## Company Report

March 17, 2026

Strategy Advisors Inc.
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# Public Offering of New Shares Reflects the Company's Confidence

The full-year results for FY12/2025 of Segue Group, disclosed on February 13, reported net sales of ¥25.07 billion (+34.0% YoY) and operating profit of ¥1.85 billion (+157.5% YoY), representing significant increases in both revenue and profit. This was mainly attributable to progress in revenue recognition from GSS (Government Solution Service) projects.

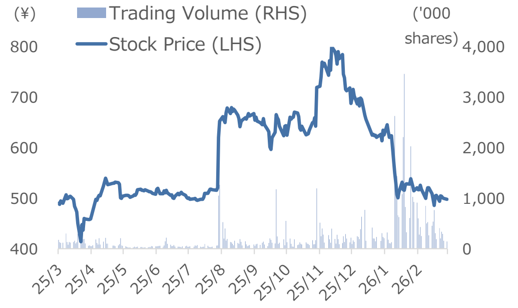
Orders in Q4 FY12/2025 remained firm at ¥5.53 billion (+8.1% YoY), although there were no GSS projects. The Company forecasts operating profit of ¥2.3 billion for FY12/2026, exceeding the challenging target of ¥2 billion, which includes M&A, set for the final year of its medium-term management plan.

The Company announced a new share issuance and secondary offering on January 23. The funds raised through the public offering are expected to total approximately ¥2.2 billion and the equity ratio is projected to improve to around 31% in the Q1 results. Most of the funds will be allocated to the funding needs of GSS projects. Due to the acquisition of large-scale orders, short-term borrowings and other working capital financing had increased to ¥3.02 billion and the equity ratio had declined to 22.1%. This suggests the Company's confidence that large-scale orders will continue going forward.

The share price has declined due to concerns over dilution (14.1%) associated with the public offering. However, the valuation has become attractive (PER of 12–13x) and in our view there is a high likelihood that the share price will turn upward again.

The Company's equity story is its transformation into a total security solutions company. In addition to the continued growth of its existing businesses centered on the VAD Business, the outcomes of the following initiatives may become visible: 1) transformation of Kaetec through AI utilization and expansion of services for end users, 2) expansion of sales of in-house products centered on RevoWorks, 3) acceleration of growth in the Overseas Business and 4) expansion of direct transactions with end users through synergies with Segue Security. By increasing the gross profit margin, these initiatives could lead to a further re-rating of PER.

### Stock Price & Trading Volumes (Past Year)




Source: Strategy Advisors.

### Key Indicators

| | |
|---|---|
| Stock Price (03/16/26) | 498 |
| Year-to-Date High (09/24/25) | 646 |
| Year-to-Date Low (03/04/26) | 486 |
| 52-Week High (11/28/25) | 801 |
| 52-Week Low (04/07/25) | 414 |
| Shares on Issue (mn) | 31.7 |
| Market Capitalization (¥ bn) | 15.8 |
| EV (¥ bn) | 17.5 |
| Equity Ratio (9/25 Actual, %) | 22.1 |
| PER (12/25 CoE, Times) | 12.9 |
| PBR (12/24 Actual, Times) | 3.8 |
| Dividend Yield (12/25 CoE, %) | 3.6 |

Source: Strategy Advisors.

In our view, the reasons the Company's valuation had previously remained at a low level are as follows: 1) the Company's value-added distribution of overseas products (VAD Business) had been viewed as a simple import trading business and 2) many of its customers are large SI companies, and compared with prime vendor SI companies, its profitability had been relatively lower. As the above initiatives materialize, we expect the Company's market capitalization to increase further.

**Japanese GAAP - Consolidated**

| FY | Sales (¥ mn) | YoY Change (%) | Operating Income (¥ mn) | YoY Change (%) | Ordinary Income (¥ mn) | YoY Change (%) | Net Income (¥ mn) | YoY Change (%) | EPS (¥) | DPS (¥) |
|---|---|---|---|---|---|---|---|---|---|---|
| 12/2021 | 12,038 | 9.5 | 638 | -24.3 | 686 | -21.5 | 454 | -28.3 | 13.2 | 5.3 |
| 12/2022 | 13,622 | 13.2 | 906 | 41.9 | 1,050 | 53.1 | 743 | 63.5 | 22.2 | 6.0 |
| 12/2023 | 17,443 | 28.0 | 1,086 | 19.8 | 1,015 | -3.4 | 660 | -11.1 | 19.6 | 10.0 |
| 12/2024 | 18,717 | 7.3 | 720 | -33.7 | 1,060 | 4.4 | 507 | -23.1 | 15.7 | 11.0 |
| 12/2025 | 25,074 | 34.0 | 1,854 | 157.5 | 2,001 | 88.8 | 1,191 | 134.6 | 37.6 | 13.0 |
| 12/2026 CoE | 30,000 | 19.6 | 2,300 | 24.0 | 2,299 | 14.8 | 1,403 | 17.8 | 38.6 | 18.0 |

Note: 3-for-1 Stock Split for Common Shares Effective March 1, 2024.
Source: Company Data. Compiled by Strategy Advisors.

## 1. Company Forecast Within Reach; Orders and Order Backlog Continue at High Levels

**Full-Year Results for FY12/2025 Show A Significant Increase in Both Revenue and Profit**

The full-year results for FY12/2025 of Segue Group, disclosed on February 13, reported net sales of ¥25.07 billion (+34% YoY) and operating profit of ¥1.85 billion (+157.5% YoY), representing significant increases in both revenue and profit. This was mainly attributable to progress in revenue recognition from GSS (Government Solution Service) projects. The order backlog stood at ¥15.72 billion and has declined since peaking at the end of FY12/2025 Q2 alongside revenue recognition from GSS projects. Meanwhile, orders in FY12/2025 Q4 remained firm at ¥5.53 billion (+8.1% YoY). Despite the absence of GSS project orders in FY12/2025 Q4, orders increased YoY, suggesting solid demand.

**The Operating Profit Plan Exceeds the Challenge Target Set**

For FY12/2026, the Company forecasts net sales of ¥30 billion (+19.6% YoY) and operating profit of ¥2.3 billion (+24% YoY). The Company aims to achieve operating profit exceeding the challenging target of ¥2 billion, which includes M&A, set for the final year of its medium-term management plan. In our view, the Company's forecast is within reach given the following factors: 1) orders for GSS projects in FY12/2025 totaled approximately ¥9 billion, resulting in a high level of order backlog at the beginning of FY12/2026; 2) even without GSS projects, the Company secured orders exceeding ¥5 billion in FY12/2025 Q4; and 3) GSS project orders in the tens of billions of yen are expected again in FY12/2026.

