Securities Code：3166

FY2023
Financial Results Presentation

OCHI Holdings Co., Ltd.

June 7, 2023

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Company Overview

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Company Summary

OCHI Holdings Co.,Ltd.

Purpose

To create safe, secure and sustainable society

Company Profile

Representative	Michihiro Ochi
Head Office	3-12-20 Nanotsu, Chuo-ku, Fukuoka 810-0071, Japan
Established	October 1, 2010
Capital	400 million yen
Number of Shares Issued	13,610,970
Business Outline	Wholesale trade
Securities Code	3166 (Tokyo Prime・Fukuoka)
Stock Abbreviation	OCHIHD
Stock Trading Unit	100
Number of Employees	1,487 (as of March 31, 2023)

History

May, １９５５	Opened Ochi Shoten in Fukuoka City for the purpose of selling construction materials such as wood and plywood
October, １９５８	Established Ochi Shoten Co., Ltd.
June, １９７０	Changed the company name to Ochi Sangyo Co., Ltd.
February, １９９６	Listed on the Fukuoka Stock Exchange
October, ２０１０	Established OCHI Holdings Co., Ltd. through stock transfer of Ochi Sangyo Co., Ltd., shifted to a holding company structure and listed on the Fukuoka Stock Exchange
November, ２０１３	Listed on the Second Section of the Tokyo Stock Exchange
November, ２０１４	Changed the market to the First Section of the Tokyo Stock Exchange
August, ２０１８	Acquired Taiyo-Sangyo Co., Ltd as a subsidiary, which sells heating and cooling products.
July, ２０２０	Acquired IMTEC Co., Ltd. and Chouhou Construction Co., Ltd as subsidiaries, which conduct construction and civil engineering business
April, ２０２２	Moved to the Prime Market of the Tokyo Stock Exchange
July, ２０２２	Acquired All Japan Date Service, Co., Ltd. as a subsidiary, which conducts diagnosis and investigation of civil engineering structures
October, ２０２２	Acquired Hagaya Construction Co., Ltd. as a subsidiary, which conducts construction and civil engineering business

Housing materials wholesale ranking

Consolidated Financial Results for FY2023

Ranking	Company Name	Net Sales	Operating Profit	Operating Profit Margin	ROE
1	JK Holdings Co., Ltd.	407,022	9,723	2.4%	12.4%
2	Nice Corporation	236,329	5,292	2.2%	8.1%
3	JUTEC Holdings Corporation	182,768	3,462	1.9%	15.4%
4	**OCHI Holdings Co., Ltd.**	**115,613**	**2,946**	**2.5%**	**12.0%**
5	KUWAZAWA Holdings Corporation	64,308	853	1.3%	4.2%

Source: Quarterly Financial Results

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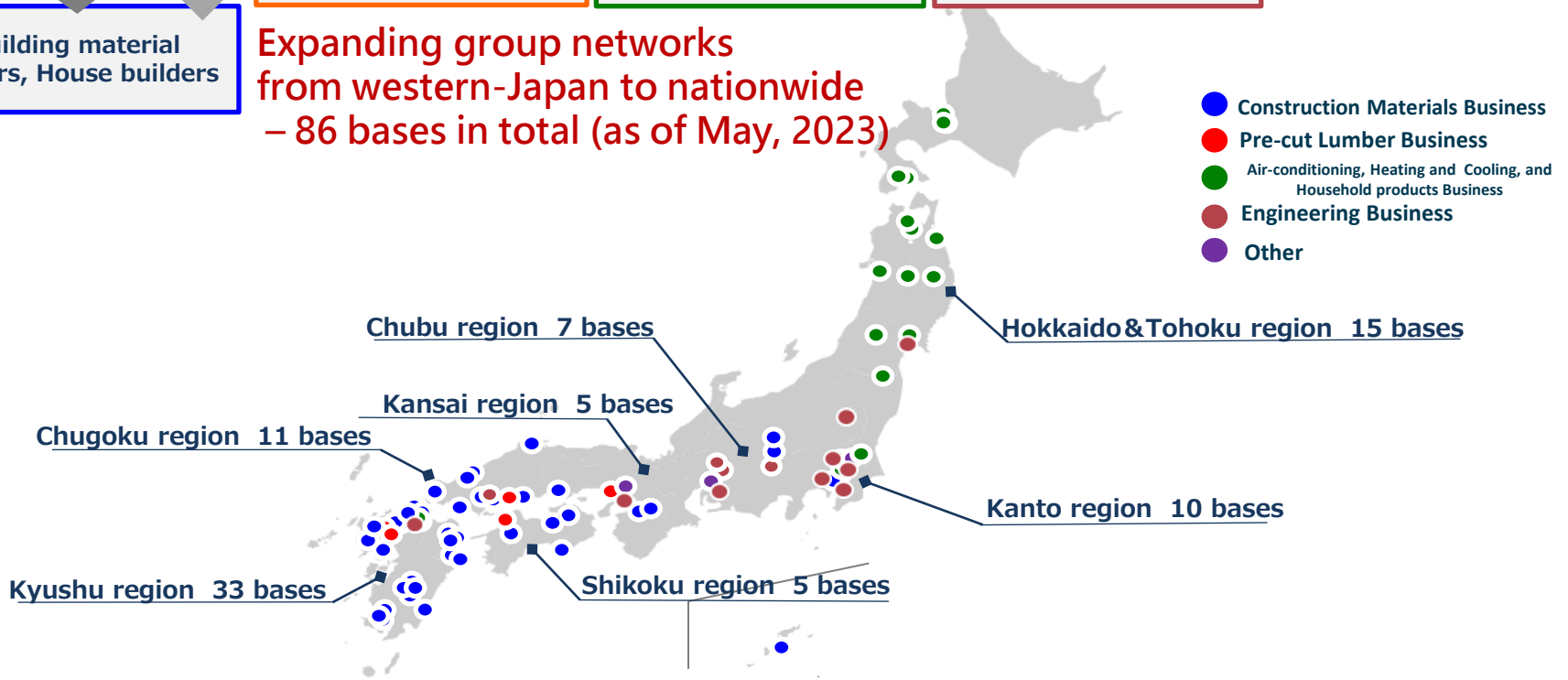
Business Segments and Geographical Locations

OCHI Holdings Co.,Ltd.

