

Company Report

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Strategy Advisors Inc.
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Focus on the Next Medium-Term Plan: Can the Company Grow in Both "Scale" and "Quality"?

For Q1-Q3 FY3/2026, Tsuzuki Denki reported net sales of ¥67.32 billion (+3.1% YoY) and operating profit of ¥4 billion (+66.9% YoY). This marked a significant increase in profit, achieving record highs for a third-quarterly cumulative period. The Company also announced a significant upward revision to its initial full-year plan (operating profit: ¥6.70 billion → ¥8 billion) and a dividend increase (annual dividend: ¥100 → ¥121) in line with its shareholder return policy (a payout ratio of 40% of profit attributable to owners of parent excluding the impact of extraordinary items). Following these results, the stock price reached a listing high.

A point worth noting is the significant improvement in profitability. Compared to the same period of the previous fiscal year, the gross profit margin improved by 1.6% and SG&A expenses decreased slightly, resulting in an improvement in the operating profit by 2.2%. The main factors contributing to the improvement in the gross profit margin were: 1) an improved business mix due to a rise in the sales ratio of the high-margin "Development & Construction" business, 2) progress in securing margins through pricing management (thorough enforcement of orders at appropriate prices) and 3) contributions from productivity improvements in "Development & Construction". Additionally, SG&A expenses decreased slightly, primarily due to a reduction in personnel expenses related to retirements.

Furthermore, order backlog has increased significantly due to large-scale orders from government agencies and financial institutions. This is expected to mitigate the reactionary decline in special demand for Windows 10 updates and steady progress is anticipated again this year. Moreover, the spread of zero-trust security is expected to be a tailwind for the Company as a network integrator and the business environment can be said to be extremely favorable.

The Company is expected to announce its next Medium-Term Management Plan simultaneously with the year-end financial results. As stated in its long-term vision, it is expected to proceed with "scaling of growth areas and development of new areas". Strategy Advisors looks forward to: 1) an upward revision of the performance targets for FY3/33 (net sales of ¥150 billion, operating profit of ¥10 billion) set forth in the long-term vision; 2) improvement in profitability indicators such as gross profit margin through further deepening of existing businesses and expansion of the six growth areas; 3) revision of the ROE target value (currently 10% or more), and finally, 4) thorough implementation of human capital management and disclosure of KPIs related to "people" such as hiring plans. We are focusing on whether the Company can demonstrate further growth in terms of both "scale" and "quality".

Stock Price and Trading Volumes



Source: Strategy Advisors.

Key Indicators

Stock Price (02/10/26)	3,790
52-Week High (02/10/26)	3,790
52-Week Low (04/07/25)	1,862
All-Time High (02/10/26)	3,790
All-Time Low (11/19/02)	157
Number of Shares Issued (mn)	18.2
Market Capitalization (¥bn)	69.0
Equity Ratio (FY3/25, %)	11.3
ROE (FY3/25 Actual, %)	55.2
PER (FY3/26 CoE, Times)	11.5
PBR (FY3/25 Actual, Times)	1.6
Dividend Yield (FY3/26 CoE, %)	3.2

Note: High and low stock prices are calculated based on closing prices.

Source: Strategy Advisors.

Japanese GAAP - Consolidated

FY	Net Sales	YoY	Operating Income	YoY	Ordinary Income	YoY	Net Income	YoY	EPS	DPS
	(¥mn)	(%)	(¥mn)	(%)	(¥mn)	(%)	(¥mn)	(%)	(¥)	(¥)
FY3/25 Q1-Q3	65,298	-29.8	2,400	-39.1	2,520	-36.9	1,736	-58.5	96.05	-
FY3/26 Q1-Q3	67,326	3.1	4,005	66.9	4,141	64.3	3,327	91.6	183.09	-
FY3/23	123,899	3.8	5,118	27.6	5,355	26.7	3,521	25.8	197.5	61.0
FY3/24	124,856	0.8	6,439	25.8	6,486	21.1	5,477	55.6	304.8	90.0
FY3/25	98,263	-21.3	6,481	0.6	6,596	1.7	4,764	-13.0	263.3	99.0
FY3/26 Previous CoE	102,500	4.3	6,700	3.4	6,750	2.3	4,500	-5.6	247.5	100.0
FY3/26 CoE	102,500	4.3	8,000	23.4	8,150	23.6	6,000	25.9	330.0	121.0

Source: Company Data. Compiled by Strategy Advisors.

