



Polaris Holdings (3010)

Full steam ahead with M&A, inbound demand, and platform scale

23 May 2025

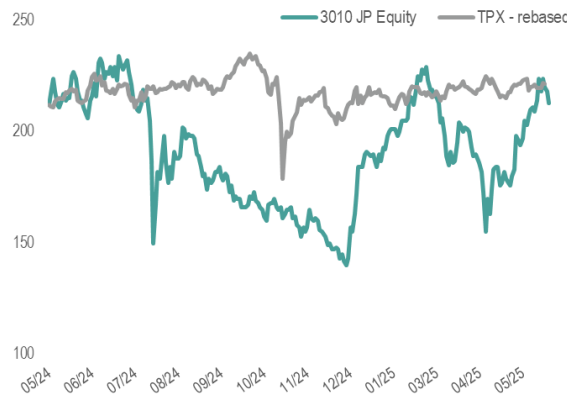
Q4 FY3/25 results update

- **Beat guidance, strong delivery** – Polaris delivered strong FY3/25 results, outperforming guidance with strong underlying OP growth of 109.0% YoY, driven by both organic growth and the Minacia acquisition. Robust inbound tourism helped lift domestic RevPAR by 20.9% YoY, and the company surpassed its 10,000-room target ahead of its initial medium-term plan. The company also shifted toward a fixed-plus-variable rent operating model that enables stable earnings over the medium to long term. At the same time, Minacia integration is expected to boost profitability via scale-driven synergies, cost efficiencies, and new growth opportunities, positioning Polaris for sustained, scalable platform expansion. With business performance improving, Polaris is expected to resume dividend payments for the first time in 16 years.

Outlook revised upward

- **Sign of confidence with revised outlook for FY3/26** – The company's FY3/26 guidance exceeded the targets stipulated in the revised medium-term plan issued in January 2025. This reflects continued strength in inbound tourism, supporting hotel market expansion. However, we believe that high earnings visibility is being reflected, with scope for further upside as management expands the operating platform through planned new hotel openings and the introduction of new hotel formats, such as upper-scale small luxury hotels, and the expansion of service apartment hotels.
- **Valuations** - According to our estimates, the shares are trading at a P/E ratio (PER FY3/26) of 20.4x (on +23.1% OP growth YoY), a free cash flow (FCF) yield of 11.3%, and a dividend yield of 1.7%. We believe that fundamentals reflect sustained earnings strength, driven by a dual growth strategy combining steady organic expansion and strategic M&A.

Share price: ¥213 Market cap: ¥49.8bn



Source: Bloomberg

Price Performance

	YTD	1M	3M	12M
Abs (%)	+15.8	+21.0	-7.0	+0.5
Rel (%)	+17.9	+14.3	-7.0	+1.2

Company sector

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

Stock data

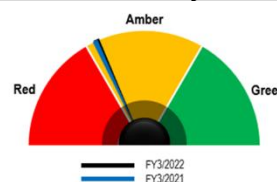
Price (¥)	213
Mkt cap (¥bn)	49.8
Mkt cap (\$m)	346.9
52-week range (¥)	139-239
Shares O/S (m)	233.8
Average daily value (\$m)	0.7
Free float (%)	13.6
Foreign shareholding (%)	77.4
Ticker	3010
Exchange	Tokyo Standard
Net Debt/Equity (x)	4.4
FFO leverage (x)	5.5
BBG BUY HOLD SELL	0 0 0

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

Q2 FY3/26 results August 2025

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This report has been commissioned and paid for by the company

Year-end	3/24	3/25	3/26E	3/27E	3/28E
Sales (¥bn)	22.55	27.88	46.01	51.63	57.93
OP (¥bn)	3.38	2.80	3.45	4.13	5.21
NI (¥bn)	3.30	2.61	2.44	2.76	3.38
EPS (¥)	26.86	16.90	10.44	11.82	14.46
DPS (¥)	-	3.00	3.66	4.14	5.06
Sales growth YoY (%)	+221.3	+23.7	+65.0	+12.2	+12.2
OP growth YoY (%)	N/A	-17.1	+23.1	+19.7	+26.2
NP growth YoY (%)	+517.2	-20.8	-6.5	+13.1	+22.4
EPS growth YoY (%)	+439.4	-37.1	-38.2	+13.1	+22.4
PER (x)	7.9	12.6	20.4	18.0	14.7
EV/EBITDA (x)	17.9	18.5	12.0	10.6	8.9
EV/Sales (x)	3.2	2.6	1.6	1.4	1.3
PBR (x)	7.2	1.8	1.7	1.6	1.5
ROE (%)	47.9	9.2	8.4	8.9	10.2
ROCE (%)	19.4	4.8	5.8	6.7	8.2
FCF yield (%)	28.7	11.6	11.3	12.5	14.0
Dividend yield (%)	-	1.4	1.7	1.9	2.4