**Approximately ¥2.2 billion To Be Raised Through a Public Offering**

The Company announced a new share issuance and secondary offering on January 23. The funds raised through the public offering are expected to total approximately ¥2.2 billion and the equity ratio is projected to improve to around 31% in the FY12/2026 Q1 results. Most of the funds will be allocated to the funding needs of GSS projects. Due to the acquisition of large-scale orders, short-term borrowings and other working capital financing had increased to ¥3.02 billion and the equity ratio had declined to 22.1%. This suggests the Company's confidence that large-scale orders will continue going forward.

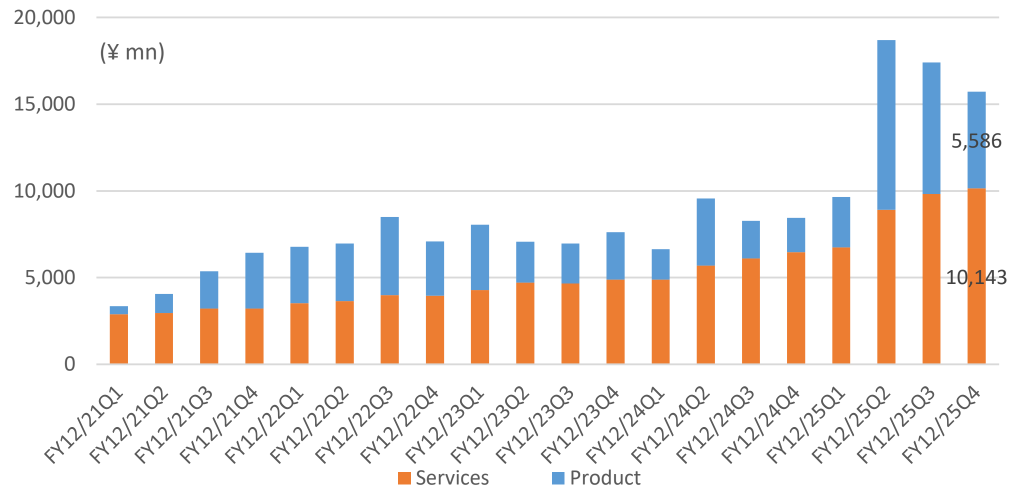
**The Shareholder Benefit Program Has Been Revised, Reducing Total Cost of Shareholder Benefits**

The Company also announced revisions to its shareholder benefit program. The Company had implemented high-value shareholder benefits in order to remain listed on the Prime Market, but as its business performance has expanded, it has been reducing shareholder benefit expenses. The program will shift from digital gifts to a benefit scheme based on points from the Premium Benefit Club, reducing the total cost of shareholder benefits.

**The Company's Planned Dividend Payout Ratio is 47.2%**

At the same time, the Company remains proactive in shareholder returns. Based on the Company's plan for the current fiscal year, the forecast dividend is ¥18 per share (+¥5 YoY). The dividend payout ratio is 47.2%, and the Company intends to maintain a solid balance sheet. The Company has indicated a policy of maintaining a dividend payout ratio of around 50% through FY12/2026, the final year of its medium-term management plan and a significant dividend increase this year should be positive for investors.

**Figure 1: Changes in the Backlog of Orders**




Source: Company Data. Compiled by Strategy Advisors.

## 2. VAD Continues to Drive Growth. Profitability Likely to Remain at a High Level

**VAD Business Continues to Drive Growth**

By business segment, the VAD Business, which sells IT infrastructure products and security products, recorded net sales of ¥13.76 billion (+43.8% YoY) and gross profit of ¥3.38 billion (+53.5% YoY), achieving significant growth in both revenue and profit and driving overall performance. Orders for GSS projects in FY12/2025 totaled approximately ¥9 billion and the progress in revenue recognition since Q3 contributed to the improvement in performance. Products compatible with GSS are handled only by the Company and one other company, creating strong barriers to entry. In addition, the Company's engineering capabilities appears to be highly regarded in the bidding process. The Company expects orders in the tens of billions of yen in Q1 as well, and orders for GSS projects are expected to continue this fiscal year.

**Demand for Cybersecurity Remains Strong**

In addition, as seen from orders in FY12/2025 Q4, demand for cybersecurity remains strong in both public and private sectors, and inquiries are reportedly emerging from companies that are required to implement measures in line with the security guidelines of government ministries and agencies. Products from Juniper Networks (U.S.) and Extreme Networks (U.S.) are driving growth, and demand remains solid. Looking at the breakdown of order backlog, services are accumulating. The accumulation of maintenance phases with high recurring characteristics is progressing and advances received at the end of FY12/2025 amounted to ¥6.75 billion (+¥1.88 billion YoY).

**Order Prospects for GSS Projects Appear Conservative**

For the current fiscal year, the Company's plan assumes that orders for GSS projects will not be particularly large, suggesting a somewhat conservative outlook. A key point of attention this fiscal year will be whether the Company can secure large-scale projects in 2H FY12/2026 will contribute to performance from FY12/2027 onward.

**Profitability in The System Integration Business Has Declined**

The System Integration Business recorded net sales of ¥8.53 billion (+21.9% YoY) and gross profit of ¥1.47 billion (+2.2% YoY), resulting in a decline in profitability. The main factors included insufficient response in man-hour management for System Engineering Service (SES), which led to an increase in idle engineers, the strategic acceptance of low-profit large-scale projects, and increases in personnel expenses associated with improved compensation for engineers as well as higher outsourcing costs. Awareness of the profitability challenges in this business remains high, and the Company plans to develop the business beyond its traditional model, including acquiring prime projects through collaboration with Segue Security. As arguments that engineers may become unnecessary have emerged with the spread of generative AI and other technologies, focusing on areas where differentiation is easier will be important.

### Expansion of Comprehensive Security Services for SMEs Is Expected

The Company provides Kaetec, a service for end users. This service is a comprehensive security service for small and medium-sized enterprises. In FY12/2025, the business did not grow as much as expected due to deficiencies in the internal organizational structure. However, the PBR of Global Security Experts (4417, TSE Growth), which provides security services for small and medium-sized enterprises, exceeds 10x and future growth is anticipated. Security measures are required not only for large companies but also for small and medium-sized enterprises and expansion of the business leveraging the brand of Segue Group, which is listed on the TSE Prime Market, will attract attention.

### The In-House Development Business Performance Appears Somewhat Insufficient

The In-House Development Business recorded net sales of ¥1.13 billion (+4.7% YoY) and gross profit of ¥580 million (-2.8% YoY), resulting in somewhat unsatisfactory performance. The main factor behind the decline in profitability was the continued additional development of RevoWorks ZONE, a next-generation zero-trust browser, as well as the postponement of large-scale projects for RevoWorks Browser, an internet separation virtual browser, to the current fiscal year. On the other hand, against the backdrop of the cybersecurity resilience initiative for local governments promoted by the Ministry of Internal Affairs and Communications, security measures based on a zero-trust premise are expected to progress, and a return to a growth trajectory is anticipated from this fiscal year onward.

