

Company Report

March 6, 2025

Strategy Advisors Inc.
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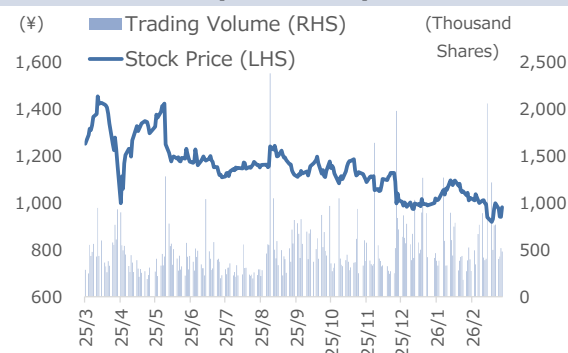
If Growth Outside of the Hometown Tax Donation Business Can Also Be Demonstrated from FY3/27 Onward, the Share Price is Likely to Reverse Course

Change Holdings reported cumulative results for 3Q FY3/26 (April–December), disclosed on February 12, with revenue of ¥41.52 billion (+18.9% YoY) and operating profit of ¥10.58 billion (–18.8% YoY). Even excluding the impact of the absence of equity-method revaluation gains related to Digital Growth Academia (DGA), profit declined 7.7%, representing somewhat weak results. However, the recovery of GMV in the hometown tax donation business - where point incentives had been prohibited since October - to a level comparable to the previous year for the cumulative 3Q period offered some reassurance.

In the NEW-IT Transformation segment, cumulative 3Q revenue was ¥17.93 billion (+31.2% YoY) and operating profit was ¥2.42 billion (–39.6% YoY). While the newly consolidated contribution from fundbook supported revenue, profits were pressured by the absence of DGA’s equity-method revaluation gains as well as a profit decline at E-Guardian.

In the Publitech segment, cumulative 3Q revenue was ¥24.06 billion (+10.9% YoY) and operating profit was ¥12.62 billion (–2.6% YoY), resulting in a slight decline in profit. For the cumulative 3Q period, GMV in the hometown tax donation business recovered to the level of the company’s plan, declining only 0.5% YoY. Strategy Advisors expects that, following the prohibition of point incentives, healthy competition will be encouraged through a return to fundamentals such as the number of listed items and usability, so the 3Q progress was reassuring.

Stock Price and Trading Volumes (Past Year)



Source: Strategy Advisors

Key Indicators

Stock Price (03/05/26)	982
52-Week High (03/18/25)	1,456
52-Week Low (02/24/26)	919
Historical High (09/25/20)	6,185
Historical Low (09/28/16)	192.5
Number of Shares Issued (mn)	69.6
Market Capitalization (¥bn)	68.3
EV (¥bn)	70.0
Equity Ratio (FY12/25 Actual, %)	37.4
ROE (FY12/25 Actual, %)	11.9
PER (FY3/26 CoE, Times)	8.6
PBR (FY12/25 Actual, Times)	1.4
Dividend Yield (FY3/26 CoE, %)	2.3

Source: Strategy Advisors

The share price has remained weak, reflecting disappointment with the 3Q results, which fell short of the initial plan, as well as concerns about the negative impact of institutional changes to the hometown tax donation program (restrictions on the expense ratio for municipalities). i-mobile (6535, TSE Prime), a competitor in the hometown tax donation business, is trading at broadly similar valuation levels, suggesting that the capital market is concerned about the risk of declining take rates for portal sites following the tightening of the program's regulations.

To break away from its current situation in which the majority of profits depend on the hometown tax donation business, the Company has decided to enter M&A brokerage (through the acquisition of fundbook) and the Cybersecurity and BPO businesses (through the acquisition of E-Guardian). If these businesses drive earnings from FY3/27 onward, the share price could enter an upward trajectory.

IFRS-Consolidated	Sales	YoY Change	Operating Profit	YoY Change	Profit Before Tax	YoY Change	Profit Attributable to Owners of Parent	YoY Change	EPS	DPS
Fiscal Year-End	(¥mn)	(%)	(¥mn)	(%)	(¥mn)	(%)	(¥mn)	(%)	(¥)	(¥)
FY03/25 Q1-Q3	34,937	21.3	13,044	27.9	12,511	22.7	8,208	18.1	116.9	-
FY03/26 Q1-Q3	41,527	18.9	10,586	-18.8	10,772	-13.9	6,882	-16.2	98.9	-
FY03/23	20,021	-	5,730	-	5,653	-	3,856	-	53.3	10.0
FY03/24	37,015	84.9	7,383	28.8	7,250	28.3	4,262	10.5	58.9	18.7
FY03/25	46,387	25.3	13,515	83.1	12,745	75.8	7,532	76.7	107.5	20.9
FY03/26 CoE	55,000	18.6	14,000	3.6	13,223	3.8	7,904	4.9	113.6	23.0

Note: Due to a change in the fiscal year end, FY3/22 is now a 6-month period, so there is no YoY change for FY3/23

Source: Company Data. Compiled by Strategy Advisors.

1. Cumulative 3Q FY3/26 Results Declined in Profit Even Excluding One-Off Factors

Operating Profit Fell 7.7% YoY, Excluding the Impact of Digital Growth Academia, Which Became an Equity-Method Affiliate from Q1 FY3/25

Change Holdings reported cumulative results for 3Q FY3/26 (April–December), disclosed on February 12, with revenue of ¥41.52 billion (+18.9% YoY) and operating profit of ¥10.58 billion (-18.8% YoY). Even excluding the impact of the absence of equity-method revaluation gains related to Digital Growth Academia (DGA) (¥1.56 billion in cumulative 3Q FY3/25), profit declined 7.7%. Results were somewhat weak due mainly to the impact from the hometown tax donation business and E-Guardian. Meanwhile, the recovery of GMV in the hometown tax donation business - where point incentives had been prohibited since October - to a level comparable to the previous year for the cumulative 3Q period offered some reassurance.

