

Company Report

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FY3/26 Results: A Period of Business Expansion Has Arrived. Demand for NAND Testers is Increasing, with Expansion into DRAM and CIS Also in Sight

INNOTECH CORPORATION reported significant growth in both net sales and operating profit for FY3/26, with net sales up to ¥46.73 billion (+11.3% YoY) and operating profit up to ¥3.11 billion (+64.7% YoY). Net profit increased to ¥4.11 billion (+242.6% YoY), partly due to the recognition of a gain on the sale of the headquarters building (extraordinary income of ¥2.91 billion). Compared to the company's February forecast, net sales exceeded the forecast by ¥230 million and operating profit by ¥110 million. The primary driver was an upside deviation in the "Test Solutions" segment due to strong performance by STAr Technologies. Overall, the results can be summarized as robust, reflecting the booming semiconductor market. In Q4, net sales increased to ¥14.01 billion (+25.9% QoQ) and operating profit rose to ¥1.03 billion (+9% QoQ). Regarding Testers in the "Test Solutions" segment, demand from domestic customers resumed in Q4 as anticipated.

Looking at the full FY3/26 period, the "Test Solutions" segment saw shipments of testers to overseas customers begin early in the period, and the profitability of STAr Technologies improved following the spin-off of its mass-production probe card business. The "Semiconductor Design-Related" business performed solidly overall, led by its core EDA business. In the "System/Services" segment, whilst GAIO Technology underperformed, this was offset by strong performance in embedded systems.

The company's forecast for FY3/27 is as follows: net sales of ¥50 billion, operating profit of ¥3.7 billion and net profit of ¥4.85 billion (including the remaining ¥3.46 billion in gains from the sale of the headquarters building, expected to be recognized in Q2). Within the "Test Solutions" segment, growing demand for Testers from domestic customers is expected to drive overall performance. As initiatives under the 3-year medium-term plan (FY3/25–FY3/27) progress smoothly, the company has reviewed its capital allocation. Of the approximately ¥16 billion in unexpected cash inflows from the sale of the headquarters building and other sources, ¥5 billion will be allocated to increased shareholder returns (for a total of approximately ¥9 billion). The remaining amount will initially be used to repay borrowings (approximately ¥6 billion), but the company plans to allocate it to future growth investments. In terms of M&A, the company has completed several small-scale deals. In March 2026, it acquired Phi Microtech, securing resources related to future optoelectronic conversion technology. Additionally, in April, it acquired NetVision,

Stock Price & Trading Volume (Past 1 Year)



Source: Strategy Advisors.

Key Indicators

Stock Price (6/10/26)	4,100
52-Week High (5/25/26)	4,585
52-Week Low (6/13/25)	1,337
All-Time High (5/25/26)	4,585
All-Time Low (10/27/08)	182
Shares on Issue (mn)	13.7
Market Capitalization (¥bn)	56.2
Equity Ratio (3/26 Actual, %)	54.8
ROE (3/26 Actual, %)	15.9
PER (3/27 CoE, x)	10.3
PBR (3/26 Actual, x)	1.9
Dividend Yield (3/27 CoE, %)	3.2

Source: Strategy Advisors.

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acquiring resources for the design of image interface boards for evaluation and verification of in-vehicle cameras and ECUs.

The business environment surrounding the company has improved significantly, with robust demand expected to continue for NAND flash memory testers and embedded systems. Furthermore, in addition to successfully securing new overseas customers for testers, the company has set its sights on expanding into DRAM and CIS (CMOS image sensors) starting in FY3/27.

The stock price has risen significantly and based on FY3/26 results, with valuation having improved, resulting in a PBR of 1.9x. The equity story is that the company will be recognized as an SPE (semiconductor manufacturing equipment) firm with high growth potential in niche markets. As a period of earnings expansion has arrived, the likelihood of the equity story being realized is increasing. The stock price is expected to have further upside potential going forward.

Japanese GAAP - Consolidated

FY	Sales	YoY	Operating Profit	YoY	Ordinary Profit	YoY	Net Profit	YoY	EPS	DPS
	(¥mn)	(%)	(¥mn)	(%)	(¥mn)	(%)	(¥mn)	(%)	(¥)	(¥)
3/23	38,629	3.7	2,319	-10.3	2,480	-16.9	1,666	-24.1	127	70
3/24	41,358	7.1	2,474	6.7	2,880	16.1	1,477	-11.3	110.6	70
3/25	41,977	1.5	1,887	-23.7	1,755	-39.1	1,200	-18.8	89.5	70
3/26	46,737	11.3	3,108	64.7	2,912	66	4,111	242.6	320.2	125
3/27 CoE	50,000	7	3,700	19	3,700	27	4,850	18	398.4	130

Note: Net profit refers to profit attributable to owners of the parent.

Source: Company Data. Compiled by Strategy Advisors.

Table of Contents

1. Overview of FY3/26 Financial Results	4
2. Trends by Sector	6
1) Test Solutions Business	6
2) Semiconductor Design-Related Business.....	10
3) System/Services Business.....	12
3. Outlook for FY3/27	14
4. Progress on the Mid-Term Management Plan & Review of Capital Allocation.....	16
1) Mid-Term Management Plan Progress (FY3/25–FY3/27).....	16
2) Review of Capital Allocation	19
5. Stock Price and Valuation.....	21
6. Equity Story.....	27
[Initiation Update].....	29
7. Overview: Business Overview, History & President's Profile	29
1) Business Overview	29
2) History	32
3) President's Profile.....	36
8. Test Solutions Business	38
1) Testers.....	38
2) STAr Technologies.....	44
9. Semiconductor Design-Related Business	48
1) EDA	48
2) Sanei Hytechs.....	51
3) MoDeCH	52
4) Phi Microtech.....	53
10. System/Services Business	53
1) Embedded Systems	54
2) GAIO Technology	56
3) IT Access.....	57
4) Regulus	59
5) NetVision	59
11. Corporate DNA and Inimitability	60
1) Positioning Theory.....	60
2) Corporate DNA	60
3) Inimitability.....	61
4) Vision and Mission	62
12. Risk Factors	62
13. Sustainability Policy and Practices	63
1) Corporate Governance Structure	63
2) Sustainability Framework.....	64
3) Human Capital Strategy	66
4) Climate Change Response.....	67

1. Overview of FY3/26 Financial Results

FY3/26 Financial Results Show Significant YoY Revenue & Profit Growth

The FY3/26 financial results announced on May 14 showed net sales of ¥46.73 billion (+11.3% YoY) and operating profit of ¥3.11 billion (+64.7% YoY), resulting in a significant increase in both net sales and operating profit. By segment, "Test Solutions" saw a 23.2% YoY increase in revenue and operating profit improved by ¥1.5 billion YoY, turning to a profit of ¥1.19 billion. This was driven by factors such as securing demand from new overseas customers for Testers. "Semiconductor Design-Related" saw a 5.7% YoY increase in revenue and a 43.5% YoY increase in profit. Performance remained solid, led by EDA. The "System/Services" segment saw revenue increase by 3.9% YoY, while operating profit decreased by 2.8% YoY. Strong performance in embedded systems offset the slump at GAIO Technology. Additionally, due to the partial recognition of gains from the sale of the headquarters building (extraordinary income of ¥2.91 billion), profit attributable to owners of parent increased to ¥4.11 billion (+242.6% YoY).

Q4 (3-Months) Saw Both Revenue & Profit Increase QoQ

In Q4, net sales increased to ¥14.01 billion (+16.2% YoY) and operating profit rose to ¥1.03 billion (+42.6% YoY). Compared to Q3, net sales increased by 25.9% and operating profit rose by 9%, marking growth in both net sales and profit. By segment, the "Test Solutions" segment saw net sales increase by ¥3.02 billion and operating profit rise by ¥520 million, resulting in higher profits. In contrast, "Semiconductor Design-Related" saw revenue increase by ¥70 million, but operating profit decrease by ¥150 million, while "System/Services" saw revenue decrease by ¥210 million and operating profit decrease by ¥150 million, resulting in profit declined for both segments. The profit increased in "Test Solutions" effectively offset the profit declined in "Semiconductor Design" and "System/Services".

"Test Solutions" Exceeded the Company's February Forecast

Compared to the company's plan announced in February, both net sales and operating profit exceeded expectations. The "Test Solutions" segment was the primary driver of this outperformance. Although demand for testers from major domestic customers began to recover mainly from March onward, sales fell slightly short of the target due to some orders being pushed back to April and beyond. On the other hand, strong performance from STAr Technologies contributed significantly and the segment as a whole exceeded the plan. Meanwhile, "Semiconductor Design" and "System/Services" generally performed in line with the company's plan.

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Figure 1. Summary of FY3/26 Financial Results

(¥mn)	FY3/25				FY3/26				FY3/25	FY3/26	FY3/27
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	FY	FY	CoE FY
Sales	10,218	10,590	9,114	12,055	9,457	12,143	11,129	14,006	41,977	46,737	50,000
YoY	17.6%	-1.8%	-16%	9.3%	-7.4%	14.7%	22.1%	16.2%	1.5%	11.3%	7%
Test Solution	3,234	3,819	2,553	5,371	2,671	4,958	3,906	6,921	14,977	18,456	20,200
YoY	32.8%	-14.8%	-42.3%	18.1%	-41.3%	53.3%	2.3%	171.1%	-5.7%	23.2%	34.9%
Semiconductor Design-Related	3,361	3,261	3,139	3,231	3,278	3,462	3,460	3,529	12,992	13,729	14,400
YoY	5.3%	2.8%	-0.3%	-4.2%	-2.8%	3%	6.1%	12.4%	0.8%	5.7%	10.8%
System and Service	3,622	3,510	3,422	3,451	3,507	3,725	3,762	3,557	14,005	14,551	15,400
YoY	18.4%	12.2%	4.1%	10.9%	12.7%	2.8%	7.2%	3.9%	11.2%	3.9%	10%
Gross Profit	3,111	3,246	2,635	3,657	2,803	3,716	3,545	4,180	12,649	14,246	15,500
YoY	18.3%	-3.6%	-30.1%	7.8%	-17.4%	19.4%	9.2%	58.6%	-3.9%	12.6%	22.5%
Gross Margin	30.4%	30.7%	28.9%	30.3%	29.6%	30.6%	31.9%	29.8%	30.1%	30.5%	31%
Test Solution	1,148	1,340	852	1,840	925	1,740	1,465	2,290	5,180	6,420	7,300
YoY	17.1%	-19.6%	-56.7%	18.1%	-40.6%	51.6%	9.3%	168.8%	-16.1%	23.9%	40.9%
Gross Margin	35.5%	35.1%	33.4%	34.3%	34.6%	35.1%	37.5%	33.1%	34.6%	34.8%	36.1%
Semiconductor Design-Related	791	737	671	711	764	801	847	766	2,910	3,178	3,300
YoY	5.2%	-1.3%	0.0%	-3.3%	3.9%	1.3%	14.9%	14.2%	0.2%	9.2%	13.4%
Gross Margin	23.5%	22.6%	21.4%	22%	23.3%	23.1%	24.5%	21.7%	22.4%	23.1%	22.9%
System and Service	1,171	1,170	1,112	1,105	1,114	1,176	1,233	1,124	4,558	4,647	4,900
YoY	30.5%	22.5%	-1.6%	0.6%	1.5%	0.4%	5.4%	1.1%	11.7%	2%	7.5%
Gross Margin	32.3%	33.3%	32.5%	32%	31.8%	31.6%	32.8%	31.6%	32.5%	31.9%	31.8%
Operating Profit	434	464	266	721	234	902	943	1,027	1,887	3,108	3,700
YoY	329.7%	-38.4%	-73.0%	13.9%	-46.1%	26.6%	78.6%	64.7%	-23.7%	64.7%	19%
OP Margin	4.2%	4.4%	2.9%	6%	2.5%	7.4%	8.5%	7.3%	4.5%	6.6%	7.4%
Test Solution	-212	-198	-244	342	-264	411	264	779	-312	1,190	NA
YoY	-	-	-	-8.8%	-	-	-	-	-	-	NA
OP Margin	-	-	-	6.4%	-	8.3%	6.8%	11.3%	-	6.4%	NA
Semiconductor Design-Related	169	118	68	102	139	175	245	97	457	656	NA
YoY	4.3%	-19.2%	-9.3%	-46.9%	-27.6%	3.6%	107.6%	42.6%	-20.5%	43.5%	NA
OP Margin	5.0%	3.6%	2.2%	3.2%	4.2%	5.1%	7.1%	2.7%	3.5%	4.8%	NA
System and Service	522	542	416	319	407	473	508	361	1,799	1,748	NA
YoY	81.9%	42.3%	-13.5%	-31.7%	-12.8%	-9.4%	-6.3%	-13.2%	11.3%	-2.8%	NA
OP Margin	14.4%	15.4%	12.2%	9.2%	11.6%	12.7%	13.5%	10.1%	12.8%	12%	NA
Adjustment	-44	1	29	-43	-47	-156	-74	-211	-57	-488	NA

Source: Company Data. Compiled by Strategy Advisors.

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

(¥mn)	FY3/25				FY3/26			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales								
Test Solutions	3,234	3,819	2,553	5,371	2,671	4,958	3,906	6,921
(YoY)	32.8%	-14.8%	-42.3%	18.1%	-17.4%	29.8%	53%	28.9%
Testers	879	263	118	453	554	1,524	784	1,388
STAr Technologies	2,354	3,557	2,434	4,919	2,117	3,434	3,122	5,533
Semiconductor Design-Related	3,361	3,261	3,139	3,231	3,278	3,462	3,460	3,529
(YoY)	5.3%	2.8%	-0.3%	-4.2%	-2.5%	6.2%	10.2%	9.2%
EDA and Others	2,316	2,272	2,213	2,288	2,264	2,433	2,397	2,525
Sanei Hytechs	971	951	871	885	951	994	1,020	934
MoDeCH	73	39	53	59	62	36	42	70
System/Services	3,622	3,510	3,422	3,451	3,507	3,725	3,762	3,557
(YoY)	18.4%	12.2%	4.1%	10.9%	-3.2%	6.1%	9.9%	3.1%
Embedded Systems and Others	735	936	751	653	914	971	1,001	987
IT Access	1,656	1,171	1,274	1,291	1,322	1,412	1,461	1,249
GAIO Technology	1,127	1,287	1,280	1,309	1,170	1,209	1,157	1,205
Regulus	102	119	115	199	99	135	141	116
Total	10,218	10,590	9,114	12,054	9,457	12,143	11,129	14,006
(YoY)	17.6%	-1.8%	-16%	9.3%	-7.4%	14.7%	22.1%	16.2%
Operating Profit								
Test Solutions	-212	-198	-244	342	-264	411	264	779
(OP Margin)	-6.6%	-5.2%	-9.6%	6.4%	-9.9%	8.3%	6.8%	11.3%
Semiconductor Design-Related	169	118	68	102	139	175	245	97
(OP Margin)	5%	3.6%	2.2%	3.2%	4.2%	5.1%	7.1%	2.7%
System/Services	522	542	416	319	407	473	507	361
(OP Margin)	14.4%	15.4%	12.2%	9.2%	11.6%	12.7%	13.5%	10.1%
Adjustment Amount	-44	1	29	-43	-47	-156	-74	-211
Total	434	464	266	721	234	902	943	1,027
(YoY)	329.7%	-38.4%	-73.0%	13.7%	-46.1%	94.4%	254.5%	42.4%
(OP Margin)	4.2%	4.4%	2.9%	6%	2.5%	7.4%	8.5%	7.3%

Source: Company Data. Compiled by Strategy Advisors.

2. Trends by Sector

1) Test Solutions Business

Return to Operating Profit

This segment consists of testers handled by the parent company, as well as probe cards and reliability-evaluation equipment from the Taiwanese subsidiary STAr Technologies. While the segment struggled in FY3/25, falling into an operating loss; performance rebounded in FY3/26, with the previous fiscal year serving as the bottom and the segment successfully returned to an operating profit.

**Testers:
Domestic Customer
Demand Resumed in Q4**

Testers for NAND flash memory are the mainstay products. Quarterly net sales trends were ¥550 million in Q1, ¥1.52 billion in Q2 and ¥780 million in Q3, whilst Q4 reached ¥1.39 billion, representing a significant QoQ increase. Demand from major Japanese customers for NAND testers resumed primarily in Q4. However, since some customer acceptance inspections spanned into the end of March, revenue fell short of the company's February forecast by ¥350 million. Demand from new overseas customers, which began earlier than expected at the start of the fiscal year, is growing steadily on a quarterly basis as anticipated.

Furthermore, Strategy Advisors believe the likelihood of continued demand growth beyond FY3/27 is increasing. The reasons for this are as follows: 1) tightening supply and demand for NAND flash memory due to factors such as increased demand for nearline SSDs for data centers driven by advancements in generative AI. 2) rising utilization rates at new factories operated by Japanese customers. And, 3) the high competitiveness of the business targeting overseas customers. While the risk of reduced supply capacity due to component procurement difficulties has not materialized recently, it will require close monitoring going forward.

**STAr Technologies:
Reliability Testing
Equipment Maintains High
Levels; Probe Cards See
Improved Profitability**

STAr Technologies' quarterly net sales trend showed a significant increase from a low of ¥2.11 billion in Q1 (April–June 2023: reported as January–March due to fiscal year differences) to ¥3.43 billion in Q2 (July–September: similarly April–June), with Q3 (October–December: equivalent to July–September) at ¥3.12 billion and in Q4 (Jan–Mar FY3/26: equivalent to Oct–Dec FY3/25), it reached a high level of ¥5.53 billion, partly due to increased shipments of reliability evaluation equipment driven by seasonal factors. For probe cards, profitability is improving due to strong demand for R&D from a major Taiwanese foundry customer, as well as the effects of the spin-off of the generic product business in FY3/25.

Figure 3. Revenue Trends in Test Solutions Business (Semi-Annual)

(¥mn)	3/24		3/25		3/26	
	H1	H2	H1	H2	H1	H2
Net Sales	6,916	8,969	7,053	7,924	7,629	10,827
Testers	1,165	2,006	1,142	571	2,078	2,172
STAr Technologies	5,751	6,962	5,911	7,353	5,551	8,655
Operating Profit	-67	879	-410	98	147	1,043
Testers	-53	625	-177	-390	177	236
STAr Technologies	-14	254	-233	488	-30	807
OP Margin	-1.0%	9.8%	-5.8%	1.2%	1.9%	9.6%
Testers	-4.5%	31.2%	-15.5%	-68.3%	8.5%	10.9%
STAr Technologies	-0.2%	3.6%	-3.9%	6.6%	-0.5%	9.3%

(¥mn)	3/25				3/26				3/25	3/26	3/27
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	FY	FY	CoE FY
Net Sales	3,234	3,819	2,553	5,371	2,671	4,958	3,906	6,921	14,977	18,456	20,200
Testers	879	263	118	453	554	1,524	784	1,388	1,713	4,250	6,700
STAr Technologies	2,354	3,557	2,434	4,919	2,117	3,434	3,122	5,533	13,264	14,206	13,500
Operating Profit	-212	-198	-244	342	-264	411	264	779	-312	1,190	NA
Testers	43	-220	-278	-112	-56	233	46	189	-567	413	NA
STAr Technologies	-255	22	34	454	-208	178	218	590	255	777	NA
OP Margin	-6.6%	-5.2%	-9.6%	6.4%	-9.9%	8.3%	6.8%	11.3%	-2.1%	6.4%	NA
Testers	4.9%	-83.7%	-235.6%	-24.7%	-10.1%	15.3%	5.9%	13.6%	-33.1%	9.7%	NA
STAr Technologies	-10.8%	0.6%	1.4%	9.2%	-9.8%	5.2%	7%	10.7%	1.9%	5.5%	NA

Note: Sales breakdown is based on segment information and operating profit breakdown is based on segment information and briefing materials.

Testers' operating profit is calculated by subtracting STAr Technologies' operating profit from the division's operating profit.

Source: Company Data. Compiled by Strategy Advisors.

The NAND Flash Memory Market is Booming

According to Kioxia Holdings (TSE Prime 285A, "Kioxia"), which announced its FY3/26 earnings on May 15, the NAND flash memory market is booming, with a bit growth rate of 15–20% projected for 2026 and an outlook indicating that demand will continue to outstrip supply in 2027 as well. Furthermore, it was revealed that Kioxia's sales price (like-for-like) in Q4 (January–March 2026) more than doubled QoQ, marking a sharp increase. Kioxia's net sales guidance for FY3/27 Q1 is a 74.5% increase QoQ, with the rise attributed to higher selling prices. This suggests that the rapid pace of price increases driven by tight supply and demand conditions continues at present.

Testers Business:

Demand from Domestic Customers is Expected to Continue to Recover in FY3/27

The NAND flash memory market is currently experiencing a supply shortage driven by growing demand for AI inference servers. While demand for conventional servers remains strong, the pace of replacement from nearline HDDs to SSDs has slowed. Against this backdrop, the industry-wide trend of prioritizing the production of high-performance products for AI inference servers is expected to intensify further. For the company's Testers business in FY3/27, recovery is expected to continue for major domestic NAND customers. For new overseas NAND customers as well, the company is projected to maintain a high market share and continue steady growth.

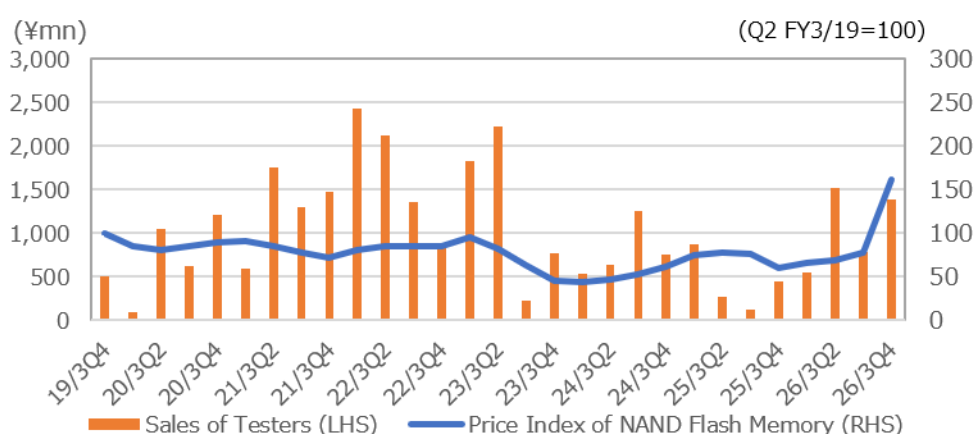
Increased Memory Capacity Positively Impacts Demand for Testers

Kioxia, a NAND flash manufacturer, has begun operations in a new building at its Kitakami plant and is increasing the production ratio of its high-performance 3D-NAND product, BiCS8 FLASH™ (218-layer), thereby contributing to the trend toward higher-capacity, high-performance products. As this trend leads to longer testing times, it serves as a positive factor for the company's Testers demand.

Overseas NAND Manufacturers Also Benefit from Expanding Demand

Overseas players (such as Samsung and SK Hynix in South Korea, and YMTC in China) are also experiencing robust demand for NAND flash. In particular, China's YMTC, which has been gaining market share in recent years, is aggressively expanding production. It can be said that the industry as a whole has now entered a phase of production capacity expansion. From a medium- to long-term perspective, it will be necessary to continuously monitor whether NAND manufacturers are implementing disciplined and sound capacity expansion investments aimed at maintaining a favorable supply-demand balance.

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



Note: The Figures for price index are prepared by Strategy Advisors, based on Kioxia Holdings' financial results presentation materials.

Source: Company materials, Strategy Advisors.

