

Company Report

November 21, 2025

Strategy Advisors Inc.
Akihiko Uchino



1H FY3/26 Financial Results: Operating Profit Forecast Revised Upward Due to Strong Performance of Testers for Overseas Customers

INNOTECH reported higher sales and profits for 1H FY3/26 (April-September), with sales increasing to ¥21.6 bn (+3.8% YoY) and operating profit increasing to ¥1.14 bn (+26.6% YoY). Progress against the full-year forecast announced in May was 49.7% for sales and 43.7% for operating profit. However, since the company's performance is typically weighted towards the 2H of the year and 1H performed better than initially expected, the company has now announced upward revisions for sales, operating profit and net income. Furthermore, in Q2, sales increased to ¥12.14 bn (+14.7% YoY) and operating profit increased to ¥900 mn (+94.6% YoY).

The main reason for the strong performance in 1H was due to their testers in Test Solutions. Although demand from major Japanese customers continued to be weak, the increase in new demand from overseas customers drove the strong performance. Some saw this increase in demand in 1H as simply an advance of the demand for 2H, but with demand expected to remain strong in 2H as well, concerns have been allayed and the situation is improving to the point where continuity is expected to go forward.

Based on the financial results, the company has revised its forecasts for FY3/26. Sales have been revised upward by ¥2 bn to ¥45.5 bn (+8.4% YoY) and operating profit has been revised upward by ¥150 mn to ¥ 2.75 billion (+45.7% YoY). For 2H FY3/26, the outlook is stable for "Semiconductor Design-Related" where EDA is robust and for "System/Services," where embedded systems are performing well. Meanwhile, for Test Solutions, the outlook has improved for continued strong demand from overseas customers for testers. Given the above, if a recovery in demand from major Japanese customers for testers becomes apparent in FY3/26 Q4, there is a good chance that results will exceed the company's forecasts.

The company is currently in the second year of its 3-year medium-term plan, ending March 2027. In addition to strong performance, the company sold strategically held shares in 1H FY3/27 and decided to sell its headquarters building. It has also announced a share buyback. This clear commitment to improving capital efficiency is commendable. The stock price has begun to rise since bottoming out this year in April. While the valuation has recovered to a PER of 14.4x and PBR of 1.0x, the price remains low.

Stock Price and Trading Volume (Past Year)



Source: Strategy Advisors

Key Indicators

Stock Price (11/20/25)	1,980
52-Week High (11/13/25)	1,996
52-Week Low (4/09/25)	1,085
All-Time High (3/08/24)	2,129
All-Time Low (10/27/08)	182
Shares on Issue (mn)	13.7
Market Capitalization (¥ bn)	27.1
Equity Ratio (3/25 Actual, %)	54.1
ROE (3/25 Actual, %)	4.8
PER (3/26 CoE, Times)	14.4
PBR (3/25 Actual, Times)	1.0
Yield (3/26 CoE, %)	3.5

Source: Strategy Advisors

INNOTECH CORPORATION | 9880 (TSE Prime)

Our view of the equity story is that "the company's technical and sales capabilities, which support electronics design and verification, will increase customer numbers and product lineups, expanding growth potential" (see report published December 24, 2024). If demand for NAND testers expands significantly, the feasibility of the company's equity story will become more certain and further upside is expected in the stock price.

Japanese GAAP - Consolidated

FY	Sales	YoY	Operating Profit	YoY	Ordinary Profit	YoY	Net Profit	YoY	EPS	DPS
	(¥ mn)	(%)	(¥ mn)	(%)	(¥ mn)	(%)	(¥ mn)	(%)	(¥)	(¥)
3/25 H1	20,808	6.9	898	5.2	750	-37.8	459	-44.9	34.0	35.0
3/26 H1	21,601	3.8	1,137	26.6	752	0.2	574	25.1	43.6	35.0
3/23	38,629	3.7	2,319	-10.3	2,480	-16.9	1,666	-24.1	127.0	70.0
3/24	41,358	7.1	2,474	6.7	2,880	16.1	1,477	-11.3	110.6	70.0
3/25	41,977	1.5	1,887	-23.7	1,755	-39.1	1,200	-18.8	89.5	70.0
3/26 CoE	45,500	8.4	2,750	45.7	2,400	36.8	1,800	50.0	137.2	70.0

Source: Company Data. Compiled by Strategy Advisors.

Table of Contents

1. Overview of 1H FY3/26 Financial Results	3
2. Trends by Sector	6
1) Test Solutions Business	6
2) Semiconductor Design-Related Business	8
3) System/Services Business	10
3. Outlook and Progress of the Medium-Term Plan	12
4. Stock Price and Valuation	15

1. Overview of 1H FY3/26 Financial Results

FY3/26 1H Results Show YoY Increases in Sales & Profits, Driven by Test Solutions

The company announced its financial results for 1H FY3/26 on November 10th, reporting an increase in sales to ¥21.6 bn (+3.8% YoY) and increase in operating profit to ¥1.14 bn (+26.6% YoY), demonstrating increases in both sales and profits. Progress against the full-year forecast announced in May was 49.7% for sales and 43.7% for operating profit. However, the company's performance is typically weighed toward 2H FY3/26 and 1H performed better than expected.

By segment, Test Solutions saw an 8.2% YoY increase in sales and an operating profit of ¥150 mn, an improvement of ¥560 mn YoY, driving the company's performance above its forecast. Semiconductor Design-Related performed well, with sales increasing 1.8% YoY and profit increasing 9.4%, slightly exceeding the company's forecast. Meanwhile, System/Services saw sales increase 1.4% YoY and profit decreased 17.3%, slightly below the company's forecast.

Sales and Profits Increased Both YoY and QoQ in Q2

In Q2, sales increased to ¥12.14 bn, and operating profit increased to ¥900 mn (+94.6% YoY). Compared to Q1 (QoQ), sales increased 28.4% and operating profit grew 3.86 times, resulting in significant increases in both sales and profits.

Looking at the QoQ results by segment, both Semiconductor Design-Related and System/Services saw increases in sales and profits, but only slightly. On the other hand, Test Solutions saw an 85.6% increase in sales and an operating profit turnaround from a ¥260 mn loss to a ¥410 mn profit, driving overall sales QoQ.

Sale of Strategically Held Shares/Decision on Policy to Sell Head Office Building/Resolution on Share Buyback

The company is currently implementing various financial strategies. First, during the second quarter, it sold all its strategic bank stocks, recording an extraordinary gain of ¥410 mn. Second, at its August board meeting, the company decided to sell the land and building of its headquarters building. Details of the sale method and other details have yet to be determined and the sale price and timing of the cash inflow are still uncertain. However, since the cash inflow resulting from this decision is not factored into the current medium-term plan (FY3/25 to FY3/27), the company plans to review its capital allocation once finalized and announce a new investment strategy and shareholder return policy. Third, the company announced that its board of directors resolved at its November 10 meeting to purchase its own shares (up to 1.4 mn shares or ¥2 bn: 10.7% of issued shares excluding treasury shares). The time-frame is from November 11, 2025 to April 30, 2026.