Earnings Contributions from E-Guardian and fundbook, Both in Focus, Were Limited

This fiscal year, attention had been focused on whether the Company could demonstrate accelerated growth at E-Guardian (6050, TSE Prime) and fundbook, both of which were acquired. The former recorded declines in both revenue and profit due to business contraction associated with an AI shift and reduced sales from a major client. The latter shifted to management emphasizing quality, with the number of MOU (memorandum of understanding) signings as a KPI; and also promoted the acquisition of referral projects through alliances leveraging synergies with the Company, but the impact on earnings remained limited.

The Hometown Tax Donation Business, the Company's Core Earnings Driver, is Strengthening its Competitive Position Relative to Peers

Strategy Advisors believes that achieving the initial plan for the fiscal year is challenging. At the same time, given the recovery in the hometown tax donation business, Strategy Advisors infers that the Company may judge that the situation does not warrant a downward revision at this stage. The hometown tax donation business, which is the Company's main earnings source, has shifted to healthy competition following the prohibition of point incentives. In this context, the strengthening of fundamental advantages such as the number of listed items can be viewed positively.

Figure 1. Quarterly Segment Income Statement (¥mn)

(¥mn)	FY3/24				FY3/25				FY3/26			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Total revenue	5,118	9,538	14,141	8,216	8,139	8,372	18,425	11,449	9,908	12,358	19,260	
(YoY)	85.3%	200.4%	47.6%	82.5%	59.0%	-12.2%	30.3%	39.4%	21.7%	47.6%	4.5%	
NEW-IT Transformation	1,750	1,216	4,243	4,242	4,692	4,391	4,555	7,157	6,087	5,804	6,045	
Private-sector DX, M&A brokerage	1,750	1,216	4,024	3,967	3,998	3,685	3,765	6,290	5,319	4,989	5,170	
Cybersecurity	-	-	219	274	694	705	790	867	768	814	874	
Investment Business	127	-	-	-	-	-	-	-	-	-	-	
Publitech	3,243	8,328	9,906	4,037	3,537	4,175	13,991	4,456	3,955	6,751	13,356	
Regional Creation	2,864	7,886	9,349	2,375	2,814	3,572	13,033	2,833	2,968	5,264	11,706	
Public-sector DX	379	442	557	1,661	723	602	958	1,622	987	1,486	1,650	
Adjustment	-3	-6	-9	-63	-90	-193	-121	-164	-134	-197	-141	
Operating profit	717	3,612	5,870	-2,816	2,345	1,467	9,231	375	606	1,893	8,086	
(YoY)	-	2556%	15.8%	-	227.1%	-59.4%	57.3%	-	-74.2%	29.0%	-12.4%	
NEW-IT Transformation	494	217	696	-1,315	2,478	698	843	1,965	833	770	824	
Investment Business	126	-	-	-	-	-	-	-	-	-	-	
Publitech	895	4,296	6,244	-400	1,053	2,086	9,819	86	1,180	2,615	8,830	
Adjustment	-799	-901	-1,071	-1,099	-1,185	-1,317	-1,431	-1,676	-1,407	-1,492	-1,569	
Segment profit margin	14.0%	37.9%	41.5%	-34.3%	28.8%	17.5%	50.1%	3.3%	6.1%	15.3%	42.0%	
NEW-IT Transformation	28.2%	17.9%	16.4%	-31.0%	52.8%	15.9%	18.5%	27.5%	13.7%	13.3%	13.6%	
Investment Business	99.0%	-	-	-	-	-	-	-	-	-	-	
Publitech	27.6%	51.6%	63.0%	-9.9%	29.8%	50.0%	70.2%	1.9%	29.8%	38.7%	66.1%	

Note 1: Sub-segment breakdowns are unaudited.

Note 2: The Investment Business was discontinued from April 2023.

Source: Company Data. Compiled by Strategy Advisors.

2. Acceleration of Growth in NEW-IT Transformation on Expected from Next Fiscal Year Onward

NEW-IT Transformation Posted a Double-Digit Decline in Operating Profit

Cumulative 3Q results for the NEW-IT Transformation segment were revenue of ¥17.93 billion (+31.2% YoY) and operating profit of ¥2.42 billion (-39.6% YoY). While the consolidation effect of fundbook contributed ¥880 million to profit growth; the absence of equity-method revaluation gains related to DGA, as well as the impact of profit decline at E-Guardian and increased promotional expenses in the hometown tax donation business, pressured profits.

