HITO-Communications Holdings | 4433 (TSE Prime)

Company Report
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Strategy Advisors Co., Ltd.
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Q2 EBITDA Signals Turnaround; Post-Conflict Resolution in Iran Clears Path for Airport Sector Growth

HITO-Communications Holdings in H1 FY8/2026 reported a 0.6% YoY increase in revenue and a 42.9% YoY decrease in operating profit operating profit. H1 fell short of the FY8/2026 Company Plan by ¥171 million, primarily due to the impact of reduced flights to China resulting from the deterioration of Japan-China relations. On the other hand, Q2 EBITDA increased QoQ, showing signs of a recovery in performance.

Regarding sales, decreases resulting from the termination of contracts with major clients in the EC/TC Support Business (Digital Sales Support Sector) and a sales shortfall at FMG due to a change in the fiscal year-end in the same period of the previous year (Airport Sector) were offset by increases driven by contributions from the Osaka-Kansai Expo (Sports & Entertainment Sector) and expanded contracts from telecommunications carriers (Store Sales Support Sector, etc.).

Regarding operating profit, factors contributing to the decline included increased expenses from upfront investments for securing large-scale projects in H2 FY8/2026, the impact of FMG's fiscal year-end change, and the impact of reduced flights to China (all in the Airport Sector).

Although H1 results showed a significant decline in profit compared to the Company's plan, the Company maintained its full-year forecast because: 1) excluding the impact of reduced flights to China in the Airport Sector, operating profit was generally in line with the plan; and 2) it is difficult to predict when Japan-China relations will improve or when the situation in the Middle East, which could affect H2 performance, will stabilize. Furthermore, following FMG's acquisition of "FAA 145" certification from the U.S. Federal Aviation Administration in March, the company completed a fully integrated model capable of handling all processes, passenger, ramp and maintenance, for its core ground handling operations entirely in-house on a nationwide scale.

The company's stock price rebounded after investors responded positively to the growth scenario outlined in the new Medium-Term Management Plan announced in November 2024. While the stock price remained on an upward trend until early August 2025, it declined following the announcement of lower-than-expected earnings for Q1 FY8/2026 and is currently trading slightly below ¥900.

Stock Price and Volumes (Past 1 Year)

Source: Strategy Advisors

Key Indicators

Stock Price (5/1/26)	872
52-Week High (8/5/25)	1,175
52-Week Low (4/30/26)	865
All-Time High (12/14/21)	2,789
All-Time Low (3/19/20)	603
# of Shares Issued (mn)	17.8
Market Capitalization (¥bn)	15.6
EV (¥bn)	15.9
Equity Ratio (FY8/25, %)	42.6
ROE (FY8/25 Actual, %)	4.9
PER (FY8/26 CoE, x)	12.0
PBR (FY8/25 Actual, x)	0.9
Dividend Yield (FY8/26 CoE, %)	4.3

Source: Strategy Advisors

One of the Company's Equity Stories is "the dramatic growth of the Airport Sector through the resolution of a national social issue - the capacity shortage in the ground handling industry at major domestic airports - aiming to achieve the 2030 target of 60 million inbound tourists". If the conflict in Iran subsides, attention is expected to surge toward the Airport Sector, which is now poised for dramatic growth. Consequently, the stock price may rise as it factors in expectations for medium to long-term earnings growth, potentially pushing the forward PER above 20x - the upper limit observed over the past year and a half.

Japanese GAAP - Consolidated

FY	Sales (¥mn)	YoY (%)	Operating Profit (¥mn)	YoY (%)	Ordinary Profit (¥mn)	YoY (%)	Net Profit (¥mn)	YoY (%)	EPS (¥)	DPS (¥)
FY8/25 H1	30,927	3.7%	1,278	0.3%	1,279	1.4%	565	4.0%	31.7	—
FY8/26 H1	**31,102**	**0.6%**	**729**	**-42.9%**	**675**	**-47.2%**	**180**	**-68.0%**	**10.1**	**—**
FY8/21	64,130	-23.9%	5,739	19.9%	5,759	12.4%	3,227	16.3%	180.9	30.0
FY8/22	63,980	-0.2%	4,198	-26.8%	4,300	-25.3%	1,885	-41.6%	105.7	31.0
FY8/23	58,547	-8.5%	1,568	-62.6%	1,536	-64.3%	-43	—	-2.4	35.0
FY8/24	63,596	8.6%	2,495	59.1%	2,504	63.0%	853	—	47.9	37.0
FY8/25	66,280	4.2%	2,800	12.2%	2,810	12.2%	1,295	51.7%	72.6	37.5

Source: Company Data. Compiled by Strategy Advisors.

Table of Contents

1. H1 FY8/2026 Financial Results

H1 FY8/2026 Financial Results: Revenue +1%, Operating Profit -43%, Net Profit -68%

For the H1 FY8/2026 financial results, sales increased to ¥31.102 billion (+0.6% YoY), operating profit decreased to ¥729 million (-42.9% YoY) and profit attributable to owners of the parent company decreased to ¥180 million (-68% YoY).

Figure 1. H1 FY8/26 Results (Unit: ¥mn)

FY	8/25						8/26			
	Q1	Q2	H1	Q3	Q4	Full Year	Q1	Q2	H1	YoY
Net Sales	16,428	14,499	30,927	16,764	15,905	63,596	16,211	14,891	31,102	0.6%
Gross Profit	3,327	2,985	6,312	3,206	3,394	12,912	3,092	3,147	6,239	-1.2%
Gross Profit Margin	20.3%	20.6%	20.4%	19.1%	21.3%	20.3%	19.1%	21.1%	20.1%	—
SG&A Expenses	2,590	2,443	5,033	2,617	2,766	10,416	2,750	2,759	5,509	9.5%
SG&A Ratio	15.8%	16.8%	16.3%	15.6%	17.4%	16.4%	17.0%	18.5%	17.7%	—
Operating Profit	737	541	1,278	589	628	2,495	341	388	729	-42.9%
OP Margin	4.5%	3.7%	4.1%	3.5%	3.9%	3.9%	2.1%	2.6%	2.3%	—
Ordinary Profit	748	531	1,279	592	633	2,504	316	359	675	-47.2%
Extraordinary Income/Loss	-3	72	69	-3	-499	-433	-5	-2	-7	—
Income Before Income Taxes	744	603	1,347	591	132	2,070	311	357	668	-50.4%
Income Taxes	403	278	681	264	66	1,011	188	204	392	-42.4%
Profit	341	325	666	326	67	1,059	122	153	275	-58.7%
Profit Attributable to non-controlling Interests	66	34	100	51	54	205	51	44	95	-5.0%
Profit Attributable to Owners of the Parent	274	291	565	276	12	853	71	109	180	-68.0%
EBITDA	1,065	863	1,928	902	1,001	3,831	723	837	1,560	-19.1%

Note: EBITDA = Operating Profit + Depreciation + Amortization of Goodwill
Source: Company Data. Compiled by Strategy Advisors.

Sales Slightly Exceeded the Plan, but Operating Profit Fell Short of the Plan

Sales exceeded the company's H1 plan by ¥158 million, but operating profit fell short of the plan by ¥171 million. The achievement rates relating to the H1 company plan were 100.5% for sales, 101.1% for gross profit, 104.5% for SG&A expenses and 81.1% for operating profit.

Although the Airport Sector was impacted by reduced flights to China due to deteriorating Japan-China relations, and the inbound tourism sector, which includes the land operating business that arranges sightseeing itineraries, transportation and accommodations for foreign visitors to Japan, which performed poorly, where sales slightly exceeded the company's plan. This was because both the Wholesales Business's IP-related businesses performed well and the Sports & Entertainment Sector exceeded their respective plans.

On the other hand, operating profit fell short of the Company's plan due to a decrease in gross profit resulting from the reduction in flights to China and an increase in selling, general and administrative expenses.

The Main Factors Contributing to the Decline in Profit

Compared to FY8/2025, the main factors contributing to the decline in revenue were: 1) the termination of contracts with major clients in the EC/TC Support Business within the Digital Sales Support Sector, 2) the impact of the change in the fiscal year-end for FMG, which handles ground handling operations in the Airport Sector, compared to the same period of the previous year (impact amount: ¥411 million) and finally, 3) the impact of reduced flights to China due to the deterioration of Japan-China relations (Airport Sector).

The main factors contributing to the decline in profits include: 1) the termination of contracts with major clients in the EC/TC Support Business (impact: ¥38 million), 2) the change in FMG's fiscal year-end, 3) increased expenses associated with upfront investments for securing large-scale projects in the Airport Sector during the second half of the fiscal year and 4) a decrease in profits due to reduced revenue resulting from the reduction in flights to China (impact: ¥100 million).

Factors Contributing to Increased Revenue & Profit, Include the Contribution from the Osaka-Kansai Expo Project & an Increase in New Residential Projects

On the other hand, the main factors contributing to the increase in revenue include: 1) the contribution from the Osaka-Kansai Expo project in the Sports & Entertainment Sector (contribution of ¥258 million), 2) an increase in new contracts from overseas airlines in the Airport Sector; 3) increased revenue in the communications field within the Store Sales Support Sector and 4) the contribution from newly consolidated subsidiaries.

The main factors contributing to the profit increase include: 1) the contribution from the Osaka-Kansai Expo project, 2) an increase in new contracts from overseas airlines and 3) the expansion of high-margin new businesses such as character lottery tickets and concept cafes in the Wholesales Business.

FMG's Profit and Loss Deteriorated Significantly

For its H1 operating profit, the company disclosed an analysis of factors contributing to profit increases or decreases, breaking down the figures into: 1) FMG, 2) newly consolidated subsidiaries and new businesses, 3) impact of termination by major E-commerce customers, 4) Gross Profit in the communications field of Store Sales Support Sector; and 5) Other (with all categories except 4) representing operating profit), comparing YoY results, H1 plans, and H1 actuals.

Regarding FMG, while the company had planned for a loss of ¥27 million, a reversal from the ¥123 million profit in the same period of the previous year, due to increased upfront investment costs and the impact of the fiscal year-end change, the actual result was a loss of ¥127 million, exacerbated by a decline in profits resulting from an increase in idle employees following the reduction of flights to China.

Newly Consolidated Subsidiaries and New Businesses Recorded Losses

Regarding newly consolidated subsidiaries and new businesses, while the company had projected a loss of ¥90 million (compared to a break-even result YoY) due to losses from newly consolidated subsidiaries with heavy upfront investment burdens and startup costs for regional revitalization projects, actual results were limited to a loss of ¥68 million as sales exceeded expectations.

Profits From Major E-Commerce Customers Declined

Profits from major e-commerce customers fell from ¥38 million in the same period of the previous year to ¥0 million, in line with the firm's plan.