Construction Materials Business	Pre-cut Lumber Business	Air-conditioning, Heating and Cooling, and Household products Business	Engineering Business	Other
Sales of building materials and housing equipment	Processing and sale of timber for housing	Sales of air-conditioning, heating equipment and household and textile products, etc.	Contract, planning, design, construction and supervision of construction work	Sales of industrial materials
Widespread development of wholesale business Ochi Sangyo Co., Ltd. Affiliated companies Homecore Co., Ltd. Tosoh Co., Ltd. Other	Operation of Pre-cut plants Yodo Ply Co., Ltd. Ehime Precut Co., Inc. Nishinihon Framing Corporation Construction work	Vendor business for mass retailers Matsui Co., Ltd Terada Co., Ltd. Sales and installation work of refrigeration, air-conditioning and kitchen equipment Taiyo-Sangyo Co., Ltd.	Construction of non-residential facilities & civil engineering work DS Tokai Co., Ltd. IMTEC Co., Ltd. Chouhou Construction Co., Ltd. Hagaya Construction Co., Ltd. Structure inspection All Japan Date Service, Co., Ltd.	Wholesale of industrial materials Taihei Shoko Co., Ltd.
Building material dealers, House builders				

M&A during FY2023

Expanding group networks from western-Japan to nationwide – 86 bases in total (as of May, 2023)

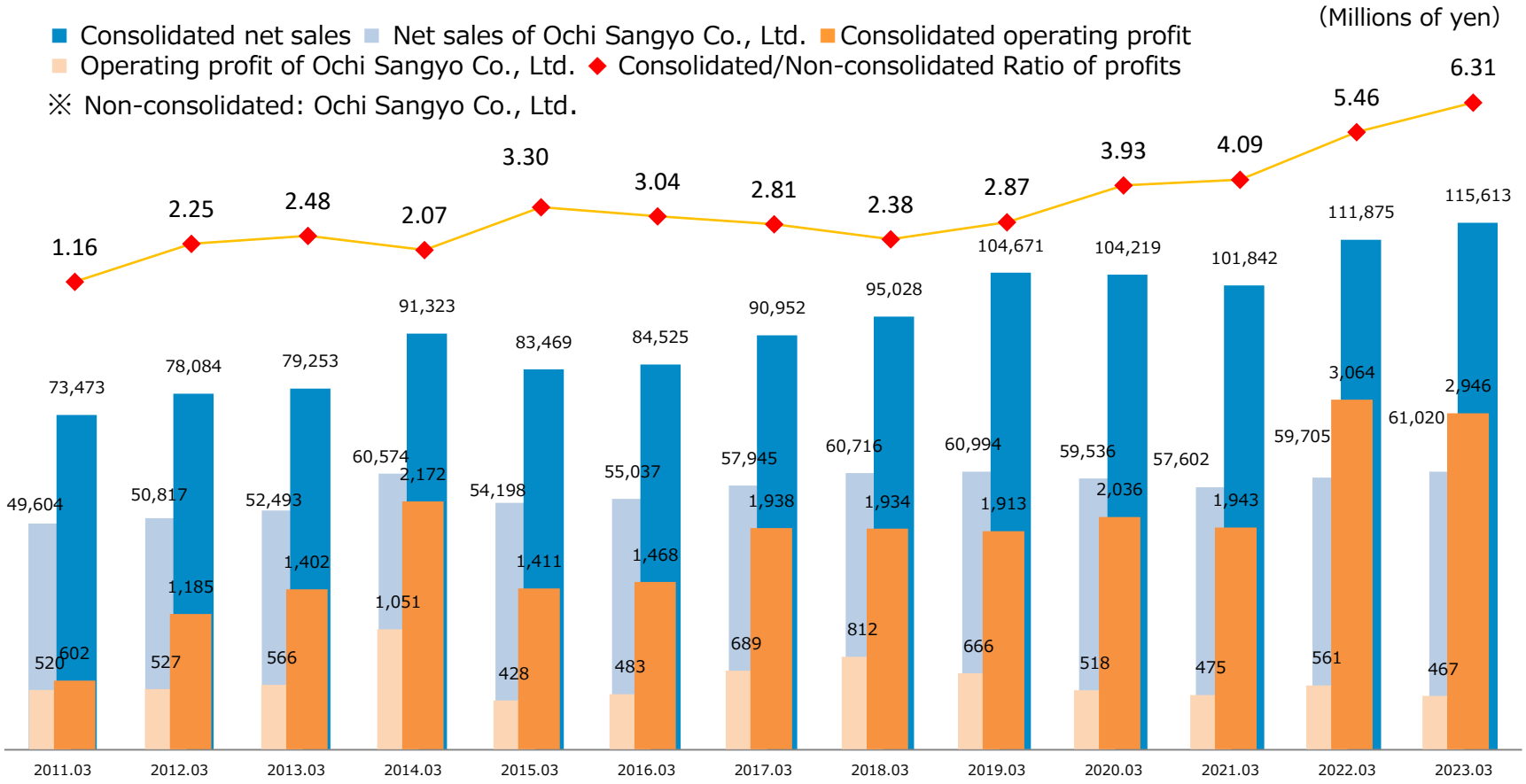


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Trends in Net Sales/Operating Profit

OCHI Holdings Co.,Ltd.

Succeeded in expanding consolidated financial results by ensuring the profitability of subsidiaries acquired through M&A



M&A History

Jan. 2011 Yodo Ply Co., Ltd. became a subsidiary

Jun. 2013 Business transfer from Soken Limited Company

Dec. 2014 DS Tokai Co., Ltd. became a subsidiary

Nov. 2015 Sakaguchikenzai Co., Ltd. became a subsidiary

May 2016 Nishinihon Precut Center Co., Ltd. became a subsidiary

Oct. 2016 Taihei Shoko Co., Ltd. became a subsidiary

Feb. 2018 Marutaki Co., Ltd. became a subsidiary

Apr. 2018 Takemoku Co., Ltd. became a subsidiary

May 2018 Ehime Precut Co., Inc. became a subsidiary

Aug. 2018 Taiyo-Sangyo Co., Ltd. became a subsidiary

Jul. 2020 IMTEC Co., Ltd. became a subsidiary

Jul. 2020 Chouhou Construction Co., Ltd. became a subsidiary

Oct. 2021 Terada Co., Ltd. became a subsidiary

Jul. 2022 All Japan Date Service, Co., Ltd. became a subsidiary

Jul. 2022 Hagaya Construction Co., Ltd. became a subsidiary

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Summary of Financial Results for FY 2023

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Financial Highlights

Achieved record-high results in net sales.
Reached the second highest results in profits, despite the decrease mainly due to higher labor cost.

Net sales

115,613 million yen
vs FY2022 103.3%
vs Plan 100.1%

- New construction starts for owner-occupied and built-for-sale detached houses in FY2023 decreased by 7.7% year-on-year
- 3.3% increase year-on-year, 0.9% increase excluding the contribution of M&A
- Reached the target in 'Pre-cut Lumber Business' and 'Other'

Operating profit

2,946 million yen
vs FY2022 96.2%
vs Plan 109.1%

- 3.8% decrease year-on-year mainly due to higher labor cost despite gross profit margin improvement, 7.6% decrease excluding the contribution of M&A
- Reached the target in 'Precut Lumber Business', 'Air-conditioning, Heating and Cooling, and Household products Business', 'Engineering Business' and 'Other'

Profit attributable to owners of parent

2,484 million yen
vs FY2022 72.0%
vs Plan 124.2%

- Achieved the target despite the decline in profits year-on-year, mainly in a rebound from FY2022 in which gain on bargain purchase of 1,223 million yen was recognized
- Recorded extraordinary income of 333 million yen due to gain on sale of investment securities, gain on bargain purchase and gain on sale of non-current assets

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Statement of Income

OCHI Holdings Co.,Ltd.

