

Company Report

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The Company’s Offensive Strategy Leads to Significant Profit Increase Driven by Wholesale, Airports and Sports & Entertainment Sectors

HITO-Communications Holdings reported an 8.6% increase in sales, a 59.1% increase in operating profit, and a return to profitability for net income attributable for owners of the parent in FY8/2025. Having overcome the difficulties of deteriorating performance in FY8/2023 and FY8/2024, the company can be said to have embarked on a full-scale offensive.

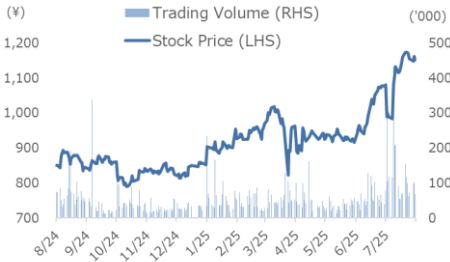
The main factors behind the increase in sales include: 1) strong sales of planned products utilizing IP licenses in the Wholesale Sector, 2) in-house ramp operations and expansion of bases in the ground handling business in the Airport Sector and 3) contributions from the Osaka-Kansai Expo project and increased support for the operation of professional sports teams in the Sports & Entertainment Sector. The main factors behind the increase in profits include: 1) the effect of increased sales in the Wholesale Sector and profit contributions from concept cafes, etc., 2) the effect of increased sales in the Airport Sector and an increase in gross profit margin due to the in-house ramp business and 3) an improvement in the selling, general and administrative expense ratio due to factors such as reduced fixed costs and a decrease in the provision for allowance for doubtful accounts.

The company's FY8/2026 forecast is sales of ¥66.28 billion (+4.2% YoY) and operating profit of ¥2.8 billion (+12.2% YoY). While the Wholesale Sector is expected to see a decline in sales as it curbs orders in favor of strengthening its production and logistics systems, the Airport Sector is expected to see an increase in sales as it anticipates the benefits of opening a base at Naha Airport. Net income attributable to owners of the parent is expected to increase 51.7% YoY, thanks to a reduction in extraordinary losses that ballooned in the previous fiscal year.

In its medium-term management plan, the company is targeting sales of ¥71 billion (CAGR of 3.9% from FY8/2024) and operating profit of ¥4 billion (20.6%) for FY8/2029. Driven by the Wholesale sector, the company performed well in FY8/2025 (sales +7.8% and operating profit +24.7% compared to the FY8/2025 forecast) and it appears that the company is considering revising its plans upward.

The company's stock price began to rise as investors welcomed the growth scenario outlined in its new medium-term management plan announced in November 2024, centered on the airport sector. Subsequently, the stock price rose further following each quarterly earnings announcement. It is currently trading between ¥950 and ¥1,050.

Stock Price & Volumes
(1 Year)



Source: Strategy Advisors.

Key Indicators

Stock Price (11/10/25)	979
52-Week High (8/5/25)	1,175
52-Week Low (12/18/24)	814
All-Time High (12/14/21)	2,789
All-Time Low (3/19/20)	603
# of Shares Issued (mn)	17.8
Market Capitalization	17.5
EV (¥bn)	15.1
Equity Ratio (FY8/25, %)	42.6
ROE (FY8/25 CoE, %)	4.9
PER (FY8/26 CoE, x)	13.5
PBR (FY8/25 Actual, x)	1.0
Dividend Yield (FY8/26 CoE, %)	3.8

Source: Strategy Advisors.

If the company's equity story, which is "dramatic growth in the Airport Sector through solving the national social issue of insufficient capacity in the ground handling industry at major domestic airports" and "accelerating growth in the Wholesale Sector by contributing to solving issues in the domestic clothing retail industry and expanding overseas sales" becomes more likely to come to fruition, the stock price will incorporate expectations for profit growth in the medium to long term, and the expected PER may rise to over 20x.

Japanese GAAP - Consolidated

FY	Sales (¥mn)	YoY (%)	Operating Profit (¥mn)	YoY (%)	Ordinary Profit (¥mn)	YoY (%)	Net Profit (¥mn)	YoY (%)	EPS (¥)	DPS (¥)
FY8/21	84,225	17.8%	4,787	52.0%	5,125	52.5%	2,774	102.4%	155.5	24.5
FY8/22	64,130	-23.9%	5,739	19.9%	5,759	12.4%	3,227	16.3%	180.9	30.0
FY8/23	63,980	-0.2%	4,198	-26.8%	4,300	-25.3%	1,885	-41.6%	105.7	31.0
FY8/24	58,547	-8.5%	1,568	-62.6%	1,536	-64.3%	-43	-	-2.4	35.0
FY8/25	63,596	8.6%	2,495	59.1%	2,504	63.0%	853	-	47.9	37.0
FY8/26 CoE	66,280	4.2%	2,800	12.2%	2,810	12.2%	1,295	51.7%	72.6	37.5

Source: Company Data. Compiled by Strategy Advisors.

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1. FY8/2025 Financial Results

Excluding Covid-19 Services, Revenue Increased 13% & Operating Profit Increased 112%

For FY8/2025, sales increased to ¥63,596 million (+8.6% YoY), operating profit increased to ¥2,495 million (+59.1% YoY) and profit attributable to parent company shareholders was ¥853 million (compared to a loss of ¥43 million in the previous fiscal year). While not included in this fiscal year, the previous fiscal year saw the recording of Covid-19 Services, which resulted in sales of ¥2,224 million and operating profit of ¥392 million. Excluding Covid-19 Services, sales increased 12.9% YoY and operating profit increased 112.2% YoY.

Figure 1. FY8/2025 Results Overview (¥mn)

Fiscal Year End	8/24					8/25					
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	YoY
Net Sales	15,826	13,984	14,727	14,010	58,547	16,428	14,499	16,764	15,905	63,596	8.6%
Gross Profit	3,520	2,806	2,941	2,830	12,097	3,327	2,985	3,206	3,394	12,912	6.7%
Gross Profit Margin	22.2%	20.1%	20.0%	20.2%	20.7%	20.3%	20.6%	19.1%	21.3%	20.3%	-
SG&A Expenses	2,592	2,459	2,751	2,726	10,528	2,590	2,443	2,617	2,766	10,416	-1.1%
SG&A Ratio	16.4%	17.6%	18.7%	19.5%	18.0%	15.8%	16.8%	15.6%	17.4%	16.4%	-
Operating Profit	928	346	190	104	1,568	737	541	589	628	2,495	59.1%
OP Margin	5.9%	2.5%	1.3%	0.7%	2.7%	4.5%	3.7%	3.5%	3.9%	3.9%	-
Ordinary Profit	932	329	181	94	1,536	748	531	592	633	2,504	63.0%
Extraordinary Income/Loss	-	-	-	-249	-249	-3	72	-3	-499	-433	-
Income Before Income Taxes	932	329	181	-155	1,287	744	603	591	132	2,070	60.8%
Income Taxes	404	189	259	275	1,127	403	278	264	66	1,011	-10.3%
Profit	527	140	-77	-430	160	341	325	326	67	1,059	6.6X
Profit Attributable to Non-controlling Interests	79	45	49	31	204	66	34	51	54	205	0.5%
Profit Attributable to Owners of the Parent	448	95	-127	-459	-43	274	291	276	12	853	-

Source: Company Data. Compiled by Strategy Advisors.

Strong Performance in Wholesale, Airport and Sports & Entertainment Sectors

The main factors behind the increase in sales include: 1) strong sales of planned products utilizing IP licenses in the Wholesale Sector, 2) in-house ramp operations and expansion of bases in the ground handling business in the Airport Sector and 3) contributions from the Osaka-Kansai Expo project and increased support for the operation of professional sports teams in the Sports & Entertainment Sector. The main factors behind the increase in profits include: 1) the effect of increased sales in the Wholesale sector and profit contributions from concept cafes, etc., 2) the effect of increased sales in the Airport sector and an increase in gross profit margin due to the in-house ramp business and 3) an improvement in the selling, general and administrative expense ratio due to factors such as reduced fixed costs and a decrease in the provision for allowance for doubtful accounts, in addition to the effect of the above-mentioned increase in sales.

Covid-19 Services and the Sluggish Performance of the EC/TC Support Business Were the Main Factors Behind the Decline in Profits

On the other hand, the main factors behind any decrease in revenues include: 1) the termination of Covid-19 Services, 2) the termination of a contract with a major customer in the EC/TC Support business of the Digital Sales Support Sector, 3) a decrease in demand in the home appliance and store fields in the Store Sales Support Sector and 4) sluggish performance in the land operating business in the Inbound Tourism Sector. Similarly, the main factors behind the decrease in profit include: 1) the termination of a contract with a major customer in the EC/TC Support business of the Digital Sales Support sector and 2) the termination of Covid-19 Services.

Covid-19 Services were Absorbed and Profits Increased Significantly in FY8/2025

In FY8/2021 and FY8/2022, the company's business environment deteriorated significantly in the Tourism Sector, Store Sales Support Sector and other Sectors due to the impact of the COVID-19 pandemic. However, Covid-19 Services contributed significantly to the company's performance, resulting in a significant increase in profits.

