Koukandekirukun (7695)

Operating profit falls on higher costs

Share price: ¥2,285 **Market cap: ¥5.4bn**

02 June 2025

Q1-4 FY3/25 update

- **Results reflect cost of future expansion** – Q1-4 FY3/25 +36.1% YoY sales outperformed. However, although operating profit beat revised guidance, it fell 50.3% YoY, a stark contrast to the company's initial forecast for an increase of +0.6% YoY. This was due to higher-than-expected costs related to M&A, internal transactions with a new subsidiary and investments to reaccelerate order growth. The company is forecasting FY3/26 sales growth to slow to +18.5% YoY, as it faces difficult comps from the previous year's acquisition boost. OP growth is to remain muted amid ongoing investments to fuel both B2C and B2B market expansion.



Source: Bloomberg

New MTMP with beatable targets

- **Revised estimates –** We have revised our FY3/26 and FY3/27 earnings estimates to reflect FY3/25's decline in OP and FY3/26's sales forecast, which is slightly lower than we had anticipated.
- **MTMP (FY3/26-FY3/28) targets are not stretched –** The company announced a Medium-Term Management plan targeting FY3/28 sales of ¥20bn and OP of ¥1bn, representing 3-yr CAGR of +24.8% and +83.1% respectively. The plan emphasizes the importance of investment for long-term growth over profitability, targeting 3% of sales to raise brand awareness.
- **ESG –** We score the company as 'red' under our Astris-Sustainability model scorecard, primarily because of limited disclosure.
- **Valuations –**The shares are trading at our estimated PER FY3/26 of 32.2x (on **+79.3**% OP growth YoY) and an FCF yield of 8.0%.

Year-end	3/24	3/25	3/26E	3/27E	3/28E
Sales (¥bn)	7.57	10.29	12.76	16.59	21.90
OP (¥bn)	0.33	0.16	0.26	0.50	0.99
NP (¥bn)	0.23	0.09	0.16	0.31	0.61
EPS (¥)	101.20	39.57	70.93	136.22	266.83
DPS (¥)	-	-	-	-	-
Sales growth YoY (%)	+25.2	+36.1	+24.0	+30.0	+32.0
OP growth YoY (%)	+9.5	-50.3	+56.3	+95.0	+98.0
NP growth YoY (%)	+24.3	-60.5	+79.2	+92.1	+95.9
EPS growth YoY (%)	+23.6	-60.9	+79.3	+92.1	+95.9
PER (x)	22.6	57.7	32.2	16.8	8.6
EV/EBITDA (x)	14.4	25.2	16.9	9.2	4.8
EV/Sales (x)	0.7	0.5	0.4	0.3	0.2
PBR (x)	4.2	3.2	3.0	2.5	2.0
ROE (%)	19.8	6.1	9.2	15.6	24.8
ROCE (%)	18.5	7.8	11.4	19.4	30.9
FCF yield (%)	(0.6)	(6.0)	8.0	7.0	14.4
Dividend yield (%)	-	-	-	-	-
Total shareholder returns (%)	-	-	-	-	-

Source: Company, Astris Advisory (estimates)

Price Performance

	YTD	1M	3M	12M
Abs (%)	-30.8	-15.4	-22.8	-0.6
Rel (%)	-30.6	-18.1	-25.5	-0.7

Company sector

Retail trade (TSE)

Stock data

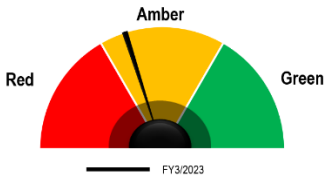
Price (¥)	2,285
Mkt cap (¥bn)	5.4
Mkt cap ($m)	38.0
52-week range (¥)	2,082-3,380
Shares O/S (m)	2.4
Average daily value ($m)	0.1
Free float (%)	32.6
Foreign shareholding (%)	2.3
Ticker	7695
Exchange	Tokyo Growth
Net Debt/Equity (x)	N/A
FFO leverage (x)	11.4
BBG BUY | HOLD | SELL	0 | 0 | 0

Source: Bloomberg

Business Overview

Kokandekirukun offers home improvement services, focused on kitchen and bathroom fittings.