Operating Profit in the Communications Field: Store Sales Support Sector Increases

Regarding gross profit in the communications field of the Store Sales Support Sector, it was expected to decrease from ¥114 million in the same period of the previous year to ¥68 million, given the challenging market environment. However, due to a recent intensification of marketing efforts by telecommunications carriers and sales exceeding expectations, gross profit increased to ¥188 million.

Profits in Other Businesses and Sectors Decreased Significantly

Regarding profits from other businesses and sectors, while a decrease from ¥1.004 billion YoY to ¥950 million had been planned due to factors such as rising SG&A expenses caused by soaring prices, personnel expenses and other costs increased more than anticipated due to wage hikes and other factors, resulting in a decrease to ¥737 million.

Gross Profit Margin for H1 Declined

The gross profit margin for H1 declined to 20.1% from 20.4% YoY. This was primarily due to a temporary sharp decline in the profit margin of FMG in the Airport Sector, resulting from the burden of upfront investments such as depreciation and labor costs, as well as a reduction in flights to China.

The Gross Profit Margin Turned Upward in Q2

However, on a quarterly basis, while the gross profit margin for Q1 fell from 20.3% in the same period of the previous year to 19.1%, it rose from 20.6% in the same period of the previous year to 21.1% in Q2. The turnaround in the gross profit margin in Q2 is presumed to be due to an increase in the proportion of sales of high-margin services and products in the Wholesales Business and the EC/TC Support Business.

SG&A Expenses Increased 10% YoY

SG&A expenses increased by 9.5% YoY due to the impact of newly consolidated subsidiaries, soaring logistics costs in the Wholesales Business, and increases in personnel expenses associated with organizational strengthening in the Airport Sector.

Although Operating Profit for H1 Declined Significantly, There Were Signs of a Recovery in Q2 EBITDA

Although gross profit declined by only 1.2% YoY, operating profit H1 fell by 42.9% YoY due to the increase in SG&A expenses. However, the rate of decline in quarterly operating profit narrowed from 53.7% YoY in Q1 to 28.3% YoY in Q2.

On the other hand, due to a significant increase in depreciation expenses resulting from upfront investments in the Airport Sector, EBITDA for H1 was ¥1.560 billion (-19.1% YoY). On a quarterly basis, EBITDA increased from ¥723 million in Q1 (-32.1% YoY) to ¥837 million in Q2 (-3% YoY), with the rate of decline narrowing. Considering the absence of the profit from the Osaka-Kansai Expo recorded in Q1, Q2's EBITDA shows signs of a recovery in performance.

Non-Operating Income & Expenses Deteriorated

In non-operating income, penalty income of ¥20 million recorded in the same period of the previous year was no longer recognized and "other" income decreased from ¥39 million to ¥15 million YoY. Consequently, total non-operating income decreased from ¥72 million in the same period of the previous year to ¥33 million.

On the other hand, non-operating expenses increased from ¥71 million to ¥87 million YoY, primarily due to interest expenses rising from ¥32 million to ¥51 million because of increased borrowings and higher interest rates. Consequently, non-operating income and expenses deteriorated from a surplus of ¥1 million in the same period of the previous year to a deficit of ¥54 million.

Due to the Significant Decline in Profits, the Tax Burden Ratio Rose.

Although the amount of goodwill amortization not recognized as a tax-deductible expense decreased slightly from ¥414 million in the same period of the previous year to ¥397 million, the effective tax rate rose from 50.6% in the same period of the previous year to 58.7% because of the significant decrease in interim net income before income taxes.

Interim Net Income Attributable to Non-Controlling Interests Decreased

The Group's ownership stakes in BBF, Inc. (EC/TC Support Business) and BRANCH OUT (Wholesales Business) are both 83.5%. Since the increase in profit at BRANCH OUT was less than the decrease in profit at BBF, Inc., net income attributable to non-controlling interests decreased from ¥100 million in the same period in the previous year, to ¥95 million.

Conversion of Non-Consolidated Subsidiaries into Consolidated Subsidiaries

The Company consolidated Squad (Sports & Entertainment Sector), Iga City Nigiwai Partners (public sector), TSUMORI CHISATO DESIGN STUDIO and T.C Inc. (Wholesales Business), which were previously non-consolidated subsidiaries, as consolidated subsidiaries starting in Q1 due to their increased significance. Subsequently, T.C Inc. was dissolved through an absorption-type merger with TSUMORI CHISATO DESIGN STUDIO as the surviving entity.

No Change in Financial Soundness

Total assets as of the end of H1 FY8/2026 increased by ¥919 million to ¥41.742 billion YoY. Regarding major changes, following the conversion of non-consolidated subsidiaries into consolidated subsidiaries, investments in affiliates decreased by ¥849 million and long-term loans to affiliates decreased by ¥330 million. Conversely, property, plant, and equipment increased by ¥516 million, inventory increased by ¥458 million, and notes receivable, accounts receivable and contract assets increased by ¥451 million.

On the funding side, total liabilities increased by ¥1.062 billion to ¥22.977 billion YoY, primarily due to a ¥2.25 billion increase in short-term borrowings and a ¥331 million increase in long-term borrowings (including those due within one year). In addition, due to dividend payments and other factors, shareholders' equity decreased by ¥177 million to ¥17.196 billion. As a result, the equity ratio declined from 42.6% at the end of the previous fiscal year to 41.2%. However, the net debt-to-equity ratio (net D/E ratio) remained negative at -0.07, indicating no change in the soundness of the Company's financial position.

Business Categorized into Eight Sectors

The Company currently classifies its business into 8 sectors and discloses sales by sector, as per below.

Figure 2. Sales by Sector for H1 FY8/26 (¥mn)

FY	8/25						8/26			
	Q1	Q2	H1	Q3	Q4	Full Year	Q1	Q2	H1	YoY
Wholesale	4,580	3,418	7,998	4,505	4,176	16,679	4,613	3,455	8,068	0.9%
Store Sales Support Sector	3,588	3,727	7,315	3,751	3,701	14,767	3,698	3,853	7,551	3.2%
Digital Sales Support	3,555	2,835	6,390	2,852	2,756	11,998	2,978	2,629	5,607	-12.3%
Airport	2,048	1,960	4,008	1,878	2,057	7,943	1,824	2,097	3,921	-2.2%
Inbound Tourism	1,500	1,396	2,896	1,721	1,161	5,778	1,484	1,389	2,873	-0.8%
Sports & Entertainment Sector	742	755	1,497	1,581	1,560	4,638	1,131	946	2,077	38.7%
Public	227	200	427	253	267	947	263	323	586	37.0%
Works	184	207	391	225	230	846	216	200	416	6.4%
Total	16,428	14,499	30,927	16,764	15,905	63,596	16,211	14,891	31,102	0.6%

Source: Company Data. Compiled by Strategy Advisors.

Sports & Entertainment Sector, Store Sales Support Sector, Etc. Saw Revenue Growth

Sectors with revenue growth include Sports & Entertainment Sector (+¥580 million YoY), Store Sales Support Sector (+¥235 million), Public (+¥158 million), Wholesales Business (+¥69 million) and Works (+¥25 million).

The Sports & Entertainment Sector Saw a 39% Increase in Revenue

Sales in the Sports & Entertainment Sector increased by 38.7% YoY, driven by factors such as the Company securing various contracts from organizers, participating countries, and companies for the Osaka-Kansai Expo (April 13 to October 13) (sales for H1 were ¥258 million); increased sales from operational support services for professional sports teams, such as basketball; and contributions from Squad, a newly consolidated subsidiary engaged in the sports information business. Although Q2 sales fell from Q1's ¥1.131 billion to ¥946 million as the contribution from the Osaka-Kansai Expo project faded, they still increased by 25% YoY, indicating continued strong performance.

Even excluding the contribution from the Osaka-Kansai Expo project, H1 sales increased to ¥1.819 billion from ¥1.497 billion in the same period of FY8/2020. Furthermore, in Japan during FY8/2027, various international events such as the 20th Asian Games (September 19 to October 4) are scheduled to take place, which is likely to have a positive impact on the Company.

Sales Growth in the Sports & Entertainment Sector During Q3 and Q4 of FY8/2025 Was Driven by Seasonality and Contributions from the Osaka-Kansai Expo

The Sports & Entertainment Sector is characterized by significant fluctuations in quarterly sales due to the presence or absence of events and the seasonality of various professional sports. In FY8/2025, Q1 sales were ¥742 million (+20% YoY), Q2 at ¥755 million (+44% YoY), Q3 at ¥1.581 billion (+75% YoY), and Q4 at ¥1.560 billion (+94% YoY) with a notable increase in sales during H2 of the fiscal year. The increase in Q3 sales was due to seasonal factors - Q3 and Q4, which coincide with the professional baseball season, typically see higher sales than Q2- as well as a significant contribution from the Osaka-Kansai Expo (sales from this project in the second half totaled ¥1.073 billion).

Regarding Q4, while the YoY revenue growth rate was the highest among the quarters of FY8/2025, sales were slightly lower than in Q3. Although sales from the Osaka-Kansai Expo are believed to have increased compared to Q3 due to the number of days the event was held, this is presumed to be due to a decrease in rugby-related sales compared to Q3, as it coincided with the off-season.

Store Sales Support Sector Revenue Up 3%

In the Store Sales Support Sector, although the store segment continued to struggle, revenue increased by 3.2% YoY due to stronger growth in the core communications field, driven by more aggressive marketing activities by telecommunications carriers. However, the revenue growth was insufficient to offset increases in cost of sales, such as staff labor costs, and it appears that operating profit for this sector declined. It should be noted that quarterly sales in the communications field of this sector had exceeded ¥4 billion through Q2 FY8/2021 but declined significantly due to the COVID-19 pandemic and remained stagnant at ¥20 to ¥25 billion from Q4 FY8/2023 onward. However, in Q2 FY8/2026, sales slightly exceeded ¥25 billion for the first time in a while.

Although the revenue growth rate for H1 appears somewhat disappointing compared to the full-year plan (+4.6% YoY), it appears to have been in line with the company's expectations. In February, the company launched a product promotion "rounder" (store patrol) service at approximately 500 home appliance retail stores nationwide, commissioned by a major foreign-affiliated company and plans to launch new services in the future.

Public Sector Revenue +37%

Revenue in the Public Sector increased by 37% YoY. This growth was driven by the Iga Ninja Experience Facility "Bansenshukai", which opened at the end of August 2025, as well as the "Space Interaction Hall Sora-Miru" in Kushimoto-Town, Wakayama Prefecture, which began operations in April 2025. Q2 sales increased steadily to ¥323 million from ¥263 million in Q1 (+62% YoY).