INNOTECH CORPORATION | 9880 (TSE Prime)

Figure 1. Summary of 1H FY26/3 Financial Results (Half-Year, ¥ mn)

FY	24/3 1H	2H	FY	25/3 1H	2H	FY	26/3 1H	FY Old-CE	FY New-CE
Net Sales	19,471	21,887	41,358	20,808	21,169	41,977	21,601	43,500	45,500
(YoY)	-1.5%	16.0%	7.1%	6.9%	-3.3%	1.5%	3.8%	3.6%	8.4%
Cost of Sales	13,472	14,726	28,198	14,450	14,877	29,327	15,080		
Gross Profit	5,998	7,162	13,160	6,358	6,292	12,650	6,520		
(Gross Profit Margin)	30.8%	32.7%	31.8%	30.6%	29.7%	30.1%	30.2%		
SG&A Expenses	5,143	5,543	10,686	5,459	5,303	10,762	5,383		
Operating Profit	854	1,620	2,474	898	989	1,887	1,137	2,600	2,750
(YoY)	-32.3%	53.1%	6.7%	5.2%	-39.0%	-23.7%	26.6%	37.8%	45.7%
(Operating Profit Margin)	4.4%	7.4%	6.0%	4.3%	4.7%	4.5%	5.3%	6.0%	6.0%
Non-Operating Income	616	282	898	296	558	854	312		
Non-Operating Expenses	264	228	492	444	543	987	697		
Ordinary Profit	1,206	1,674	2,880	750	1,004	1,754	752	2,600	2,400
(YoY)	-21.1%	75.8%	16.1%	-37.8%	-40.0%	-39.1%	0.3%	48.2%	36.8%
(OP Margin)	6.2%	7.6%	7.0%	3.6%	4.7%	4.2%	3.5%	6.0%	5.3%
Extraordinary Income	1	2	3	0	339	339	408		
Extraordinary Loss	0	534	534	0	76	76	0		
Profit Before Income Taxes	1,208	1,141	2,349	751	1,267	2,018	1,160		
(YoY)	-20.9%	19.6%	-5.4%	-37.8%	11.0%	-14.1%	54.5%		
(Pretax Profit Margin)	6.2%	5.2%	5.7%	3.6%	6.0%	4.8%	5.4%		
Corporate tax, etc.	345	472	817	276	438	714	605		
(Effective Tax Rate)	28.6%	41.4%	34.8%	36.8%	34.6%	35.4%	52.2%		
Profit	862	670	1,532	475	829	1,304	555		
Profit Attributable to Non-Controlling Interests	29	26	55	15	89	104	-19		
Profit Attributable to Owners of Parent	833	644	1,477	459	741	1,200	574	1,700	1,800
(YoY)	-9.8%	-13.3%	-11.3%	-44.9%	15.1%	-18.8%	25.1%	41.7%	50.0%
(Net Profit Margin)	4.3%	2.9%	3.6%	2.2%	3.5%	2.9%	2.7%	3.9%	4.0%

Source: Company Data. Compiled by Strategy Advisors.

INNOTECH CORPORATION | 9880 (TSE Prime)

Figure 1. Summary of 1H FY26/3 Financial Results (Quarterly, ¥ mn)

FY	24/3 Q1	Q2	Q3	Q4	25/3 Q1	Q2	Q3	Q4	26/3 Q1	Q2
Sales										
Test Solutions	2,435	4,481	4,421	4,548	3,234	3,819	2,553	5,371	2,671	4,958
(YoY)	-24.1%	-1.8%	108.8%	12.3%	32.8%	-14.8%	-42.3%	18.1%	-17.4%	29.8%
Testers	529	636	1,256	750	879	263	118	453	554	1,524
STAr Technologies	1,906	3,845	3,164	3,798	2,354	3,557	2,434	4,919	2,117	3,434
Semiconductor Design-Related	3,193	3,171	3,148	3,372	3,361	3,261	3,139	3,231	3,278	3,462
(YoY)	-4.5%	-6.9%	-4.8%	4.4%	5.3%	2.8%	-0.3%	-4.2%	-2.5%	6.2%
EDA et al.	2,082	2,117	2,159	2,283	2,316	2,272	2,213	2,288	2,264	2,433
SANEI HYTECHS	1,038	1,016	951	990	971	951	871	885	951	994
MoDeCH	73	37	38	98	73	39	53	59	62	36
System/Services	3,060	3,129	3,287	3,113	3,622	3,510	3,422	3,451	3,507	3,725
(YoY)	23.2%	13.4%	12.1%	-3.6%	18.4%	12.2%	4.1%	10.9%	-3.2%	6.1%
Embedded systems etc.	636	766	766	647	735	936	751	653	914	971
IT Access	1,396	1,256	1,272	1,236	1,656	1,171	1,274	1,291	1,322	1,412
GAIO Technology	917	1,028	1,079	1,048	1,127	1,287	1,280	1,309	1,170	1,209
Regulus	109	80	169	182	102	119	115	199	99	135
Total	8,689	10,781	10,854	11,032	10,218	10,590	9,114	12,054	9,457	12,144
(YoY)	-3.8%	0.5%	29.9%	5.0%	17.6%	-1.8%	-16.0%	9.3%	-7.4%	14.7%
Operating Profit										
Test Solutions	-314	247	504	375	-212	-198	-244	342	-264	411
(OPM)	-12.9%	5.5%	11.4%	8.2%	-6.6%	-5.2%	-9.6%	6.4%	-9.9%	8.3%
Semiconductor Design-Related	162	146	75	192	169	118	68	102	139	175
(OPM)	5.1%	4.6%	2.4%	5.7%	5.0%	3.6%	2.2%	3.2%	4.2%	5.1%
System/Services	287	381	481	467	522	542	416	319	407	473
(OPM)	9.4%	12.2%	14.6%	15.0%	14.4%	15.4%	12.2%	9.2%	11.6%	12.7%
Adjustment Amount	-34	-20	-76	-401	-44	1	29	-43	-47	-156
Total	101	753	985	634	434	464	266	721	234	903
(YoY)	-70.6%	-18.0%	486.3%	-28.7%	329.7%	-38.4%	-73.0%	13.7%	-46.1%	94.6%
(OPM)	1.2%	7.0%	9.1%	5.7%	4.2%	4.4%	2.9%	6.0%	2.5%	7.4%

Source: Company Data. Compiled by Strategy Advisors.

2. Trends by Sector

1) Test Solutions Business

Company Forecast Revised Upward

Test Solutions business comprises testers from INNOTECH and probe cards and reliability-evaluation equipment from its Taiwanese subsidiary, STAr Technologies. Although the company suffered a slump in FY3/25, having fallen into the red, it is aiming to turn its performance around FY3/26. Due to their favorable performance in 1H FY3/26, the company has revised its forecasts for both sales and gross profit upward, which was the driving force behind the revision of the company's full-year forecasts. Furthermore, the company has booked a provision in 1H FY3/26 for repair costs of ¥90 mn expected to occur in 2H for Testers' overseas customers.

Demand from Overseas Customers Increased Significantly in Q2. No Movement from Japanese Customers

Testers are the main product for NAND flash memory. Quarterly sales trend was ¥550 mn Q1 and ¥1.52 bn Q2, a significant QoQ increase. While demand for NAND testers from major Japanese customers remained static, demand from new overseas customers, which began slightly earlier than in Q1, grew even more significantly in Q2. There is an increasing likelihood that demand will continue into Q3 and beyond.

Meanwhile, the company is assuming that demand from major Japanese customers will remain sluggish in 2H FY3/26. However, there is a growing likelihood of a recovery from FY3/27. The reasons for this are: 1) the advancement of generative AI is driving demand for nearline SSD's for data centers, 2) the emergence of AI mobile phones and AI PCs has led to a trend toward doubling the NAND flash capacity per unit and 3) a new factory for Japanese customer demand has begun operation. Demand for testers for CMOS image sensors also remains strong.

STAr Technologies: Demand for Reliability Evaluation Equipment Recovers & Probe Cards Improve Profitability

STAr Technologies' quarterly sales trend was low at ¥2.11 bn in Q1 (April-June: results for January-March 2025 due to a shift in the fiscal year end) due to seasonal factors, but in Q2 sales recovered and increased significantly to ¥3.43 bn. As a result of the spin-off of the general-purpose products business in FY3/25, demand for probe cards for research and development purposes from a major Taiwanese foundry customer has remained stable, improving profitability. Furthermore, with regard to reliability evaluation equipment, the US reciprocal tariff policy has been a tailwind for the company's business and may become a positive factor going forward.