However, in FY8/2023 and FY8/2024, the company was forced to see a deterioration in performance due to a decline in Covid-19 Services. In FY8/2025, the impact of the decline on Covid-19 Services was absorbed and profits increased significantly, making it possible to say that the company has overcome the difficulties and is now on the offensive.

Extraordinary Losses Increased Significantly

Extraordinary income increased from ¥6 million in the previous fiscal year to ¥107 million (including a gain on sales of investment securities of ¥87 million), while extraordinary losses also increased significantly from ¥255 million in the previous fiscal year to ¥540 million (including a loss on valuation of shares of affiliated companies of ¥200 million and a provision for allowance for doubtful accounts of ¥272 million relating to a long-term loan to another affiliated company).

Net Income Attributable to Non-Controlling Interests Increased Slightly

The Group's investment ratio in both BBF, Inc. (EC/TC Support business) and BRANCH OUT (Wholesale Sector) is 83.5%. As the increase in profits at BRANCH OUT slightly exceeded the decrease in profits at BBF, Inc., net income attributable to non-controlling interests increased slightly from ¥204 million in the previous fiscal year to ¥205 million.

Figure 2. Sales by Sector for FY8/2025 (¥mn)

FY	8/24					8/25					
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	YoY
Wholesale	3,346	2,734	3,465	3,227	12,772	4,580	3,418	4,505	4,176	16,679	30.5%
Store Sales Support	3,964	3,920	3,796	3,057	14,737	3,588	3,727	3,751	3,701	14,767	0.2%
Digital Sales Support	3,298	3,231	3,210	2,923	12,662	3,555	2,835	2,852	2,756	11,998	-5.3%
Airport	967	1,178	1,237	1,554	4,936	2,048	1,960	1,878	2,057	7,943	60.8%
Inbound Tourism	1,801	1,270	1,541	2,099	6,711	1,500	1,396	1,721	1,161	5,778	-14.0%
Sports & Entertainment	618	526	905	805	2,854	742	755	1,581	1,560	4,638	62.5%
Public	279	348	208	119	954	227	200	253	267	947	-0.7%
Works	138	156	176	223	693	184	207	225	230	846	22.1%
Covid-19 Services	1,410	622	188	4	2,224	-	-	-	-	-	-
Total	15,826	13,984	14,727	14,010	58,547	16,428	14,499	16,764	15,905	63,596	8.6%

Source: Company Data. Compiled by Strategy Advisors.

Wholesale, Airport, Sports & Entertainment Sectors Saw Increased Sales

Sectors that saw increased sales include Wholesale (+¥3,907 million YoY), Airport (+¥3,006 million YoY), Sports & Entertainment (+¥1,783 million YoY), Works (+¥153 million YoY) and Store Sales Support (+¥30 million).

Wholesale Sector Sales Increased 31% & Profits Increased 82%

The Wholesale Sector, which BRANCH OUT and other companies are responsible for, saw a 30.5% increase compared to the previous fiscal year, thanks to strong sales to major mass retailers of products utilizing IP licenses and products in collaboration with influencers. Gross profit margins, which had declined in the first half due to the weak yen, improved significantly in the second half as the yen strengthened. Furthermore, the development of concept cafes and pop-up stores (stores opened for a limited time) utilizing prominent IP appears to have also led to improved profit margins in the second half. The improvement in SG&A expense ratio due to increased sales also contributed to the improvement in segment profits in this sector, reaching 82.0%, significantly exceeding the increase in sales.

Wholesale Sector Sales Continue to Grow by Over 25% in Every Quarter

Looking at quarterly sales in the Wholesale Sector, they fell from ¥4,580 million in the first quarter (Q1) to ¥3,418 million in the second quarter (Q2), but remained at ¥4,505 million in the third quarter (Q3) and ¥4,176 million in the fourth quarter (Q4). Fluctuations across quarters are due to fluctuating demand for fashion products, with Q1 and Q3 being peak demand periods. YoY sales growth rates continued to be high, at 36.9% in Q1, 25.0% in Q2, 30.0% in Q3, and 29.4% in Q4, suggesting that the strength of the Wholesale Sector is not due to temporary hit products.

The Gross Profit Margin in the Wholesale Sector is Expected to Recover to Around 22% in FY8/2025 Q4

The quarterly gross profit margin for the Wholesale Sector also shows seasonality, with Q1 and Q3, when sales tend to expand, being slightly higher than Q2 and Q4. However, looking at the long-term trend of gross profit margins, they were nearly 25% in FY8/2020, but have continued to decline since then due to the weakening of the yen, falling below 20% from FY8/2024 Q4 to FY8/2025 Q2. However, in FY8/2025 Q3, due to seasonality as well as a slight appreciation of the yen compared to Q2, gross profit margins rose to around 20%. In FY8/2025 Q4, the impact of contributions from concept cafes and pop-up shops, which are expected to have high profit margins, outweighed the impact of seasonal deterioration and gross profit margins are expected to recover to around 22%.

Airport Sector Revenue Increased 61%

The Airport Sector saw a 60.8% increase in sales compared to the previous fiscal year. The increase in new orders due to the in-house production of ramps and the increase in bases (Narita Airport in June 2024, Kansai International Airport in September, and New-Chitose Airport in October) led to a significant increase in the ground handling business. Sales also increased at major airports across the country for the airport facility management and sales support business.

Airport Sector Sales Figures for Q1 and Q2 Also Included Special and Seasonal Factors

Although the Airport sector's revenue growth rate for FY8/2025 was high, quarterly sales fluctuated irregularly, with Q1 at ¥2,048 million, Q2 at ¥1,960 million, Q3 at ¥1,878 million, and Q4 at ¥2,057 million. This was due to a special factor in Q1, where 4-months' worth of FMG's sales were recorded due to FMG's change in its fiscal year end; and a seasonal factor in Q2, where increased demand for the ground handling business was due to special flights at New Chitose Airport in the winter. In Q4, sales increased significantly compared to Q3 due to an increase in new contracts.

Gross Profit Margin in the Ground Handling Business Is Improving

The gross profit margin for the ground handling business in the Airport Sector remained at roughly 5-10% in the first half of FY8/2024, but rose to roughly 10-15% in the second half due to the acquisition of new customers and the in-house ramp business at Narita Airport. It exceeded 20% in January 2025, when the ramp business and passenger business expanded rapidly. Even in February and March, when sales declined slightly, the margin remained at 15-20% and the gross profit margin is generally on an improving trend.

Subsequently, the gross profit margin for this business fell below 10% in April and May due to a decrease in sales caused by the decline in demand for special flights in the winter and an increase in staff recruitment costs and labor costs in preparation for future new contracts. However, with sales recovering and outsourcing costs reduced, it exceeded 15% in August.

Ground Handling Business Gross Profit Margin Target of 23%

The company aims to increase its gross profit margin to 23% by expanding ramp operations to major airports where it has not yet entered, such as Naha Airport, increasing sales by acquiring new customers and reducing outsourcing costs associated with hiring and training staff.

Sports & Entertainment Sector Revenue Increased 63%

The Sports & Entertainment Sector saw a 62.5% increase compared to the previous quarter, due to the acquisition of new management support services for professional sports teams such as basketball, and the acceptance of various services from organizers, exhibiting countries and companies at the Osaka-Kansai Expo (April 13th to October 13th).

Sales Growth in the Sports & Entertainment Sector in Q3 & Q4 Was Driven by Seasonality and the Contribution of the Osaka- Kansai Expo

Looking at quarterly sales in the Sports & Entertainment Sector, sales increased significantly in the second half of the year, with Q1 at ¥742 million (+20% YoY), Q2 at ¥755 million (+44% YoY), Q3 at ¥1,581 million (+75% YoY), and Q4 at ¥1,560 million (+94% YoY). The increase in sales in Q3 was due to the seasonality of higher sales in Q3 and Q4, which coincided with the professional baseball season, compared to Q2, and also due to the significant contribution of the Osaka-Kansai Expo.

In Q4, the revenue growth rate was the highest of any quarter in FY8/25, but sales were slightly lower than in Q3. Sales from the Osaka-Kansai Expo are thought to have increased compared to Q3 due to the number of days the Expo was held, but this is presumably due to a decrease in sales related to League One (rugby), which is in the off-season, compared to Q3.

Store Sales Support Sector Saw Slight Growth in Sales for the Full Year, but Strong Growth in Q4

In the Store Sales Support Sector, sales decreased YoY during the cumulative third quarter due to declines in sales to the home appliance and store sectors and sales business support. However, sales to the mainstay communications sector increased significantly in the second half, resulting in a slight increase of 0.2% YoY for the full fiscal year.

Looking at the situation by quarter, revenue continued to decline, with Q1 down 10% YoY, Q2 down 5% YoY and Q3 down 1% YoY. However, Q4 saw a 21% increase YoY, the first high growth in a while.