Source: Company, Astris Advisory (estimates)

*Note: outstanding dilution is 8.4%

Recent results

Q1-4 FY3/25 results

FY3/25 results ahead of guidance

Key financials

(¥bn)	Q1-4 FY3/24	Q1-4 FY3/25	YoY (%)	FY3/25 guidance	Actual versus guidance
Sales	22.55	27.88	+23.7	26.00	+7.2
Gross profit	15.95	26.82	+68.1	-	
Gross margins (%)	70.8	96.2		-	
Operating profit/(loss)	3.38	2.80	-17.1	2.20	+27.5
Operating margins (%)	15.0	10.1		8.5	
Recurring profit	2.61	1.89	-27.4	1.50	+26.2
Net income attributable to the parent	3.30	2.61	-20.8	1.50	+74.0

Source: Company

Our estimated restated sales and OP when considering one-off gain on hotel property sales in FY3/24 (and ¥0.7bn distribution profit in FY3/25)

(¥bn)	Q1-4 FY3/24	Q1-4 FY3/25	YoY (%)
Sales	14.51	27.88	+92.1
Operating profit/(loss)	1.34	2.80	+109.0
Operating margins (%)	9.2	10.1	

Source: Company, Astris Advisory

Minacia acquisition and inbound demand driving Hotel operations YoY

Per business segment (pre-elimination)

(¥bn)	Q1-4 FY3/24	Q1-4 FY3/25	YoY (%)
Sales			
Hotel Operations	14.51	27.15	+87.1
Real Estate	8.32	0.73	-91.2
Operating profit/(loss)			
Hotel Operations	1.75	2.94	+68.6
Real Estate	2.32	0.73	-68.5
Operating margins			
Hotel Operations	12.0	10.8	
Real Estate	27.9	99.9	

Source: Company

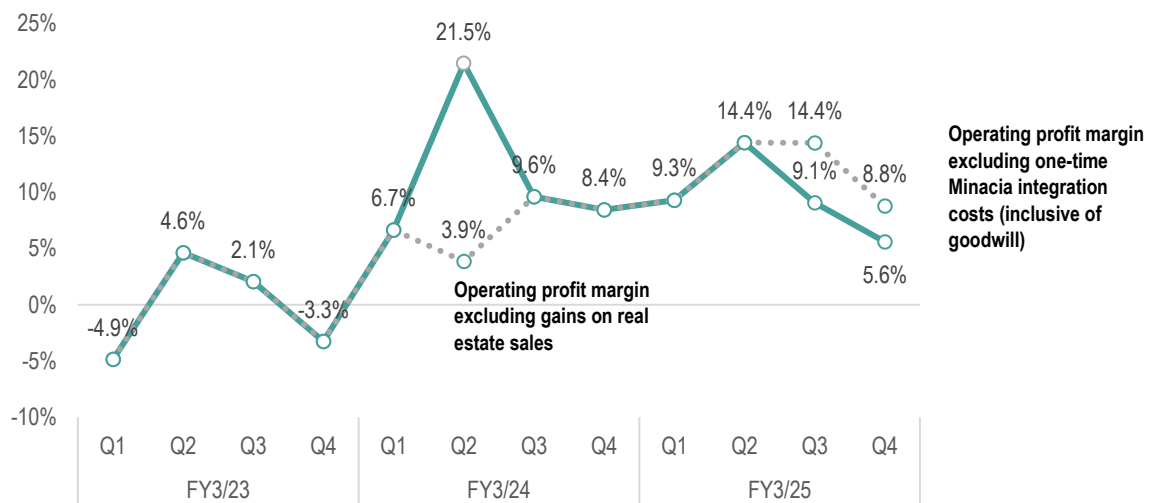
Key highlights

Q1-4 FY3/25 results were ahead of guidance, marking a strong set of results for Polaris, driven by organic and acquisitive growth with Minacia in Hotel Operations, with underlying operating profit growth of 109.0% YoY. Inbound demand remained robust, driving domestic RevPAR by 20.9% YoY, and the company effectively reached its target of 10,000 hotel rooms ahead of its initial medium-term plan by the end of FY3/27. The hotel portfolio has transformed, maintaining high exposure to stable earnings from Master and Fixed/Variable contracts while increasing Fixed contracts with the Minacia integration to maximize earnings growth.