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

Q1 FY3/2026 results August 2025

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This report has been commissioned and paid for by the company

FY3/25 Q1-4 results

Recent results

Sales and OP beat revised forecasts, though profit falls

Key financials

(¥bn)	Q1-4 FY3/24	Q1-4 FY3/25	Growth YoY (%)	FY3/25 Co forecast (May 2024)	FY3/25 forecast (March 2025)
Sales	7.57	10.29	+36.1	10.00	10.00
Gross profit/(loss)	1.84	2.37	+28.7		
Gross margins (%)	***24.4***	***23.0***			
SG&A expenses	1.52	2.21	+45.8		
SG&A/Sales ratio (%)	***20.0***	***21.5***			
Operating profit/(loss)	0.33	0.16	-50.3	0.33	0.15
Operating margins (%)	***4.3***	***1.6***		***3.3***	***1.5***
Ordinary profit/(loss)	0.34	0.17	-47.9	0.33	0.16
Net income attributable to the parent	0.23	0.09	-60.5	0.210	0.07

Source: Company

Earnings were mixed. Sales were slightly ahead of forecasts, with underlying demand boosted by acquisitions, but OP halved. Although the ¥163mn OP figure outperformed the company's March downward revision, the result was signficantly below the company's earlier forecast of ¥330mn, which had already incorporated increasing costs for business expansion. The additional costs were related to higher-than-expected M&A costs, internal transactions between the parent company and new subsidiary to strengthen IT system development and investments to stimulate growth, as the warmer winter had impacted Q4 orders for seasonal products.

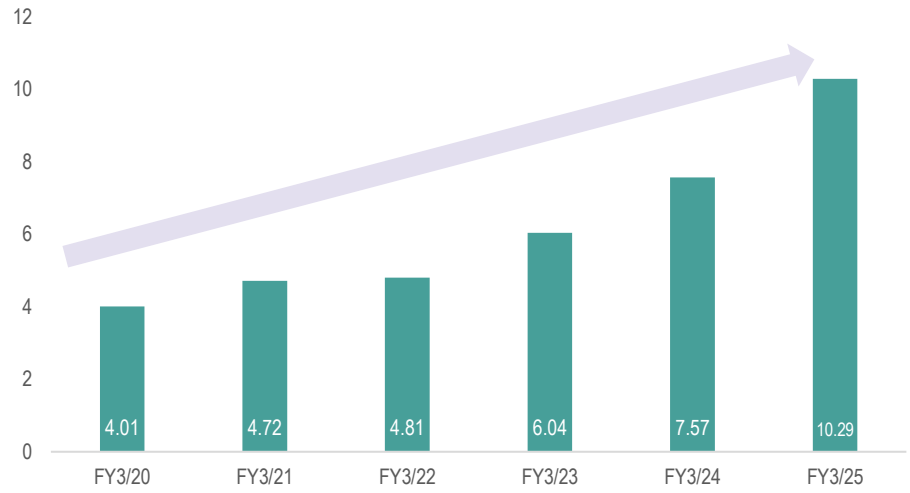
SG&A rose by nearly +50% YoY, led by advertising and personnel increases amid the company's quest to raise brand recognition and to continue both B2C and B2B expansion. M&A costs elevated Other costs considerably. Costs are expected to remain elevated through the medium-term, as the company executes its first MTMP.

The results indicate:

- That the company is clearly in an investment phase in order to forge ahead with B2B expansion and raise brand awareness. This will continue for at least the duration of the company's new MTMP. These investments are necessary for it to scale its business in a meaningful way.