Sectors with Declining Revenue Include Covid-19 Services, Inbound Tourism & Digital Sales Support

Sectors that saw a decrease in revenue include Covid-19 Services (down ¥2,224 million from the previous period), Inbound Tourism (down ¥934 million), Digital Sales Support (down ¥665 million) and Public (down ¥7 million).

Sales From Covid-19 Services, Which Had Been Recorded Until the Previous Fiscal Year, Will No Longer Be Recorded from FY8/2025, Resulting in a Significant Decrease in Both Revenue and Profit

Covid-19 Services has not been recognized as a sales business since FY8/2025. But in the first half of FY8/2024, it contributed significantly to the company's performance, with sales of ¥2.032 billion and operating profit of ¥356 million. In the second half of FY8/2024, the impact was significantly reduced to sales of ¥192 million and operating profit of ¥36 million, but for the full year, it still contributed to a decrease in sales of ¥2.224 billion and operating profit of ¥392 million compared to the previous year. Sales from Covid-19 Services are not expected at all in the medium-term management plan.

Inbound Tourism Sector Revenue Down 14%

The inbound tourism sector saw a 14% decrease in revenue YoY. The decline in revenue was likely due to a decline in the land operating business caused by the Chinese government's visa exemption policy for foreigners entering the country and sluggish performance in the company's mainstay tour guiding service.

Digital Sales Support Sector Revenue Down 5%

In the Digital Sales Support Sector, sales increased sharply by 45% YoY except for the EC/TC Support business, such as inside sales handled by SALES ROBOTICS. Conversely the EC/TC Support business handled by BBF, Inc. saw a 14% decrease due to the termination of a contract with a major customer, resulting in overall sales decreasing by 5.3% YoY. Operating profit for the EC/TC Support business decreased by 63%.

Public Sector Revenues Declined Slightly

The public sector saw a 0.7% decrease compared to the previous quarter due to a decrease in work related to the issuance of My Number cards, which is commissioned by local governments.

Looking at the situation by quarter, Q1 and Q2 were sluggish, down 19% and 43% respectively compared to the same period last year, but Q3 and Q4 saw rapid growth, up 22% and 124% respectively. This is due to an increase in sales from multiple open competitive bidding projects commissioned by local governments since April as well as designated management work for the "Space Interaction Hall Sora-Miru," which was commissioned by Kushimoto-Town, Wakayama Prefecture in April.

Sales Exceeded Revised Plans by 2% & Operating Profit by 13%

The achievement rates for the revised plan announced in April 2025 were 102% for sales, 106% for gross profit, 104.4% for SG&A expenses and 113.4% for operating profit.

The achievement rates against the initial plan were 107.8% for sales, 104% for gross profit, 100.1% for sales and general administrative expenses and 124.8% for operating profit. The main sectors that exceeded the sales plan were Wholesale (achievement rate 128.3%), Digital Sales Support (112.4%), Sports & Entertainment (108.4%) and Store Sales Support (103.9%). In contrast, the main sectors that fell short of the plan were Inbound Tourism (90.1%) and Airport (93.2%).

There is NO Change in the Company's Financial Soundness

Total assets at the end of FY8/2025 were ¥40.822 billion (¥719mn YoY). This was due to several factors including: 1) ¥2.118 billion decrease in cash and deposits, 2) ¥735 million decrease in goodwill compared to the end of the previous fiscal year, 3) a ¥1.217 billion increase in machinery, equipment and transport equipment (mainly Ground Support Equipment (GSE) equipment in the Airport Sector), 4) a ¥986 million increase in buildings and structures (mainly the ninja experience facility "Bansenshukai" constructed in Iga City) and finally, 5) a ¥516 million increase in notes receivable, accounts receivable and contract assets.

On the funding side, accounts payable-trade decreased by ¥1.703 billion, long-term borrowings by ¥958 million, and current portion of long-term borrowings decreased by ¥386 million. However, advances received increased by ¥1.420 billion and accounts payable-other increased by ¥950 million. As a result, total liabilities increased by ¥427 million to ¥21.915 billion. Furthermore, due to accumulated profits, shareholders' equity rose by ¥136 million to ¥17.373 billion. As the rate of increase in total liabilities exceeded the rate of increase in shareholders' equity, the shareholders' equity ratio slightly decreased from 43% at the end of the previous fiscal year to 42.6%. However, the net D/E ratio remained negative at -0.23, indicating no change in the company's financial soundness.

2. Business Outlook

1) FY8/2026 Company Plan

FY8/2026 Plan Calls for 4% Increase in Sales & 12% Increase in Operating Profit

The company's forecast for FY8/2026 is sales of ¥66.3 billion (+4.2% YoY), operating profit of ¥2.8 billion (+12.2% YoY), recurring profit of ¥2.8 billion (+12.2% YoY) and net income attributable to owners of the parent of ¥1.3 billion (+51.7% YoY).

Figure 3. Company Plan for FY8/2026 (¥mn)

FY	8/25	8/26	
	Actual	Company Plan	YoY
Net Sales	63,596	66,280	4.2%
Gross Profit	12,912	13,527	4.8%
Gross Profit Margin	20.3%	20.4%	-
SG&A Expenses	10,416	10,727	3.0%
SG&A Ratio	16.4%	16.2%	-
Operating Profit	2,495	2,800	12.2%
OP Margin	3.9%	4.2%	-
Ordinary Profit	2,504	2,810	12.2%
Profit Attributable to Owners of Parent	853	1,295	51.7%

Source: Company Data. Compiled by Strategy Advisors.

Operating Profit Margin is Expected to Improve by 0.3%

Due to the effects of increased sales, the gross profit margin is expected to improve by 0.1% and SG&A expenses ratio by 0.2% compared to the previous period, and the operating profit margin is planned to improve by 0.3%. The small improvement in gross profit margin despite the expected double-digit increase in sales is thought to be due to the large impact of increased depreciation expenses associated with investment in GSE aircraft in the airport sector.

Airport Sector and Other Sectors Plan to Increase Revenue

In terms of sales by sector, Wholesale is expected to decrease by ¥879 million compared to the previous period, and Sports & Entertainment is expected to decrease by ¥547 million. However, many sectors are expected to see increases in sales, with Airport increasing by ¥1.490 billion, Digital Sales Support increasing by ¥905 million, Store Sales Support increasing by ¥680 million, Works increasing by ¥394 million, Inbound Tourism increasing by ¥330 million and Public increasing by ¥309 million.

Figure 4. Company Plan for Sales by Sector for FY8/2026 (¥mn)

FY		8/25 Actual	8/26 Company Plan	YoY
Wholesale		16,679	15,800	-5.3%
Store Sales Support		14,767	15,447	4.6%
Digital Sales Support		11,998	12,903	7.5%
Airport		7,943	9,433	18.8%
Inbound Tourism		5,778	6,108	5.7%
Sports & Entertainment		4,638	4,091	-11.8%
	Excl. EXPO	3,565	3,746	5.1%
	EXPO	1,073	345	-67.8%
Public		947	1,256	32.7%
Works		846	1,240	46.6%
Total		63,596	66,280	4.2%

Source: Company Data. Compiled by Strategy Advisors.

Wholesale Sector Sales Are Expected to Fall 5% YoY, Although They Will Significantly Exceed the Targets Set in the Medium-Term Management Plan

The wholesale sector expects sales of ¥15.8 billion for FY8/2026, significantly exceeding the medium-term management plan target of ¥13.5 billion due to strong FY8/2025 results. However, this represents a 5.3% YoY decrease. This is because, while demand remains robust, significant strain exists on the supply side, including production and logistics systems. Consequently, the company decided to prioritize strengthening production and logistics systems by limiting orders during the first half of FY8/2026.

The FY8/2026 target exceeds the FY8/2029 target of ¥15 billion outlined in the medium-term management plan. The company group has initiated efforts to build a robust supply chain system at this juncture, including developing production bases capable of handling further order growth and enhancing its logistics network. Strengthening production and logistics systems should enhance growth potential from FY8/2027 onwards, raising expectations for a significant upward revision of the FY8/2029 target.

Sports & Entertainment Sector's Revenue is Expected to Fall 12% as the Osaka World Expo Ends

The Sports & Entertainment Sector is projecting sales of ¥4.1 billion (-11.8% YoY), the same as the planned figure of ¥4.1 billion in the medium-term management plan. Although sales from non-Expo related activities, such as operational support services for professional sports teams, are expected to increase 5.1% from the previous year to ¥3.75 billion, sales from the Expo are expected to decrease from ¥1.07 billion (4.5 months' worth) in the previous year to ¥350 million (1.5 months' worth).

Furthermore, it appears that the effects of the Expo in terms of recruitment are continuing even after the event has ended, as some of the personnel employed at the Expo have been rehired at theme parks in other regions and international events that are involved in facility management.

The Airport Sector Plans to Increase Revenue by 19%

The Airport Sector is projected to achieve sales of ¥9.4 billion (+18.8% YoY) in line with the target of ¥9.5 billion in the medium-term management plan. Factors contributing to the increase in sales include the opening of a ground handling business base at Naha Airport (first half of FY8/2026), the simultaneous start of handling operations at major airports nationwide after receiving a bulk order from a major overseas airline (second half of FY8/2026), and entry into cabin cleaning services (start date N/A).