The revenue growth rate for H1 slightly exceeded the full-year plan (+32.7% YoY), but given that the execution of the Public Sector's new fiscal year budget begins in April and Q4, which includes the summer vacation, is the peak season for the facilities, there is a possibility that future results could exceed the plan.

Wholesales Business Sector: 1% Revenue Growth, 12% Profit Growth

Revenue in the Wholesales Business, managed by BRANCH OUT and others, increased by 0.9% YoY. Revenue from apparel products and fan merchandise utilizing IP licenses, as well as collaborative products with influencers, saw a slight decline YoY, which saw a significant increase, as the company prioritized strengthening its production and logistics systems and consequently curbed order intake. On the other hand, overall revenue increased due to the expansion of new businesses, such as concept cafes, pop-up shops (temporary stores) and character lottery games, utilizing major IP's, which the Company has been actively promoting since H2 FY8/2025, as well as contributions from the newly consolidated subsidiary, TSUMORI CHISATO DESIGN STUDIO.

In this sector, the SG&A ratio deteriorated due to soaring logistics costs overseas. On the other hand, although the yen appears to have weakened YoY, the gross profit margin rose compared to H1 FY8/2025 due to the launch of new, high-margin ventures such as concept cafes, which appears to have offset the deterioration in the SG&A ratio. As a result, the segment profit margin rose from 4.6% to 5.1% YoY and segment profit increased by 11.9% YoY.

The Wholesales Business Exceeded Cautious Company Forecasts

The full-year sales forecast for the Wholesales Business Sector was a conservative estimate of a 5.3% YoY decrease; however, contributions from new businesses and the newly consolidated subsidiary, TSUMORI CHISATO DESIGN STUDIO, exceeded expectations; and it appears that H1 sales and segment profit significantly exceeded the company's projections. Furthermore, efforts have begun to expand the inspection system, which has been a particularly urgent issue within the apparel product supply chain.

Entered the Character Lottery Market

BRANCH OUT entered the "character lottery" market, which has been expanding in recent years, in Q1. A character lottery is a "no-lose" lottery where participants win popular character merchandise. Although BRANCH OUT is a latecomer to the character lottery market, the company plans to leverage its planning capabilities, based on its strength in IP licensing, to strengthen its non-apparel product initiatives and aim for further growth in the Wholesales Business.

The Peak Demand Periods for the Wholesales Business Are Q1 and Q3

Wholesales Business Sector sales in Q2 (¥3.455 billion) decreased significantly from Q1 sales (¥4.613 billion); this is because Q1 and Q3, which coincide with the launch periods for fall and spring collections, are the peak demand periods. YoY, both Q1 and Q2 saw a 1% increase.

Wholesales Business Sector's Q2 Segment Profit Margin Surged

Regarding the Wholesales Business Sector's quarterly segment profit margin, in Q1 - which corresponds to the peak demand period for apparel - the margin fell from 6.5% to 5.7% YoY due to factors such as rising logistics costs. However, in Q2 - which corresponds to the off-season - the margin surged from 2% to 4.4% YoY, driven by a significant increase in the sales share from new business ventures. As a result, segment profit for Q2 surged from ¥70 million in the same period of the previous year to ¥152 million.

Declining Revenue in the Digital Sales Support, Airport & Inbound Tourism Sectors

Sectors with declining revenue, which includes digital sales support (-¥782 million YoY), airport (-¥87 million YoY) & inbound tourism (-¥23 million YoY).

Digital Sales Support Sector Down 12% in H1

Overall, the Digital Sales Support Sector saw a 12.3% YoY revenue decline in H1. Breaking this down, revenue remained flat YoY for all segments except for the EC/TC Support Business - specifically, the inside sales handled by SALES ROBOTICS and the remote customer service systems handled by UsideU. On the other hand, revenue for the EC/TC Support Business handled by BBF, Inc. decreased by 16% YoY due to the termination of contracts with major clients in the EC support business and the slump in the TV shopping (TC) support business, which is facing a deteriorating market environment. Furthermore, segment profit for the EC/TC Support Business decreased by 22% YoY, suggesting that the Digital Sales Support Sector also saw a decline in operating profit.

Q2 EC/TC Support Business: 8% Revenue Decline. Just 1% Profit Increase

Looking at the quarterly performance of the EC/TC Support Business, Q1 saw sales of ¥2.319 billion (-21% YoY) and segment profit of ¥124 million (-40% YoY), while Q2 saw sales of ¥1.946 billion (-8% YoY) and segment profit of ¥156 million (+1% YoY). Regarding the segment profit margin, while it declined from 7% to 5.3% YoY in Q1, it improved from 7.2% to 8% YoY in Q2 due to the scaling back of the TC Support Business, which is presumed to have a lower profit margin, indicating that segment profits are beginning to recover.

Expectations for Sales Growth at UsideU in H2

In March, UsideU entered a business partnership with DigiJapan, inc. (Headquartered in Minato Ward, Tokyo), the IT strategy arm of the Teraoka Seiko Group and began offering solutions utilizing the remote customer service system "Time Rep" to dry cleaners nationwide. Combined with other business negotiations, UsideU expects to see sales growth in H2 FY8/2026.

The Airport Sector Consists of Airport Facility Operation Support and Sales Support Services, as Well as Ground Handling Operations

The Airport Sector consists of the airport facility operation and sales support business, handled by HITO-Communications - a core subsidiary of the Group that operates across a wide range of sectors- and the ground handling business, handled by FMG and its group companies, which belong exclusively to this sector. Furthermore, the ground handling business, which provides ground support for aircraft operations at airports, is broadly categorized into passenger services that assist passengers with boarding, ramp services that load and unload baggage and cargo onto aircraft and maintenance services that perform maintenance and cleaning of aircraft and other equipment.

Airport Sector Revenue -2% but +9% in Real Terms

Revenue in the Airport Sector decreased by 2.2% YoY. This was due to a special factor: in H1 FY8/2025, seven months' worth of FMG's sales (August 2024 to February 2025) was recorded following a change in FMG's fiscal year-end. On a like-for-like basis, after adjusting for FMG's August 2024 sales of ¥411 million, sales increased by 9% YoY.

The increase in revenue on a like-for-like basis was driven by higher revenue in the ground handling business, which was boosted by an expansion in new orders following the in-house development of ramp operations and the addition of new bases (Kansai International Airport in September 2024 and New Chitose Airport in October).

The Airport Sector Also Includes Seasonal Demand in Q2 & Q4

Looking at the quarterly sales trends for the Airport Sector, sales decreased from ¥2.057 billion in Q4 FY8/2025 to ¥1.824 billion in Q1 FY8/2026, but increased to ¥2.097 billion in Q2.This is presumed to be due to the inclusion of demand for temporary summer flights at various airports in Q4 and demand for temporary winter flights centered on New Chitose Airport in Q2, as well as the contribution of new orders for the Airport ramps business in Q2 FY8/2026.

Airport Sector Reports Significant Profit Decline

As mentioned earlier, since FMG's profit decreased by ¥250 million YoY, it appears that the Airport Sector also saw a significant decline in profit for H1. In addition to the profit decline caused by the decrease in sales resulting from FMG's fiscal year-end change. Other factors contributing to the profit decline include a significant increase in personnel expenses (the training period for ground handling staff is approximately 6 months), rent and lease expenses (for warehouses and offices storing Ground Support Equipment (GSE) vehicles) and depreciation expenses associated with upfront investments for securing major projects in H2, as well as a profit decline due to an increase in idle employees resulting from the reduction in flights to China. It should be noted that the company's depreciation expenses for H1 increased by ¥198 million, with most of this increase attributable to GSE vehicles in the Airport Sector.

FMG's Presence is Rapidly Expanding

When FMG joined the group in July 2023, it had approximately 600 staff members, 30 client companies and zero GSE vehicles in its fleet. As of February 2026, the Company has over 1,000 employees, 110 client companies (of which business with 7 Chinese airlines is currently suspended), and 10 sets of GSE vehicles, indicating that its presence within the industry is growing at an unprecedented pace.

In April, Ground Handling Operations for Cebu Pacific Air Began at Major Airports Nationwide

After launching cabin cleaning services at select airports in January 2026, FMG opened a ramp base at Chubu Centrair International Airport in March. Additionally, the Company announced that it would begin operating its Fukuoka Airport base in collaboration with a local ground handling company. It has now revealed that the client for the comprehensive ground handling services it began providing at major airports nationwide in April is Cebu Pacific Air, the largest LCC (Low-Cost Carrier) in the Philippines.

Plans to Establish a Comprehensive Ground Handling System at 7 Major Airports Nationwide by this Fall

Looking ahead, the Company expects to establish a system capable of handling all ground handling operations at all 7 major airports nationwide, including Naha Airport, where airport ramps are scheduled to open, by the fall of 2026.

Close Monitoring of the Impact of the Iran Conflict is Necessary

However, in the near term, due to the conflict in Iran, flight reductions are not limited to routes to the Middle East or European routes transiting through the Middle East; they are also spreading to other regional airlines, such as Cebu Pacific Air, due to jet fuel shortages and soaring prices. Therefore, close attention must be paid to the impact on the Group's Airport Sector.

Maintenance Business Becomes a Key Driver of Sales Alongside Ramp Services

In March 2026, FMG obtained "FAA 145" certification; the Federal Aviation Administration (FAA) certification for aircraft maintenance operations. In Japan, it is unusual for an independent ground handling company not affiliated with a major airline to obtain this certification. With this achievement, the company has completed a fully integrated model capable of handling all core ground handling operations, passenger services, ramp services and maintenance, in-house on a nationwide scale.

While passenger services originally accounted for the bulk of FMG's sales, sales from its ramp operations - which saw a significant expansion in FY8/2025 following the strengthening of its personnel and equipment infrastructure - grew rapidly. With the acquisition of "FAA 145" certification, the company became capable of performing all operational maintenance in-house and entered the "release operations" business, which involves dispatching aircraft without the need for airline staff supervision. While FMG's maintenance business was previously limited to maintenance support services and accounted for a small portion of sales, it is expected to become a key driver of sales growth alongside the ramp operations business going forward.

Expectations for an Upward Revision of the Sales Target for the Airport Sector Set Out in the Medium-Term Management Plan

Going forward, key areas of focus will include securing new orders at Naha, Chubu International and Fukuoka airports; winning lump-sum contracts for ground handling at major airports nationwide from a second and subsequent client; and expanding orders for the maintenance business following the acquisition of FAA 145 certification. As FMG's business structure has been rapidly strengthened over the past year, if the Iran conflict subsides and the jet fuel issue is resolved, an upward revision of the sales targets set in the Medium-Term Management Plan (¥10.5 billion for FY8/2027 and ¥12.8 billion for FY8/2029) appears to be within reach.

