

Company Report

December 19, 2025

Strategy Advisors Inc.
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Continued GSS-Related Order Momentum Expected Beyond FY12/26. Focus on Next-Fiscal-Year Guidance

Segue Group reported its results for the cumulative period of FY12/25 Q3 (January–September) with sales of ¥17.85 billion (+28.3% YoY) and operating profit of ¥1.43 billion (+125.7% YoY). The results reflected a significant increase in both revenue and profit, driven by the progress in revenue recognition from very large-scale projects.

In the closely watched GSS (Government Solution Services) segment, both order intake and the order backlog significantly exceeded the year-on-year level, driven by new contract wins. As of the end of Q3, the order backlog stood at ¥17.41 billion (-6.9% QoQ), indicating a temporary slowdown in growth; however, Strategy Advisors continues to focus on the fact that underlying demand remains robust.

By business segment, VAD posted a sharp increase in Q3 sales, up 95.2% YoY. In addition to ultra-large-scale GSS-related orders, existing businesses also performed well. Sales of products from vendors such as Juniper Networks (U.S.) and Extreme Networks (U.S.) expanded, contributing to overall performance. Looking ahead, the penetration of GSS is expected to expand into regional areas. Projects related to connectivity with local governments, regional offices of central ministries and agencies and joint regional government office buildings are also anticipated.

The next key catalyst will be the FY12/26 earnings outlook to be disclosed at the time of the FY12/25 financial results announcement. In addition to the continued strength of existing businesses centered on VAD, it will be important whether the company can present new growth drivers, including: (1) expansion of end-user-oriented services such as Kaetec; (2) broader sales of in-house products, primarily RevoWorks, alongside growth in security services and (3) accelerated growth of overseas operations.

Stock Price & Trading Volumes (Past Year)



Source: Strategy Advisors.

Key Indicators

Stock Price (12/18/25)	716
Year-to-Date High (11/28/25)	801
Year-to-Date Low (4/7/25)	414
52-Week High (11/28/25)	801
52-Week Low (4/7/25)	414
Shares on Issue (mn)	31.7
Market Capitalization (¥ bn)	22.7
EV (¥ bn)	21.1
Equity Ratio (9/25 Actual, %)	18.4
PER (12/25 CoE, Times)	29.1
PBR (12/24 Actual, Times)	7.5
Dividend Yield (12/25 CoE, %)	1.8

Source: Strategy Advisors.

Japanese GAAP - Consolidated

FY	Sales (¥ mn)	YoY Change (%)	Operating Income (¥ mn)	YoY Change (%)	Ordinary Income (¥ mn)	YoY Change (%)	Net Income (¥ mn)	YoY Change (%)	EPS (¥)	DPS (¥)
12/2024 Q1-Q3	13,917	3.8	635	-31.6	1,030	14.6	614	3.1	19.0	-
12/2025 Q1-Q3	17,859	28.3	1,435	125.7	1,527	48.3	947	54.2	29.9	-
12/2021	12,039	9.5	639	-24.3	686	-21.5	455	-28.2	39.1	5.3
12/2022	13,623	13.2	906	41.8	1,051	53.2	743	63.3	65.8	6.0
12/2023	17,443	28.0	1,086	19.9	1,015	-3.4	661	-11.0	19.4	10.0
12/2024	18,717	7.3	720	-33.7	1,060	4.4	507	-23.3	15.6	11.0
12/2025 CoE	24,800	32.5	1,512	110.0	1,480	39.6	780	53.6	24.6	13.0

Note: 3-for-1 Stock Split for Common Shares Effective March 1, 2024.

Source: Company Data. Compiled by Strategy Advisors.

1. Following Q2, Continued Revenue Recognition from Large-Scale Projects Drives a Sharp Profit Increase

FY12/25 Q3 Cumulative Results Deliver Strong Revenue and Profit Growth

The Segue Group announced its cumulative Q3 results for FY12/25 (January–September) on November 13. Net sales amounted to ¥17.85 billion (+28.3% YoY), while operating profit reached ¥1.43 billion (+125.7% YoY). The Company posted a substantial increase in both revenue and profit, driven by the accelerated recognition of revenue from very large-scale projects. The Company maintained its full-year forecast, which had been revised upward on August 13 (net sales of ¥24.80 billion and operating profit of ¥1.51 billion), citing: (1) the possibility that some large projects may be deferred to the next fiscal year or beyond; and (2) the front-loading of upfront investments toward the next fiscal year, as well as shareholder benefit program expenses expected to be recorded in Q4. While expectations for a further upward revision had been high, the decision was somewhat disappointing. Nevertheless, underlying business performance remains solid and there appear to be no particular areas of concern for Q4.

