CHANGE Holdings | 3962 (TSE Prime)

Company Report

June 18, 2026

Strategy Advisors Inc.
Kenichi Ito

Expecting Accelerated Growth in Two Strategic Subsidiaries

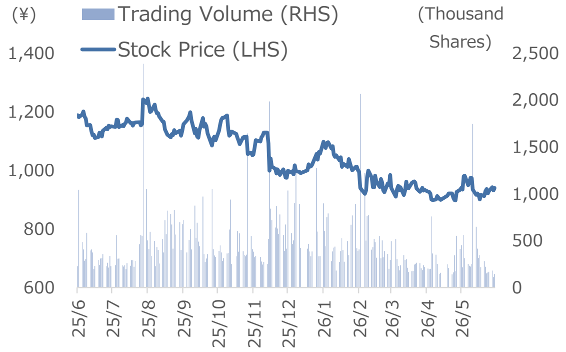
CHANGE Holdings reported FY3/26 full-year results on May 14, with revenue of ¥52.82bn (+13.9% YoY) and operating profit of ¥11.22bn (-16.4% YoY). Operating profit fell significantly short of the initial company plan of ¥14.0bn. The primary reasons were underperformance at E-Guardian (6050, TSE Prime) and fundbook relative to plan.

At the same time as the earnings announcement, the Company disclosed a revision to its Mid-Term Management Plan, postponing the target timing for achieving its operating profit goal of ¥18.0bn from FY3/28 to FY3/30. While lowering performance targets for fundbook, the Company raised targets for the hometown tax donation business, where market share expansion is expected, and also for consulting services for central government ministries and agencies. The Company also revised its capital allocation policy, lowering the priority of M&A and reducing its M&A allocation from ¥30.0bn to ¥13.0bn. In addition, as part of enhanced shareholder returns, the Company announced a ¥5.0bn share repurchase program.

The share price has turned modestly higher following the earnings announcement. Strategy Advisors views the revision to capital allocation positively, under which a portion of funds previously earmarked for M&A has been redirected toward share repurchases, given the decline in the valuation of the Company's own shares. Rather than pursuing additional acquisitions, returning fundbook and E-Guardian to a growth trajectory will be more important.

PER has declined to 8.5x at Change Holdings. I-Mobile (6535, TSE Prime), a competitor in the hometown tax donation business, is also trading at a PER in the 9x range and share prices already reflect slower growth in the hometown tax donation business due to tighter regulations. Based on the Company's FY3/30 profit targets under the Mid-Term Management Plan (operating profit of ¥18.0bn and EPS of ¥168), the implied PER is approximately 5.5x. Accordingly, whether the share price can reflect achievement of the plan will be important moving forward.

Stock Price and Trading Volumes (Past Year)



Source: Strategy Advisors.

Key Indicators

Stock Price (06/17/26)	939
52-Week High (08/19/25)	1,245
52-Week Low (05/14/26)	897
Historical High (09/25/20)	6,185
Historical Low (09/28/16)	192.5
Number of Shares Issued (mn)	69.6
Market Capitalization (¥bn)	65.3
EV (¥bn)	76.6
Equity Ratio (FY12/25 Actual, %)	44.3
ROE (FY12/25 Actual, %)	15.8
PER (FY3/26 CoE, Times)	8.7
PBR (FY12/25 Actual, Times)	1.4
Dividend Yield (FY3/26 CoE, %)	2.8

Source: Strategy Advisors.

To achieve the plan, Strategy Advisors is focused on, 1) sustaining growth in the hometown tax donation business through market share recovery under healthy competition and new initiatives (Government Crowdfunding®, municipality-led marketing services, and enhanced corporate Hometown tax systems); 2) accelerating growth at strategic subsidiaries fundbook and E-Guardian and 3) expanding new growth drivers, including consulting services for central government ministries and agencies. Given the continued shortfalls versus initial plans, we expect the firm's management to execute the plan with unwavering determination.

IFRS-Consolidated	Sales	YoY Change	Operating Profit	YoY Change	Profit Before Tax	YoY Change	Profit Attributable to Owners of Parent	YoY Change	EPS	DPS
Fiscal Year-End	(¥mn)	(%)	(¥mn)	(%)	(¥mn)	(%)	(¥mn)	(%)	(¥)	(¥)
FY03/21	10,140	-	4,582	-	4,564	-	3,093	-	42.8	4.5
FY03/23	20,021	-	5,730	-	5,653	-	3,856	-	53.3	10.0
FY03/24	37,015	84.9	7,383	28.8	7,250	28.3	4,262	10.5	58.9	18.7
FY03/25	46,387	25.3	13,420	81.8	12,650	74.5	7,470	75.3	106.6	20.9
FY03/26	52,827	13.9	11,225	-16.4	11,020	-12.9	6,937	-7.1	99.7	23.0
FY03/27 CoE	57,823 to 59,000	9.5 to 11.7	11,500 to 12,500	2.4 to 11.4	10,773 to 11,773	-2.2 to 6.8	6,690 to 7,311	-3.6 to 5.4	99.3 to 108.5	26.0

Note: Due to a change in the fiscal year end, FY3/22 is now a 6-month period, so there is no YoY change for FY3/23.
Source: Company Data. Compiled by Strategy Advisors.

1. Expecting A Stronger Focus On Results From Management Despite Missing Targets

FY3/26 Full-Year Operating Profit Missed Company Guidance

CHANGE Holdings reported FY3/26 full-year results on May 14, with revenue of ¥52.82bn (+13.9% YoY) and operating profit of ¥11.22bn (-16.4% YoY). Operating profit fell significantly short of the initial company plan of ¥14.0bn. The primary reasons were underperformance at E-Guardian (6050, TSE Prime) and fundbook relative to plan. Given that achieving the initial plan had already become challenging as of Q3, the results were not particularly surprising. However, the Company failed to demonstrate accelerated growth at its two strategic subsidiaries, for which profit growth had been expected, resulting in an outcome that left challenges remaining.

Mid-Term Management Plan Revised

At the same time as the earnings announcement, the Company disclosed a revision to its Mid-Term Management Plan, postponing the target timing for achieving its operating profit goal of ¥18.0bn from FY3/28 to FY3/30. While lowering fundbook's performance target for the final year of the Mid-Term Management Plan, the Company raised those targets for the hometown tax donation business, where market share expansion is expected and consulting services for central government ministries and agencies. The Company also revised its capital allocation policy, lowering the priority of M&A and reducing its M&A allocation from ¥30.0bn to ¥13.0bn. In addition, as part of enhanced shareholder returns, the Company announced a ¥5.0bn share repurchase program.

Reduction in Executive Compensation Announced

The Company also announced reductions in executive compensation in light of the earnings shortfall. Strategy Advisors views the revision to capital allocation and the reduction in executive compensation positively, as they reflect management's strong commitment to organic growth. While the Company is pursuing business diversification using cash flow generated by the hometown tax donation business, the management challenges of accelerating growth at E-Guardian and fundbook are clear. We expect the entire organization to unite behind growth. To realize the mission of Regional Creation, the M&A brokerage and Cybersecurity fields are areas with significant growth potential, making it essential to achieve business growth that can validate the acquisitions of both companies as successful.