The FY8/2026 plan appears to have been formulated conservatively, as there is a risk that the start dates for each revenue-increasing factor may be delayed. However, as sales are expected to grow significantly in the second half of FY8/2026 compared to the first half, it is likely that investor expectations for the airport sector, which had been weak at the time, will regain momentum.

The Digital Sales Support Sector is Projected to See an 8% Increase in Sales

The Digital Sales Support Sector is projected to achieve ¥12.9 billion (+7.5 YoY) which exceeds the target of ¥11.1 billion in the medium-term management plan. Although sales of the core EC/TC Support business are expected to be ¥9 billion (-2.3% YoY) due to the lingering impact of the termination of a contract with a major customer, sales outside the EC/TC Support business, such as inside sales, are planned to expand to ¥3.9 billion (+40.5% YoY).

The company group has identified its key action plans for the sector in FY8/2026 as strengthening support for existing customers to open stores on mall-style e-commerce sites such as Amazon and Rakuten Ichiba and enhancing inside sales through the use of AI.

In addition, SALES Robotics was recognized for its high rate of use of generative AI within the company, and in October 2025 it won the Grand Prix in the Corporate Sector (Small and Medium-sized Enterprises) at the GenAI HR Awards 2025, sponsored by the Generative AI Promotion Association.

Inbound Tourism Sector Plans to Increase Revenue by 6%

The Inbound Tourism Sector is projecting sales of ¥6.1 billion (+5.7% YoY), which is lower than the planned figure of ¥6.6 billion in the medium-term management plan. Factors contributing to the increase in sales include the expansion of limousine services for wealthy inbound tourists, which were strong in the previous year, and an increase in business outsourcing at accommodation facilities for inbound tourists.

Store Sales Support Sector Plans to Increase Sales by 5%

In the Store Sales Support Sector, the company is forecasting sales of ¥15.4 billion (+4.6% YoY), exceeding the target of ¥14.1 billion in the medium-term management plan. This is due to an expected increase in sales to the telecommunications sector (particularly foreign manufacturers), which has been recovering since 2H FY8/2025.

Public Sector Revenue is Expected to Increase by 33%

The Public Sector is planning to spend ¥1.3 billion (+32.7% YoY), exceeding the planned figure of ¥1.2 billion in the medium-term management plan. In addition to the contribution of the Iga NINJA Experience Facility "Bansenshukai", operations will begin in April 2025. A significant increase in sales is expected due to the full-year contribution of "Space Interaction Hall Sora-Miru" in Kushimoto-Town, Wakayama Prefecture. The company group plans to continue supporting its customers in the Public Sector as well as in the Sports and Entertainment Sector, through support for professional sports teams across the country; and to work towards realizing sustainable local communities (regional revitalization).

Progressive Dividends Are the Basic Dividend Policy

The company's basic dividend policy is to provide a stable and continuous progressive dividend, considering each fiscal year's performance and financial situation while balancing it with the internal reserves necessary for future business expansion. The company also aims for a stable dividend payout ratio of 30%. In line with business expansion, the company has raised its dividend from ¥15 per share in FY8/2018 to ¥37 per share in FY8/2025.

Dividends Increased for 15 Consecutive Years

Driven by President Yasui's desire to "increase the number of Hito-Com fans," the company has increased its dividend for 15 consecutive fiscal years since listing in 2011. Consequently, the number of shareholders holding voting rights in the company has increased significantly from 3,065 in FY8/2017 to 15,964 at the end of FY8/2025.

FY8/2026 Dividend is Expected to be ¥37.5, +¥0.5 YoY

The company forecasts a dividend per share of ¥37.5 for FY8/2026 (+¥0.5 YoY with a payout ratio of 51.7%). Given its sound financial position and favorable business outlook, it is highly likely that dividend increases will continue in the future.

Met the Market Capitalization Standard for Outstanding Shares

The company announced on October 21 that as of the end of FY8/2024, it did not meet the Tokyo Stock Exchange Prime Market listing maintenance standard of a market capitalization of outstanding shares (over ¥10 billion), but as of the end of FY8/2025, it met the standard.

The Target CAGR is 4% for Sales and 21% for Operating Profit

Considering Upward Revision of Medium-term Management Plan

Airport, Wholesale, Digital Sales Support and Inbound Tourism Are Key Sectors

2) Medium-Term Management Plan

The 5-year medium-term management plan announced in November 2024 sets numerical targets for FY8/2029: sales of ¥71 billion (projected annual growth rate of 3.9% from FY8/2024), operating profit of ¥4 billion (+20.6%), and EBITDA of ¥5.02 billion (+13.8%). The FY8/2024 results include Covid-19 Services, which delivers sales of ¥2.22 billion, operating profit of ¥390 million, and EBITDA of ¥390 million. Calculating the annual growth rates from FY8/2024 excluding Covid-19 Services results in sales of 4.7%, operating profit of 27.9% and EBITDA of 17.5%.

Based on the results for FY8/2025, the targets in the medium-term management plan, particularly in the Wholesale Sector, appear to be conservative. In other sectors as well, it is assumed that the company does not anticipate many large-scale projects and it is expected that the company will exceed its targets.

Although the company did not revise its medium-term management plan at this time, given the favorable results for FY8/2025 (sales +7.8% and operating profit +24.7% compared to the initial plan), driven by the Wholesale Sector, the company appears to be considering an upward revision of its plans in the near future.

The 9 sectors are divided into 4 areas based on 2 factors: expected annual sales growth rate and gross profit margin. It has identified Airport, Wholesale, Digital Sales Support and Inbound Tourism as "priority areas" with both high expected growth rates and high added value rates and plans to concentrate management resources on these 4 sectors, which require a high level of expertise. In these priority sectors, the company will be required to further strengthen its "difficulty of imitation", which is defined as "a personnel management method that hires, trains and places the right person in the right position in response to the needs of customers in various industries; and the on-site capabilities that can solve problems as a team while supporting customers, honed over 20 years by utilizing its nationwide bases".

Although the projected growth rate of sales is low, Store Sales Support Sector is listed as a "deepening area" where the company aims to increase profits by raising the added value rate (gross profit margin) and will work to improve cost efficiency and operations.

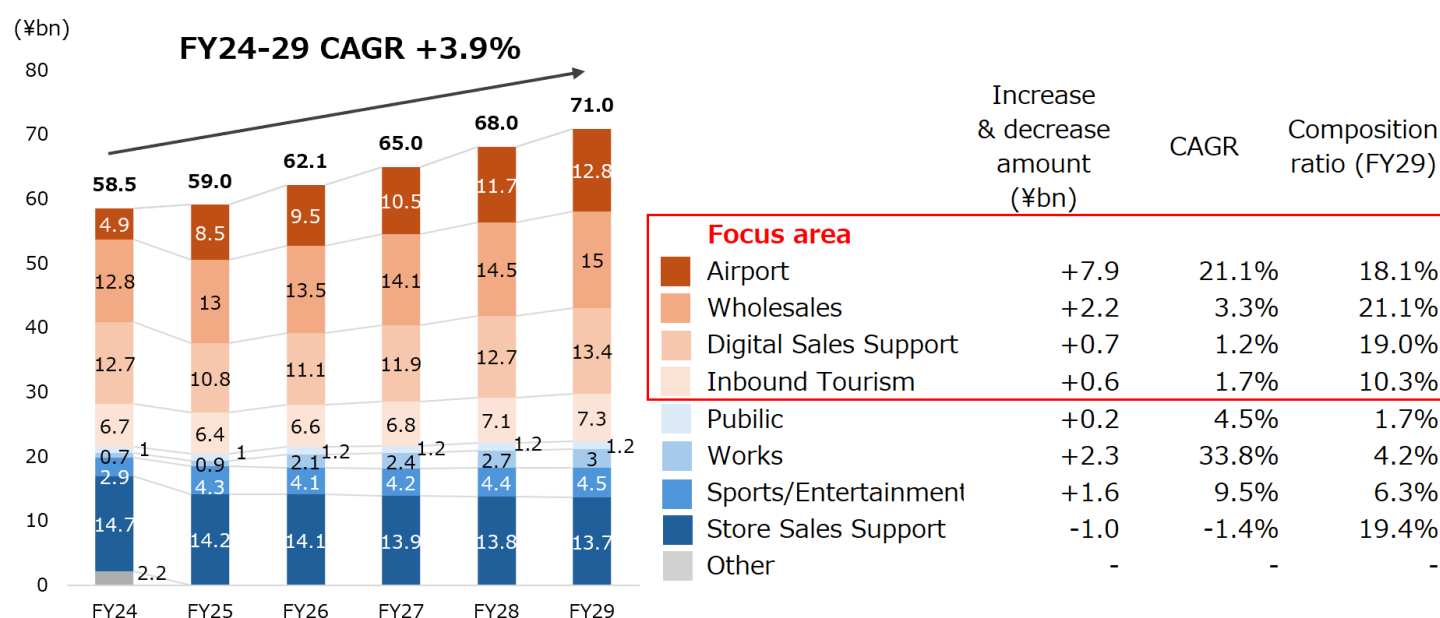
Public, Work and the Sports & Entertainment Sectors are cited as "growth areas" with high projected sales growth rates but low added value rates, and the company plans to develop these businesses while exploring the possibility of new business models and market development. Businesses driven by social demand, such as COVID-19 countermeasures, are positioned as "restructuring areas" sectors with low projected sales growth rates and low added value rates.

