn, intangible fixed assets of ¥70mn, and investment securities of ¥30mn. Total liabilities were ¥3,110mn, increasing ¥244mn, mainly because electronically recorded obligations increased ¥139mn and guarantee deposits received rose ¥48mn. Total net assets were ¥1,993mn, increasing ¥145mn, mainly due to the increase in retained earnings. As a result, the equity ratio was 38.1% on a consolidated basis.

**New Constructor's Network Co., Ltd.** | **23-Aug.-2021**  
 7057 Tokyo Stock Exchange JASDAQ | <https://www.ncn-se.co.jp/ir/>

## Results trend

**Balance sheet**

	FY3/20	FY3/21	Change	(¥mn)
Current assets	4,043	4,321	277	Cash and deposits +298
Fixed assets	669	782	112	Intangible fixed assets +70, investment securities +30
<b>Total assets</b>	<b>4,713</b>	<b>5,103</b>	<b>390</b>	
Current liabilities	2,215	2,410	195	Accounts payable, etc. +129, Income taxes payable, etc. +41
Fixed liabilities	650	700	49	
<b>Total liabilities</b>	<b>2,865</b>	<b>3,110</b>	<b>244</b>	
Capital	390	390	0	
Capital surplus	263	263	0	
Retained earnings	1,167	1,308	141	
Others	26	29	3	
<b>Net assets</b>	<b>1,847</b>	<b>1,993</b>	<b>145</b>	
Equity ratio	38.3%	38.1%	-	
Net assets per share (¥)	561.96	605.05	43.09	

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

In the cash flow conditions, net cash provided by operating activities was ¥471mn. The increase factors were profit before income taxes, etc., of ¥313mn, depreciation expenses of ¥54mn, an increase in trade payables of ¥85mn, and an increase in newly registered contractor deposits of ¥40mn. Net cash used in investment activities was ¥90mn. The main factors were purchase of intangible assets of ¥75mn, but this is an investment in software toward investing in systems for DX, and expenditure on office layout costs of ¥11mn in others. Since it was listed, the Company has invested in an in-house customer management system, while it has also invested in a lot of software, and in FY3/21 as well, it continued to actively invest in systems for DX. Cash flow used in financing activities was ¥82mn due to dividend payments of ¥83mn. Cash and cash equivalents increased ¥298mn from the end of the previous period to ¥2,905mn.

**Statement of Cash Flows**

	FY3/20	FY3/21	Main revenues and expenditures	(¥mn)
Cash flows from operating activities	74	471	Profit before income taxes, etc. +313, Depreciation expenses +54, Increase in trade payables +85, Deposits from newly registered contractors +40	
Cash flows from investment activities	-84	-90	Office layout costs -11, Expenditure for system investment -75	
Cash flows from financing activities	-53	-82	Dividend payments -83	
<b>Cash and cash equivalents at the end of the period</b>	<b>2,607</b>	<b>2,905</b>		

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

## Strengths

### **The revised Architect Act requires structural calculations for wooden homes as well, and demand is increasing for the SE-Structure Method that utilizes the Company's expertise in large-scale wooden buildings for homes in general**

#### **1. The SE-Structure Method**

The SE-Structure Method utilizes the Company's expertise in large-scale buildings for general housing. Conventionally, the rigid construction method (a method of bonding the respective parts to the framework (parts) with rigid joints) has been the mainstream method for steel-frame and reinforced concrete (RC) structures. The SE-Structure Method is the Company's proprietary construction system for wooden buildings that incorporates this rigid method for wooden housing into a system to construct wooden homes that are safe and convenient to use. This proprietary system constructs wooden buildings that are overwhelmingly strong. Up until now, it has been one of the Company's strengths and intellectual property that other companies cannot duplicate, because it is the result of the Company's accumulation of 20 years of construction experience.

In this construction method, the Company conducts structural calculations for all buildings and uses structurally high quality laminated wood and SE metal materials that it itself developed for the SE joint parts. Through this method, it realizes high earthquake resistance and large spaces through laminated wood and SE metal materials. The system enables integrated management in every step of the process, from the structural calculations through to the supply of parts, the construction and inspection, and the performance guarantee. Up to FY3/20, the Company focused on actively utilizing the approximately 500 existing registered contractor companies. But as its system and structure is now in place and toward the further spread of wooden homes with high earthquake resistance, it is aiming to strengthen acquisitions of new contractors, and in FY3/21, the number of contractors increased by around 50 to 546 companies.