1. Significant Improvement in Profitability in Cumulative FY3/2026 Q3 Results

Significant Increase in Operating Profit, Achieving Record High for Cumulative Q1-3

For Q1-Q3 FY3/2026, Tsuzuki Denki reported net sales of ¥67.32 billion (+3.1% YoY) and operating profit of ¥4 billion (+66.9% YoY), marking a significant increase in profit and achieving a record high for the 3-quarter cumulative period. The Company also announced a significant upward revision to its initial full-year plan (operating profit: ¥6.7 billion → ¥8.0 billion) and a dividend increase (annual dividend: ¥100 → ¥121) in line with its shareholder return policy (a payout ratio of 40% of profit attributable to owners of parent excluding the impact of extraordinary items). Following this news, the stock price has risen by more than 10%.

Significant Improvement in Profitability

A point worth noting is the significant improvement in profitability. Compared to the same period of the previous fiscal year, the gross profit margin improved by 1.6% and SG&A expenses decreased slightly, resulting in an improvement in the operating profit margin by 2.2%. The main factors contributing to the improvement in the gross profit margin were: 1) an improved business mix due to a rise in the sales ratio of high-margin "Development & Construction", 2) progress in securing margins through pricing management (thorough enforcement of orders at appropriate prices) and 3) contributions from productivity improvements in "Development & Construction". Additionally, SG&A expenses decreased slightly, primarily due to a reduction in personnel expenses accompanying retirement.

Progress Exceeding Medium-Term Management Plan Targets

FY3/2026 marks the final year of the Medium-Term Management Plan "Transformation 2026" and business progress is outpacing the initial plan (operating profit of ¥6.5 billion). The transition to a high-profit structure - driven by the sale of the Electronic Devices business, the merger of subsidiaries, the expansion of the 6 growth areas and improved profitability in existing areas - is yielding results, suggesting that we can expect significant strides in the next Medium-Term Management Plan.

Response to TSE Request for "Management That is Conscious of Cost of Capital and Stock Price"

Additionally, Strategy Advisors highly rates the Company for its sincere engagement with the capital market and steady implementation of initiatives to enhance corporate value, in response to the Tokyo Stock Exchange's request for "Management That is Conscious of Cost of Capital and Stock Price". The Company has already executed a review of its business portfolio (sale of the Electronic Devices business), the sale of real estate and strategic shareholdings and seen an improvement in ROE through strengthened shareholder returns.

Furthermore, with the first periodic replacement under the TOPIX review expected at the end of October this year, it is highly likely that management will be steering the ship with an awareness of the tradable share market capitalization as of the base date at the end of August and future trends warrant close attention.

Figure 1. Quarterly Sales by Business Model (Unit: ¥mn)

FY	3/25				3/26		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Total sales	18,771	23,071	23,455	32,966	18,833	24,604	23,889
(YoY change)	-33.3%	-29.6%	-27.0%	3.5%	0.3%	6.6%	1.9%
Information Network	18,771	23,071	23,456	32,966	18,833	24,604	23,889
(YoY change)	-8.2%	-8.5%	-6.3%	3.5%	0.3%	6.6%	1.8%
Equipment	5,455	8,794	9,668	16,403	4,923	9,873	9,234
(YoY change)	-23.9%	-18.4%	-13.3%	3.7%	-9.7%	12.3%	-4.5%
Development & Construction	2,590	3,900	3,610	5,210	3,009	4,221	4,100
(YoY change)	-3.6%	2.3%	-7.8%	19.2%	16.2%	8.2%	13.6%
Services	10,725	10,377	10,178	11,352	10,900	10,511	10,554
(YoY change)	1.3%	-2.3%	2.2%	-2.6%	1.6%	1.3%	3.7%
Gross Profit	4,114	5,413	5,074	8,064	4,354	6,311	5,481
(Gross Margin)	21.9%	23.5%	21.6%	24.5%	23.1%	25.7%	22.9%
SG&A	4,113	4,020	4,068	3,982	4,053	4,122	3,966
Operating Income	1	1,393	1,005	4,082	301	2,188	1,515
(YoY change)	-99.9%	-15.2%	-37.1%	63.2%	-	57.1%	50.7%
(Operating Margin)	0.0%	6.0%	4.3%	12.4%	1.6%	8.9%	6.3%

Source: Company Data. Compiled by Strategy Advisors.