2) Semiconductor Design-Related Business

Performance Remains Solid, Led by EDA

This segment consists of 3 firms, INNOTECH itself, which acts as a distributor for EDA products; Sanei Hytechs, which engages in semiconductor design and software development and MoDeCH, which creates simulation models for semiconductor devices. Overall, performance for FY3/26 remained solid, led by EDA. Compared to the February forecast, both net sales and gross profit came in as expected.

EDA: Steady Performance

The EDA business performed steadily. The company sold EDA software developed by Cadence, Inc. (U.S.) to the Japanese electronic components and industrial machinery sectors, among others, and continues to provide follow-up services. This is a so-called “stock-based” business model, and its strength lies in stable net sales. In FY3/26, the number of renewals for multi-year contracts with customers was limited, resulting in few factors affecting earnings volatility. Additionally, capturing demand for the transition to Windows 11 in design tools for printed circuit boards contributed to the strong performance.

Sanei Hytechs: New IP Projects Contribute

Sanei Hytechs’ semiconductor design business performed well overall, despite continued stagnation in design demand for analog semiconductors and other products from existing customers, primarily in the automotive and industrial machinery sectors, as the company successfully secured new customers. Furthermore, IP projects related to analog-to-digital converters (in-house development) contributed to sales growth, particularly in Q3.

MoDeCH: Secured a Major Project in Q4

MoDeCH’s business of creating and selling simulation models saw no significant changes in its operating environment - which is centered on the semiconductor and automotive sectors - compared to FY3/25. However, a large-scale R&D project was secured in Q4, resulting in a return to profitability for FY3/26.

Figure 5. Revenue Trends in Semiconductor Design-Related Business (Semi-Annual)

(¥mn)	3/24		3/25		3/26	
	H1	H2	H1	H2	H1	H2
Sales	6,364	6,520	6,622	6,370	6,740	6,989
EDA and Others	4,199	4,442	4,588	4,501	4,697	4,922
Sanei Hytechs	2,054	1,941	1,922	1,756	1,945	1,954
MoDeCH	110	136	112	112	98	112
Operating Profit	308	267	287	170	314	342
EDA and Others	73	181	124	140	158	197
Sanei Hytechs	248	49	164	41	167	117
MoDeCH	-13	37	-1	-11	-11	28
OP Margin	4.8%	4.1%	4.3%	2.7%	4.7%	4.9%
EDA and Others	1.7%	4.1%	2.7%	3.1%	3.4%	4%
Sanei Hytechs	12.1%	2.5%	8.5%	2.3%	8.6%	6%
MoDeCH	-11.8%	27.2%	-0.9%	-9.8%	-11.2%	25%

(¥mn)	3/25				3/26				3/25	3/26	3/27
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	FY	FY	CoE FY
Sales	3,361	3,261	3,139	3,231	3,278	3,462	3,460	3,529	12,992	13,729	14,400
EDA and Others	2,316	2,272	2,213	2,288	2,264	2,433	2,397	2,525	9,089	9,619	10,100
Sanei Hytechs	971	951	871	885	951	994	1,020	934	3,678	3,899	3,800
MoDeCH	73	39	53	59	62	36	42	70	224	210	500
Operating Profit	169	118	68	102	139	175	245	97	457	656	NA
EDA and Others	64	60	49	91	69	89	104	93	264	355	NA
Sanei Hytechs	99	65	28	13	65	102	145	-28	205	284	NA
MoDeCH	6	-7	-9	-2	5	-16	-4	32	-12	17	NA
OP Margin	5%	3.6%	2.2%	3.2%	4.2%	5.1%	7.1%	2.7%	3.5%	4.8%	NA
EDA and Others	2.8%	2.6%	2.2%	4%	3%	3.7%	4.3%	3.7%	2.9%	3.7%	NA
Sanei Hytechs	10.2%	6.8%	3.2%	1.5%	6.8%	10.3%	14.2%	-3%	5.6%	7.3%	NA
MoDeCH	8.2%	-17.9%	-17%	-3.4%	8.1%	-44.4%	-9.3%	45.7%	-5.4%	8.1%	NA

Note: The breakdown of net sales is based on segment information. The breakdown of operating profit is based on segment information and briefing materials. EDA's operating profit is calculated by subtracting the operating profit of Sanei Hytechs and MoDeCH from the division's operating profit.

Source: Company Data. Compiled by Strategy Advisors.

3) System/Services Business

Strong Performance in Embedded-systems & Others Offsets the Slump at GAIO Technology

This segment consists of INNOTECH's embedded systems business; GAIO Technology, which handles sales of automotive-verification tools and contract services. Also, IT Access, which develops cashless-payment terminals and vending-machine software, and Regulus, which specializes in vending machine software. For FY3/26, while embedded systems net sales grew YoY, IT Access remained largely flat and GAIO Technology saw a decline. Overall, net sales increased slightly YoY, while profit decreased slightly. Compared to the February forecast, both net sales and gross profit were generally in line with expectations.

Embedded-Systems & Others: Strong Performance Across the Board

INNOTECH's embedded systems business saw steady growth in its proprietary CPU boards and box-type computers for social infrastructure applications. Strong performance in the defense and marine sectors also contributed to the expansion of results. Furthermore, growing demand for data centers is acting as a tailwind for the company's recovery in the industrial equipment and semiconductor sectors. This segment is expected to continue driving growth for the entire segment.

GAIO Technology: Continued Slump

GAIO Technology saw sluggish performance in its in-vehicle verification tools and engineering services. Furthermore, profitability deteriorated as cost-cutting measures, such as reductions in outsourcing expenses, failed to keep pace. However, on a quarterly basis, the decline in profitability bottomed out in Q1 and has been gradually recovering from Q2 through Q4. On the other hand, there are no signs of a recovery in demand itself.

IT Access: Offsetting the Decline in Payment of Terminal Sales with Service Revenue

IT Access reports that while new terminal sales remain sluggish due to lost demand from some customers shifting to in-house development and intensifying competition with rivals, which have been fully offset by increased service revenue and other factors. Furthermore, the contract software development business for IVI (In-Vehicle Infotainment) is performing well.

Regulus: Strong Performance in Forklift Applications

Regulus saw sluggish growth in its image processing systems for forklifts, but this was offset by strong performance in contract development projects, resulting in generally steady overall performance.



Figure 6. Revenue Trends in System/Services Business (Semi-Annual)

(¥mn)	3/24		3/25		3/26	
	H1	H2	H1	H2	H1	H2
Sales	6,189	6,400	7,132	6,873	7,232	7,319
Embedded Systems & Others	1,402	1,413	1,671	1,404	1,885	1,988
IT Access	2,652	2,508	2,827	2,565	2,734	2,710
GAIO Technology	1,945	2,127	2,414	2,589	2,379	2,362
Regulus	189	351	221	314	234	257
Operating Profit	668	948	1,064	735	880	868
Embedded Systems & Others	150	183	190	56	227	187
IT Access	287	236	334	201	313	261
GAIO Technology	309	450	559	439	334	395
Regulus	-78	79	-19	39	6	25
OP Margin	10.8%	14.8%	14.9%	10.7%	12.2%	11.9%
Embedded Systems & Others	10.7%	13%	11.4%	4%	12%	9.4%
IT Access	10.8%	9.4%	11.8%	7.8%	11.4%	9.6%
GAIO Technology	15.9%	21.2%	23.2%	17%	14%	16.7%
Regulus	-41.3%	22.5%	-8.6%	12.4%	2.6%	9.7%

(¥mn)	3/25				3/26				3/25	3/26	3/27
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	FY	FY	CoE FY
Sales	3,622	3,510	3,422	3,451	3,507	3,725	3,762	3,557	14,005	14,551	15,400
Embedded Systems & Others	735	936	751	653	914	971	1,001	987	3,075	3,873	4,700
IT Access	1,656	1,171	1,274	1,291	1,322	1,412	1,461	1,249	5,392	5,456	5,800
GAIO Technology	1,127	1,287	1,280	1,309	1,170	1,209	1,157	1,205	5,003	4,742	4,200
Regulus	102	119	115	199	99	135	141	116	535	575	700
Operating Profit	522	542	416	319	407	473	508	361	1,799	1,748	NA
Embedded Systems & Others	74	116	32	24	102	125	117	71	246	414	NA
IT Access	212	122	133	68	161	152	188	73	535	574	NA
GAIO Technology	258	301	256	183	150	184	177	218	998	729	NA
Regulus	-22	3	-5	44	-6	12	26	-1	20	31	NA
OP Margin	14.4%	15.4%	12.2%	9.2%	11.6%	12.7%	13.5%	10.1%	12.8%	12.0%	NA
Embedded Systems & Others	10.1%	12.4%	4.3%	3.7%	11.2%	12.9%	11.7%	7.2%	8%	10.7%	NA
IT Access	12.8%	10.4%	10.4%	5.3%	12.2%	10.8%	12.9%	5.8%	9.9%	10.5%	NA
GAIO Technology	22.9%	23.4%	20%	14%	12.8%	15.2%	15.3%	18.1%	19.9%	15.4%	NA
Regulus	-21.6%	2.5%	-4.3%	22.1%	-6.1%	8.9%	18.3%	-0.9%	3.7%	5.4%	NA

Note: The breakdown of net sales is based on segment information. The breakdown of operating profit is based on segment information and briefing materials. INNOTECH's embedded systems operating profit is calculated by subtracting the operating profits of IT Access, GAIO Technology, and Regulus from the division's operating profit.

Source: Company Data. Compiled by Strategy Advisors.

3. Outlook for FY3/27

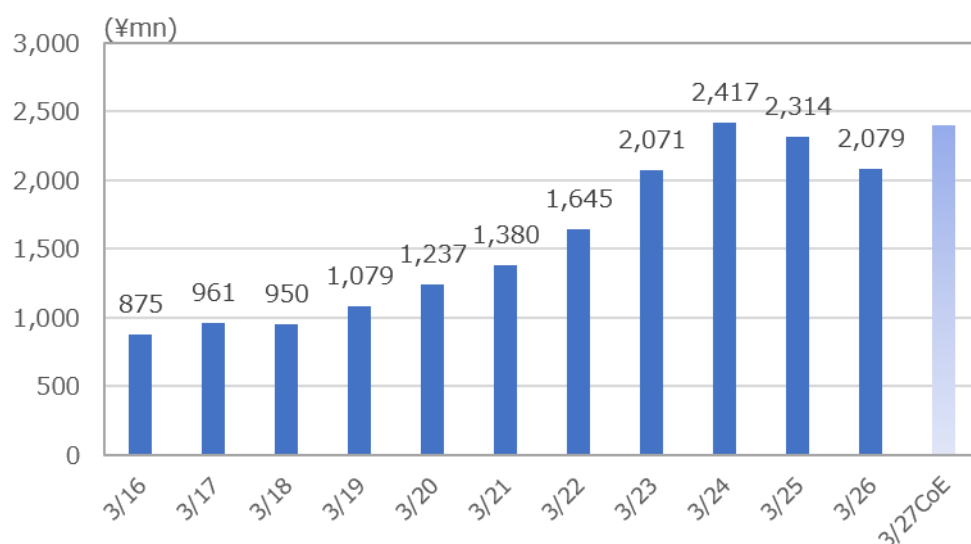
The Company Forecasts Operating Profit for FY3/27 to Increase 19.0% YoY to ¥3.7 billion

The company's full-year forecast for FY3/27 projects net sales of ¥50 billion, (+7.0% YoY) and operating profit of ¥3.7 billion (+19% YoY). By segment, "Test Solutions" is expected to see net sales of ¥20.2 billion (+9.5% YoY) and gross profit of ¥7.3 billion (+13.7% YoY). "Semiconductor Design-Related" net sales are expected to increase to ¥14.4 billion (+4.9% YoY), with gross profit rising to ¥3.3 billion (+3.8% YoY). And finally, "System/Services" net sales are projected to grow to ¥15.4 billion (+5.8% YoY), with gross profit increasing to ¥4.9 billion (+5.4% YoY).

Increased R&D Expenses Had a Negative Impact on Operating Profit

The operating profit forecast is ¥3.7 billion. The factors which contribute to an increase of ¥590 million is the expected increase in revenue of ¥3.26 billion YoY, which will generate additional contributions to the margin. On the other hand, there is an expected increase of ¥300 million in R&D expenses, as well as higher office rent and personnel costs resulting from the sale of the headquarters building.

Figure 7. Trends in R&D Expenses



Source: Company Data. Compiled by Strategy Advisors.

The Likelihood of Meeting Forecasts as High. But Rising Component Costs & Procurement Difficulties Pose Risks

The quarterly operating profit trend for FY3/26 is as follows: Q1: ¥230 million, Q2: ¥900 million, Q3: ¥940 million and Q4: ¥1.03 billion. Considering that profits are steadily increasing in line with the recovery in Tester's sales, the probability of achieving the full-year forecast is currently sufficiently high. However, the greatest risks to achieving the plan are likely to be constraints on the company's supply volume due to rising costs of parts (particularly semiconductors) and materials, as well as procurement difficulties stemming from changes in the supply chain - including the situation in the Middle East - and a decline in demand caused by reduced customer operations.

“Test Solutions”

In the “Test Solutions” segment, net sales of testers are expected to grow significantly, driven by continued demand from overseas customers and a rapid recovery in demand from domestic customers, with the company aiming for record-high net sales (¥6.5–¥7 billion: our estimate). For STAr Technologies, while net sales are expected to remain on par with the previous year due to strong demand for probe cards for major foundries driven by semiconductor demand for AI servers, profits are projected to decline YoY due to increased R&D expenses.

“Semiconductor Design-Related”

In the “Semiconductor Design-Related” segment, EDA - the mainstay of IC design tools - is poised to renew several major contracts, and the company aims to reach net sales of ¥10 billion by expanding sales of tools for system products and other offerings. Sanei Hytechs plans to maintain operating profit at the previous fiscal year’s level by offsetting the slump in its overseas annotation business with its domestic operations. MoDeCH expects YoY growth in both revenue and profit, driven by continued strong demand for commissioned R&D projects, a trend that began in FY3/26 - as well as an increase in semiconductor-related projects.

“System/Services”

In the “System/Services” segment, the company aims for record-high net sales of ¥5 billion, driven by steady growth in embedded systems for the defense sector and expanding demand for data centers (SSD inspection equipment and measurement instruments within data centers). IT Access expects a slowdown in contract development for in-vehicle infotainment (IVI) due to a deteriorating automotive market environment. However, it anticipates a YoY increase in profit, offset by steady performance in payment services and the launch of security-related businesses. GAIO Technology anticipates a YoY decline in both revenue and profit, taking into account reduced investment by automotive-related customers. Regulus plans for YoY growth in both revenue and profit, driven by increased shipment volumes for both construction machinery and forklifts.

Figure 8. Income Statement (Qtly, ¥mn)

(¥mn)	3/25 Q1	Q2	Q3	Q4	3/26 Q1	Q2	Q3	Q4	3/27 CoE
Net Sales	10,218	10,590	9,114	12,054	9,457	12,143	11,129	14,006	50,000
(YoY)	17.6%	-1.8%	-16%	9.3%	-7.4%	14.7%	22.1%	16.2%	7%
Cost of Sales	7,107	7,344	6,479	8,398	6,654	8,427	7,584	9,826	34,500
Gross Profit	3,111	3,246	2,635	3,656	2,803	3,716	3,545	4,180	15,500
(Gross Profit Margin)	30.4%	30.7%	28.9%	30.3%	29.6%	30.6%	31.9%	29.8%	31%
SG&A Expenses	2,677	2,782	2,369	2,934	2,569	2,814	2,601	3,153	11,800
Operating Profit	434	464	266	721	234	902	943	1,027	3,700
(YoY)	329.7%	-38.4%	-73%	13.7%	-46.1%	26.6%	78.6%	64.7%	19%
(OP Margin)	4.2%	4.4%	2.9%	6%	2.5%	7.4%	8.5%	7.3%	7.4%
Non-Operating Income	444	-148	415	141	403	-91	152	233	-
Non-Operating Expenses	146	298	153	390	230	466	-83	279	-
Ordinary Profit	733	17	529	474	407	344	1,178	980	3,700
(YoY)	125.5%	-98.1%	-45.7%	-32%	-44.5%	1923.5%	122.7%	106.8%	27%
(OP Margin)	7.2%	0.2%	5.8%	3.9%	4.3%	2.8%	10.6%	7%	7.4%
Extraordinary Income	0	0	318	19	0	407	30	2,910	-
Extraordinary Loss	0	0	0	75	0	0	0	109	-
Profit Before Income Taxes	733	18	848	418	408	752	1,209	3,782	-
(YoY)	125.5%	-98.0%	104.8%	-42.4%	-44.3%	4077.8%	42.6%	804.8%	-
(Pretax Profit Margin)	7.2%	0.2%	9.3%	3.5%	4.3%	6.2%	10.9%	27%	-
Income Taxes	296	-20	256	180	223	382	298	1,051	-
(Effective Tax Rate)	40.4%	-111.1%	30.2%	43.1%	54.7%	50.8%	24.6%	27.8%	-
Profit	436	38	591	237	185	369	910	2,730	-
Profit Attributable to Non-Controlling Interests	2	13	55	32	0	-18	44	59	-
Profit Attributable to Owners of Parent	434	24	536	204	185	388	865	2,671	4,850
(YoY)	129.6%	-96.3%	232.9%	-57.7%	-57.4%	1516.7%	61.4%	1310%	18%
(Net Profit Margin)	4.2%	0.2%	5.9%	1.7%	2%	3.2%	7.8%	19.1%	9.7%

Source: Company Data. Compiled by Strategy Advisors.

4. Progress on the Mid-Term Management Plan & Review of Capital Allocation

1) Mid-Term Management Plan Progress (FY3/25–FY3/27)

On Track to Achieve Record Operating Profit, a Key Mid-Term Goal

The medium-term plan (FY3/25–FY3/27) set a target for operating profit for FY3/27, which would surpass the previous record high (¥3.33 billion in FY3/08) and aims for an OP Margin of 7% to 8%. With the current operating profit forecast for FY3/27 at ¥3.7 billion (OP Margin of 7.4%), the target is now within reach.

The 3 core strategies of the mid-term plan are: 1) improving the OP Margin, 2) optimizing the business portfolio through the reallocation of management resources and 3) enhancing the stability of business performance. 2 years have passed since the start of the mid-term plan and steady progress can be seen in each of these areas.

Measures in Each Segment Are Progressing Steadily Toward Improving Capital Efficiency

On the other hand, looking at the management indicators for FY3/26, ROE stood at 15.9% (8.4% excluding the impact of the sale of the headquarters building) and ROIC at 6.4%, falling short of the targets of 10% ROE (maintain 8% or higher) and 8% ROIC (maintain 6% or higher) on a substantive basis. D/E ratio stood at 0.2x (Target: 0.5x or less), and cash and deposits cover 2.2 months of operating expenses (Target: >2 months). Capital efficiency at the end of the fiscal year declined slightly due to the cash inflow from the sale of the headquarters building. At the briefing, the progress of mid-term initiatives in each segment was presented.

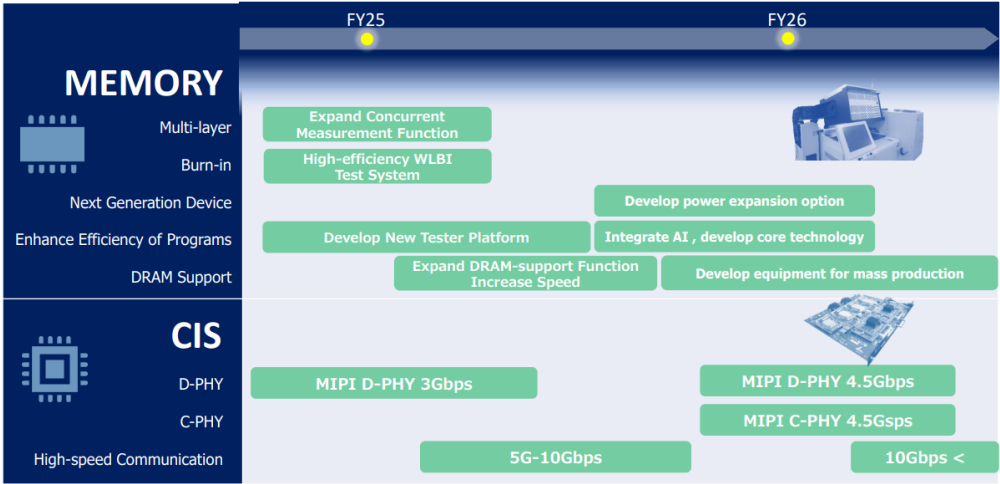
“Test Solutions” – Testers

In the “Test Solutions” segment, the company is working to expand its tester product lineup. While its main product is testers for NAND flash memory, it is currently developing testers for DRAM. Prototype evaluation was completed during FY3/26, and FY3/27 will see a transition to the evaluation phase for mass-production equipment. If progress continues smoothly, shipments to customers are expected to begin in FY3/28. In addition, the company is also developing testers for CIS (CMOS image sensors). While the company already supplies capture boards used for CIS inspection to customers, it aims to supply not only boards compatible with the MIPI image communication standard but also complete testers. The company also views FY3/27 as the evaluation phase for mass-production equipment for this product, and if progress continues smoothly, shipments to customers are expected to begin in FY3/28.

STAr Technologies

For STAr Technologies, the focus is on reorganizing its product portfolio. By spinning off its unprofitable mass-production probe card business in FY3/25, the company improved its profitability in FY3/26. The company is currently expanding its product lineup centered on “PLUTO”, a reliability evaluation system capable of handling a wide range of voltages from low to high. Furthermore, regarding probe cards, the company plans to increase R&D spending in FY3/27 and actively pursue the development of MEMS-type products compatible with advanced semiconductor processes, as well as high-voltage-resistant products for power semiconductors.

Figure 9. Testers Development Roadmap



Source: Company Materials.

“Semiconductor Design-Related”

In the “Semiconductor Design-Related Business” segment, the focus is on further strengthening the foundation of group management. The company is implementing initiatives such as the acquisition of Phi Microtech (announced in February 2026) and the absorption merger of certain businesses of JSC, a subsidiary of Sanei Hytechs (April 2026).

“System/Services” Embedded-Systems & Others

In the “System/Services” segment, the company expanded sales of their proprietary “INNINGS” embedded system products into industries such as industrial machinery, semiconductors and defense; with the company releasing the world’s first FA-PC equipped with a UPS (uninterruptible power supply) featuring a built-in LIC (lithium-ion capacitor).

IT Access

IT Access is driving the development of new markets in the payment sector. While the current focus is on automatic payment terminals for beverage vending machines, the company aims to expand into office convenience stores, ice cream vending machines and parking lots. Additionally, by offering non-payment services such as point integration and games during transactions, the company seeks to diversify its revenue streams. Furthermore, through a strategic business alliance with Finland’s Seafarix announced in January 2025, the company plans to strengthen its solutions for automotive IVI (In-Vehicle Infotainment).

2) Review of Capital Allocation

Proceeds From the Sale of the Headquarters Building & Other Sources Will Be Used Primarily to Enhance Shareholder Returns & Fund Future Growth Investments

Following the generation of approximately ¥16 billion in cash inflows from the sale of its headquarters building and other transactions (including the sale of cross share-holdings), the company has revised its capital allocation plan, which had been announced as part of its mid-term financial strategy (Figure 10). There is no change to the 3-year operating cash flow (before deducting R&D expenses of ¥7 billion), which remains at approximately ¥15 billion. Furthermore, on the cash outflow side, there are no significant changes to growth investments (M&A, R&D expenses, etc.) of approximately ¥12 billion or capital expenditures for existing businesses (including software) of approximately ¥4 billion. Consequently, the company will allocate ¥16 billion in cash inflows from the sale of its headquarters building and other sources to shareholder returns - an increase of ¥5 billion from the initial plan (totaling approximately ¥9 billion). The remaining amount will be used to repay borrowings (approximately ¥6 billion) for the time being but will be utilized as funds for growth investments in the future.