5-yr sales CAGR rose +16.9%, bolstered by FY3/25 +36.1% YoY rise

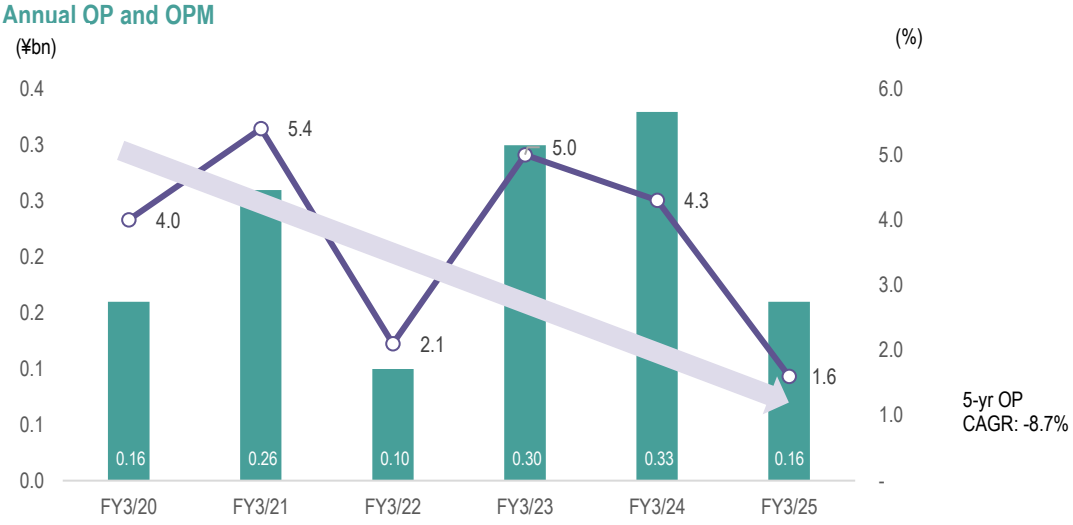
Annual sales (¥bn)