On March 1, 2020, the Ministry of Land, Infrastructure, Transport and Tourism reviewed the revised Architect Act (in relation to Enforcement Regulations Article 21), and it became obligatory even for No.4 classification buildings of wooden, two-story buildings with a total floor area of less than 500m<sup>2</sup>, to store the design documents such as structural calculation documents for 15 years, which had not been obligatory up to that time. As this requires structural calculations even for wooden homes, going forward this is expected to be a major issue for business continuity for companies like design firms and contractors. Conversely, at FISCO we think that this business environment will lead to earnings growth for the Company, which conducts an advanced structural calculations business in order to secure the earthquake resistance of wooden buildings.

#### **2. Timber Structure Design**

In February 2020, the Company entered into a business collaboration with NET EAGLE, which has the leading market share for wooden pre-cut CAD development (more than 60%). This collaboration is for a structural design business in the large-scale wooden (non-residential) field handling construction methods other than the SE-Structure Method. The two companies established Timber Structure Design as a joint venture.

#### Strengths

First, the Act for Promotion of Use of Wood in Public Building was enforced in October 2010. The Act focuses on the target of public buildings, which have a low wooden-building rate, and for which demand can be expected to increase in the future. It calls on the Japanese government to take the lead in promoting the use of wooden materials, and it also encourages independent efforts by local governments and private-sector businesses in accordance with the national policy. The aim is to increase the demand for wooden materials as a whole, including from the ripple effects to homes and other general buildings. On the other hand, the Building Standards Act defines the following buildings for which safety must be confirmed through structural calculations.

#### **Sizes of wooden buildings (Number of floors and total floor space)**

- (1) Wooden buildings, including homes, of three or more floors
- (2) Wooden buildings, including homes, with a total floor space of more than 500 m<sup>2</sup>
- (3) Wooden buildings, including homes, of more than 13 m in height
- (4) With eaves of a height of more than 9 m

Buildings to which these regulations apply cannot be constructed unless structural calculations are carried out.

However, there are few structural designers who are able to handle wooden buildings other than housing. This causes problems for collaborations with the production side, such as for the pre-cut process. Therefore, the current situation is that the spread and growth of non-residential wooden buildings are sluggish. Given this situation, the Company established Timber Structure Design as a joint venture with NET EAGLE, which has the leading market share for wooden pre-cut CAD development. The establishment of this joint venture is expected to generate synergies for both companies. Also, as the Company will now handle structural designs and production designs for non-residential wooden buildings that were not constructed using the structural design SE-Structure Method, it will play a major role in driving the business for the non-residential wooden building market.

In contrast to the rising needs for non-residential buildings and the market's growth, there are few structural designers able to handle this market. Therefore, the current situation is that information cannot be accurately conveyed to manufacturing plants in accordance with the structural design drawings. In this situation, the ability to provide consulting at the same time for both costs and construction at the structural design stage is a major advantage for clients. Timber Structure Design is able to ensure the correct manufacturing process in accordance with the drawings in pre-cut plants and provide the optimized production design as pre-cut data linked to the structural design. So as it is able to offer a one-of-a-kind, one-stop service for a variety of buildings, the effects of its establishment are likely to be fairly strong.

This collaboration is a win-win relationship for NET EAGLE and the Company: the "new large-scale wooden building market" will create new demand for the pre-cut plants of NET EAGLE's 400 client companies nationwide, while also providing a new market for the Company's 546 registered construction companies that construct wooden housing. The Company is expected to grow to be a company that aims to provide total wooden-construction solutions, using not only the SE construction method, but also other construction methods as appropriate, including the CLT construction method, the laminated wood construction method, and the conventional framework construction method. It will do this by utilizing the competitive advantages that it has acquired from supplying more than 25,000 homes and expanding the market share of its structural design systems to large-scale wooden buildings.