Focusing on Improving Capital Efficiency While Maintaining Room for Growth Investments

This review places primary emphasis on improving capital efficiency, with the aim of enhancing shareholder value by prioritizing ROE. At the same time, the company will reduce its balance sheet through debt repayment and work to improve ROIC. However, the company plans to maintain room for borrowing to fund growth investments during the next medium-term management plan period (FY3/28–FY3/30) to enhance financial flexibility.

The direction of growth investments (approximately ¥12 billion) is broken down into 3 areas: 1) M&A, 2) R&D and 3) Overseas Business Expansion. Details for each item are provided below.

Growth Investments 1) M&A

Regarding M&A, the company has recently completed two acquisitions. In March 2026, Phi Microtech was acquired (see Chapter 9), which possesses Semiconductor Design-Related technology for optical communications, and in April, Netvision was acquired (see Chapter 10), which develops image interface boards for evaluating in-vehicle cameras and ECUs. Both are companies that hold core technologies in growth markets. Going forward, the company's basic stance will be to invest in companies with technological capabilities in niche areas, without being limited to short-term synergy effects.

Growth Investment 2) Research & Development

In the tester business, the technology of the current flagship NAND flash memory testers to other applications will be further expanded and accelerate the development of testers for DRAM and next-generation CIS. STAr Technologies plan to actively pursue research and development of high-precision reliability evaluation equipment and MEMS-type probe cards. In the embedded systems sector, the development aimed at creating added value through the use of real-time processing will be promoted, as exemplified by the previously announced edge facial recognition system "Edge FACE".

Growth Investments 3): Expansion of Overseas Business

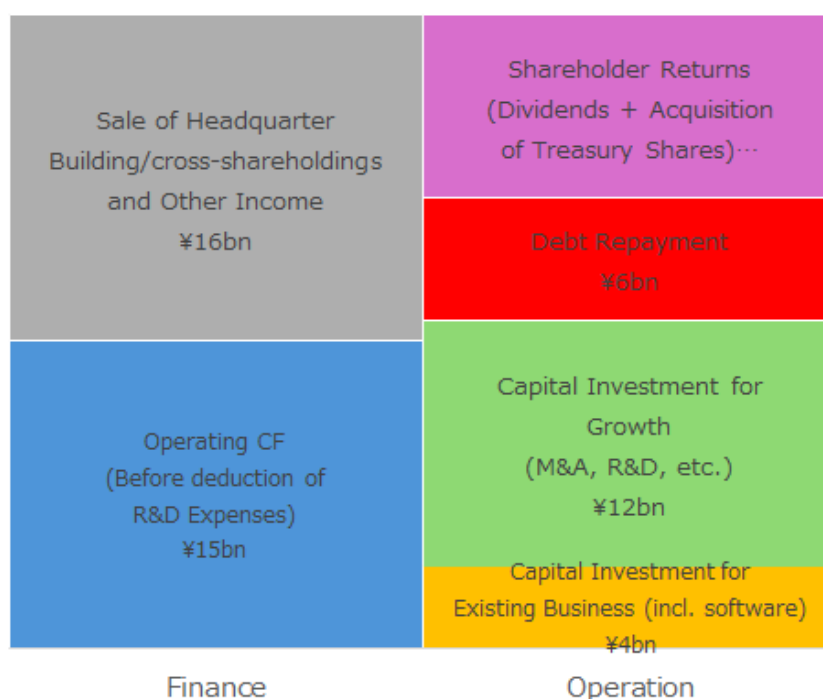
To support production in China, the company holds a 10% stake in XINHUI, a joint venture established by V-Technology (TSE Prime 7717) and local Chinese capital (announced in 2018). Additionally, in 2021, V-Technology issued a press release titled "Order for Testers from a Major Chinese Memory Manufacturer". Since XINHUI is a Chinese company, it is expected to facilitate the supply of testers to Chinese memory companies. Accordingly, the company plans to continue proactively pursuing partnerships with overseas partners with a view to expanding its customer base.

Shareholder Returns

Regarding shareholder returns (approximately ¥9 billion). The company's dividend policy aims for a consolidated dividend payout ratio of around 50% and stipulates that it will not fall below 30%. The dividend per share is ¥125 for FY3/26 (dividend payout ratio: 39%) and ¥130 for FY3/27 (dividend payout ratio: 32.6%). Due to the recognition of extraordinary income from the sale of the headquarters building, a special dividend of ¥50 is included in the forecast for FY3/26 and another ¥50 in the forecast for FY3/27.

In addition, the company decided at a board of directors meeting held on May 14 to repurchase its own shares (up to ¥1 million shares / ¥2.5 billion). The repurchase period is from May 15 to December 31. The total return ratio for FY3/27 is expected to be 84.2% based on the initial forecast.

Figure 10. Review of Capital Allocation



Source: Company Data. Compiled by Strategy Advisors.

5. Stock Price and Valuation

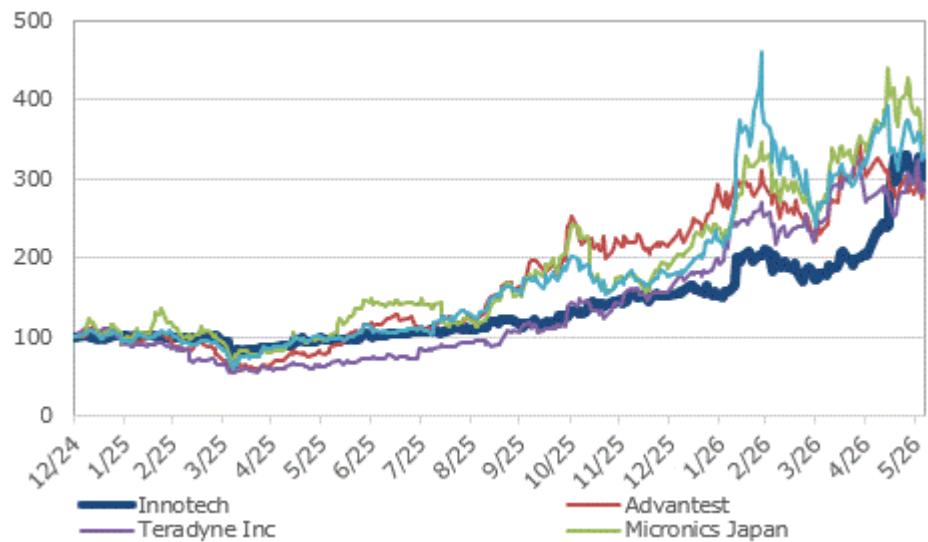
The Stock Price has Risen & is Currently Trading Between ¥4,000 & ¥4,500

INNOTECH's stock price plummeted following President Trump's April 2025 remarks regarding the introduction of reciprocal tariffs. After hitting a low of ¥1,070 during intraday trading on April 7, the stock rebounded and has continued to rise steadily since then. Entering 2026, the stock price continued to rise in response to the improving NAND flash market conditions linked to Testers. It rose further on the positive reception of the FY3/26 earnings results and dividend increase announced on May 14, reaching a year-to-date high of ¥4,760 during intraday trading on May 19. It is currently trading between ¥4,000 and ¥4,500.

Performance Comparison with Testers Related Companies

Here, the stock price trends of tester and probe card companies will be examined. Advantest (6857, TSE Prime) and Teradyne (TER, NASDAQ) are global SPE companies in the tester sector, offering product lineups that support a wide range of semiconductors, from logic chips to various types of memory. As demand for GPUs used in AI servers began to rise in earnest, stock prices began an upward trend starting with industry leader Advantest, followed by Teradyne, after hitting bottom in April 2025. The outlook for logic and HBM (High-Bandwidth Memory) testers improved due to soaring GPU prices and increased HBM production volumes, driving up stock prices. Meanwhile, the timing of changes in the supply-demand environment for NAND flash memory, which had previously been heavily influenced by the smartphone market, was delayed. Starting in 2026, prices have surged in line with expanding storage demand from AI data centers and the stock price of this company, which manufactures NAND testers, has also risen sharply. In terms of performance starting from the end of 2024, the company is catching up to the two firms, partly due to the strong earnings results announced in May. Additionally, the stock prices of Micronics Japan (6871 TSE Prime), which manufactures probe cards, and Japan Electronic Materials (6855 TSE Standard) are showing strong performance in response to the trend of expanding AI demand.

Figure 11. Comparison of Stock Prices for INNOTECH and Testers/Probe Cards Companies

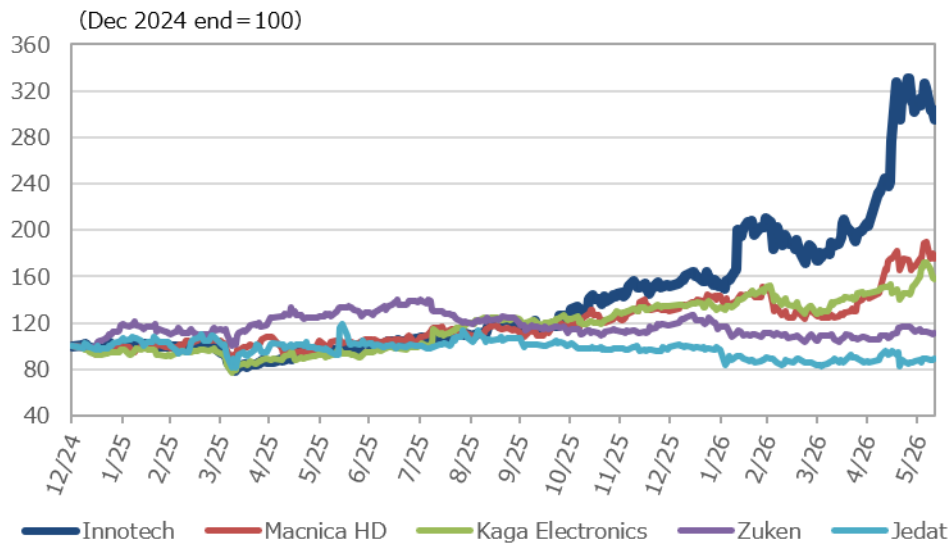


Source: Strategy Advisors.

Performance Comparison with Semiconductor Distributors, EDA & Probe Card Companies

Looking at the stock price trends of semiconductor distributors and EDA companies, the overall trend has been upward since April 2025. Although the company's stock price, like that of electronics distributors Macnica Holdings (3132 TSE Prime) and Kaga Electronics (8154 TSE Prime), showed a weak rebound from its low point, its performance was slightly stronger than that of other companies within the group. Entering 2026, as the NAND market improved, expectations for a recovery in the company's tester business drove the stock price even higher. Meanwhile, EDA-related companies such as Zuken (6947 TSE Prime) and Jedat (3841 TSE Standard) are less susceptible to fluctuations in the semiconductor market, resulting in relatively smaller stock price movements.

Figure 12. Comparison of INNOTECH’s Stock Price with Semiconductor Distributors and EDA Companies

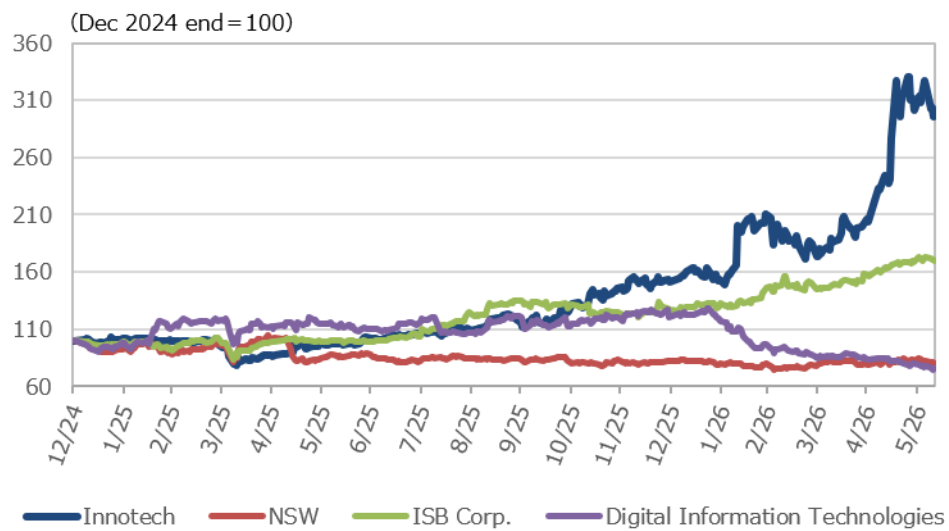


Source: Strategy Advisors.

Performance Comparison with System-Related Companies

Looking at the stock prices of companies in the System/Services sector, there are significant differences between firms. While the stock prices of NSW (9739 TSE Prime) and Digital Information Technologies (3916 TSE Prime) appear stagnant, ISB (9702 TSE Prime) is showing relatively strong performance. The company’s stock price continues to trend upward and when viewed from December 2024, it is the best performer within the group.

Figure 13. Comparison of Share Prices Among Innotech and Companies Related to System/Services



Source: Strategy Advisors.

INNOTECH CORPORATION | 9880 (TSE Prime)

Figure 14. Profitability Comparison with Peer Companies (¥mn)

Company	Code	FY	Sales	Operating Profit	OP Margin	ROE	ROIC	Equity Ratio
INNOTECH	9880	3/26	46,738	3,109	6.7%	15.9%	4.8%	54.9%
Advantest	6857	3/26	1,128,610	499,120	44.2%	57.6%	75.8%	67.9%
Teradyne	TER	12/25	477,266	103,024	21.6%	19.7%	26.1%	66.8%
Macnica Holdings	3132	3/26	1,214,196	41,950	3.5%	10.5%	10.6%	39.8%
Kaga Electronics	8154	3/26	658,941	27,824	4.2%	17.8%	13.0%	45.5%
Zuken	6947	3/26	43,102	5,865	13.6%	13.3%	70.1%	61.0%
Jedat	3841	3/26	2,042	261	12.8%	4.8%	18.9%	83.5%
Micronics Japan	6871	12/25	70,173	16,542	23.6%	20.9%	24.6%	66.7%
Japan Electronic Materials	6855	3/26	29,366	7,249	24.7%	15.0%	21.5%	76.7%
NSW	9739	3/26	52,431	5,290	10.1%	10.1%	18.7%	76.9%
ISB	9702	12/25	37,020	2,314	6.3%	10.2%	18.9%	67.2%
Digital Information Technologies	3916	6/25	24,159	3,014	12.5%	29.0%	56.8%	71.6%

Note: ROIC is calculated by dividing NOPAT by the average operating assets (fixed assets + net working capital) during the period.

Source: Company Data. Compiled by Strategy Advisors.

Figure 15. Valuation Comparison with Peer Companies (¥bn, x)

Company	Code	FY	Stock Price (6/10)	Market Cap.	PER CoE	PBR Actual	EV/ EBITDA	Dividend Yield CoE	ROE CoE
INNOTECH	9880	3/26	4,100	56.2	10.3	1.9	10.4	3.2%	18.4%
Advantest	6857	3/26	25,235	18,472	39.3	23	27.8	-	58.5%
Teradyne	TER	12/25	60,070	9,403.5	51.8	21.4	38.7	-	36.1%
Macnica Holdings	3132	3/26	3,227	577.9	18	2.1	10.8	2.5%	11.5%
Kaga Electronics	8154	3/26	4,565	239.6	10.9	1.2	6.8	3.1%	10.9%
Zuken	6947	3/26	4,595	102.2	17.0	2.3	9.6	3.3%	13.8%
Jedat	3841	3/26	1,176	4.6	21.6	1.3	6.0	3.4%	5.8%
Micronics Japan	6871	12/25	12,610	504.7	NA	7.4	NA	NA	NA
Japan Electronic Materials	6855	3/26	6,950	101.9	18.5	2.3	9.3	1.2%	12.3%
NSW	9739	3/26	2,492	37.1	9.9	1.0	3.0	5%	9.9%
ISB	9702	12/25	2,313	26.5	14.3	1.8	5.1	3%	12.7%
Digital Information Technologies	3916	6/25	820	25.4	11	1.5	6.1	9.1%	25.6%

Note: ROE (company forecast) is calculated by dividing the company's forecast net profit for the current period by the equity capital at the end of the most recent quarterly fiscal period. EBITDA in EV/EBITDA is calculated by adding the company's full-year forecast operating profit to the depreciation expenses of the most recent full-year results.

Source: Company Data. Compiled by Strategy Advisors.

Valuation Has Risen. But the Stock Remains Mid-Range Compared to Peers

The company's stock price is on an upward trend, and its valuation has gradually risen. The PER based on the company's forecast for FY3/27 is 10.3x (19.9x on an adjusted basis, excluding extraordinary income of ¥3.46 billion) and the PBR is based on actual BPS for FY3/26 is 1.9x. The dividend yield based on this fiscal year's forecast is 3.2%. With valuations rising, the company's PER and PBRs have reached a level where they rank in the middle among these companies. Along with the recovery of the memory semiconductor cycle, the growth potential of the company's Testers - specifically its SPE-related operations - has begun to be recognized.

Meanwhile, Advantest, a tester competitor specializing in SPE, has a PER of 39.3x and a PBR of 23x, while Teradyne has a PER of 51.8x (based on a consensus EPS of \$7.23) and a PBR of 21.4x; their stock prices are exhibiting characteristics of a so-called "AI semiconductor bubble". While the company has diversified its revenue streams and is not widely recognized as an SPE firm; it is becoming increasingly clear that the Testers business will drive overall company performance going forward, and its recognition as an SPE firm is likely to grow. Although the company's valuation has risen, considering that it is not yet at the same high level as its two SPE competitors, there is still considered to be ample room for further appreciation.

There Are 2 Reasons for This

The following 2 factors are considered to be reasons why the company's stock valuation has historically remained low:

- 1) Its ROE is lower than that of comparable companies
- 2) The company is viewed as lacking growth potential because it has been unable to shake off the perception that it is merely electronics trading company

1) Aiming To Achieve a Target ROE of 10% (Consistently Maintaining 8% or Higher)

Regarding the increase in ROE 1): The company's ROE surged to 15.4% in FY3/26, but the underlying figure, excluding the impact of the sale of the headquarters building, was 8.4%. While this represents a significant improvement from the 4.8% recorded in FY3/25, it still falls short of the 10% target. Based on the company's forecasts, ROE for FY3/27 is expected to rise to a level slightly below 10%. Regarding the cost of equity, the company maintains that, separate from the level calculated using the CAPM, a minimum of 8% should be used as the benchmark for investors' expected rate of return. According to company materials, the cost of equity calculated using the CAPM as of the end of FY3/23 was 5.66%. Using an 8% cost of equity as a benchmark, the company's ROE for FY3/26 exceeded that level. FY3/27, the final year of the mid-term plan, will be a critical year for achieving the future target of 10% (while maintaining a level of at least 8% at all times).

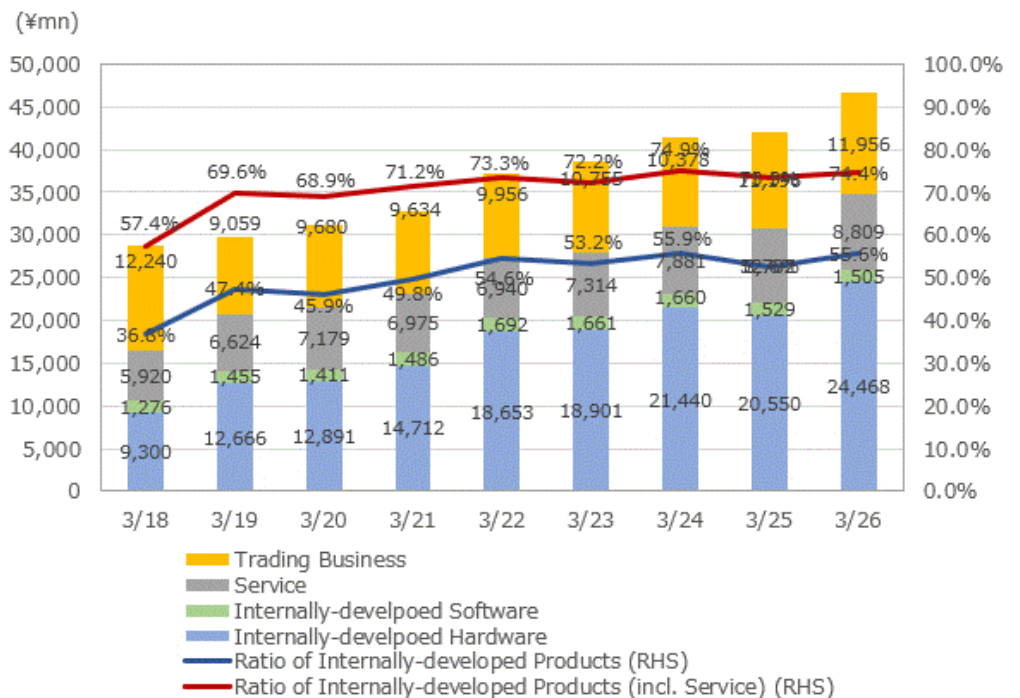
2) Expectation of a Shift in View from Electronics Trading Company Stock to an SPE Stock

"Test Solutions" Drive EPS Growth, Aiming to Overcome Low Valuation

Regarding the shift away from being viewed as an electronics trading company, a stable business foundation is taking shape, driven by a recovery in demand from domestic customers for NAND flash memory testers and the capture of demand from new overseas customers. Furthermore, expansion into DRAM testers and CIS testers is becoming a realistic prospect for growth starting in FY3/28. Furthermore, the growth potential of STAr Technologies' reliability evaluation equipment and probe cards, as well as INNOTECH's embedded systems, is increasing due to robust demand. The company's business portfolio has undergone a transformation in recent years, with the proportion of in-house hardware (HW) on the rise (see Figure 16). Going forward, the share of "Test Solutions" in total operating profit is expected to rise further, and the stock market's perception of the company is expected to shift significantly from that of an electronics trading company to that of an SPE (Semiconductor Production Equipment) company.

For sustained stock price appreciation to go forward, the key challenges will be continuous EPS growth and an improvement in valuation. Strategy Advisors believes that enhancing the feasibility of the equity story (see Chapter 6) is essential to overcoming these challenges.

Figure 16. Sales Trends of In-House Products



Source: Company Data. Compiled by Strategy Advisors.

6. Equity Story

Achieving Growth by Delving Deep into the Company's DNA

Strategy Advisors' equity story involves delving deeper into the company's DNA - its "technical and sales capabilities supporting electronics design and verification" - and, through expanding its customer base and product lineup, strengthening its semiconductor design capabilities. Also important will be the expansion into System/Services, by "being recognized as an SPE company with high growth potential in niche markets".

First, looking at individual businesses, Testers is entering a growth phase, as shown in Chapters 1 through 5. STAr Technologies has Taiwanese foundries as its primary customers and is poised to benefit from the expansion of AI GPU production and the growing adoption of chiplets. While these businesses are subject to the fluctuations of the semiconductor cycle, they are highly likely to follow a cyclical growth trajectory. The embedded systems business is developing a distinctive product lineup and its growth potential is increasing. The EDA and Sanei Hytechs businesses are stable, while GAIO Technology and IT Access are engaged in sectors where demand is expected to grow steadily over the medium to long term. Furthermore, the company is actively pursuing strategic investments with a medium to long-term perspective, such as strengthening its semiconductor design capabilities through the acquisition of Phi Microtech and enhancing its System/Services through the acquisition of Netvision.