Government Solution Services Business Expected to Maintain Solid Performance

In the closely watched GSS (Government Solution Services) segment, both order intake and the order backlog significantly exceeded the year-on-year level as a result of new contract wins. Although the order backlog at the end of Q3 stood at ¥17.41 billion (-6.9% QoQ), indicating a temporary pause in growth, Strategy Advisors continues to focus on the fact that demand remains robust.

Core Subsidiary J's Communication Announces Change in Representative Director

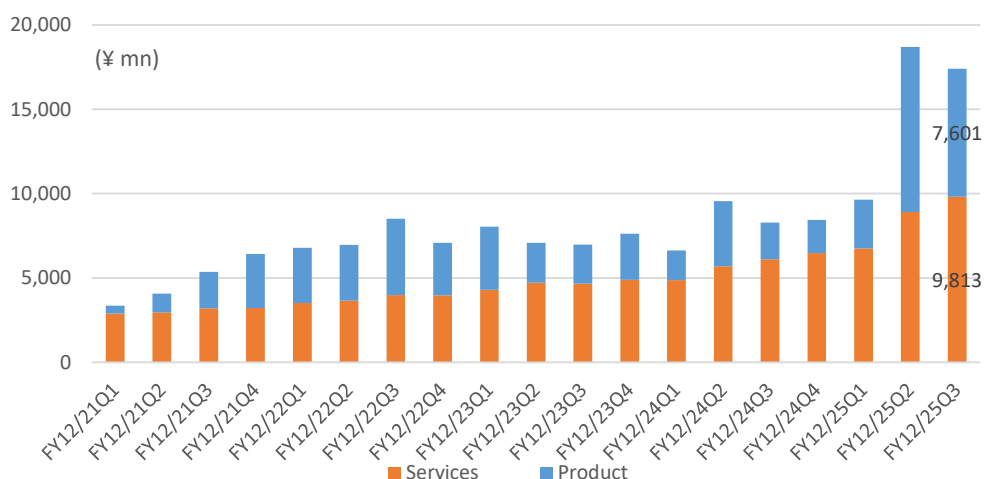
In addition, the Company announced on December 8 that Mr. Tatsuo Watanabe, currently Vice President of J's Communication, which marked its 30th anniversary this year, will assume the position of President and Representative Director, while Mr. Yasuyuki Aisu, the current President and Group CEO, will become Chairman. J's Communication is a core subsidiary, accounting for approximately 70% of total group sales in FY12/24. One factor behind the Company's success in securing large-scale GSS-related orders has been the ongoing strengthening of its management structure.

Special Incentive Payment Granted to the Employee Stock Ownership Association

The decision to change the president of this core subsidiary at this juncture is highly significant and expectations remain high for large-scale projects for central government ministries centered on GSS in the next fiscal year and beyond.

At the same time as the earnings announcement, the Company also announced the payment of a special incentive to its employee stock ownership association (¥50,000 per member for all members). In addition to its strong performance, Strategy Advisors highly evaluates the Company's governance stance of encouraging share ownership among officers and employees and taking on the challenge of further enhancing corporate value through a unified, group-wide effort.

Figure 1. Changes in the Backlog of Orders



Source: Company Data. Compiled by Strategy Advisors.

2. VAD Continues to Drive Growth; Profitability Likely to Remain at High Levels

VAD Business Posts Strong Revenue Growth in Q3

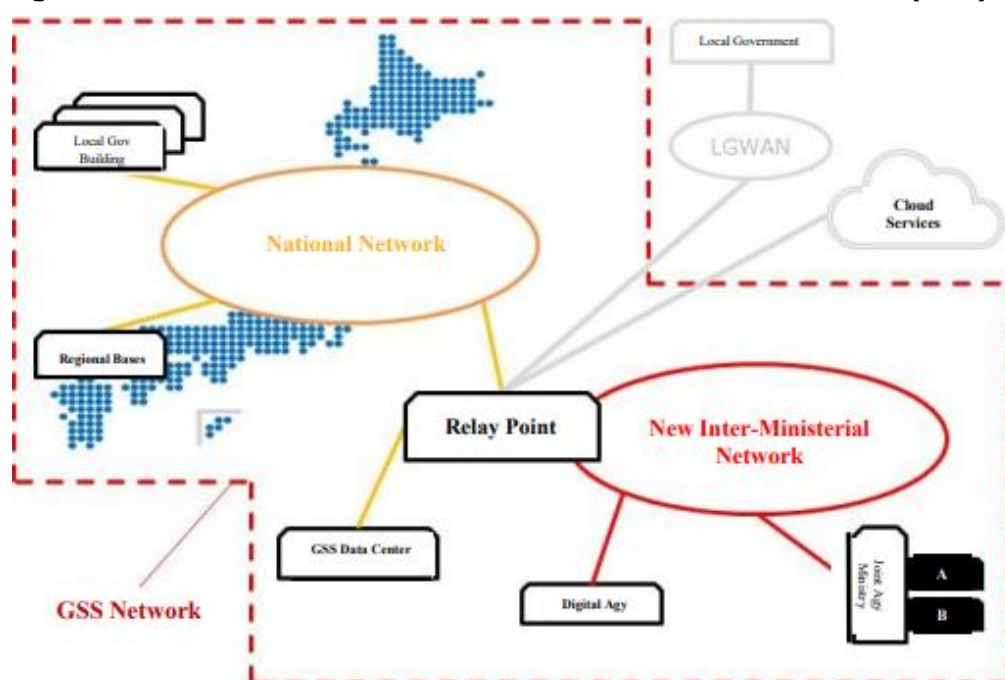
By business segment, VAD recorded a sharp increase in Q3 sales, +95.2% YoY. In addition to very large-scale GSS-related orders, sales of products from vendors such as Juniper Networks and Extreme Networks expanded, contributing positively to earnings. Gross profit margin came in at 23.8%, representing a slight decline compared with the first half (January–June).