#### Strengths

Moreover, in October 2020, the Company launched for the first time in Japan a matching platform that will match general contractors and design firms in the large-scale wooden buildings market to pre-cut plants. It will provide structural design support and processing support, in addition to establishing a production system through forming a network of pre-cut plants. At the same time, through conducting advertising activities to general contractors and design offices, it will provide a one-stop service, from structural design through to production design. In the structural design support, it will propose construction methods according to aspects such as the building's use and size (the SE-Structure Method, the conventional framework construction method, the 2x4 construction method, laminated wood structures, the CLT construction method, etc.) The Company is aiming to increase its share of the large-scale wooden buildings market by transferring to other construction methods its expertise in structural calculations, which it has conducted for more than 25,000 buildings, and by conducting structural calculations

Through expanding the pre-cut plants network, the Company is strengthening the production system for wood-en-construction, non-residential properties, and it is collaborating with plants and 18 major companies nationwide to form the pre-cut plants network in FY3/21. The supply volume from the 18 companies corresponds to more than 14% of all processed wood in Japan (the Company's calculation). In FY3/22 as well, it plans to increase the number of companies in the network to 30, which will further strengthen the production system for wooden-construction, non-residential properties. At FISCO, we think that this will accelerate the Company's profit growth.

### 3. Lifestyle

The New Constructor's Network Group is a corporate group centered on the Company. It combines the technologies field through Timber Structure Design and MAKE HOUSE, the assets field through SE Home Loan Services, and the lifestyles field through MUJI HOUSE, YADOKARI, and Ichinomiya Realize.

YADOKARI is a company that increases the choices for ways of living, including through its Minimal Life, Tiny House, and Multi-site Housing, and it has announced that it has defined a new affluence from the viewpoint of "homes" and it is proposing new lifestyles. For the Tiny Houses conceived by YADOKARI, it is developing products that utilize the Company's SE-Structure Method. In addition, in a situation of the transition to teleworking and the creation of new ways of living due to the impact of COVID-19, currently an increase in multi-site housing can be seen and at FISCO, we think the effects of the collaboration with YADOKARI are gradually appearing.

Ichinomiya Realize is a town-planning company established in August 2016 through investment by private-sector companies, including the Company, for regional revitalization in Ichinomiya Town, Chosei District, which is located at the southernmost tip of Kujūkurihama in eastern Chiba Prefecture. It is attracting attention for its regional revitalization alongside new ways of living, including by renovating wooden-construction vacant stores and working on shared offices equipped with communication functions.

MUJI HOUSE is building the Younoie model home, which is a MUJI home, in the Isumi Forest Living project in Isumi City, Chiba Prefecture. Also, at the MUJI Tokyo Ariake Center, a complete Younoie house has been built in the store. As they are single-story buildings they do not require corridors, a feature is that they can effectively utilize limited space and are constructed using the SE-Structure Method. In addition to homes used as part of a double-base or a villa, 20 buildings will be constructed as accommodation facilities, so at FISCO, we think it is possible that this will lead to demand for facilities in the new ways of living.

## Business Outlook

### In FY3/22, the large-scale wooden buildings (non-residential) field will recover significantly

#### 1. FY3/22 consolidated results forecasts

For the FY3/22 results, the Company is forecasting net sales of ¥7,365mn (up 14.5% YoY), gross profit of ¥1,938mn (up 20.1%), operating income of ¥202mn (down 28.6%), ordinary income of ¥257mn (down 20.4%), and profit attributable to owners of parent of ¥200mn (down 11.1%). The Company has set investment in growth fields as the theme for FY3/22. It will invest in the growth fields of (1) the large-scale wooden buildings (non-residential) field and (2) the 3D CAD field in the BIM business, while it also plans to (3) open the R&D Center as investment in the Technology Department. In FY3/22, it expects SG&A expenses to increase by 30.5% YoY to ¥1,736mn, and due to this investment in growth, it is forecasting that each profit item will decline by double digits. In the residential field, net sales are forecast to increase to ¥5,894mn (up 7.2%), while in the large-scale wooden buildings (non-residential) field, net sales will increase significantly to ¥1,071mn (up 86.8%) due to the re-opening of construction sites that were temporarily closed due to COVID-19. In others, net sales are forecast to continue to increase by double digits to ¥399mn (up 10.5%).