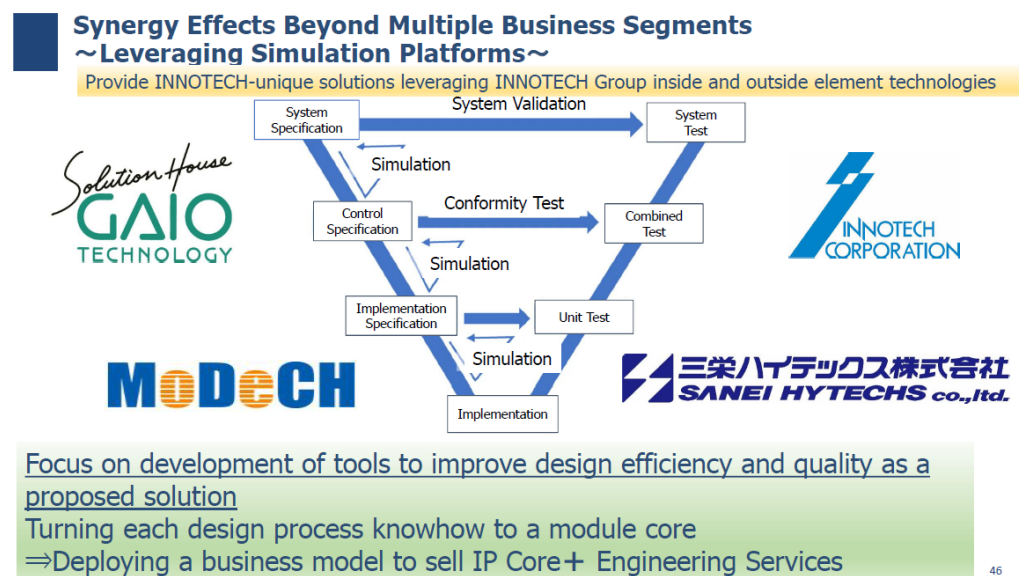
Expectations for Management Reform

Another point is that there remains significant room for organizational reform within INNOTECH. In particular, subsidiaries have historically operated as independent entities, with management left to each company. Since the subsidiaries' performance has been relatively stable, INNOTECH's management saw no particular need to change this structure. However, more than 10 years have passed since the company brought many of its core subsidiaries under its umbrella; and going forward, the establishment of a structure suitable for pursuing synergies is expected. The company plans to begin by sharing customer information held by each subsidiary. Furthermore, if it can build a simulation platform (Figure 17) - a cross-group initiative - and use it to facilitate collaboration and information sharing among group companies, there is potential to create new added value. The group includes several companies with expertise in model-based development and verification, and INNOTECH itself has teams dedicated to supporting model-based development and noise analysis. Consequently, it should be possible to provide comprehensive support across all stages of the process, including the upstream phases of model-based development. Given that INNOTECH itself appears to have historically suffered from poor communication due to a siloed organizational structure, a key challenge will be whether the group can establish a structure capable of pursuing overall optimization.

Concrete Measures for the Next Mid-Term Plan Are Eagerly Awaited

President Otsuka joined INNOTECH at a young age and built his professional track record amid the vibrant atmosphere of the company's early days. He belongs to a generation that knows INNOTECH from its "good old days". On the other hand, unlike previous management teams, he is free from the constraints of the past and is presumed to be in a position to drive reforms regarding issues such as siloed structures. 5 years have passed since he assumed the presidency, and the results of his efforts - including organizational reforms - are now beginning to show. However, from the perspective of pursuing group-wide optimization, the reforms are still a work in progress. Implementation of concrete measures during the next medium-term plan period can be anticipated (FY3/28-FY3/30).

Figure 17. Simulation Platform



Source: Company Materials.

[Initiation Update]

7. Overview: Business Overview, History & President's Profile

1) Business Overview

Functions as a Holding Company

INNOTECH functions as a holding company, with its parent company, INNOTECH Co., Ltd., conducting its own operations while overseeing numerous subsidiaries. This structure is the result of the company's transition from electronics trading firm at its founding to a manufacturer, a process that involved establishing subsidiaries and conducting M&A activities.

Parent Company Continues Operations Rooted in its Founding Business

Currently, the company's business consists of 3-segments: Test Solutions, Semiconductor Design-Related and System/Services. The parent company, INNOTECH, operates across these product segments, including Testers (under Test Solutions), EDA (Electronic Design Automation) (under Semiconductor Design-Related) and embedded systems (under System/Services). The EDA business involves the sale of semiconductor design software from Cadence Design Systems Inc. (CDNS NAS), a venture the company has pursued since its founding. The Testers business leverages insights gained during its time as a semiconductor trading company, while the embedded systems business draws on experience from its electronic components trading operations. These are historical legacy businesses inherited from the company's early days.

Figure 18. INNOTECH's Business Activities (¥mn)

FY	3/22	3/23	3/24	3/25	3/26	3/27 CoE
Net Sales						
Test Solutions	14,447	13,938	15,885	14,977	18,456	20,200
Testers	6,768	5,042	3,171	1,713	4,250	6,700
STAr Technologies	7,679	8,895	12,713	13,264	14,206	13,500
Semiconductor Design-related	12,429	13,287	12,884	12,992	13,729	14,400
EDA and Others	8,291	9,056	8,641	9,089	9,619	10,100
Sanei Hytechs	3,854	3,941	3,995	3,678	3,899	3,800
MoDeCH	283	289	246	224	210	500
System/Services	10,360	11,404	12,589	14,005	14,551	15,400
Embedded Systems and others	2,040	2,339	2,815	3,075	3,873	4,700
IT Access	4,256	4,890	5,160	5,392	5,444	5,800
GAIO TECHNOLOGY	3,232	3,507	4,072	5,003	4,741	4,200
REGULUS	831	666	540	535	491	700
Total Net Sales	37,238	38,629	41,358	41,977	46,737	50,000
Operating Profit						
Test Solutions	1,534	957	812	-312	1,190	NA
Semiconductor Design-related	606	632	575	457	656	NA
System/Services	1,114	1,333	1,616	1,799	1,748	NA
Adjustment	-670	-603	-530	-57	-486	NA
Total Operating Profit	2,585	2,319	2,474	1,887	3,108	3,700

Source: Company Data. Compiled by Strategy Advisors.

Test Solutions

Test Solutions' parent company, INNOTECH, operates the tester business. Its main customers are major domestic NAND flash memory manufacturers. Its subsidiary is STAr Technologies in Taiwan. The company invested in STAr in 2013 and acquired additional shares in 2014 to make it a subsidiary. It manufactures semiconductor reliability evaluation equipment and probe cards for semiconductor testing in-house.

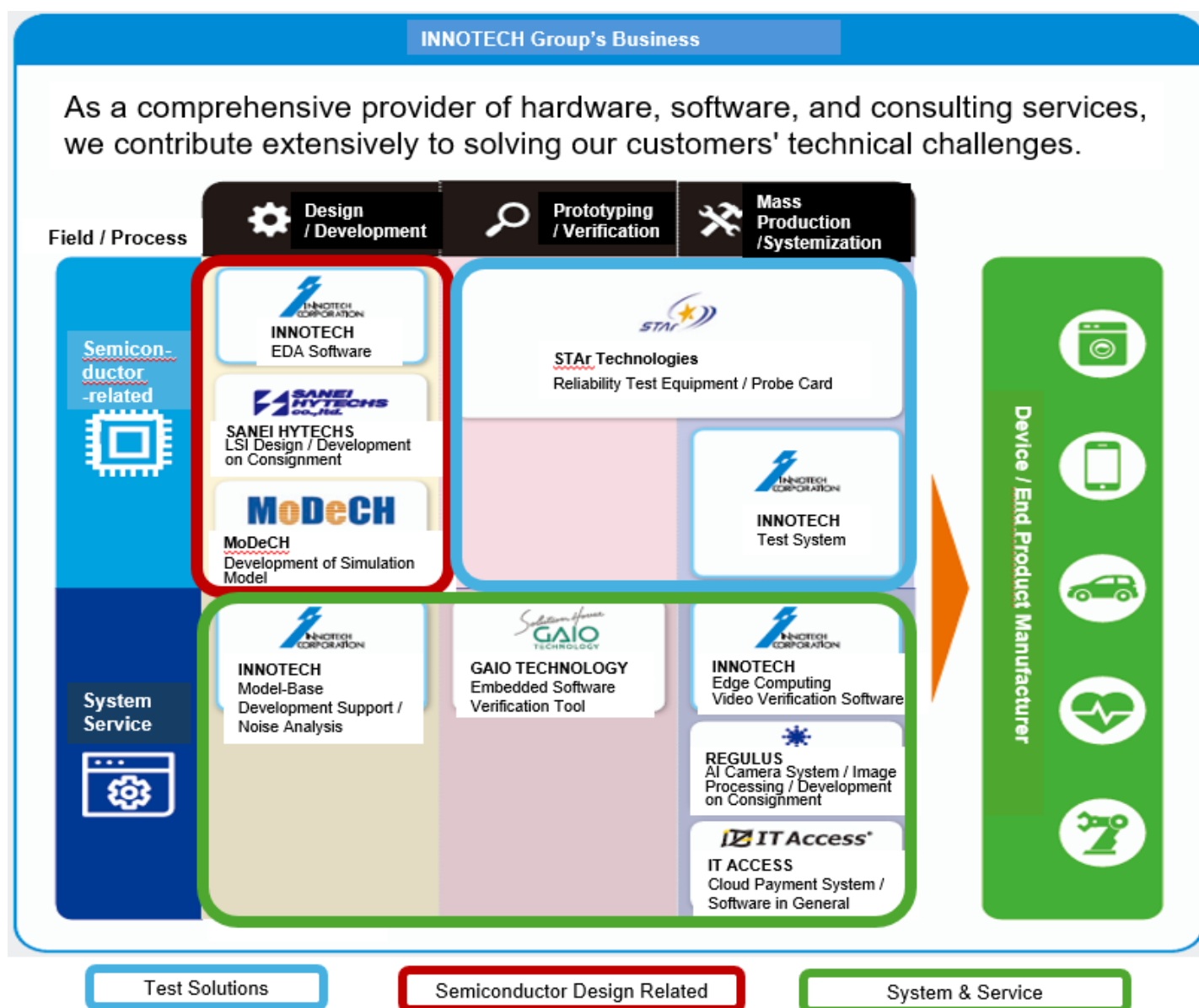
Semiconductor Design-Related

In the Semiconductor Design-Related business, INNOTECH operates an EDA business. This has been a core business since the company's founding, and its primary customers currently include electronic component manufacturers and semiconductor design firms. This division includes the subsidiaries Sanei Hytechs and MoDeCH. INNOTECH acquired Sanei Hytechs in 2002, and the company currently engages in LSI design and contract development. MoDeCH was acquired in 2020 and is engaged in the development of simulation models. Additionally, in March 2026, the company acquired Phi Microtech, a manufacturer of optical communication-related ICs.

System/Services

In the System/Services segment, INNOTECH operates the embedded systems business, which includes industrial PCs and CPU boards. Its subsidiary, IT Access - established in 2000 as a joint venture with ACCESS (4813, TSE Prime) - provides cloud-based payment systems and other services. GAIO Technology, a subsidiary acquired in 2014, provides embedded software verification tools and contract services. Regulus, acquired in 2012, develops and sells AI camera systems and image processing systems. Additionally, the company acquired Netvision in April 2026.

Figure 19. Business Areas of Group Entities



Source: Company Data. Compiled by Strategy Advisors.

INNOTECH CORPORATION | 9880 (TSE Prime)

Although a Latecomer with a Small Scale, the Company Excels at Offering Distinctive Products That Meet Customer Needs

Except for EDA, which the company continues to import and sell, many of its core businesses were launched relatively late in the market and few of its products hold significant global market share. However, the company has achieved steady growth by developing distinctive products that meet customer needs. Although its tester and probe card businesses are latecomers and smaller in scale compared to major players, the company leverages insights gained from its trading company days to develop products that meet customer demands, building trust with customers while penetrating niche markets. The semiconductor design and System/Services businesses, which have been expanded through M&A, operate in highly specialized markets, each with its own strengths. In particular, GAIO Technology's verification tools have become the de facto standard in the unit testing field, used by 90% of Japanese automakers.

Established as an Electronics Trading Company

2) History

INNOTECH was established in 1987 as an electronics trading company, by former employees of Tokyo Electron (8035 TSE Prime) - including Mr. Minoru Yoshida, who later served as its president - as its core members. Itochu Corporation (8001 TSE Prime) also had ties to the company, having formed a business alliance and becoming a shareholder. Initially, the company focused primarily on the operations of an import trading firm dealing in semiconductor test probe cards, vacuum CVD equipment, wafer cleaning equipment and other products, while also acting as an agent for domestic manufacturers. Former President Yoshida advocated supporting the Japanese operations of overseas venture companies, believing that as those companies grew, INNOTECH could build a win-win relationship with them. Therefore, it can be said that at the time of its establishment, the company's purpose and business model were those of an import trading firm.

Also Engaged in EDA Sales

In addition to manufacturing equipment, the company partnered with Cadence - which had been developing semiconductor design software from its inception - to sell EDA products in Japan. In the 1990s, the company expanded its trading business to include the import and sale of electronic components such as HDMI (High-Definition Multimedia Interface) devices and HDDs. For HDDs, the company served as an agent for Hitachi GST at the time.

IPO 3-Years After Establishment

In September 1990, the company went public with its shares listed on the over-the-counter market. This was an exceptionally rapid pace for the time, occurring just 3-years after the company's founding. It demonstrates that the company had achieved high profitability from the very beginning.

Performance Fluctuated with Macroeconomic Conditions & Semiconductor Market Trends

Business expanded and performance remained steady until the mid-1990s. However, in the late 1990s, the business environment for the import and sale of manufacturing equipment underwent significant changes. This was likely due to several factors: declining demand for manufacturing equipment in Japan as Japanese semiconductor manufacturers became less competitive; the growth of Japanese equipment manufacturers such as Tokyo Electron; the trend toward direct transactions between manufacturing equipment manufacturers and semiconductor device manufacturers driven by the spread of the Internet. Compounded by the semiconductor recession of 1998–1999, the company's performance deteriorated, resulting in a net loss of ¥3 billion for FY3/99. Consequently, the company withdrew from the semiconductor manufacturing equipment trading business in 2000.

Seeking to Transform the Business Portfolio

During this period, the company embarked on a business portfolio transformation to overcome the crisis, aiming to develop its own products and establish manufacturing capabilities. Specifically, this involved expanding its manufacturing capabilities to produce hardware and software for manufacturing equipment and embedded systems in-house. However, although the company initially pursued the development of ion implantation equipment for semiconductors, it was not successful. In 2000, the company established IT Access, a software development firm, as a joint venture with ACCESS (4813 TSE Prime). In 2002, it acquired Sanei Hytechs, a company engaged in semiconductor design and development. In terms of business performance, the company was heavily influenced by macroeconomic conditions and semiconductor cycles; even when earnings improved temporarily, performance would deteriorate due to factors such as the bursting of the IT bubble and the Lehman Shock and this pattern repeated itself.

Increasing the Proportion of Proprietary Products to Reduce Earnings Volatility

Entering the 2010s, the company actively pursued M&A to transition to a more robust earnings structure, expanding its in-house product lineup to include image processing and verification tools. Meanwhile, it withdrew from its trading business (electronic components, HDDs) in 2017. This successfully reduced earnings volatility caused by semiconductor cycles. Although net sales declined significantly compared to the trading business era, they have since followed a stable upward trend. Profits have also stabilized, with net profit reaching a record high for that period in FY3/22, indicating a solid performance.

Successfully Transitioning from a Trading Company to a Manufacturer

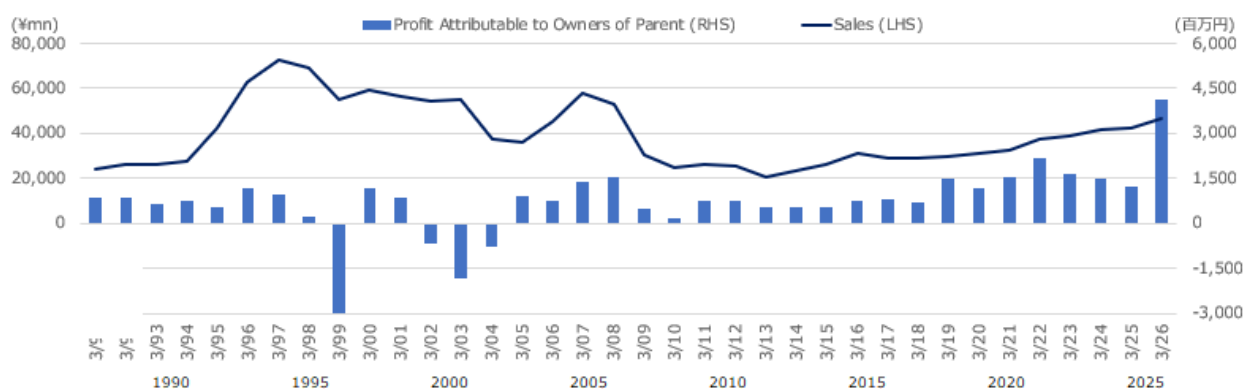
In other words, around 2014 - when INNOTECH's product portfolio expanded to include test solutions, semiconductor design, embedded systems, image processing and verification tools - the company's transition from a trading firm, whose earnings were prone to cyclical fluctuations, to a manufacturer with steadily growing earnings gained momentum. Since withdrawing from the import and sale of HDDs in 2017, the proportion of proprietary products has exceeded 60% and continues to rise. Reflecting this shift, in October 2022, the company's industry classification on the Tokyo Stock Exchange was changed from Wholesale Trade to Electrical Equipment.

Figure 20. History of INNOTECH

Jan. 1987	Company founded
Sep. 1990	Company's shares registered as OTC.
Apr. 2000	Established IT Access (currently a consolidated subsidiary) as a joint venture with ACCESS.
Mar. 2002	Acquired all shares of Sanei Hytechs and made it a subsidiary (currently a consolidated subsidiary).
Mar. 2008	Listed in Tokyo Stock Exchange Section2.
Mar. 2011	Listed in Tokyo Stock Exchange Section1.
Jul. 2012	Acquired all shares of REGULUS and made it a subsidiary (currently a consolidated subsidiary).
Jan. 2014	Acquired all shares of GAIO TECHNOLOGY and made it a subsidiary (currently a consolidated subsidiary).
Oct. 2014	Acquired additional shares in STAr Technologies and made it a subsidiary (currently a consolidated subsidiary).
Apr. 2020	Acquired shares of MoDeCH and made it a subsidiary (currently a consolidated subsidiary).
Apr. 2022	Move to the Prime Market of the Tokyo Stock Exchange.
Oct. 2022	Change in the sector to which our shares belong (from 'Wholesale Trade' to 'Electric Appliances').

Source: Company Data. Compiled by Strategy Advisors.

Figure 21 . Trends in INNOTECH's Performance and Business Areas



Trading Business

SME	1987-2000
EDA	1987~
Electronic Components	1990-2017
HDD	1993-2017

In-House Products Business

Test Systems	2003~
Embedded Systems	2005~
Image Processing	2012~
Verification Tools	2014~
Probe Cards	2014~
MBD/Noise Analysis	2015~
Cloud Payment Systems	2018~

Source: Company Data. Compiled by Strategy Advisors.

INNOTECH CORPORATION | 9880 (TSE Prime)

Figure 22. Performance Trends of the Parent Company and Major Subsidiaries (¥mn)

FY	3/21	3/22	3/23	3/24	3/25	3/26	3/27 CoE
INNOTECH (Test Solutions, Semiconductor Design-Related, System/Services)							
Sales	14,780	17,218	16,537	14,762	14,023	17,894	22,500
Gross Profit	3,899	4,650	4,466	4,348	3,458	4,915	6,250
Operating Profit	792	1,233	959	716	-42	734	1,500
(OP Margin)	5.4%	7.2%	5.8%	4.9%	-0.3%	4.1%	6.7%
Ordinary Profit	1,752	2,265	1,907	1,832	625	1,980	2,250
Net Profit	1,375	1,788	1,578	1,478	625	3,834	4,100
STAr Technologies (Test Solutions), 92.4% owned							
Sales	5,563	7,730	8,950	12,761	13,305	14,280	13,500
Gross Profit	2,345	2,919	3,657	4,446	4,458	4,663	4,800
SG&A Expenses	2,198	2,722	3,665	4,206	4,203	3,886	0
Operating Profit	147	197	-8	240	255	777	580
(OP Margin)	2.6%	2.5%	-0.1%	1.9%	1.9%	5.4%	4.3%
Ordinary Profit	325	362	67	84	114	424	430
Net Profit	273	333	51	33	354	337	350
Sanei Hytechs (Semiconductor Design-Related), 100% owned							
Sales	3,550	3,880	3,941	3,995	3,678	3,909	3,800
Gross Profit	1,041	986	1,025	1,029	944	1,041	950
Operating Profit	353	299	320	297	205	284	280
(OP Margin)	9.9%	7.7%	8.1%	7.4%	5.6%	7.3%	7.4%
Ordinary Profit	407	287	314	308	213	335	280
Net Profit	248	264	247	241	170	284	200
MoDeCH (Semiconductor Design-Related), 86.1% owned							
Sales	108	349	369	347	316	346	500
Gross Profit	48	167	212	180	168	205	270
Operating Profit	-80	10	35	24	-12	17	50
(OP Margin)	-74.1%	2.9%	9.5%	6.9%	-3.8%	4.9%	10%
Ordinary Profit	-80	13	38	23	-11	17	50
Net Profit	-80	13	62	23	-21	20	35
GAIO Technology (System/Services), 100% owned							
Sales	3,421	3,233	3,510	4,075	5,004	4,742	4,200
Gross Profit	1,399	1,326	1,446	1,548	1,967	1,660	1,580
Operating Profit	533	651	698	759	998	729	650
(OP Margin)	15.6%	20.1%	19.9%	18.6%	19.9%	15.4%	15.5%
Ordinary Profit	547	657	706	772	1,012	748	670
Net Profit	377	452	484	534	706	513	470
IT Access (System/Services), 85.0% owned							
Sales	4,669	4,274	4,899	5,141	5,384	5,456	5,800
Gross Profit	1,080	965	1,193	1,386	1,449	1,600	1,650
Operating Profit	422	307	411	523	535	574	620
(OP Margin)	9%	7.2%	8.4%	10.2%	9.9%	10.5%	10.7%
Ordinary Profit	433	324	438	539	794	590	620
Net Profit	309	226	301	379	525	408	430
Regulus (System/Services), 100% owned							
Sales	648	874	697	601	575	575	700
Gross Profit	117	213	212	203	181	185	220
Operating Profit	-83	12	3	1	20	31	50
(OP Margin)	-12.8%	1.4%	0.4%	0.2%	3.5%	5.4%	7.1%
Ordinary Profit	-77	13	2	0	18	28	50
Net Profit	-48	6	-1	6	10	18	35

Note: Net profit refers to profit attributable to owners of parent.

Source: Company Data. Compiled by Strategy Advisors.

3) President's Profile

Involved Since the Dawn of the Personal Computer Era

President Nobuyuki Otsuka, 63, is from Okayama Prefecture. After graduating from a computer vocational school, he joined Humo Laboratory (unlisted) in 1982, working on the development of computers using real-time operating systems. In 1987, he moved to Marubeni Hi-Tech Corporation (now Marubeni Information Systems), where he conducted failure analysis on motherboards for the NEC 98 series of PCs. He has been involved in microcomputers and personal computers since their very early days, when the industry was still in its infancy.

