

Company Report

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Q3 Results: Clearer Visibility into Tester Demand Recovery among Domestic Customers; Full-Year Forecast Raised Again

INNOTECH CORPORATION reported cumulative results for Q3 FY3/26, showing net sales of ¥32.73 billion (+9.4% YoY) and operating profit of ¥2.08 billion, (+78.6% YoY), achieving both revenue and profit growth. Following the strong Q3 performance and an improved outlook for Q4, particularly for Testers, the Company announced an upward revision to its full-year forecast on the same day. For Q3, net sales rose to ¥11.12 billion (+22.1% YoY), while operating profit surged to ¥940 million (+254.5% YoY).

Q3 performed well against the November plan, primarily due to upward revisions at STAr Technologies within Test Solutions, EDA within Semiconductor Design-Related plus embedded systems within System/Services. Testers (for NAND flash, etc.) within Test Solutions remained on track with the plan, as demand from overseas customers that drove the first half continued into Q3. Meanwhile, Q4 is expected to exceed the plan, as demand from major Japanese customers is projected to recover.

Under these projections, the upward revision set net sales at ¥46.5 billion (+¥1 billion, +10.8% YoY) and operating profit at ¥3 billion (+¥250 million, +58.9% YoY). The dividend forecast increases by ¥5 per share to ¥75 (interim ¥35, year-end ¥40). Progress against the revised full-year forecast stands at 70.4% for net sales and 69.4% for operating profit. The new forecast incorporates the assumption that domestic customer demand for Testers within the "Test Solutions" segment will recover starting in Q4. Given the tight supply-demand balance for NAND flash and the expectation that demand for Testers from major customers will remain strong for some time, achieving the revised targets appears fully feasible.

The Company is currently in the second year of its 3-year medium-term plan (ending FY3/27) and has demonstrated a proactive stance toward improving capital efficiency. In addition to deciding in August 2025 to sell its headquarters building, it completed a ¥2 billion share buyback as scheduled by January 15, 2026. Going forward, it is highly likely that a new cash allocation policy, factoring in the proceeds from the headquarters building sale, will be announced. The stock price has risen significantly this fiscal year, with valuation levels now reaching a PER of 18.7x and a PBR of 1.5x.

Our equity story is that "the company's technical capabilities and sales strength in supporting electronics design and verification will increase its customer base and product lineup, expanding its growth potential" (see [December 24, 2024, report](#)). The period of expanding demand for NAND

Stock Price and Trading Volume (Past Year)



Source: Strategy Advisors

Key Indicators

Stock Price (2/16/26)	2,863
52-Week High (2/16/26)	2,863
52-Week Low (4/09/25)	1,085
All-Time High (2/16/26)	2,863
All-Time Low (10/27/08)	182
Shares Outstanding (mn)	13.7
Market Capitalization (¥bn)	39.2
Equity Ratio (3/25 Actual, %)	54.1
ROE (3/25 Actual, %)	4.8
PER (3/26 CoE, x)	18.7
PBR (3/25 Actual, x)	1.5
Yield (3/26 CoE, %)	2.6

Source: Strategy Advisors

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testers has arrived, increasing the likelihood of realizing our equity story. The stock price is likely to see further upside potential.

Japanese GAAP - Consolidated

FY	Sales	YoY (%)	Operating Profit (¥mn)	YoY (%)	Ordinary Profit (¥mn)	YoY (%)	Net Profit (¥mn)	YoY (%)	EPS (¥)	DPS (¥)
3/25 Q1-Q3	29,922	-1.3	1,165	-36.6	1,280	-41.3	995	0.1	74.0	-
3/26 Q1-Q3	32,730	9.4	2,081	78.6	1,931	50.8	1,440	44.7	110.4	-
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 Old	45,500	8.4	2,750	45.7	2,400	36.8	1,800	50.0	137.2	70.0
3/26 CoE New	46,500	10.8	3,000	58.9	2,800	59.6	2,100	75.0	172.5	75.0

Source: Company Data. Compiled by Strategy Advisors.

Table of Contents

1. Overview of Q3 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.....	11
3. Business Outlook	13
4. Stock Price and Valuation.....	14

1. Overview of Q3 FY3/26 Financial Results

Q3 Cumulative Results Show YoY Revenue & Profit Growth, driven by "Test Solutions" Turning Profitable

The cumulative results for Q3 FY3/26, announced by the Company on February 9, showed net sales of ¥32.73 billion (+9.4% YoY) and operating profit of ¥2.08 billion (+78.6% YoY), representing growth in both sales and profit. This pace slightly exceeded the November forecast. Progress against the newly revised full-year forecast announced the same day stands at 70.4% for net sales and 69.4% for operating profit.

The Test Solutions Sector saw revenue growth of 20.1% YoY and operating profit improved by ¥1.06 billion YoY, turning to a profit of ¥410 million. STAR Technologies performance exceeded the Company's expectations. The Semiconductor Design-Related saw revenue growth of 4.5% YoY and profit growth of 57.5%. Performance was solid, primarily driven by EDA and Others. "System/Services" saw a 4.2% YoY increase in revenue, but a 6.3% YoY decrease in profit. Embedded systems and others maintained strong performance.

Q3 Saw a Decrease in Revenue, But an Increase in Profit QoQ

In Q3 (3-months), net sales increased 22.1% YoY to ¥11.12 billion, while operating profit surged to ¥940 million, an increase of 254.5% YoY. Compared to Q2, net sales decreased by 8.4%, while operating profit increased by 4.5%, resulting in lower revenue but higher profit. The decline in profit from "Test Solutions" was offset by other segments, ensuring an overall profit increase.