#### FY3/22 consolidated results forecasts

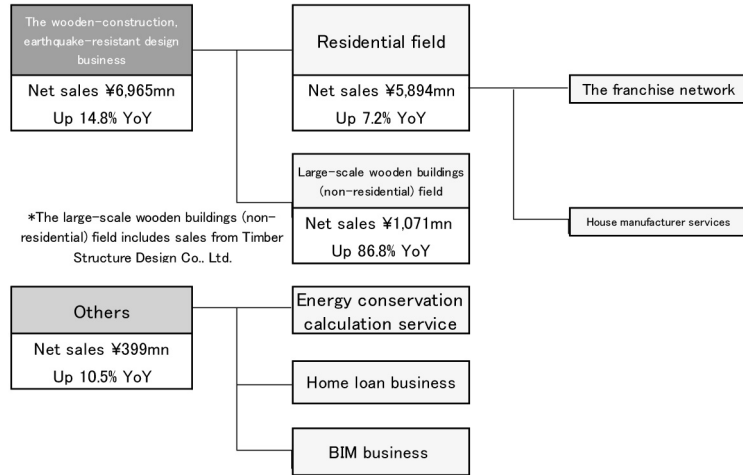
	FY3/21 results	FY3/22		
		Forecasts	Change	Increase/ decrease rate
Net sales	6,431	7,365	934	14.5%
Gross profit	1,613	1,938	325	20.1%
Operating income	282	202	-81	-28.6%
Ordinary income	323	257	-66	-20.4%
Profit attributable to owners of parent	225	200	-25	-11.1%

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

Up to FY3/20, the Company focused on actively utilizing its existing registered contractors of approximately 500 companies. But as its system and structure are now in place, in FY3/21, toward the further spread of wooden homes with high earthquake resistance, it aimed to strengthen acquisitions of new registered contractors, and the number of companies in the network increased by 45 to 546 companies. Due to this increase in registered contractors, the number of orders received and the number of estimates shipped are both trending strongly. Also, following the review of the Architect Act (in relation to Enforcement Regulations Article 21), it has become obligatory even for No.4 classification buildings of wooden, two-story buildings with a total floor area of less than 500m<sup>2</sup>, to store the design documents such as the structural calculation documents for 15 years. On considering this, in the future also it is thought that the network will expand through the increase in registered contractors, and at FISCO, we think that the number of orders received and the number of estimates shipped will continue to trend upward.

Business Outlook

FY3/22 business segments and segment net sales forecasts



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

2. Investment in growth fields

**As the initiator, will actively invest in three growth fields: the large-scale wooden buildings (non-residential) field, the BIM business, and the R&D Center**

The Company has set investment in growth fields as the theme for FY3/22. It will actively invest in the growth fields of (1) large-scale wooden buildings (non-residential) field and (2) the 3D CAD field in the BIM business, while it will also (3) open the R&D Center as investment in the Technology Department.

**(1) The large-scale wooden buildings (non-residential) field**

The investment plan for the large-scale wooden buildings (non-residential) field involves (1) strengthening acquisitions of human resources, (2) expanding the pre-cut plants network, and (3) improving name awareness through actively conducting promotions. With regards to strengthening acquisitions of human resources, in Japan structural calculations have not been carried out for wooden homes, so the situation is that it is very difficult to secure human resources. However, considering the Company can utilize its track record of structural calculations for 1,600 buildings a year when it comes to educating its new human resources, at FISCO we think that compared to other general contractors and contractors, it is in a position to be able to more easily increase and strengthen human resources. Therefore, it would seem to be in a relatively advantageous position to acquire human resources. For the expansion of the pre-cut plants network, as previously stated, in FY3/21 it collaborated with plants nationwide and 18 major companies and formed the pre-cut plants network. In FY3/22 also, it plans to increase this network up to 30 companies, and it will expand the production capacity in the large-scale wooden buildings (non-residential) field by progressing the expansion of the nationwide network to increase the supply volume of the pre-cut plants. Also, with regards to improving name awareness by actively conducting promotions, it is investing in activities to strengthen name awareness to increase the number of inquiries on large-scale wooden-construction (non-residential) properties through Timber Structure Design. Through these measures, within the sales targets in the medium-term management plan, it is targeting to increase net sales in the large-scale wooden buildings (non-residential) field to approximately ¥3bn in FY3/23. It did not achieve the target in FY3/21 due to the impact of COVID-19, but it still plans to realize the targets in the medium-term management plan without pushing them back due to COVID-19. In terms of the investment at the current time for this, it seems to be positioning FY3/23 as the year in which it will make a major lead forward.