The company aims to allocate management resources to each of the four areas in a well-defined manner, establishing a solid revenue base and building a business portfolio that will enable sustainable growth.

Sales Composition Ratio of Priority Sectors to Just Under 70% in FY8/2029

Sales plans by sector are as shown in Figure 5. Airport, Works, Wholesale, and Sports & Entertainment are cited as drivers of sales growth. The sales composition ratio of priority sectors is expected to increase from 65.9% in FY8/2024 (excluding COVID-19 countermeasures-related sales) to 68.5% in FY8/2029.

Figure 5. Medium-Term Management Plan: Sales Planned by Sector



Source: Company Data.

The gross profit margins for each sector in the FY8/2029 company plan are expected to be over 20% for Airport, Wholesale, Digital Sales Support and Public, and around 20% for Inbound Tourism and Store Sales Support, and less than 20% for Works and Sports & Entertainment. As mentioned above, the current gross profit margins are around 10% for Airport and around 20% for Wholesale. If the gross profit margins of these two sectors, which are driving sales growth, can rise above 20%, the company's profit growth potential is expected to improve dramatically.

3. Stock Price Trends and Valuations

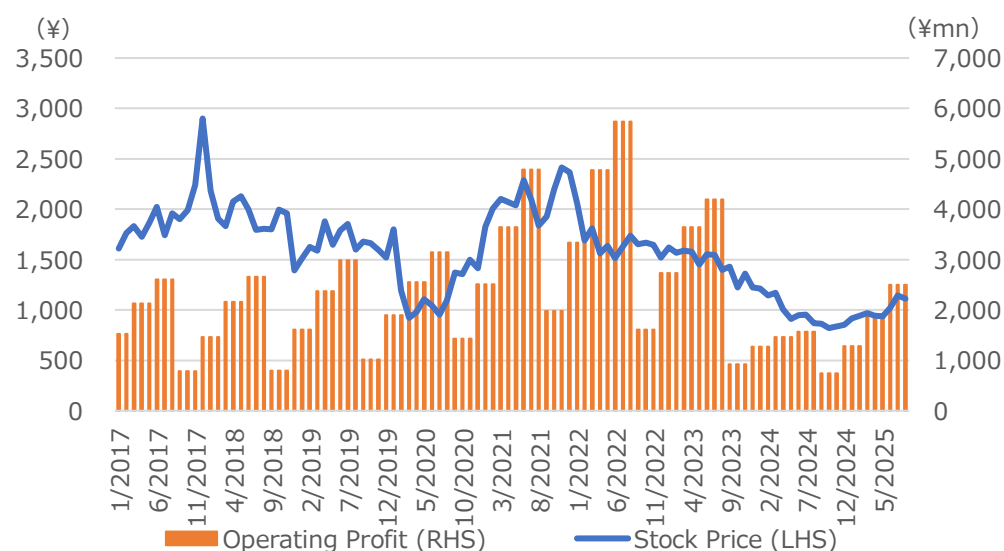
From 2020 to the 1H 2024, Stock Prices Rose and Then Fell as the Impact of Covid-19 on Business Performance Was Factored In

The company's share price fluctuated in a range of around ¥1,600 to ¥1,900 in 2019, but in the spring of 2020, when the COVID-19 outbreak occurred in Japan, it fell sharply along with the overall market, moving to a range of roughly ¥900 to ¥1,200. However, thanks to strong performance in the EC/TC Support business and Store Sales Support in the communications field, the company's performance in FY8/2020 was solid and so the company's share price began to rise from September of the same year.

Thanks to expanded performance in the Covid-19 Service, Digital Sales Support, and Wholesale Sectors, operating profit for FY8/2021 increased 52% YoY to ¥4,787 million and the company's stock price temporarily exceeded ¥2,800 in December 2021. However, as 2022 began, sluggish performance in Store Sales Support in the Communications Sector and concerns about the future of the expanding Covid-19 Services grew, and from March 2022 the company's stock price shifted to a range centered around ¥1,400 to ¥1,700. Operating profit for FY8/2022 was strong, increasing to ¥5,739 million (+19.9% YoY), but this did not have a significant impact on the stock price.

Even after the FY8/2023 financial results were announced in October 2023, market concerns about future business performance remained, and the company's stock price continued to decline. Following the FY8/2024 Q2 financial results, which showed a significant decrease in profits, the company's stock price fell below ¥1,000.

Figure 6. HITO-Communications Holdings Share Price & Operating Profit



Note: Stock prices from January 2017 to February 2019 and operating profit from FY8/17 to FY8/19 H1 are figures provided by HITO-Com HD

Source: Strategy Advisors.

Post the Nov 2024 Mid-Term Management Plan Announcement, the Stock Price Rose with Each Quarterly Earnings

In its FY8/2024 financial results announced in October 2024, the company forecast a recovery in business performance for FY8/2025, but the stock price hit a low of ¥770 at the end of October. When a new medium-term management plan was announced on November 5 of the same year, which presented a growth scenario centered on priority areas such as the airport sector, expectations for a recovery in business performance rose and the company's stock price began to rise.

FY8/2025 Q1 financial results announced in January 2025, overall results were largely in line with plan, but the strong performance of the priority areas of Airport and Wholesale sectors was confirmed, causing the stock price to rise and recover to ¥1,000 in the latter half of March. However, following a subsequent stock market correction, the stock price temporarily fell below ¥900 in April.

When the company announced its second-quarter financial results in April 2025 and revised its full-year forecast upward, the stock price moved into the ¥900-¥950 range. By late June, the stock price had been trading above 950 yen, but on June 30 it again exceeded ¥1,000, hitting a high of ¥1,080 on July 15.

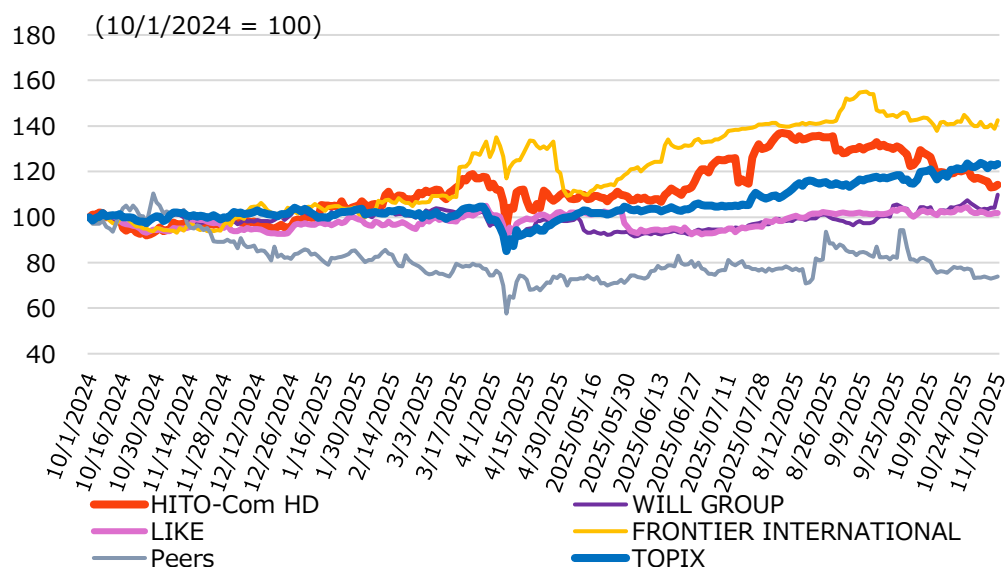
The Q3 cumulative financial results announced on July 15th were favorable, with sales up 7% and operating profits up 28% compared to the same period last year. However, the stock price fell below ¥1,000 the following day, this was due to factors such as the absence of an upward revision to the full-year plan, which had been expected by some in the market. However, the stock price quickly recovered to the ¥1,000 range, hitting an intra-period high of ¥1,175 on August 5th. Thereafter, with the announcement of the FY8/2025 financial results looming, the stock price struggled to rise and since September has moved into a range of ¥1,000 to ¥1,150.

Share Prices Have Fallen Slightly Since the Announcement of FY8/2025 Financial Results

In the FY8/2025 financial results announced on October 14, operating profit increased by 59%, exceeding the company's plan. However, due to the recognition of extraordinary losses, net profit attributable to owners of the parent fell short of the company's plan. In addition, operating profit for FY8/2026 is expected to increase by 12%, a significant slowdown from the growth in the previous fiscal year. As a result, the stock price has fallen slightly and is currently trading at between ¥950 and ¥1,050.