2. Order Backlog at Record Levels Driven by Large-Scale Orders

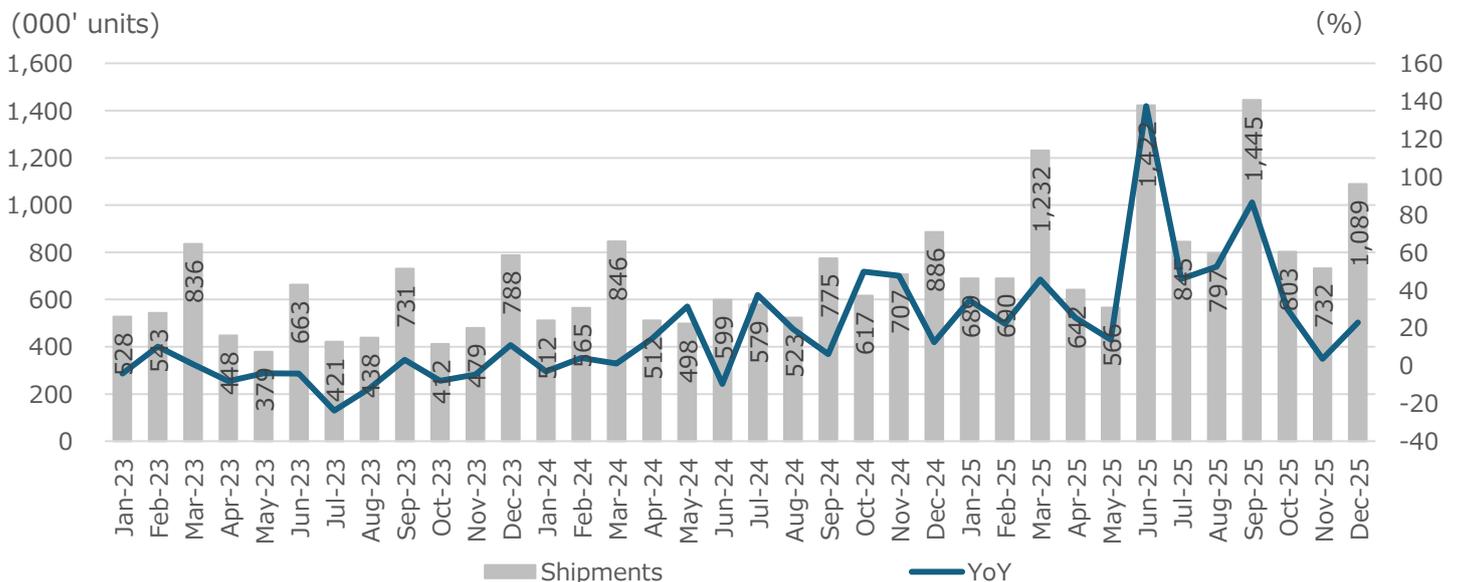
Order Backlog at Record Levels Driven by Large-Scale Orders

In Q3 FY3/2026 the order backlog increased significantly, primarily driven by large-scale orders from government agencies and financial institutions. In Q3, orders for "Equipment" remained at high levels, increasing 30.6% YoY and the order backlog also reached a record high level, up 60.8% YoY. Daiwabo Holdings (3107, TSE Prime), a major IT distributor, also achieved record high profits for the cumulative third quarter, with its IT Infrastructure Distribution Business increasing by 24% YoY. It can be said that the industry continues to trend steadily even after the special demand associated with the end of support for Windows 10 has run its course.

Domestic PC Shipments Remain Steady Even After Special Demand from End of Windows 10 Support

Although domestic PC shipments in September (Figure 2) increased significantly to over 1.4 million units mainly due to last-minute special demand, they have maintained positive year-on-year growth since October. Given that Windows 10 has a mechanism called ESU (Extended Security Updates) which extends security updates for a fee, a certain segment of users will not immediately migrate to Windows 11. Therefore, residual special demand is expected to persist to some extent and there is a high probability that orders for "Equipment" will remain steady this year.

Figure 2. Trends in Domestic PC Units Shipped



Source: Japan Electronics and Information Technology Industries Association

Development & Construction: Order Backlog Continues Increasing Trend

In "Development & Construction", although sales recognition is progressing smoothly, the year-on-year growth rate of the order backlog in Q3 slowed slightly compared to Q2, though it maintains a positive trend at 9%. On the other hand, orders in Q3 were sluggish at ¥3.5 billion (-12.3% YoY); therefore, Strategy Advisors believes that the extent to which orders can be secured in Q4 will be crucial for FY3/2027. Supported by a prime customer base of approximately 20,000 companies and favorable long-term relationships, the profitability of "Development & Construction" ranks relatively high even compared to competitors. To further improve profitability from the next fiscal year onwards, it will be essential to secure orders for this business model through proposal activities with higher added value.

Service: Expansion of Subscription-Based Businesses such as Cloud Solutions

Although orders for "Service" fluctuate quarterly, the order backlog in Q3 remained strong at ¥5.23 billion (+24.4% YoY), mainly driven by the expansion of stock-based businesses such as cloud solutions. Furthermore, as indicated by the sales trends in the "Six Growth Areas" on which the Company is focusing, the priority fields outlined in the Medium-Term Management Plan are performing steadily, contributing to the expansion of the "Service" field.