Source: Company

OP fell, reversing upward trend, pushing 5-yr CAGR down -8.7%

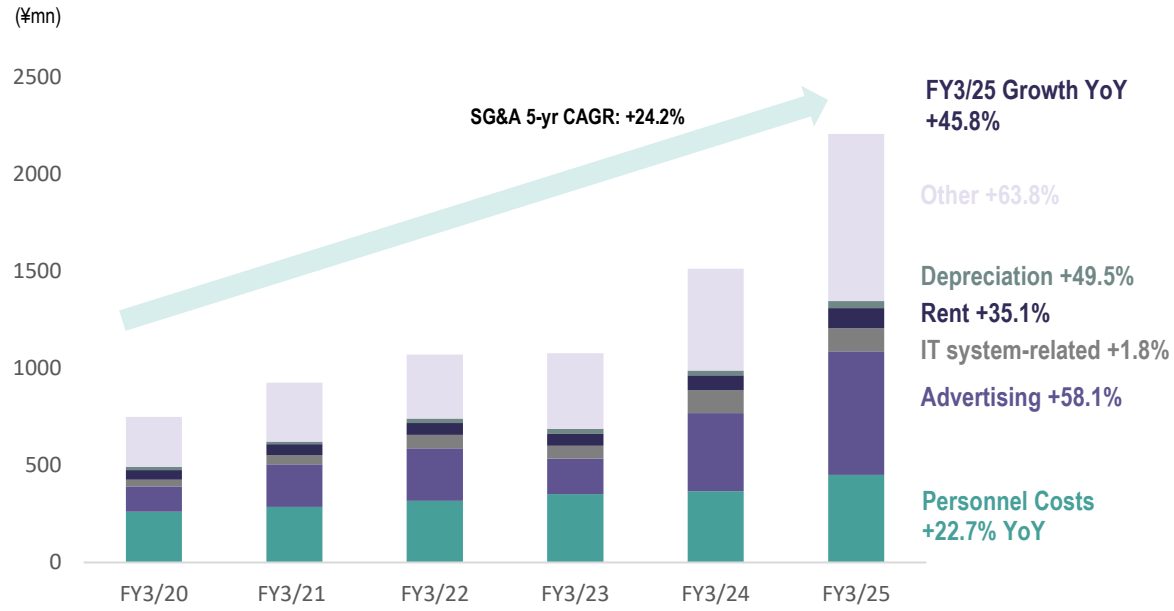
Annual OP and OPM



Source: Company

SG&A rose +45.8% in FY3/25, pushing up 5-yr CAGR to +24.2%

SG&A split annual trend



Source: Company data

FY3/26 forecasts

Company forecasts sales growth to slow without M&A impact

Company forecasts

(¥bn)	FY3/25	FY3/26 Co forecast (new)	Growth YoY (%)
Sales	10.29	12.20	+18.5
OP	0.16	0.20	+22.5
OPM	***1.6***	***1.6***	
Ordinary profit	0.17	0.20	+14.4
Net income attributable to the parent	0.09	0.10	+21.1

Source: Company

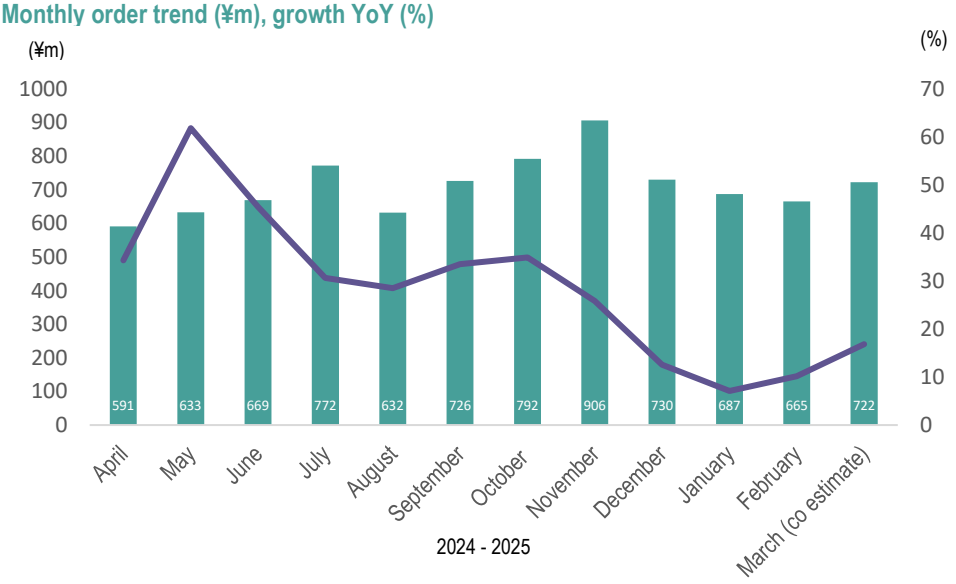
The company is forecasting the slowest sales growth since the pandemic year of FY3/22, as subsequent fiscal years have been boosted by M&A. As a result, FY3/26 sales will be relying on organic growth for the first time in four years. Encouragingly, monthly order growth started to pick up again in January, after slowing from a peak in May last year.

Demand is expected to remain on a steady upward trend. The broader economic environment tends to have little impact on demand, which is based on appliance replacement needs (usually every 15 years or so), rather than consumer sentiment. This is good news given the current dual pressures of the rising cost of living and US tariff uncertainties. The forecast excludes any impact from the jointly-developed Replaform platform, which is on track for Itochu Enex Home-Life's planned July launch, due to time needed for test marketing.

Although OP is forecast to increase to ¥200mn, this remains below the company's initial FY3/25 forecast of ¥300mn. This highlights the importance the company is placing on investing for future growth.

Monthly order growth is starting to improve

Monthly order trend (¥m), growth YoY (%)



Source: Company data

Medium-Term Management Plan (FY3/26-FY3/28)

Koukandekirukun announced its first three-year MTMP, with the following targets:

- **Earnings targets –** the plan targets 3-yr sales CAGR of +24.8% and OP of +83.1%, spending at least 3% of sales on raising brand awareness to drive growth of existing businesses. The company has also developed two more growth scenarios. The second one is based on steady contributions from new businesses, targets which need to be met to trigger stock options, while the third is based on aggressive M&A.