Figure 7 shows a comparison of the company's stock price with similar companies and TOPIX from October 2024. Due to concerns about deteriorating business performance, the company's stock price underperformed TOPIX and those of similar companies until the announcement of its FY8/2024 financial results. However, since the announcement of the medium-term management plan in November 2024, expectations for a recovery in business performance have gradually increased, and the company's stock price has remained relatively strong.

Figure 7. Comparison of Share Prices of HITO-Communications Holdings and Similar Companies



Created: Strategy Advisors.

The Current Forward PER Has Fallen to 13x, the Lower End of the Range Over the Past Year

The company's expected PER has generally been in the range of 8 to 20x since September 2019. The highest level in expected PER was 21.7x in June 2021, when the COVID-19 pandemic caused growth in the EC/TC Support business and Covid-19 Services businesses, raising expectations for an upward revision of earnings forecasts. In fact, when the upward revision of FY8/2021 earnings forecasts was announced in July of the same year, the expected PER temporarily fell, reaching 13.3x in August.

When the company announced its strong FY8/2022 earnings forecast in October 2021, the expected PER rose slightly in response to the stock price rise, reaching 14.4x by November of the same year. However, although an upward revision of the FY8/2022 earnings forecast was announced in April 2022, concerns about a reduction in Covid-19 Services in FY8/2023 and a drop in business related to the Tokyo Olympic and Paralympic Games came into focus, and the expected PER fell below 10x.

From October 2022 to March 2024, the stock price fell due to a deterioration in business performance, and the expected PER fluctuated between 8 and 12 x. When the earnings forecast for FY8/2024 was significantly revised downward in April 2024, the stock price fell further. However, as the PBR fell to around 1.0x and growth expectations increased, the expected PER has risen to the range of 13 to 20x over the past year.

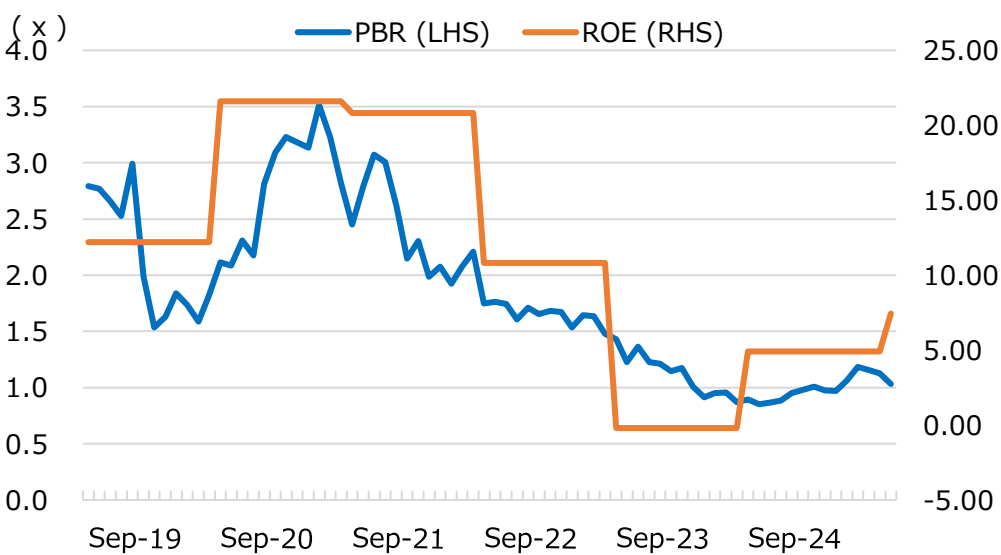
Although the company announced that it expects net income attributable to owners of the parent to increase by 52% YoY in FY8/2026, the share price has fallen slightly, and the current forecast PER has fallen to 13x, the lower end of the range over the past year.

Figure 8. HITO-Communications Holdings Forecast PER Trends



Created: Strategy Advisors.

Figure 9. HITO-Communications Holdings ROE & PBR Trends



Note: ROE for FY8/25 is an estimate calculated using HITO-Communications HD estimated profits and the average shareholders' equity at the end of each quarter for FY8/24 and FY8/25.

Created: Strategy Advisors.

Figure 10 and Figure 11 compare the profitability and valuation of the company with that of affiliated companies in Store Sales Support, one of the core sectors of the group.

Although the company's most recent ROE improved significantly compared to the previous fiscal year, it had the lowest figure among the comparable companies due to a heavier burden than other companies of goodwill amortization, which is not tax-deductible, and the recording of a high level of extraordinary losses. Even when looking at the expected ROE for FY8/2026, which is expected to see an increase in ordinary profit and a decrease in

The Targets Set in the Medium-term Management Plan Appear Achievable

extraordinary losses, it is expected to remain low compared to other companies. As a result, the company's PBR is the lowest among the comparable companies.

The company's operating profit margin for the most recent fiscal year was 3.9%, the second lowest among the 5 companies. This is mainly due to the fact that the Airport sector is still in the upfront investment stage and that it has goodwill amortization expenses. However, these factors are expected to improve in the long term, so there is room for improvement in the operating profit margin and ROE.

The company's medium-term management plan projects a 5.6% operating profit margin for FY8/2029. Assuming that the accounting standards for revenue recognition, (which were adopted in FY8/2022, were applied from FY8/2021, and Covid-19 Services were excluded) the operating profit margin was between 6% and 7% from FY8/2019 to FY8/2021 and so, the projected operating profit margin of 5.6% for FY8/2029 appears to be a very achievable level.

In a valuation comparison with related companies, the company's forecast PER is the second highest among the 5 companies, but in absolute terms it is not highly valued at 13x. In order for the forecast PER to exceed the upper limit of the current range of 20x, the realization of the following equity story will be required.

Figure 10. Profitability Comparison with Peers

Company Name	Code	FY	Sales (¥mn)	OP (¥mn)	OPM (%)	ROE (%)	Equity Ratio (%)	# of Employees (Person)
HITO-Com Holdings	4433	08/2025	63,596	2,495	3.9	4.9	42.6	1,411
WILL GROUP	6089	03/2025	139,705	2,338	1.7	6.6	34.8	7,929
LIKE	2462	05/2025	62,336	2,951	4.7	12.1	44.0	5,367
FRONTIER INTERNATIONAL	7050	04/2025	20,335	1,278	6.3	10.2	61.4	432
Peers	7066	09/2024	6,209	480	7.7	22.4	63.6	537

Source: Company Data. Compiled by Strategy Advisors.

Figure 11. Valuation Comparison with Peers

Company Name	Code	FY	Stock Price Nov.10 (¥)	Market Cap. Nov. 10 (¥mn)	PER CoE (x)	PBR Actual (x)	ROE CoE (%)	Dividend Yield CoE (%)	1-Year Return Nov.11, 2024 (%)	3-Year Return Nov. 10, 2022 (%)
HITO-Com Holdings	4433	08/2025	979	17,468	13.5	1.0	7.5	3.8	17.8	-41.8
WILL GROUP	6089	03/2025	1,084	24,838	12.4	1.4	11.1	4.1	8.9	-20.0
LIKE	2462	05/2025	1,491	28,612	10.4	1.6	15.7	4.0	7.2	-29.7
FRONTIER INTERNATIONAL	7050	04/2025	2,280	10,146	10.1	1.1	11.6	5.0	49.5	-9.5
Peers	7066	09/2024	605	5,451	16.2	2.0	13.0	2.6	-27.4	65.5

Note: ROE (company forecast) is calculated by dividing the net income forecast for the current fiscal year by the shareholders' equity at the end of the most recent quarter.

Source: Company Data. Compiled by Strategy Advisors.

4. Equity Story

2 Equity Stories

Strategy Advisors believes there are 2 equity stories. The first is "explosive growth in the Airport Sector through solving the national social issue of insufficient capacity in the ground handling industry at major domestic airports." The other is "accelerating growth in the wholesale Sector by contributing to solving the issues facing the domestic clothing retail industry and expanding overseas sales". Both sectors are priority areas in the company's medium-term management plan. If the feasibility of these 2 stories becomes higher, investors who view the company as simply a human resources services company will change their view and we can expect the company's valuation to rise.

The Expected PER May Rise, Incorporating Expectations for Profit Growth in the Medium to Long Term

In the Wholesale Sector, actual sales for FY8/2025 reached ¥16.7 billion, raising the possibility that the target figure in the medium-term management plan (sales of ¥15 billion in FY8/2029) will be revised upward. On the other hand, in the Airport Sector, actual sales for FY8/2025 were slightly below plan, so there are currently no high hopes that the target figure in the medium-term management plan (¥12.8 billion) will be revised upward.

However, if the company makes progress in opening ramp business bases at major domestic airports where it has not yet entered, such as Naha Airport, and gains new orders at a faster pace, it may be possible to see an upward revision of the target figures for the Airport Sector in the near future. If investors' view that the growth rates of both priority sectors will significantly exceed the targets set out in the medium-term management plan gains momentum, the stock price will likely incorporate expectations for medium to long-term profit growth rather than the expected profit for the current fiscal year and the expected PER may rise to over 20x.