Contact Center Systems & Cloud Communications: Areas Leveraging Difficulty of Imitation

Within the "Six Growth Areas", "Contact Center Systems" and "Cloud Communications" domains are fields where the Company can leverage the voice infrastructure technology cultivated through its founding business of telephone exchange installation and maintenance, representing areas where the Company's difficulty of imitation is prominent. For FY3/2026, the Company has set sales targets of ¥6.20 billion for "Contact Center Systems" and ¥2.7 billion for "Cloud Communications", with progress rates for the cumulative Q3 period standing at 72% and 38%, respectively.

In "Contact Center Systems," growth is being driven by the introduction of Genesys Cloud and Ct-e1/SaaS, and the effects of integration with Salesforce (US) and OpenAI (US) appear to be materializing. Although progress in "Cloud Communications" is below target, the policy is to grow services such as "T-Cloud for Voice," which cloudifies PBX (Private Branch Exchange) and eliminates the need for physical telephone exchanges. Strategy Advisors anticipates a future leap forward, as these are areas where the Company can leverage its two difficulties of imitation (voice infrastructure technology and a prime customer base of 20,000 companies), in addition to the opportunity to expand the base to include medium-sized and small enterprise customers, a segment that has not been significantly tapped into previously.

Security: Expected Growth Driver from Next Fiscal Year Onwards

Another area of focus within the "Six Growth Areas" is "Security". In zero-trust security, there is a requirement to move away from traditional perimeter defense (distinguishing between internal and external networks) toward a model that comprehensively implements ID and device management, network and log monitoring and other policy controls within a cloud environment, operating on the premise of not trusting any access. This trend serves as a significant tailwind for the Company, a network integrator capable of comprehensively designing such responses. Given that cumulative Q3 results have already exceeded the initial plan, "Security" is expected to continue serving as a growth driver from the next fiscal year onwards.

Figure 3. Sales Trend in Six Growth Areas (Unit: ¥100 mn)

FY	FY3/23	FY3/24	FY3/25	FY3/26 CoE
Sales in the six growth areas	89	120	123	163
Contact Center Systems	45	52	55	62
Cloud Communications	11	20	14	27
Managed Services	28	35	37	41
Security	3	10	12	20
DX Consulting	2	2	4	10
Market-specific DX Services	1.0	0.8	1.5	3.9
For logistics operations	-	0.5	0.3	2.4
For fruit and vegetable market	-	0.3	0.2	1.5

Source: Company Data. Compiled by Strategy Advisors.

Figure 4. Trends in Sales, Orders, and Order Backlog of Information Network Solutions (Unit: ¥mn)

FY	3/24				3/25				3/26			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Sales	20,445	25,208	25,026	31,844	18,771	23,071	23,456	32,965	18,833	24,604	23,889	
(YoY)	14.5%	11.2%	25.5%	-4.8%	-8.2%	-8.5%	-6.3%	3.5%	0.3%	6.6%	1.8%	
Equipment	7,172	10,779	11,156	15,818	5,455	8,794	9,668	16,403	4,923	9,873	9,234	
(YoY)	29.5%	17.8%	79.1%	-7.1%	-23.9%	-18.4%	-13.3%	3.7%	-9.7%	12.3%	-4.5%	
Development & Construction	2,687	3,813	3,915	4,371	2,590	3,900	3,610	5,210	3,009	4,221	4,100	
(YoY)	4.3%	11.2%	41.0%	-13.6%	-3.6%	2.3%	-7.8%	19.2%	16.2%	8.2%	13.6%	
Service	10,584	10,617	9,955	11,655	10,725	10,377	10,178	11,352	10,900	10,511	10,554	
(YoY)	8.7%	5.3%	-8.9%	2.5%	1.3%	-2.3%	2.2%	-2.6%	1.6%	1.3%	3.7%	
Orders	24,271	23,962	20,301	26,026	23,642	25,641	22,583	28,749	27,806	28,167	26,193	
(YoY)	-8.8%	-5.8%	-12.4%	-4.5%	-2.6%	7.0%	11.2%	10.5%	17.6%	9.9%	16.0%	
Equipment	8,576	10,300	7,379	11,796	7,880	11,351	9,120	11,792	11,886	13,971	11,905	
(YoY)	-26.3%	-7.5%	-23.1%	-7.2%	-8.1%	10.2%	23.6%	0.0%	50.8%	23.1%	30.5%	
Development & Construction	3,797	3,767	2,784	3,251	3,785	4,091	3,995	4,406	4,652	4,453	3,504	
(YoY)	31.8%	-6.1%	-18.4%	-12.9%	-0.3%	8.6%	43.5%	35.5%	22.9%	8.8%	-12.3%	
Service	11,896	9,896	10,139	10,978	11,976	10,199	9,467	12,552	11,267	9,743	10,784	
(YoY)	-1.8%	-3.9%	-0.4%	1.6%	0.7%	3.1%	-6.6%	14.3%	-5.9%	-4.5%	13.9%	
Order Backlog	29,684	28,438	23,713	17,895	22,766	25,335	24,463	20,246	29,219	32,782	35,086	
(YoY)	14.0%	-1.3%	-26.0%	-30.8%	-23.3%	-10.9%	3.2%	13.1%	28.3%	29.4%	43.4%	
Equipment	18,846	18,368	14,590	10,568	12,993	15,550	15,002	10,391	17,354	21,452	24,123	
(YoY)	14.9%	-0.1%	-32.9%	-39.4%	-31.1%	-15.3%	2.8%	-1.7%	33.6%	38.0%	60.8%	
Development & Construction	5,780	5,734	4,603	3,484	4,679	4,870	5,256	4,451	6,094	6,327	5,730	
(YoY)	21.0%	6.9%	-23.2%	-25.4%	-19.1%	-15.1%	14.2%	27.8%	30.3%	29.9%	9.0%	
Service	5,056	4,335	4,519	3,842	5,093	4,915	4,204	5,404	5,771	5,003	5,232	
(YoY)	4.1%	-14.4%	4.8%	2.6%	0.7%	13.4%	-7.0%	40.7%	13.3%	1.8%	24.4%	