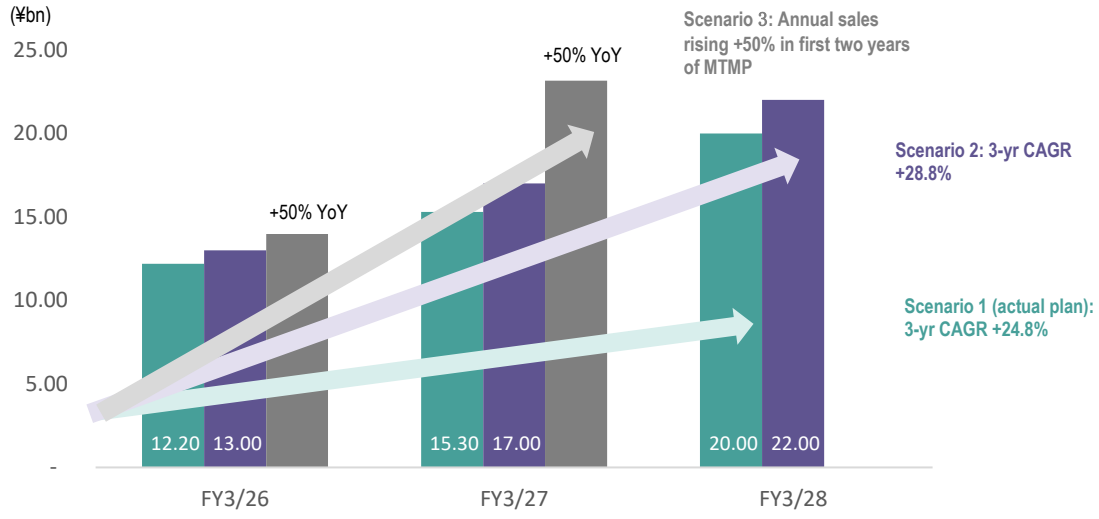
Company MTMP

(¥bn)	FY3/25	FY3/26 Co forecast	FY3/27 Co forecast	FY3/28 Co forecast	3-yr CAGR (%)
Sales	10.29	12.20	15.30	20.00	+24.8
Growth YoY (%)	+36.1	+18.5	+25.4	+30.7	
OP	0.16	0.20	0.45	1.00	+83.1
Growth YoY (%)	-50.3	+22.5	+125.0	+122.2	
OPM	***1.6***	***1.6***	***2.9***	***5.0***	

Source: Company

Baseline sales target is not challenging given growth potential

MTMP: The three growth scenarios



Source: Company

The plan indicates the following:

- In light of the digitalization potential of the market, combined with expansion into the B2B market, we think that the base sales growth target is not challenging. We are estimating that the company achieves growth closer to the second scenario.
- High brand recognition is key to long-term success. The MTMP implies spending around ¥1.45bn on raising recognition to 40%, close to peers. Appliance replacement demand is borne out of necessity and not a regular purchase. Therefore, the company needs to be memorable enough to be the first brand consumers consider for appliance replacement, even when they have not used the service for years. We therefore consider the spending central to its expansion.

Summary

Koukandekirukun is an innovative online platform offering home appliance and sanitaryware replacement services. With an early-mover advantage, it aims to transform the ¥2.8tn residential equipment replacement market, where just 2% of orders are handled online. Efficiencies gained from its comprehensive online quote service help undercut traditional rivals by about a third and generate data to continuously improve SEO, driving traffic to its site. With extensive plans underway to expand from a B2C service to a B2B maintenance outsourcing business, this company has ambitions to dominate a residential maintenance market that is ripe for disruption. The key strategic targets are:

- To win the top market share in the B2C digital residential equipment replacement market
- Maintain annual B2C sales growth of between 20% - 30%
- Reach 10% OPM
- Build up its B2B business to account for 30% of sales from 10% now.