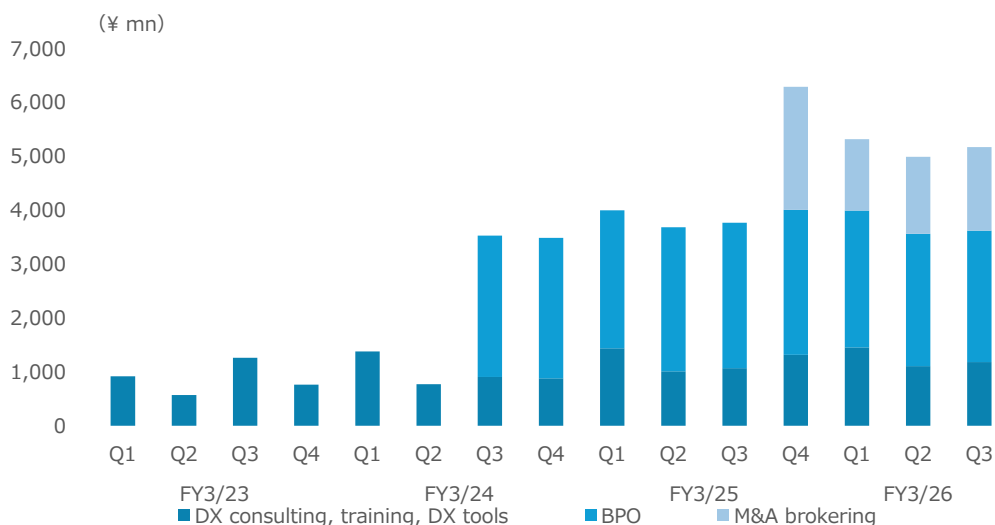
Disclosure of fundbook's KPIs is Pending

fundbook's cumulative 3Q revenue was ¥4.29 billion (¥3.15 billion in the same period of the previous year), showing steady performance. In addition, compared with the same period of the previous year, the number of front sales staff increased (125→140), and the number of referrals through alliances with major financial institutions expanded to 158 cases (September 2025–January 2026). Before the Company acquired fundbook, management had emphasized volume, with the number of sell-side advisor contracts as a KPI. Since the acquisition, however, the Company has shifted its policy to quality-focused management, with the number of MOU signings, which is directly linked to the closing rate, as a KPI. The Company has not disclosed KPIs such as MOUs to date, but if they are disclosed from the next fiscal year onward, this could also be interpreted as a sign of the Company's confidence.

E-Guardian's BPO Business Was Softer Than Expected

Meanwhile, 3Q (October–December) revenue in the BPO business provided by E-Guardian was ¥2.44 billion (-9.4% YoY), representing weaker-than-expected results. By segment, revenue was ¥1.70 billion for Social Support (-8.8% YoY), ¥0.29 billion for Game Support (-13.5% YoY) and ¥0.32 billion for Ad Process (-5.0% YoY). In the Social Support segment, which accounts for a large proportion of the business, the impact of reduced sales from major clients and business contraction associated with AI implementation weighed on performance. The Company is drastically advancing a transformation of its business model combining AI and human resources, and in addition to establishing a new AI promotion department, improvements in productivity through price optimization and consolidation of bases (absorption-type merger of E-Guardian Tohoku) are expected to begin to emerge from April onward. The Company has also implemented a renewal and strengthening of its sales structure (assigning sales staff by function × domain) and strengthened marketing (lead acquisition and nurturing) and its initial plan for the fiscal year assumes a return to growth from Q3 onward.

Figure 2. Sales Trends in Private-Sector DX, M&A Brokering Domain Business



Note: Excluding Digital Growth Academia, which became an equity-method affiliate from FY3/25 Q1.

Source: Company Data. Compiled by Strategy Advisors.

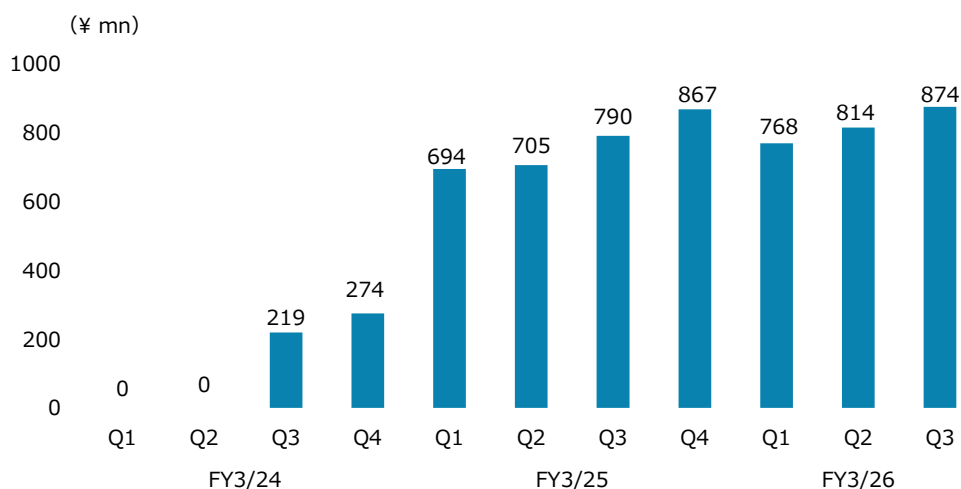
Cybersecurity Domain Posted Double-Digit Revenue Growth

Q3 revenue in the Cybersecurity domain was ¥870 million (+10.7% YoY), representing double-digit revenue growth YoY. E-Guardian's Cybersecurity revenue was ¥200 million (-2.6% YoY), while revenue growth was secured mainly at IdealRoute Consulting (IDR).

The Company is promoting the expansion of projects through SMBC CyberFront, in which Cyleague Holdings, the intermediate holding company, and E-Guardian have invested. Specifically, this includes the acquisition of contracts for the incident response service launched in August. As SMBC CyberFront is an equity-method affiliate of the Company, the impact on operating profit is limited; however, projects are expected to be developed at Cyleague Holdings going forward.