With a stronger equity base, the company can continue scaling via M&A while conducting rapid post-merger integration with Minacia. The integration with Minacia aims to enhance profitability by leveraging both companies' networks to strengthen marketing, sales, and revenue management, while improving brand recognition. Steady progress in operational efficiencies is realized through shared know-how, integrated back-office functions, cost optimization, and streamlined talent development. The combined network will also expand opportunities for new hotel openings, while collaboration with the Star Asia Group will help secure additional management contracts. Together, these efforts are expected to drive sustainable growth of the hotel operating platform and maximize long-term value creation.

Sustaining high underlying OPM

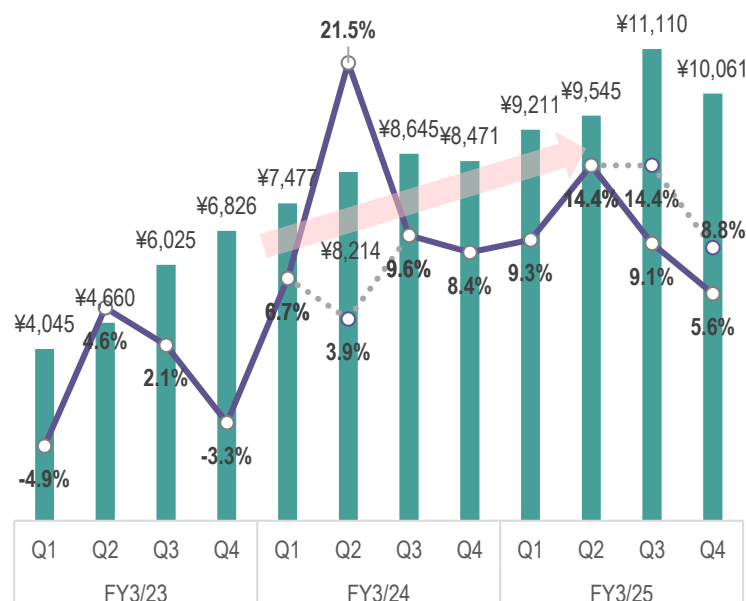
Quarterly operating margin (%)