Astris Advisory estimates Koukandekirukun will drive mid-term growth via the following factors:

- **Digital shift – As the world turns digital, the shift to online quotes and orders is inevitable,** and Koukandekirukun is well placed to benefit from that shift.
- **One-stop-shop –** Rare in Japan, its tradespeople handle every type of installation whether electrical, gas or plumbing related.
- **Comprehensive digital marketing strategy –** The company has a comprehensive and easy-to-navigate website, deep with thousands of pages of work examples and customer reviews, combined with a strong SEO strategy.
- **Early mover advantage –** The company has an early-mover advantage, possibly being the first to offer an online quote service for residential equipment replacement.
- **B2B expansion –** The company is expanding into the B2B market partly via M&A.. It also has a business and capital tie-up with ITOCHU ENEX HOME-LIFE Co. Ltd to develop a B2B cloud platform targeting real estate and other companies.

On our estimates, the shares are trading on an estimated PER FY3/26 of 32.2x (on +79.3% EPS growth), and a FCF yield of 8.0%. The company has yet to offer dividends or other shareholder returns as it invests for future growth.

Shareholder returns

Koukandekirukun is focused on winning share via fast sales growth. It therefore does not pay a dividend nor has plans to conduct share buybacks for now.

Astris earnings estimates and key assumptions

We have revised our estimates for FY3/26 and FY3/27 to reflect the OP decline in FY/25, and to take into account the company's MTMP targets, particularly that of FY3/26 sales growth, which is slower than we had anticipated. This is because even though the launch of Replatform is set to go ahead in July as planned, it is not expected to contribute to earnings this year.

Although we have reduced our estimates, we think the company can outperform the baseline goals in its MTMP and generate earnings on a par with its MTMP second scenario.

We estimate B2B to help sales accelerate from FY3/27

Astris Advisory earnings estimates

Year-end	FY3/26 Co forecast	FY3/26E (old)	FY3/26E (new)	FY3/27E (old)	FY3/27 (new)	FY3/28E
Sales	**12.20**	**13.38**	**12.76**	**17.93**	**16.59**	**21.90**
Growth YoY (%)	+18.5	+32.0	+25.0	+34.0	+30.0	+32.0
OP (¥bn)	**0.20**	**0.62**	**0.26**	**0.97**	**0.50**	**0.99**
OPM (%)	*1.6*	*4.6*	*2.0*	*5.4*	*3.0*	*4.5*
EBITDA (¥bn)	**-**	**0.67**	**0.31**	**1.04**	**0.56**	**1.07**
EBITDA margins (%)	-	*5.0*	*2.4*	*5.8*	*3.4*	*4.9*
FCF (¥bn)	**-**	**0.50**	**0.44**	**0.85**	**0.38**	**0.78**
FCF margin (%)	-	*3.8*	*3.4*	*4.7*	*2.3*	*3.6*
FCF conversion (%)	-	81.2	164.5	87.1		
FCF yield (%)	**-**	**6.3**	**8.0**	**10.7**	**7.0**	**14.4**

Source: Astris Advisory
Note: FCF conversion is FCF/Pre-tax Profit

The core assumptions of our estimates are as follows:

- **FY3/26** – As monthly order growth has started to recover, we estimate that the company has the potential to outperform company forecasts, benefiting from growing brand recognition and deepening its foothold in key metropolitan areas of Japan.
- **FY3/27 and FY3/28** – We estimate that sales growth will accelerate on the back of its expanding B2C business, bolstered by its burgeoning B2B business - including Replatform and the launch of a new IT platform to handle larger B2B orders. The accelerated sales growth should help OPM improve.
- **Sustainable free cash flow generation** – After two years of negative free cash flow, we are estimating a return to positive territory from FY3/26 despite ongoing investments for growth weighing on earnings.