The postponed large-scale projects are mainly license-based and are expected to make a significant profit contribution and additional orders also appear likely. Although the share of this business in total net sales is small, it is a high-margin software-oriented business, and significant growth is expected this fiscal year.

### Segue Security Returned to Profitability

Segue Security (established in November 2022), which is included in the In-House Development Business, appears to have turned profitable due to revenue expansion. Demand for security remains strong, and the service is capable of providing a wide range of support, including consulting, security training, vulnerability assessment, incident response, and operations, indicating a broad customer base. The Company is also focusing on the development of services utilizing generative AI.

In addition to SOC-based managed services, attention will focus on the expansion of service lineups and synergies with Segue Technology, which provides System Integration Business services. Strategy Advisors has pointed out that improving profitability is essential for increasing the market capitalization of Segue Group. As this service has the potential to conduct direct transactions with end users, it can be considered an extremely important subsidiary for further enhancing corporate value.

**The Overseas Business Achieved Higher Revenue and Profit Due To the Consolidation Effect of First One Systems**

In the Overseas Business, net sales were ¥1.63 billion (+55.3% YoY) and gross profit was ¥480 million (+42% YoY), reflecting increased revenue and profit due to the consolidation effect of First One Systems (May 2024). On the other hand, the Company announced an impairment loss of ¥110 million for ISS Resolution, which was acquired as a subsidiary in 2022, due to delays in new businesses. First One Systems intends to focus on large-scale infrastructure and cybersecurity projects, and in Q4 its performance appears to have benefited from an infrastructure project for public transportation. IT investment by universities, transportation infrastructure operators, and medical institutions is expected to expand, and further business expansion is anticipated. The Company also appears to be considering optimizing the local structure of these two Thai subsidiaries, and attention will focus on strengthening a structure that enables maximum utilization of group synergies. Thailand has many subsidiaries of Japanese companies, particularly in the manufacturing sector, and demand for IT investment remains strong. It will therefore be important to implement in Thailand the business model that has been established in Japan.

**Figure 2: Quarterly Financial Performance by Business**

| | FY12/24 | | | | FY12/25 | | | |
|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Sales (¥ mn) | | | | | | | | |
| VAD | 2,838 | 1,908 | 1,884 | 2,944 | 2,321 | 2,973 | 3,679 | 4,793 |
| System Integration | 1,823 | 1,293 | 2,727 | 1,162 | 1,986 | 1,481 | 3,479 | 1,591 |
| In-house Development | 293 | 257 | 263 | 271 | 247 | 358 | 242 | 288 |
| Overseas | 0 | 0 | 631 | 423 | 233 | 399 | 458 | 544 |
| Total | 4,954 | 3,457 | 5,507 | 4,800 | 4,788 | 5,213 | 7,858 | 7,215 |
| Sales (YoY) | | | | | | | | |
| VAD | 12.1% | -6.2% | -11.5% | 29.5% | -18.2% | 55.8% | 95.2% | 62.8% |
| System Integration | -3.1% | -41.1% | 38.1% | -23.7% | 9.0% | 14.6% | 27.5% | 36.9% |
| In-house Development | 95.9% | -3.9% | 6.2% | 14.6% | -15.7% | 39.5% | -8.0% | 6.2% |
| Overseas | - | - | - | - | - | - | -27.5% | 28.5% |
| Total | 8.6% | -23.1% | 26.5% | 19.0% | -3.3% | 50.8% | 42.7% | 50.3% |
| Gross Profit (¥ mn) | | | | | | | | |
| VAD | 612 | 417 | 534 | 643 | 638 | 764 | 846 | 1,138 |
| System Integration | 407 | 354 | 409 | 278 | 304 | 301 | 590 | 285 |
| In-house Development | 195 | 142 | 109 | 151 | 120 | 224 | 102 | 133 |
| Overseas | 0 | 0 | 210 | 132 | 71 | 135 | 151 | 127 |
| Total | 1,213 | 913 | 1,261 | 1,204 | 1,134 | 1,424 | 1,689 | 1,683 |
| Gross Profit Margin (%) | | | | | | | | |
| VAD | 21.6% | 21.9% | 28.3% | 21.8% | 27.5% | 25.7% | 23.0% | 23.7% |
| System Integration | 22.3% | 27.4% | 15.0% | 23.9% | 15.3% | 20.3% | 16.9% | 17.9% |
| In-house Development | 66.6% | 55.3% | 41.3% | 55.7% | 48.6% | 62.6% | 42.2% | 46.3% |
| Overseas | 0.0% | 0.0% | 33.3% | 31.3% | 30.5% | 33.8% | 32.9% | 23.4% |
| Total | 24.5% | 26.4% | 22.9% | 25.1% | 23.7% | 27.3% | 21.5% | 23.3% |

Source: Company Data. Compiled by Strategy Advisors.

## 3. Share Price Could Rise Again If This Fiscal Year's Company Plan Is Priced In

**There is Sufficient Room for PER Expansion**

The share price has turned downward due to concerns over dilution (14.1%) associated with the public offering. However, the valuation remains attractive, and Strategy Advisors believes there is a high likelihood that the share price will turn upward again. Based on the Company's planned EPS for the current fiscal year, the PER is approximately 12–13x and the PBR is slightly above 4x. As the Company actively implements shareholder returns, its ROE is 33.5%, higher than that of its peers. Although the PBR is also relatively high, the PER remains at a level that suggests sufficient room for further upside.

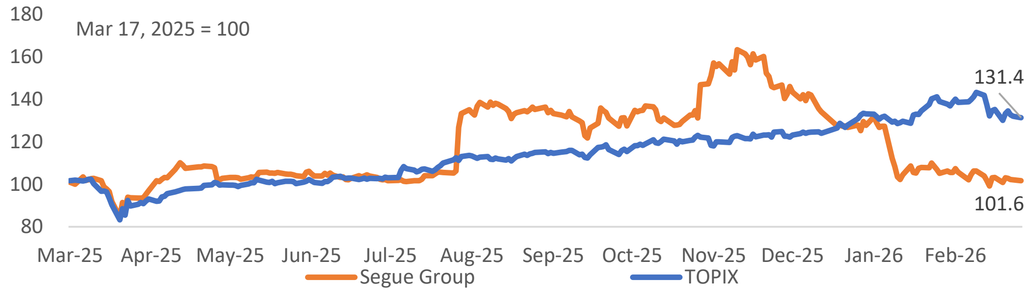
**The Company Plan for FY12/2026 May Be Revised Upward**

Strategy Advisors believes that while the Company's plan for FY12/2026 assumes a significant increase in profit, it is somewhat conservative and there is sufficient potential for an upward revision. The reasons are as follows: 1) as mentioned above, orders in FY12/2025 Q4 were firm and the Company is starting the fiscal year with a high level of order backlog, 2) large-scale orders are expected to be recognized in the In-House Development Business, which should contribute to improved profitability and 3) the Company has incorporated expenses for upfront investments toward FY12/2027 and there is buffer in SG&A expenses. If expectations for an upward revision increase following the FY12/2026 Q1 results, the share price may return to an upward trajectory.