Millions of Yen
( ) represent composition figures

	FY2022	FY2023					
		Result	Change Amount Y on Y	Change % Y on Y	Plan	Change Amount (Result vs Plan)	Change % (Result vs Plan)
Net Sales	111,875 (100.0%)	115,613 (100.0%)	3,737	103.3%	115,500 (100.0%)	113	100.1%
Gross Profit	15,089 (13.5%)	15,617 (13.5%)	528	103.5%	15,450 (13.4%)	167	101.1%
SG&A Expenses	12,025 (10.7%)	12,671 (11.0%)	646	105.4%	12,750 (11.0%)	▲78	99.4%
Operating Profit	3,064 (2.7%)	2,946 (2.5%)	▲117	96.2%	2,700 (2.3%)	246	109.1%
Ordinary Profit	3,547 (3.2%)	3,531 (3.1%)	▲15	99.6%	3,150 (2.7%)	381	112.1%
Profit attributable to owners of parent	3,451 (3.1%)	2,484 (2.1%)	▲966	72.0%	2,000 (1.7%)	484	124.2%

	FY2022	FY2023	Remarks
Gain on sale of non-current assets	1	83	Sale of investment property
Gain on sale of investment securities	88	158	Sale of cross-shareholdings
Gain on bargain purchase	1,223	91	Relating to the acquisition of Hagaya Construction Co., Ltd. as a subsidiary
Total extraordinary income	1,314	333	
Impairment losses	69	11	Impairment of buildings and structures
Loss on sale of investment securities	2	3	Sale of cross-shareholdings
Total extraordinary loss	81	16	

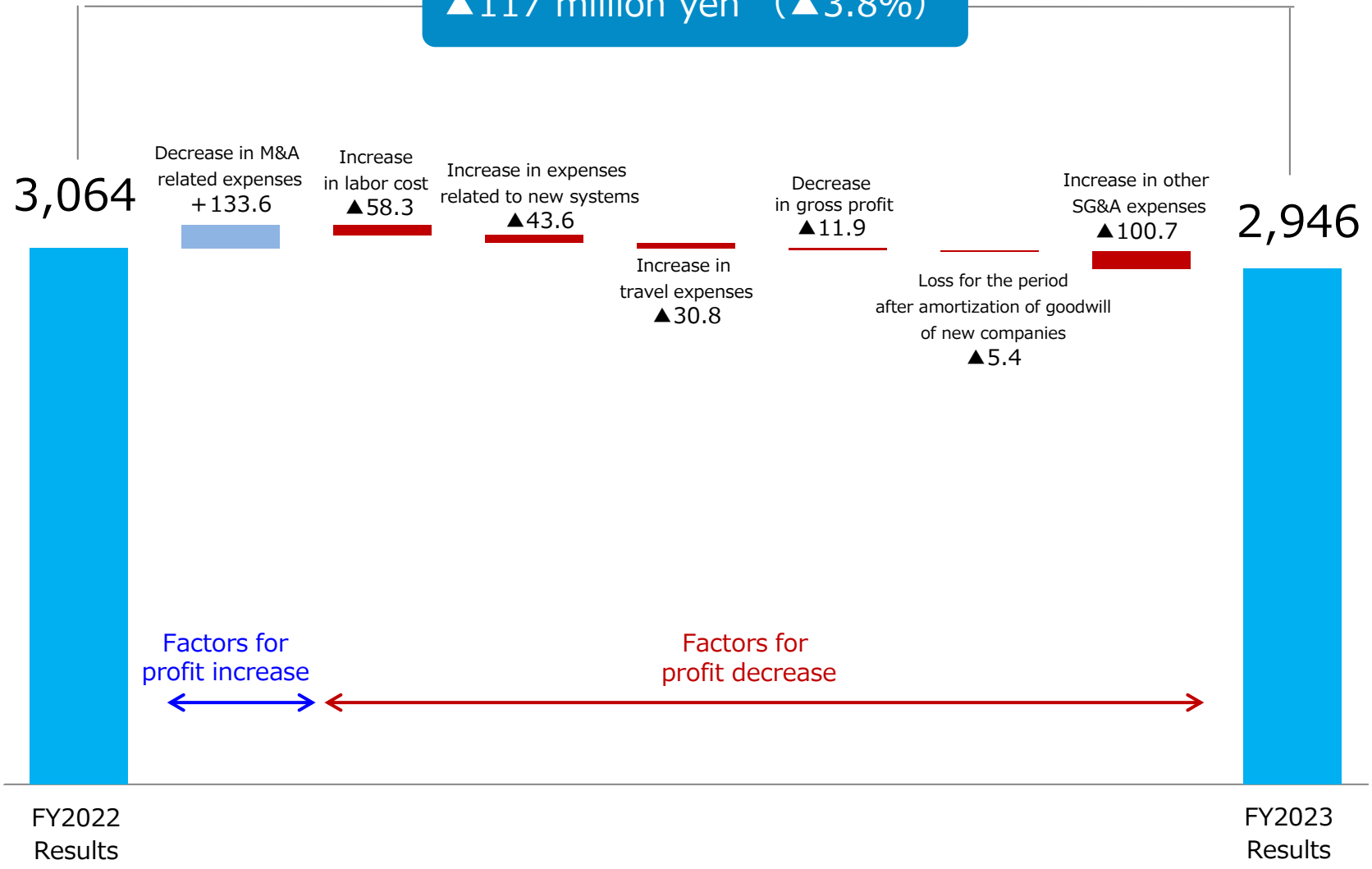
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OCHI Holdings Co.,Ltd.

Decrease in Operating Profit mainly due to the increase in labor cost

(Millions of yen)

▲117 million yen （▲3.8%）



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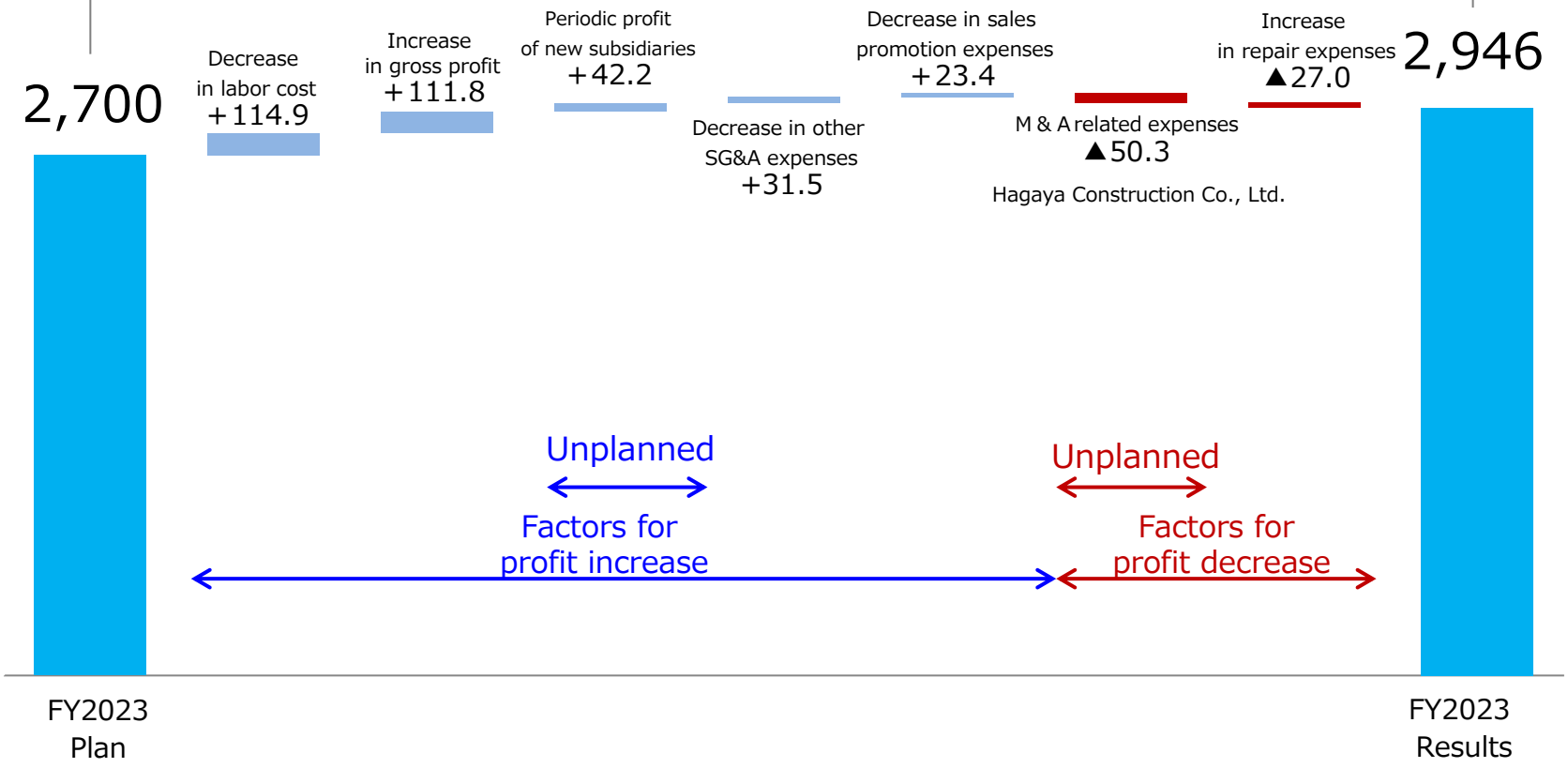
Analysis for Changes in Operating Profit vs Plan