However, this was primarily due to the execution of the existing product order backlog, and there appears to be no particular cause for concern. Of the large GSS-related orders, products account for approximately 70% and services for the remaining 30%. Profitability is higher than that of past large-scale projects, and there is a high likelihood that this elevated level will be sustained into the next fiscal year and beyond.

Expansion of GSS Adoption into Regional Areas Expected

Looking ahead, the penetration of GSS is expected to expand into regional areas. Projects related to connectivity with local governments, regional offices of central ministries and joint local government buildings are also anticipated. As a leading example, Microsoft Japan disclosed on October 3 its initiatives at the Yamaguchi Prefectural Government, which has been selected for a GSS verification project. Leveraging Yamaguchi Prefecture's optical fiber backbone network, the project is conducting verification of connectivity via GSS to the Government Cloud, LGWAN and the internet, as well as testing communication quality and information security under the 3-tier separation model.

Figure 2. Schematic Overview of Government Solution Services (GSS)



Source: Digital Agency.

SI Business Posts a Modest Increase in Cumulative Q3 Gross Profit

In the SI business, the booking of large-scale projects for major travel agencies and universities resulted in solid cumulative Q3 sales of ¥6.94 billion (+18.9% YoY). On the other hand, gross profit growth was limited, as progress in securing system integration projects was weak. In addition, the utilization of SES (System Engineering Services), which enables stable profit generation, did not advance as expected, and outsourcing to partner companies exceeded initial assumptions. As a result, profit increased only marginally by +2.1%. Given that the SI domain is a highly competitive red-ocean market, the key challenge will be how to achieve differentiation by leveraging group synergies, including collaboration with Segue Security. Strategy Advisors is focusing on Kaetec, an end-user-oriented service. Although growth has been sluggish this fiscal year due to internal organizational changes, Kaetec is an indispensable service for the Company to continuously improve profitability and expectations are placed on performance from the next fiscal year onward.

In-House Development Records Slightly Weak Q3 Sales

Sales of in-house developed products in Q3 amounted to ¥240 million (-8.0% YoY), resulting in a somewhat weak performance. This was attributable to the continued additional development of RevoWorks ZONE, which was launched in April of this year. Municipal cybersecurity resilience initiatives, which represent a tailwind for RevoWorks SCVX and ZONE, are national government-led information security measures that have been pursued since 2019 with the objective of ensuring that local government operations and information are neither disrupted nor leaked, even in the event of cyberattacks or disasters.

The background to these initiatives was the heightened need to establish a uniform, nationwide minimum security standard following the data breach at the Japan Pension Service in 2015. These measures initially focused on 3-tier network separation and physical separation and have since evolved to include cloud utilization and telework support. Looking ahead, more recent developments are expected to involve system redesigns based on GSS and zero-trust principles.

Segue Security Expected to Achieve Full-Year Profitability

Segue Security has been steadily expanding its business and is expected to achieve full-year profitability. Security demand remains robust, and the subsidiary offers a broad range of services, including consulting, security training, vulnerability assessments, incident response and operational support. Given the solid performance of Global Security Experts (4417, TSE Growth), which provides security services to SMEs, Strategy Advisors believes that this subsidiary also has significant potential for rapid growth. Inquiries for managed services utilizing SOC are strong and leveraging its strength in providing vertically integrated support across all stages from consulting to operational assistance, further business expansion is anticipated.

Overseas Operations Face Delays in New Business Launch at ISS Resolution

Overseas Q3 sales declined to ¥450 million (-27.5% QoQ). While full-year sales are expected to increase due to the consolidation effect of First One Systems, progress has been affected by the longer-than-expected time required to launch new businesses at ISS Resolution. Going forward, the Company plans to focus on large-scale infrastructure and cybersecurity projects, and in Q4, contributions from an infrastructure project for public transportation are expected. Although progress this fiscal year has been somewhat challenging, partly due to the impact of an earthquake that occurred in Myanmar in March 2025, Strategy Advisors is closely watching how much these overseas operations will contribute to earnings from the next fiscal year onward, particularly in terms of PMI effects.