Source: Company Data. Compiled by Strategy Advisors.

3. Expectations for Growth in Both "Scale" & "Quality" in the Next Medium-Term Management Plan

Stock Price Reaches Listing High, Yet Upside Potential Remains

Following the earnings announcement, the stock price reached its highest level since the Company's listing in 1963. It can be said that the capital market has evaluated the management's commitment (such as the sale of the "Electronic Devices" business and changes to the executive compensation system), business strategies to enhance profitability and initiatives to improve asset efficiency through the unwinding of cross-shareholdings and the sale of real estate. On the other hand, the Company's PER remains around 11-12 times and PBR around 1.3x, indicating a valuation that has merely emerged from being below PBR 1.0x. This level is undervalued compared to the average of competitors, suggesting there is still significant room for the stock price to rise.

Focus on the Next Medium-Term Management Plan Scheduled in May

Strategy Advisors is focusing on the next Medium-Term Management Plan, to be announced simultaneously with the year-end financial results, to validate further stock price appreciation. The current Medium-Term Management Plan (FY3/24–FY3/26 focused on a "shift of resources to growth areas". It has achieved significant results by advancing the sale of the "Electronic Devices" business, profitability improvements through "pricing management" and the standardization of development processes and the business expansion of the "Six Growth Areas".

In the next Medium-Term Management Plan, as stated in the long-term vision, the Company is expected to proceed with the "scaling of growth areas and development of new areas". Among these, Strategy Advisors is paying particular attention to the following 4 points: 1) An upward revision of the performance targets for FY3/2033 (net sales of ¥ 150 billion, operating profit of ¥ 10 billion) set forth in the long-term vision, 2) Improvement in profitability indicators such as gross profit margin through further deepening of existing businesses and expansion of the "Six Growth Areas", 3) Revision of the ROE target value (currently "10% or more") and 4) Thorough implementation of human capital management and disclosure of KPIs related to "people" such as hiring plans.

Progress in Profitability Improvement: Expectations for Net Sales Growth Rate

Stock prices in the SI industry tend to be assigned multiples based on the product of profitability and the net sales growth rate. Strategy Advisors believes that in the case of Tsuzuki Denki, the high proportion of "Equipment", - which has relatively low profitability - combined with a net sales growth rate that has continued to be somewhat unsatisfactory, has led to the low valuation to date. Fortunately, thanks to initiatives from FY3/24 through FY3/26, expectations regarding profitability are rising. However, it can be said that challenges remain regarding the growth rate of net sales. In the next Medium-Term Management Plan, the key to improving valuation will be whether the Company can demonstrate growth in both "scale" and "quality" by scaling growth areas centered on the "Six Growth Areas" and by maximizing the utilization of its customer base of approximately 20,000 companies, which represents a difficulty of imitation, as well as co-creation with various companies.