Source: Company

Domestic RevPAR remains on an uptrend

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

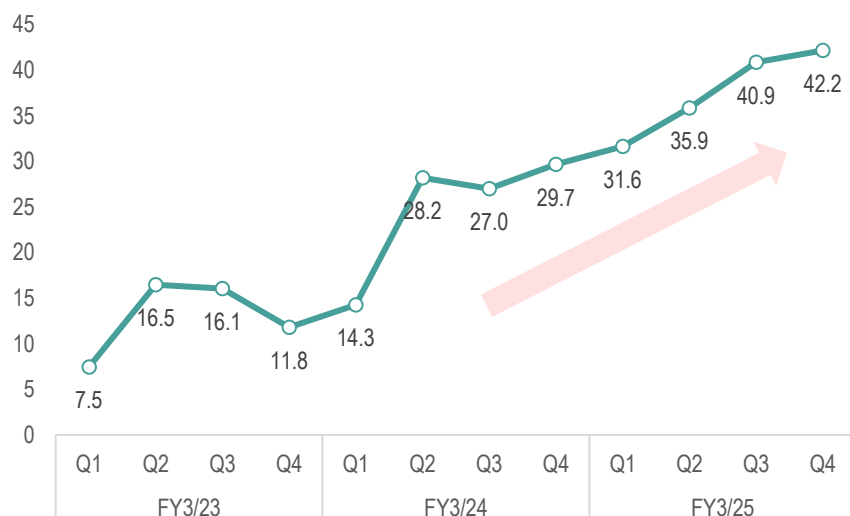


Source: Company



A continued trend of strengthening the equity base

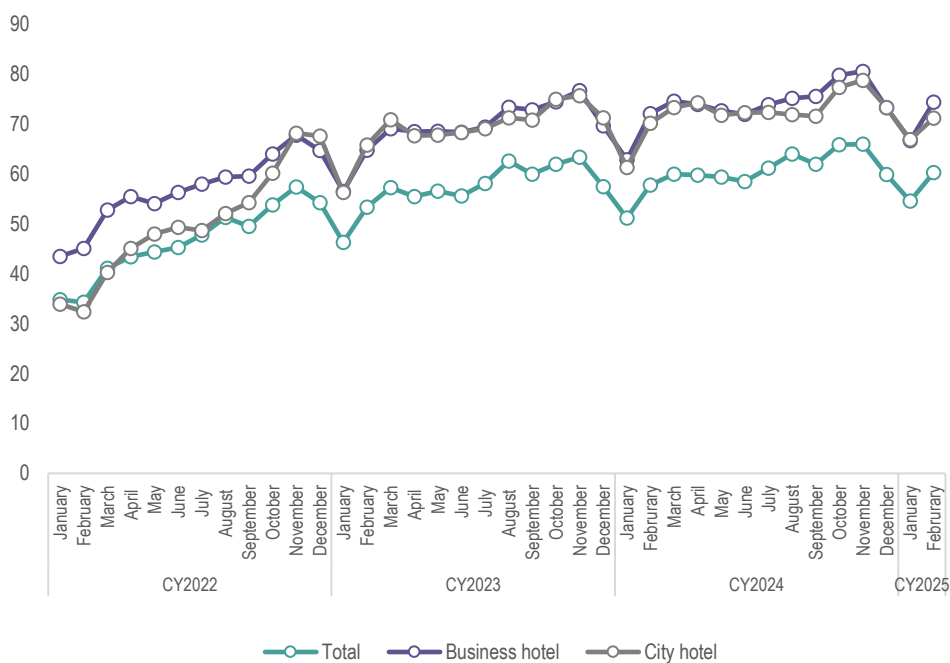
Quarterly equity ratio (%)



Source: Company

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

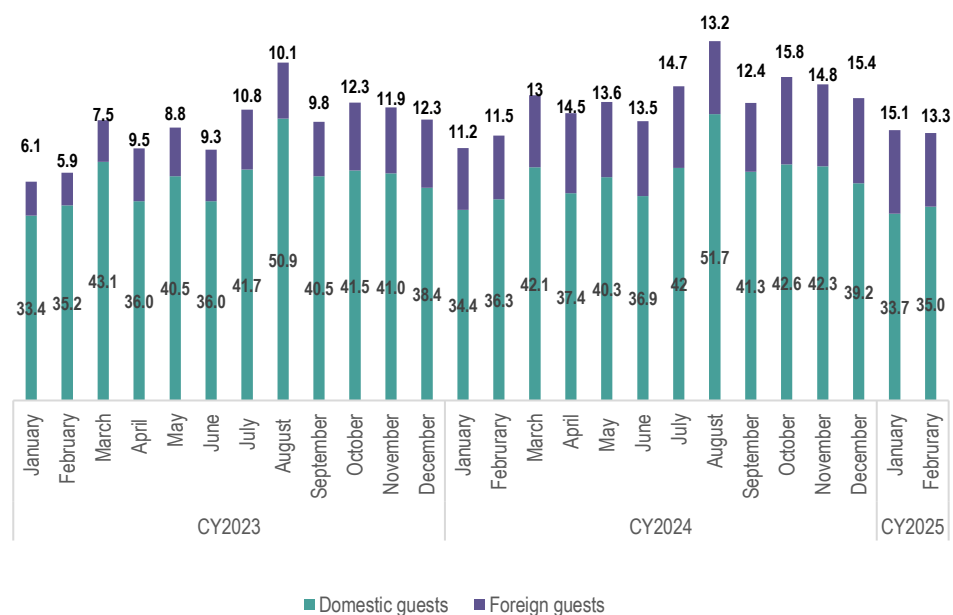
National occupancy rate



Source: Japan Tourism Agency

Steady momentum from domestic demand, and sustained growth in foreign guest overnight stays in CY24

National trend in number of guests (per million overnight stays per month)



Source: Japan Tourism Agency

Guidance for FY3/26

Ahead of the revised medium-term plan

The company had upwardly revised its medium-term plan covering FY3/25 to FY3/27. For FY3/26, the latest guidance issued shows stronger OP, signalling the following:

- Growth from the business integration with Minacia.
- Strong inbound tourism demand continues to support hotel market expansion.
- Increased earnings from new hotel openings.