Interested in Computers Since Junior High & High School

Mr. Otsuka reportedly developed a keen interest in computers during his junior high and high school years and aspired to work in the computer field in the future. Although he had been accepted to university, he could not shake his strong desire to work with computers, so he persuaded his parents and decided to attend a computer vocational school.

Joined INNOTECH in 1991

He joined INNOTECH in 1991, 4 years after the company's founding. At that time, INNOTECH was brimming with energy and was amid growth under the strong leadership of former President Yoshida. Former President Yoshida placed a high priority on technology and emphasized that salespeople should understand the technical aspects of the products. President Otsuka, too, wanted to hone his skills in that environment. Initially, he was assigned to import and sell products from Israel and was even asked to travel there despite the country's political instability. When he was in charge of importing and selling equipment from a U.S. manufacturer, he once had to rush to the supplier's facility on the West Coast after a Japanese customer experienced a problem, where he worked with local engineers to resolve the issue.

Developer of Innotech's In-House Testers

Regarding the in-house semiconductor tester described later, the project was launched by a team of several people. Initially, there was opposition from management who deemed the project too risky, but President Otsuka took the lead, highlighting the power-saving performance of the tester developed by INNOTECH to secure a grant from NEDO. This reportedly helped them gain internal support.

The First President to Join INNOTECH At a Young Age and Build a Track Record

In 2012, he was appointed Director and Head of the Test Solutions Division and continued to oversee the Test Solutions Business. In April 2021, he became President and Representative Director of INNOTECH. President Otsuka is the 6th president. The first 3 presidents, including the founder, Minoru Yoshida, who served as president for 14 years, were all former employees of Tokyo Electron. The fourth president was Makoto Sumita, a former analyst at Nomura Research Institute and the fifth was Toshihiko Ono, a former vice president at Fujitsu. Both joined INNOTECH with the expectation of becoming executives from the outset. Although President Otsuka joined the company mid-career, he entered in his 20s and is the first president to be considered a “home-grown” executive, having been promoted based on his achievements at INNOTECH.

Figure 23. INNOTECH’s Successive Presidents (Titles Omitted)

		Term as President	Joined INNOTECH	Previous Job
1	Minoru Yoshida	January 1987 - June 2001	January 1987	Tokyo Electron, President
2	Ryoichi Kawashima	June 2001 - June 2003	May 1987	Tokyo Electron
3	Takashi Tsumori	June 2003 - April 2007	October 1989	Kyocera (formerly Tokyo Electron)
4	Makoto Sumita	April 2007 - April 2013	June 1996	Nomura Research Institute
5	Toshihiko Ono	April 2013 - April 2021	January 2009	Fujitsu, Vice president
6	Nobuyuki Otsuka	April 2021 ~	April 1991	Marubeni Hytech Corporation

Source: Company Data. Compiled by Strategy Advisors.

Seeking to Transform the Siloed Organizational Structure

Upon taking office, President Otsuka first implemented changes to the business segments. It is reported that INNOTECH had previously been characterized by a strong silo mentality, with little collaboration or information exchange between business divisions, and so he sought to create an organization with better communication and transparency. Previously, the disclosed segments were Design & Development Solutions and Product Solutions; however, individual business divisions were housed within these segments, resulting in a siloed structure with weak horizontal connections.

Expectations for Segment-Based Business Operations

Consequently, the company restructured its reported segments into the current three categories - Test Solutions, Semiconductor Design-Related, and System/Services - and decided to manage the business using these segments as the operational units. The company transitioned to a structure where designated executive officers oversee each segment and facilitate information exchange between them. Since long-standing practices cannot be changed overnight, the company acknowledges that this transition is still in progress; however, it is expected to lead to organizational changes, including adjustments to the business portfolio and subsidiaries, as discussed later.

8. Test Solutions Business

Composed of Testers & STAr Technologies

The Test Solutions Business consists of testers developed by INNOTECH itself and probe cards and reliability-evaluation equipment from its Taiwanese subsidiary, STAr Technologies.

Figure 24. Revenue Trends in the Test Solutions Business (¥mn)

FY	3/22	3/23	3/24	3/25	3/26	3/27 CoE
Sales	14,447	13,938	15,885	14,977	18,456	20,200
Testers	6,768	5,042	3,171	1,713	4,250	6,700
STAr	7,679	8,895	12,713	13,264	14,206	13,500
Operating Profit	1,534	957	812	-312	1,190	NA
Testers	1,337	965	572	-567	413	NA
STAr	197	-8	240	255	777	NA
OP Margin	10.6%	6.9%	5.1%	-2.1%	6.4%	NA
Testers	19.8%	19.1%	18.0%	-33.1%	9.7%	NA
STAr	2.6%	-0.1%	1.9%	1.9%	5.5%	NA

Note: All operating profit Figure s are based on individual company data from briefing materials. Testers' operating profit is calculated by subtracting STAr Technologies' operating profit from the division's operating profit.

Source: Company Data. Compiled by Strategy Advisors.

1) Testers

Currently, Testers for NAND Flash Memory Are THE Mainstay

The company's flagship product is "RESET", designed for NAND flash memory. It is used for inspection during the wafer fabrication process and is marketed for its low cost, compact size and low power consumption. Unlike general-purpose testers, "RESET" achieves these selling points by optimizing its functions to meet the specific test requirements of the target semiconductor devices as requested by customers. Its primary users are believed to be domestic NAND flash memory manufacturers. In the market for NAND wafer testers targeting these users, INNOTECH is thought to hold a high market share.

Figure 25. INNOTECH's "RESET" Tester



Source: Company Materials.

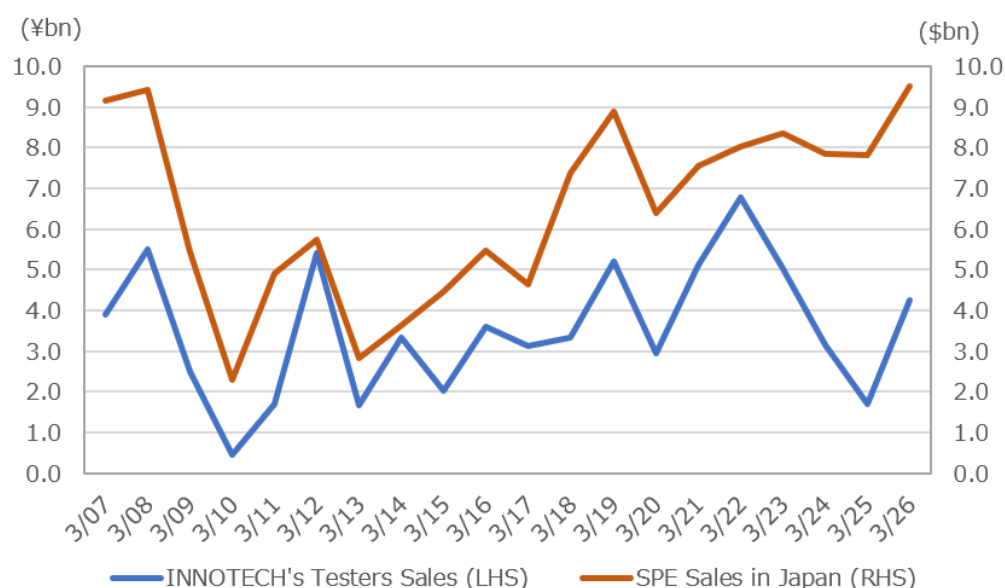
Shortening Development Lead Times & Capturing Customer Needs Through FPGA-Based Design

Demand From Existing Domestic Customers Has Been Recovering Since Q4 of FY3/26

Competitors in the tester market include global SPE companies such as Advantest and Teradyne. The company's distinctive feature is its ability to shorten development lead times by utilizing the latest FPGAs in its designs, thereby enabling the development of products with high customer satisfaction that promptly capture the latest market needs. For example, in NAND flash memory, capacity is increasing through multi-layer technology, and customer convenience is enhanced by supporting multiple DUTs (Device Under Test) to reduce test time. Furthermore, there is a strong demand for power-saving and space-saving solutions in the testing process; achieving compact, low-power consumption testers will also enhance customer satisfaction. In this way, the foundation of the testers business lies in the company's ability to identify specific needs on the testing floor, develop testers with a customer-centric approach and at the same time build strong, trusting relationships.

Demand for INNOTECH's memory testers has been heavily influenced by capital expenditures from its major domestic customer. Since INNOTECH testers account for a small portion of this customer's total capital expenditures, the trends do not perfectly align. However, following FY3/24 the customer's capital expenditures declined significantly and INNOTECH's tester sales also stagnated. However, in FY3/26, net sales to this customer have been on the mend since Q4 (January–March). Figure. 26 shows semiconductor manufacturing equipment sales in Japan and INNOTECH's tester net sales. Since INNOTECH's main customer is one of the few companies with domestic mass-production facilities and accounts for a high proportion of Japan's semiconductor manufacturing equipment demand, INNOTECH's tester net sales have been highly correlated with this trend.

Figure 26. Sales Of Semiconductor Manufacturing Equipment in Japan and INNOTECH's Tester Sales



Source: Company Data. Compiled by Strategy Advisors.

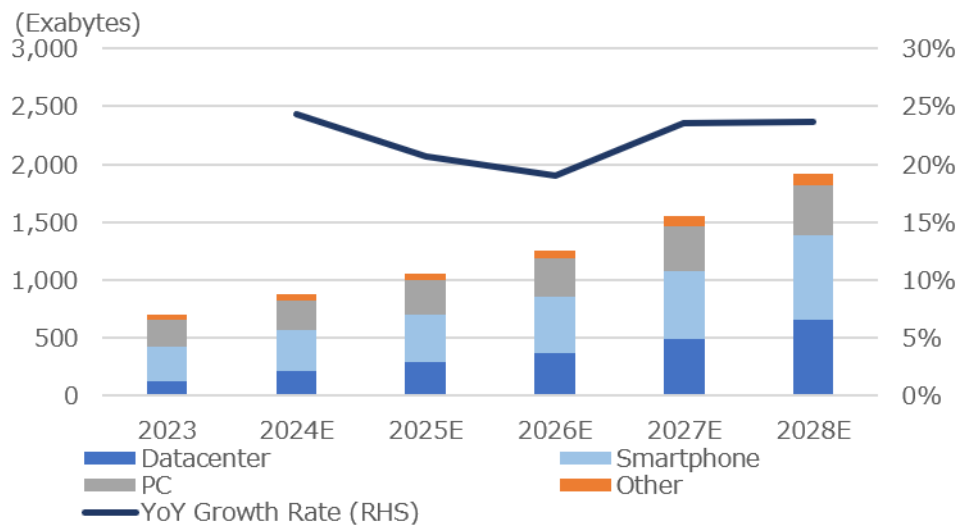
Shipments to New Overseas Customers Began FY3/26

INNOTECH has been working to acquire new overseas NAND flash memory customers for some time, and shipments of Testers to these customers began in Q1 FY3/26. Stable demand has continued a quarterly basis in FY3/26, and net sales are currently expanding steadily. This overseas customer plans to continue actively expanding its production capacity to catch up with the top three NAND manufacturers, which should provide a tailwind for INNOTECH's tester business. Furthermore, INNOTECH is believed to hold a high market share for NAND testers supplied to this customer. It is presumed that this high market share stems from leveraging the features cultivated in the domestic market - low price, space-saving design and low power consumption - while also delivering performance that precisely meets the needs of this overseas customer.

NAND Flash Memory Market Enters Supercycle

The NAND flash memory market has currently entered a "Supercycle" (a period of structural supply shortages) driven by the global generative AI boom and is facing soaring prices. Rising demand for generative AI has led to a sharp increase in training and inference workloads, triggering a rush to build large-scale AI data centers. Consequently, demand for high-capacity, high-speed SSDs (storage using NAND flash memory) installed in AI servers is expected to continue growing. Meanwhile, while demand for smartphones and PCs - the traditional mainstay applications - is showing a gradual recovery, growth driven by increased storage capacity is also expected as AI capabilities are added to edge devices.

Figure 27. NAND Flash Memory Demand Forecast



Note: Source: TechInsights Inc., "NAND Market Report Q3 2024"
Source: Strategy Advisors. Based on Kioxia Holdings' Prospectus.

Trend Toward Higher Capacity Via Multi-Layer Technology Continues

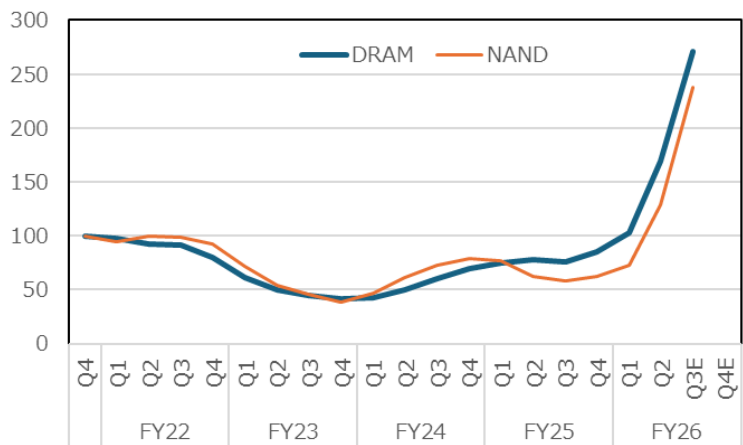
The major players in the NAND market include Samsung and SK Hynix (both South Korea), Kioxia, Micron (U.S.), SanDisk (U.S., in partnership with Kioxia) and YMTC (China). While Korean companies have historically held an advantage in the smartphone market, a competitive dynamic is emerging as the Japan-U.S. alliance aims to catch up by supplying AI data centers. Regarding the trend toward higher capacity, significant progress is being

made, with Kioxia increasing the shipment ratio of BiCS8 (218 layers). Furthermore, Kioxia has accelerated the development of BiCS10 (332 layers) and plans to begin mass production in 2026. The company is poised to catch up with Samsung’s V-NAND and SK Hynix’s 4D-NAND, which are currently leading the market. Meanwhile, the recently emerging YMTC is advancing high-capacity development using its proprietary multi-layer technology, Xtacking.

Memory Prices Are Surging

Figure 28 shows the price trends for NAND flash memory and DRAM. As the generative AI boom drove an expansion in HBM demand, DRAM prices rose first, followed by an increase in NAND flash memory prices starting in 2026. INNOTECH’s net sales have historically shown a certain degree of correlation with NAND flash memory prices. Prices in January–March 2026 are projected to increase by 100% QoQ (doubling), while prices for April–June are forecast to rise by 70% QoQ. Behind this price surge is the rapid increase in demand for high-speed, high-capacity SSDs driven by the rush to build AI data centers. Consequently, customer capital expenditures are expected to remain at high levels, which is likely to boost INNOTECH’s Testers net sales.

Figure 28. Price Trends for NAND Flash Memory and DRAM (FY3/21 Q4=100)



Note: Q1: September–November / Q2: December–February / Q3: March–May / Q4: June–August
Source: Strategy Advisors. Based on Micron Financial Reports, etc.

The current NAND market is dominated by the "Big Four" - namely Samsung and SK Hynix (both South Korea), Kioxia and YMTC (China) - which are engaged in intense technological competition to increase storage capacity. The trends for each company are summarized below.

Samsung Leads in V-NAND

Samsung, the industry leader, is currently transitioning its V-NAND production from its flagship V8 (236 layers) to V9 (286 layers). While Samsung has traditionally relied on single-stack technology (stacking as many cell wafers as possible in a single process and simultaneously forming TSVs [Through Silicon Vias] to connect all wafers), it adopted a double-stack configuration for the first time starting with V8. The V9 QLC (4-bit storage) is a product targeting

AI data centers. Furthermore, the company plans to launch mass production of the V10 (over 400 layers) within 2026.

SK Hynix Breaks Through 300 Layers, Leading the World

SK Hynix, a leader in the DRAM (particularly HBM) market, is also demonstrating its strengths in the NAND market with its 4D-NAND technology. The company is currently transitioning from its flagship 238-layer product to its cutting-edge 321-layer product. It has surpassed 300 layers ahead of the rest of the world and is proceeding with the supply of QLC products for AI data centers. The company acquired its NAND business from Intel and this acquisition has enabled it to leverage various insights related to data centers.

Kioxia's BiCS Strategy

Kioxia refers to its products developed after the transition to mass production of 3D-NAND (three-dimensional structure) in 2015 as BiCS FLASH™. With BiCS4 (96 layers) in 2017, the company introduced QLC (4-bit recording) technology, further increasing storage capacity. The company is currently in the transition phase from BiCS6 (162 layers), which has been its mainstay for the past few years, to BiCS8 (218 layers), launched in 2024. With the start of operations at the Kitakami Plant K2 in the fall of 2025, Kioxia is increasing the production ratio of BiCS8. A key feature of BiCS8 is the introduction of CBA (CMOS Directly Bonded to Array) technology. Previously, memory cell wafers were stacked sequentially on top of control circuit wafers. With CBA, however, the control circuit wafer and memory cell wafer are manufactured in separate processes and then precisely bonded together at the final stage. This significantly improves memory performance, making it a product well-suited for AI data centers.

Currently, Kioxia is preparing for mass production of BiCS9 (approximately 120 layers) for smartphones and PCs, which prioritizes cost-effectiveness while utilizing CBA technology, as well as BiCS10 (332 layers), which offers the high speed and large capacity required by AI data centers. In particular, mass production of BiCS10 is scheduled to begin in 2026, one year ahead of the initial plan.

YMTC is Expanding its Market Share

The rapidly growing Chinese company YMTC entered the market in 2018 based on its proprietary wafer-to-wafer bonding technology, Xtacking. Following a period of prototyping and verification, it launched Xtacking 2.0 (128 layers) in 2021. It quickly gained attention after securing a spot in the supply chains of major smartphone manufacturers. In 2025, the company launched Xtacking 4.0 (the exact number of layers was not disclosed, but it is estimated to be 294 layers), demonstrating its capability to develop high-performance products even under strict U.S. export controls on cutting-edge SPE equipment (such as etchers).

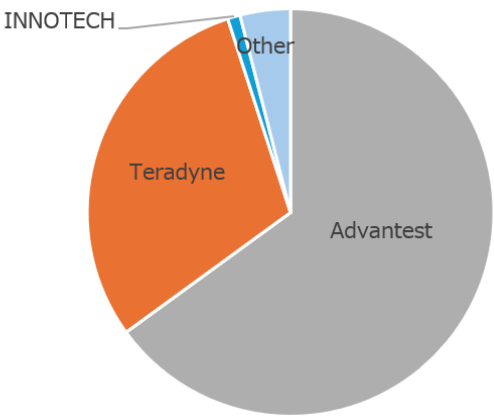
Currently, YMTC is challenging the 300-layer mark with Xtacking 5.0 and plans to begin mass production in 2026 or later, aiming to supply products for AI data centers. The company intends to strengthen collaboration with Chinese SPE firms (such as AMEC) to establish a production system that does not rely on overseas suppliers; if successful, this could lead to further market share expansion.

Global Memory Testers Market

INNOTECH’s tester business primarily targets NAND flash memory and its share of the global memory tester market in 2025 (estimated at \$1.7–2 billion by Advantest) stands at just under 1% (based on 2025 actual results), due to extremely sluggish demand from major domestic customers. Currently, Advantest and Teradyne dominate the tester market in both the memory and logic sectors, splitting the market share between them.

While the company aims to recover and expand its market share in the NAND sector, it also seeks to further expand its market share by advancing development for DRAM. Additionally, development of Testers for CIS (CMOS image sensors) is underway. If progress continues as planned, mass production for both DRAM and CIS is scheduled to begin in FY3/28.

Figure 29. Memory Testers Market (US\$1.7–2 billion, 2025 Actual)



Source: Strategy Advisors. Based on Advantest Materials.

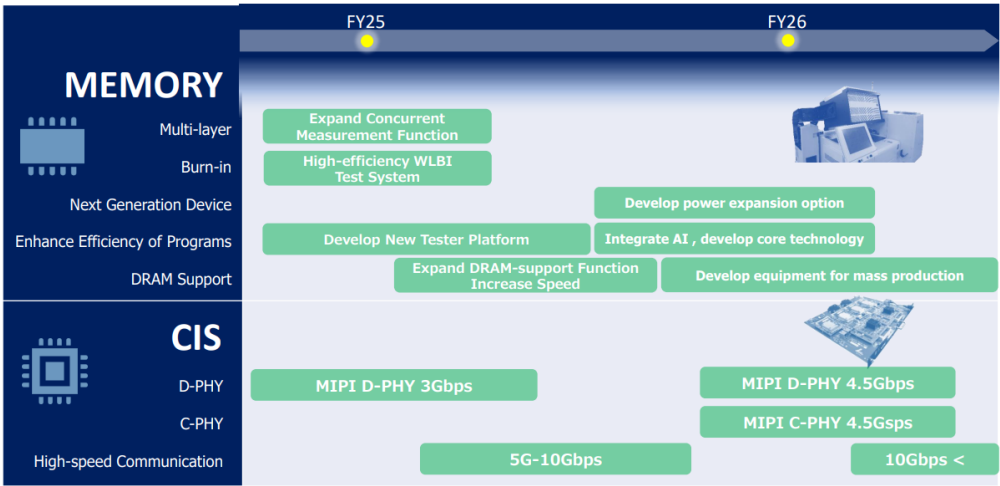
Pushing Ahead with Expansion into DRAM, Leveraging Strengths Cultivated in NAND Testers

DRAM testers require higher speed and reliability compared to NAND testers, making the development of core functions more challenging. However, the company plans to directly apply the strengths of its NAND testers - namely, using the latest FPGAs to shorten development lead times and delivering products with high customer satisfaction that promptly address the latest market needs - to its DRAM testers. In the DRAM market, demand for high-end HBM (High Bandwidth Memory), which is installed on GPU boards for AI servers, is currently expanding rapidly. The 3 major players - Samsung, SK Hynix and Micron - who dominate the market, are fiercely competing to build up production capacity. Meanwhile, as production of standard DDR products used in smartphones and PCs is being redirected toward HBM, leading to capacity shortages, business opportunities are expected to expand for companies outside this trio (such as Chinese firms) in the future. In China, CXMT, which started as a DRAM specialist, has succeeded in mass-producing DDR5 and is currently rapidly expanding its production capacity. Meanwhile, multiple Asian news sources report that existing Chinese NAND companies are planning to enter DRAM production. This trend toward an expanding player base in DDR-based DRAM is likely to be a positive factor for INNOTECH’s goal of expanding its Testers into the DRAM market.

Promoting Expansion into CIS & Advancing Development for Image Data Communication Standards

For CIS applications, the company currently manufactures capture boards used in inspection processes for domestic customers. It is currently developing CIS testers that are further evolutions of this technology. To realize this tester, it must support image data communication standards such as standard MIPI D-PHY (3-wire pairs consisting of a clock line and a data line) and high-speed MIPI C-PHY (3 data lines without a clock line). The tester under development is intended for delivery to new overseas customers.

Figure 30. Testers Development Roadmap



Source: Company Materials.

The Company Also Manufactures Burn-in Boards Used in the Final Stages of Semiconductor Production

The company also manufactures burn-in boards used in burn-in testing, which is conducted during the final stage of semiconductor device production. This testing is designed to detect initial defects in advance by subjecting semiconductors to stressors such as voltage and temperature. Sales of burn-in boards have grown in line with the trend of semiconductor device manufacturers, the company’s customers, increasingly adopting burn-in testing. In recent years, the market has been in a lull due to sluggish customer demand, but demand for burn-in boards is expected to increase as demand for Testers recovers.