By segment, QoQ results were as follows: "Semiconductor Design-Related" saw net sales decrease 0.1% but operating profit increase 40%; "System/Services" saw net sales increase 1% and operating profit increase 7.2%, both achieving profit growth. Conversely, "Test Solutions" saw net sales decrease by 21.2% and operating profit decrease by 35.8%, resulting in a profit decline. However, while seasonal factors typically cause a significant QoQ profit decline in "Test Solutions" due to falling demand, this decline was relatively mild this quarter.

New Capital Policy Considering Cash Inflow from Headquarters Building Sale to Be Announced in May

This report details the progress of financial strategy measures presented by the Company at its November 2025 earnings briefing. Regarding the share buyback program resolved at the November board meeting, the Company completed the acquisition of ¥2 billion worth of shares (967,400 shares) by January 15. Regarding the sale of the land and building of the head office building, decided at the August board meeting, details such as the sale method remain undetermined at this time. The sale amount and timing of the cash inflow are also undecided. However, since the anticipated future cash inflow is not factored into the current medium-term plan (FY3/25 to FY3/27), the Company plans to review its capital allocation and announce a new capital policy (including investment strategy and shareholder return measures) once details are finalized. The announcement is most likely to occur during the May earnings release.

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Figure 1. Summary of Q3 FY3/26 Financial Results

(¥mn)	Q3 3/25 Cumulative (A)	Progress rate (A)/(C)	Q3 3/26 Cumulative (B)	Progress rate (B)/(D)	Q1 3/26	Q2 3/26	Q3 3/26	3/25 (C)	3/26 CoE Old	3/26 CoE New (D)
Sales	29,922	71.3%	32,730	70.4%	9,457	12,143	11,129	41,977	45,500	46,500
YoY	-1.3%		9.4%		-7.4%	14.7%	22.1%	1.5%	8.4%	10.8%
Test Solution	9,606	64.1%	11,535	63.7%	2,671	4,958	3,906	14,977	17,300	18,100
YoY	-15.3%		20.1%		-17.4%	29.8%	53.0%	-5.7%	15.5%	20.9%
Semiconductor Design-Related	9,761	75.1%	10,200	74.5%	3,278	3,462	3,460	12,992	13,700	13,700
YoY	2.6%		4.5%		-2.5%	6.2%	10.2%	0.8%	5.4%	5.4%
System and Service	10,554	75.4%	10,994	74.8%	3,507	3,725	3,762	14,005	14,500	14,700
YoY	11.4%		4.2%		-3.2%	6.1%	9.9%	11.2%	3.5%	5.0%
Gross Profit	8,993	71.1%	10,065	72.4%	2,803	3,716	3,545	12,649	13,650	13,900
YoY	-8.0%		11.9%		-9.9%	14.5%	34.5%	-3.9%	7.9%	9.9%
Gross Margin	30.1%		30.8%		29.6%	30.6%	31.9%	30.1%	30.0%	29.9%
Test Solution	3,340	64.5%	4,130	67.2%	925	1,740	1,465	5,180	6,050	6,150
YoY	-27.6%		23.7%		-19.4%	29.9%	71.9%	-16.1%	16.8%	18.7%
Gross Margin	34.8%		35.8%		34.6%	35.1%	37.5%	34.6%	35.0%	34.0%
Semiconductor Design-Related	2,199	75.6%	2,412	77.8%	764	801	847	2,910	3,100	3,100
YoY	1.3%		9.7%		-3.4%	8.7%	26.2%	0.2%	6.5%	6.5%
Gross Margin	22.5%		23.6%		23.3%	23.1%	24.5%	22.4%	22.6%	22.6%
System and Service	3,453	75.8%	3,523	75.8%	1,114	1,176	1,233	4,558	4,500	4,650
YoY	15.8%		2.0%		-4.9%	0.5%	10.9%	11.7%	-1.3%	2.0%
Gross Margin	32.7%		32.0%		31.8%	31.6%	32.8%	32.5%	31.0%	31.6%
Operating Profit	1,165	61.7%	2,081	69.4%	234	902	943	1,887	2,750	3,000
YoY	-36.6%		78.6%		-46.1%	94.4%	254.5%	-23.7%	45.7%	59.0%
OP Margin	3.9%		6.4%	NA	2.5%	7.4%	8.5%	4.5%	6.0%	6.5%
Test Solution	-654	NA	411	NA	-264	411	264	NA	NA	NA
YoY	NM		NM		-	-	-	NA	NA	NA
OP Margin	-6.8%		3.6%		-9.9%	8.3%	6.8%	NA	NA	NA
Semiconductor Design-Related	355	NA	559	NA	139	175	245	NA	NA	NA
YoY	-7.3%		57.5%		-17.8%	48.3%	260.3%	NA	NA	NA
OP Margin	3.6%		5.5%		4.2%	5.1%	7.1%	NA	NA	NA
System and Service	1,480	NA	1,387	NA	407	473	507	NA	NA	NA
YoY	28.8%		-6.3%		-22.0%	-12.7%	21.9%	NA	NA	NA
OP Margin	14.0%		12.6%		11.6%	12.7%	13.5%	NA	NA	NA
Adjustment	-14		-277		-47	-156	-74	NA	NA	NA

Source: Company Data. Compiled by Strategy Advisors.