In other words, the key point will be how investors evaluate the company's growth strategy, which has been expanded through M&A in response to changing times and is based on the airport sector and the wholesale sector, which makes use of IP licenses.

Improving ROE is Essential to Increasing PBR

Furthermore, there appears to be significant upside potential for the PBR through ROE improvement. The company's low PBR is likely attributable to its low ROE (4.9% for FY8/2025 actual). During the period from FY8/2019 to FY8/2022, when the company's ROE ranged between 12% and 22%, its PBR fluctuated between 1.5x and 3.5x.

Based on the company's forecast net income, ROE for FY8/2026 is estimated to be around 7.5%. The company's target for ROE for FY8/2029, as outlined in its medium-term management plan, is 10% or higher. A substantial increase in PBR will require an ROE improvement of more than 10%.

ROE Improvement Scenario: (1) EBITDA Margin Improvement

The following 3 scenarios can be considered as possibly improving ROE.

The first is the improvement of EBITDA margins through sales expansion, cost reductions and expansion of high-value-added services in each business and

sector. Sectors which will be focused on in this scenario are the Wholesale Sector, Store Sales Support and Digital Sales Support, which have a large impact on consolidated results.

ROE Improvement Scenario: (2) Improved Profit Margins Due to Reduced Depreciation and Goodwill Amortization

Second, operating profit margins and net profit margins will increase as upfront investments are completed and goodwill amortization is completed. The Airport Sector is currently strengthening in-house production of ramps, which is putting a strain on not only personnel costs but also depreciation costs. Once capital investments are completed, the sector can expect an improvement in operating profit margins as depreciation costs are reduced.

Furthermore, goodwill amortization for BBF, Inc., BRANCH OUT, and SALES ROBOTICS is scheduled to be completed in 2029, which will be a factor in increasing operating profit through FY8/2030. It should be noted that goodwill amortization is not included as an expense under tax law, so a decrease in goodwill amortization will result in an increase in net income of the same amount. For the company, the improvement in net income margin due to the decrease in goodwill amortization is not negligible, so it is possible that the stock price will incorporate an increase in ROE toward FY8/2030 ahead of schedule.

ROE Improvement Scenario: (3) Possibility of Further Shareholder Returns

Third, controlling the increase in equity capital through increased shareholder returns. The company's net D/E ratio is at a healthy level of -0.23, while the basic policy for shareholder returns outlined in its medium-term management plan ending in FY8/2029 calls for a return of at least ¥ 3 billion, a dividend payout ratio of at least 30% and a progressive dividend. If the company can control the increase in equity capital through further shareholder returns, an increase in net income for the period is likely to contribute significantly to improving ROE.

Figure 12. Segment Trends (Quarterly Basis)

(¥mn)	8/24 Q1	8/24 Q2	8/24 Q3	8/24 Q4	8/25 Q1	8/25 Q2	8/25 Q3	8/25 Q4
Sales								
Outsourcing	6,565	5,574	5,565	5,501	6,032	6,032	6,922	6,845
(YoY)	-22.6%	-34.6%	-24.3%	-15.6%	-8.1%	8.2%	24.2%	24.4%
Temporary Employee Placement	2,365	2,178	2,180	2,147	2,208	2,060	2,269	2,249
(YoY)	-4.1%	-7.4%	-4.6%	-11.7%	-6.6%	-5.4%	4.1%	4.8%
EC/TC Support	2,744	2,700	2,699	2,633	2,926	2,125	2,153	2,049
(YoY)	-1.6%	16.1%	20.2%	1.0%	6.6%	-21.3%	-20.2%	-22.2%
Wholesale	3,346	2,734	3,465	3,227	4,580	3,418	4,505	4,176
(YoY)	12.1%	18.0%	11.5%	28.7%	36.9%	25.0%	30.0%	29.4%
Other Businesses	804	798	818	501	680	864	916	586
(YoY)	64.4%	9.8%	1.9%	-24.0%	-15.4%	8.3%	12.0%	16.6%
Total Amount	15,826	13,984	14,727	14,010	16,428	14,499	16,764	15,905
(YoY)	-8.1%	-13.9%	-6.8%	-4.8%	3.8%	3.7%	13.8%	13.5%
Operating Profit								
Outsourcing	143	-52	-273	-76	140	225	112	170
(OP Margin)	2.2%	-0.9%	-4.9%	-1.4%	2.3%	3.7%	1.6%	2.5%
Temporary Employee Placement	225	26	93	29	122	47	145	178
(OP Margin)	9.5%	1.2%	4.3%	1.4%	5.5%	2.3%	6.4%	7.9%
EC/TC Support	325	234	141	198	205	154	-7	-24
(OP Margin)	11.8%	8.7%	5.2%	7.5%	7.0%	7.2%	-0.3%	-1.2%
Wholesale	225	81	195	39	299	70	306	308
(OP Margin)	6.7%	3.0%	5.6%	1.2%	6.5%	2.0%	6.8%	7.4%
Other Businesses	12	63	39	-81	-25	48	39	0
(OP Margin)	1.5%	7.9%	4.8%	-16.2%	-3.7%	5.6%	4.3%	0.0%
Adjustment	-4	-5	-5	-4	-4	-5	-5	-4
Total Amount	927	347	190	104	737	541	589	628
(YoY)	-42.5%	-69.2%	-79.1%	-81.2%	-20.5%	55.9%	210.0%	6.0x
(OP Margin)	5.9%	2.5%	1.3%	0.7%	4.5%	3.7%	3.5%	3.9%

Source: Company Data. Compiled by Strategy Advisors.

Figure 13. Consolidated Statement of Income (¥mn)

FY	8/18	8/19	8/20	8/21	8/22	8/23	8/24	8/25	8/26 CoE
Net Sales	62,322	63,819	71,499	84,225	64,130	63,980	58,547	63,596	66,280
(YoY)	79.2%	—	12.0%	17.8%	-23.9%	-0.2%	-8.5%	8.6%	4.2%
Cost of Sales	51,759	52,619	58,891	69,507	48,902	49,742	46,449	50,684	52,753
Gross Profit	10,563	11,200	12,607	14,718	15,227	14,238	12,097	12,912	13,527
(Gross Profit Margin)	16.9%	17.5%	17.6%	17.5%	23.7%	22.3%	20.7%	20.3%	20.4%
SG&A Expenses	7,900	8,209	9,457	9,931	9,487	10,039	10,528	10,416	10,727
Operating Income	2,663	2,991	3,149	4,787	5,739	4,198	1,568	2,495	2,800
(YoY)	2.4%	—	5.3%	52.0%	19.9%	-26.9%	-62.6%	59.1%	12.2%
(Operating Income Margin)	4.3%	4.7%	4.4%	5.7%	9.0%	6.6%	2.7%	3.9%	4.2%
Non-Operating Income	26	29	699	691	108	229	42	98	
Interest and Dividends Income	11	7	7	6	9	9	14	23	
Non-Operating Expenses	10	15	487	353	88	127	75	89	
Interest Expenses	7	11	16	12	10	10	38	69	
Ordinary Income	2,679	3,004	3,361	5,125	5,759	4,300	1,536	2,504	2,810
(YoY)	5.6%	—	11.9%	52.5%	12.4%	-25.3%	-64.3%	63.0%	12.2%
(Ordinary Income Margin)	4.3%	4.7%	4.7%	6.1%	9.0%	6.7%	2.6%	3.9%	4.2%
Extraordinary Income	24	0	0	0	0	4	6	107	
Extraordinary Loss	5	4	419	321	99	537	255	540	
Profit before Income Taxes	2,698	3,000	2,941	4,803	5,660	3,767	1,287	2,070	
(YoY)	6.3%	11.2%	-2.0%	63.3%	17.8%	-33.4%	-65.8%	60.8%	
(Profit before Tax Ratio)	4.3%	4.7%	4.1%	5.7%	8.8%	5.9%	2.2%	3.3%	
Total Income Taxes	1,036	1,150	1,450	1,808	2,245	1,629	1,127	1,011	
(Effective Tax Rate)	38.4%	38.4%	49.3%	37.7%	39.7%	43.2%	87.6%	95.7%	
Profit	1,661	1,849	1,490	2,995	3,415	2,137	160	1,059	
Profit Attributable to Non-Controlling Interests	193	125	119	220	187	251	204	205	
Profit Attributable to Owners of the Parent	1,468	1,723	1,370	2,774	3,227	1,885	-43	853	1,295
(YoY)	-0.5%	—	-20.5%	102.4%	16.3%	-41.6%	—	—	51.7%
(Net Income Margin)	2.4%	2.7%	1.9%	3.3%	5.0%	2.9%	-0.1%	1.3%	2.0%
EPS (¥)	82.1	96.3	76.7	155.5	180.9	105.7	-2.4	47.9	72.6

Source: Company Data. Compiled by Strategy Advisors.