Figure 2. Revenue Trends in Test Solutions Business (H/Quarterly)

(¥ mn)	3/24		3/25		3/26
	H1	H2	H1	H2	H1
Net Sales	6,916	8,969	7,053	7,924	7,629
Testers	1,165	2,006	1,142	571	2,078
STAr Technologies	5,751	6,962	5,911	7,353	5,551
Operating Profit	-67	879	-410	98	147
Testers	-53	625	-177	-390	177
STAr Technologies	-14	254	-233	488	-30
OP Margin	-1.0%	9.8%	-5.8%	1.2%	1.9%
Testers	-4.5%	31.2%	-15.5%	-68.3%	8.5%
STAr Technologies	-0.2%	3.6%	-3.9%	6.6%	-0.5%

(¥ mn)	3/25				3/26		3/25	3/26CoE
	Q1	Q2	Q3	Q4	Q1	Q2	FY	FY
Net Sales	3,234	3,819	2,553	5,371	2,671	4,958	14,977	17,300
Testers	879	263	118	453	554	1,524	1,713	4,300
STAr Technologies	2,354	3,557	2,434	4,919	2,117	3,434	13,264	13,000
Operating Profit	-212	-198	-244	342	-264	411	-312	NA
Testers	43	-220	-278	-112	-56	233	-567	NA
STAr Technologies	-255	22	34	454	-208	178	255	NA
OP Margin	-6.6%	-5.2%	-9.6%	6.4%	-9.9%	8.3%	-2.1%	NA
Testers	4.9%	-83.7%	-235.6%	-24.7%	-10.1%	15.3%	-33.1%	NA
STAr Technologies	-10.8%	0.6%	1.4%	9.2%	-9.8%	5.2%	1.9%	NA

Note: Sales breakdown is based on segment information and Operating profit breakdown is based on segment information and briefing materials. Testers' operating profit is calculated by subtracting STAr Technologies' operating profit from the division's operating profit.

Source: Company Data. Compiled by Strategy Advisors.

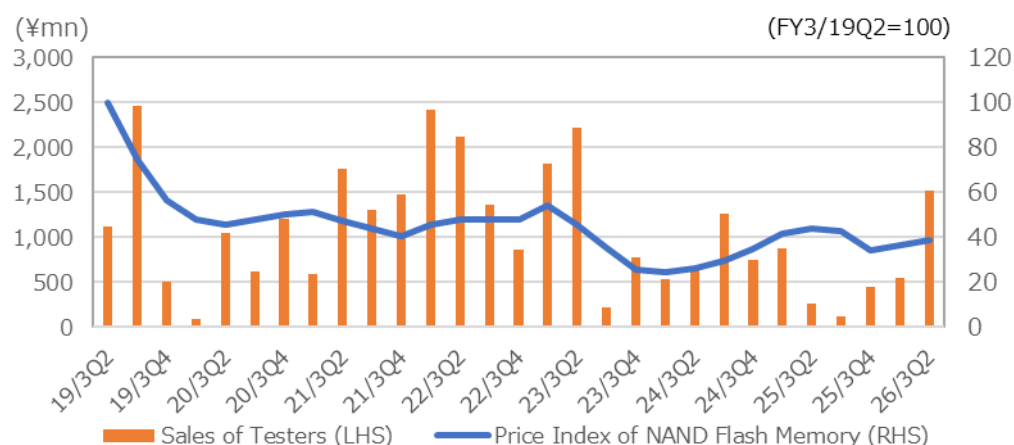
NAND Flash Memory Market Conditions Are Improving

According to Kioxia Holdings (TSE Prime 285A), which announced its financial results for the Q2 FY3/25 on November 13, the market conditions for NAND flash memory are improving and the company's sales price (Like for Like) for the Q2 FY3/26 increased by approximately 5% QoQ.

The Testers Business May be on a Growth Trajectory from FY3/27 Onwards

Demand for NAND flash memory for smartphones and PCs has begun to recover since 1H FY3/25, as smartphone and PC-related customers completed inventory adjustments. Demand for SSDs in enterprise data centers remains strong, and the adoption of AI servers is accelerating, leading to expectations of continued demand growth. While the NAND flash memory industry is currently in the early stages of a cyclical recovery, it appears that the industry is maintaining discipline by considering the balance of supply and demand without excessively increasing its operating rate. Therefore, the company's testers business is likely to see a recovery among major domestic NAND customers. Sales expansion to overseas NAND customers is also progressing better than expected. Therefore, the testers business is likely to get back on track for growth in FY3/27, driven by the recovery in the NAND flash memory market and the expansion of its customer base.

Figure 3. NAND Flash Memory Market Conditions & INNOTEC's Testers Sales



Note: Prepared by Strategy Advisors based on Kioxia Holdings' financial results presentation materials.

Source: Company Data. Compiled by Strategy Advisors.

2) Semiconductor Design-Related Business

Business Performance Remains Solid. Company Forecasts Maintained

Semiconductor Design-Related business consists of SANEI HYTECHS, which imports and sells EDA and for which INNOTECH itself acts as an agent, semiconductor design and software development, and MoDeCH, which creates simulation models for semiconductor devices. In FY3/25, the company's performance can be summarized as remaining solid despite the sluggish semiconductor market. The new company's forecast for FY3/26 has largely remained unchanged from the forecast made in May (sales and gross profits remaining roughly flat YoY). Considering the uncertainty in the market environment, the company will continue to take a cautious stance.

EDA: Steady Performance

EDA performed strongly. The company sells EDA developed by Cadence, a US company, to Japanese electronic components and industrial machinery, and continues to provide subsequent services. It operates a so-called stock-based business model, and its strength is stable sales. In FY3/26, the number of renewals of multi-year contracts with customers was limited and there were few factors that caused fluctuations in earnings. Q2 results were also strong, in line with the company's forecast. The business is expected to remain strong from 2H onwards.

SANEI HYTECHS: On the Road to Recovery. Expectations for New IP Projects

SANEI HYTECHS' semiconductor design business saw a slowdown in design demand for analog semiconductors for automobiles and industrial machinery in 2H FY3/25, resulting in sluggish sales and operating profit for the full year. Operating rates recovered slowly in Q1 FY3/26, and the recovery continued in Q2. Overall performance for 1H was slightly better than expected. While the operating rates of automobile-related customers vary, some show signs of recovery.

The gradual recovery is expected to continue from 2H onwards, and the outlook for new orders for IP (in-house development) projects is improving. In recent years, the company has been focusing on contract projects, but efforts to acquire IP projects are gradually beginning to bear fruit and future performance is promising.

MoDeCH: No Change in Business Environment

MoDeCH's simulation model product sales business saw no major changes in the business environment in 1H FY3/26 and continued to perform at the same level as the same period last year, mainly in the automotive-related sector. However, with the addition of large-scale contracted projects in 2H of the year, the company is in the position to achieve a full-year operating profit.