**Expectations For a Transformation into a Total Security Solution Company**

The Company's equity story is its transformation into a total security solutions company. In addition to the continued growth of its existing businesses centered on the VAD Business, the outcomes of the following initiatives may become visible: 1) transformation of Kaetec through the utilization of AI and expansion of services for end users, 2) expansion of sales of in-house products centered on RevoWorks, 3) acceleration of growth in the Overseas Business, and 4) expansion of direct transactions with end users through synergies with Segue Security. By increasing the gross profit margin, these initiatives could lead to a further re-rating of the PER. According to the analysis of Strategy Advisors, the reasons the Company's valuation had previously remained relatively low are as follows: 1) the Company's value-added distribution of overseas products (VAD Business) had been viewed as a simple import trading business, and 2) many of its customers are large SI companies, and compared with prime vendor SI companies, their profitability had been relatively lower. As the results of the above initiatives materialize, the Company's valuation may increase further.

### Figure 3. Relative Stock Price Chart



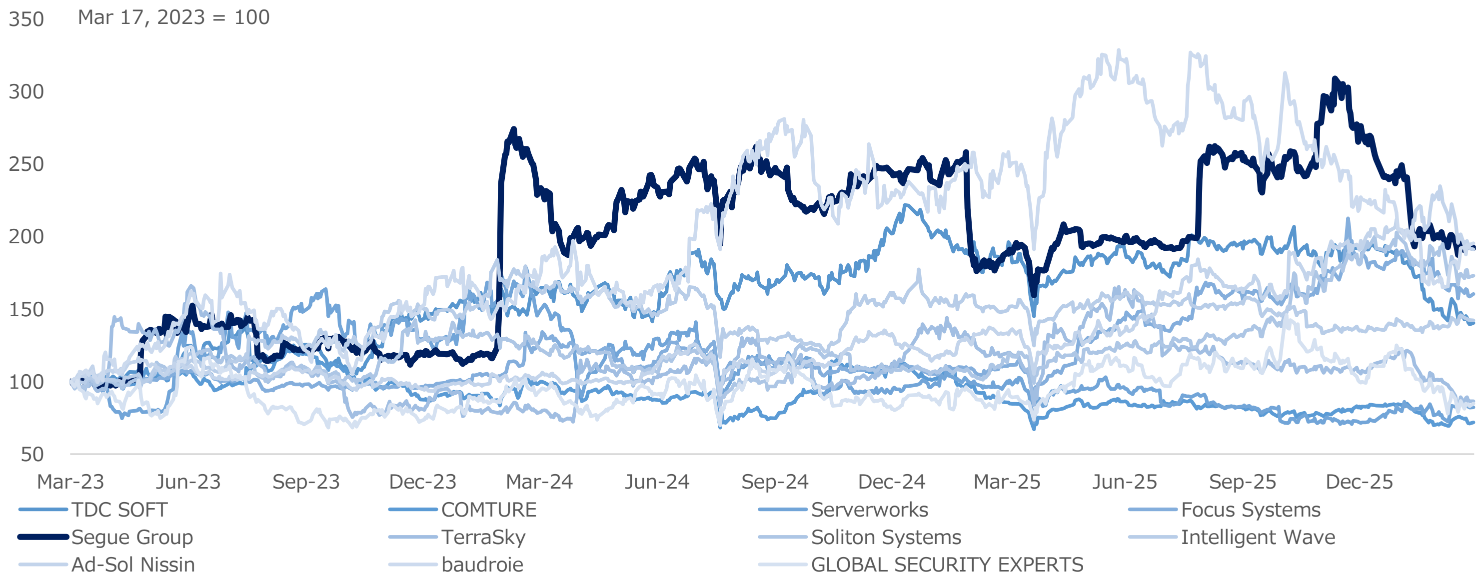

Note: Calculated based on the closing price on March 17,2025 as 100.
Source: Company Data. Compiled by Strategy Advisors.