Figure 14. Consolidated Balance Sheet (¥mn)

FY	8/18	8/19	8/20	8/21	8/22	8/23	8/24	8/25
Current Assets	13,306	14,967	18,679	22,179	25,693	29,048	27,247	25,939
Cash and Deposits	6,130	6,888	8,890	9,815	13,430	16,462	14,251	12,133
Notes and Accounts Receivable – Trade	6,242	6,916	8,875	10,760	10,594	10,877	10,355	10,871
Merchandise	605	922	640	1,032	531	589	471	562
Deferred Tax Assets - Current	159	—	—	—	—	—	—	—
Allowance for Doubtful Accounts	-32	-31	-50	-23	-23	-17	-8	-9
Others	200	272	324	595	1,161	1,137	2,176	2,381
Non-Current Assets	6,084	9,562	8,795	8,997	8,531	13,505	12,855	14,883
Property, Plant and Equipment	2,017	2,045	1,967	2,228	2,205	2,282	2,515	4,712
Intangible Assets	3,100	5,355	5,365	4,872	4,286	8,681	7,983	7,116
Investments and Other Assets	966	2,161	1,462	1,896	2,039	2,541	2,357	3,054
Investment Securities	441	444	655	501	434	675	672	600
Deferred Tax Assets	158	289	377	482	525	681	475	556
Others	367	1,428	430	913	1,080	1,185	1,210	1,898
Total Assets	19,391	24,529	27,475	31,177	34,225	42,554	40,103	40,822
Current Liabilities	6,159	7,794	10,547	11,948	12,584	13,220	12,763	13,880
Accounts Payable - Trade	2,635	2,866	4,535	4,619	5,050	5,445	6,246	4,543
Accounts Payable – Other	2,061	2,477	2,697	3,806	3,581	3,493	3,099	4,049
Short-term Loans Payable	522	1,049	1,195	1,040	1,004	1,528	1,792	1,411
Others	939	1,402	2,120	2,483	2,949	2,754	1,626	3,877
Non-Current Liabilities	3,367	5,312	4,518	4,295	3,720	10,248	8,725	8,034
Long-term Loans Payable	3,101	5,002	4,193	3,752	3,146	9,361	7,738	6,793
Deferred Tax Liabilities	—	29	0	46	12	—	1	5
Others	265	281	325	497	562	887	986	1,236
Net Assets	9,864	11,423	12,408	14,932	17,920	19,085	18,614	18,907
Shareholders' Equity	9,335	10,773	11,653	14,052	16,809	17,778	17,144	17,344
Capital Stock	737	450	450	450	450	450	450	450
Capital Surplus	0	287	287	287	287	91	91	91
Retained Earnings	8,598	10,035	11,016	13,415	16,172	17,336	16,702	16,903
Treasury Stock	0	—	-99	-99	-100	-100	-100	-100
Total Accumulated Other Comprehensive Income	-2	-6	-15	29	111	91	92	28
Non-controlling Interests	531	656	770	850	998	1,216	1,377	1,533
Total Liabilities & Net Assets	19,391	24,529	27,475	31,177	34,225	42,554	40,103	40,822
Equity Capital	9,333	10,766	11,638	14,082	16,921	17,869	17,237	17,373
BPS (¥)	521.4	601.5	652.3	789.3	948.4	1,001.5	966.1	973.7

Source: Company Data. Compiled by Strategy Advisors.

Figure 15. Consolidated Cash Flow Statement (¥mn)

FY	8/18	8/19	8/20	8/21	8/22	8/23	8/24	8/25
Cash Flows from Operating Activities								
Profit Before Income Taxes	2,698	3,000	2,941	4,803	5,660	3,767	1,287	2,070
Depreciation and Amortization of Goodwill	434	529	920	895	918	1,012	1,252	1,336
Increase (Decrease) in Trade Receivables	-211	-475	-1,708	-2,095	162	32	525	-486
Increase (Decrease) in Notes and Accounts Payable Trade	203	598	1,582	1,122	260	-124	268	-1,988
Increase/Decrease in Inventories	53	-317	286	-391	149	-57	118	-84
Impairment Loss	—	—	419	—	92	5	170	—
Income Taxes Paid	-1,291	-1,019	-1,217	-1,691	-2,135	-2,600	-2,806	87
Others	-285	143	440	422	226	490	166	2,471
Total Amount	1,600	2,459	3,663	3,065	5,332	2,525	980	3,406
Cash Flows from Investing Activities								
Purchase of Property, Plant and Equipment	-61	-67	-71	-364	-127	-184	-507	-2,027
Purchase of Intangible Assets	-154	-198	-184	-338	-343	-509	-447	-356
Purchase of Investment Securities	0	-10	-210	0	-51	-300	-101	-53
Proceeds From Sales and Redemption of Investment Securities	104	0	0	196	200	34	—	114
Purchase of Shares of Subsidiaries and Associates	—	-876	—	-353	-200	-392	-50	-844
Purchase of Shares of Subsidiaries Resulting in Change in Scope of Consolidation	—	-2,148	—	0	0	-3,603	—	—
Others	-73	-125	-66	-354	-123	-309	-128	-434
Total Amount	-184	-3,424	-531	-1,213	-644	-5,263	-1,233	-3,600
Cash Flows from Financing Activities								
Increase (Decrease) in Short-term Loans Payable	0	—	265	-200	—	—	—	—
Increase (Decrease) in Long-term Debt	1,110	2,085	-1,074	-376	-629	6,538	-1,371	-1,343
Repayments of Treasury Stock	—	—	-99	0	0	—	—	—
Dividends Paid	-250	-286	-362	-375	-470	-590	-590	-635
Others	-1,758	-18	-27	-54	-56	-245	-63	-55
Total Amount	-897	1,781	-1,297	-1,005	-1,155	5,703	-2,024	-2,033
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-2	-6	-8	16	19	-1	15	-4
Increase in Cash and Cash Equivalents	516	810	1,825	862	3,552	2,964	-2,261	-2,232
Cash and Cash Equivalents at Beginning of Period	5,436	5,985	6,796	8,734	9,596	13,149	16,121	13,859
Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiaries	33	—	112	—	—	7	—	54
Cash and Cash Equivalents at End of Period	5,985	6,796	8,734	9,596	13,149	16,121	13,859	11,681
Free Cash Flow	1,416	-965	3,132	1,852	4,688	-2,738	-253	-194

Source: Company Data. Compiled by Strategy Advisors.

Figure 16. Key Indicators

FY	8/18	8/19	8/18	8/21	8/22	8/23	8/24	8/25
EPS (¥)	82.1	96.3	76.7	155.5	180.9	105.7	-2.4	47.9
BPS (¥)	521.4	601.5	652.3	789.3	948.4	1,001.5	966.1	973.7
DPS (¥)	15.0	18.5	20.5	24.5	30.0	31.0	35.0	37.0
Dividend Payout Ratio	18.3%	19.2%	26.7%	15.8%	16.6%	29.3%	—	77.3%
# of Shares Issued ('000)	17,900	17,899	17,899	17,899	17,899	17,899	17,899	17,899
# of Treasury Stock ('000)	584	—	56,830	56,858	56,933	56,933	56,933	56,933
# of Shares of Treasury Stock Excluded ('000)	17,899	17,899	17,843	17,842	17,842	17,842	17,842	17,482
Average # of Shares Issued ('000)	17,899	17,899	17,866	17,842	17,842	17,842	17,842	17,842
Equity Ratio	48.1%	43.9%	42.4%	45.2%	49.4%	42.0%	43.0%	42.6%
Interest-Bearing Debt (¥mn)	3,623	6,051	5,388	4,792	4,150	10,889	9,530	8,204
Net Interest-Bearing Debt (¥mn)	-2,507	-837	-3,502	-5,023	-9,280	-5,573	-4,721	-3,929
D/E Ratio	0.39	0.56	0.46	0.34	0.25	0.61	0.55	0.47
Net D/E Ratio	-0.27	-0.08	-0.30	-0.36	-0.55	-0.31	-0.27	-0.23
Operating Income Margin	4.3%	4.7%	4.4%	5.7%	9.0%	6.6%	2.7%	3.9%
EBITDA (¥mn)	3,097	3,520	4,069	5,682	6,657	5,210	2,820	3,831
EBITDA Margin	5.0%	5.5%	5.7%	6.7%	10.4%	8.1%	4.8%	6.0%
ROE	15.8%	17.2%	12.2%	21.6%	20.8%	10.8%	-0.2%	4.9%
ROIC (Capital Invested)	12.4%	10.5%	9.6%	15.9%	16.7%	9.9%	1.5%	5.4%
ROIC (Business Assets)	17.2%	14.9%	13.8%	22.4%	26.0%	17.4%	2.8%	8.8%
# of Employees	503	704	827	859	821	1,274	1,405	1,411

Note: ROIC (operating assets) is calculated as NOPAT/(average of working capital and total value of tangible and intangible fixed assets during the period). ROIC (invested capital) is calculated as NOPAT/(average of total value of interest-bearing debt balance and net assets during the period).

Source: Company Data. Compiled by Strategy Advisors.

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