2) STAr Technologies

Probe Cards and Reliability Evaluation Equipment

INNOTECH invested in Taiwan-based STAr Technologies in 2013 and made it a subsidiary in 2014. It currently holds a 92.38% stake in the company. Its main products are probe cards used for testing semiconductor devices and reliability-evaluation equipment "PLUTO." Although the sales mix fluctuates from year to year, it is estimated that reliability-evaluation equipment accounts for a larger share than probe cards.

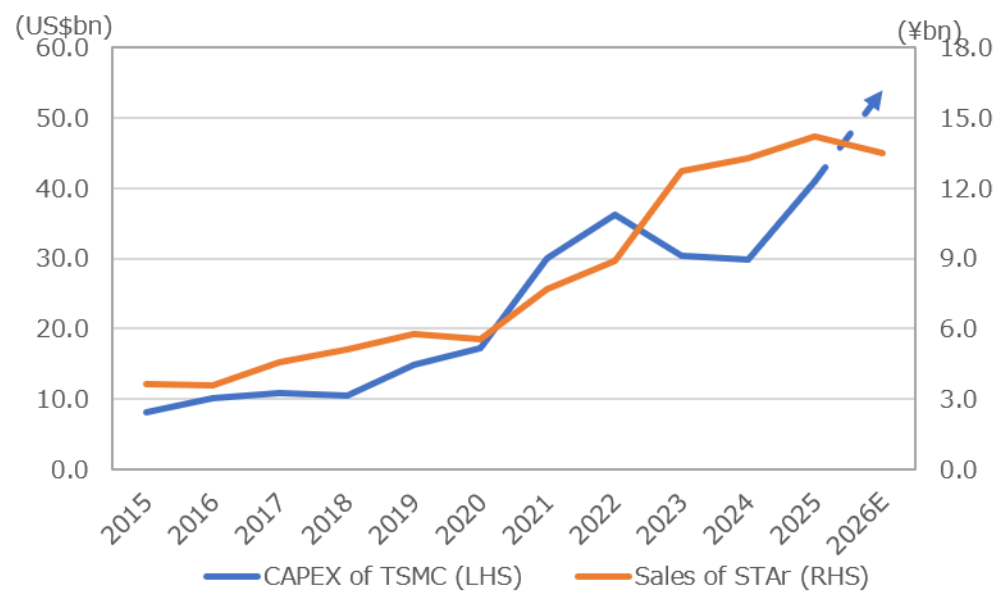
Reliability Evaluation Equipment is Primarily Targeted at Foundries, Mainly in Taiwan

The Main Competitor is Israel-Based Qualitau

STAr Technologies’ semiconductor reliability evaluation equipment supports both wafer-level and package-level testing and can perform a wide range of inspections, including those of semiconductor device oxide films. For example, the company develops equipment to evaluate symptoms such as hot carrier injection and electromigration, which lead to reliability degradation in semiconductor devices. Foundries in Taiwan, China, South Korea and the United States are believed to be the primary users. In particular, sales to China are estimated to have grown significantly recently.

Although STAr Technologies has many users, major Taiwanese foundries are presumed to be STAr Technologies’ key customers. Therefore, a comparison of TSMC’s capital expenditures - the industry leader - with STAr Technologies’ sales reveals a correlation, as shown in Figure 11. TSMC’s capital expenditures are currently on an upward trend. However, since demand for semiconductor devices varies by product type, the recovery in capital expenditures across the industry as a whole is expected to be gradual. Furthermore, the main competitor in the reliability testing equipment market is believed to be Israel’s Qualitau (QLTU XTAE).

Figure 31. Trends in TSMC’s Capital Expenditures and STAr Technologies’ net sales



Source: Company Data. Compiled by Strategy Advisors.

Various Types of Probe Cards

Probe cards are jigs used in the semiconductor device inspection process, serving to connect the chips on the wafer - after the circuits have been formed - to Testers. They are broadly categorized into cantilever, vertical and MEMS types. The cantilever type involves attaching pins directly to a wiring substrate; it is considered a legacy technology and is relatively inexpensive per unit. The vertical type involves attaching a block with terminals fixed vertically. The MEMS type uses MEMS technology to form microscopic probe pins directly on the substrate, offering high precision.

Figure 32. STAr Technologies’ probe card for parametric testing



Source: Company Materials.

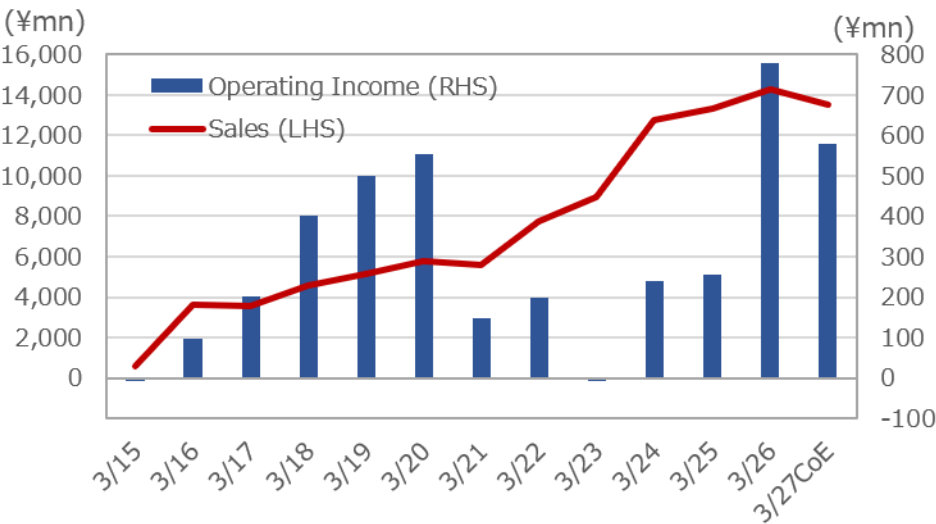
Probe Card Net Sales Were Around ¥5 billion in FY3/26

The global probe card market is expected to reach approximately \$2.3 billion by 2024. Major players include FormFactor (FORM NAS) in the U.S., Technoprobe in Italy, Micronics Japan (6871 TSE Prime) and Japan Electronic Materials (6855 TSE Prime). Micronics Japan’s net sales for FY12/25 were ¥68.5 billion and Japan Electronic Materials’ net sales for FY3/26 were ¥29.4 billion. STAr Technologies’ probe card net sales are estimated to have been around ¥5 billion in FY3/26.

STAr Technologies’ Profits Had Been Stagnating

STAr Technologies’ financial performance is shown in Figure 33. The increase in net sales is driven by factors such as the expansion of reliability evaluation equipment sales to China. On the other hand, the company struggled to generate profits through FY3/25. This is believed to be primarily due to the relatively low profit margins of its China-focused business, as well as the company’s investment of resources in probe card technology development.

Figure 33. STAr Technologies’ Performance Trends



Source: Company Data. Compiled by Strategy Advisors.

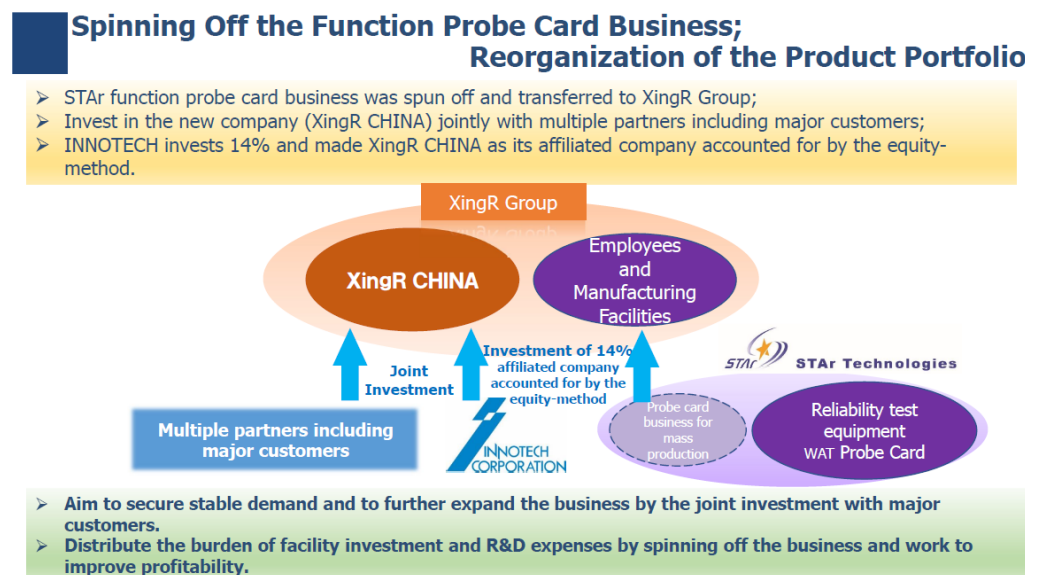
Transfer of Mass-Production Probe Cards

Consequently, in FY3/25, INNOTECH transferred the mass-production segment of STAr Technologies' probe card business to the XingR Group. XingR China was established through a joint venture with multiple partners, including major customers and INNOTECH continues to hold a 14% stake, treating the company as an equity-method affiliate. The transferred business is reported to have generated approximately ¥2 billion in revenue. As noted above, STAr Technologies had been making upfront investments in this area, with it worth noting that the burden on STAr Technologies being significant. However, the transferred mass-production business targets promising markets such as CMOS image sensors, and going forward, it is likely to gain financial strength and increase opportunities for growth.

STAr Technologies' Profits Set to Rebound Amid Business Restructuring & Recovery in Customer Capital Expenditures

STAr Technologies will now concentrate its management resources primarily on R&D probe cards and reliability evaluation equipment for foundries. The performance of Taiwanese foundries, which are considered STAr Technologies' major customers, continues to expand robustly; and TSMC, the largest foundry, has indicated plans to increase capital expenditures going forward. This is expected to provide a tailwind for STAr Technologies' earnings environment. Furthermore, STAr Technologies' OP Margin improved significantly from 1.9% in FY3/25 to 5.4% in FY3/26, as the investment burden associated with probe cards for mass-production products was reduced.

Figure 34. Restructuring of the Probe Card Business



Source: Company Materials.

9. Semiconductor Design-Related Business

Composed of EDA Sales (Distribution) and Sanei Hytechs, etc.

The Semiconductor Design-Related Business consists of EDA import and sales conducted by INNOTECH, as well as subsidiaries Sanei Hytechs, MoDeCH and the newly consolidated Phi Microtech. Although it is somewhat affected by the semiconductor cycle, sales and profit trends are relatively stable.

Figure 35. Revenue Trends in the Semiconductor Design-Related Business (¥mn)

FY	3/22	3/23	3/24	3/25	3/26	3/27 CoE
Sales	12,429	13,287	12,884	12,992	13,729	14,400
EDA and Others	8,291	9,056	8,641	9,089	9,619	10,100
Sanei Hytechs	3,854	3,941	3,995	3,678	3,899	3,800
MoDeCH	283	289	246	224	210	500
Operating Profit	606	632	575	457	656	NA
EDA and Others	297	277	254	264	355	NA
Sanei Hytechs	299	320	297	205	284	NA
MoDeCH	10	35	24	-12	17	NA
OP Margin	4.9%	4.8%	4.5%	3.5%	4.8%	NA
EDA and Others	3.6%	3.1%	2.9%	2.9%	3.7%	NA
Sanei Hytechs	7.8%	8.1%	7.4%	5.6%	7.3%	NA
MoDeCH	3.5%	12.1%	9.8%	-5.4%	8.1%	NA

Note: The breakdown of net sales for FY21/3 is based on materials from the earnings briefing; for FY22/3 and beyond, it is based on segment information.

All operating profit Figures are derived from company-specific data in the briefing materials. EDA's operating profit is calculated by subtracting the operating profits of Sanei Hytechs and MoDeCH from the division's operating profit.

Source: Company Data. Compiled by Strategy Advisors.

1) EDA

Import and Sale of Cadence (U.S.) Products

This is the only business INNOTECH has continued since its founding. The company sells Cadence's EDA products to Japanese customers. Sales in Japan are also conducted by the Japanese subsidiary, Cadence Design Systems Japan. In July 2003, INNOTECH transferred its sales operations targeting major semiconductor device manufacturers to Cadence Japan. Since then, electronic component manufacturers and semiconductor design companies have become the primary customers.

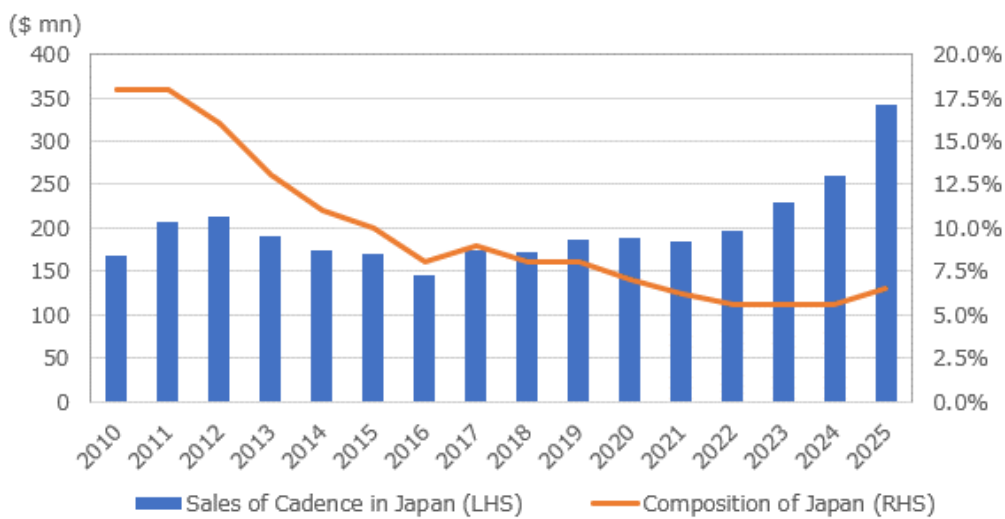
Essential for Semiconductor Device Circuit Design

EDA is software used for circuit design in semiconductor devices, printed circuit boards and other applications. It includes tools that assist with circuit design and tools that verify design results. As semiconductor devices become increasingly highly integrated and semiconductor circuits grow more complex, EDA has become indispensable not only in cutting-edge fields, but also for non-cutting-edge devices. Furthermore, as integration levels rise and design complexity increases, even the design of a single device requires different EDA software at multiple stages, leading to a growing demand for such tools. With the miniaturization of semiconductors, the adoption of chiplets is on the rise, and EDA is also used for circuit design tasks such as interposer design. Chiplets are a method used to address the yield decline issues arising from scaling in SoCs, which integrate functions such as CPUs, cache memory and I/O onto a single chip at a large scale. Specifically, this involves manufacturing each function as a separate chip and then integrating the good chips onto a silicon interposer, or mounting DRAM and its interposer onto the same package substrate.

Cadence’s Market Share in Japan is on the Rise

For Cadence, the share of the Japanese market was on a downward trend during the 2010s. The share, which stood at 18% in 2010, had fallen to 5% by 2022. The primary reasons for this likely include the declining global market share of Japanese semiconductor device manufacturers and, particularly in the advanced semiconductor sector where new product development is vigorous, the low presence of Japanese manufacturers. However, Cadence’s net sales to Japan have shown a marked upward trend since 2023 and its market share has bottomed out and begun to rise. This is driven by the fact that while the decline in market share among semiconductor device manufacturers has stabilized, sales to non-semiconductor applications are increasing.

Figure 36. Cadence's Sales and Composition in Japan



Source: Strategy Advisors. Based on Cadence Materials.

High Proportion of Recurring Revenue

It is estimated that recurring revenue accounts for most EDA sales. Since a certain level of revenue is secured for 2 to 3 years, once a customer is acquired, the business can be considered stable. For this reason, EDA has been steadily increasing its sales without being significantly affected by the semiconductor cycle. INNOTECH's customers are primarily manufacturers of consumer electronics and components, as well as design firms targeting non-cutting-edge semiconductors and printed circuit boards. Cadence Japan handles major cutting-edge semiconductor device manufacturers. While high growth may not be expected in the industries where INNOTECH's customers operate - where Japan's competitiveness remains strong - many of these sectors are characterized by stable growth.

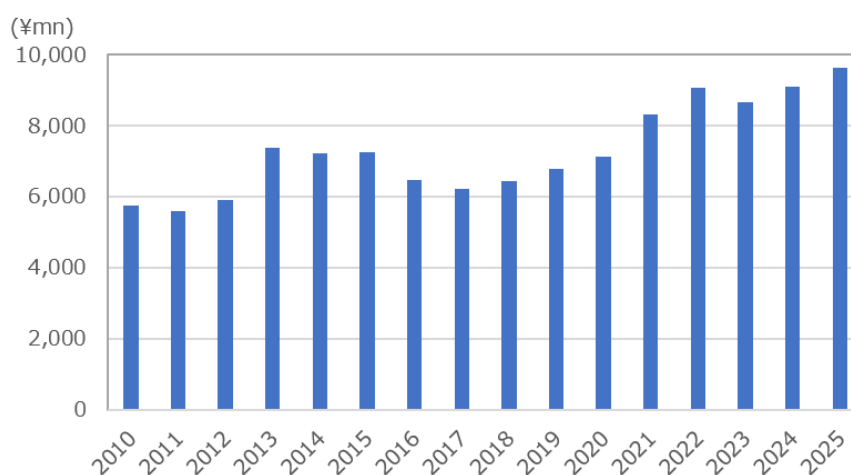
INNOTECH's Support System is Highly Regarded by Customers

Furthermore, drawing on its experience as an importer of SPE, INNOTECH excels at providing detailed support to EDA customers. Consequently, it is presumed that the company is highly regarded by users. From the perspective of the Cadence Group, even if it wishes to increase the proportion of sales made through its subsidiary Cadence Japan, it appears that there is a certain need to continue using INNOTECH as a distributor to maintain competitiveness in Japan, given INNOTECH's sales competitiveness and positive customer reputation. INNOTECH maintains a share of around 20% of Cadence's net sales in Japan.

Competition Between Cadence and Synopsys in Japan

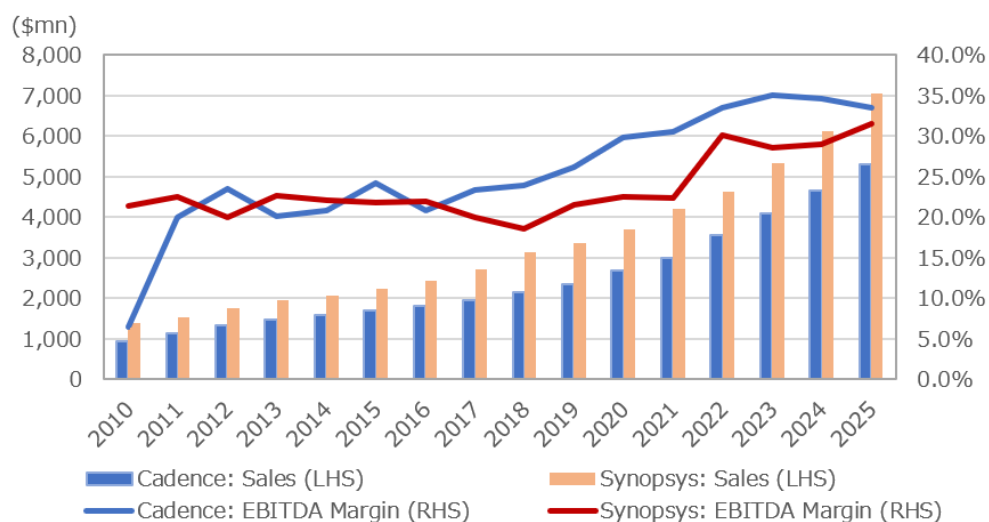
The global Electronic Design Automation (EDA) market is dominated by Cadence, Synopsys Inc. (SNPS NAS) and Siemens EDA (unlisted). Cadence and Synopsys are locked in fierce competition; while both share similar sales growth, Cadence has recently outperformed Synopsys in EBITDA and EBITDA margin growth (Figure 38). This intense competition extends to the Japanese market, where INNOTECH's presence is crucial for Cadence to maintain its competitive edge against Synopsys. Consequently, maintaining and improving customer satisfaction is a key requirement for INNOTECH.

Figure 37. INNOTECH's EDA and Others Net Sales



Source: Company Data. Compiled by Strategy Advisors.

Figure 38. Earnings Trends of Cadence and Synopsys



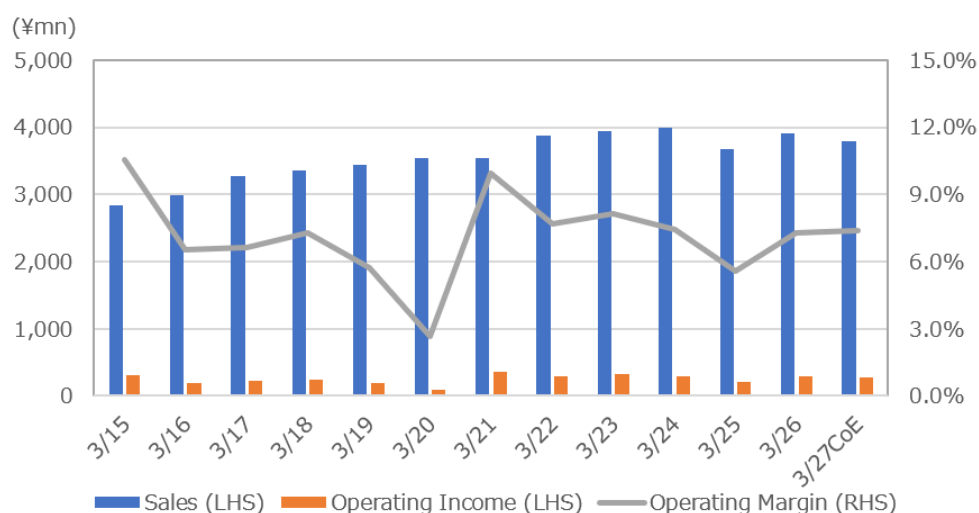
Source: Company Data. Compiled by Strategy Advisors.

2) Sanei Hytechs

Engaged in Semiconductor Device Design & Software Development

Sanei Hytechs is a company that INNOTECH acquired in 2002 - at a time when it was seeking to expand its manufacturing capabilities - and made a wholly owned subsidiary. Its core business is the design of semiconductor devices, with a particular focus on analog semiconductors, analog-to-digital converter and mixed-signal LSIs, primarily for the automotive, audio, home appliance and industrial sectors. The company also engages in software development for automotive, audio, and communications applications. Additionally, it performs annotation work for AI (such as creating training data for deep learning).

Figure 39. Sanei Hytechs' Earnings Trends



Source: Company Data. Compiled by Strategy Advisors.

Engineering Team

As of April 2025, the company had 348 employees, 88% of whom are engineers. Within INNOTECH, this makes it the second-largest workforce after STAr Technologies. In addition to in-house design, the company also dispatches engineers to client companies to provide design support. According to the company's website, major clients include Yamaha (7951 TSE Prime), Minebea Mitsumi (6479 TSE Prime), Denso (6902 TSE Prime) and Hamamatsu Photonics (6965 TSE Prime). The company is believed to have a wide range of other clients as well.

Annotation Business in Vietnam Slowing Down

The company has also expanded overseas, with bases in China and Vietnam. In Vietnam, in addition to semiconductor device design and software development, the company is engaged in an annotation business for AI. While areas such as road data for autonomous driving have been growing in recent years, the business is expected to slow down in FY3/27.