Meanwhile, although IDR is expanding revenue, it is expected to post a loss this fiscal year. The background factors are: (1) while hiring has been strengthened, project acquisition has not kept pace, resulting in a utilization rate that has not risen sufficiently and (2) in some projects, internal resources have been insufficient to respond, making it necessary to utilize outsourcing. From FY3/27 onward, the Company aims to secure profitability with a greater emphasis on earnings quality.

Figure 3. Sales Trends in Cybersecurity Domain Business



Note 1: EGSS consolidated from FY24/3 Q3, IDR from FY25/3 Q1

Note 2: Services that provide rapid containment, investigation and recovery support in the event of a cyberattack or other security incident

Source: Company Data. Compiled by Strategy Advisors.

3. Sound Competition Following the Ban on Reward Points to Provide Tailwinds for the Hometown Tax Donation Business

Publitech Posted a Slight Decline in Operating Profit

Cumulative Q3 results for the Publitech segment were revenue of ¥24.06 billion (+10.9% YoY) and operating profit of ¥12.62 billion (-2.6% YoY), resulting in a slight decrease in profit. In the first half (April–September), progress in the hometown tax donation business, which constitutes the core of the Regional Creation domain, was somewhat weak, mainly because last-minute demand prior to the prohibition of point incentives fell short of expectations. However, for the cumulative Q3 period, GMV recovered to -0.5% YoY, returning to the level of the Company's plan. Strategy Advisors expects that, following the prohibition of point incentives, healthy competition based on a return to fundamentals such as the number of listed items and usability will be encouraged and so Q3 progress can be viewed as reassuring.

2 New Areas of Concern for the Hometown Tax Donation Business

Meanwhile, new concerns are likely to be the impact of the donation cap for high-income earners with annual income of ¥100 million or more being set at ¥4.38 million from 2027; and the tightening of the expense ratio limit for recruitment-related expenses from below 50% to below 40%, which will be applied gradually from 2026.

Regarding the former, although the Company acknowledges a certain degree of impact, it expects the effect to be limited, as the increase in donation amounts accompanying wage growth is likely to offset it. In fact, according to the Monthly Labour Survey conducted by the Ministry of Health, Labour and Welfare, nominal wages (total cash earnings) in December rose 2.4% YoY.

As for the latter, while municipalities may negotiate fee reductions with portal sites and developments should be monitored going forward, the Company intends to minimize the impact through initiatives to increase the net proceeds retained by municipalities (Government Crowdfunding, municipality-led marketing services and strengthening of the corporate Hometown tax systems).

Figure 4. Policy Objective-led Hometown Tax Initiatives

Community development through health & medical initiatives with Akita Prefecture

- Improving resident health is an urgent priority for Akita Prefecture, which has had the highest cancer mortality rate in Japan for 28 consecutive years*
- Trustbank and Akita Prefecture have signed a partnership agreement to comprehensively utilize the Hometown tax (individual & corporate) and our Government Crowdfunding® (GCF®) to secure funding for the medical sector, solve regional challenges through measures such as screening support, and develop communities



Harnessing local resources to solve challenges in Hokkaido's Iburi & Hidaka regions

- The Iburi and Hidaka regions comprise Japan's largest horse breeding area, producing over 90% of the nation's light horse breeds. Despite being vital to the domestic and international racehorse industry, the regions face shared challenges such as a shortage of younger workers and the creation of facilities for retired horses
- Trustbank signed a partnership agreement with 5 municipalities to tackle regional challenges by leveraging the local resource, horses. Comprehensively utilize the Hometown tax (individual & corporate) and GCF®, they will pursue community development focused on harnessing local resources and solving challenges



Source: Company Material.

Public-Sector DX Remained Firm

The Public-Sector DX domain remained firm, with Education ICT driving growth. The acquisition of system terminal and network renewal projects for local governments contributed to growth. The LoGo Series increased 10.0% YoY, with both Chat and Form continuing to grow steadily. BPR, Consulting, etc. recorded revenue growth of ¥280 million YoY, as projects for central government ministries and agencies totaling ¥350 million were recognized in Q3. Backlog remains at ¥600 million and solid performance is expected in Q4 as well. In addition, the Company has begun providing support services for local government information system departments and has been contracted to undertake operations of the information system department of Hida City, Gifu Prefecture. The service provides a solution to the "one-person IT department problem" where securing digital talent is difficult and responsibilities within information system departments become dependent on a single individual. Specifically, the Company plans to provide services such as business and asset inventory, development of security rules and BPO operations. The service is expected to benefit from cross-selling to local governments through the Company's municipal network cultivated in the hometown tax donation business, as well as to municipalities already adopting the LoGo Series. Future developments will be worth monitoring.

4. Acceleration in M&A Brokerage and E-Guardian Growth to Drive a Share Price Reversal

PER at a Historical Low

The share price has remained weak, due to the Q3 results falling short of the initial full-year plan and amid concerns over the negative impact of regulatory changes to the hometown tax donation system (limitations on municipalities' expense ratios). PER has declined to around 8x, representing a historical low.

Expectations for Growth in M&A Brokerage, Cybersecurity & BPO

i-mobile, a competitor in the hometown tax donation business, is also trading at a similar valuation. This suggests that the capital markets are concerned about the risk of declining take rates for portal sites due to the tightening of the regulatory framework. In order to break away from its current dependence on the hometown tax donation business for the majority of its profits, the Company decided to enter M&A brokerage (through the acquisition of fundbook) and the security and BPO businesses (through the acquisition of E-Guardian). If these businesses can demonstrate the potential to grow to a scale comparable to the hometown tax donation business, not only profit growth but also valuation expansion could be expected, potentially leading to a significant rise in the share price.