The company is steadily advancing its hotel growth strategy, including the rollout of new hotel types. It has secured operations for a high-end property targeting an average daily rate (ADR) above ¥50,000. It is also successfully expanding its service apartment hotel offerings, which cater well to the strong demand from inbound tourism.

Raising guidance for FY3/26

FY3/26 guidance and FY3/27 medium-term plan target

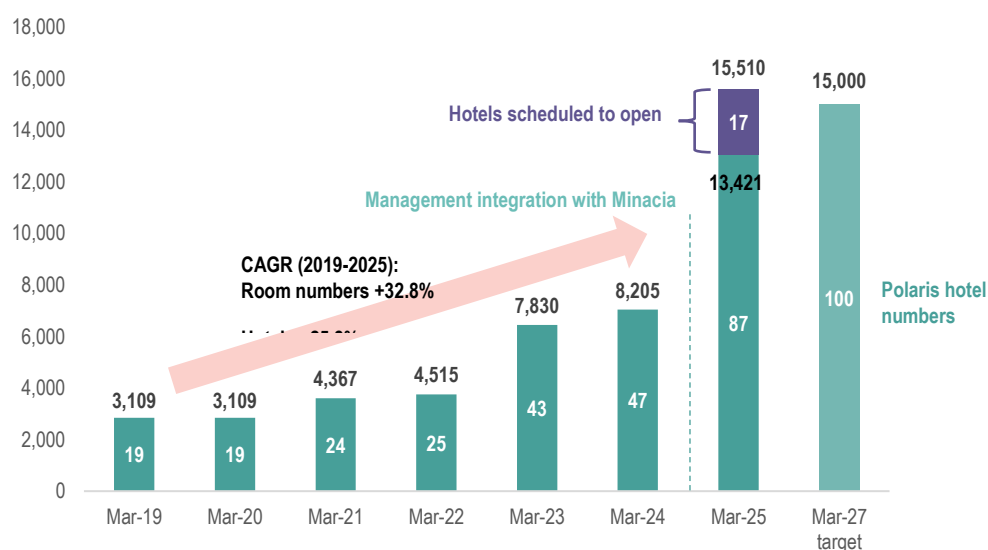
(¥bn)	FY3/26 (old)	FY3/26 (previous)	FY3/26 (new)	FY3/27 (old)	FY3/27 (new)	Change (%)
Sales	-	-	47.90	25.00	49.00	+96.0
OP	1.69	2.60	3.19	2.90	3.70	+27.6
OPM (%)	-	-	6.7	11.6	7.6	
Net Income	-	-	2.00	2.50	2.70	

Source: Company

In terms of underlying OP for FY3/26 (excluding annual goodwill amortization of ¥1.30bn), implied OPM would be 9.8%, at 43.6% growth YoY.

High double-digit growth in hotel and room numbers

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



Source: Company

Astris earnings estimates and key assumptions

We have revised our earnings estimates for FY3/26 and beyond.

We have reflected a more substantial impact from the management integration of Minacia; the key assumption changes are as follows:

- More robust sales growth with an extended operating platform, as well as stronger new hotel openings.
- Free cash flow estimates have been raised, reflecting higher OP estimates.

Astris Advisory earnings estimates

Year-end	FY3/26 guidance	FY3/26E (old)	FY3/26E (new)	FY3/27E (old)	FY3/27E (new)	FY3/28E (new)
Sales (¥bn)	45.70	32.48	46.10	47.29	51.63	57.93
Growth YoY (%)	+63.9	+16.5	+65.0	+45.6	+12.2	+12.2
Operating profit (¥bn)	3.19	2.76	3.45	3.78	4.13	5.21
OPM (%)	7.0	8.5	7.5	8.0	8.0	9.0
EBITDA (¥bn)	N/A	4.98	6.07	6.44	6.92	8.19
EBITDA margin (%)	-	15.3	13.2	13.6	13.4	14.1
Recurring profit (¥bn)	2.10	2.19	2.57	3.21	3.25	4.02
Growth YoY (%)	+10.9	+15.7	+35.7	+46.8	+26.4	+23.8
*Implied effective tax rate (%)	4.8	10.0	5.0	15.0	15.0	16.0
Net income (¥bn)	2.00	1.97	2.44	2.73	2.76	3.38
Growth YoY (%)	-23.4	-24.6	+279.9	+38.6	+13.1	+22.4
DPS (¥)	3.0	3.0	3.66	3.5	4.14	5.06
Payout ratio (%)	35.0	35.6	35.0	30.0	35.0	35.0
Dividend yield (%)	1.4	1.4	1.7	1.6	1.9	2.4
FCF (¥bn)	N/A	3.02	5.64	4.92	6.22	6.97
FCF margin (%)	-	9.3	12.3	10.4	12.0	12.0
FCF conversion (%)	-	138.1	219.6	153.5	191.4	173.3
FCF yield (%)	-	5.9	11.3	9.6	12.5	14.0
Diluted FCF yield (%)	-	5.5	10.5	8.9	11.5	12.9