OCHI Holdings Co.,Ltd.

Increase in Operating Profit
due to the increase of gross profit and the reduction of SG&A expenses

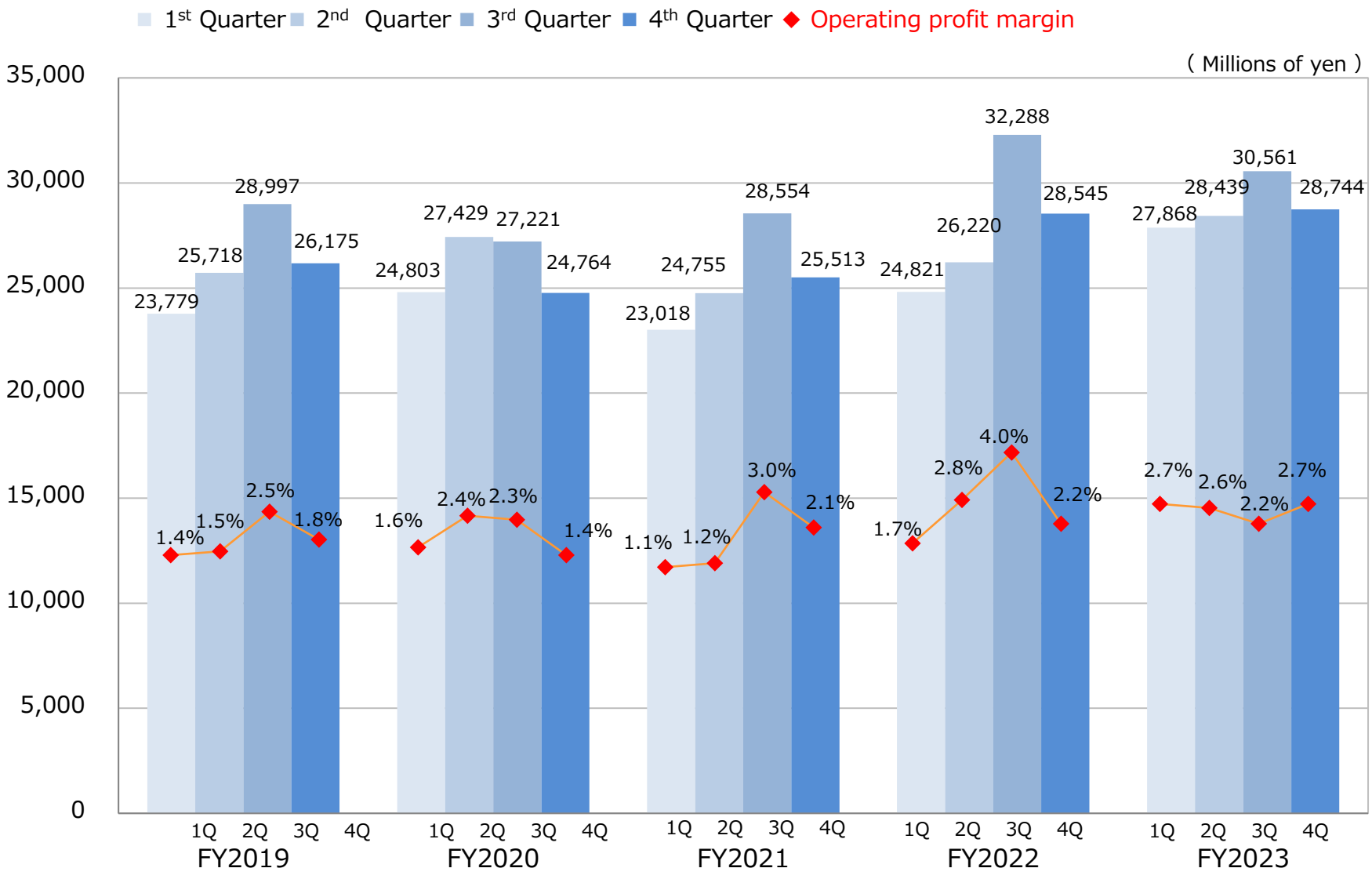
+246 million yen （+9.1%）

(Millions of yen)