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Figure 2. Summary of Q3 FY3/26 Financial Results (Qtly, ¥mn)

(¥mn)	3/24		3/25				3/26		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales									
Test Solutions	4,421	4,548	3,234	3,819	2,553	5,371	2,671	4,958	3,906
(YoY)	108.8%	12.3%	32.8%	-14.8%	-42.3%	18.1%	-17.4%	29.8%	53.0%
Testers	1,256	750	879	263	118	453	554	1,524	784
STAr Technologies	3,164	3,798	2,354	3,557	2,434	4,919	2,117	3,434	3,122
Semiconductor Design-Related	3,148	3,372	3,361	3,261	3,139	3,231	3,278	3,462	3,460
(YoY)	-4.8%	4.4%	5.3%	2.8%	-0.3%	-4.2%	-2.5%	6.2%	10.2%
EDA and Others	2,159	2,283	2,316	2,272	2,213	2,288	2,264	2,433	2,397
Sanei Hytechs	951	990	971	951	871	885	951	994	1,020
MoDeCH	38	98	73	39	53	59	62	36	42
System/Services	3,287	3,113	3,622	3,510	3,422	3,451	3,507	3,725	3,762
(YoY)	12.1%	-3.6%	18.4%	12.2%	4.1%	10.9%	-3.2%	6.1%	9.9%
Embedded Systems and Others	766	647	735	936	751	653	914	971	1,001
IT Access	1,272	1,236	1,656	1,171	1,274	1,291	1,322	1,412	1,461
GAIO Technology	1,079	1,048	1,127	1,287	1,280	1,309	1,170	1,209	1,157
Regulus	169	182	102	119	115	199	99	135	141
Total	10,854	11,032	10,218	10,590	9,114	12,054	9,457	12,143	11,129
(YoY)	29.9%	5.0%	17.6%	-1.8%	-16.0%	9.3%	-7.4%	14.7%	22.1%
Operating Profit									
Test Solutions	504	375	-212	-198	-244	342	-264	411	264
(OPM)	11.4%	8.2%	-6.6%	-5.2%	-9.6%	6.4%	-9.9%	8.3%	6.8%
Semiconductor Design-Related	75	192	169	118	68	102	139	175	245
(OPM)	2.4%	5.7%	5.0%	3.6%	2.2%	3.2%	4.2%	5.1%	7.1%
System/Services	481	467	522	542	416	319	407	473	507
(OPM)	14.6%	15.0%	14.4%	15.4%	12.2%	9.2%	11.6%	12.7%	13.5%
Adjustment Amount	-76	-401	-44	1	29	-43	-47	-156	-74
Total	985	634	434	464	266	721	234	902	943
(YoY)	486.3%	-28.7%	329.7%	-38.4%	-73.0%	13.7%	-46.1%	94.4%	254.5%
(OPM)	9.1%	5.7%	4.2%	4.4%	2.9%	6.0%	2.5%	7.4%	8.5%

Source: Company Data. Compiled by Strategy Advisors.

2. Trends by Sector

1) Test Solutions Business

Revised Upward from Company Forecast

Test Solutions consists of Testers handled by the parent company and probe cards and reliability-evaluation equipment from its Taiwanese subsidiary STAR Technologies. While FY3/25 saw a downturn including a shift to an operating loss, FY3/26 aims for a turnaround with the previous fiscal year as the bottom of the cycle. Following strong cumulative Q3 results and an improved outlook for Q4, the company revised its forecasts upward for both net sales and gross profit.

Testers: Domestic Customer Demand Finally Resumes from Q4

Testers: Testers for NAND flash memory are the main products. The quarterly net sales trend showed a significant QoQ decrease in Q3 to ¥780 million, compared to ¥550 million in Q1 and ¥1.52 billion in Q2, but this movement was within the Company's expectations. While demand from major Japanese customers for NAND testers remained stagnant, demand from new overseas customers, which began earlier than anticipated in Q1, grew substantially in Q2 and continued as expected in Q3.

The Company forecast for Q4 for net sales is ¥1.73 billion (2.2x increase QoQ). The significant revenue increase is anticipated as demand from major Japanese customers is finally resuming. We believe the likelihood of continued demand recovery in FY3/27 has also increased. The reasons are twofold: (1) tightening supply and demand for NAND flash memory, driven by factors such as increased demand for near-line SSDs for data centers due to advances in generative AI. And secondly, the start of operations at new factories of Japanese customers. While fluctuations in demand from overseas customers, which drove FY3/26's strong performance and risks of reduced supply capacity due to component procurement difficulties have not materialized recently, these factors warrant close monitoring heading into FY3/27.

STAR: Reliability Evaluation Equipment Maintains High Levels. Probe Cards Show Improved Profitability

STAR Technologies' quarterly net sales trend showed a low level of ¥2.11 billion in Q1 (April-June 2025: January-March performance due to fiscal year shift) but recovered significantly in Q2 (July-September 2025: April-June) to ¥3.43 billion driven by reliability evaluation equipment. Q3 (October-December 2025: July-September) maintained a high level at ¥3.12 billion. For probe cards, the separation of the commodity business in FY3/25 has stabilized demand for R&D applications from major Taiwanese foundry customers, improving profitability.

Q4 (January-March 2026: October-December) net sales are forecast at ¥4.82 billion (+54.6% QoQ). The Company anticipates seasonal growth in reliability evaluation equipment sales.

Figure 3. Revenue Trends in Test Solutions Business (Half-Yearly)

(¥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	Q3	FY	FY
Net Sales	3,234	3,819	2,553	5,371	2,671	4,958	3,906	14,977	18,100
Testers	879	263	118	453	554	1,524	784	1,713	4,600
STAr Technologies	2,354	3,557	2,434	4,919	2,117	3,434	3,122	13,264	13,500
Operating Profit	-212	-198	-244	342	-264	411	264	-312	NA
Testers	43	-220	-278	-112	-56	233	46	-567	NA
STAr Technologies	-255	22	34	454	-208	178	218	255	NA
OP Margin	-6.6%	-5.2%	-9.6%	6.4%	-9.9%	8.3%	6.8%	-2.1%	NA
Testers	4.9%	-83.7%	-235.6%	-24.7%	-10.1%	15.3%	5.9%	-33.1%	NA
STAr Technologies	-10.8%	0.6%	1.4%	9.2%	-9.8%	5.2%	7.0%	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 is Booming

According to Kioxia Holdings (TSE Prime 285A), which announced its Q3 FY3/26 earnings on February 12, the NAND flash memory market remains robust. The Company's sales price (Like for Like) for Q3 FY3/26 rose by the low double digits QoQ.