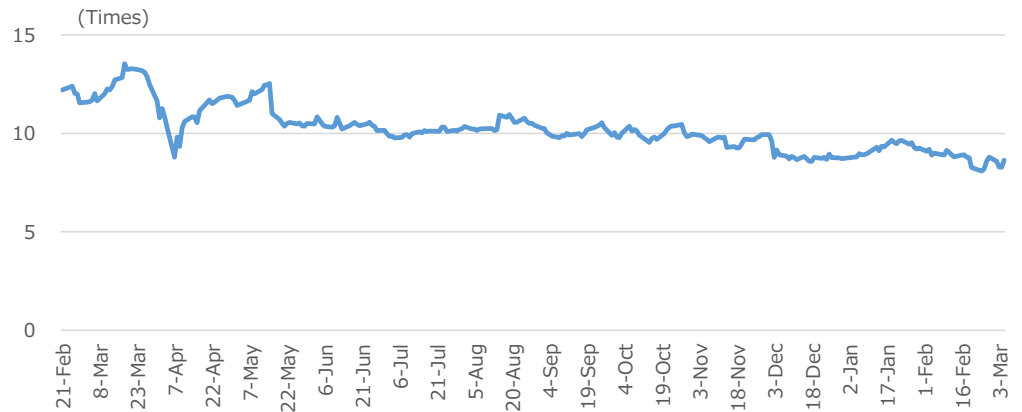
Acceleration in fundbook's Growth is Awaited

The PERs of companies engaged in M&A brokerage range from 10x to 40x, indicating high valuations in the capital markets. fundbook is making preparations to accelerate growth by leveraging group synergies, and changes in KPIs that could serve as leading indicators, such as the number of referrals secured, have been observed. If growth can be accelerated from FY3/27 onward, this could provide a catalyst for a reversal in the Company's valuation.

E-Guardian Plans to Return to Revenue and Profit Growth in 2H FY9/26

In addition, the average PBR in the security and BPO sectors exceeds 3x and acceleration in the growth of E-Guardian is also anticipated. E-Guardian's initial plan for 9/26 calls for revenue of J¥12.0bn (+6.1% YoY) and operating profit of ¥1.60bn (+6.7% YoY). The first half (Oct–Mar) is expected to record declines in both revenue and profit, while the second half (Apr–Sep) is expected to return to revenue and profit growth.

Figure 5. PER Trend Over the Past Year



Source: SPEEDA Data. Compiled by Strategy Advisors.

Further Upside Expected Through Policy Objective-Led Hometown Tax Initiatives

Strategy Advisors focuses on the expansion of the NEW-IT Transformation business leveraging the local government network cultivated through the hometown tax donation business as the Company’s equity story. The Company intends to promote the expansion of Policy Objective-led Hometown Tax Initiatives in the hometown tax donation business following the prohibition of point incentives. Specifically, in addition to individual hometown tax donation programs, the initiatives utilize GCF (Government Crowdfunding) and the corporate Hometown tax systems. While the conventional hometown tax donation business primarily involved the provision of portal sites, the Policy Objective-led Hometown Tax Initiatives enable the Company to provide more advanced services to address challenges faced by municipalities. Through these initiatives, the Company is expected to evolve into an entity capable of comprehensively resolving the challenges faced by municipalities, including M&A brokerage, security and BPO and DX for local governments. By doing so, the company is expected to achieve significant growth as a unique enterprise that realizes Regional Creation.

CHANGE Holdings | 3962 (TSE Prime)