JGAAP Financial Summary

Income statement (¥bn)	FY 3/24	FY 3/25	FY 3/26E	FY 3/27E	FY 3/28E
Sales	**7.57**	**10.29**	**12.76**	**16.59**	**21.90**
COGS	5.72	7.92	9.83	12.78	16.86
Gross profit	1.84	2.37	2.94	3.82	5.04
Gross profit margin (%)	24.4	23.0	23.0	23.0	23.0
Operating profit	**0.33**	**0.16**	**0.26**	**0.50**	**0.99**
OP margin (%)	4.3	1.6	2.0	3.0	4.5
Non-operating income	0.01	0.02	0.02	0.02	0.02
Non-operating expense	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)
Recurring profit	0.34	0.17	0.26	0.51	1.00
Extraordinary gains	-	-	-	-	-
Extraordinary losses	-	(0.00)	-	-	-
Pre-tax profit	0.34	0.17	0.26	0.51	1.00
Tax	(0.11)	(0.08)	(0.10)	(0.20)	(0.38)
Effective tax rate (%)	31.5	48.0	38.5	38.5	38.5
Net income	0.23	0.09	0.16	0.31	0.61
Non-controlling NI	-	-	-	-	-
Parent attributable NI	**0.23**	**0.09**	**0.16**	**0.31**	**0.61**
Sales growth YoY (%)	+25.2	+36.1	+24.0	+30.0	+32.0
OP growth YoY (%)	+9.5	-50.3	+56.3	+95.0	+98.0
Pre-tax profit YoY (%)	+11.6	-48.0	+51.4	+92.1	+95.9
NI growth YoY (%)	+24.3	-60.5	+79.2	+92.1	+95.9

Cash flow statement (¥bn)	FY 3/24	FY 3/25	FY 3/26E	FY 3/27E	FY 3/28E
Profit before tax	**0.34**	**0.17**	**0.26**	**0.51**	**1.00**
Depreciation/amortization	0.03	0.04	0.05	0.07	0.09
Changes in working capital	(0.03)	(0.08)	0.47	0.29	0.38
Other non-cash items	(0.00)	0.01	0.00	0.00	0.00
Tax paid	(0.18)	(0.09)	(0.10)	(0.20)	(0.38)
Cash from Operating Activities	**0.15**	**0.05**	**0.69**	**0.68**	**1.08**
Capex	(0.18)	(0.38)	(0.25)	(0.30)	(0.30)
Acquisitions	(0.40)	(0.18)	-	-	-
Other investing cash flow	(0.00)	0.03	0.02	0.03	0.02
Cash from Investing Activities	**(0.59)**	**(0.53)**	**(0.23)**	**(0.27)**	**(0.28)**
Total cash dividends paid	-	-	-	-	-
Debt issuance/(retirement)	0.28	0.02	-	-	-
Equity financing	0.00	0.31	-	-	-
Other	-	-	-	-	-
Cash from Financing Activities	**0.28**	**0.33**	**-**	**-**	**-**
FX impact	-	-	-	-	-
Net cash flow	**(0.17)**	**(0.15)**	**0.45**	**0.40**	**0.80**
Free cash flow	**(0.03)**	**(0.33)**	**0.44**	**0.38**	**0.78**
EBITDA	**0.36**	**0.21**	**0.31**	**0.56**	**1.07**
EBITDA margins (%)	4.8	2.0	2.4	3.4	4.9
Free cash flow margin (%)	-0.5	-3.2	3.4	2.3	3.6
Free cash flow conversion (%)	N/A	N/A	164.5	74.3	78.6
Capex/sales (%)	2.4	3.7	2.0	1.8	1.4
Capex/depreciation (%)	590.9	882.9	489.7	452.0	342.4
CFO margin (%)	2.0	0.5	5.4	4.1	4.9