Testers Business: FY3/27 Domestic Customer Demand Recovery Expected to Continue

Demand for NAND flash memory for smartphones and PCs began recovering this quarter, and supply and demand have tightened further recently. Demand for data center SSDs remains robust, and the adoption of AI servers is accelerating, leading to expectations for continued demand growth. For FY3/27, the Company's Testers business is expected to see continued recovery from major domestic NAND customers. Regarding overseas NAND customers, while tester demand itself is expanding, it is crucial to continue sales expansion without losing market share.

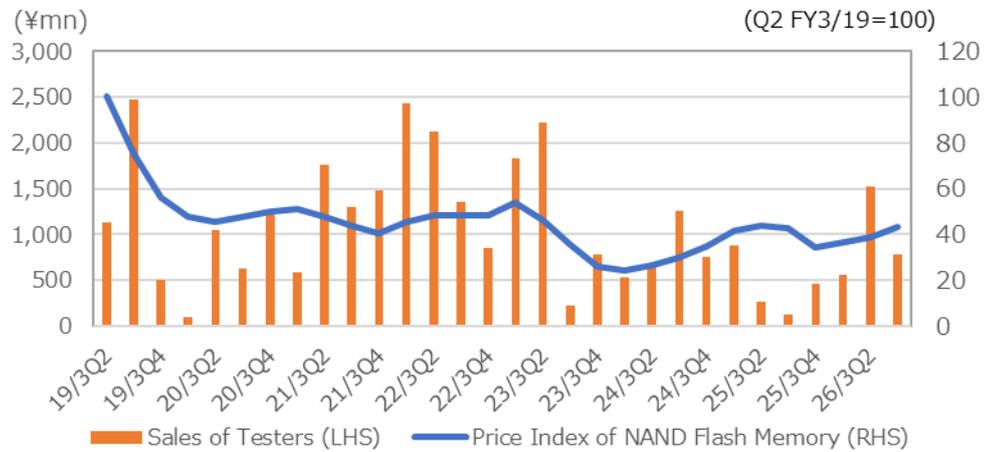
Increased Memory Capacity Positively Impacts Tester Demand

Kioxia, which handles NAND flash, has started operations at a new building at its Kitakami plant. It has announced a policy to increase the proportion of its next-generation 3D-NAND product, BiCS8 FLASH™ (218-layer product). This trend toward increased memory capacity contributes to longer testing times, which is a positive factor for tester demand.

Continuously Monitor NAND Supply-Demand Balance

The utilization rate in the NAND flash memory industry is rising, and the demand supply balance is becoming increasingly tight. Against the backdrop of robust demand driven by the AI boom, the industry is likely to enter a phase of expanding production capacity. It will be necessary to continuously monitor whether NAND manufacturers are implementing disciplined, healthy capacity expansion investments aimed at maintaining a favorable supply-demand balance.

Figure 4. NAND Flash Memory Market Conditions & INNOTEC's Testers Sales



Note: The figures for price index are prepared by Strategy Advisors, based on Kioxia Holdings' financial results presentation materials.
Source: Company Data. Compiled by Strategy Advisors.

2) Semiconductor Design-Related Business

Performance Remains Solid, with the Segment Maintaining the Company's Forecast

"Semiconductor Design-Related" consists of INNOTECH CORPORATION itself, which handles agency functions for importing and selling EDA products; Sanei Hytechs, which engages in semiconductor design and software development; and MoDeCH, which creates simulation models for semiconductor devices.

Performance in FY3/25 can be summarized as holding steady despite the sluggish semiconductor market. The new company forecast for FY3/26 maintains the November projections (with net sales and gross profits both nearly flat YoY). However, in the segmented net sales forecast, slight reductions were made for Sanei Hytechs and MoDeCH, while an increase was applied to the steadily performing EDA AND OTHERS segment to balance the overall figures.

EDA And Others: Steady Performance

EDA and Others performed solidly. The company sells EDA and Others developed by U.S.-based Cadence to Japanese electronics component and industrial machinery manufacturers, while also providing ongoing post-sale services. This is a so-called recurring revenue business model, with stable net sales being a key strength. For FY3/26, the number of renewals for multi-year contracts with customers is limited, resulting in few factors likely to cause

significant revenue fluctuations. Q3 results also progressed steadily in line with company forecasts. Steady business progress is also anticipated for Q4.

Sanei Hytechs: Effects of New IP Project Acquisitions to Materialize in 2H

Sanei Hytechs' semiconductor design business experienced a slowdown in design demand for analog semiconductors for automobiles and industrial machinery in the second half of FY3/25, resulting in subdued net sales and operating profit for the full year. Utilization rates recovered gradually in the 1H FY3/26.

Whilst the business environment in Q3 showed no major changes from the 1H, an IP project related to analog-to-digital converters (in-house development) originally scheduled for Q4 was brought forward to Q3, boosting net sales. Currently, the slump in the automotive sector persists, and customer-specific conditions vary significantly. It is difficult to say that a clear recovery trend has been established.

However, in recent years, the Company has been aiming to shift its business model from one centered on contract projects to one with a higher proportion of IP projects (in-house development). The fact that some results of this shift materialized in the 2H FY3/26 is a positive development and we look forward to future progress.

MoDeCH: Expectations for Large Q4 Projects

MoDeCH's simulation model creation and sales business saw no significant changes in the Q3 business environment, maintaining levels comparable to the same period last year, primarily driven by the automotive sector. Furthermore, with the addition of a large-scale contract project in Q4, the Company is positioned to achieve an operating profit for the full year.