Figure 4 Revenue Trends in Semiconductor Design-Related Business

(¥ mn)	3/24		3/25		3/26
	H1	H2	H1	H2	H1
Sales	6,364	6,520	6,622	6,370	6,740
EDA	4,199	4,442	4,588	4,501	4,697
SANEI HYTECHS	2,054	1,941	1,922	1,756	1,945
MoDeCH	110	136	112	112	98
Operating profit	308	267	287	170	314
EDA	73	181	124	140	158
SANEI HYTECHS	248	49	164	41	167
MoDeCH	-13	37	-1	-11	-11
OP Margin	4.8%	4.1%	4.3%	2.7%	4.7%
EDA	1.7%	4.1%	2.7%	3.1%	3.4%
SANEI HYTECHS	12.1%	2.5%	8.5%	2.3%	8.6%
MoDeCH	-11.8%	27.2%	-0.9%	-9.8%	-11.2%

(¥ mn)	3/25				3/26		3/25	3/26CoE
	Q1	Q2	Q3	Q4	Q1	Q2	FY	FY
Sales	3,361	3,261	3,139	3,231	3,278	3,462	12,992	13,700
EDA	2,316	2,272	2,213	2,288	2,264	2,433	9,089	9,350
SANEI HYTECHS	971	951	871	885	951	994	3,678	4,000
MoDeCH	73	39	53	59	62	36	224	350
Operating profit	169	118	68	102	139	175	457	NA
EDA	64	60	49	91	69	89	264	NA
SANEI HYTECHS	99	65	28	13	65	102	205	NA
MoDeCH	6	-7	-9	-2	5	-16	-12	NA
OP Margin	5.0%	3.6%	2.2%	3.2%	4.2%	5.1%	3.5%	NA
EDA	2.8%	2.6%	2.2%	4.0%	3.0%	3.7%	2.9%	NA
SANEI HYTECHS	10.2%	6.8%	3.2%	1.5%	6.8%	10.3%	5.6%	NA
MoDeCH	8.2%	-17.9%	-17.0%	-3.4%	8.1%	-44.4%	-5.4%	NA

Note: Sales breakdown is based on segment information and operating profit breakdown is based on segment information and presentation materials. EDA's operating profit is the division operating profit minus that of SANEI HYTECHS and MoDeCH. Source: Company Data. Compiled by Strategy Advisors.

3) System/Services Business

Company Forecasts Revised Downward Slightly Due to GAIO's Slump

Systems / Services business comprises INNOTECH's embedded systems, GAIO Technology, which sells and provides contract services for automotive verification tools, IT Access, develops cashless payment terminals and software; and Regulus, which provides image-processing solutions. In FY3/25, each business grew, led by GAIO Technology, resulting in increased sales and profits YoY. The company's May forecast for FY3/26 was for a slight increase in both sales and gross profit, but the new forecast has been revised downward to a slight increase in sales and a slight decrease in profits. Although the company's embedded systems are performing well, the company has taken a cautious stance, taking into account the sluggishness of GAIO's Technology.

Embedded Systems: Defense, Marine, etc. are Doing Well

INNOTECH's embedded systems saw growth in sales of its in-house manufactured CPU boards and box-type computers for defense, infrastructure-related (including disaster prevention applications) and ships, with first-half performance exceeding the company's expectations. The favorable business environment is expected to continue in 2H.

GAIO Technology: Continued Sluggish Performance

GAIO Technology's 1H results were automotive verification tools and engineering services performed poorly compared to the company's forecasts in May. On the other hand, the company secured outsourced personnel to handle new orders and increased outsourcing expenses, but the utilization rate of outsourced personnel decreased in 1H, causing profitability to decline, especially in Q1. Currently, demand from the company's Japanese customers has stopped declining, but there are no signs of recovery in 2H.

IT Access: Risk of an Accelerating Slowdown in Demand from Some Customers Slightly Reduced

IT Access saw a YoY decline in both revenue and profit in 1H of the year due to a slump in its software agency business. In its core payment terminal business, new terminal sales declined due to a loss of demand caused by some clients shifting to in-house production and intensifying competition with rivals, but service revenue remained strong and profits were maintained.

While a further acceleration in the pace of slowdown in payment terminals (including payment services) caused by some clients shifting to in-house production was previously identified as a risk, this risk appears to have shrunk somewhat. The outsourced software development business for IVI (In-Vehicle Infotainment) is performing well.

Regulus: Strong Performance for Construction Machinery

Regulus' 1H results were solid overall, with sluggish sales of image processing systems for forklifts offset by strong sales for construction machinery. In 2H, the company aims to expand its business by winning new orders for factory automation.

Figure 5 Revenue Trends in System/Services Business

(¥ mn)	3/24		3/25		3/26
	H1	H2	H1	H2	H1
Net Sales	6,189	6,400	7,132	6,873	7,232
INNOTECH	1,402	1,413	1,671	1,404	1,885
IT Access	2,652	2,508	2,827	2,565	2,734
GAIO Technology	1,945	2,127	2,414	2,589	2,379
Regulus	189	351	221	314	234
Operating Profit	668	948	1,064	735	880
INNOTECH	150	183	190	56	227
IT Access	287	236	334	201	313
GAIO Technology	309	450	559	439	334
Regulus	-78	79	-19	39	6
OP Margin	10.8%	14.8%	14.9%	10.7%	12.2%
INNOTECH	10.7%	13.0%	11.4%	4.0%	12.0%
IT Access	10.8%	9.4%	11.8%	7.8%	11.4%
GAIO Technology	15.9%	21.2%	23.2%	17.0%	14.0%
Regulus	-41.3%	22.5%	-8.6%	12.4%	2.6%

(¥ mn)	3/25				3/26		3/25	3/26CoE
	Q1	Q2	Q3	Q4	Q1	Q2	FY	FY
Net Sales	3,622	3,510	3,422	3,451	3,507	3,725	14,005	14,500
INNOTECH	735	936	751	653	914	971	3,075	3,350
IT Access	1,656	1,171	1,274	1,291	1,322	1,412	5,392	5,800
GAIO Technology	1,127	1,287	1,280	1,309	1,170	1,209	5,003	4,650
Regulus	102	119	115	199	99	135	535	700
Operating Profit	522	542	416	319	407	473	1,799	NA
INNOTECH	74	116	32	24	102	125	246	NA
IT Access	212	122	133	68	161	152	535	NA
GAIO Technology	258	301	256	183	150	184	998	NA
Regulus	-22	3	-5	44	-6	12	20	NA
OP Margin	14.4%	15.4%	12.2%	9.2%	11.6%	12.7%	12.8%	NA
INNOTECH	10.1%	12.4%	4.3%	3.7%	11.2%	12.9%	8.0%	NA
IT Access	12.8%	10.4%	10.4%	5.3%	12.2%	10.8%	9.9%	NA
GAIO Technology	22.9%	23.4%	20.0%	14.0%	12.8%	15.2%	19.9%	NA
Regulus	-21.6%	2.5%	-4.3%	22.1%	-6.1%	8.9%	3.7%	NA

Note: Sales breakdown is based on segment information and operating profit breakdown is based on segment information and briefing materials. INNOTECH's embedded systems operating profit is calculated by subtracting the operating profits of IT Access, GAIO Technology and Regulus from the division's operating profit.

Source: Company Data. Compiled by Strategy Advisors.

3. Outlook and Progress of the Medium-Term Plan

The Company Forecasts Operating Profit for FY3/26 to Increase 45.7% YoY to ¥2.75 Bn

The revised company forecast for FY3/26 is sales of ¥45.5 bn (+8.4% YoY), and operating profit of ¥2.75 bn (+45.7% YoY). On a half-year basis, 1H results were sales of ¥21.60 bn and operating profit of ¥1.14 bn, while in 2H there are forecast sales of ¥23.9 bn and operating profit of ¥1.61 bn.

The Probability of Achieving the Forecast is Considered to Be Sufficiently High

Considering that Q2 results showed a recovery to sales of ¥12.14 bn operating profit of ¥900 mn, we believe that there is a high probability at this point that the company will achieve its full-year forecast. In addition, since the company's forecast does not factor in a recovery in demand from domestic customers for NAND flash memory testers in the "Test Solutions" business; if a recovery is realized from Q4 after the new year, we can fully expect figures to exceed the company's forecast.