Figure 1. Quarterly Segment Income Statement

		FY3/25	FY3/26		vs. Forecast	YoY
		Actual	Forecast	Actual		
Total Revenue	**¥mn**	**46,387**	**55,000**	**52,827**	**96.0%**	**+13.9%**
NEW-IT Transformation	¥mn	20,797	28,283	23,841	84.3%	+14.6%
Publitech	¥mn	26,160	27,315	29,591	108.3%	+13.1%
EBITDA	¥mn	15,131	16,554	13,928	84.1%	-7.9%
EBITDA Margin	%	32.6%	30.1%	26.4%	-	-6.3%
Operating Profit	**¥mn**	**13,420**	**14,000**	**11,225**	**80.2%**	**-16.4%**
NEW-IT Transformation	¥mn	5,985	6,317	3,257	51.6%	-45.6%
Publitech	¥mn	13,045	13,950	14,156	101.5%	+8.5%
Operating Profit Margin	%	28.9%	25.5%	21.2%	-	-7.7%
NEW-IT Transformation	%	28.8%	22.3%	13.7%	-	-15.1%
Investment Business	%	49.9%	51.1%	47.8%	-	-2.0%
Profit Attributable to Owners of Parent	¥mn	7,470	7,904	6,937	87.8%	-7.1%
Profit Margin	%	16.1%	14.4%	13.1%	-	-3.0%
EPS	**¥**	**106.61**	**113.60**	**99.71**	**87.8%**	**-6.5%**
ROE	**%**	**18.5%**	**17.8%**	**15.8%**	**-**	**-2.7%**
Dividend Per Share	**¥**	**20.90**	**23.00**	**23.00**	**-**	**-**

Note: EBITDA is calculated as operating profit plus depreciation and impairment losses. However, for FY3/25, it is calculated after deducting the equity-method remeasurement gain on DGA of JPY 1.56 billion as a non-cash item.
Source: Company Data. Compiled by Strategy Advisors.

2. Failed To Demonstrate Accelerated Growth In The NEW-IT Transformation Business

Operating Profit in The NEW-IT Transformation Business Fell Significantly Short of Initial Plans

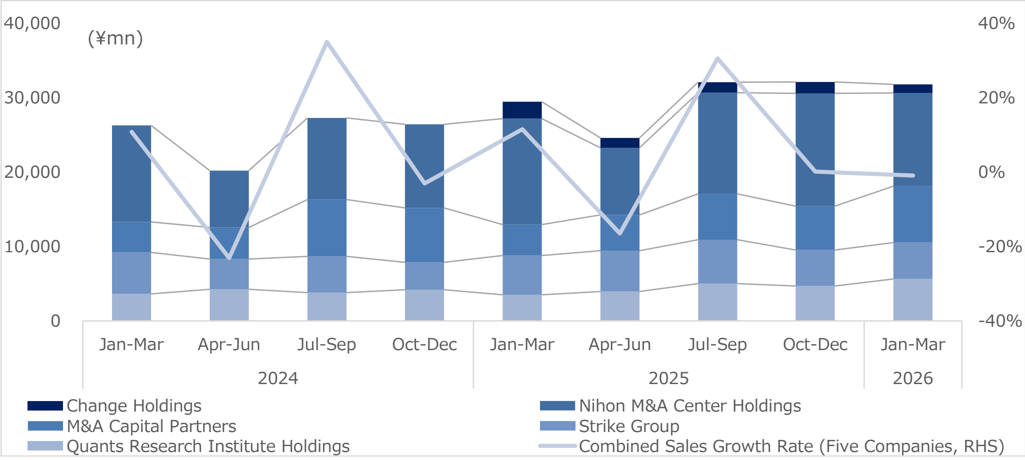
The NEW-IT Transformation business reported FY3/26 revenue of ¥23.84bn (+14.6% YoY) and operating profit of ¥3.25bn (-45.6% YoY). Operating profit fell significantly short of the initial plan of ¥6.31bn. The primary reasons were the absence of a gain on remeasurement of the equity interest in Digital Growth Academia (DGA) recorded in the previous year (¥1.56bn impact), a ¥0.68bn profit drag from E-Guardian and fundbook's performance coming in well below expectations.

Private-Sector DX & M&A Brokerage Businesses Failed To Deliver Organic Growth

Revenue in the Private-Sector DX and M&A brokerage businesses totaled ¥20.25bn. While revenue increased YoY, most of the increase was attributable to the consolidation effect of fundbook, which was acquired in Q4 FY3/25, and the business failed to demonstrate organic growth. fundbook recorded revenue of ¥5.46bn, remaining at a level roughly unchanged from the previous year (including the 9-month period prior to the acquisition). The number of completed transactions was broadly unchanged from the previous year, but average transaction values declined due to a lack of large-scale deals. To enhance closing capabilities, the Company is shifting its approach, including strengthening the recruitment of experienced professionals with proven transaction records, utilizing the narrative analysis AI-powered matching platform (KEPL), enhancing training systems through group synergies and establishing referral channels with financial institutions.

Strategy Advisors believes that differentiation is essential for growth in the crowded M&A brokerage industry, based on the performance trends of competitors. fundbook's strengths include AI-powered matching capabilities and a track record in healthcare-sector M&A. It will be important to formulate a growth strategy that leverages these strengths together with the municipal network of the CHANGE Group.

Figure 2. Combined Revenue and Revenue Growth Rate of 5 M&A Brokerage Companies



Note: Revenue of M&A Capital Partners and Quants Research Holdings is based on IFRS for October–December 2025 and January–March 2026 due to a change in accounting standards, while earlier periods are based on Japanese GAAP. For Change Holdings, the figure represents revenue from the M&A brokerage business.
Source: Company Data. Compiled by Strategy Advisors.

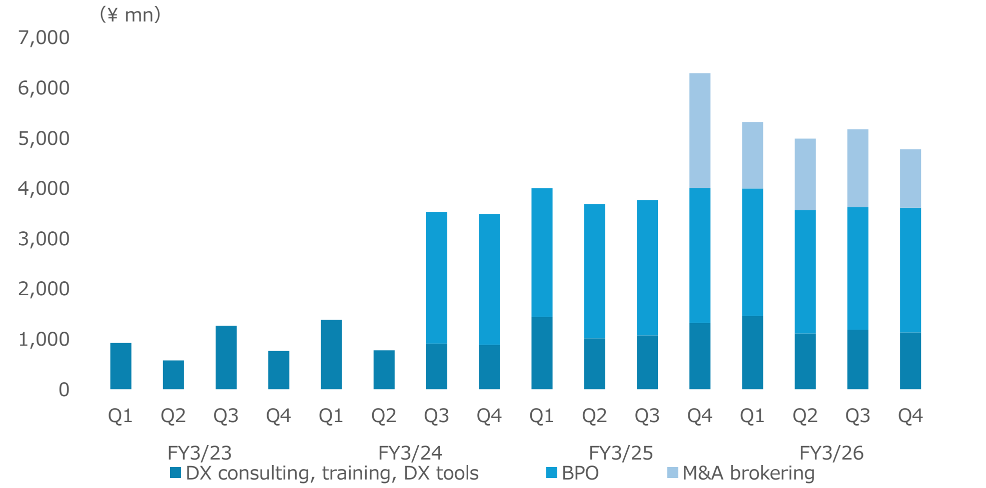
BPO Performance Was Slightly Weak Versus Plan. But Core Social Support Returned To Revenue Growth QoQ

Q4 (January–March) revenue in the BPO business provided by E-Guardian was ¥2.48bn (-7.7% YoY) and was somewhat weaker than plan. Social Support revenue was ¥1.76bn (-3.1% YoY), primarily due to a reduction in projects from a major client. In addition, Game Support revenue declined to ¥0.26bn (-34.4% YoY), while Ad Process revenue fell to ¥0.29bn (-6.7% YoY). Game Support continued to be affected by reduced customer support demand for console games, while Ad Process faced notable unit price declines due to the emergence of AI-powered advertising review tools.

On the other hand, it was positive that revenue from the core Social Support business returned to quarter-on-quarter growth. Although project reductions by a major client are continuing, other areas such as e-commerce and flea market websites remain solid, and a return to a growth trajectory is expected. The Company has also expressed confidence in performance for the April–September period. In addition to the recovery trend in the core Social Support business, this reflects profitability improvements driven by the utilization of AI-BPO. Under the AI-BPO model, profitability improves over time as AI accuracy increases and the portion of work requiring human intervention declines.