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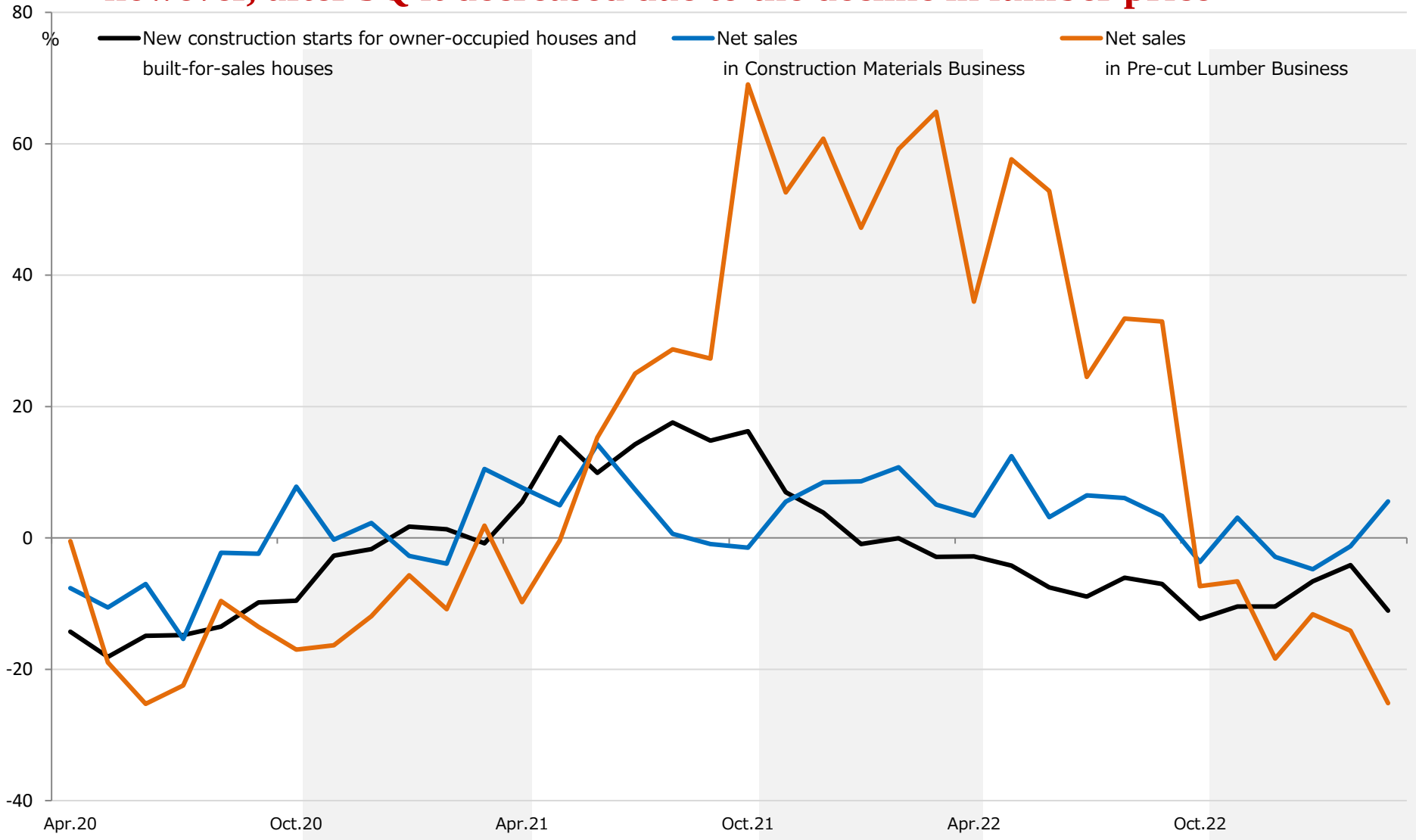
Trends in Net Sales for Each Quarter



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Trends in Annual Rate Y on Y (nationwide)

In Pre-cut Lumber Business, sales increased significantly until 2Q, however, after 3Q it decreased due to the decline in lumber price



※ As for the figures in 2021, excluding the impact of applying revenue recognition accounting standards

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Profit and Loss by Segment

OCHI Holdings Co.,Ltd.

Millions of yen, Figures in ( ) represent composition ratios
Figures in < > represent operating profit margin of each segment

	FY2022	FY2023					
		Result	Change Amount Y on Y	Change % Y on Y	Plan	Change Amount (Result vs Plan)	Change % (Result vs Plan)
	111,875 (100.0%)	115,613 (100.0%)	3,737	103.3%	115,500 (100.0%)	113	100.1%
Construction Materials Business	69,453 (62.1%)	71,118 (61.5%)	1,664	102.4%	71,789 (62.2%)	▲671	99.1%
Pre-cut Lumber Business	17,434 (15.6%)	18,711 (16.2%)	1,276	107.3%	17,059 (14.8%)	1,652	109.7%
Air-conditioning, Heating and Cooling, and Household products Business	16,144 (14.4%)	17,306 (15.0%)	1,162	107.2%	17,768 (15.4%)	▲461	97.4%
Engineering Business	6,146 (5.5%)	5,644 (4.9%)	▲502	91.8%	6,465 (5.6%)	▲821	87.3%
Other	3,156 (2.8%)	3,405 (2.9%)	249	107.9%	3,151 (2.7%)	254	108.1%
Inter-business coordination	▲458	▲573	▲114	—	▲734	161	—
Operating Profit	3,064 (2.7%)	2,946 (2.5%)	▲117	96.2%	2,700 (2.3%)	246	109.1%
Construction Materials Business	1,335 <1.9%>	1,311 <1.8%>	▲23	98.2%	1,440 <2.0%>	▲129	91.0%
Pre-cut Lumber Business	1,633 <9.4%>	1,578 <8.4%>	▲55	96.6%	1,363 <8.0%>	214	115.7%
Air-conditioning, Heating and Cooling, and Household products Business	69 <0.4%>	196 <1.1%>	126	282.6%	138 <0.8%>	57	141.4%
Engineering Business	525 <8.5%>	356 <6.3>	▲168	67.9%	326 <5.0%>	30	109.4%
Other	82 <2.6%>	131 <3.9%>	49	159.8%	90 <2.9%>	41	145.2%
Inter-business coordination	▲581	▲628	▲46	—	▲660	32	—

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Construction Materials Business

Millions of yen,
Figures in ( ) represent composition ratios

	FY2022	FY2023					
		Result	Change Amount Y on Y	Change % Y on Y	Plan	Change Amount (Result vs Plan)	Change % (Result vs Plan)
Net Sales	69,453 (100.0%)	71,118 (100.0%)	1,664	102.4%	71,789 (100.0%)	▲671	99.1%
Gross Profit	7,569 (10.9%)	7,750 (10.9%)	180	102.4%	7,905 (11.0%)	▲155	98.0%
Operating Profit	1,335 (1.9%)	1,311 (1.8%)	▲23	98.2%	1,440 (2.0%)	▲129	91.0%

Y on Y Change

- While new construction starts for owner-occupied houses and built-for-sale detached houses were on the decline, we pursued business opportunities with a focus on growth fields by promoting sales of products aimed at achieving carbon neutrality, capturing remodeling/renovation demand, and reaching out to non-housing markets. As a result, net sales increased by 2.4% year-on-year.
- Operating profit decreased by 1.8% year-on-year mainly due to the increases in labor and logistics costs.

Result vs Plan

- Both net sales and operating profit fell short of the targets due to the decline in the results of subsidiaries which mainly sell products to the house builders and conduct construction works.

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Millions of yen,
Figures in ( ) represent composition ratios

	FY2022	FY2023					
		Result	Change Amount Y on Y	Change % Y on Y	Plan	Change Amount (Result vs Plan)	Change % (Result vs Plan)
Net Sales	17,434 (100.0%)	18,711 (100.0%)	1,276	107.3%	17,059 (100.0%)	1,652	109.7%
Gross Profit	3,546 (20.3%)	3,524 (18.8%)	▲21	99.4%	3,240 (19.0%)	283	108.8%
Operating Profit	1,633 (9.4%)	1,578 (8.4%)	▲55	96.6%	1,363 (8.0%)	214	115.7%

Y on Y Change

- While lumber price, which had once soared, showed the signs of decline, we focused on selling lumber at appropriate prices. As a result, net sales increased by 7.3% year-on-year.
- Operating profit decreased by 3.4% year-on-year due to the increases of labor costs and plants' electricity charges.