Downside in 2H is Limited

On the other hand, a risk to the performance of this fiscal year could be a worse-than-expected downturn in GAIO Technology and IT Access in Systems/Services. However, the downside of Systems/Services is thought to be limited, as there is no sense of a sudden slowdown in the current business environment, and the company's embedded systems are performing well and are likely to remain strong in FY3/26 2H.

It is Essential to Achieve the Revised Company Forecast for FY3/26

The company has set targets of 10% ROE and 8% ROIC. In its medium-term management plan (FY3/25-FY3/27), the company aims for an operating profit ratio of 7-8% and an operating profit that surpasses its all-time high (¥3.33 bn in FY3/08) in the final year of the plan. The actual results for FY3/25, the first year of the plan, were an operating profit ratio of 4.5% (ROE of 4.8%), a significant deviation from the target.

While the company's performance is expected to bottom out in FY3/25 and begin to recover, achieving the revised company forecast for FY3/26 (targeting an operating profit ratio of 6%) will be essential to achieving the plan's targets. Meanwhile, excluding changes in the external environment, the company appears to be making steady progress in implementing the measures outlined in the plan to improve performance. Below are comments by business segment.

Test Solutions: Developing Overseas Customers is Progressing Better Than Expected

In "Test Solutions", the company is promoting the development of overseas NAND customers in order to move away from a focus on major domestic NAND customers for testers (products developed in-house by INNOTECH) and has been capturing more demand than expected since 1H of FY3/26. Furthermore, development of testers for CMOS image sensors for overseas customers is continuing, with the aim of sales in FY3/27. Development of DRAM-compatible products is also progressing as planned, and the company has recently begun development of a mass production process. At STAR Technologies, business restructuring has resulted in improved profitability.

Semiconductor Design-Related: Strengthening Collaboration Outside the Group

In "Semiconductor Design-Related", the company has signed a distributor agreement with NTT Device Cross Technology to strengthen collaboration with companies outside the group; and plans to provide a wide range of support, from design and analysis to measures, mass production support and evaluation. Meanwhile, SANEI HYTECHS has transferred its subsidiary JSC to an outside group as a non-core business, concentrating management resources. Going forward, we will be keeping an eye on the high-value-added solutions it aims to provide through collaboration with SANEI HYTECHS and MoDeCH within the group in EDA (the domestic distributor business for Cadence products handled by INNOTECH itself).

System/Services: Proposing New "INNINGS" Solutions for Embedded Systems

In the Systems/Services segment, INNOTECH plans to capture demand in the marine and defense markets with embedded systems (products developed in-house by INNOTECH itself). Its in-house product for industrial machinery, "INNINGS", is celebrating its 20th anniversary since its launch, with cumulative shipments exceeding 200,000 units. The company has begun proposing new solutions that combine "INNINGS" with lithium-ion capacitors. This solution not only extends the life of existing UPS (uninterruptible power supplies); but is also exploring new applications such as data storage, taking advantage of its 10-year uninterruptible power supply feature. IT Access is also expanding into new fields, such as supporting the acquisition of information security certification. Furthermore, the company has invested in SEAFARIX to strengthen collaboration with the aim of developing solutions for IVI.

Figure 6. Income Statement (Quarterly, ¥ mn)

FY	3/25				3/26		3/26
	Q1	Q2	Q3	Q4	Q1	Q2	CoE
Net Sales	10,218	10,590	9,114	12,054	9,457	12,143	45,500
(YoY)	17.6%	-1.8%	-16.0%	9.3%	-7.4%	3.8%	8.4%
Cost of Sales	7,107	7,344	6,479	8,398	6,654	8,427	31,850
Gross Profit	3,111	3,246	2,635	3,656	2,803	3,716	13,650
(Gross Profit Margin)	30.4%	30.7%	28.9%	30.3%	29.6%	30.6%	30.0%
SG&A Expenses	2,677	2,782	2,369	2,934	2,569	2,814	10,900
Operating Profit	434	464	266	721	234	902	2,750
(YoY)	329.0%	-38.4%	-73.0%	13.9%	-45.9%	26.6%	45.7%
(OP Margin)	4.2%	4.4%	2.9%	6.0%	2.5%	7.4%	6.0%
Non-Operating Income	444	-148	415	141	403	-91	-
Non-Operating Expenses	146	298	153	390	230	466	-
Ordinary Profit	733	17	529	474	407	344	2,400
(YoY)	125.6%	-98.1%	-45.7%	-32.0%	-44.4%	0.2%	36.8%
(OP Margin)	7.2%	0.2%	5.8%	3.9%	4.3%	2.8%	5.3%
Extraordinary Income	-	0	318	19	0	407	-
Extraordinary Loss	-	-	-	75	-	0	-
Profit Before Income Taxes	733	18	848	418	408	752	-
(YoY)	125.5%	-98.0%	104.8%	-42.4%	-44.3%	4077.8%	-
(Pretax Profit Margin)	7.2%	0.2%	9.3%	3.5%	4.3%	6.2%	-
Income Taxes	296	-20	256	180	223	382	-
(Effective Tax Rate)	40.4%	-111.1%	30.2%	43.1%	54.7%	50.8%	-
Profit	436	38	591	237	185	369	-
Profit Attributable to Non-Controlling Interests	2	13	55	32	0	-18	-
Profit Attributable to Owners of Parent	434	24	536	204	185	388	1,800
(YoY)	128.8%	-96.3%	232.9%	-57.7%	-57.3%	25.1%	50.0%
(Net Profit Margin)	4.2%	0.2%	5.9%	1.7%	2.0%	3.2%	4.0%

Source: Company Data. Compiled by Strategy Advisors.

4. Stock Price and Valuation

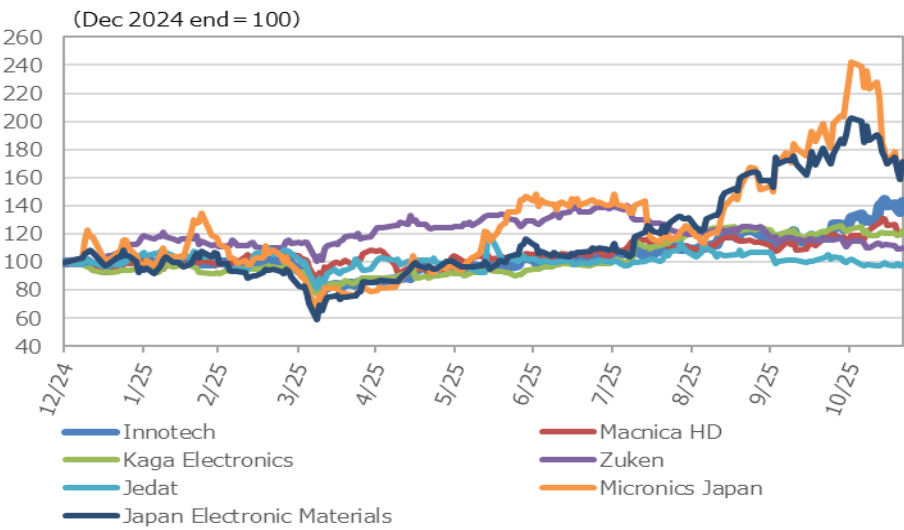
The Stock Price is Currently Between ¥1,900 to ¥2,000

INNOTECH's stock price had been trading within a box range of ¥1,350 to ¥1,400 between January and March 2025, but fell sharply in April after President Trump's comments about imposing reciprocal tariffs. After hitting bottom at ¥1,070 in intraday trading on April 7, the stock price rebounded and has generally continued to rise consistently. The announcement of the Q2 financial results on November 10, along with the upward revision and share buyback, was well received and the stock price rose further, hitting a year-high of ¥2,063 in intraday trading the following day, November 11. The stock price has now settled somewhat and is trading in the range of ¥1,900 to ¥2,000.