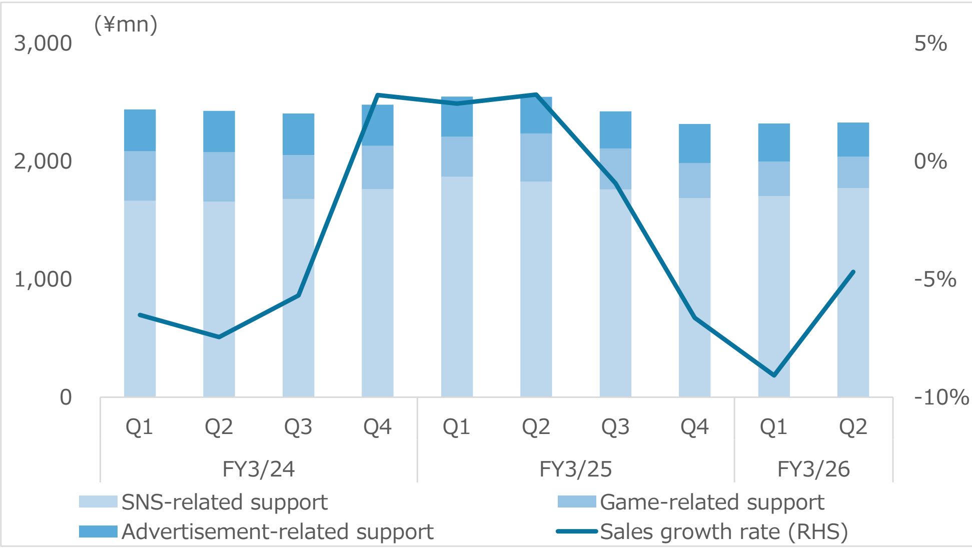
The Company also indicated that the benefits of revamping and strengthening its sales organization (assigning sales personnel by function and business area) and enhanced marketing initiatives (lead generation and nurturing) are becoming evident. The Company has secured large-scale orders that will be recognized as revenue during the April–September period. Since the acquisition of E-Guardian, performance has remained soft due to the rise of generative AI, but the Company is expected to return to a growth trajectory.

Figure 3. Sales Trends in Private-Sector DX, M&A Brokering Domain Business



Note: Excluding Digital Growth Academia, which became an equity-method affiliate from FY3/25 Q1.
Source: Company Data. Compiled by Strategy Advisors.

Figure 4. Sales Trends of E-Guardian by Business Category

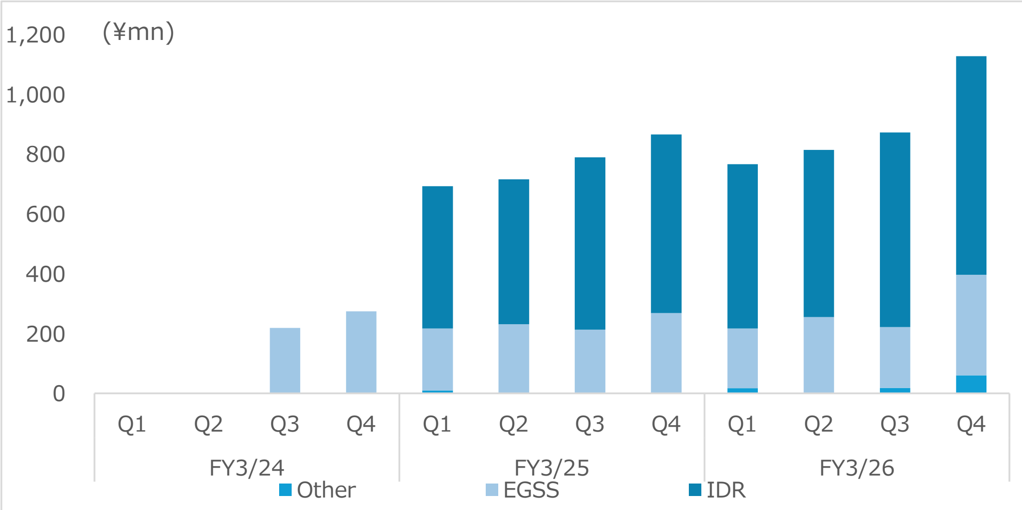


Note: Excludes the Cybersecurity and Other Business categories
Source: Company Data. Compiled by Strategy Advisors.

Cybersecurity Business Achieved Significant Revenue Growth

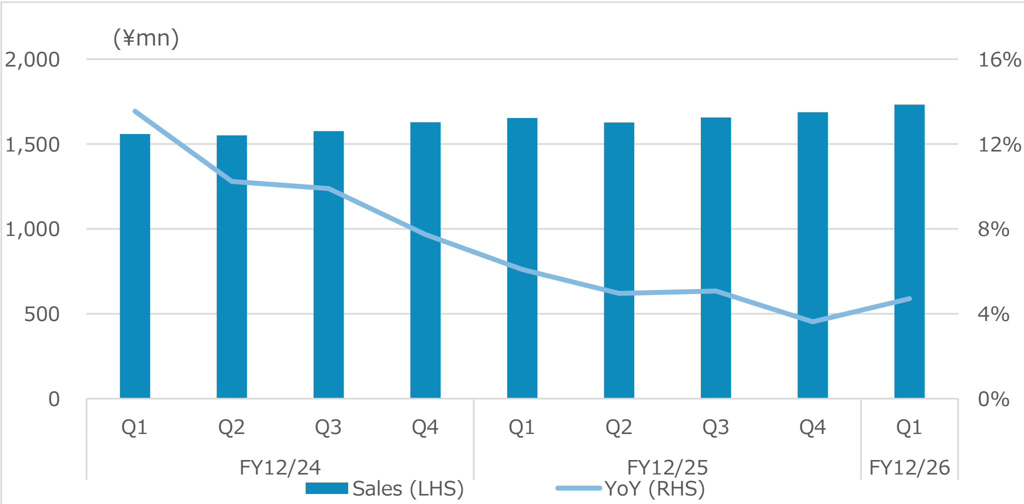
Q4 revenue in the Cybersecurity business increased significantly to ¥1.12bn (+30.2% YoY). Revenue at E-Guardian Group's cybersecurity business (EGSS) remained solid at ¥0.34bn (+28.9% YoY), primarily driven by strong sales of Web Application Firewall (WAF) products. In addition, revenue at IdealRoute Consulting (IDR) reached ¥0.73bn (+22.4% YoY), mainly due to the signing of multi-year bundled license contracts. The WAF offered by E-Guardian is an in-house service with high profitability. In addition, the trend toward stronger cybersecurity measures continues and solid performance is expected during the April–September period. Cyber Security Cloud (4493, TSE Growth), the largest domestic WAF vendor, reported ARR (Annual Recurring Revenue) growth of just under 5% for its WAF service, Shadan-Kun, indicating that the industry as a whole remains solid.

Figure 5. Sales Trends in Cybersecurity Domain Business



Note: EG Secure Solutions has been consolidated since 3Q FY3/24 and IDR has been consolidated since 1Q FY3/25.
Source: Company Data. Compiled by Strategy Advisors.

Figure 6. Revenue Trend of the WAF Service (Shadan-Kun) Provided by Cyber Security Cloud



Source: Company Data. Compiled by Strategy Advisors.