Result vs Plan

- Net sales achieved the target due to the above factors.
- Operating profit also achieved the target because net sales significantly exceeded the plan despite the increase of SG&A expenses.

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Millions of yen,
Figures in ( ) represent composition ratios

	FY2022	FY2023					
		Result	Change Amount Y on Y	Change % Y on Y	Plan	Change Amount (Result vs Plan)	Change % (Result vs Plan)
Net Sales	16,144 (100.0%)	17,306 (100.0%)	1,162	107.2%	17,768 (100.0%)	▲461	97.4%
Gross Profit	2,328 (14.4%)	2,674 (15.5%)	345	114.8%	2,736 (15.4%)	▲62	97.7%
Operating Profit	69 (0.4%)	196 (1.1%)	126	282.6%	138 (0.8%)	57	141.4%

Y on Y Change

- Net sales increased by 7.2% year-on-year because sales and installation work of air-conditioning equipment grew steadily, and the year-on-year difference of the net sales of Terada Co., Ltd., which became a subsidiary in October 2021, amounted to 1,468 million yen (Ref.: FY2023 3,150 million yen vs FY2022 1,682 million yen).
- Operating profit increased by 182.6% year-on-year, mainly in a rebound from FY2022 in which M&A related expenses of 90 million yen were recognized.
- Net sales decreased by 2.1% and operating profit increased by 34.6% year-on-year, excluding the impact of M&A with Terada Co., Ltd.

Result vs Plan

- Net sales fell short of the target owing to a delay in the supply of refrigeration/freezing equipment and undermined consumer sentiment caused by rising living costs.
- Operating profit achieved the target due to the reduction of SG&A expenses.

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Millions of yen,
Figures in ( ) represent composition ratios

	FY2022	FY2023					
		Result	Change Amount Y on Y	Change % Y on Y	Plan	Change Amount (Result vs Plan)	Change % (Result vs Plan)
Net Sales	6,146 (100.0%)	5,644 (100.0%)	▲502	91.8%	6,465 (100.0%)	▲821	87.3%
Gross Profit	1,140 (18.6%)	1,136 (20.1%)	▲4	99.6%	1,094 (16.9%)	41	103.8%
Operating Profit	525 (8.5%)	356 (6.3%)	▲168	67.9%	326 (5.0%)	30	109.4%

Y on Y Change

- Net sales decreased by 8.2% year-on-year partly due to a delayed construction schedule.
- Operating profit decreased by 32.1% year-on-year.
- Net sales decreased by 27.6% year-on-year and operating profit decreased by 35.3%, excluding the impact of M&A of All Japan Date Service, Co., Ltd. and Hagaya Construction Co., Ltd.

Result vs Plan

- Net sales fell short of the target due to a delayed construction schedule.
- Operating profit achieved the target mainly due to high profitable civil engineering works.

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Millions of yen,
Figures in ( ) represent composition ratios

	FY2022	FY2023					
		Result	Change Amount Y on Y	Change % Y on Y	Plan	Change Amount (Result vs Plan)	Change % (Result vs Plan)
Net Sales	3,156 (100.0%)	3,405 (100.0%)	249	107.9%	3,151 (100.0%)	254	108.1%
Gross Profit	503 (15.9%)	535 (15.7%)	32	106.5%	505 (16.0%)	30	106.0%
Operating Profit	82 (2.6%)	131 (3.9%)	49	159.8%	90 (2.9%)	41	145.2%

Y on Y Change

- Net sales increased by 7.9% year-on-year due to a rise in sales of electric insulating materials for industrial use.
- Operating profit increased by 59.8% year-on-year.

Result vs Plan

- Both net sales and operating profit achieved the targets due to the above factors.

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Balance Sheet

OCHI Holdings Co.,Ltd.

Millions of yen

	FY2022	FY2023	Change
Cash and deposits	12,195	14,146	1,951
Notes and accounts receivable - trade	24,393	23,404	▲988
Merchandise	5,107	4,460	▲647
Costs on construction contracts in progress	731	1,662	931
Other current assets	834	994	159
Allowance for doubtful accounts	▲30	▲24	6
Current Assets	43,231	44,644	1,412
Property, plant and equipment	12,757	12,822	64
Intangible assets	1,303	1,616	313
Investments and other assets	5,541	5,448	▲92
Non-current Assets	19,602	19,887	284
Total Assets	62,834	64,531	1,697

	FY2022	FY2023	Change
Notes and accounts payable-trade	31,960	30,823	▲1,137
Short-term borrowings	3,223	3,837	613
Other current liabilities	3,489	3,837	347
Long-term borrowings	1,663	2,017	353
Retirement benefit liability	653	633	▲19
Other non-current liabilities	2,029	1,825	▲203
Liabilities	43,019	42,974	▲45
Shareholders' equity	19,392	21,150	1,757
Accumulated other comprehensive income	381	380	▲1
Non-controlling interests	40	27	▲12
Net Assets	19,814	21,557	1,743
Total Liabilities and Net Assets	62,834	64,531	1,697
Capital adequacy ratio	31.5%	33.4%	1.9%

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Statement of Cash Flows

OCHI Holdings Co.,Ltd.

Millions of yen

	FY2022	FY2023	Major Factors
Cash flows from operating activities	3,428	1,856	Profit before income taxes +3,848 Decrease of accounts receivable +1,012 Corporate income taxes ▲1,965 Decrease of accounts payable ▲1,417
Cash flows from investing activities	▲532	364	Proceeds from the acquisition of subsidiary shares accompanying changes in scope of consolidation +319 Proceeds from the sales of investment property +232 Expenditures for the acquisition of subsidiary shares accompanying changes in scope of consolidation ▲206
Free cash flow	2,896	2,221	
Cash flows from financing activities	▲1,449	▲376	Proceeds from long-term borrowings +1,300 Repayments of long-term borrowings ▲1,457 Dividends paid ▲787
Net increase(decrease) in cash and cash equivalents	1,447	1,845	
Cash and cash equivalents at beginning of period	10,711	12,158	
Cash and cash equivalents at end of period	12,158	14,004	

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Financial Forecast for FY2024

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Financial Forecast for FY2024

OCHI Holdings Co.,Ltd.

- **We expect a slight decline concerning the number of housing starts for owner-occupied houses and built-for-sale detached houses, due to undermined consumer sentiment caused by rising living costs and surging utility charges, and possible mortgage rates rises.**
- **We assume decline in profitability due to higher labor and logistics costs.**

Millions of yen,
Figures in ( ) represent composition ratios

	FY2023	FY2024		
		Forecast	Change Amount	Change %
Net Sales	115,613 (100.0%)	120,000 (100.0%)	4,386	103.8%
Gross Profit	15,617 (13.5%)	16,110 (13.4%)	492	103.2%
SG&A Expenses	12,671 (11.0%)	13,360 (11.1%)	688	105.4%
Operating Profit	2,946 (2.5%)	2,750 (2.3%)	▲196	93.3%
Ordinary Profit	3,531 (3.1%)	3,220 (2.7%)	▲311	91.2%
Profit attributable to owners of parent	2,484 (2.1%)	2,050 (1.7%)	▲434	82.5%
R O E	12.0%	9.2%	▲2.8%	—

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Full-year Plan by Segment（1）

Construction Materials Business

Millions of yen,
Figures in ( ) represent composition ratios

	FY2023 Result	FY2024 Plan	FY2024 Change % Y on Y
Net Sales	71,118 (100.0%)	73,568 (100.0%)	103.4%
Gross Profit	7,750 (10.9%)	8,075 (11.0%)	104.2%
Operating Profit	1,311 (1.8%)	1,365 (1.9%)	104.1%

■ We plan to compensate increases in labor and logistics costs by engaging in sales activities, with a focus on growth fields, such as promoting sales of products to achieve carbon neutrality, capturing remodeling/renovation demand and reaching out to non-housing markets.