Performance Comparison with Semiconductor Trading Companies, EDA & Probe Card Companies

Looking at the stock prices of semiconductor trading companies, EDA and probe card peers, the stock prices bottomed out briefly in early April 2025 due to the general stock price decline caused by the Trump tariff shock but have generally been on an upward trend since then. The stock prices of probe card manufacturers Micronics Japan (6871 TSE Prime) and Japan Electronic Materials (6855 TSE Standard) showed relatively strong performance since August, particularly due to the trend toward expanding demand for AI-related products, but then fell back around the end of the second quarter. While the company's stock price, like electronics trading companies Macnica Holdings (3132 TSE Prime) and Kaga Electronics (8154 TSE Prime), showed a somewhat weak recovery from the bottom, it still performed somewhat better within the trading group. After reporting strong Q2 earnings, its stock price rose slightly. Meanwhile, EDA-related companies Zuken (6947 TSE Prime) and Jedat (3841 TSE Standard) are relatively less affected by the semiconductor market and their stock price fluctuations appear to be muted.

Figure 7. Comparison of Stock Prices between INNOTECH & Semiconductor-Related Companies



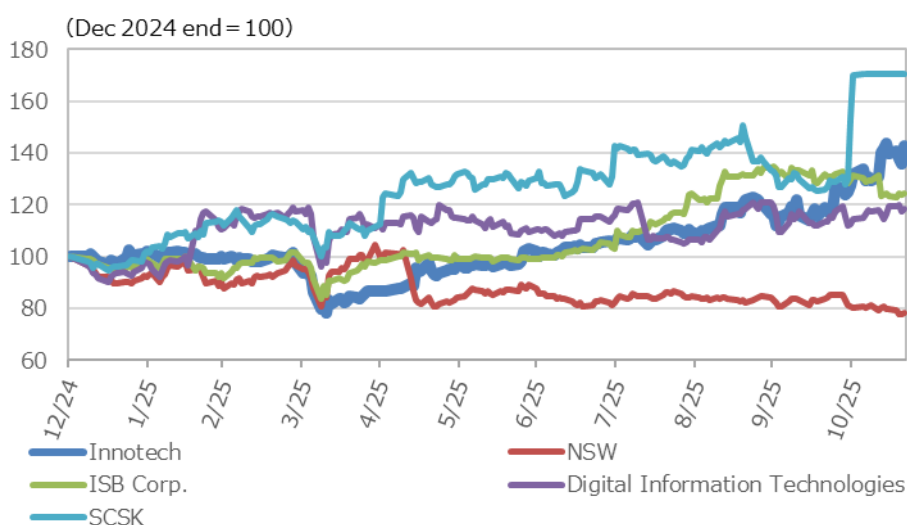
Source: Strategy Advisors.

INNOTECH CORPORATION | 9880 (TSE Prime)

Performance Comparison with Systems-Related Companies

Next, looking at the stock prices of systems-related companies, there are large differences between the companies. Since this summer, there have been no notable movements in the stock prices of NSW (9739 TSE Prime) and Digital Information Technologies (3916 TSE Prime), while ISB (9702 TSE Prime), which announced an upward revision in August, has shown relatively strong performance. However, Innotech's stock price has also been on a clear upward trend since August and has risen further following strong Q2 earnings, thereby overtaking ISB's performance. Incidentally, SCSK (9719 TSE Prime) is expected to be delisted in the future due to a tender offer being carried out by its parent company, Sumitomo Corporation.

Figure 9. Comparison of Stock Prices between INNOTECH & Embedded Systems-Related Companies



Source: Strategy Advisors.

Figure 8 Profitability Comparison with Other Companies in the Same Industry (¥ mn)

Company	Code	FY	Sales	Operating Profit	OP Margin	ROE	ROIC	Equity Ratio
INNOTECH	9880	3/25	41,977	1,887	4.5%	4.8%	4.5%	54.1%
Macnica Holdings	3132	3/25	1,034,180	39,649	3.8%	10.2%	10.1%	45.4%
Kaga Electronics	8154	3/25	547,779	23,601	4.3%	10.8%	14.5%	54.4%
Zuken	6947	3/25	40,736	5,392	13.2%	13.0%	47.6%	63.1%
Jedat	3841	3/25	2,063	257	12.5%	6.0%	NA	84.1%
Micronics Japan	6871	12/24	55,643	12,572	22.6%	19.4%	27.1%	62.1%
Japan Electronic Materials	6855	3/25	23,829	4,585	19.2%	13.1%	17.2%	70.0%
NSW	9739	3/25	50,028	6,116	12.2%	10.7%	23.6%	75.1%
ISB	9702	12/24	33,955	2,800	8.2%	16.0%	32.9%	68.2%
Digital Information Technologies	3916	6/25	24,159	3,014	12.5%	29.0%	56.8%	71.6%
SCSK	9719	3/25	596,065	66,121	11.1%	15.2%	11.6%	32.9%

Note: ROIC is calculated by dividing NOPAT by the average of business assets (fixed assets + net working capital) during the period. Jedat is listed as NA because business assets are negative.

Source: Company Data. Compiled by Strategy Advisors.

Figure 9 Valuation Comparison with Peer Companies (¥ mn, Multiple & %)

Company	Code	FY	Stock Price (Nov. 20)	Market Cap.	PER CoE	PBR Actual	EV/ EBITDA	Dividend Yield CoE	ROE CoE
INNOTECH	9880	3/25	1,980	27,126	14.4	1.0	9.2	3.5%	7.2%
Macnica Holdings	3132	3/25	2,246	402,196	14.8	1.6	13.7	3.1%	10.4%
Kaga Electronics	8154	3/25	3,520	184,754	6.7	1.1	5.3	3.4%	15.9%
Zuken	6947	3/25	4,555	101,348	21.8	2.5	12.6	4.4%	11.2%
Jedat	3841	3/25	1,298	5,075	22.7	1.4	9.3	3.1%	6.3%
Micronics Japan	6871	12/24	6,410	256,562	27.0	5.0	20.6	1.1%	16.1%
Japan Electronic Materials	6855	3/25	3,710	46,993	14.7	1.7	8.6	1.6%	11.1%
NSW	9739	3/25	2,428	36,177	10.2	1.0	4.4	3.5%	9.7%
ISB	9702	12/24	1,700	19,487	11.5	1.4	5.7	3.2%	12.1%
Digital Information Technologies	3916	6/25	2,569	39,824	17.2	4.7	14.1	2.9%	27.3%
SCSK	9719	3/25	5,682	1,779,178	28.0	6.1	22.9	0.8%	20.1%

Note: ROE (company forecast) is calculated by dividing the company's forecast net profit for the current period by the equity capital at the end of the most recent quarterly fiscal period. EBITDA in EV/EBITDA is calculated by adding the company's full-year forecast operating profit to the depreciation expenses of the most recent full-year results.

Source: Company Data. Compiled by Strategy Advisors.

Stock Prices Are on the Rise. Valuations Are Low

Although the company's stock price is on an upward trend, its value remains low. The company's forecast PER is 14.4x and its PBR based on the actual BPS for FY3/25 is 1.0x. The dividend yield for this fiscal year is expected to be 3.5%. The PBR is the lowest among these companies and the dividend yield is the second highest.

2 Reasons

The following 2 points are thought to be reasons why the company's stock price valuation has remained low.

(1) ROE is lower than that of comparable companies.

(2) It is believed that the stock has not been able to break away from the view that it is electronics trading company stock.