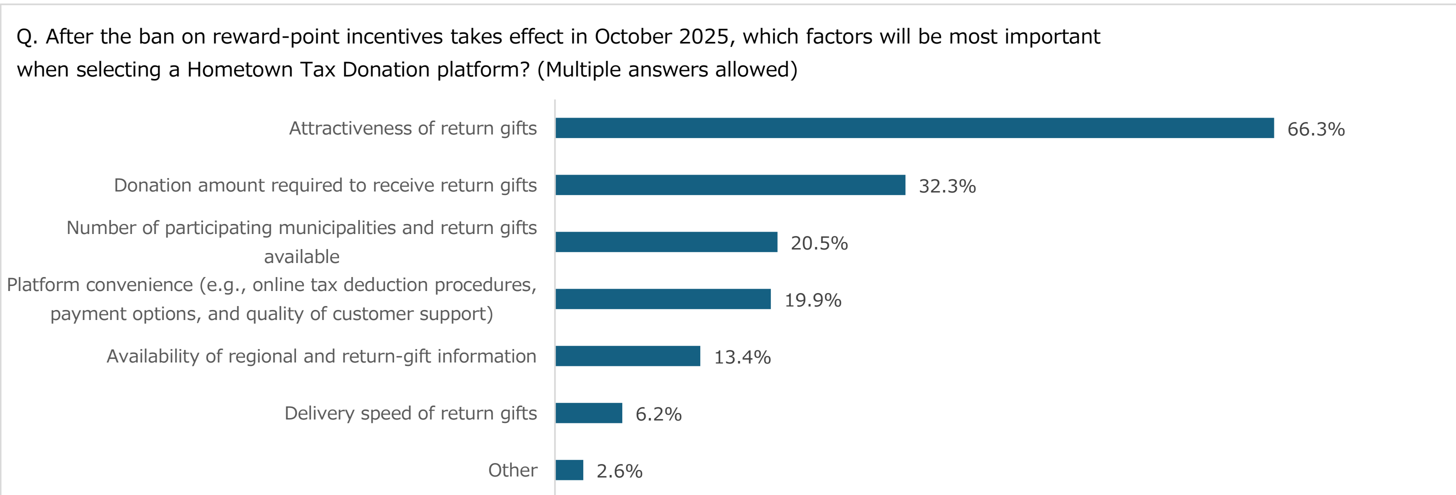
3. Expecting Market Share Gains in the Hometown Tax Donation Business Through Healthy Competition

Full-Year Performance of the Publitech Business Was In-Line With Initial Plans

The Publitech business reported FY3/26 revenue of ¥29.59bn (+13.1% YoY) and operating profit of ¥14.15bn (+8.5% YoY), broadly in line with the initial plan of ¥27.31bn in revenue and ¥13.95bn in operating profit. While the hometown tax donation business progressed somewhat below plan during the first half, performance recovered to planned levels following the prohibition of point rewards in October 2025. With the prohibition of point rewards, users are no longer waiting for opportunities such as point-up campaigns and payments are expected to become increasingly concentrated in December, which is the annual deadline. As a result, Q4 GMV declined 1.7% YoY and was somewhat weak, but viewed over the full year, there is no particular cause for concern.

Strategy Advisors expects market share gains through healthy competition following the prohibition of point rewards, with competition increasingly based on factors such as the number of listed products and ease of use. According to a survey conducted by Satofuru (a wholly owned subsidiary of SB Players), which operates a hometown tax donation portal site, in addition to the attractiveness of return gifts, factors such as donation amount and number of products have become among the most important considerations when choosing a hometown tax donation website following the prohibition of point rewards. If competition shifts away from marketing and point-reward programs toward healthy competition centered on the quality and variety of return gifts, the Company may be able to leverage its strengths derived from its strong network with local governments.

Figure 7. Survey on the Selection of Hometown Tax Donation Websites After the Ban on Reward Points



Source: Company Material. Compiled by Strategy Advisors.

Impact of Revisions to the Hometown Tax Donation System Remains A Concern

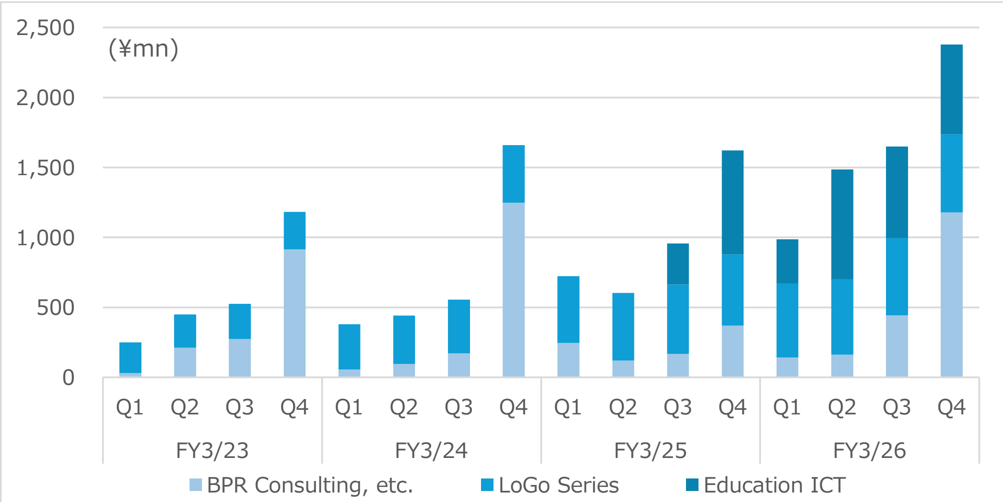
On the other hand, 2 areas of concern remain. First, from 2027, the maximum amount eligible for donation tax deductions for high-income earners with annual income of ¥100mn or more will be capped at ¥4.38mn. Second, from 2026, regulations will gradually lower the maximum allowable recruitment expense ratio from 50% of donation amounts to 40% or less. The Company intends to minimize the impact through initiatives designed to increase the portion retained by local governments, including Government Crowdfunding®, municipality-led marketing services and enhanced corporate Hometown tax systems. In addition, it plans to maintain growth through an increase in overall hometown tax donation amounts driven by wage growth. Nevertheless, compared with previous years, a slowdown in growth appears unavoidable. Strategy Advisors believes that an important issue during this period will be whether the Company can return core subsidiaries in the NEW-IT Transformation business, including fundbook and E-Guardian, to a growth trajectory.

LoGo Series Continues to Perform Solidly

In the Public-Sector DX business, the LoGo Series, a SaaS service for local governments, continued to perform solidly. In addition, the Company secured a ¥2.3bn consulting project from a central government ministry and agency (Japan Ground Self-Defense Force), resulting in an order backlog of ¥2.3bn. Some personnel who had been responsible for DX consulting at CHANGE on a non-consolidated basis have also participated in consulting support for central government ministries and agencies, and the Group is promoting the utilization of human resources across its businesses.

The cybersecurity budget of the Ministry of Defense, which oversees the Japan Ground Self-Defense Force, is approximately ¥230bn on a contract basis in FY2026, significantly exceeding the budgets of other ministries and agencies, which are generally in the range of ¥2bn–¥5bn. Going forward, the Company is expected to secure additional large-scale projects from central government ministries and agencies, particularly the Ministry of Defense.

Figure 8. Revenue Trend of the Public-Sector DX Business



Source: Company Materials.

4. Share Price May Have Bottomed Out, But Meaningful Upside Depends On Business Progress This Fiscal Year

Future Focus is on Growth at Strategic Subsidiaries

The share price has turned modestly higher following the earnings announcement. Strategy Advisors views the revision to capital allocation positively, under which a portion of funds previously allocated to M&A has been redirected toward share repurchases, given the decline in the valuation of the Company's own shares. Having already acquired fundbook and E-Guardian, the Company's priority is not further acquisitions but rather returning these two strategic subsidiaries to a growth trajectory. Accordingly, it is important for the Company to commit more strongly to organic growth than in the past.