Inbound Tourism Sector Sees 1% Revenue Decline

Revenue in the Inbound Tourism Sector decreased by 0.8% YoY, as the land operating business and other segments continued to struggle due to the impact of the Chinese government's visa-free entry policy for foreigners. On the other hand, the decline in revenue for this sector was limited to a small margin because tour escort services for overseas travel - which had fallen sharply in recent years due to the weakening yen and the COVID-19 pandemic - recovered, driven by an increase in the number of Japanese travelers departing the country, particularly for high-end tours.

Launched a Bathroom Coating Business for Hotels in March

Although sales in the Inbound Tourism Sector for H1 fell short of the company's plan, the company partnered with KeePer Technical Laboratory (6036 TSE Prime) in March to launch a bathroom coating business for hotels nationwide, and the company plans to make up for the shortfall in H2.

The Personnel Staffing Business Saw an Increase in Profit. But the Outsourcing Business's Profitability Deteriorated Significantly

The company discloses its performance not only by sector but also by business segment. Excluding the EC/TC Support Business mentioned in the explanation of the Digital Sales Support Sector and the Wholesales Business, the outsourcing business reported sales of ¥12.936 billion (+7.2% YoY), a segment loss of ¥193 million (compared to a profit of ¥365 million YoY), while the personnel staffing business recorded sales of ¥4.205 billion (-1.5% YoY) and a segment profit of ¥227 million (+34.6% YoY). In the personnel staffing business, although revenue declined slightly due to factors such as sluggish performance in the Store Sales Support Sector, profits increased due to improved profitability resulting from ongoing unit price negotiations.

FMG's Profit Decline and Other Factors Led to a Loss in the Outsourcing Business

On the other hand, despite the increase in revenue, the outsourcing business's profit and loss significantly deteriorated, primarily due to a ¥250 million YoY decrease in profit at FMG in the Airport Sector and an increase in personnel expenses in the Store Sales Support Sector.

2. Business Outlook

1) FY8/2026 Company Plan

FY8/2026 Plan (+4% Revenue Growth, +12% Operating Profit Growth) Remains Unchanged

The company's FY8/2026 Company Plan is as follows: sales of ¥66.28 billion (+4.2% YoY), operating profit of ¥2.8 billion (+12.2% YoY), ordinary profit of ¥2.81 billion (+12.2% YoY) and profit attributable to owners of the parent of ¥1.295 billion (+51.7% YoY). Although H1 results showed a significant decline in profit that fell short of the company's plan, the company maintained its full-year plan because: 1) excluding the impact of reduced flights to China in the Airport Sector, operating profit was generally in line with the plan and 2) it is difficult to predict when Japan/Chin relations will improve or when the situation in the Middle East - which could affect H2 performance, will normalize.

Operating Profit Margin is Projected to Improve by 0.3ppt

Driven by increased revenue and other factors, the gross profit margin is expected to improve by 0.1ppt YoY and the SG&A ratio by 0.2ppt. Consequently, the operating profit margin is projected to improve by 0.3ppt to 4.2%.

It is presumed that the limited improvement in the gross profit margin, despite the expected increase in revenue, is largely due to the impact of increased depreciation expenses associated with investments in GSE vehicles in the Airport Sector, as well as rising labor costs and other expenses.

Figure 3. Company Plan for FY8/26 (¥mn)

FY	8/25 Actual	8/26 Company Plan	8/26 YoY
Net Sales	63,596	66,280	4.2%
Gross Profit	12,912	13,527	4.8%
Gross Profit Margin	20.3%	20.4%	—
SG&A Expenses	10,416	10,727	3.0%
SG&A Ratio	16.4%	16.2%	—
Operating Profit	2,495	2,800	12.2%
OP Margin	3.9%	4.2%	—
Ordinary Profit	2,504	2,810	12.2%
Profit Attributable to Owners of Parent	853	1,295	51.7%

Source: Company Data. Compiled by Strategy Advisors.

Revenue Growth Projected for the Airport Sector, etc.

By sector, sales are expected to decline in the Wholesales Business (-¥879 million YoY) and in the Sports & Entertainment Sector (-¥547 million YoY); while the Airport Sector is projected to increase by ¥1.49 billion, Digital Sales Support is projected to increase by ¥905 million, Store Sales Support Sector by ¥680 million, works by ¥394 million, Inbound Tourism by ¥330 million, and Public by ¥309 million, with revenue growth expected in many sectors.

The Wholesales Business Sector is Projected to Significantly Exceed the Target Set in the Medium-Term Management Plan. But Revenue is Expected to Decrease by 5% YoY

Although the Wholesales Business Sector is projecting ¥15.8 billion - significantly exceeding the Medium-Term Management Plan target of ¥13.5 billion - based on strong results for FY8/2025, revenue is projected to decrease by 5.3% YoY. This is because, although demand remains strong, there is significant pressure on the supply side, such as production and logistics systems. Therefore, the company decided to prioritize strengthening its production and logistics systems by curbing orders in H1 FY8/2026.

FY8/2026 company plan exceeds the FY8/2029 target of ¥15 billion set out in the Medium-Term Management Plan, and the group's move to build a robust supply chain system - including the development of production bases and the improvement of logistics networks to accommodate further order growth in FY8/2026 - is commendable. It is expected that strengthening production and logistics systems will boost growth potential starting in FY8/2027 and we look forward to a significant upward revision of the FY8/2029 plan.

Figure 4. Company Plan for Sales by Sector for FY8/26 (¥mn)

FY		8/25 Actual	8/26 Company Plan	8/26 YoY
Wholesale		16,679	15,800	-5.3%
Store Sales Support Sector		14,767	15,447	4.6%
Digital Sales Support		11,998	12,903	7.5%
Airport		7,943	9,433	18.8%
Inbound Tourism		5,778	6,108	5.7%
Sports & Entertainment Sector		4,638	4,091	-11.8%
	Excl. Expo	3,565	3,746	5.1%
	Expo	1,073	345	-67.8%
Public		947	1,256	32.7%
Works		846	1,240	46.6%
Total		63,596	66,280	4.2%

Source: Company Data. Compiled by Strategy Advisors.

The Sports & Entertainment Sector Plans for a 12% Decline in Sales, Due to a Decrease in Expo Sales

The Sports & Entertainment Sector plans to generate ¥4.1 billion in revenue (-11.8% YoY), which is in line with the target set in the Medium-Term Management Plan (¥4.1 billion). While sales from non-Expo sources, such as professional sports team management support services, are expected to increase by 5.1% YoY to ¥3.75 billion, this projection is due to an anticipated decline in Expo sales from ¥1.07 billion (covering 4.5 months) in the previous fiscal year to ¥350 million (covering 1.5 months).

Furthermore, the positive impact of the Expo on employment appears to be continuing even after the event's conclusion, as evidenced by the re-employment of some Expo staff at theme parks and international events in other regions involved in facility operations.

The Airport Sector Plans a 19% Revenue Increase, Driven by the Opening of a Base at Naha Airport

The Airport Sector plans to generate ¥9.4 billion (+18.8% YoY), which is on par with the target figure (¥9.5 billion) in the Medium-Term Management Plan. Factors contributing to the revenue increase include the establishment of a ground handling base at Naha Airport, the simultaneous launch of handling operations at major airports nationwide following lump-sum contracts from a major international airline and entry into the aircraft cleaning business.

Although there are concerns regarding the impact of reduced flights to China - which were not factored into the Company's plans - and the conflict in Iran, sales in the H2 FY8/2026 are expected to exceed those in H1, driven by factors such as the bulk contract for ground handling services from Cebu Pacific Air. Consequently, investor expectations for the Airport Sector, which had temporarily weakened, are expected to rise again.

The Digital Sales Support Sector Plans for an 8% Revenue Increase Driven by the Expansion of Inside Sales and Other Initiatives

The Digital Sales Support Sector plans to generate ¥12.9 billion (+7.5% YoY), significantly exceeding the target of ¥11.1 billion set in the Medium-Term Management Plan. While sales for the core EC/TC Support Business are projected to be ¥9 billion (-2.3% YoY) due to the lingering impact of contract terminations with major clients, sales from non-core EC/TC Support Businesses (such as inside sales) are expected to grow significantly to ¥3.9 billion (+40.5% YoY).

The Group has identified the following as key action plans for this sector in FY8/2026: strengthening support for existing customers to open stores on mall-type e-commerce platforms such as Amazon and Rakuten Ichiba and enhancing Inside sales through the use of AI.

Inbound Tourism Sector Plans 6% Revenue Growth

The Inbound Tourism Sector plans to generate ¥6.1 billion in revenue (+5.7% YoY), which falls short of the Medium-Term Management Plan target of ¥6.6 billion. Factors contributing to this revenue growth include the expansion of the Limousine service for the wealthy segment that performed well in the previous fiscal year - and the expansion of outsourced operations at accommodation facilities catering to inbound tourists.

Store Sales Support Sector Plans for 5% Revenue Growth

The Store Sales Support Sector plans to generate ¥15.4 billion in revenue (+4.6% YoY), exceeding the Medium-Term Management Plan target of ¥14.1 billion. The company appears to be anticipating growth in the Telecommunications Sector (particularly foreign manufacturers), which has been recovering since H2 FY8/2025.

The Public Sector Plans for a 33% Revenue Increase, Driven by Contributions from Two Projects

The Public Sector plans to generate ¥1.3 billion in revenue (+32.7% YoY), slightly exceeding the target of ¥1.2 billion set in the Medium-Term Management Plan. A significant increase in revenue is expected due to contributions from the Iga Ninja Experience Facility "Bansenshukai", which opened in August 2025, as well as the "Space Interaction Hall Sora-Miru" in Kushimoto-Town, Wakayama Prefecture, which began operations in April 2025 and will contribute to the full-year results. The Group plans to continue working toward the realization of sustainable local communities (regional revitalization) by supporting customers, not only in the public sector but also through initiatives such as supporting professional sports teams across the country in the Sports & Entertainment Sector.

Progressive Dividends as the Basic Dividend Policy

The company's basic dividend policy is to implement stable and continuous progressive dividends, taking into account each fiscal year's performance and financial condition while balancing this with the internal reserves necessary for future business expansion. Additionally, the company aims to maintain a stable dividend payout ratio of 30%. In line with the expansion of its business, the Company has raised its dividend from ¥15 per share in FY2018 to ¥37 per share in FY8/2025.

A Track Record of 15 Consecutive Dividend Increases

Driven by President Yasui's desire to "increase the number of Hitocom fans," the Company has increased its dividend for 15 consecutive fiscal years since its IPO in 2011. In fact, the number of shareholders holding voting rights has increased significantly, from 3,065 at the end of FY2017 to 15,964 at the end of FY8/2025.