Figure 5. Comparative Valuations with Peers

	Code	FY	Price 10-Feb ¥	Market cap ¥bn	EV ¥ bn	EPS CoE ¥	PER CoE x	PBR x	ROE CoE %	Stock Price Change 1-Year %	3-Year %
Tsuzuki Denki	8157	Mar-25	3,790	69.0	39.9	330.0	11.5	1.6	13.6	53.2	183.5
Nomura Research Institute	4307	Mar-25	4,404	2,525.7	2,628.4	181.5	24.3	5.8	24.0	-17.8	46.3
Otsuka Shokai	4768	Dec-25	3,124	1,184.6	939.7	161.2	19.4	3.0	15.5	-13.3	37.3
TIS	3626	Mar-25	3,567	799.4	720.2	220.7	16.2	2.3	14.6	-5.3	0.8
BIPROGY	8056	Mar-25	4,925	475.8	453.6	298.7	16.5	2.8	17.2	12.0	60.2
NITTETSU SOLUTIONS	2327	Mar-25	3,972	726.8	743.4	159.6	24.9	2.8	11.2	-7.6	135.7
NSD	9759	Mar-25	3,164	240.8	212.4	166.4	19.0	3.6	18.8	-9.8	32.4
JBCC Holdings	9889	Mar-25	1,440	88.9	73.8	84.3	17.1	3.7	21.7	17.0	190.0
Dentsu Research Institute	4812	Dec-24	2,193	428.1	367.8	83.0	26.4	4.7	17.8	3.0	52.6
Japan Business Systems	5036	Sep-25	1,586	72.3	93.2	128.3	12.4	2.7	21.6	67.5	-10.4
Average							18.8	3.3	17.6		

Note: Nomura Research Institute, BIPROGY, and Nippon Steel Solutions apply IFRS; all others apply Japanese GAAP

Source: Speeda Data. Compiled by Strategy Advisors.

Figure 6. Consolidated Income Statement (Unit: ¥mn)

FY	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26 CoE
Net Sales	118,872	125,366	120,004	119,316	123,899	124,856	98,263	102,500
(YoY)	6.2%	5.5%	-4.3%	-0.6%	3.8%	0.8%	-21.3%	4.3%
Information Network Solutions	93,704	102,104	97,848	92,319	93,905	102,523	98,263	102,500
Electronic Devices	25,168	23,261	22,155	26,996	29,993	22,333	-	-
(YoY)	-15.1%	-7.6%	-4.8%	21.9%	11.1%	-25.5%	-	-
Gross Profit	21,496	23,075	21,465	22,511	24,178	25,308	22,665	
(Gross Margin)	18.1%	18.4%	17.9%	18.9%	19.5%	20.3%	23.1%	
SG&A	18,177	18,618	18,263	18,498	19,060	18,868	16,183	
Operating Income	3,318	4,457	3,202	4,012	5,118	6,439	6,481	8,000
(YoY)	30.7%	34.3%	-28.2%	25.3%	27.6%	25.8%	0.7%	23.4%
(Operating Margin)	2.8%	3.6%	2.7%	3.4%	4.1%	5.2%	6.6%	7.8%
Information Network	3,054	4,289	2,960	3,400	4,155	5,925	6,481	8,000
Electronic Devices	260	163	242	592	954	487	-	-
Elimination or Corporate	3	4	0	18	8	27	0	
Non-Operating Income	408	316	312	364	370	203	294	
Non-Operating Expenses	232	196	154	150	133	157	180	
Ordinary Income	3,494	4,577	3,361	4,227	5,355	6,486	6,596	8,150
(YoY)	33.8%	31.0%	-26.6%	25.8%	26.7%	21.1%	1.7%	23.6%
(Ordinary Margin)	2.9%	3.7%	2.8%	3.5%	4.3%	5.2%	6.7%	8.0%
Extraordinary Income	175	32	52	219	423	2,443	275	
Extraordinary Losses	161	293	174	16	198	514	23	
Income before income taxes and others	3,509	4,317	3,238	4,430	5,579	8,415	6,848	
(YoY)	42.5%	23.0%	-25.0%	36.8%	25.9%	50.8%	-18.6%	
Pre-Tax Profit Margin	3.0%	3.4%	2.7%	3.7%	4.5%	6.7%	7.0%	
Income Taxes	1,296	1,161	817	1,453	1,844	2,768	1,953	
(Effective Tax Rate)	36.9%	26.9%	25.2%	32.8%	33.1%	32.9%	28.5%	
Net Income	2,212	3,155	2,419	2,976	3,734	5,647	4,895	
Profit Attributable to Non-controlling Interests			72	178	213	170	130	
Profit Attributable to Owners of the Parent	2,212	3,155	2,346	2,798	3,521	5,477	4,764	6,000
(YoY)	46.0%	42.6%	-25.6%	19.3%	25.8%	55.6%	-13.0%	25.9%

Source: Company Data. Compiled by Strategy Advisors.