Figure 6. Valuation List

Company name	Ticker	Fiscal year	Stock price 5-Mar (Y)	Market cap (Y mn)	PER CoE (Times)	PBR Actual (Times)	ROE CoE (%)	Dividend yield CoE (%)	1-Yr return (%)	3-Yr return (%)
CHANGE Holdings	3962	Mar	982	72,523	8.64	1.66	19.16	2.34	-21.31	-61.25
M&A Brokerage										
Nihon M&A Center Holdings	2127	Mar	643	216,750	18.55	4.33	23.31	4.51	7.52	-42.72
M&A Capital Partners	6080	Sep	3,425	108,775	15.04	2.51	16.71	2.00	18.06	-9.27
Strike	6196	Sep	4,220	81,037	42.37	3.77	8.91	1.42	37.01	9.90
M&A Research Institute HD	9552	Sep	682	36,897	10.43	7.22	69.23	0.00	-44.51	-77.22
Average of 5 M&A brokerage companies					19.01	3.90	27.46	2.05	-0.64	-36.11
Hometown tax donation portal site										
i-Mobile	6535	Jul	524	30,469	9.41	1.82	19.31	5.15	8.49	26.06
Average of two hometown tax donation portal sites					9.03	1.74	19.24	3.75	-6.41	-17.59
Consulting										
Accenture	ACN	Aug	210	129,241	15.16	-	-	-	-39.27	-21.99
Dream Incubator	4310	Mar	3,015	28,746	-	2.04	-	4.54	-24.25	-4.59
Sigmaxis Holdings	6088	Mar	695	59,770	13.19	4.08	30.91	3.74	-30.36	24.66
BayCurrent	6532	Feb	4,571	710,386	18.61	7.36	39.57	2.19	-30.01	-15.04
Rise Consulting Group	9168	Feb	501	12,389	10.27	1.93	18.78	4.19	-20.10	-
Tanabe Consulting Group	9644	Mar	740	25,160	22.59	2.27	10.05	3.51	9.06	69.53
Funai Soken Holdings	9757	Feb	1,135	113,500	15.75	4.13	26.23	4.23	-5.02	-20.85
Training Companies										
Link and Motivation	2170	Dec	549	60,904	17.14	4.48	26.14	2.99	0.92	1.10
Insource	6200	Sep	714	60,864	12.95	4.80	37.09	4.13	-17.93	-46.91
Alue	7043	Dec	885	2,261	9.13	1.59	17.47	1.24	25.71	-30.81
Shikigaku	7049	Feb	800	7,311	18.69	2.73	14.63	0.00	2.96	43.63
Average of 12 consulting and training companies					14.74	3.37	24.00	3.01	-12.47	-5.68
Security										
Eltes	3967	Feb	601	3,739	21.33	1.96	9.21	0.00	-14.51	-25.16
Amaya	4258	Dec	2,968	26,209	29.17	8.93	30.62	0.00	85.21	403.48
Global Security Expert	4417	Mar	2,425	37,126	25.74	11.82	45.94	1.35	-0.21	-7.97
Cybersecurity Cloud	4493	Dec	1,580	16,417	18.72	3.67	19.62	0.38	-15.73	-7.76
Trend Micro	4704	Dec	5,286	744,806	18.87	5.42	28.70	-	-51.95	-18.43
E-Guardian	6050	Sep	1,620	19,332	18.13	1.56	8.60	2.35	-23.22	-32.05
BPO			0	0	0.00	0.00	0.00	0.00	0.00	0.00
GigWorks	2375	Oct	217	4,802	434.00	1.59	0.37	0.92	-21.09	-32.19
Pole to Win HD	3657	Jan	312	11,905	-34.86	0.89	-2.54	5.13	-28.77	-64.86
Digital Hearts	3676	Mar	937	22,386	12.58	2.33	18.54	2.45	-9.73	-39.31
Ururu	3979	Mar	379	10,499	19.07	0.87	4.54	0.79	-11.14	0.40
Adish	7093	Dec	598	1,281	20.96	2.34	11.18	0.00	-24.97	-56.32
Average of 12 security and BPO-related companies					49.36	3.59	16.16	1.43	-11.45	4.88

Note: For Accenture, share price and market capitalization are in US dollars. PER and ROE are based on consensus rather than company forecasts.

Source: SPEEDA Data. Compiled by Strategy Advisors.

Figure 7. Income Statement (¥mn)

FY	FY9/20	FY9/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26 CoE
Total revenue	10,542	15,653	10,140	20,021	37,015	46,387	55,000
(YoY)	75.9%	48.5%	-35.2%	97.4%	84.9%	25.3%	18.6%
NEW-IT Transformation	2,231	2,816	1,366	4,956	11,453	20,797	28,283
Investment Business	198	187	-216	162	127	-	-
Publitech	8,116	12,654	8,990	14,943	25,516	26,160	27,315
Adjustment	-4	-5	-	-40	-82	-570	-598
Gross profit	7,950	11,588	7,974	12,522	23,041	25,888	-
Gross profit margin	75.4%	74.0%	78.6%	62.5%	62.2%	55.8%	-
Selling, general and administrative expenses	3,757	5,543	3,327	7,168	12,256	13,360	-
Operating profit	4,203	5,985	4,582	5,730	7,383	13,420	14,000
(YoY)	309.3%	42.4%	-23.4%	25.1%	28.8%	81.8%	4.3%
Operating profit margin	39.9%	38.2%	45.2%	28.6%	19.9%	28.9%	25.5%
NEW-IT Transformation	608	927	392	1,195	92	5,985	6,317
Investment Business	177	166	-226	130	126	-	-
Publitech	4,555	6,666	5,471	7,378	11,036	13,045	13,960
Adjustment	-1,138	-1,776	-1,055	-2,973	-3,871	-5,611	-6,277
Financial income	0	0	2	0	55	20	-
Financial cost	42	73	19	77	188	789	-
Profit before tax	4,160	5,911	4,564	5,653	7,250	12,650	13,223
(YoY)	334.7%	42.1%	-22.8%	23.9%	28.3%	74.5%	4.5%
Profit before tax margin	39.5%	37.8%	45.0%	28.2%	19.6%	27.3%	24.0%
Income tax expense	1,389	1,798	1,408	1,743	2,874	4,701	-
Effective tax rate	33.4%	30.4%	30.9%	30.8%	39.6%	37.2%	-
Profit	2,771	4,113	3,156	3,910	4,375	7,949	8,359
Non-controlling interests	722	9	63	54	113	480	455
Profit attributable to owners of parent	2,049	4,104	3,093	3,856	4,262	7,470	7,904
(YoY)	330.5%	100.3%	-24.6%	24.7%	10.5%	75.3%	5.8%

Source: Company Data. Compiled by Strategy Advisors.