Dividend Forecast for FY8/2026: ¥37.5, a ¥0.5 Increase

The Company's forecast for the FY8/2026 dividend per share is ¥37.5 (+¥0.5 YoY with a dividend payout ratio of 51.7%). Given the company's sound financial position and favorable Business Outlook, it is highly likely that dividend increases will continue in the future.

2) Medium-Term Management Plan

The Target Annual Growth Rates Are 4% for Sales & 21% for Operating Profit

In the 5-year Medium-Term Management Plan announced in November 2024, the company aims for the following performance targets for FY8/2029: sales of ¥71 billion (CAGR of 3.9% starting from FY8/2024), operating profit of ¥4 billion (CAGR of 20.6%), and EBITDA of ¥5.02 billion (CAGR of 13.8%). The FY8/2024 results included ¥2.22 billion in sales, ¥390 million in operating profit, and ¥390 million in EBITDA from Covid-19 Services. Calculating the CAGR from FY8/2024 on a basis excluding Covid-19 Services yields a 4.7% increase in sales, a 27.9% increase in operating profit & a 17.5% increase in EBITDA.

Considering an Upward Revision of the Medium-Term Management Plan

Based on the results for FY8/2025, the targets in the Medium-Term Management Plan appear conservative, particularly in the Wholesales Business. It is also assumed that the plan does not anticipate the acquisition of major projects in other sectors, suggesting that the plan is likely to be exceeded.

Although the company has not revised its Medium-Term Management Plan to date, it appears to be considering an upward revision of the plan in the near future, focusing on the Wholesales Business, in light of the strong results for FY8/2025 (+7.8% in sales and +24.7% in operating profit compared to the initial plan), driven by the Wholesales Business.

Airport, Wholesales Business, Digital Sales Support & Inbound Tourism Are the Key Focus Sectors

The company categorizes its current 8 sectors - plus one additional sector addressing societal needs - into 4 key areas based on 2 criteria: projected annual sales growth rate and value-added ratio (gross profit margin).

The sectors identified as "Key Focus Areas" - where both projected growth rates and value-added ratios are high - include Airport Sector, Wholesales Business, digital sales support, and inbound tourism. The company plans to concentrate its management resources on these 4 sectors, which require a high level of expertise. In the Priority Areas, the Company will need to further solidify the Group's difficulty of imitation - which lies in its human resource management approach, which recruits, trains and places the right people in the right positions to meet the needs of clients in a variety of industries. It also relies on its on-site capabilities to solve problems as a team while running with clients, which it has refined over the past 20 years by utilizing its nationwide network of offices.

In the "Deepening Areas" sector - where the projected sales growth rate is low but the company aims to increase profits by raising the value-added ratio (gross profit margin) - Store Sales Support Sector is highlighted and the company plans to focus on improving cost efficiency and operations.

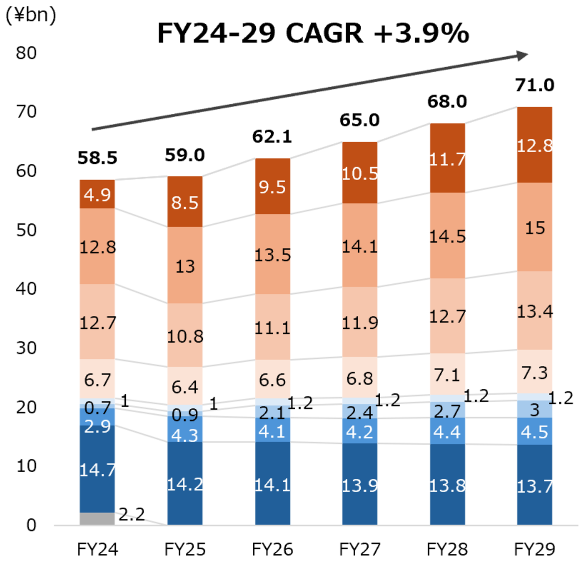
Sectors classified as "Growth Areas", which have high projected sales growth rates but low value-added ratios, are the Public, Work and Sports & Entertainment Sector. The company plans to nurture these businesses while exploring new business models and market development opportunities. Meanwhile, businesses driven by social demands, such as COVID-19 countermeasures, are positioned as "Restructuring Areas", where both projected sales growth rates and value-added ratios are low.

The company aims to allocate management resources with a clear focus on each of the 4 sectors, establishing a solid earnings base while building a business portfolio capable of sustainable growth.

Sales Share of Priority Sectors to Reach Just Under 70% in FY8/2029

The sales plan by sector is shown in Figure 5. The Airport, Work, Wholesale, and Sports & Entertainment Sectors are identified as the drivers of sales growth. The sales composition ratio of the priority sectors is expected to rise from 65.9% in FY8/2024 (excluding COVID-19 countermeasure-related businesses) to 68.5% in FY8/2029.

Figure 5. Medium-Term Management Plan: Sales Planned by Sector



	Increase & decrease amount (¥bn)	CAGR	Composition ratio (FY29)
Focus area			
Airport	+7.9	21.1%	18.1%
Wholesales	+2.2	3.3%	21.1%
Digital Sales Support	+0.7	1.2%	19.0%
Inbound Tourism	+0.6	1.7%	10.3%
Pubilic	+0.2	4.5%	1.7%
Works	+2.3	33.8%	4.2%
Sports/Entertainment	+1.6	9.5%	6.3%
Store Sales Support	-1.0	-1.4%	19.4%
Other	-	-	-

Source: Company Data.

The projected gross profit margins for each sector in the company's FY8/2029 plan are as follows: Airports, Wholesales Business, Digital Sales Support and Public Sectors are expected to exceed 20%. Inbound Tourism and Store Sales Support Sector are projected to be around 20% and Works and Sports & Entertainment Sector are expected to be below 20%. As mentioned earlier, current gross profit margins stand at around 10% for airports and around 20% for Wholesales Business. If the gross profit margins of these two sectors - which are driving sales growth -rise above 20%, the company's profit growth potential is expected to improve dramatically.

3. Stock Price Trends and Valuations

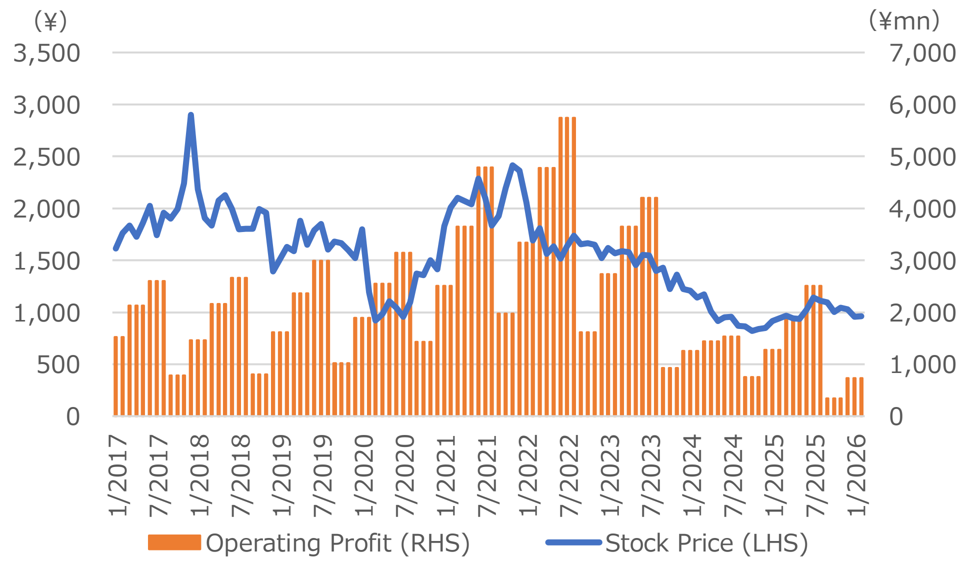
The Impact of the Covid-19 Pandemic on the Company's Performance

The company's stock price traded within a range centered around ¥1,600 to ¥1,900 in 2019, but in the spring of 2020, when COVID-19 emerged in Japan, it fell sharply in tandem with the broader market, shifting to a range centered around ¥900 to ¥1,200. However, driven by strong performance in the EC/TC Support Business and Store Sales Support Sector, etc., as well as financial results for FY8/2020 that remained solid, the company's stock price began to rise in September of that year.

Driven by earnings growth in Covid-19 Services, the Digital Sales Support Sector, and the Wholesales Business, operating profit for FY8/2021 reached ¥4.787 billion (+52% YoY). Consequently, the company's stock price temporarily surpassed ¥2,800 in December 2021. However, entering 2022, concerns grew over sluggish Store Sales Support Sector in the communications field and the outlook for the expanding Covid-19 Services business, causing the company's stock price to settle into a range centered around ¥1,400 to ¥1,700 starting in March 2022. Although operating profit for FY8/2022 was strong at ¥5.739 billion (+19.9% YoY), it had little impact on the stock price.

Even with the release of the FY8/2023 earnings results in October 2023, market concerns regarding the company's future performance persisted, and its stock price entered a downward trend. Following the announcement of a significant decline in earnings for Q2 FY8/2024, the company's stock price fell below ¥1,000.

Figure 6. HITO-Communications Holdings Stock Price & Operating Profit



Note: Stock prices from January 2017 to February 2019 and operating profit from FY8/17 to H1 FY8/19 are figures provided by HITO-Communications.
Source: Strategy Advisors.

The Stock Price Began to Rise Following the Announcement of the Medium-Term Management Plan in November 2024

In the FY8/2024 earnings results announced in October 2024, the Company indicated a Business Outlook for a recovery in performance for FY8/2025, but the stock price hit a low of ¥770 at the end of October. On November 5 of the same year, a new Medium-Term Management Plan was announced, outlining a growth scenario centered on key areas such as the Airport Sector. This raised expectations for a performance recover and the company's stock price began to rise.

When the full-year plan for FY8/2025 was revised upward alongside the announcement of Q2 FY8/2025 results in April 2025, the stock price - which had temporarily fallen below ¥900 - moved into the ¥900–¥950 range. Subsequently, the stock price broke through the ¥1,000 mark on June 30 and reached a high of ¥1,080 on July 15.

The cumulative Q3 results for FY8/2025, announced on July 15, were strong, with revenue up 7% YoY and operating profit up 28%. The stock price hovered around the ¥1,000 mark for a while, but on August 5, it hit ¥1,175, a one-year high. Subsequently, ahead of the FY8/2025 earnings announcement, the stock faced resistance at higher levels and shifted to a range of ¥1,000–¥1,150 starting in September.