We encourage readers to review our complete legal statement on "Disclaimer" page.

## Business Outlook

**(2) BIM (Building Information Modeling) business**

At FISCO, considering the penetration of the BIM solution in the world and in the wooden-buildings field, we think that the BIM business will be the key to the Company's rapid growth. First, BIM refers to a system to construct a building information model with attribute information on the building, mainly of 3D shape information created on a computer, but also other information such as on the name and area of the room, the specifications and performance of the materials and parts, and the finishing. By utilizing, sharing, and managing in a single BIM model the accumulated information on the various phases, such as on the design, construction, and maintenance and management, it not only improves the quality and performance of buildings, but it also improves work efficiency. In the UK in 2013, the Construction 2025 project was announced, which defines the targets to achieve by 2025 through the further utilization of BIM in the construction industry, and to reduce costs by 33% and shorten the construction period by 50%. In the US in 2012, the percentage of construction companies that had introduced BIM was around 70%, and in the civil engineering field as well, the BIM utilization rate had reached 50%. Building design drawings in Japan up to the present time have involved handing over 2D drawings, such as hand-written and horizontal-projection drawings, but around the world there are hardly any countries in which construction is carried out using only 2D drawings. It appears that the percentage of general contractors in Japan that have introduced BIM has risen to approximately 80%, but actual use in buildings only started in the period from 2019 to 2020. But the situation is that its rate of introduction in the wooden-construction field is still low and there is little data on it. In Japan, which is lagging behind considerably from the trend for global standards, the utilization and development of BIM is expected as part of the systems reforms in the construction field in order to promote the societal implementation of Society 5.0. To expand the BIM business, in June 2021 the Company opened the BIM/CAD Center as a new base.

**(3) R&D Center**

The Company plans to establish the R&D Center in order to conduct basic research on wooden structures. Alongside the improvement in the use rate of domestically produced wood and the increase in inquiries for large-scale wooden buildings, it plans to strengthen the SE-Structure Method's system. It will be necessary to conduct basic research for wooden structures, such as on the strength of the joint parts and on earthquake resistance performance, both of which will be required in the future, while it is also thought that it intends to research robust technologies. The SE-Structure Method can realize four- and five-story buildings, but a change of the law will be necessary in Japan in order for ultra-high-rise buildings to be constructed of wood. However, in Germany, it appears that wooden buildings constructed using a material called CLT are increasing, and going forward, it would seem that research and development at the R&D Center will be important for measures to increase the heights of wooden buildings.

## ■ The Wood Shock Problem

The wood shock problems refers to the fact that due to the rapid growth in demand in the US, the inventory shortage in the housing market became more severe and that in order to eliminate this problem, developers constructed new homes and that this caused the prices of construction materials, particularly the prices of wood, to rise. On entering May 2021, the prices of wood materials dramatically increased by around 3 times, in this situation, a movement has appeared among many housing manufacturers and pre-cut plants to restrict orders due to a shortage of materials. However, the Company procures all its laminated wood for structures from domestic manufacturers and is currently not experiencing any supply delays. Also, for the past 25 years, the Company's President Takusari has been importing wood from the US, Canada and New Zealand, including from the wooden materials department of a trading company, and so he is knowledgeable on wood distribution, and the Company is extremely strong in terms of coping with the wood shock. In addition, it has a supply chain enabling a stable supply, which is rare among structural design companies, and as it conducts structural calculations for all ordered drawings, it understands how much material is to be used and how strong it must be. It has a system in place to send data directly to laminated wood plants and also lumber manufacturing plants in Japan, to manage the inventory of the products that they produce, and to deliver them in a timely manner to the pre-cut plants that it collaborates with nationwide. In general distribution, the ordered materials are delivered to the plants, but the Company orders all the materials it will use approximately 5 months in advance, which means that delays in deliveries and shortages of materials do not occur. Although it is possible that the demand-supply problem will become even tighter due to the prolonging of the wood shock, it would seem that the Company will be able to demonstrate its strengths even in this situation.