Figure 8. Key Financial Indicators

		FY9/20	FY9/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26 CoE
EPS	(Y)	32.5	58.8	42.8	53.3	58.9	107.5	113.6
BPS	(Y)	126.1	419.0	0.0	499.9	541.9	558.6	
DPS	(Y)	0.0	0.0	4.5	10.0	18.7	20.9	23.0
Dividend Payout Ratio	(%)	0.0	0.0	10.5	18.8	31.7	19.4	20.2
Last Price	(Y)	4,190	2,336	1,987	2,345	1,253	1,252	
PER	(Times)	128.8	39.7	46.4	44.0	21.3	11.6	
PBR	(Times)	33.2	5.6	-	4.7	2.3	2.2	
Shares Outstanding at Fiscal Year-End	(Thousand Shares)	31,553	72,680	72,960	72,968	72,979	73,852	
Treasury Shares	(Thousand Shares)	0	623	623	623	623	4,273	
Shares Outstanding ex Treasury Shares	(Thousand Shares)	31,553	72,056	72,336	72,344	72,355	69,579	
Market Capitalization (Adjusted for Treasury Shares)	(Ymn)	264,411	168,324	143,732	169,647	90,661	87,113	
Equity Ratio	(%)	46.6	77.3	78.4	68.9	44.3	39.4	
Interest-Bearing Debt	(Ymn)	2,712	1,777	1,680	3,413	24,018	34,468	
D/E Ratio	(Times)	0.34	0.06	0.05	0.09	0.61	0.84	
Enterprise Value (EV)	(Ymn)	260,398	142,749	115,645	151,227	84,358	99,815	
EBITDA	(Ymn)	4,776	6,728	4,862	6,702	11,435	15,131	16,554
EV/EBITDA Multiple	(Times)	54.5	21.2	23.8	22.6	7.4	6.6	
ROE	(%)	0.0	21.4	9.7	11.0	11.2	18.7	17.8
ROIC - Invested Capital Basis	(%)	0.0	18.1	8.9	10.0	8.1	11.3	
ROIC - Operating Assets Basis	(%)	0.0	47.0	33.0	26.8	17.1	21.8	
Number of Employees	(People)	220	305	328	475	1,069	1,448	

Note: A 2-for-1 stock split was implemented on September 1, 2020, and an additional 2-for-1 stock split was implemented on January 1, 2021.

Source: Company Data. Compiled by Strategy Advisors.

Figure 9. Balance Sheet (¥mn)

	FY9/20	FY9/21	FY3/22	FY3/23	FY3/24	FY3/25
Cash and cash equivalents	7,599	27,690	30,407	22,968	38,403	30,185
Trade and other receivables	2,921	3,226	3,430	10,331	13,699	17,760
Other current assets	786	2,040	1,824	3,400	3,989	1,878
Total current assets	11,306	32,956	35,661	36,699	56,091	49,823
Tangible fixed assets	189	183	423	2,170	1,080	1,152
Entitled assets	85	220	246	378	1,070	1,647
Goodwill	3,759	4,409	4,409	9,042	17,834	28,307
Intangible assets	1,499	1,288	1,432	2,219	9,735	9,472
Investments in certain entities, which are accounted for on the equity method	-	-	-	775	731	4,926
Other financial assets	218	160	208	785	5,229	7,460
Deferred tax assets	35	167	344	757	2,019	2,102
Other non-current assets	2	3	5	118	39	-28
Total non-current assets	5,787	6,430	7,067	16,244	37,737	55,038
Total assets	17,093	39,386	42,728	52,943	93,828	104,861
Trade and other payables	2,494	2,942	2,976	5,511	7,929	12,140
Short-term borrowings	356	277	277	1,261	3,652	5,838
Lease liabilities	66	128	126	242	633	882
Other current liabilities	2,238	2,198	2,494	2,637	8,684	4,551
Total current liabilities	5,154	5,545	5,873	9,651	20,898	23,411
Bonds and borrowings	2,286	1,290	1,162	1,786	19,286	26,883
Lease liabilities	3	82	115	124	447	865
Deferred tax liabilities	46	17	16	65	2,401	3,100
Other non-current liabilities	197	57	56	1,985	872	990
Total non-current liabilities	2,532	1,446	1,349	3,960	23,006	31,838
Total liabilities	7,687	6,992	7,222	13,611	43,905	55,250
Common stock	2,397	1,000	1,002	1,004	1,006	1,042
Capital surplus	1,892	23,086	23,016	22,480	22,048	22,081
Retained earnings	3,669	7,774	10,867	14,398	17,937	24,054
Own stock	0	-1,405	-1,405	-1,405	-1,405	-5,882
Other components of equity	0	-	-	-	-102	-104
Equity attributable to parent owners (total)	7,959	30,455	33,480	36,477	39,483	41,191
Non-controlling interests	1,447	1,939	2,026	2,854	10,439	8,419
Total shareholders' equity	9,406	32,394	35,506	39,331	49,923	49,611
Total liabilities and equity	17,093	39,386	42,728	52,943	93,828	104,861

Source: Company Data. Compiled by Strategy Advisors..

Figure 10. Cash Flow Statement (¥mn)