Steady Progress in Implementing Measures Outlined in the Medium-Term Plan Will Eliminate Discount Factors

First, regarding the semiconductor cycle, which has been a concern, although it will continue to be affected by US tariff policies, the NAND market is showing signs of improvement at present and this factor is behind the valuation discount is gradually disappearing.

As for 1) increasing ROE and 2) moving away from being electronics trading company stock, this can be achieved by promoting the unique strategies outlined in the company's medium-term plan. This includes measures such as increasing demand from new customers at Testers and expanding the business scale through new product development, growing STAr Technologies' foundry business, strengthening embedded systems, measures to improve efficiency such as group reorganization and strengthening shareholder returns.

Equity Story Feasibility is Improving - Strong Performance in 1H Indicates Improved Business Structure

For the stock price to continue to rise in the future, it will be necessary to grow EPS and overcome low valuation by improving the feasibility of the equity story. In 1H, Testers alone managed to secure an operating profit, despite a significant drop in shipments to existing NAND customers at Testers, which is heavily affected by the semiconductor market. The company as a whole secured an operating profit of ¥1.14 bn evidence that the measures set out in the medium-term plan are being steadily implemented and that the company's business structure is beginning to improve.

Progress in Efforts to Improve Capital Efficiency

A key topic of discussion in the Q2 earnings report was the company's serious commitment to capital policy, specifically its efforts to improve capital efficiency. The rapid implementation of feasible measures to improve ROE reaffirms the company's strong commitment to achieving its mid-term plan.

Furthermore, the decision to sell its headquarters building is expected to result in a cash inflow (amount and timing yet to be determined) that was not part of the mid-term plan's premise.

The company plans to announce a new cash allocation policy going forward. This is likely to include a new capital policy, including growth investments as a manufacturer with an eye toward the next mid-term plan and shareholder returns.

FY3/27, the final year of the current mid-term plan, will also see a recovery in demand from existing NAND customers, which will be a tailwind for performance. If previous concerns, such as 1) low ROE and 2) an inability to break away from the image of electronics trading company, are dispelled and the company's equity story becomes more likely to be realized, the stock price will likely enter a full-scale upward phase.

Figure 10 Income Statement

(¥ mn)

	3/18	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26 CoE
Net Sales	28,735	29,804	31,161	32,536	37,238	38,629	41,358	41,977	45,500
(YoY)	-0.4%	3.7%	4.6%	4.4%	14.5%	3.7%	7.1%	1.5%	8.4%
Cost of Sales	20,345	20,329	21,566	22,581	26,018	26,387	28,198	29,327	31,850
Gross Profit	8,390	9,475	9,595	9,954	11,219	12,242	13,160	12,650	13,650
(Gross Profit Margin)	29.2%	31.8%	30.8%	30.6%	30.1%	31.7%	31.8%	30.1%	30.0%
SG&A Expenses	7,145	7,519	7,925	8,000	8,634	9,922	10,685	10,762	10,900
Operating Profit	1,244	1,955	1,670	1,954	2,585	2,319	2,474	1,887	2,750
(YoY)	24.5%	57.2%	-14.6%	17.0%	32.3%	-10.3%	6.7%	-23.7%	45.7%
(Operating Profit Margin)	4.3%	6.6%	5.4%	6.0%	6.9%	6.0%	6.0%	4.5%	6.0%
Non-Operating Income	527	892	594	902	908	719	898	854	-
Non-Operating Expenses	563	388	369	397	509	558	492	987	-
Ordinary Profit	1,208	2,459	1,896	2,460	2,984	2,480	2,880	1,755	2,400
(YoY)	-3.4%	103.6%	-22.9%	29.7%	21.3%	-16.9%	16.1%	-39.1%	36.8%
(OP Margin)	4.2%	8.3%	6.1%	7.6%	8.0%	6.4%	7.0%	4.2%	5.3%
Extraordinary Income	0	1	0	7	72	2	3	339	-
Extraordinary Loss	0	203	0	10	81	0	534	76	-
Profit Before Income Taxes	1,209	2,256	1,895	2,458	2,976	2,482	2,349	2,018	-
(YoY)	-1.5%	86.6%	-16.0%	29.7%	21.1%	-16.6%	-5.4%	-14.1%	-
(Pretax Profit Margin)	4.2%	7.6%	6.1%	7.6%	8.0%	6.4%	5.7%	4.8%	-
Income Taxes	444	676	600	827	693	767	817	714	-
(Effective Tax Rate)	36.7%	30.0%	31.7%	33.6%	23.3%	30.9%	34.8%	35.4%	-
Profit	764	1,580	1,294	1,630	2,283	1,714	1,532	1,304	-
Profit Attributable to Non-Controlling Interests	43	86	126	95	88	48	54	104	-
Profit Attributable to Owners of Parent	721	1,493	1,168	1,534	2,194	1,666	1,477	1,200	1,800
(YoY)	-10.5%	107.1%	-21.8%	31.3%	43.0%	-24.1%	-11.3%	-18.8%	50.0%
(Net Profit Margin)	2.5%	5.0%	3.7%	4.7%	5.9%	4.3%	3.6%	2.9%	4.0%
EPS (¥)	41.0	93.5	81.0	120.7	168.7	127.0	110.6	89.5	137.2

Source: Company Data. Compiled by Strategy Advisors.

Figure 11 Balance Sheet

(¥ mn)

	3/18	3/19	3/20	3/21	3/22	3/23	3/24	3/25
Current Assets	17,963	17,400	19,243	20,476	23,189	25,957	30,305	29,712
Cash And Deposits	5,763	4,498	6,335	5,626	6,664	6,598	8,876	6,532
Accounts Receivable	7,119	7,428	7,392	8,550	8,773	9,566	10,034	10,609
Inventory	2,524	3,922	3,874	4,793	6,101	8,105	9,181	9,355
Other Current Assets	2,557	1,552	1,642	1,507	1,651	1,688	2,214	3,215
Fixed Assets	14,598	15,480	15,723	17,203	17,351	17,671	17,528	17,297
Tangible Fixed Assets	10,235	10,370	10,565	10,713	10,842	11,463	11,630	10,593
Intangible Fixed Assets	1,488	1,489	1,372	2,224	2,424	2,236	2,066	1,873
Investments & Other Assets	2,874	3,620	3,785	4,266	4,085	3,971	3,831	4,831
Investment Securities	1,383	1,850	2,013	2,059	1,771	1,734	1,479	2,648
Deferred Tax Assets	65	288	266	388	420	501	498	353
Others	1,426	1,482	1,506	1,819	1,894	1,736	1,854	1,830
Total Assets	32,562	32,880	34,967	37,680	40,541	43,629	47,833	47,008
Current Liabilities	6,862	7,155	10,120	12,183	13,612	17,068	20,260	19,167
Trade Payables	2,024	1,637	2,408	1,947	2,333	3,053	2,778	3,198
Interest-Bearing Debt	0	727	3,339	5,111	5,649	8,070	10,139	8,766
Others	4,838	4,791	4,373	5,125	5,630	5,945	7,343	7,203
Fixed Liabilities	630	3,810	4,427	4,369	3,761	1,970	2,250	1,709
Interest-Bearing Debt	0	3,158	3,591	3,433	2,953	1,073	1,280	850
Deferred Tax Liabilities	-	-	-	-	-	-	-	-
Others	630	652	836	936	808	897	970	859
Net Assets	25,068	21,915	20,418	21,127	23,167	24,589	25,322	26,133
Shareholders' Equity	24,001	21,017	19,454	20,478	22,015	22,805	23,528	23,407
Capital	10,517	10,517	10,517	10,517	10,517	10,517	10,517	10,517
Capital Surplus	7,328	4,506	4,506	4,468	4,228	4,242	4,044	4,069
Retained Earnings	6,784	7,261	5,580	6,606	7,950	8,697	9,242	9,497
Accumulated Others Comprehensive Income	199	-7	-38	-384	198	799	1,176	2,016
Stock Acquisition Rights	290	278	277	273	128	128	21	22
Non-Controlling Interests	576	627	724	759	824	855	596	688
Liabilities & Net Assets	32,562	32,880	34,967	37,680	40,541	43,629	47,833	47,008
Equity Capital	24,201	21,009	19,416	20,094	22,213	23,605	24,704	25,423
BPS (¥)	1,396.5	1,430.4	1,528.5	1,578.2	1,694.7	1,796.3	1,835.6	1,930.8

Source: Company Data. Compiled by Strategy Advisors.