The Stock Price Range Since Mid-November 2025 Has Been Between ¥1,000 and ¥1,100

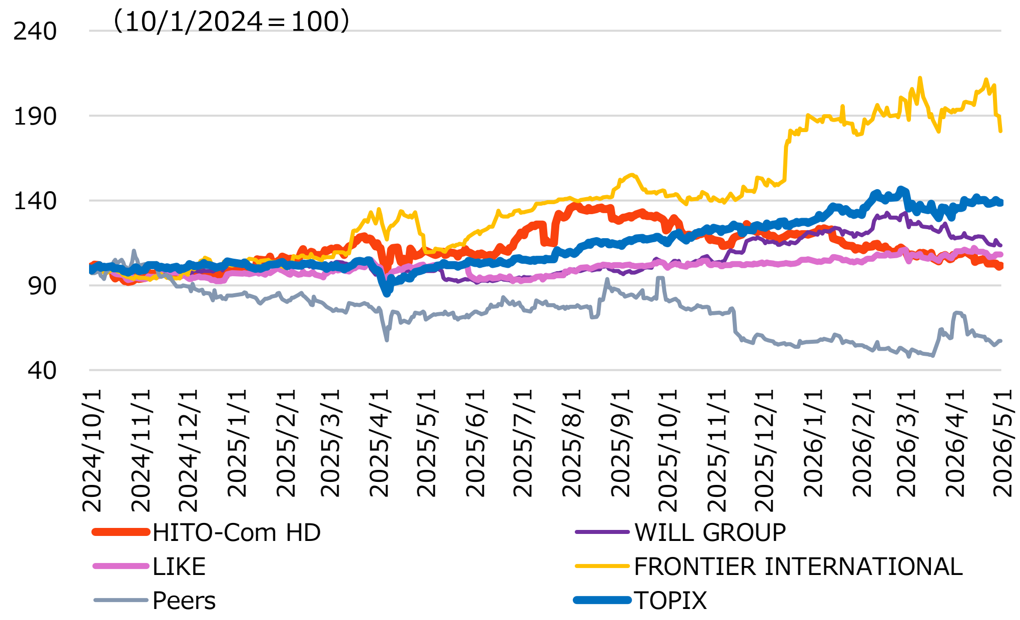
In FY8/2025, operating profit rose 59% - exceeding the company's forecast - but profit attributable to owners of the parent fell short of the Company Plan due to the recognition of extraordinary losses. Additionally, the outlook indicated that operating profit for FY8/2026 would increase by only 12%, a significant slowdown from the previous period's growth. As a result, the stock price temporarily fell below ¥1,000. Subsequently, dip-buying by investors optimistic about the company's medium to long-term growth potential drove the stock back into the ¥1,000–¥1,100 range starting in mid-November.

Following the Announcement of the H1 FY8/2026 Financial Results, the Stock Price Traded Slightly Below ¥900

The Q1 FY8/2026 results, announced in January 2026, were in line with the company's expectations; however, since operating profit fell 53.7% YoY, the stock price range narrowed to between ¥900 and ¥1,000. The H1 FY8/2026 Financial Results, announced on April 14, showed a significant decline in profit, causing the stock price to fall slightly; it is currently trading at a level slightly below ¥900.

Figure 7 shows a comparison of the company's stock price with that of peer companies and TOPIX starting in October 2024. Amid concerns over deteriorating earnings, the company's stock underperformed TOPIX and peer companies until the announcement of its FY8/2024 earnings results. However, following the announcement of its Medium-Term Management Plan in November 2024, expectations for a recovery in earnings rose and the company's stock price has since trended relatively strongly. Since January 2026, when the Q1 FY8/2026 results were announced, the company's stock has underperformed TOPIX and comparable companies.

Figure 7. Comparison of Stock Prices of HITO-Communications Holdings and Similar Companies



Source: Strategy Advisors.

Current forward PER Has Fallen to 12x

The company's forecast PER has generally fluctuated within a range of 8 to 20x since September 2019. The forecast PER peaked at 21.7x in June 2021, driven by the expansion of EC/TC Support Business and Covid-19 Services during the pandemic, which heightened expectations for an upward revision of earnings forecasts. In fact, when an upward revision to the FY8/2021 earnings forecast was announced in July of that year, the forecast PER temporarily declined, reaching 13.3x in August.

In November 2021, the forward PER reached 14.4x on the back of robust earnings forecasts for FY8/2022. Although earnings forecasts for that fiscal year were revised upward in April of the following year, concerns over the scaling back of Covid-19 Services in the subsequent fiscal year and the loss of business related to the Tokyo Olympics and Paralympics weighed on the market, causing the forward PER to fall below 10x.

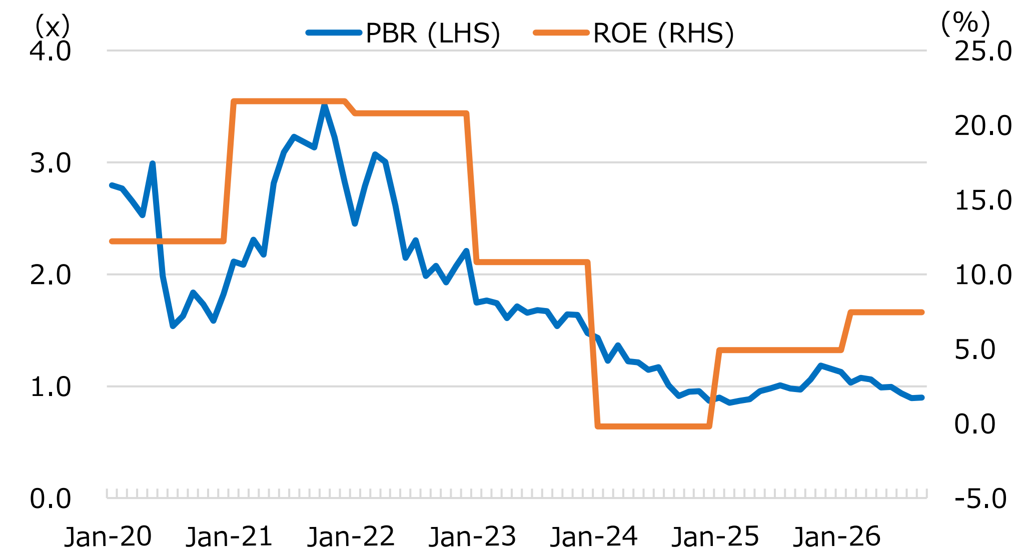
From October 2022 to March 2024, the stock price declined due to deteriorating earnings, causing the forward PER to fluctuate between 8x and 12x. When the earnings forecast for FY8/2024 was significantly revised downward in April of that year, the stock price fell further. However, as the PBR dropped to around 1x and expectations for a recovery in earnings grew, the forward PER rose to a range of 13–20x from October of that year through January 2026.

Following a decline in the stock price due to a significant drop in profits in the Q1 and H1 FY8/2026 Financial Results, the current forward PER has fallen to 12x.

Figure 8. HITO-Communications Holdings Forecast PER Trends

Source: Strategy Advisors.

Figure 9. HITO-Communications Holdings ROE & PBR Trends



Note: The ROE for FY8/26 is a forecast calculated using HITO-Communications Holdings' projected earnings and equity as of the end of FY8/25.
Source: Strategy Advisors.

The Targets Set in the Medium-Term Management Plan Appear Achievable

Figure 10 and Figure 11 compare the profitability and valuations of the company with those of companies in the Store Sales Support Sector, one of the core sectors of the group.

Although the company's most recent ROE improved significantly from the previous fiscal year, its figure was the lowest among the peer group due to a heavier burden of goodwill amortization (which is not tax-deductible) compared to other companies and the recording of high levels of extraordinary losses. Even based on the projected ROE for FY8/2026, which anticipates an increase in ordinary profit and a decrease in extraordinary losses, the figure is expected to remain low compared to peers.

Consequently, the company's PBR is at the lowest level among the peer group. Regarding the operating profit margin in the most recent fiscal year, the company recorded 3.9%, the second lowest among the five companies. The main factors are that the Airport Sector is in a phase of upfront investment and the burden of goodwill amortization. However, as these factors are expected to improve in the long term, there is significant room for improvement in both the operating profit margin and ROE.

The projected operating profit margin for FY8/2029, as outlined in the company's Medium-Term Management Plan, is 5.6%. Assuming retroactive application of the revenue recognition accounting standards implemented starting in FY8/2022, and excluding Covid-19 Services, the operating profit margin ranged between 6% and 7% from FY8/2019 to FY8/2021; therefore, the projected 5.6% operating profit margin for FY8/2029 appears to be a fully achievable level.

In a valuation comparison with peer companies, the company's projected PER is the third lowest among five companies, and at 12x in absolute terms, it is not highly valued. Going forward, for the projected PER to exceed 20x - the upper limit of the range observed over the past year and a half - the realization of the following Equity Story will likely be required.

Figure 10. Profitability Comparison with Peers

Company Name	Code	FY	Sales (¥mn)	OP (¥mn)	OPM (%)	ROE (%)	Equity Ratio (%)	Number of Employees (Person)
HITO-Com Holdings	**4433**	**8/25**	**63,596**	**2,495**	**3.9**	**4.9**	**42.6**	**1,411**
WILL GROUP	6089	3/25	139,705	2,338	1.7	6.6	34.8	7,929
LIKE	2462	5/25	62,336	2,951	4.7	12.1	44.0	5,367
FRONTIER INTERNATIONAL	7050	4/25	20,335	1,278	6.3	10.2	61.4	432
Peers	7066	9/25	6,103	559	9.2	15.4	61.9	413

Source: Company Data. Compiled by Strategy Advisors.

Figure 11. Valuation Comparison with Peers

Company Name	Code	FY	Stock Price (5/1) (¥)	Market Cap. (5/1) (¥mn)	PER CoE (x)	PBR Actual (x)	ROE CoE (%)	Dividend Yield CoE (%)	1-Year Return (5/1/ 2025) (%)	3-Year Return (5/1/ 2023) (%)
HITO-Com Holdings	**4433**	**8/25**	**872**	**15,559**	**12.0**	**0.9**	**7.5**	**4.3**	**-8.1**	**-45.1**
WILL GROUP	6089	3/25	1,121	25,685	12.8	1.5	10.2	3.9	15.7	4.3
LIKE	2462	5/25	1,582	30,359	11.0	1.7	15.6	3.8	6.7	-16.2
FRONTIER INTERNATIONAL	7050	4/25	1,446	12,869	11.3	1.4	11.7	4.5	61.4	34.2
Peers	7066	9/25	467	4,214	21.1	1.5	7.4	-	-22.8	-12.0

Note: ROE (company forecast) is calculated by dividing the net income forecast for the current fiscal year by the shareholders' equity at the end of the most recent quarter.
Source: Company Data. Compiled by Strategy Advisors.