Figure 3: Quarterly Financial Performance by Business

	FY12/23				FY12/24				FY12/25		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales (Y mn)											
VAD	2,531	2,033	2,129	2,273	2,838	1,908	1,884	2,944	2,321	2,973	3,679
System Integration	1,881	2,196	1,975	1,523	1,823	1,293	2,727	1,162	1,986	1,481	3,479
In-house Development	150	267	248	237	293	257	263	271	247	358	242
Overseas	0	0	0	0	0	0	631	423	233	399	458
Total	4,561	4,497	4,352	4,033	4,954	3,457	5,507	4,800	4,788	5,213	7,858
Sales (YoY)											
VAD	58.7%	49.5%	64.5%	9.1%	12.1%	-6.2%	-11.5%	29.5%	-18.2%	55.8%	95.2%
System Integration	20.3%	112.2%	30.7%	-27.2%	-3.1%	-41.1%	38.1%	-23.7%	9.0%	14.6%	27.5%
In-house Development	-17.1%	-1.4%	-31.2%	-14.5%	95.9%	-3.9%	6.2%	14.6%	-15.7%	39.5%	-8.0%
Overseas	-	-	-	-	-	-	-	-	-	-	-27.5%
Total	36.7%	68.7%	37.5%	-9.4%	8.6%	-23.1%	26.5%	19.0%	-3.3%	50.8%	42.7%
Gross Profit (Y mn)											
VAD	564	402	450	340	612	417	534	643	638	764	846
System Integration	445	355	387	478	407	354	409	278	304	301	590
In-house Development	82	235	202	183	195	142	109	151	120	224	102
Overseas	0	0	0	0	0	0	210	132	71	135	151
Total	1,091	993	1,039	1,001	1,213	913	1,261	1,204	1,134	1,424	1,689
Gross Profit Margin (%)											
VAD	22.3%	19.8%	21.1%	15.0%	21.6%	21.9%	28.3%	21.8%	27.5%	25.7%	23.0%
System Integration	23.6%	16.2%	19.6%	31.4%	22.3%	27.4%	15.0%	23.9%	15.3%	20.3%	16.9%
In-house Development	54.9%	88.1%	81.3%	77.3%	66.6%	55.3%	41.3%	55.7%	48.6%	62.6%	42.2%
Overseas	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	33.3%	31.3%	30.5%	33.8%	32.9%
Total	23.9%	22.1%	23.9%	24.8%	24.5%	26.4%	22.9%	25.1%	23.7%	27.3%	21.5%

Source: Company Data. Compiled by Strategy Advisors.

3. Stock Price Trends and Valuations

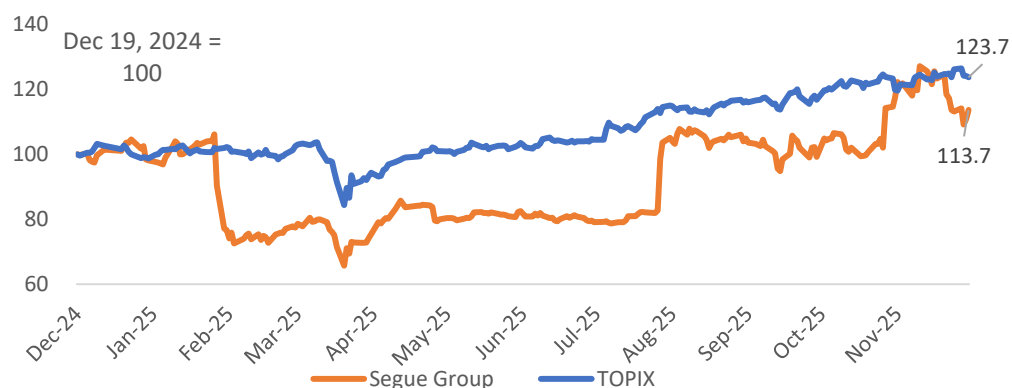
Focus on Whether New Growth Drivers Will Be Outlined in the FY12/26 Outlook

Looking ahead, the key catalyst will be the earnings outlook for FY12/26 to be disclosed with the announcement of FY12/25 results. In addition to the strong performance of existing businesses centered on VAD, it will be important whether the Company can present new growth drivers, including: (1) expansion of end-user-oriented services such as Kaetec, (2) accelerated sales of in-house products centered on RevoWorks and (3) faster growth in overseas operations.