Figure 12 Cash Flow Statement

(¥ mn)

FY	3/18	3/19	3/20	3/21	3/22	3/23	3/24	3/25
Cash Flows from Operating Activities								
Profit Before Income Taxes	1,209	2,256	1,865	2,458	2,976	2,482	2,349	2,018
Depreciation & Goodwill	600	768	985	993	1,058	1,197	1,289	1,317
Amortization								
Increase/Decrease in Accounts Receivable	-1,021	-351	85	-1,060	-49	-730	-235	-813
Increase/Decrease in Accounts Payable	475	-359	766	-494	285	683	-377	348.35
Increase Or Decrease in Inventory	-664	-604	240	-856	-949	-1,946	-999	-600
Receipt Of Interest and Dividends	9	11	11	13	19	18	39	57
Interest Payment	-2	-7	-13	-28	-32	-51	-89	-138
Corporate Tax Paid	-289	-622	-729	-469	-962	-976	-863	-796
Others	1,696	17	-94	279	125	1,003	1,507	319
Total	2,013	1,109	3,116	836	2,471	1,680	2,621	1,712
Cash Flows from Investing Activities								
Purchases of Property, Plant & Equipment	-677	-611	-678	-662	-639	-1,076	-705	-591
Purchase of Intangible Assets	-304	-436	-473	-377	-639	-493	-499	-605
Purchase of Investment Securities	-313	-391	-470	-80	-100	-50	0	0
Proceeds From Sales of Investment Securities	-	-	-	-	41	-	-	-
Others	403	-137	-92	-1,088	187	-73	-241	786
Total	-891	-1,575	-1,713	-2,207	-1,150	-1,692	-1,445	-410
Cash Flows from Financing Activities								
Net Increase/Decrease in Short-Term Borrowings	-50	361	2,409	1,801	454	6	4,055	-1,274
Net Increase/Decrease in Long-Term Borrowings	-23	3,526	634	-509	-521	470	-1,963	-690
Expenditures For Acquisition of Treasury Stock	-404	-3,871	-2,203	-	-	-	0	-433
Dividend Payment	-315	-646	-551	-640	-847	-992	-960	-978
Others	259	-19	-1	33	14	-1	-323	-9
Total	-533	-649	288	685	-900	-517	809	-3,383
Effect Of Exchange Rate Changes on Cash & Cash Equivalents	20	-50	-11	-56	356	183	123	178
Increase In Cash & Cash Equivalents	608	-1,164	1,680	-741	1,047	-346	2,108	-1,903
Cash & Cash Equivalents at Beginning of Period	4,844	5,453	4,288	6,174	5,432	6,480	6,135	8,243
Cash & Cash Equivalents at End of Period	5,453	4,288	6,175	5,432	6,480	6,134	8,243	6,340
Free Cash Flow	1,122	-466	1,403	-1,371	1,321	-12	1,176	1,302

Source: Company Data. Compiled by Strategy Advisors.

Figure 13 Key Indicators

	3/18	3/19	3/20	3/21	3/22	3/23	3/24	3/25
EPS (¥)	41.0	93.5	81.0	120.7	168.7	127.0	110.6	89.5
BPS (¥)	1,396.5	1,430.4	1,528.5	1,578.2	1,694.7	1,796.3	1,835.6	1,930.8
DPS (¥)	30.0	40.0	40.0	50.0	65.0	70.0	70.0	70.0
Dividend Payout Ratio	73.1%	42.8%	49.4%	41.4%	38.5%	55.1%	63.3%	78.2%
# of Shares Issued ('000)	18,219	15,700	13,700	13,700	13,700	13,700	13,700	13,700
Treasury Stock ('000)	888	1,012	997	967	592	559	242	533
# of Shares (excl. Treasury Stock, '000)	17,330	14,688	12,703	12,733	13,108	13,141	13,458	13,167
Average # of Shares (excl. Treasury Stock, '000)	17,579	15,973	14,430	12,712	13,013	13,128	13,366	13,404
Equity Ratio	74.3%	63.9%	55.5%	53.3%	54.8%	54.1%	51.6%	54.1%
Interest-Bearing Debt (¥ mn)	0	3,885	6,930	8,544	8,602	9,143	11,420	9,616
Net Interest-Bearing Debt (¥ mn)	-5,763	-613	595	2,918	1,938	2,545	2,543	3,084
D/E Ratio	0.00	0.18	0.36	0.43	0.39	0.39	0.46	0.38
Net D/E Ratio	-0.24	-0.03	0.03	0.15	0.09	0.11	0.10	0.12
Operating Profit Margin	4.3%	6.6%	5.4%	6.0%	6.9%	6.0%	6.0%	4.5%
EBITDA (¥ mn)	1,844	2,723	2,655	2,947	3,643	3,516	3,763	3,204
EBITDA Margin	6.4%	9.1%	8.5%	9.1%	9.8%	9.1%	9.1%	7.6%
ROE	3.0%	6.6%	5.8%	7.8%	10.4%	7.3%	6.1%	4.8%
ROIC	4.5%	7.4%	6.0%	6.4%	8.8%	6.6%	6.3%	4.5%
Number of Employees	1,174	1,257	1,428	1,539	1,642	1,728	1,775	NA

Note: ROIC is calculated as NOPAT/average of business assets during the period.

Source: Company Data. Compiled by Strategy Advisors.

Disclaimer

This report is published by Strategy Advisors Inc. (hereinafter referred to as the "Publisher ") and was prepared primarily by external partner companies and analysts.

The purpose of this report is to introduce and explain the target companies using a different approach than usual. In principle, the issuer does not review or approve the contents of the report (however, the issuer will point out to the author only if there are obvious errors or inappropriate expressions).

The Issuer may have received compensation, directly or indirectly, from the Target Company for providing the planning, proposal and infrastructure for the publication of this report.

The external partners and analysts who write this report may receive compensation directly or indirectly from the subject company for activities other than preparing this report. In addition, the external partners and analysts who write this report may have or may in the future have transactions in the securities of the subject company.

This report has been prepared solely for the purpose of providing information to serve as a reference for investment decisions, and is not intended as a solicitation for securities or other transactions. Investors should make final decisions regarding securities and other transactions at their own discretion and responsibility.

In preparing this report, the authors received information through interviews with the target companies, etc. However, the hypotheses and opinions expressed in this report are not those of the target companies but are the result of the authors' analysis and evaluation.

This report is based on information that the author believes to be reliable, but does not guarantee its accuracy, completeness or timeliness. The views and forecasts contained in this report are the judgment of the author at the time of publication of this report and are subject to change without notice.

Neither the issuer nor the authors shall be liable for any direct, indirect, incidental or special damages which an investor may suffer as a result of placing reliance on the information or analysis contained in this report.

In principle, the copyright of this report belongs to the publisher. It is prohibited by law to copy, sell, display, distribute, publish, modify, distribute or use for commercial purposes any information provided in this report without the publisher's consent.



Strategy Advisors

Address: Central Building 703, 1-27-8 Ginza, Chuo-Ku, Tokyo 104-0061



Strategy Advisors