Pre-cut Lumber Business

Millions of yen,
Figures in ( ) represent composition ratios

	FY2023 Result	FY2024 Plan	FY2024 Change % Y on Y
Net Sales	18,711 (100.0%)	17,566 (100.0%)	93.9%
Gross Profit	3,524 (18.8%)	3,164 (18.0%)	89.8%
Operating Profit	1,578 (8.4%)	1,237 (7.0%)	78.4%

■ We expect the decline in profitability due to a fall in sales price of pre-cut materials as well as increases in labor costs and plants' electricity charges.

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Full-year Plan by Segment （2）

Air-conditioning, Heating and Cooling, and Household products Business

Millions of yen,
Figures in ( ) represent composition ratios

	FY2023 Result	FY2024 Plan	FY2024 Change % Y on Y
Net Sales	17,306 (100.0%)	18,027 (100.0%)	104.2%
Gross Profit	2,674 (15.5%)	2,890 (16.0%)	108.1%
Operating Profit	196 (1.1%)	179 (1.0%)	91.6%

■ We expect the decline in profitability due to increases in labor and logistics costs.

Engineering Business

Millions of yen,
Figures in ( ) represent composition ratios

	FY2023 Result	FY2024 Plan	FY2024 Change % Y on Y
Net Sales	5,644 (100.0%)	8,021 (100.0%)	142.1%
Gross Profit	1,136 (20.1%)	1,449 (18.1%)	127.6%
Operating Profit	356 (6.3%)	527 (6.6%)	147.7%

■ We expect significant increases both in sales and profits due to the contribution of All Japan Data Service, Co., Ltd. and Hagaya Construction Co., Ltd., acquired through M&A in FY2023.

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Full-year Plan by Segment （3）

Other

Millions of yen,
Figures in ( ) represent composition ratios

	FY2023 Result	FY2024	
		Plan	Change % Y on Y
Net Sales	3,405 (100.0%)	3,312 (100.0%)	97.2%
Gross Profit	535 (15.7%)	536 (16.2%)	100.2%
Operating Profit	131 (3.9%)	110 (3.3%)	83.5%

- We expect slight declines both in sales and profits due to temporary sales in the automobile field in the previous year and increases in labor and other costs.

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Progress on Medium-term Management Plan
（FY2023～FY2027）

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Purpose

To create safe, secure and sustainable society

Action Philosophy

Positivity　Sincerity　Stability

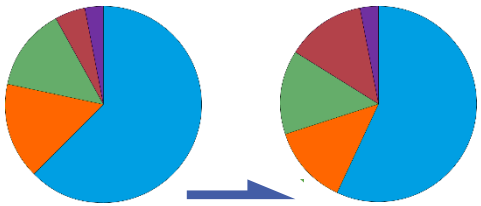


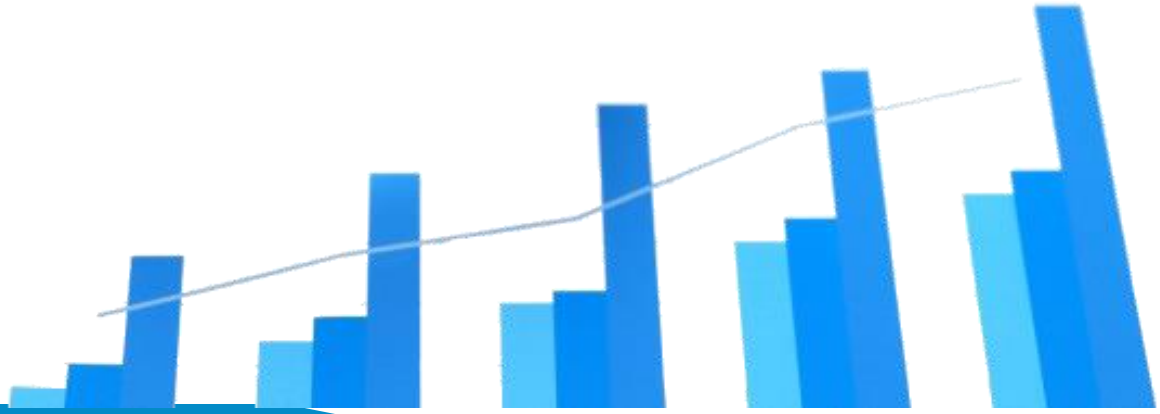
Basic Policy

① Transformation of business portfolio for sustainable growth

② Development of sales activities focusing on growth fields

③ Establishment of a management platform underpinning stable growth





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1． Transformation of business portfolio for sustainable growth

Measures（for Medium-term management plan）	**Progress and special remarks**
● Establishing corporate structure less susceptible to changes in residential demand, and increasing the sales ratio up to 30% and more in non-residential fields other than construction materials business and pre-cut lumber business ● Pursuing M&A actively in engineering business	● In July 2022, acquired All Japan Date Service, Co., Ltd. as a subsidiary, which conducts diagnosis and investigation of civil engineering structures [Engineering business] ● In October 2022, acquired Hagaya Construction Co., Ltd. as a subsidiary, which conducts construction and civil engineering business in Tochigi Prefecture [Engineering business] ● Percentage of sales in the fields other than construction materials business and pre-cut lumber business to consolidated net sales is shown in the table below:

Previous Medium-term Management Plan | Current Medium-term Management Plan

	FY2021 Result	FY2022 Result	FY2023 Result	FY2024 Plan
Air-conditioning, Heating and Cooling, and Household products Business（A）	15,045	16,144	17,306	18,027
Engineering Business（B）	2,829	6,146	5,644	8,021
Other（C）	2,961	3,156	3,405	3,312
Sales in non-residential fields（A）+（B）+（C）	20,836	25,446	**26,357**	29,361
Percentage of sales in non-residential fields to consolidated net sales	20.4%	22.7%	**22.7%**	24.5%

(Millions of yen)

FY2027 Target
40,500
30.0%

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2．Development of sales activities focusing on growth fields

Construction Materials Business

Pre-cut Lumber Business

Measures (for Medium-term management plan)	**Progress and special remarks**
● Promoting sales of products to achieve carbon neutrality	● Organizing projects to promote carbon neutrality, and strengthening sales promotion from the perspective of this objective ● Net sales of ZEH related products increased by **9.9%** year-on-year at Ochi Sangyo Co., Ltd.
● Capturing remodeling/renovation demand	● Organized “I Love Home Fair”, an exhibition of construction materials and housing equipment for the first time in about three years to capture remodeling/renovation demand at Ohi Sangyo Co., Ltd. （The number of visitors : **Approx. 5,700 persons**） ● Established construction contractors’ associations (Etsujukai) in various areas of Kyushu to expand housing construction and improve quality ● Composition ratio of sales in housing equipment to net sales of construction materials business increased by **0.6%** year-on-year
● Reaching out to non-housing markets	● Opening a support web-site for non-housing market to develop the market ● Sales for non-housing buildings increased by **7.1%** year-on-year in pre-cut lumber business
● Strengthening construction functions	● Focusing on sales with construction in pre-cut lumber business