Growth in the NEW-IT Transformation Business is Key To Enhancing Corporate Value

The PBR of companies in the M&A brokerage and Cybersecurity/BPO sectors is generally in the range of 3.5x–4.0x, which is relatively high even within their respective subcategories. The Company aims to increase the contribution of the NEW-IT Transformation business to operating profit to 25% by FY3/30, compared with 9% in FY3/26. Based on these factors, the Company's equity story is to leverage the municipal network cultivated through the hometown tax donation business to expand its M&A brokerage and Cybersecurity/BPO operations and evolve into a company capable of comprehensively addressing the challenges faced by local governments.

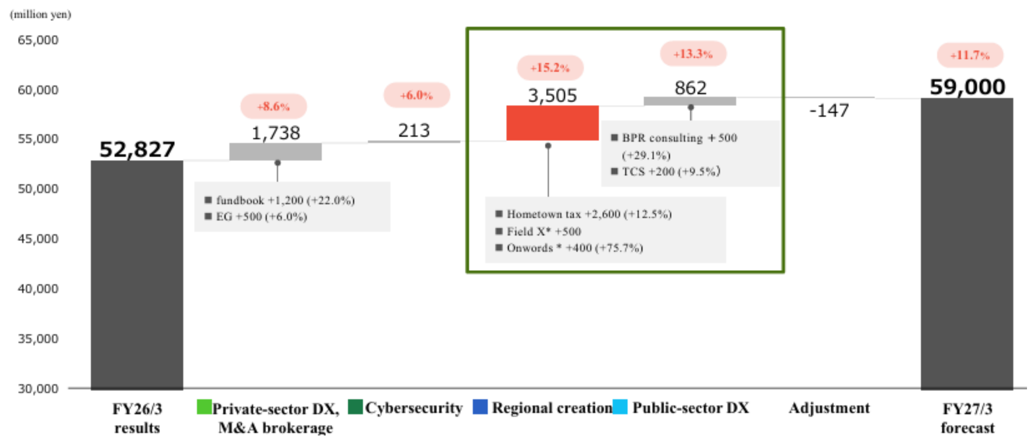
Likelihood Of Achieving the Mid-Term Management Plan Remains the Key Focus

The PER has declined to 8.6x. I-Mobile (6535, TSE Prime), a competitor in the hometown tax donation business, is also trading at a PER in the 9x range, indicating that share prices already reflect slower growth in the hometown tax donation business due to tighter regulations. Based on the Company's FY3/30 profit targets under the Mid-Term Management Plan (operating profit of ¥18.0bn and EPS of ¥168), the implied PER is approximately 5.5x. Accordingly, whether the share price can reflect achievement of the plan will be important.

FY3/27 Guidance Implies Profit Growth of 2.4% (Lower End) to 11.4% (Upper End)

FY3/27 guidance calls for revenue of ¥57.82bn–¥59.00bn and operating profit of ¥11.50bn–¥12.50bn, implying profit growth of 2.4% at the lower end and 11.4% at the upper end. The Company stated that it adopted a conservative lower-end assumption in consideration of the expectation that revenue from the hometown tax donation business will be more heavily concentrated in December than in previous years and that revenue from the business may be somewhat weak during the April–September period. Outside the hometown tax donation business, the plan assumes accelerated growth at fundbook and E-Guardian, as well as earnings contributions from consulting services for central government ministries and agencies.

Figure 9. FY3/27 Company Guidance Revenue Assumption (Upper End)



Source: Company Materials.

Achieving the Mid-Term Management Plan is Essential To Restoring Market Confidence

To achieve the Mid-Term Management Plan, Strategy Advisors is focused on: 1) sustaining growth in the hometown tax donation business through market share recovery under healthy competition and new initiatives (Government Crowdfunding®, municipality-led marketing services, and enhanced corporate Hometown tax systems); 2) accelerating growth at strategic subsidiaries fundbook and E-Guardian and 3) expanding new growth drivers, including consulting services for central government ministries and agencies. Given the continued shortfalls versus initial plans, Strategy Advisors expects management to execute the plan with unwavering determination.

Figure 10. Valuation List

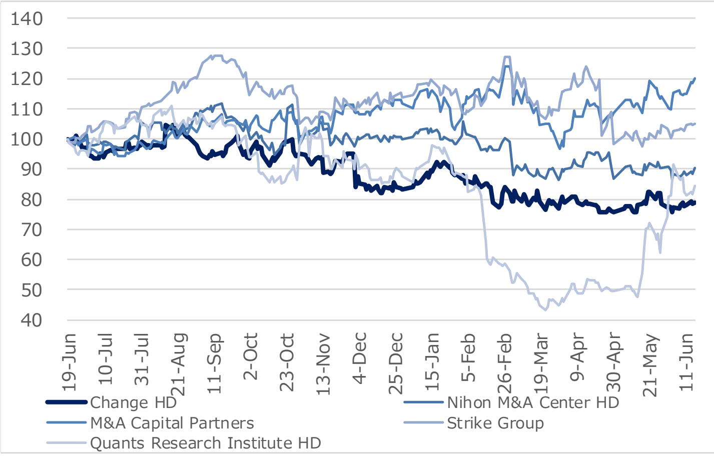
Company name	Ticker	Fiscal year	Stock price 17-Jun (Y)	Market cap (Y mn)	PER CoE (Times)	PBR Actual (Times)	ROE CoE (%)	Dividend yield CoE (%)	1-Yr return (%)	3-Yr return (%)
CHANGE Holdings	3962	Mar	939	69,347	9.45	1.40	14.78	2.77	-19.12	-55.22
M&A Brokerage										
Nihon M&A Center Holdings	2127	Mar	651	219,311	15.53	4.12	26.50	4.46	-7.61	-38.24
M&A Capital Partners	6080	Sep	3,615	114,881	15.88	2.65	16.70	1.89	20.90	11.40
Strike Group	6196	Sep	1,265	72,875	14.50	1.13	7.80	0.00	7.66	12.61
Quants Research Institute HD	9552	Sep	1,091	59,025	17.32	11.55	66.70	0.00	-14.90	-72.50
Average of 5 M&A brokerage companies					14.54	4.17	26.50	1.82	-2.61	-28.39
Hometown tax donation portal site										
i-Mobile	6535	Jul	499	29,015	8.96	1.73	19.31	5.41	-17.93	26.76
Average of two hometown tax donation portal sites					9.21	1.56	17.05	4.09	-18.52	-14.23
Consulting										
Accenture	ACN	Aug	170	104,542	12.27	-	-	-	-45.37	-45.95
Dream Incubator	4310	Mar	2,723	25,962	-	2.06	-	5.03	12.99	-4.79
Sigmaxis Holdings	6088	Mar	527	45,322	9.64	3.01	31.27	4.93	-59.05	-18.10
BayCurrent	6532	Feb	5,585	867,973	17.25	7.25	42.01	2.33	-23.90	2.08
Rise Consulting Group	9168	Feb	385	9,582	14.15	1.29	9.14	5.45	-65.63	-
Tanabe Consulting Group	9644	Mar	745	25,330	20.71	2.27	10.94	3.89	0.00	65.37
Funai Soken Holdings	9757	Feb	1,068	106,800	14.82	3.89	26.23	4.49	-11.92	-18.00
Training Companies										
Link and Motivation	2170	Dec	541	60,017	16.89	4.42	26.14	3.03	9.96	21.57
Insource	6200	Sep	575	49,015	10.98	3.87	35.23	5.13	-43.41	-54.76
Alue	7043	Dec	889	2,275	9.17	1.60	17.47	1.24	14.71	-19.40
Shikigaku	7049	Feb	829	7,576	-	2.53	-	0.00	-5.47	65.47
Average of 12 consulting and training companies					13.53	3.05	23.69	3.48	-19.68	-5.61
Security										
Eltes	3967	Feb	563	3,502	34.54	1.87	5.43	0.00	-18.52	-42.26
Amaya	4258	Dec	3,380	29,847	33.22	10.17	30.62	0.00	9.74	275.76
Global Security Expert	4417	Mar	3,240	49,603	24.41	11.08	45.40	1.52	1.09	-1.52
Cybersecurity Cloud	4493	Dec	1,690	17,560	20.02	3.93	19.62	0.36	-9.63	-44.04
Trend Micro	4704	Dec	5,820	820,047	20.78	5.96	28.70	-	-44.99	-21.96
E-Guardian	6050	Sep	1,678	20,024	18.78	1.61	8.60	2.26	-16.43	-16.48
BPO										
GigWorks	2375	Oct	213	4,713	84.86	1.56	1.84	0.94	-4.05	-19.62
Pole to Win HD	3657	Jan	310	11,828	15.65	1.30	8.32	5.16	-7.74	-62.38
Digital Hearts	3676	Mar	696	16,628	8.39	1.61	19.21	3.59	-23.26	-46.95
Ururu	3979	Mar	391	10,831	13.88	2.93	21.10	1.10	3.03	-9.75
Adish	7093	Dec	499	1,080	17.49	1.96	11.18	0.00	-16.97	-58.28
Average of 12 security and BPO-related companies					25.12	3.78	17.90	1.61	-12.24	-8.56