### Figure 4. Comparative Valuations with Peers

| Ticker | Company name | FY | Stock Price | Market Cap | PER | PBR | ROE | EV/EBITDA | Dividend Yield | Shareholders' Equity Ratio | Net D/E Ratio | Stock Price Chg Over Past 1yr | Stock Price Chg Over Past 3yr |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | (Mar 16) (¥) | (Mar 16) (¥ mn) | CoE (Times) | Actual (Times) | CoE (%) | Actual (Times) | CoE (%) | Actual (%) | Actual (Times) | (%) | (%) |
| **3968** | **Segue Group** | **Dec-24** | **498** | **18,100** | **12.9** | **4.3** | **33.5** | **8.5** | **3.6** | **22.5** | **0.9** | **7.9** | **88.5** |
| 2327 | NS Solutions | Mar-25 | 3,729 | 682,338 | 23.4 | 2.6 | 11.2 | 14.7 | 2.1 | 62.0 | 0.1 | -3.1 | 117.0 |
| 3697 | SHIFT | Aug-24 | 660 | 173,773 | 15.1 | 4.2 | 32.9 | 9.8 | 0.0 | 53.3 | 0.3 | -35.9 | -50.6 |
| 9682 | DTS | Mar-25 | 1,078 | 171,774 | 15.7 | 3.0 | 18.8 | 9.5 | 1.9 | 72.2 | 0.0 | 5.7 | 33.0 |
| 4722 | Future | Dec-24 | 1,645 | 145,872 | 12.4 | 2.3 | 18.8 | 6.6 | 2.9 | 64.4 | 0.2 | -10.3 | -8.1 |
| 2317 | Systena | Mar-25 | 424 | 151,561 | 14.6 | 4.7 | 31.9 | 10.5 | 3.1 | 62.7 | 0.0 | 18.1 | 31.2 |
| 4413 | baudroie | Feb-25 | 2,027 | 63,180 | 26.7 | 13.8 | 51.3 | 22.5 | 0.4 | 53.1 | 0.4 | -19.9 | 113.3 |
| 3762 | TECHMATRIX | Mar-25 | 1,745 | 70,123 | 14.4 | 2.9 | 20.2 | 6.3 | 2.8 | 23.0 | 0.2 | -11.5 | 24.0 |
| 3636 | Mitsubishi Research Institute | Sep-24 | 4,645 | 73,172 | 12.6 | 1.0 | 8.1 | 4.7 | 3.6 | 56.1 | 0.0 | -2.8 | -8.2 |
| 5036 | Japan Business Systems | Sep-24 | 1,591 | 71,544 | 12.4 | 2.6 | 21.6 | 10.4 | 2.8 | 36.4 | 0.9 | 57.3 | -2.3 |
| 4687 | TDC SOFT | Mar-25 | 999 | 47,264 | 12.4 | 2.3 | 18.2 | 6.7 | 0.0 | 73.8 | 0.0 | -23.4 | 31.0 |
| 3844 | COMTURE | Mar-25 | 1,471 | 46,915 | 14.1 | 2.5 | 18.0 | 7.0 | 3.4 | 72.1 | 0.0 | -16.8 | -30.7 |
| 4417 | GLOBAL SECURITY EXPERTS | Mar-25 | 2,460 | 37,027 | 26.1 | 12.0 | 46.0 | 21.3 | 1.3 | 37.8 | 0.6 | 0.3 | -21.5 |
| 3915 | TerraSky | Feb-25 | 1,638 | 21,146 | 15.5 | 1.9 | 12.3 | 8.3 | 1.0 | 56.9 | 0.0 | -28.1 | -17.1 |
| 4847 | Intelligent Wave | Jun-25 | 998 | 26,132 | 15.5 | 2.8 | 17.8 | 6.1 | 3.7 | 50.7 | 0.0 | -4.7 | 40.9 |
| 3040 | Soliton Systems | Dec-24 | 1,852 | 34,339 | 14.6 | 2.6 | 17.7 | 5.5 | 3.2 | 50.5 | 0.0 | 57.2 | 78.1 |
| 4662 | Focus Systems | Mar-25 | 1,618 | 23,952 | 12.9 | 1.7 | 13.4 | 8.3 | 3.8 | 67.2 | 0.1 | 48.9 | 54.3 |
| 3837 | Ad-Sol Nissin | Mar-25 | 1,547 | 27,028 | 19.3 | 3.8 | 19.8 | 13.2 | 3.0 | 71.6 | - | 43.1 | 92.9 |
| 4434 | Serverworks | Feb-25 | 2,036 | 15,705 | -22.2 | 1.4 | -6.2 | 7.5 | 1.2 | 55.9 | - | -12.6 | -19.6 |

Source: Speeda Data. Compiled by Strategy Advisors.

**Figure 5. Relative Stock Price Chart**




Note: Calculated based on the closing price on March 17,2023 as 100.
Source: Speeda Data. Compiled by Strategy Advisors.

**Figure 6. Consolidated Statement of Income (¥ mn)**

| FY | 12/17 | 12/18 | 12/19 | 12/20 | 12/21 | 12/22 | 12/23 | 12/24 | 12/25 | 12/26 CoE |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Sales** | **7,792** | **8,767** | **9,646** | **10,992** | **12,038** | **13,622** | **17,443** | **18,717** | **25,074** | **30,000** |
| (YoY) | | 12.5% | 10.0% | 14.0% | 9.5% | 13.2% | 28.0% | 7.3% | 34.0% | 19.6% |
| **VAD** | | | | **5,280** | **5,262** | **6,332** | **8,966** | **9,574** | **13,766** | |
| (YoY) | | | | - | -0.3% | 20.3% | 41.6% | 6.8% | 43.8% | |
| **SI** | | | | **5,127** | **6,169** | **6,203** | **7,576** | **7,005** | **8,537** | |
| (YoY) | | | | - | 20.3% | 0.6% | 22.1% | -7.5% | 21.9% | |
| **In-house Development** | | | | **586** | **608** | **1,088** | **901** | **1,084** | **1,135** | |
| (YoY) | | | | - | 3.7% | 79.0% | -17.2% | 20.3% | 4.7% | |
| **Gross profit** | **1,871** | **2,168** | **2,531** | **3,092** | **3,091** | **3,559** | **4,123** | **4,592** | **5,931** | |
| (Gross Profit Margin) | 24.0% | 24.7% | 26.2% | 28.1% | 25.7% | 26.1% | 23.6% | 24.5% | 23.7% | |
| **VAD** | | | | 1,371 | 1,314 | 1,299 | 1,757 | 2,206 | 3,386 | |
| (Gross Profit Margin) | | | | 26.0% | 25.0% | 20.5% | 19.6% | 23.0% | 24.6% | |
| **SI** | | | | 1,313 | 1,446 | 1,419 | 1,665 | 1,447 | 1,479 | |
| (Gross Profit Margin) | | | | 25.6% | 23.4% | 22.9% | 22.0% | 20.7% | 17.3% | |
| **In-house Development** | | | | 409 | 332 | 842 | 702 | 597 | 580 | |
| (Gross Profit Margin) | | | | 69.7% | 54.6% | 77.3% | 77.9% | 55.1% | 51.1% | |
| SG&A | 1,488 | 1,684 | 1,983 | 2,248 | 2,452 | 2,652 | 3,037 | 3,872 | 4,076 | |
| **Operating Profit** | **382** | **484** | **548** | **843** | **638** | **906** | **1,086** | **720** | **1,854** | **2,300** |
| (YoY) | | 26.7% | 13.2% | 53.9% | -24.3% | 41.9% | 19.8% | -33.7% | 157.5% | 24.0% |
| (Operating Profit Margin) | 4.9% | 5.5% | 5.7% | 7.7% | 5.3% | 6.7% | 6.2% | 3.8% | 7.4% | 7.7% |
| Non-Operating Income | 58 | 19 | 17 | 32 | 54 | 203 | 21 | 449 | 288 | |
| Non-Operating Expense | 2 | 18 | 10 | 1 | 7 | 59 | 92 | 109 | 140 | |
| **Ordinary Profit** | **437** | **485** | **554** | **874** | **686** | **1,050** | **1,015** | **1,060** | **2,001** | **2,299** |
| (YoY) | | 11.0% | 14.1% | 57.7% | -21.5% | 53.1% | -3.4% | 4.4% | 88.8% | 14.8% |
| (Ordinary Profit Margin) | 5.6% | 5.5% | 5.7% | 8.0% | 5.7% | 7.7% | 5.8% | 5.7% | 8.0% | 7.7% |
| Extraordinary Profit | 28 | 69 | 65 | 65 | 0 | 188 | 0 | 268 | 0 | |
| Extraordinary Loss | 0 | 0 | 1 | 1 | 32 | 74 | 0 | 195 | 110 | |
| Profit Before Income Taxes | 466 | 555 | 618 | 938 | 710 | 1,165 | 1,015 | 1,132 | 1,891 | |
| (YoY) | | 19.2% | 11.3% | 51.7% | -24.3% | 64.0% | -12.9% | 11.6% | 66.9% | |
| (Pre-tax profit margin on sales) | 6.0% | 6.3% | 6.4% | 8.5% | 5.9% | 8.6% | 5.8% | 6.1% | 7.5% | |
| Income Taxes | 147 | 178 | 206 | 303 | 255 | 423 | 367 | 598 | 659 | |
| (Effective tax rate) | 31.6% | 32.1% | 33.5% | 32.4% | 36.0% | 36.3% | 36.2% | 52.8% | 34.9% | |
| **Profit** | **319** | **377** | **411** | **634** | **454** | **741** | **647** | **534** | **1,231** | |
| Profit (Loss) Attributable to Non-controlling Interests | 0 | 0 | 0 | 0 | 0 | -1 | -12 | 26 | 40 | |
| **Profit Attributable to Owners of Parent** | **319** | **377** | **411** | **634** | **454** | **743** | **660** | **507** | **1,191** | **1,403** |
| (YoY) | | 18.3% | 9.1% | 54.1% | -28.3% | 63.5% | -11.1% | -23.1% | 134.6% | 17.8% |