Management's Strong Commitment to Shareholder Value Highly Regarded

Strategy Advisors highly evaluates the Company's management stance, which is clearly focused on enhancing shareholder value. In addition to business growth, the Company is proactive in shareholder returns, and its ROE stands at 25.6% (based on company forecasts). The Company is generating ROE well in excess of its cost of equity and we expect continued emphasis on shareholder value-oriented management with a strong focus on capital efficiency going forward.

Figure 4. Relative Stock Price Chart



Note: Calculated based on the closing price on December 19, 2024 as 100.
Source: Company Data. Compiled by Strategy Advisors.

Figure 5. Comparative Valuations with Peers

Ticker	Company name	FY	Stock Price (Dec 18) (¥)	Market Cap (Dec 18) (¥ mn)	PER CoE (Times)	PBR Actual (Times)	ROE CoE (%)	EV/EBITD A Actual (Times)	Dividend Yield CoE (%)	Sharehold ers' Equity Ratio Actual (%)	Net D/E Ratio Actual (Times)	Stock Price Chg Over Past 1yr (%)	Stock Price Chg Over Past 3yr (%)
3968	Segue Group	Dec-24	716	22,729	29.1	7.5	25.6	20.6	1.8	22.3	0.8	14.0	137.1
9719	SCSK	Mar-25	5,657	1,769,362	27.8	6.1	21.8	21.8	0.8	32.9	1.1	73.0	170.2
2327	NS Solutions	Mar-25	4,426	809,876	27.7	3.1	11.2	16.5	1.8	62.0	0.1	6.5	172.0
3697	SHIFT	Aug-24	960	252,754	22.0	6.2	32.9	12.8	0.0	53.3	0.3	-15.3	-45.9
9682	DTS	Mar-25	1,228	195,680	17.9	3.4	18.8	10.7	11.4	72.2	0.0	16.3	60.3
4722	Future	Dec-24	1,960	173,805	15.2	3.1	20.7	9.1	2.3	60.3	0.3	3.6	18.1
2317	Systema	Mar-25	522	186,592	18.0	5.7	31.9	13.2	2.5	62.7	0.0	43.8	23.1
4413	baudroie	Feb-25	2,356	73,398	31.1	16.1	51.3	26.6	0.3	53.1	0.4	-0.8	151.0
3762	TECHMATRIX	Mar-25	2,288	91,920	18.8	3.8	20.2	8.2	2.1	23.0	0.2	-6.3	30.7
3636	Mitsubishi Research Institute	Sep-24	4,875	76,780	13.2	1.1	8.1	5.0	3.4	56.1	0.0	4.3	1.8
5036	Japan Business Systems	Sep-24	1,627	74,184	12.7	2.7	21.6	10.9	2.8	36.4	0.9	84.0	-3.9
4687	TDC SOFT	Mar-25	1,363	64,485	18.3	3.1	16.9	10.0	2.2	73.8	0.0	-5.4	83.0
3844	COMTURE	Mar-25	1,672	53,326	16.0	2.9	18.0	7.9	3.0	72.1	0.0	-26.9	-36.4
4417	GLOBAL SECURITY EXPERTS	Mar-25	2,880	43,335	30.6	14.1	46.0	25.9	1.1	37.8	0.6	22.4	19.4
3915	TerraSky	Feb-25	1,998	25,793	18.9	2.3	12.3	10.8	0.8	56.9	0.0	-5.6	-25.9
4847	Intelligent Wave	Jun-25	950	24,873	14.8	2.6	17.8	5.6	3.9	50.7	0.0	-16.2	31.0
9600	I-NET	Mar-25	2,516	38,388	20.8	2.0	9.6	8.9	1.2	52.1	0.5	56.1	96.0
3040	Soliton Systems	Dec-24	1,945	36,063	17.2	2.9	17.1	9.0	0.0	52.7	0.0	67.5	87.0
4662	Focus Systems	Mar-25	1,834	27,746	14.8	2.0	13.4	9.8	2.9	67.2	0.1	64.5	83.6
3837	Ad-Sol Nissin	Mar-25	1,596	27,884	19.9	3.9	19.8	13.5	2.6	71.6	-	50.1	121.7
4434	Serverworks	Feb-25	1,770	13,630	-15.6	1.2	-7.7	5.6	1.4	55.9	-	-25.1	-33.8

Source: Speeda Data. Compiled by Strategy Advisors.