Figure 7. Key Financial Indicators

FY	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26 CoE
EPS (¥)	128.9	182.1	134.1	158.5	197.5	304.8	263.3	330.0
BPS (¥)	1,666.9	1,706.2	1,760.9	1,853.7	1,950.1	2,241.9	2,436.1	
Dividend Per Share (¥)	39.0	55.0	46.0	48.0	61.0	90.0	99.0	121.0
Dividend Payout Ratio	30.3%	30.2%	34.3%	30.3%	30.9%	29.5%	37.6%	36.7%
Stock Price (¥)	851	1,100	1,657	1,480	1,563	2,336	2,263	
PER (x)	6.6	6.0	12.4	9.3	7.9	7.7	8.6	
PBR (x)	0.5	0.6	0.9	0.8	0.8	1.0	0.9	
Number of Shares Issued ('000)	24,678	22,178	20,178	20,178	20,178	20,178	18,978	
Number of Treasury Stock ('000)	7,450	4,740	2,610	2,458	2,258	2,156	852	
Number of Shares of Treasury Stock Excluded ('000)	17,228	17,438	17,568	17,720	17,920	18,022	18,126	
Market Capitalization (¥mn)	14,661	19,182	29,110	26,226	28,009	42,098	41,019	
Equity Ratio	36.4%	38.4%	40.6%	41.5%	42.0%	49.8%	55.2%	
Interest-Bearing Debt (¥mn)	16,875	13,260	12,847	12,505	10,991	10,189	9,547	
D/E Ratio	0.59	0.45	0.42	0.38	0.31	0.25	0.22	
Enterprise Value (¥mn)	16,079	13,969	26,013	19,569	18,123	13,591	11,853	
EBITDA (¥mn)	5,237	6,704	5,656	6,634	7,333	8,060	7,830	
EV/EBITDA (Multiple)	3.1	2.1	4.6	2.9	2.5	1.7	1.5	
ROE	7.9%	10.8%	7.7%	8.8%	10.4%	14.5%	11.3%	
ROIC	8.0%	11.5%	8.5%	9.3%	11.8%	18.4%	26.8%	
Number of Employees	2,336	2,359	2,408	2,382	2,328	2,094	2,061	

Source: Speeda Data. Compiled by Strategy Advisors.

Figure 8. Consolidated Balance Sheet (Unit: ¥mn)

FY	3/19	3/20	3/21	3/22	3/23	3/24	3/25
Cash and Deposits	15,457	18,473	15,944	19,162	20,877	38,696	38,713
Accounts Receivables	33,372	29,927	31,765	32,757	32,248	21,579	21,940
Inventories	8,087	8,484	7,618	7,483	11,683	3,649	2,601
Other Current Assets	2,255	1,355	1,413	1,793	2,388	2,005	1,809
Current Assets	59,171	58,239	56,740	61,195	67,196	65,929	65,063
Tangible Fixed Assets	7,310	6,882	6,264	5,428	4,504	2,187	1,974
Property and Equipment	3,031	3,050	2,574	3,016	2,922	1,089	1,053
Other Tangible Fixed Assets	4,279	3,832	3,690	2,412	1,582	1,098	921
Intangible Assets	3,040	3,057	2,967	3,072	2,610	2,286	2,541
Investments and Other Assets	9,422	9,269	10,228	9,528	8,896	10,663	10,483
Investment Securities	4,643	3,770	4,766	4,096	3,471	4,092	4,538
Other Investment Assets	4,779	5,499	5,462	5,432	5,425	6,571	5,945
Total Fixed Assets	19,772	19,208	19,460	18,030	16,011	15,137	14,999
Total Assets	78,944	77,448	76,200	79,226	83,207	81,066	80,063
Accounts Payable	18,609	17,863	15,875	15,307	17,144	11,637	11,560
Short-Term Debt	13,483	6,265	6,483	10,695	5,882	5,359	9,177
Provision for Bonuses	2,567	2,536	2,415	2,303	2,513	2,416	2,105
Other Current Liabilities	6,479	6,785	5,264	6,581	7,521	9,050	6,367
Current Liabilities	41,138	33,449	30,037	34,886	33,060	28,462	29,209
Long-Term Debts	3,392	6,995	6,364	1,810	5,109	4,830	370
Net Defined Benefit Liabilities	5,434	6,805	7,959	8,531	8,826	5,563	4,498
Other Long-Term Liabilities	263	445	668	798	825	1,346	1,356
Long-Term Liabilities	9,089	14,245	14,991	11,139	14,760	11,739	6,224
Total Liabilities	50,228	47,695	45,029	46,026	47,820	40,202	35,433
Capital Stock	9,812	9,812	9,812	9,812	9,812	9,812	9,812
Capital Surplus	3,100	2,581	2,581	2,581	2,581	2,756	2,581
Retained Earnings	19,973	21,021	21,150	23,018	25,607	29,705	31,901
Treasury Stock	-5,816	-3,785	-2,472	-2,257	-1,979	-2,043	-985
Shareholder's Equity	27,070	29,629	31,072	33,155	36,022	40,230	43,309
Other Comprehensive Income	1,646	123	-137	-307	-1,076	171	846
Valuation difference on available-for-sale securities	1,036	690	1,485	1,343	1,132	1,944	2,289
Deferred gains or losses on hedges		-1	-3	-37	2	0	0
Foreign currency translation adjustment	36	10	52	145	193	0	0
Remeasurements of defined benefit plans	572	-575	-1,672	-1,760	-2,405	-1,773	-1,443
Non-Controlling Interest	-	-	236	352	441	462	473
Total Net Assets	28,716	29,752	31,171	33,199	35,387	40,864	44,629
Total Liabilities & Net Assets	78,944	77,448	76,200	79,226	83,207	81,066	80,063

Source: Company Data. Compiled by Strategy Advisors.