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

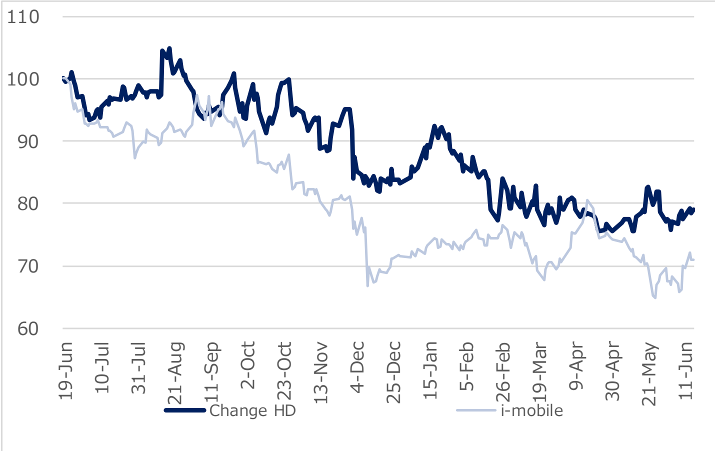
Source: SPEEDA Data. Compiled by Strategy Advisors.

Figure 11. Relative Share Price Performance by Subcategory

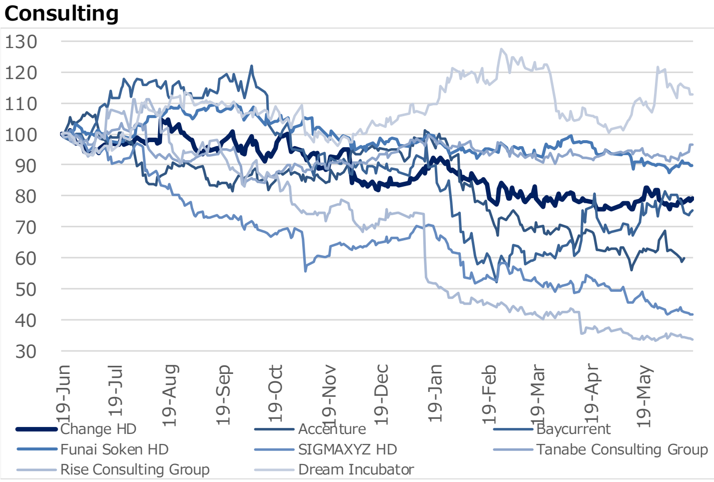
M&A Brokerage



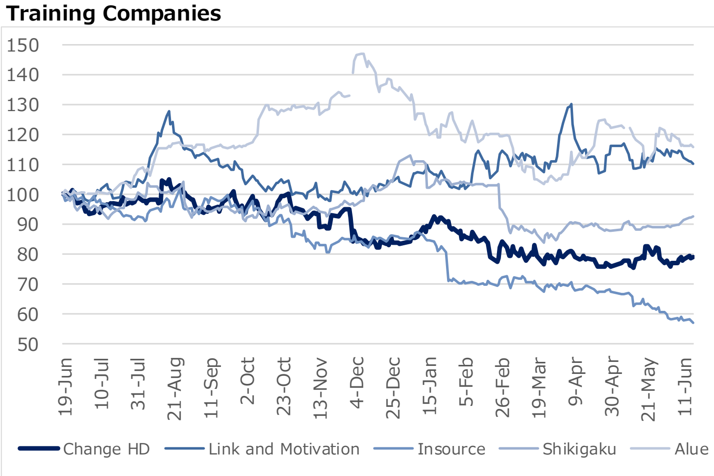
Hometown tax donation portal site



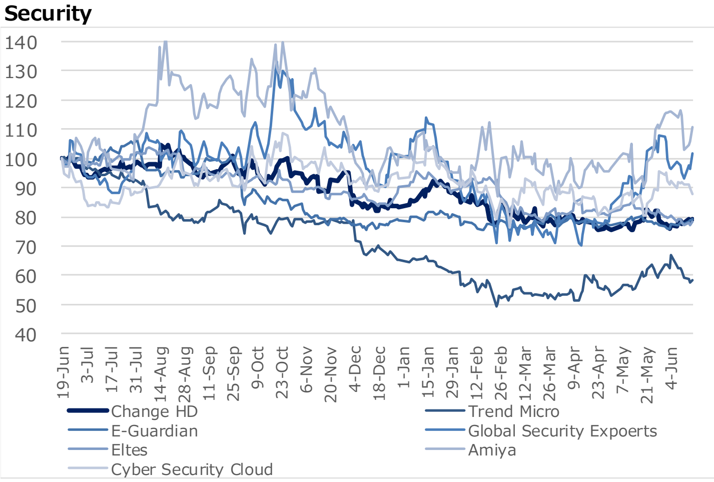
Consulting



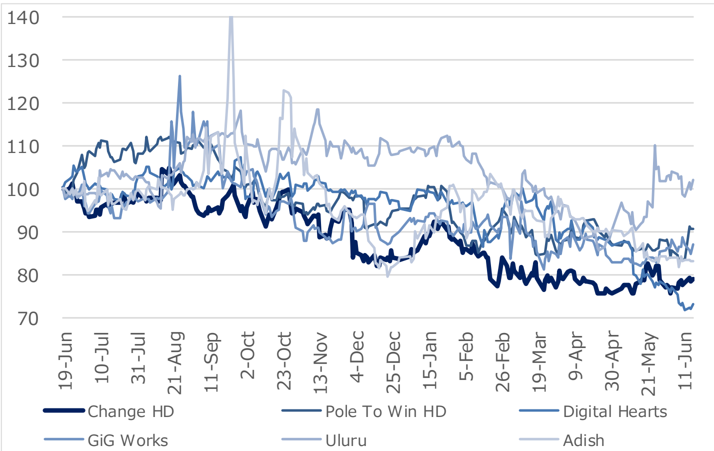
Training Companies



Security



BPO



Source: SPEEDA Data. Compiled by Strategy Advisors.