Source: Speeda Data. Compiled by Strategy Advisors.

**Figure 7. Key Financial Indicators**

| FY | | 12/17 | 12/18 | 12/19 | 12/20 | 12/21 | 12/22 | 12/23 | 12/24 | 12/25 | 12/26 CoE |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **EPS** | **¥** | **57.1** | **66.3** | **35.9** | **55.6** | **39.6** | **66.5** | **19.6** | **15.7** | **37.6** | **38.6** |
| **BPS** | **¥** | **409** | **428** | **241** | **275** | **280** | **322** | **117** | **94** | **130** | |
| **Dividend per share** | **¥** | **0.00** | **1.66** | **3.33** | **5.33** | **5.33** | **6.00** | **10.00** | **11.00** | **13.00** | **18.00** |
| Dividend payout ratio | % | 0.0% | 2.5% | 9.3% | 9.6% | 13.5% | 9.0% | 50.9% | 69.8% | 35.1% | 47.2% |
| **Closing price** | **¥** | **332** | **246** | **305** | **453** | **259** | **272** | **309** | **639** | **657** | |
| **PER** | **Times** | **5.8** | **3.7** | **8.5** | **8.1** | **6.5** | **4.1** | **15.7** | **40.6** | **17.5** | |
| **PBR** | **Times** | **0.8** | **0.6** | **1.3** | **1.6** | **0.9** | **0.8** | **2.6** | **6.8** | **5.1** | |
| Shares on Issue | '000 | 5,669 | 5,729 | 11,487 | 11,557 | 11,640 | 11,688 | 11,721 | 32,560 | 32,564 | |
| Treasury stock | '000 | 0 | 0 | 0 | 128 | 390 | 501 | 498 | 914 | 819 | |
| Number of treasury stocks excluded | '000 | 5,669 | 5,729 | 11,487 | 11,429 | 11,250 | 11,187 | 11,223 | 31,646 | 31,745 | |
| **Market Capitalization** | **¥ mn** | **11,292** | **8,456** | **10,511** | **15,533** | **8,742** | **9,128** | **10,403** | **20,222** | **20,856** | |
| Shareholders' Equity Ratio | % | 45.0% | 45.8% | 45.3% | 44.1% | 37.1% | 32.6% | 33.8% | 22.3% | 22.5% | |
| Interest-bearing debt balance | ¥ mn | 59 | 0 | 18 | 10 | 502 | 1,130 | 850 | 2,311 | 3,978 | |
| D/E Ratio | Times | 0.03 | 0.00 | 0.01 | 0.00 | 0.16 | 0.31 | 0.21 | 0.76 | 0.95 | |
| EV (Enterprise Value) | ¥ mn | 9,811 | 6,805 | 8,359 | 13,838 | 7,914 | 7,179 | 7,824 | 18,617 | 22,510 | |
| EBITDA | ¥ mn | 495 | 592 | 683 | 1,003 | 806 | 1,055 | 1,281 | 1,026 | 2,300 | |
| EV/EBIDA | Times | 19.8 | 11.5 | 12.2 | 13.8 | 9.8 | 6.8 | 6.1 | 18.1 | 9.8 | |
| **ROE** | **%** | **16.5%** | **15.8%** | **15.7%** | **21.3%** | **14.3%** | **21.6%** | **17.2%** | **14.4%** | **32.9%** | |
| ROIC (Invested capital) | % | 11.4% | 12.7% | 13.0% | 18.0% | 11.2% | 11.3% | 14.8% | 2.4% | 17.2% | |
| ROIC (Business assets) | % | 45.1% | 65.6% | 80.8% | 87.0% | 37.7% | 33.8% | 51.8% | 9.4% | 34.9% | |
| **Number of Employees** | | **350** | **391** | **409** | **446** | **473** | **527** | **570** | **709** | **-** | |

Source: Speeda Data. Compiled by Strategy Advisors.