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 Sagami-hara	Sagami-hara	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 operates 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). In January 2023, it acquired Red Planet's business in the Philippines and Minacia in December 2024. With a significant expansion in hotel count and geographic coverage, the company has notably enhanced its standing as a key operator in the limited-service hotel segment.

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. The business has scaled rapidly, driven by strong organic growth and strategic M&A, and demonstrating growth in the hotel market.

Growth strategy in the revised medium-term management plan

Shifting hotel
operator model to
higher return
formats

- Actively transitioning 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, traditional Japanese inns (ryokan), and higher-end properties. The goal is 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 20.4x, an FCF yield of 11.3%, and a 1.7% dividend yield.

JGAAP Financial Summary

(¥bn)	FY 3/24	FY 3/25	FY 3/26E	FY 3/27E	FY 3/28E
Sales	22.55	27.88	46.01	51.63	57.93
COGS	6.59	1.06	1.84	2.07	2.32
Gross profit	15.95	26.82	44.17	49.56	55.61
Gross profit margin (%)	70.8	96.2	96.0	96.0	96.0
Operating profit	3.38	2.80	3.45	4.13	5.21
OP margin (%)	15.0	10.1	7.5	8.0	9.0
Non-operating income	0.05	0.05	0.05	0.05	0.05
Non-operating expense	(0.82)	(0.96)	(0.93)	(0.93)	(1.24)
Recurring profit	2.61	1.89	2.57	3.25	4.02
Extraordinary gains	0.47	-	-	-	-
Extraordinary losses	(0.07)	(0.00)	-	-	-
Pre-tax profit	3.01	1.89	2.57	3.25	4.02
Tax	(0.29)	(0.72)	0.13	0.49	0.64
Effective tax rate (%)	(3.6)	(4.5)	5.0	15.0	16.0
Net income	3.30	2.61	2.44	2.76	3.38
Non-controlling NI	-	-	-	-	-
Parent attributable NI	3.30	2.61	2.44	2.76	3.38
Sales growth YoY (%)	+221.3	+23.7	+65.0	+12.2	+12.2
OP growth YoY (%)	N/A	-17.1	+23.1	+19.7	+26.2
NI growth YoY (%)	+517.2	-20.8	-6.5	+13.1	+22.4

Balance sheet (¥bn)	FY 3/24	FY 3/25	FY 3/26E	FY 3/27E	FY 3/28E
Cash & equivalents	3.38	7.51	12.03	17.08	22.60
Trade debtors	1.76	3.80	6.28	7.04	7.90
Real estate for sale and stock	-	-	-	-	-
Other	2.82	1.79	2.95	3.31	3.71
Current assets	7.96	13.10	21.25	27.43	34.21
Tangible assets	12.81	21.81	20.10	18.25	16.26
Intangible assets	0.03	25.84	24.60	23.36	22.12
Investment & others	2.41	6.42	6.42	6.42	6.42
Fixed assets	15.25	54.07	51.12	48.03	44.80
Total assets	23.21	67.17	72.37	75.46	79.00
Short term borrowing	1.83	2.45	2.45	2.45	2.45
Trade creditors	0.36	0.49	0.86	0.97	1.09
Other	3.58	5.30	9.40	10.55	11.84
Current liabilities	5.78	8.23	12.71	13.97	15.37
Long term borrowing	9.89	28.43	28.43	28.43	28.43
Other LT liabilities	0.65	2.18	2.18	2.18	2.18
Long term liabilities	10.54	30.62	30.62	30.62	30.62
Shareholder's equity	6.88	28.33	29.04	30.88	33.01
Non-controlling interests	-	-	-	-	-
Total net assets	6.88	28.33	29.04	30.88	33.01
Total liabilities & net assets	23.21	67.17	72.37	75.46	79.00