Figure 12. Income Statement (¥mn)

FY	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26	FY3/27 CoE	FY3/30 Target
Total revenue	**10,140**	**20,021**	**37,015**	**46,387**	**52,827**	**57,823 to 59,000**	**70,000**
(YoY)	-35.2%	97.4%	84.9%	25.3%	13.9%	9.5 to 11.7%	7.3%
NEW-IT Transformation	1,366	4,956	11,453	20,797	23,841	25,792	31,166
Investment Business	-216	162	127	-	-	-	-
Publitech	8,990	14,943	25,516	26,160	29,591	32,783 to 33,959	39,767
Adjustment	-	-40	-82	-570	-605		
Gross profit	**7,974**	**12,522**	**23,041**	**25,888**	**28,832**		
Gross profit margin	78.6%	62.5%	62.2%	55.8%	54.6%		
Selling, general and administrative expenses	3,327	7,168	12,256	13,360	17,766		
Operating profit	**4,582**	**5,730**	**10,928**	**13,420**	**11,225**	**11,500 to 12,500**	**18,000**
(YoY)	-23.4%	25.1%	90.7%	22.8%	-16.4%	2.4 to 11.4%	12.5%
Operating profit margin	45.2%	28.6%	29.5%	28.9%	21.2%		
NEW-IT Transformation	392	1,195	92	5,985	3,257	1,977	5,391
Investment Business	-226	130	126	-	-	-	-
Publitech	5,471	7,378	11,036	13,045	14,156	12,474 to 13,474	16,005
Adjustment	-1,055	-2,973	-3,871	-5,611	-6,187		
Financial income	2	0	55	20	356		
Financial cost	19	77	188	789	561		
Profit before tax	**4,564**	**5,653**	**7,250**	**12,650**	**11,020**	**10,773 to 11,773**	
(YoY)	-22.8%	23.9%	28.3%	74.5%	-12.9%	-2.2% to 6.8%	
Profit before tax margin	45.0%	28.2%	19.6%	27.3%	20.9%		
Income tax expense	1,408	1,743	2,874	4,701	3,840		
Effective tax rate	30.9%	30.8%	39.6%	37.2%	34.8%		
Profit	**3,156**	**3,910**	**4,375**	**7,949**	**7,180**		
Non-controlling interests	63	54	113	480	243		
Profit attributable to owners of parent	**3,093**	**3,856**	**4,262**	**7,470**	**6,937**	**6,690 to 7,311**	**11,000**
(YoY)	-24.6%	24.7%	10.5%	75.3%	-7.1%	-3.6% to 5.4%	12.2%

Note: The Company effected a 2-for-1 stock split of its common shares on September 1, 2020, and another 2-for-1 stock split on January 1, 2021.
Source: Company Data. Compiled by Strategy Advisors.

Figure 13. Key Financial Indicators

		FY9/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26	FY3/27 CoE
EPS	(Y)	**58.8**	**42.8**	**53.3**	**58.9**	**106.6**	**99.7**	**99.33 to 108.55**
BPS	(Y)	**422.7**	**462.8**	**504.2**	**545.7**	**592.0**	**672.0**	
DPS	(Y)	**0.0**	**4.5**	**10.0**	**18.7**	**20.9**	**23.0**	**26.0**
Dividend Payout Ratio	(%)	0.0	-	18.8	31.7	19.3	23.1	26.2 to 24.0
Last Prise	(Y)	**2,336**	**1,987**	**2,345**	**1,253**	**1,252**	**930**	
PER	(Times)	**39.7**	**-**	**44.0**	**21.3**	**11.7**	**9.3**	
PBR	(Times)	**5.5**	**-**	**4.7**	**2.3**	**2.1**	**1.4**	
Shares Outstanding at Fiscal Year-End	(Thousand Shares)	72,680	72,960	72,968	72,979	73,852	73,852	
Treasury Shares	(Thousand Shares)	623	623	623	623	4,273	4,273	
Shares Outstanding ex Treasury Shares	(Thousand Shares)	72,056	72,336	72,344	72,355	69,579	69,579	
Market Capitalization (Adjusted for Treasury Shares)	(Ymn)	**168,324**	**143,732**	**169,647**	**90,661**	**87,113**	**64,708**	
Equity Ratio	(%)	77.3	78.4	68.9	42.1	39.3	44.3	
Interest-Bearing Debt	(Ymn)	1,777	1,680	3,413	24,018	34,468	29,119	
D/E Ratio	(Times)	0.06	0.05	0.09	0.61	0.84	0.62	
Enterprise Value (EV)	(Ymn)	142,749	115,645	151,227	84,358	99,815	75,671	
EBITDA	(Ymn)	6,728	4,862	6,702	11,435	15,131	13,928	14,118 to 15.118
EV/EBITDA Multiple	(Times)	21.2	23.8	22.6	7.4	6.6	5.4	
ROE	**(%)**	**21.4**	**9.7**	**11.0**	**11.2**	**18.5**	**15.8**	**13.9 to 15.0**
ROIC - Invested Capital Basis	(%)	18.1	8.9	10.0	8.1	11.3	8.8	
ROIC - Operating Assets Basis	(%)	47.0	33.0	26.8	17.1	20.6	14.6	
Number of Employees	**(People)**	**305**	**328**	**475**	**1,069**	**1,448**	**1,439**	

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

Source: Company Data. Compiled by Strategy Advisors.

Figure 14. Balance Sheet (¥mn)

	FY9/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26
Cash and cash equivalents	27,690	30,407	22,968	38,403	30,185	26,181
Trade and other receivables	3,226	3,430	10,331	13,699	17,760	21,363
Other current assets	2,040	1,824	3,400	3,989	1,878	1,795
Total current assets	**32,956**	**35,661**	**36,699**	**56,091**	**49,823**	**49,339**
Tangible fixed assets	183	423	2,170	1,080	1,152	1,371
Entitled assets	220	246	378	1,070	1,647	1,295
Goodwill	4,409	4,409	9,042	17,834	28,307	29,267
Intangible assets	1,288	1,432	2,219	9,735	9,472	8,799
Investments in certain entities, which are accounted for on the equity method	-	-	775	731	4,926	5,118
Other financial assets	160	208	785	5,229	7,460	8,355
Deferred tax assets	167	344	757	2,019	1,987	2,018
Other non-current assets	-	2	116	35	84	39
Total non-current assets	**6,430**	**7,067**	**16,244**	**37,737**	**55,038**	**56,265**
Total assets	**39,386**	**42,728**	**52,943**	**93,828**	**104,861**	**105,605**
Trade and other payables	2,942	2,976	5,511	7,929	12,140	12,493
Short-term borrowings	277	277	1,261	3,652	5,838	5,989
Lease liabilities	128	126	242	633	882	832
Other current liabilities	2,198	2,494	2,637	8,684	4,551	5,414
Total current liabilities	**5,545**	**5,873**	**9,651**	**20,898**	**23,411**	**24,728**
Bonds and borrowings	1,290	1,162	1,786	19,286	26,883	21,782
Lease liabilities	82	115	124	447	865	516
Deferred tax liabilities	17	16	65	2,401	3,100	3,287
Other non-current liabilities	57	56	1,985	872	990	510
Total non-current liabilities	**1,446**	**1,349**	**3,960**	**23,006**	**31,838**	**26,095**
Total liabilities	**6,992**	**7,222**	**13,611**	**43,905**	**55,250**	**50,824**
Common stock	1,000	1,002	1,004	1,006	1,042	1,042
Capital surplus	23,086	23,016	22,480	22,048	22,081	21,906
Retained earnings	7,774	10,867	14,398	17,937	24,054	29,538
Own stock	-1,405	-1,405	-1,405	-1,405	-5,882	-5,882
Other components of equity	-	-	-	-102	-104	151
Equity attributable to parent owners (total)	30,455	33,480	36,477	39,483	41,191	46,755
Non-controlling interests	1,939	2,026	2,854	10,439	8,419	8,025
Total shareholders' equity	**32,394**	**35,506**	**39,331**	**49,923**	**49,611**	**54,781**
Total liabilities and equity	**39,386**	**42,728**	**52,943**	**93,828**	**104,861**	**105,605**

Source: Company Data. Compiled by Strategy Advisors.