**Figure 8. Balance Sheet (¥ mn)**

| FY | 12/17 | 12/18 | 12/19 | 12/20 | 12/21 | 12/22 | 12/23 | 12/24 | 12/25 |
|---|---|---|---|---|---|---|---|---|---|
| Cash and deposits | 1,469 | 1,663 | 2,180 | 1,727 | 1,351 | 2,989 | 3,357 | 3,909 | 2,382 |
| Notes and accounts receivable - trade | 1,116 | 1,189 | 1,235 | 2,176 | 2,078 | 2,360 | 2,018 | 3,094 | 5,501 |
| Inventories | 768 | 686 | 640 | 821 | 2,376 | 3,103 | 2,848 | 1,687 | 3,909 |
| Others | 724 | 819 | 987 | 1,081 | 1,429 | 1,521 | 1,805 | 2,104 | 3,787 |
| **Current assets** | **4,078** | **4,359** | **5,044** | **5,806** | **7,236** | **9,975** | **10,029** | **10,795** | **15,579** |
| Buildings and structures | 13 | 14 | 27 | 32 | 42 | 44 | 98 | 104 | 102 |
| Tools, furniture and fixtures | 152 | 152 | 153 | 161 | 166 | 163 | 242 | 244 | 303 |
| Others | 0 | 0 | 8 | 1 | 0 | 39 | 35 | 27 | 26 |
| Tangible fixed assets | 165 | 167 | 190 | 194 | 209 | 248 | 377 | 377 | 432 |
| Intangible assets | 34 | 219 | 301 | 241 | 166 | 258 | 263 | 1,575 | 1,345 |
| Investment securities | 705 | 335 | 335 | 602 | 665 | 343 | 467 | 235 | 579 |
| Others | 169 | 268 | 274 | 345 | 347 | 426 | 693 | 649 | 710 |
| Investments and other assets | 874 | 603 | 609 | 948 | 1,013 | 770 | 1,161 | 884 | 1,289 |
| **Total noncurrent assets** | **1,075** | **990** | **1,102** | **1,384** | **1,388** | **1,276** | **1,802** | **2,837** | **3,067** |
| **Total assets** | **5,154** | **5,350** | **6,146** | **7,191** | **8,625** | **11,252** | **11,831** | **13,633** | **18,647** |
| Accounts payable-trade | 856 | 595 | 508 | 804 | 1,605 | 1,885 | 1,512 | 1,410 | 1,368 |
| Current portion of long-term loans | 58 | 0 | 8 | 8 | 501 | 287 | 273 | 632 | 3,029 |
| Advances received | 1,110 | 1,620 | 2,079 | 2,183 | 2,472 | 3,137 | 4,018 | 4,873 | 6,759 |
| Others | 494 | 470 | 511 | 737 | 520 | 1,055 | 1,048 | 1,396 | 1,631 |
| **Current liabilities** | **2,520** | **2,685** | **3,106** | **3,733** | **5,101** | **6,367** | **6,853** | **8,312** | **12,789** |
| Long-term debt | 0 | 0 | 9 | 1 | 0 | 804 | 544 | 1,652 | 925 |
| Retirement benefit liability | 131 | 146 | 176 | 201 | 222 | 245 | 260 | 360 | 394 |
| Others | 181 | 66 | 66 | 82 | 102 | 150 | 159 | 114 | 137 |
| **Noncurrent liabilities** | **313** | **213** | **252** | **285** | **324** | **1,200** | **963** | **2,127** | **1,457** |
| **Total liabilities** | **2,833** | **2,899** | **3,359** | **4,018** | **5,426** | **7,567** | **7,817** | **10,440** | **14,246** |
| Capital stock | 498 | 505 | 507 | 510 | 514 | 517 | 525 | 528 | 528 |
| Capital surplus | 270 | 278 | 279 | 283 | 287 | 289 | 297 | 0 | 0 |
| Retained earnings | 1,142 | 1,520 | 1,874 | 2,393 | 2,665 | 3,229 | 3,520 | 2,827 | 3,633 |
| Treasury shares | 0 | 0 | 0 | -100 | -302 | -384 | -381 | -467 | -442 |
| **Total shareholders' equity** | **1,912** | **2,304** | **2,661** | **3,087** | **3,165** | **3,652** | **3,961** | **2,888** | **3,718** |
| Accumulated other comprehensive income | 408 | 146 | 106 | 54 | -20 | -48 | -21 | 83 | 393 |
| Share subscription rights | 0 | 0 | 18 | 30 | 54 | 62 | 64 | 71 | 77 |
| Non-controlling interests | 0 | 0 | 0 | 0 | 0 | 18 | 11 | 150 | 210 |
| **Total net assets** | **2,320** | **2,450** | **2,786** | **3,172** | **3,199** | **3,685** | **4,014** | **3,193** | **4,400** |
| **Total liabilities and net assets** | **5,154** | **5,350** | **6,146** | **7,191** | **8,625** | **11,252** | **11,831** | **13,633** | **18,647** |

Source: Speeda Data. Compiled by Strategy Advisors.

**Figure 9. Cash Flow (¥ mn)**

| FY | 12/17 | 12/18 | 12/19 | 12/20 | 12/21 | 12/22 | 12/23 | 12/24 | 12/25 |
|---|---|---|---|---|---|---|---|---|---|
| Profit before income taxes | 466 | 555 | 618 | 938 | 710 | 1,165 | 1,015 | 1,132 | 1,891 |
| Depreciation | 84 | 98 | 111 | 134 | 143 | 124 | 151 | 177 | 205 |
| Amortization of goodwill | 28 | 10 | 22 | 24 | 23 | 23 | 43 | 129 | 240 |
| Decrease (increase) in notes and accounts receivable - trade | 92 | -73 | 52 | -940 | 97 | -235 | 346 | -833 | -2,374 |
| Decrease (increase) in accounts receivable | 0 | -10 | -34 | -123 | -149 | 224 | 127 | -97 | -53 |
| Decrease (increase) in inventories | -466 | 82 | 51 | -181 | -1,554 | -721 | 256 | 1,192 | -2,218 |
| Decrease (increase) in advance payments | -14 | -167 | -98 | 34 | -19 | -286 | -383 | -122 | -1,536 |
| Increase (decrease) in notes and accounts payable-trade | 461 | -261 | -141 | 296 | 801 | 255 | -375 | -156 | -62 |
| Increase (decrease) in advances received | 157 | 482 | 446 | 104 | 289 | 651 | 879 | 776 | 1,878 |
| Other | -140 | -281 | -269 | -122 | -493 | -76 | -474 | -442 | -890 |
| **Cash Flows from Operating Activities** | **670** | **434** | **760** | **163** | **-151** | **1,125** | **1,586** | **1,755** | **-2,810** |
| Purchase of investment securities | -108 | -50 | -35 | -330 | -194 | 0 | -120 | -51 | -1 |
| Proceeds from sales of investment securities | 30 | 79 | 93 | 69 | 61 | 379 | 0 | 223 | 259 |
| Purchase of property, plant and equipment | -99 | -107 | -82 | -86 | -110 | -80 | -227 | -118 | -199 |
| Purchase of intangible assets | -27 | -128 | -84 | -11 | -13 | -13 | -77 | -44 | -59 |
| Purchase of subsidiary share capital associated with a change in the scope of consolidation | 0 | -72 | -96 | 0 | 0 | -195 | 0 | -1,160 | 0 |
| Payments into long-term deposits | 0 | 0 | 0 | 0 | 0 | 0 | -169 | 169 | 0 |
| Other | 79 | -18 | 27 | -42 | 2 | -5 | -63 | 5 | -83 |
| **Cash flows from investing activities** | **-127** | **-297** | **-179** | **-401** | **-254** | **84** | **-658** | **-991** | **-90** |
| Net increase (decrease) in borrowings | -85 | -38 | -11 | -8 | 491 | 594 | -290 | 1,327 | 1,622 |
| Proceeds from issuance of shares | 29 | 14 | 2 | 6 | 7 | 4 | 2 | 0 | 0 |
| Purchase of treasury shares | 0 | 0 | 0 | -100 | -202 | 0 | 1 | -1,248 | 15 |
| Dividends paid | 0 | 0 | -57 | -114 | -182 | -180 | -369 | -328 | -380 |
| Other | -40 | -20 | 0 | 0 | -97 | 34 | -13 | -85 | -20 |
| **Cash flows from financing activities** | **-95** | **-43** | **-66** | **-216** | **17** | **453** | **-669** | **-335** | **1,238** |
| **Free Cash Flow** | **543** | **137** | **581** | **-238** | **-406** | **1,209** | **927** | **763** | **-2,900** |

Source: Speeda Data. Compiled by Strategy Advisors.