Stable Performance

Since Sanei Hytechs engages in the design and software development of semiconductors that serve as the foundation for the automotive, home appliance and industrial sectors, it is less susceptible to the impact of the advanced semiconductor cycle. However, the company has been affected by sluggish demand for analog semiconductor design, particularly in the automotive and industrial sectors, since H2 FY3/25. Since the start of FY3/26, there have been signs of a very gradual recovery. While Sanei Hytechs primarily operates a contract design business, the proportion of in-house development has been increasing in recent years, as evidenced by the acquisition of proprietary IP projects for power supply applications during FY3/26. This trend is worth watching from the perspective of improving profitability.

3) MoDeCH

MoDeCH is Engaged in Modeling Development, etc.

MoDeCH was acquired by INNOTECH in 2020. INNOTECH holds an 86.1% stake in the company. Its primary business activities include creating simulation models for various semiconductor devices, as well as providing modeling and analysis services for Model-Based Development (MBD), which is becoming increasingly essential in the development of embedded systems for electronics and the automotive industry. MBD involves creating models to perform simulations on computers without using physical hardware, thereby enabling simultaneous development and verification. It is involved in the modeling of various circuit designs and has a broad scope of application. Although revenue is currently small and performance has been flat, it is attracting attention as a key technology that will also contribute to the simulation platform discussed later.

Engaged in the Design of High-Speed Analog Semiconductors for Optical Communications

Photoelectric Conversion Chips Are Used in V-ONUs

A Steppingstone Toward CPO (Photo-Electronic Integration) Technology

Composed of Embedded Systems, GAIO Technology & IT Access

4) Phi Microtech

Phi Microtech was acquired by INNOTECH in 2026 and became a wholly owned subsidiary. The company has 10 employees, primarily engineers. Founder Mr. Akazawa was once a distinguished researcher at NTT's Atsugi Research Laboratory, but he left to establish Phi Microtech in 2001 and launched a semiconductor design business. Currently, the company handles everything from specification review and proposal to prototyping, mass production and sales of high-speed analog semiconductors for optical communications and other applications. With actual net sales of approximately ¥100 million for FY3/26, the company's current business scale is small.

The company's current flagship products, the optoelectronic conversion chips "PH1005" and "PH1013" are used in V-ONUs (video over-the-network units) installed in routers supplied by telecommunications carriers to individual households. Specifically, these chips convert video data brought into each home via optical fiber into electrical signals and demodulate the resulting broadband FM signals into multi-channel video signals. A key feature of the company's chips is their use of SiGe (Silicon Germanium) material. They offer well-balanced characteristics that fall between Si (CMOS) - which is inexpensive but slightly inferior in performance - and GaAs (Gallium Arsenide) - which offers high performance (particularly in the high-frequency range) but comes at a higher cost.

In addition to the ongoing shift toward optical signaling in the fields of in-vehicle LANs, LiDAR and gastroscopes, the company is expected to capture design demand in the medium to long term driven by advancements in optoelectronic conversion accompanying the acceleration of communications in AI data centers. INNOTECH aims to strengthen its semiconductor design capabilities and likely intends to lay the groundwork for CPO (optoelectronic convergence) technology, which is emerging as a long-term focus.

10. System/Services Business

The System/Services Business aims for stable growth and has performed steadily to date. INNOTECH's own embedded systems business, GAIO Technology - which is expanding its automotive operations - and IT Access, whose cashless payment systems for vending machines are growing, are all increasing their contribution to earnings. The company acquired NetVision in April 2026, with the acquisition expected to be consolidated starting in FY3/27.

Figure 40. Revenue Trends in the System/Services Business (¥mn)

FY	3/22	3/23	3/24	3/25	3/26	3/27 CoE
Sales	10,360	11,404	12,589	14,005	14,551	15,400
Embedded Systems and Others	2,040	2,339	2,815	3,075	3,873	4,700
IT Access	4,274	4,899	5,141	5,384	5,456	5,800
GAIO Technology	3,233	3,510	4,075	5,004	4,742	4,200
Regulus	874	697	601	575	575	700
Operating Profit	1,114	1,333	1,616	1,799	1,748	NA
Embedded Systems and Others	144	221	333	246	414	NA
IT Access	307	411	523	535	574	NA
GAIO Technology	651	698	759	998	729	NA
Regulus	12	3	1	20	31	NA
OP Margin	10.8%	11.7%	12.8%	12.8%	12%	NA
Embedded Systems and Others	7.1%	9.4%	11.8%	8.0%	10.7%	NA
IT Access	7.2%	8.4%	10.2%	9.9%	10.5%	NA
GAIO Technology	20.1%	19.9%	18.6%	19.9%	15.4%	NA
Regulus	1.4%	0.4%	0.2%	3.5%	5.4%	NA

Note: All operating profit Figures are based on individual company data from investor presentation materials. INNOTECH's operating profit for embedded systems is calculated by subtracting the operating profits of IT Access, GAIO Technology, and Regulus from the division's operating profit.

Source: Company Data. Compiled by Strategy Advisors.

1) Embedded Systems

Commercialized CPU Boards & Box-Type PCs as Proprietary Products

As an electronics import trading company, INNOTECH previously handled CPU boards and industrial PCs. However, as part of its transition to becoming a manufacturer, the company focused on in-house development by its own engineers and commercialized these products as proprietary offerings. The company operates under the unified brand "INNINGS". The CPUs are manufactured by Intel, and the product lineup include the "Xeon", "Core" and "Atom" models. The primary operating system is Windows, though many models also support Linux. The company handles the design and procurement of key components (such as semiconductor devices) in-house, while manufacturing is outsourced to domestic EMS manufacturers.

Meeting Requirements for Continuous Operation & Long-Term Supply of the Same Model

Two key requirements for industrial PCs (including CPU boards) are the ability to operate continuously 24 hours a day, 365 days a year without shutdown, and the ability to continue supplying the same product model over a long period (5 to 8 years). For example, using “general-purpose PCs” for manufacturing process operations in factories across various industrial sectors lead to drawbacks such as short product lifecycles due to CPU generational shifts and frequent re-validation of application software caused by frequent OS updates. Furthermore, when considering use in the social infrastructure sector, compact and energy-efficient designs that prioritize ease of installation are required. In particular, since the power supply ICs mounted on the board operate at various voltages, it is highly significant to have excellent hardware engineers who can design power supply circuits with a high degree of flexibility without relying on off-the-shelf power control ICs.

Strengths in Power-Efficient Designs Using “Atom-Series” CPUs

INNOTECH is one of about 5 major players in a market led by domestic competitor PFU Ricoh. Unlike competitors using Intel’s mainstream “Core” series, INNOTECH leveraged its trading-company insights into customer needs by adopting Intel’s power-efficient “Atom” series (introduced around 2008). This enabled them to develop unique, space-saving, fanless boards. Driven by IoT expansion, demand is growing for edge computing (device-side data processing) and complementary device functions. INNOTECH's products directly meet these needs, positioning the company for steady future growth.

Enhancing Support Systems

The company prioritizes 2 key areas: reducing customers’ maintenance costs and minimizing downtime. To achieve this, it is enhancing its support system from both hardware and software perspectives. First and foremost, preventing failures is crucial. Furthermore, high customer satisfaction with troubleshooting services increases the likelihood of securing repeat orders. Regarding software, the fact that the company develops its own BIOS after purchasing the source code has proven effective in resolving issues quickly.

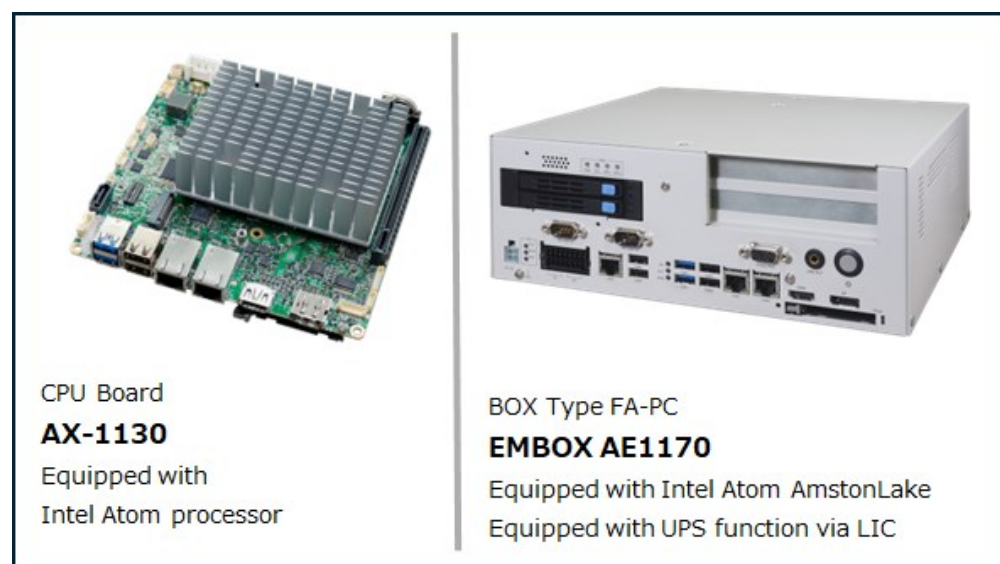
Aiming for Net Sales of ¥5 billion in FY3/27

Net sales of embedded systems grew to ¥3.9 billion in FY3/26 (+26% YoY), indicating an accelerating growth rate. The OP Margin is also trending upward, reaching 10.7% (an estimate) in FY3/26. The company aims to reach net sales of ¥5 billion for FY3/27. By application, the business is categorized into five segments: social infrastructure, industrial machinery, semiconductors, railways and defense. In terms of business scale (based on revenue), social infrastructure is the largest, followed by industrial machinery and railways, then semiconductors and defense. Currently, driven by a surge in AI data center construction, demand is growing significantly for SSD-related products in the semiconductor sector and for data center measurement instruments in the industrial machinery sector. Additionally, demand for marine applications is increasing within the industrial machinery sector. The defense sector is expected to deliver stable growth over the medium to long term.

Focusing on Distinctive FA-PCs & Edge FACE to Expand Sales

The product areas the company will focus on going forward are: 1) distinctive FA-PCs and 2) Edge FACE. First, for FA-PCs, the expansion of sales for cost-effective, maintenance-free products utilizing "Atom" series CPUs will be promoted. In November 2025, the company announced the world's first product equipped with a UPS function featuring a built-in LIC (lithium-ion capacitor). Edge FACE is a system that incorporates facial recognition functionality on the edge rather than in the cloud, enabling access control for offices and other facilities with a simple configuration.

Figure 41. INNOTECH's CPU Boards and Box-Type PCs (Examples)



Source: Company Data. Compiled by Strategy Advisors.

2) GAIO Technology

Sales Of Automotive-Verification Tools & Engineering Services

GAIO Technology is a wholly owned subsidiary acquired in 2014. It primarily serves the automotive industry through; 1) the development, sales, and maintenance of automotive-verification tools and 2) engineering services and technical staffing.

Regarding 1), the embedded software unit testing tool "Coverage Master winAMS" has a large user base and is GAIO Technology's flagship product. It appears to be highly regarded in the field of automotive control software, where high software quality is required to ensure safety.

Regarding 2), the company provides engineering services such as model development support, consulting and outsourced unit testing services.

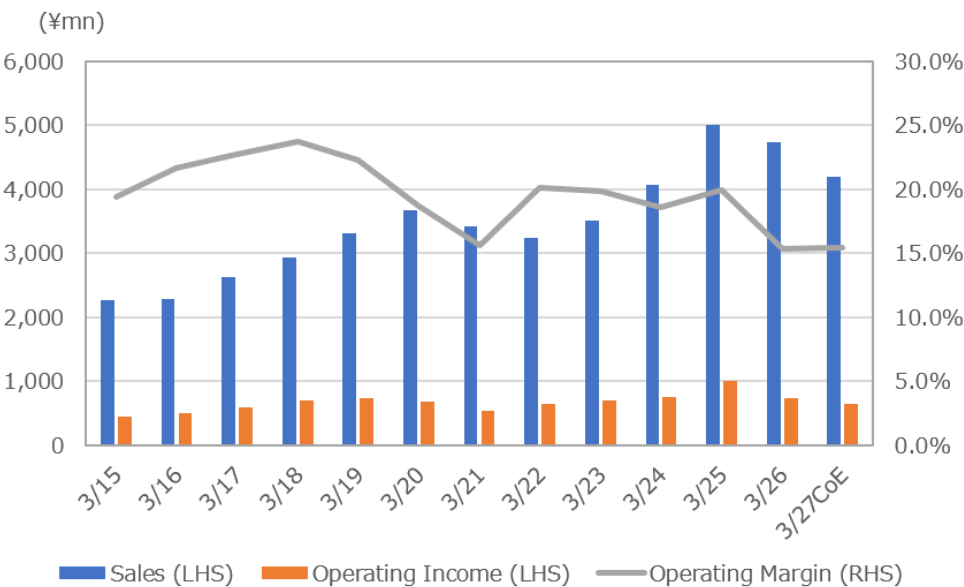
The De Facto Standard for Unit Testing

GAIO Technology’s “Coverage Master winAMS” has obtained tool certification for automotive functional safety (ISO 26262) and has become the de facto standard for software unit test verification tools. Unit testing verifies whether individual units operate according to specifications before testing the software as a whole, and is an essential process for obtaining automotive functional safety certification. It is reported that over 90% of Japanese automotive manufacturers use this tool and companies such as Toyota (7203 TSE Prime), Subaru (7270 TSE Prime) and Denso (6902 TSE Prime) are listed on the company’s website as adopters.

Expectations for Mid to Long-Term Growth in Engineering Services

Currently, it appears that revenue from engineering services is exceeding that from tools. While tools have already been widely adopted by customers, engineering services are viewed as being in the midst of growth over the medium to long term. GAIO Technology’s strength lies in having both of these pillars, which is believed to contribute to its positive reputation among customers. However, the current business environment is characterized by sluggish demand against the backdrop of a decline in domestic automobile production and there are no signs of a full-scale recovery.

Figure 42. GAIO Technology’s Performance Trends



Source: Company Data. Compiled by Strategy Advisors.

3) IT Access

IT Access is a subsidiary established in 2000 as a joint venture between INNOTECH and ACCESS. INNOTECH holds an 85% stake in the company. In addition to developing software for in-vehicle applications, the company operates a cloud-based payment system. It is estimated that this business currently accounts for approximately 60% of IT Access’s net sales.

Provider of Cloud-Based Payment Systems

Many vending machines do not support cashless payments. Furthermore, even among cashless-payment terminals, many were of the type that could not process transactions in real time, instead storing data on the terminal for a certain period before transmitting it.

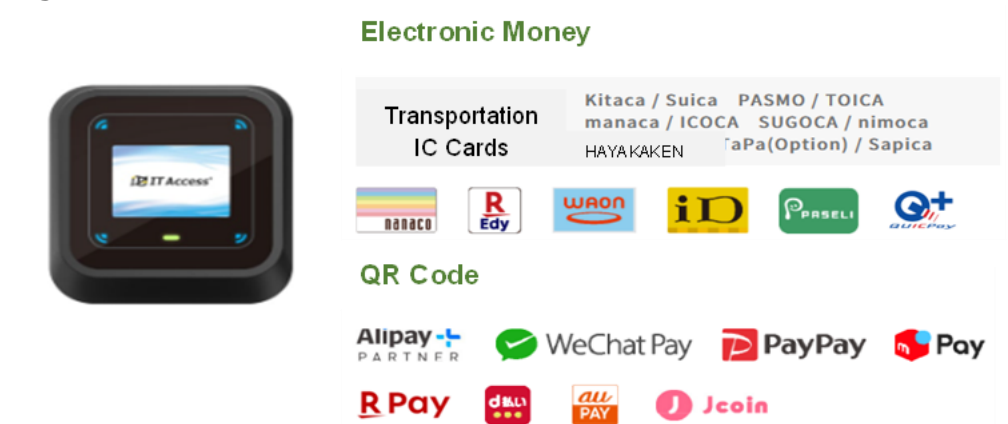
Securing Recurring Revenue Through the Installation of Cashless Payment Terminals

One of the key benefits of cloud-based payment systems is that by placing functionality on the server side, the terminals themselves can be made more compact. Furthermore, since sales data can be obtained in real time, this provides the advantage of being able to utilize it for sales strategies. For IT Access, once a payment terminal is installed, it generates stable, recurring revenue.

Expansion from Vending Machines to Multi-Purpose Applications Also in Sight

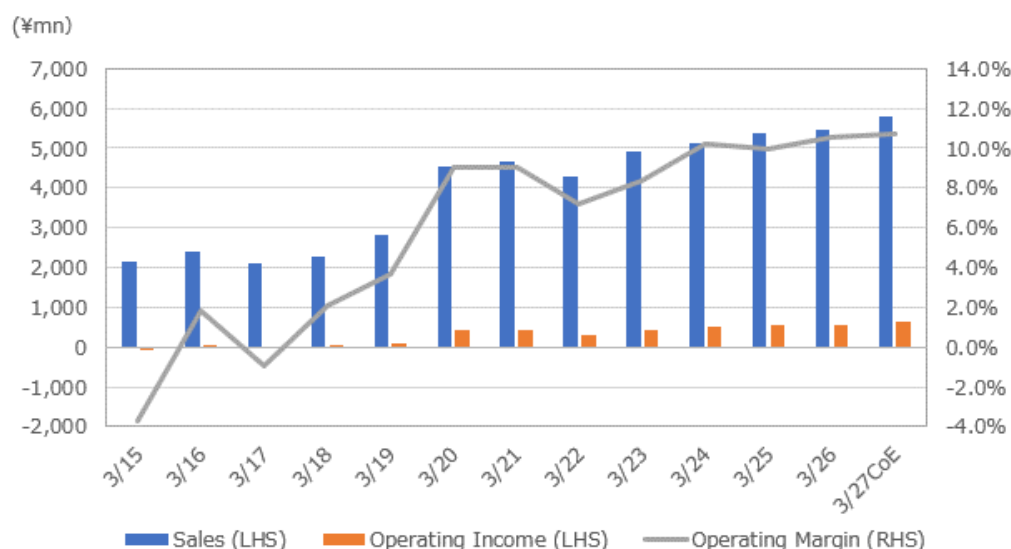
IT Access’s cloud-based terminals are easy to retrofit and offer the benefit of providing sales data in real time. However, currently, new terminal sales are declining due to reduced demand resulting from customers developing their own terminals and intensifying competition. In addition to offsetting this decline with increased service revenue from recurring income, the company expects to expand into other applications (such as office convenience stores, ice cream vending machines and parking lots).

Figure 43. IT Access’s Performance Trends



Source: Company Data. Compiled by Strategy Advisors.

Figure 44. IT Access Performance Trends



Source: Company Data. Compiled by Strategy Advisors.

4) Regulus

Possesses Image Processing Technology; Systems for Construction Machinery & Forklifts Are Growing

Regulus is a wholly owned subsidiary acquired by INNOTECH in 2012. It possesses image processing technology and it was determined that this would be beneficial not only for its own business growth, but also for INNOTECH's development of CIS testers. Currently, systems equipped with safety monitoring and stop control functions for construction machinery and forklifts are seeing growth. Although the scale is still small and its contribution to earnings is limited, it can be said to be a subsidiary possessing key elemental technologies for the company's business.

5) NetVision

Develops Image Interface Boards for the Evaluation & Verification of In-Vehicle Cameras and ECUs

NetVision is a wholly owned subsidiary acquired by INNOTECH in April 2026. It develops image interface boards for the evaluation and verification of in-vehicle cameras and ECUs and possesses extremely high competitiveness in this field. It is characterized as a fabless company that handles development end-to-end, from board design to FPGA, software and firmware. Within the group, it has synergies with Regulus's business. Additionally, INNOTECH's own tester business handles capture boards for CIS inspection processes, suggesting potential for medium to long-term synergies. Furthermore, given its expertise in the automotive sector, opportunities for future collaboration with GAIO Technology, IT Access and Sanei Hytechs are likely to expand.

11. Corporate DNA and Inimitability

1) Positioning Theory

"Focus Strategy"

The basic competitive strategies proposed by Michael E. Porter consist of three elements: 1) cost leadership strategy, 2) differentiation strategy and 3) focus strategy. Among these, the most critical strategy adopted by INNOTECH is the focus strategy. Although the company initially operated as a trading firm, importing and selling various semiconductor manufacturing equipment, it subsequently withdrew from the trading business (with a few exceptions) and expanded its manufacturing capabilities. Initially, the company attempted to develop front-end equipment such as ion implantation systems in-house but was unsuccessful. Subsequently, it identified work related to the design and verification of electronics as an area where it could demonstrate competitive strength and has focused its business development within that scope.

Competing in its Area of Expertise Despite a Changing Business Environment

Although the business environment at the time of its founding changed significantly due to the declining competitiveness of Japanese semiconductor device manufacturers and the rise of Japanese semiconductor equipment manufacturers - rendering the original business model unsustainable - the company has survived by transforming its business model and is now on a growth trajectory. This is primarily attributed to the fact that it has consistently operated within its areas of expertise.

2) Corporate DNA

Corporate DNA

As mentioned earlier, INNOTECH was founded by a group of executives from Tokyo Electron, led by its first president, Minoru Yoshida. While Tokyo Electron was transforming from a trading company for semiconductor manufacturing equipment into a manufacturer; INNOTECH, at the time of its founding, remained committed to its business model as an import trading company, supporting overseas manufacturing equipment startups in establishing a foothold in Japan. Therefore, even though it was a trading company, it did not merely act as an intermediary; rather, from the very beginning, the company placed importance on thoroughly understanding the technology and conducting sales based on that understanding.

"Technical and Sales Capabilities to Support Electronics Design and Verification"

It is reasonable to assume that the corporate culture of conducting sales based on technical expertise remained deeply ingrained even as the company adapted its business model in response to changing market conditions. Strategy Advisors believes this is precisely why the company was able to achieve the challenging transition from an import trading firm to a manufacturer. Therefore, it is believed that INNOTECH's corporate DNA lies in its "technical and sales capabilities that support the design and verification of electronics".

Developing the business in line with this corporate DNA is the formula for success and this holds true for INNOTECH as well. Although the industry environment envisioned by the founding management team has changed significantly and the company has faced strong headwinds up to this point, INNOTECH is currently building a new business model centered on its DNA and is expected to enter a phase of sustainable growth in the future.

3) Inimitability

Resource-Based View

The Resource-Based View, proposed by Jay B. Barney and others, is an approach that focuses on a company's management resources and capabilities. The VRIO framework concretely illustrates this concept. It says that the following factors should be examined: Value (Economic Value), Rarity (Scarcity), Inimitability (Difficulty of Imitation) and Organization (Organizational Structure). At Strategy Advisors, we place particular emphasis on inimitability among these factors.

Relationships of Trust with Customers

INNOTECH's inimitability can first be attributed to the relationships of trust with customers built up over many years. Having imported and sold a diverse range of semiconductor manufacturing equipment and EDA tools, INNOTECH was considered an essential supplier for many semiconductor-related manufacturers. INNOTECH's strength lies in its post-sales maintenance and support services, which are based on technical expertise. When combined with its strong sales capabilities, this has and will continue to enable the company to build solid relationships of trust with its customers. This is evident from the fact that when overseas tester manufacturers underwent restructuring and INNOTECH could no longer import and sell testers, customers approached the company asking if it could manufacture testers with specific specifications - an event that served as the catalyst for its current tester business. Furthermore, regarding the import and sale of EDA tools, the fact that INNOTECH has successfully defended its market share against Cadence's Japanese operations is likely due to customer demand for purchasing directly from INNOTECH.