	FY9/20	FY9/21	FY3/22	FY3/23	FY3/24	FY3/25
Profit before income taxes	4,160	5,911	4,564	5,653	7,250	12,650
Depreciation and amortization	572	743	280	972	1,823	2,482
Gain from loss of control of subsidiaries	-	-	-	-	-	-1,569
Share of loss of investments accounted for using equity method	-	-	-	0	-42	-191
Impairment losses	-	-	-	22	2,229	798
Increase (decrease) in inventory	-3	-29	-48	19	87	54
Increase (decrease) in trade and other receivables	-1,410	-251	-203	-6,206	-2,246	-4,016
Increase (decrease) in investment securities held as part of operations	-401	-1,029	214	-332	-127	-
Increase (decrease) in trade and other payables	1,663	419	33	2,393	2,087	3,587
Income taxes paid	-259	-2,210	-1,120	-3,578	-1,778	-5,111
Other	312	250	22	-86	2,786	-847
Cash flows from operating activities	4,634	3,804	3,742	-1,143	12,070	7,836
Purchases of property, plant, and equipment	-26	-142	-236	-2,244	-1,096	-184
Purchase of intangible assets	-254	-443	-487	-943	-1,127	-827
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-36	-660	-	-3,194	-9,337	-12,661
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	-	-	-315	-	1,405
Purchase of investments accounted for using equity method	-	-	-	-774	-69	-100
Purchases of investment securities	-	-	-	-	-2,496	-988
Proceeds from sale of investment securities	-	-	-	-	280	-
Other	48	56	-60	-410	101	-724
Cash flows from investing activities	-269	-1,189	-784	-7,882	-13,745	-14,081
Net increase (decrease) in short-term borrowings	-	-	-	50	-50	-150
Proceeds from issuance of bonds and long-term borrowings	-	300	10	2,200	22,444	12,101
Repayments of long-term borrowings	-392	-1,501	-147	-487	-2,552	-3,997
Repayments of lease liabilities	-201	-144	-59	-224	-522	-801
Proceeds from issuance of shares	45	16,415	4	3	5	70
Purchase of treasury shares	0	-1,407	-	-	-	-4,485
Dividend payment	-	-	-	-324	-722	-1,351
Other	-1	3,813	-49	390	-776	-63
Cash flows from financing activities	-549	17,476	-241	1,608	17,827	1,324
Net increase in cash and cash equivalents	3,815	20,090	2,717	-7,416	16,152	-4,919
Cash and cash equivalents at beginning of period	3,784	7,599	27,690	30,407	22,968	38,403
Decrease in cash and cash equivalents due to exclusion of consolidated entities	0	0	0	0	-	-4,068
Cash and cash equivalents at end of period	7,599	27,690	30,407	22,968	38,403	30,185
Free cash flows	4,365	2,615	2,958	-9,025	-1,675	-6,245

Source: Company Data. Compiled by Strategy Advisors.

Figure 6. Quarterly Performance Trends (¥mn)

	FY3/24			FY3/25			FY3/26					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Total revenue	5,118	9,538	14,141	8,216	8,139	8,372	18,425	11,449	9,908	12,358	19,260	
(YoY)	85.3%	200.4%	47.6%	82.5%	59.0%	-12.2%	30.3%	39.4%	21.7%	47.6%	4.5%	
NEW-IT Transformation	1,750	1,216	4,243	4,242	4,692	4,391	4,555	7,157	6,087	5,804	6,045	
(YoY)	69.6%	33.0%	148.4%	226.1%	168.1%	261.1%	7.4%	68.7%	29.7%	32.2%	32.7%	
Publitech	3,243	8,328	9,906	4,037	3,537	4,175	13,991	4,456	3,955	6,751	13,356	
(YoY)	-72.6%	-259.6%	-26.3%	39.0%	9.1%	-49.9%	41.2%	10.4%	11.8%	61.7%	-4.5%	
Gross profit	2,715	7,237	9,720	3,368	3,251	3,917	13,521	5,197	4,526	6,499	13,014	
Gross profit margin	53.0%	75.9%	68.7%	41.0%	39.9%	46.8%	73.4%	45.4%	45.7%	52.6%	67.6%	
Selling, general and administrative expenses	2,067	3,651	3,867	2,670	2,497	2,560	4,369	3,932	4,013	4,640	4,895	
Gain on loss of control of subsidiary	-	-	-	-	1,569	-	-	-	-	-	-	
Other income	59	20	19	16	21	89	26	66	125	13	8	
Other expenses	0	0	6	8	4	16	13	1,038	12	13	92	
Share of profit of investments accounted for using equity method	9	6	3	22	4	37	66	82	-19	33	50	
Operating profit	717	3,612	5,870	729	2,345	1,467	9,231	375	606	1,893	8,086	
(YoY)	-	-2555.9%	15.8%	-	227.1%	-59.4%	57.3%	-	-74.2%	29.0%	-12.4%	
Operating profit margin	14.0%	37.9%	41.5%	8.9%	28.8%	17.5%	50.1%	3.3%	6.1%	15.3%	42.0%	
NEW-IT Transformation	494	217	696	-1,315	2,478	698	843	1,965	833	770	824	
(YoY)	41.1%	-8.8%	78.0%	-	401.6%	221.7%	21.1%	-	-66.4%	10.3%	-2.3%	
Publitech	895	4,296	6,244	-400	1,053	2,086	9,819	86	1,180	2,615	8,830	
(YoY)	-103.9%	-614.8%	-15.1%	-	17.7%	-51.4%	57.3%	-	12.1%	25.4%	-10.1%	
Finance income/expense	419	48	-6	-133	-169	-190	-174	-237	212	33	-59	
Profit before tax	1,136	3,241	5,816	-2,943	2,177	1,275	9,058	138	818	1,926	8,027	
Income tax expense	374	1,013	1,878	-391	723	485	2,818	673	402	737	2,666	
Profit	762	2,227	3,937	-2,551	1,454	790	6,239	-535	416	1,188	5,360	
Non-controlling interests	-93	-49	117	137	67	101	107	203	-6	49	40	
Profit attributable to owners of parent	855	2,276	3,820	-2,688	1,386	689	6,132	-738	422	1,139	5,320	

Source: Company Data. Compiled by Strategy Advisors.

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