4. Equity Story

Two Equity Stories

Strategy Advisors identifies two Equity Stories. The first is "the dramatic growth of the Airport Sector through the resolution of a national social issue - the capacity shortage in the ground handling industry at major domestic airports - as the country works toward achieving its 2030 target of 60 million inbound tourists". The second is "the accelerated growth of the Wholesales Business sector, which possesses the know-how to consistently generate 'marketable proposals' in the IP business market, where further expansion is anticipated". Both sectors are designated as priority areas in the company's Medium-Term Management Plan. If the feasibility of these two stories increases, investors who currently view the company as merely a staffing services firm will likely revise their assessment and a rise in valuation can be expected.

The Airport Sector Has Reached a Takeoff Phase

Regarding the Wholesales Business, sales for FY8/2025 reached ¥16.7 billion, making it highly likely that the target figure in the Medium-Term Management Plan (¥15 billion in sales for FY8/2029) will be revised upward. On the other hand, regarding the Airport Sector, since actual results for FY8/2025 and the H1 FY8/2026 fell slightly short of the Company's plans, expectations for an upward revision of the Medium-Term Management Plan target (¥12.8 billion) are not high at this point.

However, Strategy Advisors believe it is worth noting that the end-to-end model for "passenger, ramp, and maintenance" - the core operations of ground handling - has been largely completed on a nationwide scale.

Following the contract with Cebu Pacific Air that began in April, if the company can secure lump-sum ground handling contracts at major airports nationwide with a second and third airline, an upward revision of the sales target set in the Medium-Term Management Plan for the Airport Sector will come into view once the Iran conflict is resolved. Furthermore, if the company continues to secure large-scale, lump-sum contracts, improvements in labor and facility efficiency could lead to a sharp rise in profit margins for the Airport Sector, which posted a loss in H1 FY8/2026. From this perspective, the Airport Sector is currently entering a "takeoff" phase that could radically transform the company's earnings structure.

Once the Conflict in Iran Subsides, the Expected PER May Rise as Expectations for Medium to Long-Term Profit Growth Are Factored In

Regarding the opening of new locations in the Airport Sector, the burden of upfront investment means it is unlikely to contribute to profits in FY8/2026. Furthermore, the impact of the Iran conflict remains unclear and is expected to continue to cap the upside of the stock price for the time being. However, once the conflict subsides, attention is expected to surge toward the Airport Sector, which is now poised for rapid growth. Consequently, the stock price may rise as it factors in expectations for medium to long-term profit growth, potentially pushing the forward PER above 20x - the upper limit observed over the past year and a half.

Improvement in ROE is Essential for PBR Growth

Furthermore, there is significant room for PBR to rise through improvements in ROE. The company's low PBR is likely attributable to its low ROE (4.9% for FY8/2025). During the period from FY8/2019 to FY8/2022, when the company's ROE ranged from 12% to 22%, its PBR fluctuated between 1.5x and 3.5x.

Based on the company's forecast for net income, the estimated ROE for FY8/2026 is approximately 7.5%. Furthermore, the company's target ROE for FY8/2029, as outlined in its Medium-Term Management Plan, is 10% or higher. A sustained rise in the PBR will likely require an improvement in ROE to exceed 10%.

ROE Improvement Scenario 1) Improvement in EBITDA Margin

The following 3 points can be cited as scenarios for improving ROE.

1) The improvement of the EBITDA margin through sales growth, cost reductions, and the expansion of high-value-added services across each business and sector. We expect improvements in the EBITDA margin in the Wholesales Business, Store Sales Support Sector, and digital sales support, as these have a significant impact on consolidated earnings.

ROE Improvement Scenario 2) Profit Margin Improvement Through Reduced Depreciation Expenses and Decreased Goodwill Amortization

2) Operating profit margins and net profit margins are expected to rise as upfront capital expenditures run their course, and goodwill amortization concludes. The Airport Sector is currently strengthening the in-house execution of ramp operations, which is increasing the burden of not only labor costs but also depreciation expenses. Once capital expenditures in this sector have run their course, operating profit margins are expected to improve as depreciation expenses decrease.

Furthermore, the amortization of goodwill for BBF, Inc., BRANCH OUT, and SALES ROBOTICS is scheduled to be completed by 2029, providing a driver for increased operating profit through FY8/2030. It is important to note that, under tax law, goodwill amortization is not treated as an expense; therefore, a decrease in the amount of goodwill amortization acts as a corresponding increase in net income. For the company, the improvement in net profit margin resulting from the reduction in goodwill amortization is significant enough that the stock price may already be pricing in an increase in ROE ahead of FY8/2030.

ROE Improvement Scenario 3) Potential for Further Shareholder Returns

3) There is the potential to curb the growth of shareholders' equity through expanded shareholder returns. While the company's net D/E ratio stands at -0.05, a healthy level, the basic policy on shareholder returns outlined in the Medium-Term Management Plan ending in FY8/2029 calls for returns of at least ¥3 billion, a dividend payout ratio of at least 30% and progressive dividends. If the company can curb the growth of equity capital by implementing further shareholder returns, an increase in net income is expected to contribute significantly to improving ROE.

Figure 12. Segment Trends (¥mn, Qtly Basis)

FY	8/24		8/25				8/26	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales								
Outsourcing	**5,565**	**5,501**	**6,032**	**6,032**	**6,922**	**6,845**	**6,266**	**6,670**
(YoY)	-24.3%	-15.6%	-8.1%	8.2%	24.2%	24.4%	3.9%	10.6%
Temporary Employee Placement	**2,180**	**2,147**	**2,208**	**2,060**	**2,269**	**2,249**	**2,258**	**1,947**
(YoY)	-4.6%	-11.7%	-6.6%	-5.4%	4.1%	4.8%	2.2%	-5.5%
EC/TC Support	**2,699**	**2,633**	**2,926**	**2,125**	**2,153**	**2,049**	**2,319**	**1,946**
(YoY)	20.2%	1.0%	6.6%	-21.3%	-20.2%	-22.2%	-20.8%	-8.4%
Wholesale	**3,465**	**3,227**	**4,580**	**3,418**	**4,505**	**4,176**	**4,613**	**3,455**
(YoY)	11.5%	28.7%	36.9%	25.0%	30.0%	29.4%	0.7%	1.1%
Other Businesses	**818**	**501**	**680**	**864**	**916**	**586**	**754**	**873**
(YoY)	1.9%	-24.0%	-15.4%	8.3%	12.0%	16.6%	10.9%	1.0%
Total Amount	**14,727**	**14,010**	**16,428**	**14,499**	**16,764**	**15,905**	**16,211**	**14,891**
(YoY)	-6.8%	-4.8%	3.8%	3.7%	13.8%	13.5%	-1.3%	2.7%
Operating Profit								
Outsourcing	**-273**	**-76**	**140**	**225**	**112**	**170**	**-180**	**-13**
(OP Margin)	-4.9%	-1.4%	2.3%	3.7%	1.6%	2.5%	-2.9%	-0.2%
Temporary Employee Placement	**93**	**29**	**122**	**47**	**145**	**178**	**176**	**51**
(OP Margin)	4.3%	1.4%	5.5%	2.3%	6.4%	7.9%	7.8%	2.6%
EC/TC Support	**141**	**198**	**205**	**154**	**-7**	**-24**	**124**	**156**
(OP Margin)	5.2%	7.5%	7.0%	7.2%	-0.3%	-1.2%	5.3%	8.0%
Wholesale	**195**	**39**	**299**	**70**	**306**	**308**	**261**	**152**
(OP Margin)	5.6%	1.2%	6.5%	2.0%	6.8%	7.4%	5.7%	4.4%
Other Businesses	**39**	**-81**	**-25**	**48**	**39**	**0**	**-33**	**48**
(OP Margin)	4.8%	-16.2%	-3.7%	5.6%	4.3%	0.0%	-4.4%	5.5%
Adjustment	**-5**	**-4**	**-4**	**-5**	**-5**	**-4**	**-7**	**-7**
Total Amount	**190**	**104**	**737**	**541**	**589**	**628**	**341**	**388**
(YoY)	-79.1%	-81.2%	-20.5%	55.9%	210.0%	6.0x	-53.7%	-28.3%
(OP Margin)	1.3%	0.7%	4.5%	3.7%	3.5%	3.9%	2.1%	2.6%

Source: Company Data. Compiled by Strategy Advisors.

Figure 13. Consolidated Statement of Income (¥mn)

FY	8/18	8/19	8/20	8/21	8/22	8/23	8/24	8/25	8/26 CoE
Net Sales	**62,322**	**63,819**	**71,499**	**84,225**	**64,130**	**63,980**	**58,547**	**63,596**	**66,280**
(YoY)	79.2%	—	12.0%	17.8%	-23.9%	-0.2%	-8.5%	8.6%	4.2%
Cost of Sales	51,759	52,619	58,891	69,507	48,902	49,742	46,449	50,684	52,753
Gross Profit	10,563	11,200	12,607	14,718	15,227	14,238	12,097	12,912	13,527
(Gross Profit Margin)	16.9%	17.5%	17.6%	17.5%	23.7%	22.3%	20.7%	20.3%	20.4%
SG&A Expenses	7,900	8,209	9,457	9,931	9,487	10,039	10,528	10,416	10,727
Operating Profit	**2,663**	**2,991**	**3,149**	**4,787**	**5,739**	**4,198**	**1,568**	**2,495**	**2,800**
(YoY)	2.4%	—	5.3%	52.0%	19.9%	-26.9%	-62.6%	59.1%	12.2%
(OP Margin)	4.3%	4.7%	4.4%	5.7%	9.0%	6.6%	2.7%	3.9%	4.2%
Non-Operating Income	26	29	699	691	108	229	42	98	
Interest and Dividends Income	11	7	7	6	9	9	14	23	
Non-Operating Expenses	10	15	487	353	88	127	75	89	
Interest Expenses	7	11	16	12	10	10	38	69	
Ordinary Income	**2,679**	**3,004**	**3,361**	**5,125**	**5,759**	**4,300**	**1,536**	**2,504**	**2,810**
(YoY)	5.6%	—	11.9%	52.5%	12.4%	-25.3%	-64.3%	63.0%	12.2%
(Ordinary Income Margin)	4.3%	4.7%	4.7%	6.1%	9.0%	6.7%	2.6%	3.9%	4.2%
Extraordinary Income	24	0	0	0	0	4	6	107	
Extraordinary Loss	5	4	419	321	99	537	255	540	
Profit before Income Taxes	2,698	3,000	2,941	4,803	5,660	3,767	1,287	2,070	
(YoY)	6.3%	11.2%	-2.0%	63.3%	17.8%	-33.4%	-65.8%	60.8%	
(Profit before Tax Ratio)	4.3%	4.7%	4.1%	5.7%	8.8%	5.9%	2.2%	3.3%	
Total Income Taxes	1,036	1,150	1,450	1,808	2,245	1,629	1,127	1,011	
(Effective Tax Rate)	38.4%	38.4%	49.3%	37.7%	39.7%	43.2%	87.5%	48.8%	
Profit	1,661	1,849	1,490	2,995	3,415	2,137	160	1,059	
Profit Attributable to Non-Controlling Interests	193	125	119	220	187	251	204	205	
Profit Attributable to Owners of the Parent	**1,468**	**1,723**	**1,370**	**2,774**	**3,227**	**1,885**	**-43**	**853**	**1,295**
(YoY)	-0.5%	—	-20.5%	102.4%	16.3%	-41.6%	—	—	51.7%
(Net Profit Margin)	2.4%	2.7%	1.9%	3.3%	5.0%	2.9%	-0.1%	1.3%	2.0%
EPS (¥)	**82.1**	**96.3**	**76.7**	**155.5**	**180.9**	**105.7**	**-2.4**	**47.9**	**72.6**

Source: Company Data. Compiled by Strategy Advisors.