Insights into Development & Verification

The company's expertise and technical capabilities in the design and verification of electronics, including semiconductors that exhibit inimitability. Companies such as Sanei Hytechs and GAIO Technology, while operating in niche fields, possess high technical capabilities and competitiveness in their respective areas related to design and verification. Many of the M&A deals INNOTECH has executed have been successful and contribute to its current consolidated revenue. This is likely because INNOTECH had the discernment to recognize technical capabilities. The simulation platform discussed later can also be attributed to the technical capabilities that support development and verification.

A Corporate Culture That Supports Employee Initiatives

Another factor worth noting is the company's deeply rooted, open and dynamic corporate culture. There appears to be an environment that supports and encourages challenges initiated by employees. When President Otsuka proposed manufacturing Testers in-house, management was supportive despite some cautious opinions. Under President Otsuka, who has firsthand experience of the employees' spirit of challenge and the quality of management that supports it, this culture is expected to continue.

4) Vision and Mission

The Vision of the mid-term management plan is "INNOTECH Changes the Future ~INNOVATION TECHNOLOGY~" and the Mission is defined as: "Connect cutting-edge technologies and people, and contribute to achieving more prosperous and comfortable future society", "Resolve customers' challenges together, understanding customers' standpoint" and "Provide unique added values as INNOTECH". Cutting-edge technology and a Resolve customers' challenges together are integral to the company's DNA and contribute to its Inimitability, clearly illustrating the company's vision for the future.

12. Risk Factors

The following factors may pose risks to INNOTECH's business performance and stock price trends.

Shortages in Semiconductor Procurement & Disruptions in Customer Supply Chains Due to Naphtha Shortages

Short-term risks include soaring prices and procurement uncertainties for semiconductor devices such as NAND flash memory and DRAM. Currently, in FY3/26, demand in the memory market exceeds supply. The primary factor driving this supply-demand imbalance is the rapid surge in demand related to data centers. While the pass-through of cost increases resulting from soaring memory prices to product prices is expected to proceed smoothly, if actual procurement volumes fall short, this could impact the company's shipments. Furthermore, caution is warranted regarding cases where supply shortages caused by disruptions in customers' supply chains lead to reduced operations at those customers. In particular, it is necessary to consider the possibility that continued surges in crude oil prices driven by developments in the Middle East - including the Strait of Hormuz - could lead to naphtha shortages, which would negatively impact various industrial sectors through the petrochemical industry.

Changes in Market Position with Specific Users

Next, there is the possibility of a decline in the company's market share among specific major users and partners. Currently, memory testers are highly dependent on two specific major semiconductor device manufacturers; if other tester manufacturers were to develop products that are attractive in terms of technology or price, this could impact INNOTECH's sales. Similarly, regarding EDA, if Cadence - for which INNOTECH serves as a distributor - were to expand its operations in Japan, this could affect INNOTECH's market share and sales. However, as mentioned earlier, INNOTECH places a strong emphasis on technological development and building trust with customers to prevent such a scenario, so this is unlikely to be a major risk at this time.

Geopolitical Risks

There are geopolitical risks that need to be considered. Sales of reliability testing equipment to China by STAr Technologies, the Taiwanese subsidiary, have been increasing. With the advent of the Trump administration in the U.S., there is a possibility that regulations on business with China may tighten. However, INNOTECH is taking measures as a group to mitigate such risks, and so are not considered to be a major concern at this time.

Potential Delays in Business Restructuring

While not a downside risk, a factor that could suppress growth is the lack of progress in restructuring the business portfolio and group operations. Many subsidiaries continue to operate exactly as they did at the time of acquisition. Given the autonomy of each subsidiary, restructuring may not proceed as envisioned by INNOTECH's management. In that case, improvements in the current low ROE and ROIC could be delayed. It is estimated that "group-wide optimization" will be a major theme in the next medium-term plan starting in FY3/28.

13. Sustainability Policy and Practices

1) Corporate Governance Structure

Governance Structure

The INNOTECH Group consists of INNOTECH, 20 subsidiaries and one affiliate, and is organized as a company with an Audit and Supervisory Committee. In 2023, the company transitioned from a company with a Board of Auditors to a company with an Audit and Supervisory Committee. The Board of Directors consists of 5 directors. 3 of the 5 directors are independent outside directors (all of whom serve on the Audit and Supervisory Committee). Meaning that Outside Directors account for 60% of the total (3/5). In accordance with Principle 4-8 of the Corporate Governance Code, companies listed on the Prime Market are required to appoint at least one-third independent outside directors and so, the company meets this standard. All 3 outside directors meet the independence criteria and come from backgrounds in government agencies, law firms, financial institutions and consulting firms. Additionally, of the 5 directors, 1 is a female director (representing 20% of the board).

Voluntary Advisory Committee

An advisory committee has been established as an advisory body to the Board of Directors. This is a voluntary advisory committee in which independent outside directors constitute a majority of the members (3 out of 4), and it provides advice and recommendations on matters such as the appointment and dismissal of directors and executive officers, as well as the details of their compensation.

Figure 45. INNOTECH Director Skills Matrix

Name	Position	Gender	Skills that can be particularly utilized among the knowledge and experience that Innotech expects						
			Corporate Management	Finance & Accounting	Legal & Compliance	Global Business	Industry Knowledge & Technology	Investment & New Business	ESG & Sustainability
Nobuyuki Otsuka	President and Representative Director	Male	●			●	●	●	
Yoshinori Tanahashi	Representative Director	Male	●	●	●			●	●
Kimito Nakae	Outside Director (Audit & Supervisory Committee Member)	Male	●	●		●			
Shino Hirose	Outside Director (Audit & Supervisory Committee Member)	Female			●	●			●
Hitoshi Kuriyama	Outside Director (Audit & Supervisory Committee Member)	Male		●			●	●	

Note: Honorifics omitted

Source: Company materials

2) Sustainability Framework

Sustainability Policy

INNOTECH's sustainability policy is based on 5 management principles: 1) "Contributing to Future Society", 2) "Becoming an Indispensable Presence", 3) "Solving Problems", 4) "Becoming a Pioneer" and 5) "Realizing a Company We Can Be Proud Of". Under these principles, they will strive to realize a sustainable society and enhance corporate value as follows.

- They will solve various social issues through business activities.
- They aim to enhance corporate value through the growth of each individual employee.
- They aim to be a trusted company through dialogue with stakeholders.

Sustainability Governance Structure

As part of the sustainability governance structure, the President and Representative Director will serve as the CSO (Chief Sustainability Officer), and the Senior Managing Director and Representative Director will serve as the Director in charge of Sustainability Promotion. The company have established the “Sustainability Promotion Committee”, chaired by the CSO, to deliberate on basic sustainability policies and related important matters; and this committee meets regularly. The main participants in the Promotion Committee include the CSO, the Director in charge, as well as full-time executive officers, heads of each business division and representatives of domestic consolidated subsidiaries.

Materiality

In relation to sustainability, the company have identified 5 materiality areas: “Human Capital Management”, “Supply Chain Management”, “Solving Social Issues through Electronics Technology”, “Coexistence with Society and Contribution to a Sustainable Future” and “Strengthening the Management Foundation”. The company have set and disclosed KPIs for each of these areas. Regarding human capital management, in addition to promoting diversity, implementations of measures to review compensation systems and enhance employee benefits to improve motivation.

Figure 46. INNOTECH’s Materialities and KPIs

Materiality	KPI	FY 2025 Results
Human Capital	Ratio of Female Managers: 5% by 2025, 10% by 2030 (Japan)	Ratio of Female Managers: 5.3% (Japan)
Management	Ratio of female new-graduates hired: 30% or more (Japan)	Ratio of female new graduates hired: 24.0% (Japan)
	Male paternity leave acquisition rate: 50% or higher (Japan)	Male paternity leave utilization rate: 100.0% (Japan)
	Paid leave acquisition rate: 70% or higher (Japan)	Paid leave utilization rate: 80.2% (Japan)
Supply Chain	Obtained written consent to our Code of Conduct from suppliers accounting for 80% or more of total procurement value (non-consolidated basis)	Obtained written consent to our Code of Conduct from 88.6% of suppliers (non-consolidated)
Management	RBA member companies are deemed to have agreed to the code of conduct	* RBA member companies are deemed to have agreed to the code of conduct
Solving social issues through electronics technology	R&D expense ratio of 4% or more (consolidated)	R&D expense ratio: 4.4% (consolidated)
	0 major accident	0 major accident
Coexistence with Society and Contributing to a Sustainable Future	Achieve net-zero Scope 1 and 2 greenhouse gas emissions by 2050	1,562.5 t-CO2 (2.3% decrease from the previous fiscal year)
Strengthening Our Management Foundation	ROE over 8%, ROIC 8–10%	ROE 15.9%, ROIC 6.4%
	0 major security incident	0 major security incident

Note: RBA = Responsible Business Alliance.

Source: Company Materials.

3) Human Capital Strategy

Human Capital Strategy

The company aims to create a workplace environment where every employee is motivated, can express their unique individuality and can take on new challenges through diverse work styles. Regarding the appointment of “managers”, who are the core personnel; respect is given to all employees regardless of age, gender, gender identity, sexual orientation, nationality, disability status or whether they are new graduates or mid-career hires, and strive to promote diversity.

Human Capital Goals

The proportion of female managers at INNOTECH alone is 5.4%; it is 5.3% at domestic group companies, 33.3% at overseas group companies and 17.6% for the group as a whole (as of the end of March 2026). According to a survey by the Japan Productivity Center, the average proportion of female managers at companies listed on the TSE Prime Market is 9.1% (2025). The company recognizes the gender gap in managerial appointments as an issue and has set a target of 10% for the proportion of female managers within its domestic group by fiscal 2030.

The gender pay gap among all employees is 68% and 67% for regular employees. According to the same survey, the average for companies listed on the TSE Prime Market is 72%, meaning the company's Figure is slightly below the average when calculated on a total workforce basis.

Key Diversity Initiatives

To increase the proportion of female managers, the company will implement the following priority measures.

- Establishment of regular opportunities for female employees and management to exchange views.
- Regular diversity promotion training sessions.
- Set the ratio of female new graduates hired to 30% or higher.
- Promotion of flexible and efficient work styles, such as increasing the utilization rate of annual paid leave, offering reduced-hour work schedules for childcare, and enabling telecommuting.

4) Climate Change Response

The company's environmental policy states: "INNOTECH conducts business as an electronics company focused on the technological development of software, semiconductor test equipment, electronic components and other products. Through these activities, all employees recognize the impact on the environment and promote activities to preserve the global environment".

As part of activities based on the basic environmental policy, the company strives to implement an environmental management system compliant with ISO 14001 (the international standard for environmental management systems), comply with environmental laws and regulations, promote the sale of products that reduce environmental impact and raise environmental awareness among all employees.

Furthermore, INNOTECH aims to achieve the long-term goals of the Paris Agreement, which state, "to keep the global average temperature rise well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C". The company discloses information based on the TCFD (Task Force on Climate-related Financial Disclosures) framework on its website (ESG).

The company has identified "ensuring access to sustainable energy", "contributing to the environment through products that reduce environmental impact" and "consideration of and contribution to the global environment and climate change" as key materiality themes. By identifying, evaluating and analyzing the business risks and opportunities posed by climate change, and reflecting these in its management plans and business strategies, the company aims to achieve sustainable growth over the medium to long term.

Figure 47. INNOTECH's Key Climate-Related Risks and Opportunities, Impact, and Response Policies

Category			Content	Impact	Measures
Risks	Transition Risks	Governmental policies and laws and regulations	Cost increase due to introduction of carbon pricing (carbon taxes) and obligations to use of renewable energy	Medium	•Monitoring of governmental policy trends •Understanding the impact when new policies are introduced •Thorough activities to save energy •Setting up solar panels on the rooftop of the headquarter building •Passing the cost increase onto customers
		Technology	Losing technical superiority due to shrinking power train area in the automobile industry	Medium	•Development and sales of products in the other areas than power train •Providing services in the other areas than power train
		Market	Restricted sales of gas-powered cars and worldwide shifting trend to electric vehicles; Decline of shares by the Japanese automobile makers associated with reorganization of the automobile industry	High	•Expansion of business for electric vehicles •Increase of transactions with emerging automobile makers and overseas automobile makers •Entering into other areas
	Physical Risks	Acute	Broken supply chain and tight supply of parts and components due to natural disasters, such as heavy rain and flooding	High	•On-going evaluation of replacement parts and components •Advance procurement of parts and components with longer lead-time •Parts-sharing among different products (to lower the risk of suspension of production due to parts and component shortage)
		Chronic	Broken supply chain and tight supply of parts and components due to long-term increase of global average temperature, change of global precipitation patterns, and rising sea levels		•Continual BCP reviews and enhancement of management scheme
	Opportunities	Products and Services		Supporting demands for low-power and smaller footprint products	Medium
Enhancement of efficiency of logistics and productivity and manpower reduction as the DX continues to progress				Medium	•Increasing deployment of the cloud settlement systems and factory automation tools
Market		Increase of opportunities to leverage electronics technologies	Medium	•Providing products and services which contribute to mitigate climate changes	

Source: Company Materials.

INNOTECH CORPORATION | 9880 (TSE Prime)

Figure 48. Income Statement (¥mn)

FY	3/20	3/21	3/22	3/23	3/24	3/25	3/26	3/27 CoE
Net Sales	31,161	32,536	37,238	38,629	41,358	41,977	46,737	50,000
(YoY)	4.6%	4.4%	14.5%	3.7%	7.1%	1.5%	11.3%	7%
Cost of Sales	21,566	22,581	26,018	26,387	28,198	29,327	32,491	34,500
Gross Profit	9,595	9,954	11,219	12,242	13,160	12,649	14,246	15,500
(Gross Profit Margin)	30.8%	30.6%	30.1%	31.7%	31.8%	30.1%	30.5%	31.0%
SG&A Expenses	7,925	8,000	8,634	9,922	10,685	10,762	11,137	11,800
Operating Profit	1,670	1,954	2,585	2,319	2,474	1,887	3,108	3,700
(YoY)	-14.6%	17.0%	32.3%	-10.3%	6.7%	-23.7%	64.7%	19%
(Operating Profit Margin)	5.4%	6%	6.9%	6%	6%	4.5%	6.6%	7.4%
Non-Operating Income	594	902	908	719	898	854	697	-
Non-Operating Expenses	369	397	509	558	492	987	893	-
Ordinary Profit	1,896	2,460	2,984	2,480	2,880	1,754	2,912	3,700
(YoY)	-22.9%	29.7%	21.3%	-16.9%	16.1%	-39.1%	66.0%	27.0%
(Operating Profit Margin)	6.1%	7.6%	8%	6.4%	7%	4.2%	6.2%	7.4%
Extraordinary Income	0	7	72	2	3	339	3,349	-
Extraordinary Loss	0	10	81	0	534	76	109	-
Profit before Income Taxes	1,895	2,458	2,976	2,482	2,349	2,018	6,152	-
(YoY)	-16.0%	29.7%	21.1%	-16.6%	-5.4%	-14.1%	204.9%	-
(Pretax Profit Margin)	6.1%	7.6%	8.0%	6.4%	5.7%	4.8%	13.2%	-
Income Taxes	600	827	693	767	817	714	1,955	-
(Effective Tax Rate)	31.7%	33.6%	23.3%	30.9%	34.8%	35.4%	31.8%	-
Profit	1,294	1,630	2,283	1,714	1,532	1,304	4,196	-
Profit Attributable to Non-Controlling Interests	126	95	88	48	54	104	84	-
Profit Attributable to Owners of Parent	1,168	1,534	2,194	1,666	1,477	1,200	4,111	4,850
(YoY)	-21.8%	31.3%	43%	-24.1%	-11.3%	-18.8%	242.6%	18%
(Net Profit Margin)	3.7%	4.7%	5.9%	4.3%	3.6%	2.9%	8.8%	9.7%
EPS (¥)	81.0	120.7	168.7	127.0	110.6	89.5	320.2	398.4

Source: Company Data. Compiled by Strategy Advisors.

INNOTECH CORPORATION | 9880 (TSE Prime)

Figure 49. Balance Sheet (¥mn)

FY	3/20	3/21	3/22	3/23	3/24	3/25	3/26
Current Assets	19,243	20,476	23,189	25,957	30,305	29,712	34,835
Cash and Deposits	6,335	5,626	6,664	6,598	8,876	6,532	8,534
Accounts Receivable	7,392	8,550	8,773	9,566	10,034	11,141	13,619
Inventory	3,874	4,793	6,101	8,105	9,181	9,355	9,834
Other Current Assets	1,642	1,507	1,651	1,688	2,214	2,684	2,848
Fixed Assets	15,723	17,203	17,351	17,671	17,528	17,296	13,212
Tangible Fixed Assets and Other Assets	10,565	10,713	10,842	11,463	11,630	10,593	6,646
Intangible Fixed Assets	1,372	2,224	2,424	2,236	2,066	1,872	1,958
Investments & Other Assets	3,785	4,266	4,085	3,971	3,831	4,830	4,608
Investment Securities	2,013	2,059	1,771	1,734	1,479	2,648	1,978
Deferred Tax Assets	266	388	420	501	498	353	694
Others	1,506	1,819	1,894	1,736	1,854	1,829	1,936
Total Assets	34,967	37,680	40,541	43,629	47,833	47,008	48,048
Current Liabilities	10,120	12,183	13,612	17,068	20,260	19,167	19,063
Trade Payables	2,408	1,947	2,333	3,053	2,778	3,197	3,552
Interest-Bearing Debt	3,339	5,111	5,649	8,070	10,139	8,766	3,723
Others	4,373	5,125	5,630	5,945	7,343	7,204	11,788
Fixed Liabilities	4,427	4,369	3,761	1,970	2,250	1,708	1,871
Interest-Bearing Debt	3,591	3,433	2,953	1,073	1,280	850	1,150
Deferred Tax Liabilities	-	-	-	-	-	0	0
Others	836	936	808	897	970	858	721
Net Assets	20,418	21,127	23,167	24,589	25,322	26,132	27,113
Shareholders' Equity	19,454	20,478	22,015	22,805	23,528	23,407	24,566
Capital	10,517	10,517	10,517	10,517	10,517	10,517	10,517
Capital Surplus	4,506	4,468	4,228	4,242	4,044	4,069	4,079
Retained Earnings	5,580	6,606	7,950	8,697	9,242	9,497	12,684
Accumulated Other Comprehensive Income	-38	-384	198	799	1,176	2,015	1,781
Stock Acquisition Rights	277	273	128	128	21	21	21
Non-Controlling Interests	724	759	824	855	596	687	743
Liabilities & Net Assets	34,967	37,680	40,541	43,629	47,833	47,008	48,048
Equity Capital	19,416	20,094	22,213	23,605	24,704	25,422	26,347
BPS (¥)	1,528.5	1,578.2	1,694.7	1,796.3	1,835.6	1,930.8	2,164.2

Source: Company Data. Compiled by Strategy Advisors.

Figure 50. Cash Flow Statement (¥mn)

FY	3/20	3/21	3/22	3/23	3/24	3/25	3/26
Cash Flows from Operating Activities							
Profit Before Income Taxes	1,865	2,458	2,976	2,482	2,349	2,018	6,152
Depreciation & Goodwill Amortization	985	993	1,058	1,197	1,289	1,317	1,290
Increase/Decrease in Accounts Receivable	85	-1,060	-49	-730	-235	-812	-2,225
Increase/Decrease in Accounts Payable	766	-494	285	683	-377	348	273
Increase or Decrease in Inventory	240	-856	-949	-1,946	-999	-599	-453
Receipt of Interest and Dividends	11	13	19	18	39	57	32
Interest Payment	-13	-28	-32	-51	-89	-138	-161
Corporate Tax Paid	-729	-469	-962	-976	-863	-796	-728
Others	-94	279	125	1,003	1,507	317	-122
Total	3,116	836	2,471	1,680	2,621	1,712	4,058
Cash Flows from Investing Activities							
Purchases of Property, Plant & Equipment	-678	-662	-639	-1,076	-705	-587	6,328
Purchase of Intangible Assets	-473	-377	-639	-493	-499	-605	-594
Purchase of Investment Securities	-470	-80	-100	-50	0	0	-180
Proceeds from Sales of Investment Securities	-	-	41	-	-	0	558
Others	-92	-1,088	187	-73	-241	782	-320
Total	-1,713	-2,207	-1,150	-1,692	-1,445	-410	5,792
Cash Flows from Financing Activities							
Net Increase/Decrease in Short-Term Borrowings	2,409	1,801	454	6	4,055	-1,274	-5,361
Net Increase/Decrease in Long-Term Borrowings	634	-509	-521	470	-1,963	-690	500
Expenditures for Acquisition of Treasury Stock	-2,203	-	-	-	0	-433	-2,117
Dividend Payment	-551	-640	-847	-992	-960	-978	-965
Others	-1	33	14	-1	-323	-9	-9
Total	288	685	-900	-517	809	-3,383	-7,952
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-11	-56	356	183	123	178	43
Increase in Cash and Cash Equivalents	1,680	-741	1,047	-346	2,108	-1,903	1,942
Cash and Cash Equivalents at Beginning of Period	4,288	6,174	5,432	6,480	6,135	8,243	6,340
Cash and Cash Equivalents at End of Period	6,175	5,432	6,480	6,134	8,243	6,340	8,282
Free Cash Flow	1,403	-1,371	1,321	-12	1,176	1,302	9,850

Source: Company Data. Compiled by Strategy Advisors.

Figure 51. Key Indicators

	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26
EPS (¥)	93.5	81.0	120.7	168.7	127.0	110.6	89.5	320.2
BPS (¥)	1,430.4	1,528.5	1,578.2	1,694.7	1,796.3	1,835.6	1,930.8	2,164.2
DPS (¥)	40.0	40.0	50.0	65.0	70.0	70.0	70.0	125.0
Dividend Payout Ratio	42.8%	49.4%	41.4%	38.5%	55.1%	63.3%	78.2%	39.0%
# of Shares Issued ('000)	15,700	13,700	13,700	13,700	13,700	13,700	13,700	13,700
Treasury Stock ('000)	1,012	997	967	592	559	242	533	1,525
# of Shares (excluding Treasury Stock, '000)	14,688	12,703	12,733	13,108	13,141	13,458	13,167	12,175
Average # of Shares (excl. Treasury Stock, '000)	15,973	14,430	12,712	13,013	13,128	13,366	13,404	12,842
Equity Ratio	63.9%	55.5%	53.3%	54.8%	54.1%	51.6%	54.1%	54.8%
Interest-Bearing Debt (¥mn)	3,885	6,930	8,544	8,602	9,143	11,420	9,616	4,873
Net Interest-Bearing Debt (¥mn)	-613	595	2,918	1,938	2,545	2,543	3,084	-3,661
D/E Ratio	0.18	0.36	0.43	0.39	0.39	0.46	0.38	0.18
Net D/E Ratio	-0.03	0.03	0.15	0.09	0.11	0.10	0.12	-0.14
Operating Profit Margin	6.6%	5.4%	6.0%	6.9%	6.0%	6.0%	4.5%	6.6%
EBITDA (¥mn)	2,723	2,655	2,947	3,643	3,516	3,763	3,204	4,398
EBITDA Margin	9.1%	8.5%	9.1%	9.8%	9.1%	9.1%	7.6%	9.4%
ROE	6.6%	5.8%	7.8%	10.4%	7.3%	6.1%	4.8%	15.9%
ROIC	7.4%	6.0%	6.4%	8.8%	6.6%	6.3%	4.5%	6.4%
Number of Employees	1,257	1,428	1,539	1,642	1,728	1,775	1,560	-

Note: ROIC is calculated as NOPAT / (average operating assets during the period).

Source: Company Data. Compiled by Strategy Advisors.

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