Balance sheet (¥bn)	FY 3/24	FY 3/25	FY 3/26E	FY 3/27E	FY 3/28E
Cash & equivalents	0.98	0.83	1.28	1.69	2.49
Marketable securities	-	-	-	-	-
Accounts receivables	0.61	0.79	0.97	1.27	1.67
Other	0.42	0.50	0.23	0.23	0.23
Current assets	**2.00**	**2.12**	**2.49**	**3.18**	**4.39**
Tangible assets	0.13	0.14	0.31	0.52	0.72
Goodwill	0.25	0.41	0.41	0.41	0.41
Intangible assets	0.20	0.56	0.56	0.56	0.56
Long-term investments	0.02	0.02	0.02	0.02	0.02
Other	0.59	0.72	0.72	0.72	0.72
Fixed assets	**1.19**	**1.85**	**2.03**	**2.24**	**2.43**
Total assets	**3.19**	**3.98**	**4.52**	**5.42**	**6.83**
Short term borrowing	0.20	0.37	0.37	0.37	0.37
Trade payables	0.66	0.71	0.90	1.18	1.55
Other	0.55	0.80	0.99	1.31	1.72
Current liabilities	**1.41**	**1.88**	**2.27**	**2.86**	**3.64**
Long term borrowing	0.37	0.22	0.22	0.22	0.22
Other LT liabilities	0.13	0.18	0.18	0.18	0.18
Long term liabilities	**0.50**	**0.40**	**0.40**	**0.40**	**0.40**
Shareholder's equity	**1.28**	**1.68**	**1.84**	**2.16**	**2.78**
Share acquisitions rights	-	0.01	0.01	0.01	0.01
Non-controlling interests	-	-	-	-	-
Total net assets	**1.28**	**1.69**	**1.85**	**2.16**	**2.78**
Total liabilities & net assets	**3.19**	**3.98**	**4.52**	**5.42**	**6.83**

Key metrics	FY 3/24	FY 3/25	FY 3/26E	FY 3/27E	FY 3/28E
Profitability					
Gross margin (%)	24.4	23.0	23.0	23.0	23.0
Operating margin (%)	4.3	1.6	2.0	3.0	4.5
Net margin (%)	3.0	0.9	1.3	1.9	2.8
ROA (%)	8.5	2.5	3.8	6.3	10.0
ROE (%)	19.8	6.1	9.2	15.6	24.8
ROCE (%)	18.5	7.8	11.4	19.4	30.9
ROIC (%)	14.3	4.1	6.7	11.8	19.8
Liquidity					
Current ratio (x)	1.4	1.1	1.1	1.1	1.2
Leverage					
Debt/Equity ratio (x)	0.4	0.4	0.3	0.3	0.2
Net Debt/Equity ratio (x)	net cash	net cash	net cash	net cash	net cash
Equity ratio (x)	0.4	0.4	0.4	0.4	0.4
Interest cover (x)	232.3	54.9	86.4	168.5	333.5
Net Debt/EBITDA (x)	N/A	N/A	N/A	N/A	N/A
Valuation					
EPS reported (¥)	101.20	39.57	70.93	136.22	266.83
PER (x)	**22.6**	**57.7**	**32.2**	**16.8**	**8.6**
Diluted PER (x)	**22.6**	**57.7**	**32.2**	**16.8**	**8.6**
DPS (¥)	-	-	-	-	-
Dividend payout ratio (%)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Total shareholder return (%)	-	-	-	-	-
Free cash flow yield (%)	**(0.6)**	**(6.0)**	**8.0**	**7.0**	**14.4**
Diluted free cash flow yield (%)	(0.6)	(6.0)	8.0	7.0	14.4
PBR (x)	4.2	3.2	3.0	2.5	2.0
EV/sales (x)	0.7	0.5	0.4	0.3	0.2
EV/EBITDA (x)	14.4	25.2	16.9	9.2	4.8
EV/EBIT (x)	15.8	31.8	20.3	10.4	5.3
EV/FCF (x)	N/A	N/A	11.9	13.7	6.6

Source: Company, Astris Advisory (estimates)

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