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2． Development of sales activities focusing on growth fields

	Measures (for Medium-term management plan)	Progress and special remarks
Air-conditioning, Heating and Cooling, and Household products Business	● Strengthening the construction system ● Developing e-commerce market	● At Taiyo-Sangyo Co., Ltd., concentrating on installation work of refrigeration/freezing equipment and air-conditioning equipment ● At Terada Co., Ltd., expanding sales of clothing and others on e-commerce sites ● Sales in e-commerce markets increased by **1,401%** year-on-year
Engineering Business	● Constructing business network through further M&A ● Handling civil engineering-related products in cooperation with construction materials business	● In July 2022, acquired All Japan Date Service, Co., Ltd. as a subsidiary, which conducts diagnosis and investigation of civil engineering structures ● In October 2022, acquired Hagaya Construction Co., Ltd. as a subsidiary, which conducts construction and civil engineering business in Tochigi Prefecture ● Promoting the trade of civil engineering-related products such as heat-shielding and heat-insulating paints for roads in cooperation with construction materials business
Other	● Transformation of sales composition in view of the shift to EV conversion of automobiles ● Sales expansion of domestic industrial materials	● While sales amount in the automobile field is maintained, sales composition ratio in this field decreased Sales amount in automobile field: **5.2% increase** year-on-year Sales composition ratio in automobile field: **1.0% decrease** year-on-year ● Sales of domestic electrical insulating materials **134.1% increase** year-on-year

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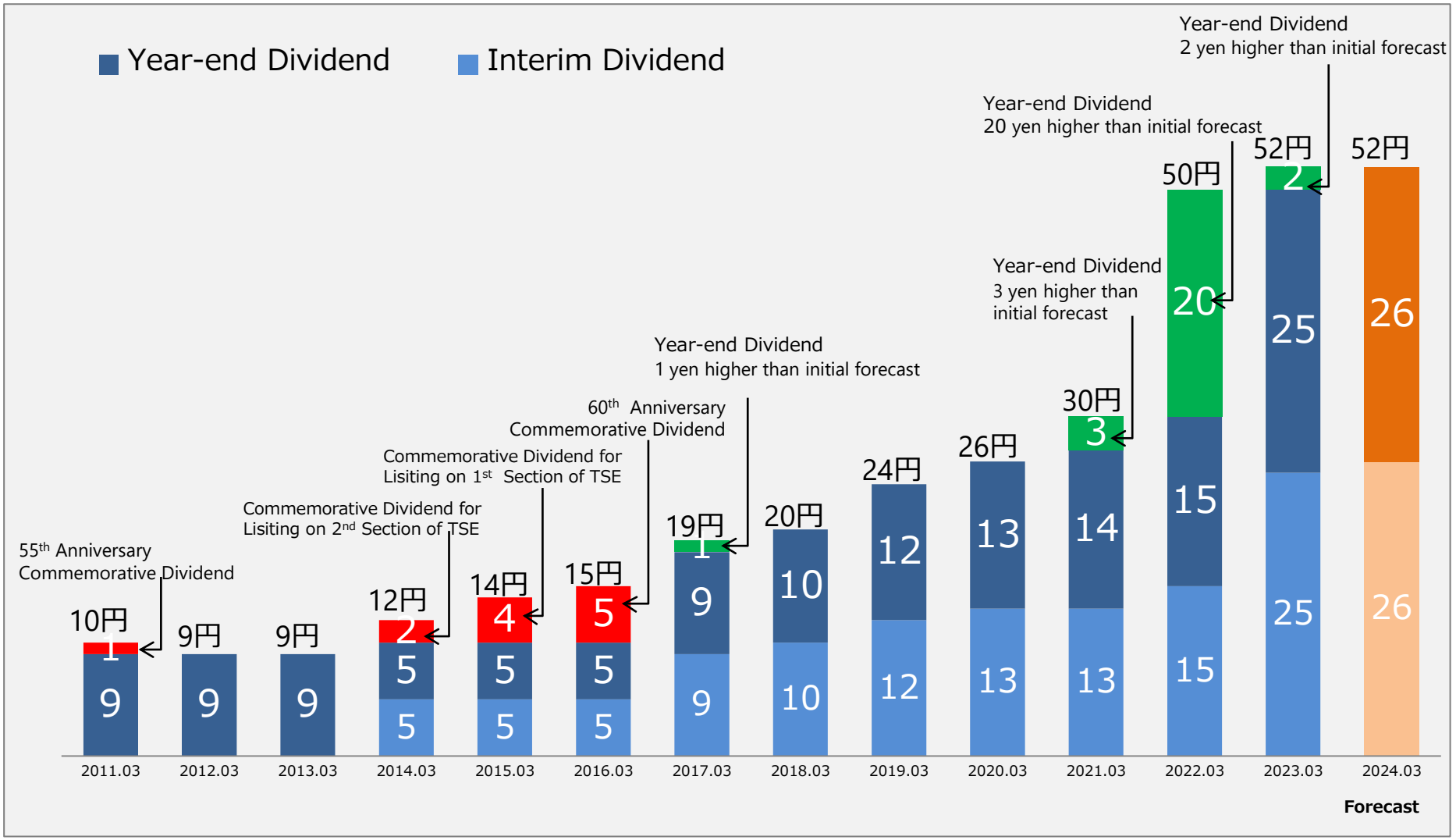
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3. Establishment of a management platform underpinning stable growth

Measures (for Medium-term management plan)	**Progress and special remarks**
● DX promotion	● From April 2022 to March 2023, introduced a new core system common to group companies in construction materials business, into two companies – Tosoh Co., Ltd. and Marutaki Co., Ltd. (A total of five companies within the group installed the system) ● In April 2023, Information systems department was established to strengthen DX promotion
● Strengthening the initiatives for sustainability	● In May 2022, endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and started considering strategy, metrics and targets and others based on the recommendations ● In April 2023, established Sustainability Committee ● In June 2023, formulated Human Rights Policy
● Developing and securing human resources	● Promoting diverse working styles and implementing remote work in the residence distant from the company location
● Reinforcing corporate governance	● Complying with Corporate Governance Cord Disclosure of company documents in English (Notice of Convocation and Resolution, Consolidated Financial Results and Financial Presentation Materials) Considering of strategy, metrics and targets and others based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

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Achieved 10th consecutive year of dividend increase



Payout Ratio	7.9%	4.7%	6.2%	7.3%	16.9%	17.4%	18.4%	19.6%	22.9%	23.7%	21.8%	18.8%	27.0%	32.7%

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【Company】 OCHI Holdings Co., Ltd.
【Address】 3-12-20 Nanotsu, Chuo-ku, Fukuoka 810-0071. Japan
【Telephone】 Corporate Planning Department 092-732-8959
Finance Department 092-711-9173

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Certain risks, uncertainties and various factors may cause the company's actual results to differ materially from any projections presented here.

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