Figure 14. Consolidated Balance Sheet (¥mn)

FY	8/18	8/19	8/20	8/21	8/22	8/23	8/24	8/25
Current Assets	**13,306**	**14,967**	**18,679**	**22,179**	**25,693**	**29,048**	**27,247**	**25,939**
Cash and Deposits	6,130	6,888	8,890	9,815	13,430	16,462	14,251	12,133
Notes and Accounts Receivable – Trade	6,242	6,916	8,875	10,760	10,594	10,877	10,355	10,871
Merchandise	605	922	640	1,032	531	589	471	562
Deferred Tax Assets - Current	159	—	—	—	—	—	—	—
Allowance for Doubtful Accounts	-32	-31	-50	-23	-23	-17	-8	-9
Others	200	272	324	595	1,161	1,137	2,176	2,381
Non-Current Assets	**6,084**	**9,562**	**8,795**	**8,997**	**8,531**	**13,505**	**12,855**	**14,883**
Property, Plant and Equipment	2,017	2,045	1,967	2,228	2,205	2,282	2,515	4,712
Intangible Assets	3,100	5,355	5,365	4,872	4,286	8,681	7,983	7,116
Investments and Other Assets	966	2,161	1,462	1,896	2,039	2,541	2,357	3,054
Investment Securities	441	444	655	501	434	675	672	600
Deferred Tax Assets	158	289	377	482	525	681	475	556
Others	367	1,428	430	913	1,080	1,185	1,210	1,898
Total Assets	**19,391**	**24,529**	**27,475**	**31,177**	**34,225**	**42,554**	**40,103**	**40,822**
Current Liabilities	**6,159**	**7,794**	**10,547**	**11,948**	**12,584**	**13,220**	**12,763**	**13,880**
Accounts Payable – Trade	2,635	2,866	4,535	4,619	5,050	5,445	6,246	4,543
Accounts Payable – Other	2,061	2,477	2,697	3,806	3,581	3,493	3,099	4,049
Short-term Loans Payable	522	1,049	1,195	1,040	1,004	1,528	1,792	1,411
Others	939	1,402	2,120	2,483	2,949	2,754	1,626	3,877
Non-Current Liabilities	**3,367**	**5,312**	**4,518**	**4,295**	**3,720**	**10,248**	**8,725**	**8,034**
Long-term Loans Payable	3,101	5,002	4,193	3,752	3,146	9,361	7,738	6,793
Deferred Tax Liabilities	—	29	0	46	12	—	1	5
Others	265	281	325	497	562	887	986	1,236
Net Assets	**9,864**	**11,423**	**12,408**	**14,932**	**17,920**	**19,085**	**18,614**	**18,907**
Shareholders' Equity	9,335	10,773	11,653	14,052	16,809	17,778	17,144	17,344
Capital Stock	737	450	450	450	450	450	450	450
Capital Surplus	0	287	287	287	287	91	91	91
Retained Earnings	8,598	10,035	11,016	13,415	16,172	17,336	16,702	16,903
Treasury Stock	0	—	-99	-99	-100	-100	-100	-100
Total Accumulated Other Comprehensive Income	-2	-6	-15	29	111	91	92	28
Non-controlling Interests	531	656	770	850	998	1,216	1,377	1,533
Total Liabilities & Net Assets	**19,391**	**24,529**	**27,475**	**31,177**	**34,225**	**42,554**	**40,103**	**40,822**
Equity Capital	**9,333**	**10,766**	**11,638**	**14,082**	**16,921**	**17,869**	**17,237**	**17,373**
BPS (¥)	**521.4**	**601.5**	**652.3**	**789.3**	**948.4**	**1,001.5**	**966.1**	**973.7**

Source: Company Data. Compiled by Strategy Advisors.

Figure 15. Consolidated Cash Flow Statement (¥mn)

FY	8/18	8/19	8/20	8/21	8/22	8/23	8/24	8/25
Cash Flows from Operating Activities								
Profit Before Income Taxes	2,698	3,000	2,941	4,803	5,660	3,767	1,287	2,070
Depreciation and Amortization of Goodwill	434	529	920	895	918	1,012	1,252	1,336
Increase (Decrease) in Trade Receivables	-211	-475	-1,708	-2,095	162	32	525	-486
Increase (Decrease) in Notes and Accounts Payable Trade	203	598	1,582	1,122	260	-124	268	-1,988
Increase/Decrease in Inventories	53	-317	286	-391	149	-57	118	-84
Impairment Loss	—	—	419	—	92	5	170	—
Income Taxes Paid	-1,291	-1,019	-1,217	-1,691	-2,135	-2,600	-2,806	87
Others	-285	143	440	422	226	490	166	2,471
Total Amount	**1,600**	**2,459**	**3,663**	**3,065**	**5,332**	**2,525**	**980**	**3,406**
Cash Flows from Investing Activities								
Purchase of Property, Plant and Equipment	-61	-67	-71	-364	-127	-184	-507	-2,027
Purchase of Intangible Assets	-154	-198	-184	-338	-343	-509	-447	-356
Purchase of Investment Securities	0	-10	-210	0	-51	-300	-101	-53
Proceeds From Sales and Redemption of Investment Securities	104	0	0	196	200	34	—	114
Purchase of Shares of Subsidiaries and Associates	—	-876	—	-353	-200	-392	-50	-844
Purchase of Shares of Subsidiaries Resulting in Change in Scope of Consolidation	—	-2,148	—	0	0	-3,603	—	—
Others	-73	-125	-66	-354	-123	-309	-128	-434
Total Amount	**-184**	**-3,424**	**-531**	**-1,213**	**-644**	**-5,263**	**-1,233**	**-3,600**
Cash Flows from Financing Activities								
Increase (Decrease) in Short-term Loans Payable	0	—	265	-200	—	—	—	—
Increase (Decrease) in Long-term Debt	1,110	2,085	-1,074	-376	-629	6,538	-1,371	-1,343
Repayments of Treasury Stock	—	—	-99	0	0	—	—	—
Dividends Paid	-250	-286	-362	-375	-470	-590	-590	-635
Others	-1,758	-18	-27	-54	-56	-245	-63	-55
Total Amount	**-897**	**1,781**	**-1,297**	**-1,005**	**-1,155**	**5,703**	**-2,024**	**-2,033**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-2	-6	-8	16	19	-1	15	-4
Increase in Cash and Cash Equivalents	516	810	1,825	862	3,552	2,964	-2,261	-2,232
Cash and Cash Equivalents at Beginning of Period	5,436	5,985	6,796	8,734	9,596	13,149	16,121	13,859
Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiaries	33	—	112	—	—	7	—	54
Cash and Cash Equivalents at End of Period	5,985	6,796	8,734	9,596	13,149	16,121	13,859	11,681
Free Cash Flow	1,416	-965	3,132	1,852	4,688	-2,738	-253	-194

Source: Company Data. Compiled by Strategy Advisors.

Figure 16. Key Indicators

FY	8/18	8/19	8/20	8/21	8/22	8/23	8/24	8/25
EPS (¥)	82.1	96.3	76.7	155.5	180.9	105.7	-2.4	47.9
BPS (¥)	521.4	601.5	652.3	789.3	948.4	1,001.5	966.1	973.7
DPS (¥)	15.0	18.5	20.5	24.5	30.0	31.0	35.0	37.0
Dividend Payout Ratio	18.3%	19.2%	26.7%	15.8%	16.6%	29.3%	—	77.3%
# of Shares Issued (‘000)	17,900	17,899	17,899	17,899	17,899	17,899	17,899	17,899
# of Treasury Stock (‘000)	584	—	56,830	56,858	56,933	56,933	56,933	56,933
# of Shares of Treasury Stock Excluded (‘000)	17,899	17,899	17,843	17,842	17,842	17,842	17,842	17,482
Average # of Shares Issued (‘000)	17,899	17,899	17,866	17,842	17,842	17,842	17,842	17,842
Equity Ratio	48.1%	43.9%	42.4%	45.2%	49.4%	42.0%	43.0%	42.6%
Interest-Bearing Debt (¥mn)	3,623	6,051	5,388	4,792	4,150	10,889	9,530	8,204
Net Interest-Bearing Debt (¥mn)	-2,507	-837	-3,502	-5,023	-9,280	-5,573	-4,721	-3,929
D/E Ratio	0.39	0.56	0.46	0.34	0.25	0.61	0.55	0.47
Net D/E Ratio	-0.27	-0.08	-0.30	-0.36	-0.55	-0.31	-0.27	-0.23
OP Margin	4.3%	4.7%	4.4%	5.7%	9.0%	6.6%	2.7%	3.9%
EBITDA (¥mn)	3,097	3,520	4,069	5,682	6,657	5,210	2,820	3,831
EBITDA Margin	5.0%	5.5%	5.7%	6.7%	10.4%	8.1%	4.8%	6.0%
ROE	15.8%	17.2%	12.2%	21.6%	20.8%	10.8%	-0.2%	4.9%
ROIC (Capital Invested)	12.4%	10.5%	9.6%	15.9%	16.7%	9.9%	1.5%	5.4%
ROIC (Business Assets)	17.2%	14.9%	13.8%	22.4%	26.0%	17.4%	2.8%	8.8%
# of Employees	503	704	827	859	821	1,274	1,405	1,411

Note: ROIC (operating assets) is calculated as NOPAT/(average of working capital and total value of tangible and intangible fixed assets during the period). ROIC (invested capital) is calculated as NOPAT/(average of total value of interest-bearing debt balance and net assets during the period).
Source: Company Data. Compiled by Strategy Advisors.

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