Figure 6. Consolidated Statement of Income (¥ mn)

FY	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25 CoE
Total Sales	7,793	8,767	9,647	10,993	12,039	13,623	17,443	18,718	24,800
(YoY)		12.5%	10.0%	14.0%	9.5%	13.2%	28.0%	7.3%	32.5%
VAD				5,280	5,262	6,332	8,966	9,574	
(YoY)				-	-0.3%	20.3%	41.6%	6.8%	
SI				5,127	6,169	6,203	7,576	7,005	
(YoY)				-	20.3%	0.6%	22.1%	-7.5%	
In-house Development				586	608	1,088	901	1,084	
(YoY)				-	3.7%	79.0%	-17.2%	20.3%	
Gross profit	1,871	2,169	2,532	3,093	3,092	3,559	4,124	4,592	
(Gross Profit Margin)	24.0%	24.7%	26.2%	28.1%	25.7%	26.1%	23.6%	24.5%	
VAD				1,371	1,314	1,299	1,757	2,206	
(Gross Profit Margin)				26.0%	25.0%	20.5%	19.6%	23.0%	
SI				1,313	1,446	1,419	1,665	1,447	
(Gross Profit Margin)				25.6%	23.4%	22.9%	22.0%	20.7%	
In-house Development				409	332	842	702	597	
(Gross Profit Margin)				69.7%	54.6%	77.3%	77.9%	55.1%	
SG&A	1,489	1,685	1,983	2,249	2,453	2,653	3,038	3,872	
Operating Profit	382	484	548	844	639	906	1,086	720	1,512
(YoY)		26.7%	13.2%	54.0%	-24.3%	41.8%	19.9%	-33.7%	110.0%
(Operating Profit Margin)	4.9%	5.5%	5.7%	7.7%	5.3%	6.7%	6.2%	3.8%	6.1%
Non-Operating Income	58	20	17	32	55	204	22	450	
Non-Operating Expense	3	18	11	1	7	60	93	110	
Ordinary Profit	438	486	554	874	686	1,051	1,015	1,060	1,480
(YoY)		11.0%	14.0%	57.8%	-21.5%	53.2%	-3.4%	4.4%	39.6%
(Ordinary Profit Margin)	5.6%	5.5%	5.7%	8.0%	5.7%	7.7%	5.8%	5.7%	6.0%
Extraordinary Profit	28	70	65	66	56	189	0	269	
Extraordinary Loss	0	0	1	2	32	74	0	196	
Profit Before Income Taxes	466	556	619	938	710	1,165	1,015	1,133	
(YoY)		19.3%	11.3%	51.5%	-24.3%	64.1%	-12.9%	11.6%	
(Pre-tax profit margin on sales)	5.98%	6.34%	6.42%	8.53%	5.90%	8.55%	5.82%	6.05%	
Income Taxes	147	178	207	304	255	423	368	598	
(Effective tax rate)	31.55%	32.01%	33.44%	32.41%	35.92%	36.31%	36.26%	52.78%	
Profit	319	377	412	634	455	742	648	535	
Profit (Loss) Attributable to Non-controlling Interests	0	0	0	0	0	-2	-13	27	
Profit Attributable to Owners of Parent	319	377	412	634	455	743	661	508	780
(YoY)		18.2%	9.3%	53.9%	-28.2%	63.3%	-11.0%	-23.1%	53.5%

Source: Speeda Data. Compiled by Strategy Advisors.

Figure 7. Key Financial Indicators

FY	17/12	18/12	19/12	20/12	21/12	22/12	23/12	24/12
EPS (¥)	54.4	64.4	35.1	54.4	39.1	65.8	19.4	15.6
BPS (¥)	69	72	80	91	90	103	37	92
Dividend per share (¥)	0.00	1.66	3.33	5.33	5.33	6.00	10.00	11.00
Dividend payout ratio	0.0%	2.6%	9.5%	9.8%	13.6%	9.1%	51.4%	70.6%
Closing price (¥)	332	246	305	453	259	272	309	639
PER (Times)	6.1	3.8	8.7	8.3	6.6	4.1	15.9	41.0
PBR (Times)	4.8	3.4	3.8	5.0	2.9	2.6	8.3	7.0
Shares on Issue ('000)	5,669	5,729	11,487	11,557	11,640	11,688	11,721	32,560
Treasury stock ('000)	0	0	0	128	390	501	498	914
Number of treasury stocks excluded ('000)	5,669	5,729	11,487	11,429	11,250	11,187	11,223	31,646
Market Capitalization	11,292	8,456	10,511	15,533	8,742	9,128	10,403	20,222
Shareholders' Equity Ratio	45.0%	45.8%	45.3%	44.1%	37.1%	32.6%	33.8%	22.3%
Interest-bearing debt balance	59	0	18	10	502	1,130	850	2,311
D/E Ratio	0.03	0.00	0.01	0.00	0.16	0.31	0.21	0.76
EV (Enterprise Value)	9,811	6,805	8,359	13,838	7,914	7,179	7,824	18,617
EBITDA	495	592	683	1,003	806	1,055	1,281	1,026
EV/EBIDA	19.8	11.5	12.2	13.8	9.8	6.8	6.1	18.1
ROE	16.5%	15.8%	15.7%	21.3%	14.3%	21.6%	17.2%	14.4%
ROIC (Invested capital)	11.4%	12.7%	13.0%	18.0%	11.2%	11.3%	14.8%	2.4%
ROIC (Business assets)	45.1%	65.6%	80.8%	87.0%	37.7%	33.8%	51.8%	9.4%
Number of Employees	350	391	409	446	473	527	570	709

Source: Speeda Data. Compiled by Strategy Advisors.