## ■ Corporate Social Responsibility (CSR)

17 Sustainable Development Goals (SDGs) have been defined with 2030 as the deadline to achieve them. Among them, the Company has indicated its respective themes and its plans for measures to achieve the goals through its business. Ever since its establishment with the aims of spreading safe and secure wooden structures in Japan and creating a framework to provide homes with asset value, there has been no change to its corporate philosophy of "spreading around the world wooden homes that can be lived in safely."

- (1) The Company's goal is to make inclusive, safe, strong, and sustainable cities and residential communities based on "11. Sustainable Cities and Communities," which is the SDG defined on the theme of increasing the earthquake-resistance rate of wooden buildings. Another goal is to ensure a pattern of sustainable consumption and production based on "12. Responsible Consumption and Production." The Company's specific measures for these goals include promoting the wooden-construction, earthquake-resistant design business and working to achieve 100% earthquake-resistant housing.
- (2) On the theme of raising the rate of the use of wooden materials, based on "9. Industry, Innovation and Infrastructure," the Company's goal is to provide a strong infrastructure and promote the transition to inclusive and sustainable consulting, while also aiming to expand technological innovation. Based on "15. Life on Land," it aims to protect ecosystems on land, to promote their recovery and sustainable use, to sustainably manage forests, to deal with desertification, to identify the elements of and reverse land degradation, and to prevent the loss of biodiversity. Its goal is also "12. Responsible Consumption and Production." Its specific measures include establishing Timber Structure Design and utilizing CLT.

## Corporate Social Responsibility (CSR)

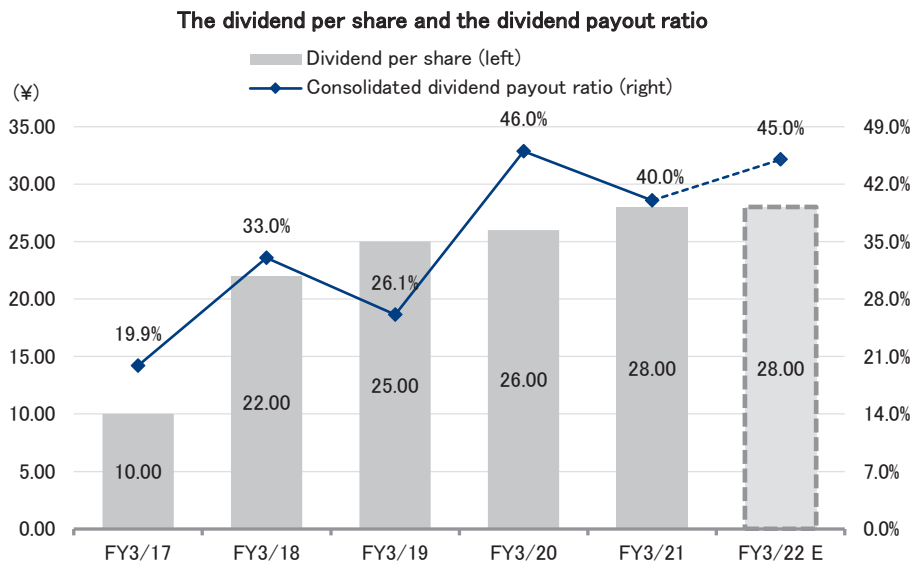
- (3) On the theme of spreading the use of energy-saving housing, the Company's goals are to secure access to sustainable and modern energy that is affordable and reliable for everyone based on "7. Affordable and Clean Energy," and also to contribute to realizing "11. Sustainable Cities and Communities." Its specific measures include conducting surveys of actual energy-saving conditions.
- (4) For the theme of activating local communities from population concentrations in metropolitan areas, the Company's goal is to realize "11. Sustainable Cities and Communities." Its specific measures include the capital and business collaboration with YADOKARI and the Forest Living project.