Figure 9. Quarterly Financial Performance by Business (Unit: ¥mn)

FY	3/24				3/25				3/26			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Total sales	28,128	32,759	32,126	31,843	18,771	23,071	23,455	32,966	18,833	24,604	23,889	
(YoY change)	14.3%	7.6%	16.8%	-23.0%	-33.3%	-29.6%	-27.0%	3.5%	0.3%	6.6%	1.9%	
Information Network Solutions	20,445	25,208	25,026	31,844	18,771	23,071	23,456	32,966	18,833	24,604	23,889	
(YoY change)	14.5%	11.2%	25.5%	-4.8%	-8.2%	-8.5%	-6.3%	3.5%	0.3%	6.6%	1.8%	
Equipment	7,172	10,779	11,156	15,818	5,455	8,794	9,668	16,403	4,923	9,873	9,234	
(YoY change)	29.5%	17.8%	79.1%	-7.1%	-23.9%	-18.4%	-13.3%	3.7%	-9.7%	12.3%	-4.5%	
Development & Construction	2,687	3,813	3,915	4,371	2,590	3,900	3,610	5,210	3,009	4,221	4,100	
(YoY change)	4.3%	11.2%	41.0%	-13.6%	-3.6%	2.3%	-7.8%	19.2%	16.2%	8.2%	13.6%	
Services	10,584	10,617	9,955	11,655	10,725	10,377	10,178	11,352	10,900	10,511	10,554	
(YoY change)	8.7%	5.3%	-8.9%	2.5%	1.3%	-2.3%	2.2%	-2.6%	1.6%	1.3%	3.7%	
Gross Profit	5,346	6,436	6,527	6,999	4,114	5,413	5,074	8,064	4,354	6,311	5,481	
(Gross Margin)	19.0%	19.6%	20.3%	22.0%	21.9%	23.5%	21.6%	24.5%	23.1%	25.7%	22.9%	
SG&A	4,648	4,793	4,930	4,498	4,113	4,020	4,068	3,982	4,053	4,122	3,966	
Operating Income	698	1,643	1,597	2,501	1	1,393	1,005	4,082	301	2,188	1,515	
(YoY change)	NM	34.3%	313.7%	-32.6%	-99.9%	-15.2%	-37.1%	63.2%	-	57.1%	50.7%	
(Operating Margin)	2.5%	5.0%	5.0%	7.9%	0.0%	6.0%	4.3%	12.4%	1.6%	8.9%	6.3%	
Information Network Solutions	472	1,458	1,493	2,501	1	1,393	1,006	4,081	301	2,188	1,515	
(Operating Margin)	2.3%	5.8%	6.0%	7.9%	0.0%	6.0%	4.3%	12.4%	1.6%	8.9%	6.3%	
Electronic Device	216	176	95	-								
(Operating Margin)	2.8%	2.3%	1.3%	-	-	-	-	-	-	-	-	
Elimination or Corporate	9	9	9	-								
Non-operating Income (Loss)	-25	45	34	-8	41	53	26	-6	59	45	32	
Ordinary Income	673	1,688	1,631	2,494	41	1,447	1,032	4,076	359	2,234	1,548	
(YoY change)	NM	33.7%	234.2%	-32.8%	-93.9%	-14.3%	-36.7%	63.4%	762.4%	54.4%	50.0%	
(Ordinary Margin)	2.4%	5.2%	5.1%	7.8%	0.2%	6.3%	4.4%	12.4%	1.9%	9.1%	6.5%	
Extraordinary Income	0	1,816	-7	120	31	-6	0	227	19	33	648	
Pretax Profit	673	3,504	1,624	2,614	72	1,440	1,032	4,304	379	2,266	2,196	
Income Taxes	172	1,000	305	1,291	39	382	297	1,235	81	683	648	
Net income	501	2,504	1,319	1,323	33	1,058	735	3,069	297	1,583	1,549	
Net Income to Minority Interests	52	47	37	34	32	22	35	41	25	38	38	
Net income to Owners of the parent	448	2,458	1,281	1,290	1	1,035	700	3,028	272	1,545	1,510	
(YoY change)	-404.8%	190.2%	369.2%	-49.4%	-99.7%	-57.9%	-45.4%	134.7%	-	49.3%	115.7%	

Source: Company Data. Compiled by Strategy Advisors.

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