Cash flow statement (¥bn)	FY 3/24	FY 3/25	FY 3/26E	FY 3/27E	FY 3/28E
Profit before tax	3.01	1.89	2.57	3.25	4.02
Depreciation/amortization	0.70	1.15	2.62	2.79	2.98
Other non-cash items	(0.82)	0.99	0.08	0.53	0.31
Changes in working capital	4.85	0.26	0.85	0.13	0.14
Cash from Operating Activities	7.74	4.29	6.12	6.70	7.45
Capex	(0.24)	(0.48)	(0.48)	(0.48)	(0.48)
Acquisitions/increase stakes	(0.02)	(3.42)	-	-	-
Other investing cash flow	(1.40)	0.03	(0.69)	(0.33)	(0.51)
Cash from Investing Activities	(1.66)	(3.88)	(1.17)	(0.81)	(0.99)
Total cash dividends paid	-	-	(0.46)	(0.85)	(0.97)
Debt issuance/(retirement)	(6.48)	3.72	-	-	-
Equity financing	0.61	0.33	-	-	-
Other	(1.08)	-	-	-	-
Cash from Financing Activities	(6.94)	4.04	(0.46)	(0.85)	(0.97)
FX impact	0.01	0.02	0.02	0.02	0.02
Net cash flow	(0.85)	4.47	4.51	5.05	5.52
Free cash flow	7.50	3.80	5.64	6.22	6.97
EBITDA	4.09	3.95	6.07	6.92	8.19
Free cash flow margin (%)	2.3	2.4	3.4	4.4	5.4
Free cash flow conversion (%)	40.1	39.2	47.3	48.3	49.3
EBITDA margin (%)	18.1	14.2	13.2	13.4	14.1
Capex/sales (%)	0.2	0.1	0.1	1.1	2.1
Capex/depreciation (%)	26.3	23.3	21	22	23
CFO margin (%)	2.4	2.6	3.5	4.5	5.5

Key metrics	FY 3/24	FY 3/25	FY 3/26E	FY 3/27E	FY 3/28E
Profitability					
Gross margin (%)	70.8	96.2	96.0	96.0	96.0
Operating margin (%)	15.0	10.1	7.5	8.0	9.0
Net margin (%)	14.6	9.4	5.3	5.3	5.8
ROA (%)	14.2	3.9	3.4	3.7	4.3
ROE (%)	47.9	9.2	8.4	8.9	10.2
ROCE (%)	19.4	4.8	5.8	6.7	8.2
ROIC (%)	18.1	7.5	5.5	5.8	7.0
Liquidity					
Current ratio (x)	1.4	1.6	1.7	2.0	2.2
Quick ratio (x)	1.4	1.6	1.7	2.0	2.2
Leverage					
Debt/Equity ratio (x)	1.7	1.1	1.1	1.0	0.9
Net Debt/Equity ratio (x)	1.2	0.8	0.6	0.4	0.3
Equity ratio (x)	0.3	0.4	0.4	0.4	0.4
Interest cover (x)	4.6	3.8	3.7	4.5	4.2
Net Debt/EBITDA (x)	2.0	5.9	3.1	2.0	1.0
Valuation					
EPS reported (¥)	26.86	16.90	10.44	11.82	14.46
PER (x)	7.9	12.6	20.4	18.0	14.7
Diluted PER (x)	8.6	13.7	22.1	19.5	16.0
DPS (¥)	-	3.0	3.7	4.1	5.1
Dividend payout ratio (%)	-	17.8	35.0	35.0	35.0
Dividend yield (%)	-	1.4	1.7	1.9	2.4
Free cash flow yield (%)	28.7	11.6	11.3	12.5	14.0
Diluted FCF yield (%)	26.5	10.7	10.5	11.5	12.9
PBR (x)	7.2	1.8	1.7	1.6	1.5
EV/sales (x)	3.2	2.6	1.6	1.4	1.3
EV/EBITDA (x)	17.9	18.5	12.0	10.6	8.9
EV/EBIT (x)	21.6	26.1	21.2	17.7	14.0
EV/FCF (x)	9.7	19.2	13.0	11.8	10.5

Source: Company, Astris Advisory (estimates)



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