Also, through the Isumi Forest Living, opened in Isumi City, Chiba Prefecture, the Company is utilizing forest resources and cooperating with the local community, conducting management for people to enjoy the forest that is growing naturally, and supplying wooden homes. In addition, it is providing various proposals not limited to housing. It is supporting and participating in this joint project as a company that is conducting activities that will lead to the realization of affluent lives in Japan in the future by widening the possibilities for wood for regional revitalization. The Isumi Forest Living project provides facilities that utilize the resources dormant in the area that enable people to experience new modes of accommodation. The Company is cooperating with Isumi City, Chiba Prefecture, and the local tourism bureau to create a base for regional activation through public sector-private sector collaborations. The base was opened in September 2019.

A model house of the Younoie MUJI home has been constructed and can be visited. Also, in the glamping camp site, site facilities have been provided including an outdoor deck with excellent earthquake resistance constructed using the SE-Structure Method. This facility is so popular in the glamping site to the extent that reservations are difficult to obtain. User interest is also high in the MUJI model house, and at the MUJI Tokyo Ariake Center, a complete Younoie house has been built in the store and visitors are increasing to the model house, where they can confirm the actual facilities and specifications. The Tokyo Ariake Center is so popular that it has been necessary to restrict entries to it, and it appears that during the COVID-19 pandemic, a movement has started to construct homes located deep within regional areas as second homes and that demand is high.

## Shareholder return policy

The Company considers returning profits to shareholders to be one of its most important management issues. To decide the payout ratio, the Company takes internal reserves into account to implement the business plan and expand the business scale (including for funds for the R&D required for growth and development and for capital investment). Its basic policy is to continuously and stably pay dividends targeting an annual dividend payout ratio of 40% on a stand-alone basis while taking into consideration the profit level and the cash flow conditions in each fiscal period, and also based on the non-consolidated results. In FY3/22, the Company plans to pay a dividend per share of ¥28, the same as in the previous fiscal year, for a dividend payout ratio of 45.0%.



Note: Conducted a 100-for-1 stock split of ordinary shares on December 4, 2018  
Source: Prepared by FISCO from the Company's financial results



## Disclaimer

FISCO Ltd. ("FISCO") offer stock price and index information for use under the approval of the Tokyo Stock Exchange, the Osaka Stock Exchange and Nikkei Inc.

This report is provided solely for the purpose of offering information, and is not a solicitation of investment nor any other act or action.

FISCO prepared and published this report based on information which it considered reliable; however, FISCO does not warrant the accuracy, completeness, fitness nor reliability of the contents of this report or the said information.

The issuers' securities, currencies, commodities, securities and other financial instruments mentioned in this report may increase or decrease in value or lose their value due to influence from corporate activities, economic policies, world affairs and other factors. This report does not make any promises regarding any future outcomes. If you use this report or any information mentioned herein, regardless of the purpose therefor, such use shall be made based on your judgment and responsibility, and FISCO shall not be liable for any damage incurred by you as a result of such use, irrespective of the reason.

This report has been prepared at the request of the company subject hereto based on the provision of information by such company through telephone interviews and the like. However, the hypotheses, conclusions and all other contents contained herein are based on analysis by FISCO. The contents of this report are as of the time of the preparation hereof, and are subject to change without notice. FISCO is not obligated to update this report.

The intellectual property rights, including the copyrights to the main text hereof, the data and the like, belong to FISCO, and any revision, reprocessing, reproduction, transmission, distribution or the like of this report and any duplicate hereof without the permission of FISCO is strictly prohibited.

FISCO and its affiliated companies, as well as the directors, officers and employees thereof, may currently or in the future trade or hold the financial instruments or the securities of issuers that are mentioned in this report.

Please use the information in this report upon accepting the above points.

■ For inquiry, please contact: ■

FISCO Ltd.

5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062

Phone: 03-5774-2443 (IR Consulting Business Division)

Email: [support@fisco.co.jp](mailto:support@fisco.co.jp)