Figure 5. Revenue Trends in Semiconductor Design-Related Business (Half-Yearly)

(¥mn)	3/24		3/25		3/26
	H1	H2	H1	H2	H1
Sales	6,364	6,520	6,622	6,370	6,740
EDA and Others	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 and Others	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 and Others	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	Q3	FY	FY
Sales	3,361	3,261	3,139	3,231	3,278	3,462	3,460	12,992	13,700
EDA and Others	2,316	2,272	2,213	2,288	2,264	2,433	2,397	9,089	9,560
Sanei Hytechs	971	951	871	885	951	994	1,020	3,678	3,850
MoDeCH	73	39	53	59	62	36	42	224	290
Operating Profit	169	118	68	102	139	175	245	457	NA
EDA and Others	64	60	49	91	69	89	104	264	NA
Sanei Hytechs	99	65	28	13	65	102	145	205	NA
MoDeCH	6	-7	-9	-2	5	-16	-4	-12	NA
OP Margin	5.0%	3.6%	2.2%	3.2%	4.2%	5.1%	7.1%	3.5%	NA
EDA and Others	2.8%	2.6%	2.2%	4.0%	3.0%	3.7%	4.3%	2.9%	NA
Sanei Hytechs	10.2%	6.8%	3.2%	1.5%	6.8%	10.3%	14.2%	5.6%	NA
MoDeCH	8.2%	-17.9%	-17.0%	-3.4%	8.1%	-44.4%	-9.3%	-5.4%	NA

Note: Sales breakdown is based on segment information and operating profit breakdown is based on segment information and briefing materials. EDA and Others' operating profit are the division operating profit minus that of Sanei Hytechs and MoDeCH. Source: Company Data. Compiled by Strategy Advisors.

3) System/Services Business

Revised Company Forecast Upward Against the Backdrop of Strong Performance in Embedded Systems & Others

The "System/Services" segment comprises INNOTECH CORPORATION's embedded systems and others, GAIO Technology (handling automotive verification tools sales and contract services), IT Access (developing cashless payment terminals and software) and Regulus (developing vending machine software). FY3/25 saw YoY revenue and profit growth driven primarily by GAIO Technology. The Company's November forecast for FY3/26 projected a slight increase in net sales and a slight decrease in gross profit. The new forecast has been revised upward to increased sales and a slight increase in profit. The main driver is the strong performance of the parent company's embedded systems and others segment.

Embedded Systems & Others: Strong Performance Across the Board

INNOTECH CORPORATION's embedded systems and other segments performed well across the board, with its proprietary CPU boards and box-type computers seeing strong demand in defense, infrastructure-related applications (including disaster prevention) and marine sectors. Q3 results exceeded company expectations. Signs of recovery are also emerging in the previously sluggish industrial equipment market. The favorable business environment is expected to continue into Q4. The entire segment is expected to show growth driving FY3/27.

GAIO Technology: Continued Sluggishness

GAIO Technology's Q3 saw continued sluggishness in automotive verification tools and engineering services. However, profitability, which declined in Q1, recovered from Q2 through outsourcing cost control and maintained a similar level in Q3. While demand has bottomed out, there are currently no signs of a full-fledged recovery for Q4 or FY3/27.

IT Access: Service Revenue Offsets Decline in Payment Terminal Sales

IT Access's Q3 saw its core payment terminal business continue to experience sluggish new terminal sales due to demand loss from some customers shifting to in-house production and intensifying competition with rivals. However, this was offset by increased service revenue, enabling overall QoQ revenue and profit growth. The risk of further acceleration in the pace of the slowdown (including payment services) caused by some customers shifting to in-house production for payment terminals appears to have diminished. Furthermore, the contract software development business for IVI (In-Vehicle Infotainment) is performing well.

Regulus: Strong Performance in Construction Machinery

Regulus' Q3 saw steady overall performance, with strong construction machinery demand offsetting weaker forklift demand in the image processing system segment.

Figure 6. Revenue Trends in System/Services Business (Half-Yearly)

(¥mn)	3/24		3/25		3/26
	H1	H2	H1	H2	H1
Sales	6,189	6,400	7,132	6,873	7,232
Embedded Systems and Others	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
Embedded Systems and Others	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%
Embedded Systems and Others	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	Q3	FY	FY
Sales	3,622	3,510	3,422	3,451	3,507	3,725	3,762	14,005	14,700
Embedded Systems and Others	735	936	751	653	914	971	1,001	3,075	3,900
IT Access	1,656	1,171	1,274	1,291	1,322	1,412	1,461	5,392	5,600
GAIO Technology	1,127	1,287	1,280	1,309	1,170	1,209	1,157	5,003	4,700
Regulus	102	119	115	199	99	135	141	535	500
Operating Profit	522	542	416	319	407	473	508	1,799	NA
Embedded Systems and Others	74	116	32	24	102	125	117	246	NA
IT Access	212	122	133	68	161	152	188	535	NA
GAIO Technology	258	301	256	183	150	184	177	998	NA
Regulus	-22	3	-5	44	-6	12	26	20	NA
OP Margin	14.4%	15.4%	12.2%	9.2%	11.6%	12.7%	13.5%	12.8%	NA
Embedded Systems and Others	10.1%	12.4%	4.3%	3.7%	11.2%	12.9%	11.7%	8.0%	NA
IT Access	12.8%	10.4%	10.4%	5.3%	12.2%	10.8%	12.9%	9.9%	NA
GAIO Technology	22.9%	23.4%	20.0%	14.0%	12.8%	15.2%	15.3%	19.9%	NA
Regulus	-21.6%	2.5%	-4.3%	22.1%	-6.1%	8.9%	18.3%	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. Business Outlook

FY3/26 Company Forecast for Net Sales and Operating Profit

The revised full-year FY3/26 company forecast now projects net sales of ¥46.5 billion (+10.8% YoY) and operating profit of ¥3 billion (+58.9% YoY). The Q4 forecast indicates net sales of ¥13.76 billion (+23.7% QoQ) and operating profit of ¥910 million (-2.7% QoQ).