**Figure 10. Quarterly Performance Trends (¥ mn)**

| FY | 12/23 | | | | 12/24 | | | | 12/25 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **Net Sales** | **4,561** | **4,496** | **4,352** | **4,032** | **4,953** | **3,457** | **5,506** | **4,800** | **4,788** | **5,212** | **7,858** | **7,215** |
| (YoY) | 36.7% | 68.7% | 37.5% | -9.4% | 8.6% | -23.1% | 26.5% | 19.0% | -3.3% | 50.8% | 42.7% | 50.3% |
| **VAD** | **2,531** | **2,033** | **2,129** | **2,273** | **2,838** | **1,908** | **1,884** | **2,944** | **2,321** | **2,973** | **3,679** | **4,793** |
| (YoY) | 58.7% | 49.5% | 64.5% | 9.1% | 12.1% | -6.2% | -11.5% | 29.5% | -18.2% | 55.8% | 95.2% | 62.8% |
| **SI** | **1,881** | **2,196** | **1,975** | **1,523** | **1,823** | **1,293** | **2,727** | **1,162** | **1,986** | **1,481** | **3,479** | **1,591** |
| (YoY) | 20.3% | 112.2% | 30.7% | -27.2% | -3.1% | -41.1% | 38.1% | -23.7% | 9.0% | 14.6% | 27.5% | 36.9% |
| **In-house Development** | **150** | **267** | **248** | **237** | **293** | **257** | **263** | **271** | **247** | **358** | **242** | **288** |
| (YoY) | -17.1% | -1.4% | -31.2% | -14.5% | 95.9% | -3.9% | 6.2% | 14.6% | -15.7% | 39.5% | -8.0% | 6.2% |
| **Overseas** | **-** | **-** | **-** | **-** | **-** | **-** | **631** | **423** | **233** | **399** | **458** | **544** |
| (YoY) | - | - | - | - | - | - | - | - | - | - | -27.5% | 28.5% |
| Gross Profit | 1,090 | 992 | 1,038 | 1,001 | 1,213 | 913 | 1,261 | 1,204 | 1,134 | 1,424 | 1,689 | 1,683 |
| (Gross Profit Margin) | 23.9% | 22.1% | 23.9% | 24.8% | 24.5% | 26.4% | 22.9% | 25.1% | 23.7% | 27.3% | 21.5% | 23.3% |
| ・VAD | 564 | 402 | 450 | 340 | 612 | 417 | 534 | 643 | 638 | 764 | 846 | 1,138 |
| (Gross Profit Margin) | 22.3% | 19.8% | 21.1% | 15.0% | 21.6% | 21.9% | 28.3% | 21.8% | 27.5% | 25.7% | 23.0% | 23.7% |
| ・SI | 445 | 355 | 387 | 478 | 407 | 354 | 409 | 278 | 304 | 301 | 590 | 285 |
| (Gross Profit Margin) | 23.6% | 16.2% | 19.6% | 31.4% | 22.3% | 27.4% | 15.0% | 23.9% | 15.3% | 20.3% | 16.9% | 17.9% |
| ・In-house Development | 82 | 235 | 202 | 183 | 195 | 142 | 109 | 151 | 120 | 224 | 102 | 133 |
| (Gross Profit Margin) | 54.9% | 88.1% | 81.3% | 77.3% | 66.6% | 55.3% | 41.3% | 55.7% | 48.6% | 62.6% | 42.2% | 46.3% |
| Overseas | - | - | - | - | - | - | 210 | 132 | 71 | 135 | 151 | 127 |
| (Gross Profit Margin) | - | - | - | - | - | - | 33.3% | 31.3% | 30.5% | 33.8% | 32.9% | 23.4% |
| SG&A | 672 | 783 | 736 | 844 | 782 | 996 | 972 | 1,120 | 908 | 965 | 939 | 1,264 |
| **Operating Profit** | **418** | **209** | **302** | **156** | **430** | **-83** | **288** | **84** | **226** | **458** | **750** | **418** |
| (YoY) | 85.8% | 99.0% | 25.1% | -53.2% | 3.0% | - | -4.3% | -46.1% | -47.5% | - | 159.7% | 396.4% |
| (Operating Profit Margin) | 9.2% | 4.7% | 6.9% | 3.9% | 8.7% | -2.4% | 5.2% | 1.8% | 4.7% | 8.8% | 9.5% | 5.8% |
| Non-Operating Income/Expenses | -6 | -18 | -5 | -40 | 382 | 10 | 1 | -54 | 17 | -24 | 99 | 55 |
| **Ordinary Profit** | **411** | **191** | **296** | **116** | **813** | **-73** | **290** | **30** | **243** | **434** | **849** | **474** |
| (YoY) | 49.7% | 4.0% | 17.0% | -65.7% | 97.4% | - | -1.8% | -74.0% | -70.0% | - | 192.3% | 1470.8% |
| (Ordinary Profit Margin) | 9.0% | 4.3% | 6.8% | 2.9% | 16.4% | -2.1% | 5.3% | 0.6% | 5.1% | 8.3% | 10.8% | 6.6% |
| Extraordinary Profit and Loss | 0 | 0 | 0 | 0 | 0 | 13 | 12 | 47 | 0 | 0 | 0 | -110 |
| Profit Before Income Taxes | 411 | 191 | 296 | 116 | 813 | -60 | 302 | 77 | 243 | 434 | 849 | 364 |
| Income Taxes | 143 | 68 | 107 | 48 | 267 | 42 | 115 | 172 | 109 | 155 | 284 | 110 |
| **Profit** | **268** | **122** | **188** | **67** | **545** | **-102** | **187** | **-95** | **134** | **278** | **565** | **253** |
| Profit (Loss) Attributable to Non-controlling Interests | -9 | -7 | 0 | 3 | 5 | 2 | 6 | 11 | -6 | 16 | 20 | 9 |
| **Profit Attributable to Owners of Parent** | **277** | **130** | **188** | **64** | **539** | **-105** | **180** | **-107** | **140** | **262** | **545** | **243** |

Source: Speeda Data. Compiled by Strategy Advisors.

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