Figure 8. Balance Sheet (¥ mn)

FY	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24
Cash and deposits	1,469	1,663	2,181	1,727	1,352	2,990	3,358	3,909
Notes and accounts receivable - trade	1,116	1,190	1,236	2,176	2,078	2,361	2,019	3,095
Inventories	769	686	640	822	2,377	3,104	2,848	1,688
Others	724	820	988	1,081	1,430	1,521	1,805	2,104
Current assets	4,079	4,359	5,044	5,807	7,237	9,976	10,029	10,796
Buildings and structures	13	15	28	33	42	45	99	105
Tools, furniture and fixtures	152	152	154	161	167	164	243	245
Others	1	1	9	1	1	40	35	28
Tangible fixed assets	166	168	190	195	209	248	377	377
Intangible assets	35	219	302	241	166	258	263	1,575
Investment securities	705	356	336	603	665	343	468	235
Others	170	248	274	346	348	427	694	649
Investments and other assets	875	604	610	949	1,013	770	1,162	885
Total noncurrent assets	1,075	991	1,102	1,385	1,389	1,276	1,802	2,837
Total assets	5,154	5,350	6,146	7,192	8,625	11,252	11,831	13,633
Accounts payable-trade	856	595	508	805	1,606	1,886	1,513	1,411
Current portion of long-term loans	0	0	0	8	502	288	274	632
Advances received	1,110	1,620	2,079	2,184	2,473	3,138	4,018	4,874
Others	554	470	519	737	521	1,056	1,049	1,396
Current liabilities	2,520	2,686	3,107	3,734	5,101	6,367	6,853	8,313
Long-term debt	0	0	10	2	0	805	544	1,653
Retirement benefit liability	132	147	176	201	223	246	260	360
Others	181	67	67	82	102	150	160	114
Noncurrent liabilities	313	213	253	285	325	1,200	964	2,127
Total liabilities	2,833	2,899	3,360	4,019	5,426	7,567	7,817	10,440
Capital stock	498	506	507	511	515	517	526	533
Capital surplus	271	278	280	283	287	290	297	0
Retained earnings	1,143	1,520	1,875	2,394	2,666	3,229	3,520	2,833
Treasury shares	0	0	0	-100	-303	-384	-382	-467
Total shareholders' equity	1,912	2,304	2,661	3,088	3,165	3,652	3,961	2,899
Accumulated other comprehensive income	409	146	107	54	-21	-48	-22	83
Share subscription rights	0	0	18	31	55	63	64	61
Non-controlling interests	0	0	0	0	0	18	11	150
Total net assets	2,321	2,451	2,787	3,173	3,199	3,685	4,014	3,193
Total liabilities and net assets	5,154	5,350	6,146	7,192	8,625	11,252	11,831	13,633

Source: Speeda Data. Compiled by Strategy Advisors.

Figure 9. Cash Flow (¥ mn)

FY	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24
Profit before income taxes	466	556	619	938	710	1,165	1,015	1,133
Depreciation	85	98	112	134	143	125	152	177
Amortization of goodwill	28	10	23	25	24	24	43	129
Decrease (increase) in notes and accounts receivable - trade	93	-73	53	-941	98	-235	347	-834
Decrease (increase) in accounts receivable	0	-10	-35	-124	-149	224	128	-98
Decrease (increase) in inventories	-467	83	52	-182	-1,555	-721	256	1,192
Decrease (increase) in advance payments	-15	-168	-98	34	-19	-287	-384	-123
Increase (decrease) in notes and accounts payable-trade	462	-261	-141	296	801	256	-376	-157
Increase (decrease) in advances received	158	482	446	104	289	651	879	777
Other	-140	-281	-269	-122	-493	-77	-475	-442
Cash Flows from Operating Activities	670	435	761	164	-151	1,125	1,586	1,755
Increase/decrease in fixed deposits	91	0	0	0	0	0	0	0
Purchase of investment securities	-109	-51	-35	-331	-194	-1	-121	-51
Proceeds from sales of investment securities	30	80	93	70	61	379	0	223
Purchase of property, plant and equipment	-100	-107	-83	-86	-111	-81	-227	-119
Purchase of intangible assets	-28	-129	-85	-11	-14	-13	-78	-44
Purchase of subsidiary share capital associated with a change in the scope of consolidation	0	-72	-96	0	0	-195	0	-1,161
Payments into long-term deposits	0	0	0	0	0	0	-169	169
Other	-12	-19	27	-43	3	-5	-64	-9
Cash flows from investing activities	-127	-297	-179	-402	-255	84	-659	-991
Net increase (decrease) in borrowings	-85	-39	-12	-8	492	595	-290	1,328
Proceeds from issuance of shares	30	15	3	7	8	5	3	0
Purchase of treasury shares	0	0	0	-100	-202	0	0	-1,279
Dividends paid	0	0	-57	-115	-183	-180	-370	-328
Other	-40	-20	0	0	-98	35	-12	-55
Cash flows from financing activities	-95	-44	-66	-216	17	454	-669	-335

Source: Speeda Data. Compiled by Strategy Advisors.