We View the Likelihood of Achieving These Forecasts as Sufficiently High

Considering Q3's actual results of ¥11.12 billion in net sales and ¥940 million in operating profit, we are optimistic on achieving the full-year forecast high at this point. The Company has now incorporated the recovery in demand from domestic customers for its "Test Solutions" NAND flash memory testers into its net sales forecast. However, the incorporation into the operating profit forecast appears somewhat conservative, suggesting potential for a slight upside.

This Upward Revision to the FY3/26 Forecast Brings Mid-Term Plan Achievement Within Sight

The Mid-Term Management Plan (FY3/25–FY3/27) targets an operating profit margin of 7–8% and aims to surpass the previous record operating profit (¥33.3 billion in FY3/08) in the final year of the plan. The actual operating profit margin for the first year, FY3/25, was 4.5%, showing a significant gap between the targets. The Company's performance bottomed out in FY3/25 and entered a recovery phase. The high likelihood of achieving the revised company forecast for FY3/26 of ¥3 billion in operating profit (6.5% operating profit margin) indicates that the mid-term plan targets are now within reach. Furthermore, even excluding changes in the external environment, the mid-term plan's measures for performance improvement appear to be progressing steadily.

Figure 7. Income Statement (Qtly, ¥mn)

FY	3/25				3/26			3/26	3/26
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	CoE Old	CoE New
Net Sales	10,218	10,590	9,114	12,054	9,457	12,143	11,129	45,500	46,500
(YoY)	17.6%	-1.8%	-16.0%	9.3%	-7.4%	14.7%	22.1%	8.4%	10.8%
Cost of Sales	7,107	7,344	6,479	8,398	6,654	8,427	7,584	31,850	32,600
Gross Profit	3,111	3,246	2,635	3,656	2,803	3,716	3,545	13,650	13,900
(Gross Profit Margin)	30.4%	30.7%	28.9%	30.3%	29.6%	30.6%	31.9%	30.0%	29.9%
SG&A Expenses	2,677	2,782	2,369	2,934	2,569	2,814	2,601	10,900	10,900
Operating Profit	434	464	266	721	234	902	943	2,750	3,000
(YoY)	329.7%	-38.4%	-73.0%	13.7%	-46.1%	26.6%	78.6%	45.7%	58.9%
(OP Margin)	4.2%	4.4%	2.9%	6.0%	2.5%	7.4%	8.5%	6.0%	6.5%
Non-Operating Income	444	-148	415	141	403	-91	152	-	-
Non-Operating Expenses	146	298	153	390	230	466	-83	-	-
Ordinary Profit	733	17	529	474	407	344	1,178	2,400	2,800
(YoY)	125.5%	-98.1%	-45.7%	-32.0%	-44.5%	1923.5%	122.7%	36.8%	59.6%
(OP Margin)	7.2%	0.2%	5.8%	3.9%	4.3%	2.8%	10.6%	5.3%	6.0%
Extraordinary Income	0	0	318	19	0	407	30	-	-
Extraordinary Loss	0	0	0	75	0	0	0	-	-
Profit Before Income Taxes	733	18	848	418	408	752	1,209	-	-
(YoY)	125.5%	-98.0%	104.8%	-42.4%	-44.3%	4077.8%	42.6%	-	-
(Pretax Profit Margin)	7.2%	0.2%	9.3%	3.5%	4.3%	6.2%	10.9%	-	-
Income Taxes	296	-20	256	180	223	382	298	-	-
(Effective Tax Rate)	40.4%	-111.1%	30.2%	43.1%	54.7%	50.8%	24.6%	-	-
Profit	436	38	591	237	185	369	910	-	-
Profit Attributable to Non-Controlling Interests	2	13	55	32	0	-18	44	-	-
Profit Attributable to Owners of Parent	434	24	536	204	185	388	865	1,800	2,100
(YoY)	129.6%	-96.3%	232.9%	-57.7%	-57.4%	1516.7%	61.4%	50.0%	75.0%
(Net Profit Margin)	4.2%	0.2%	5.9%	1.7%	2.0%	3.2%	7.8%	4.0%	4.5%

Source: Company Data. Compiled by Strategy Advisors.

4. Stock Price and Valuation

The Stock Price is Currently Trading Above the ¥2,800 Level

INNOTECH CORPORATION stock traded within a range of ¥1,350 to ¥1,400 during January to March 2025. However, it plummeted following President Trump's April announcement regarding mutual tariffs. After hitting a low of ¥1,070 during regular trading on April 7, it rebounded and has generally continued to rise. The stock price rose further following the announcement of Q3 earnings on February 9th, along with positive reactions to upward revisions and dividend increases. It reached its highest level this year, ¥2,798, in intraday trading on the following day, February 10th. It is currently trading above the ¥2,800 level.