Figure 15. Cash Flow Statement (¥mn)

	FY9/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26
Profit before income taxes	5,911	4,564	5,653	7,250	12,650	11,020
Depreciation and amortization	743	280	972	1,823	2,482	2,647
Gain from loss of control of subsidiaries	0	0	0	-	-1,569	-
Share of loss of investments accounted for using equity method	-	-	0	-42	-191	-192
Impairment losses	-	-	22	2,229	798	55
Increase (decrease) in inventory	-29	-48	19	87	54	-77
Increase (decrease) in trade and other receivables	-251	-203	-6,206	-2,246	-4,016	-2,204
Increase (decrease) in investment securities held as part of operations	-1,029	214	-332	-127	-	-
Increase (decrease) in trade and other payables	419	33	2,393	2,087	3,587	69
Income taxes paid	-2,210	-1,120	-3,578	-1,778	-5,111	-3,803
Other	250	22	-86	2,786	-847	-261
Cash flows from operating activities	**3,804**	**3,742**	**-1,143**	**12,070**	**7,836**	**7,253**
Purchases of property, plant, and equipment	-142	-236	-2,244	-1,096	-184	-377
Purchase of intangible assets	-443	-487	-943	-1,127	-827	-527
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-660	-	-3,194	-9,337	-12,661	-981
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	-	-315	-	1,405	-
Purchase of investments accounted for using equity method	-	-	-774	-69	-100	-
Purchases of investment securities	-	-	-	-2,496	-988	-961
Proceeds from sale of investment securities	-	-	-	280	-	-
Other	56	-60	-410	101	-724	3
Cash flows from investing activities	**-1,189**	**-784**	**-7,882**	**-13,745**	**-14,081**	**-2,844**
Net increase (decrease) in short-term borrowings	-	-	50	-50	-150	-
Proceeds from issuance of bonds and long-term borrowings	300	10	2,200	22,444	12,101	1,423
Repayments of long-term borrowings	-1,501	-147	-487	-2,552	-3,997	-6,517
Repayments of lease liabilities	-144	-59	-224	-522	-801	-1,063
Proceeds from issuance of shares	16,415	4	3	5	70	-
Purchase of treasury shares	-1,407	-	-	-	-4,485	-
Dividend payment	-	-	-324	-722	-1,351	-1,454
Other	3,813	-49	390	-776	-63	-804
Cash flows from financing activities	**17,476**	**-241**	**1,608**	**17,827**	**1,324**	**-8,415**
Net increase in cash and cash equivalents	20,090	2,717	-7,416	16,152	-4,919	-4,007
Cash and cash equivalents at beginning of period	7,599	27,690	30,407	22,968	38,403	30,185
Decrease in cash and cash equivalents due to exclusion of consolidated entities	0	0	0	-	-4,068	-
Cash and cash equivalents at end of period	27,690	30,407	22,968	38,403	30,185	26,181
Free cash flows	**2,615**	**2,958**	**-9,025**	**-1,675**	**-6,245**	**4,409**

Source: Company Data. Compiled by Strategy Advisors.

Figure 16. Quarterly Performance Trends (¥mn)

	FY3/24				FY3/25				FY3/26			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total revenue	**5,118**	**9,538**	**14,141**	**8,216**	**8,139**	**8,372**	**18,425**	**11,449**	**9,908**	**12,358**	**19,260**	**11,299**
(YoY)	85.3%	200.4%	47.6%	82.5%	59.0%	-12.2%	30.3%	39.4%	21.7%	47.6%	4.5%	-1.3%
NEW-IT Transformation	**1,750**	**1,216**	**4,243**	**4,242**	**4,692**	**4,391**	**4,555**	**7,157**	**6,087**	**5,804**	**6,045**	**5,904**
(YoY)	69.6%	33.0%	148.4%	226.1%	168.1%	261.1%	7.4%	68.7%	29.7%	32.2%	32.7%	-17.5%
Private-sector DX, M&A brokerage	1,750	1,216	4,024	3,967	3,998	3,685	3,765	6,290	5,319	4,989	5,170	4,774
Cybersecurity	-	-	219	274	694	705	790	867	768	814	874	1,129
Publitech	**3,243**	**8,328**	**9,906**	**4,037**	**3,537**	**4,175**	**13,991**	**4,456**	**3,955**	**6,751**	**13,356**	**5,527**
(YoY)	-72.6%	-259.6%	-26.3%	39.0%	9.1%	-49.9%	41.2%	10.4%	11.8%	61.7%	-4.5%	24.0%
Regional Creation	2,864	7,886	9,349	2,375	2,814	3,572	13,033	2,833	2,968	5,264	11,706	3,146
Public-sector DX	379	442	557	1,661	723	602	958	1,622	987	1,486	1,650	2,381
Gross profit	2,715	7,237	9,720	3,368	3,251	3,917	13,521	5,197	4,526	6,499	13,014	4,791
Gross profit margin	53.0%	75.9%	68.7%	41.0%	40.0%	46.8%	73.4%	45.4%	45.7%	52.6%	67.6%	42.4%
Selling, general and administrative expenses	2,067	3,651	3,867	2,670	2,497	2,560	4,369	3,932	4,013	4,640	4,895	4,217
Gain on loss of control of subsidiary	-	-	-	-	1,569	-	-	-	-	-	-	-
Other income	59	20	19	16	21	89	26	66	125	13	8	1
Other expenses	0	0	6	8	4	16	13	1,038	12	13	92	63
Share of profit of investments accounted for using equity method	9	6	3	22	4	37	66	82	-19	33	50	127
Operating profit	**717**	**3,612**	**5,870**	**729**	**2,345**	**1,467**	**9,231**	**375**	**606**	**1,893**	**8,086**	**639**
(YoY)	-	2555.9%	15.8%	-	227.1%	-59.4%	57.3%	-	-74.2%	29.0%	-12.4%	70.4%
Operating profit margin	14.0%	37.9%	41.5%	8.9%	28.8%	17.5%	50.1%	3.3%	6.1%	15.3%	42.0%	5.7%
NEW-IT Transformation	**494**	**217**	**696**	**-1,315**	**2,478**	**698**	**843**	**1,965**	**833**	**770**	**824**	**828**
(YoY)	41.1%	-8.8%	78.0%	-	401.6%	221.7%	21.1%	-	-66.4%	10.3%	-2.3%	-57.9%
Publitech	**895**	**4,296**	**6,244**	**-400**	**1,053**	**2,086**	**9,819**	**86**	**1,180**	**2,615**	**8,830**	**1,529**
(YoY)	-103.9%	-614.8%	-15.1%	-	17.7%	-51.4%	57.3%	-	12.1%	25.4%	-10.1%	1677.9%
Finance income/expense	419	48	-6	-133	-169	-190	-174	-237	212	33	-59	-391
Profit before tax	1,136	3,241	5,816	-2,943	2,177	1,275	9,058	138	818	1,926	8,027	247
Income tax expense	374	1,013	1,878	-391	723	485	2,818	673	402	737	2,666	33
Profit	**762**	**2,227**	**3,937**	**-2,551**	**1,454**	**790**	**6,239**	**-535**	**416**	**1,188**	**5,360**	**214**
Non-controlling interests	-93	-49	117	137	67	101	107	203	-6	49	40	160
Profit attributable to owners of parent	**855**	**2,276**	**3,820**	**-2,688**	**1,386**	**689**	**6,132**	**-738**	**422**	**1,139**	**5,320**	**54**

Source: Company Data. Compiled by Strategy Advisors.

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