Figure 10. Quarterly Performance Trends (¥ mn)

FY	12/23				12/24				12/25		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net Sales	4,561	4,497	4,353	4,032	4,954	3,457	5,506	4,801	4,788	5,213	7,858
(YoY)	36.6%	68.7%	37.5%	-9.5%	8.6%	-23.1%	26.5%	19.1%	-3.4%	50.8%	42.7%
VAD	2,531	2,033	2,129	2,273	2,838	1,908	1,884	2,944	2,321	2,973	3,679
(YoY)	58.7%	49.5%	64.5%	9.1%	12.1%	-6.2%	-11.5%	29.5%	-18.2%	55.8%	95.2%
SI	1,881	2,196	1,975	1,523	1,823	1,293	2,727	1,162	1,986	1,481	3,479
(YoY)	20.3%	112.2%	30.7%	-27.2%	-3.1%	-41.1%	38.1%	-23.7%	9.0%	14.6%	27.5%
In-house Development	150	267	248	237	293	257	263	271	247	358	242
(YoY)	-17.1%	-1.4%	-31.2%	-14.5%	95.9%	-3.9%	6.2%	14.6%	-15.7%	39.5%	-8.0%
Overseas	-	-	-	-	-	-	631	423	233	399	458
(YoY)	-	-	-	-	-	-	-	-	-	-	-27.5%
Gross Profit	1,091	993	1,038	1,002	1,213	914	1,261	1,204	1,134	1,425	1,689
(Gross Profit Margin)	23.9%	22.1%	23.8%	24.9%	24.5%	26.4%	22.9%	25.1%	23.7%	27.3%	21.5%
• VAD	564	402	450	340	612	417	534	643	638	764	846
(Gross Profit Margin)	22.3%	19.8%	21.1%	15.0%	21.6%	21.9%	28.3%	21.8%	27.5%	25.7%	23.0%
• SI	445	355	387	478	407	354	409	278	304	301	590
(Gross Profit Margin)	23.6%	16.2%	19.6%	31.4%	22.3%	27.4%	15.0%	23.9%	15.3%	20.3%	16.9%
• In-house Development	82	235	202	183	195	142	109	151	120	224	102
(Gross Profit Margin)	54.9%	88.1%	81.3%	77.3%	66.6%	55.3%	41.3%	55.7%	48.6%	62.6%	42.2%
Overseas	-	-	-	-	-	-	210	132	71	135	151
(Gross Profit Margin)	-	-	-	-	-	-	33.3%	31.3%	30.5%	33.8%	32.9%
SG&A	673	783	737	845	783	997	972	1,120	908	965	940
Operating Profit	418	210	302	156	431	-84	289	84	226	459	750
(YoY)	85.8%	100.0%	24.8%	-53.3%	3.1%	-	-4.3%	-46.2%	-47.6%	-	159.5%
(Operating Profit Margin)	9.2%	4.7%	6.9%	3.9%	8.7%	-2.4%	5.2%	1.7%	4.7%	8.8%	9.5%
Non-Operating Income/Expenses	-6	-19	-5	-41	383	9	3	-55	17	-25	100
Ordinary Profit	412	191	296	116	813	-73	290	30	244	434	849
(YoY)	49.8%	3.8%	17.0%	-65.8%	97.3%	-	-2.0%	-74.1%	-70.0%	-	192.8%
(Ordinary Profit Margin)	9.0%	4.2%	6.8%	2.9%	16.4%	-2.1%	5.3%	0.6%	5.1%	8.3%	10.8%
Extraordinary Profit and Loss	0	0	0	0	0	0	12	244	0	0	0
Profit Before Income Taxes	412	191	296	116	813	-60	303	77	244	434	849
Income Taxes	143	69	107	49	268	43	115	172	109	156	284
Profit	269	122	189	68	545	-103	188	-95	134	279	565
Profit (Loss) Attributable to Non-controlling Interests	-9	-7	0	3	6	2	7	12	-6	16	21
Profit Attributable to Owners of Parent	278	130	188	65	540	-106	181	-107	141	262	545

Source: Speeda Data. Compiled by Strategy Advisors.

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