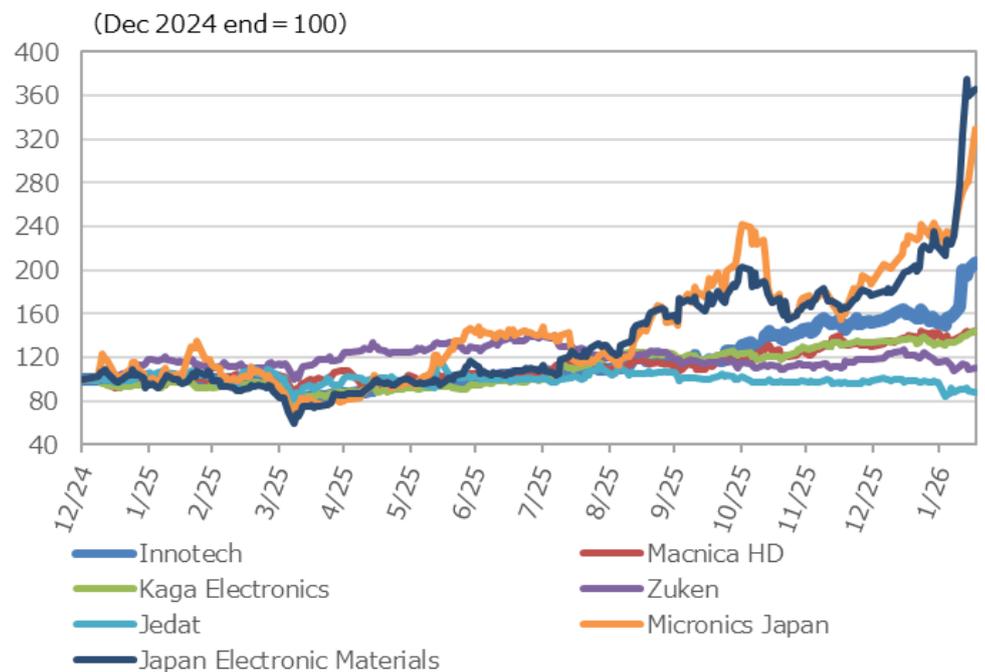
Performance Comparison with Semiconductor

Looking at the stock price trends of semiconductor trading companies and fellow probe card manufacturers, they hit a short-term bottom due to the general stock decline following the Trump tariff shock in early April 2025, but

Distributors & Probe Card Companies

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) have shown relatively strong performance since August, particularly benefiting from the trend of expanding AI-related demand. The Company's stock price, while showing a somewhat weaker rebound from the bottom compared to electronics trading companies like Macnica Holdings (3132 TSE Prime) and Kaga Electronics (8154 TSE Prime), still delivered a slightly stronger performance within the trading group. The stock price rose further after the Q3 earnings announcement. Meanwhile, EDA and Others-related companies Zuken (6947 TSE Prime) and Jedat (3841 TSE Standard) appear relatively less affected by semiconductor market conditions, with their stock price fluctuations appearing more contained.

Figure 8. Comparison of Stock Prices between INNOTECH & Semiconductor-Related Companies

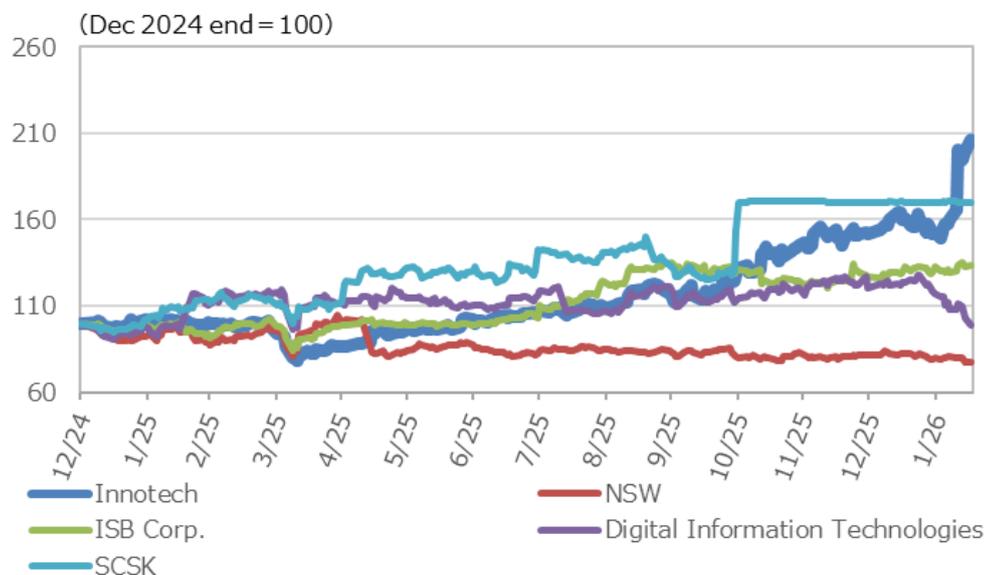


Source: Strategy Advisors.

Performance Comparison with Systems-Related Companies

Next, looking at the stock prices of system-related companies, there is significant variation between firms. Since the summer, while NSW (9739 TSE Prime) and Digital Information Technologies (3916 TSE Prime) have shown little notable movement, ISB (9702 TSE Prime), which announced an upward revision in August, has demonstrated relatively strong performance. However, its stock price also entered a clear upward trend after August, rising further following strong Q3 earnings and maintaining an advantage over ISB. Note that SCSK (9719 TSE Prime) is expected to be delisted in March 2026 due to a tender offer (TOB) by its parent company, SUMITOMO CORPORATION.

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



Source: Strategy Advisors.

Figure 10. 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	12/25	70,173	16,542	23.6%	20.9%	24.6%	66.7%
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	12/25	37,020	2,314	6.3%	10.2%	18.9%	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 11. Valuation Comparison with Peer Companies (¥mn, Multiple & %)

Company	Code	FY	Stock Price (2/16)	Market Cap.	PER CoE	PBR Actual	EV/EBI TDA	Dividend Yield CoE	ROE CoE
INNOTECH	9880	3/25	2,863	39,223	18.7	1.5	9.3	2.6%	8.8%
Macnica Holdings	3132	3/25	2,665	477,227	17.6	1.9	11.6	2.6%	10.1%
Kaga Electronics	8154	3/25	4,175	219,133	8.0	1.3	6.2	3.1%	16.3%
Zuken	6947	3/25	4,555	101,348	21.8	2.5	11.4	4.4%	11.3%
Jedat	3841	3/25	1,160	4,535	20.3	1.2	5.7	3.4%	6.2%
Micronics Japan	6871	12/25	12,440	497,915	NA	7.3	NA	NA	NA
Japan Electronic Materials	6855	3/25	7,940	100,572	23.4	3.6	12.1	1.0%	14.2%
NSW	9739	3/25	2,401	35,775	10.1	1.0	3.1	3.5%	9.7%
ISB	9702	12/25	1,828	20,955	12.4	1.4	3.5	3.8%	12.7%
Digital Information Technologies	3916	6/25	1,076	33,360	14.4	2.0	8.7	0.0%	25.6%
SCSK	9719	3/25	5,660	1,772,289	27.9	6.1	18.4	0.8%	20.0%

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.

Valuation Has Risen, But Remains Mid-Range Compared to Peers

The Company's stock price is trending upward, with valuations gradually rising. The PER based on company forecasts is 18.7x and the PBR based on FY3/25 actual BPS is 1.5x. The dividend yield based on this year's forecast is 2.6%. Although evaluations have risen, both the PER and PBR are now reaching the mid-range level among these companies. With the semiconductor cycle improving, the growth potential of the Company's "Test Solutions" business, specifically its SPE (semiconductor production equipment) related operations, is gradually being recognized.

There Are 2 Reasons

The following 2 factors contributed to the Company's historically low stock valuation:

- (1) Its ROE is at a lower level compared to peer companies
- (2) The perception that it has not yet shed its image as an electronics trading company stock

Steady Progress on Mid-Term Plan Initiatives Eliminates Discount Factors

Regarding the above points (1) increasing ROE and (2) moving away from being viewed as electronics trading company stock, the Company believes these can be achieved by advancing its unique strategies outlined in the mid-term plan. These include expanding business scale through recovering domestic customer demand for Testers and launching new products, growing STAr Technologies' foundry business, strengthening embedded systems and other areas, implementing efficiency measures such as group reorganization, and enhancing shareholder returns.

"Test Solutions" Drives EPS Growth

For sustained stock price growth going forward, the key challenges are achieving EPS growth by enhancing the feasibility of the equity story and overcoming the low valuation. In FY3/26's "Test Solutions" segment, despite sluggish shipments to existing NAND customers, contributions from new overseas customers enabled the Testers business alone to break even and secure an operating profit. STAr Technologies also achieved improved profitability by exiting the commodity probe card business. Thus, a situation is emerging where "Test Solutions" is driving EPS growth.

If the Likelihood of Realizing the Equity Story Increases, the Stock Price Will Rise Further.

For further valuation growth, presenting a medium-to-long-term growth scenario and advancing capital policy will be crucial. Regarding capital policy, attention is focused on a new cash allocation policy corresponding to the cash inflow from the sale of the headquarters building (expected to be announced at the May 2026 earnings briefing).

A new capital policy, likely to include growth investments with an eye on the next medium-term plan and shareholder returns, is highly probable to be announced. If previous concerns—namely (1) low ROE and (2) the inability to break away from being perceived as an electronics trading company stock—are dispelled and the likelihood of realizing the equity story increases, The stock price should transition into a further upward phase.

INNOTECH CORPORATION | 9880 (TSE Prime)

Figure 12. Income Statement (¥mn)

FY	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	46,500
(YoY)	-0.4%	3.7%	4.6%	4.4%	14.5%	3.7%	7.1%	1.5%	10.8%
Cost of Sales	20,345	20,329	21,566	22,581	26,018	26,387	28,198	29,327	-
Gross Profit	8,390	9,475	9,595	9,954	11,219	12,242	13,160	12,650	13,900
(Gross Profit Margin)	29.2%	31.8%	30.8%	30.6%	30.1%	31.7%	31.8%	30.1%	29.9%
SG&A Expenses	7,145	7,519	7,925	8,000	8,634	9,922	10,685	10,762	-
Operating Profit	1,244	1,955	1,670	1,954	2,585	2,319	2,474	1,887	3,000
(YoY)	24.5%	57.2%	-14.6%	17.0%	32.3%	-10.3%	6.7%	-23.7%	58.9%
(Operating Profit Margin)	4.3%	6.6%	5.4%	6.0%	6.9%	6.0%	6.0%	4.5%	6.5%
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	2,800
(YoY)	-3.4%	103.6%	-22.9%	29.7%	21.3%	-16.9%	16.1%	-39.1%	59.6%
(Operating Profit Margin)	4.2%	8.3%	6.1%	7.6%	8.0%	6.4%	7.0%	4.2%	6.0%
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	2,100
(YoY)	-10.5%	107.1%	-21.8%	31.3%	43.0%	-24.1%	-11.3%	-18.8%	75.0%
(Net Profit Margin)	2.5%	5.0%	3.7%	4.7%	5.9%	4.3%	3.6%	2.9%	4.5%
EPS (¥)	41.0	93.5	81.0	120.7	168.7	127.0	110.6	89.5	172.5

Source: Company Data. Compiled by Strategy Advisors.

INNOTECH CORPORATION | 9880 (TSE Prime)

Figure 13. Balance Sheet (¥mn)

FY	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 and Other 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 Other 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.

INNOTECH CORPORATION | 9880 (TSE Prime)

Figure 14. 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 Amortization	600	768	985	993	1,058	1,197	1,289	1,317
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 and Cash Equivalents	20	-50	-11	-56	356	183	123	178
Increase in Cash and Cash Equivalents	608	-1,164	1,680	-741	1,047	-346	2,108	-1,903
Cash and Cash Equivalents at Beginning of Period	4,844	5,453	4,288	6,174	5,432	6,480	6,135	8,243
Cash and 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 15 . Key Indicators

FY	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 (excluding 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.

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