Segue Group | 3968 (TSE Prime)

Company Report

June 23, 2026

Strategy Advisors Inc.
Kenichi Ito

Government Policy has been the Key Driver Behind Strong Order Intakes

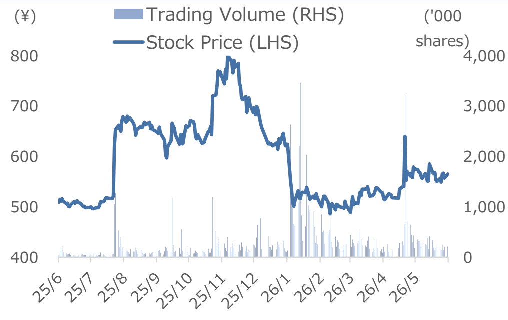
Segue Group reported strong results for Q1 FY12/2026, with sales of ¥9.18 billion (+91.8% YoY) and operating profit of ¥1.44 billion (+541.2% YoY). The primary drivers were the recognition of large-scale projects in GSS (Government Solution Service) and large-scale projects in the highly profitable In-House Development Business. With progress toward the initial full-year operating profit target of ¥2.3 billion reaching 63%, the company has made a strong start, raising expectations for an upward revision.

A notable point is that orders received in Q1 increased significantly to ¥8.61 billion (+43.7% YoY), despite the absence of numerous large orders worth more than ¥1 billion each. In addition to strong demand for security-related products, both private-sector and public-sector demand remained robust, including government ministry and agency projects worth hundreds of millions of yen and a network monitoring project for a power utility company. The company's customer base is expanding and efforts to strengthen security have become evident across a wide range of sectors, including private enterprises, universities, infrastructure operators and government ministries and agencies.

Strategy Advisors notes that strong order intake appears to be supported by ongoing efforts by the public and private sectors working together to strengthen cybersecurity for critical infrastructure in accordance with the "Action Plan for Cybersecurity of Critical Infrastructure" established by the NISC.

The stock had been under pressure following the public offering due to concerns over dilution (14.1%). However, following the Q1 results announcement, the stock has resumed an upward trajectory and is currently trading at a PER of slightly below 15x. Achievement of the initial full-year plan appears to be reflected in the stock price to a certain extent. For further upside in the stock price, it will be important for the company to demonstrate both an upward revision to its FY12/2026 plan and growth prospects from FY12/2027 onward. The likelihood of achieving the earnings target under the medium-term management plan (FY12/2026 operating profit of ¥2 billion) is high. Attention should focus on whether the company can execute growth investments for FY12/2027 and beyond during FY12/2026.

Stock Price & Trading Volumes (Past Year)



Source: Strategy Advisors.

Key Indicators

Stock Price (06/22/26)	565
Historical High (11/28/25)	801
Historical Low (03/09/22)	169
52-Week High (11/28/25)	801
52-Week Low (03/04/26)	486
Shares on Issue (mn)	36.3
Market Capitalization (¥bn)	20.5
EV (¥bn)	12.1
Equity Ratio (3/26 Actual, %)	30.8
PER (12/26 CoE, Times)	14.6
PBR (3/26 Actual, Times)	2.9
Dividend Yield (12/26 CoE, %)	3.2

Source: Strategy Advisors.

Japanese GAAP - Consolidated

FY	Sales (¥ mn)	YoY Change (%)	Operating Income (¥ mn)	YoY Change (%)	Ordinary Income (¥ mn)	YoY Change (%)	Net Income (¥ mn)	YoY Change (%)	EPS (¥)	DPS (¥)
12/2025 Q1	4,788	-3.3	226	-47.5	243	-70.0	140	-73.9	4.4	-
12/2026 Q1	9,184	91.8	1,449	541.2	1,418	482.6	882	527.5	25.9	-
12/2022	13,622	13.2	906	41.9	1,050	53.1	743	63.5	22.2	6.0
12/2023	17,443	28.0	1,086	19.8	1,015	-3.4	660	-11.1	19.6	10.0
12/2024	18,717	7.3	720	-33.7	1,060	4.4	507	-23.1	15.7	11.0
12/2025	25,074	34.0	1,854	157.5	2,001	88.8	1,191	134.6	37.6	13.0
12/2026 CoE	30,000	19.6	2,300	24.0	2,299	14.8	1,403	17.8	38.6	18.0

Note: 3-for-1 Stock Split for Common Shares Effective March 1, 2024. Net Profit Refers to Profit Attributable to Owners of the Parent.
Source: Company Data. Compiled by Strategy Advisors.

1. Strong Q1 FY12/2026 Results Increase the Likelihood of an Upward Earnings Revision

FY12/26 Q1 Posted Substantial Revenue & Profit Growth

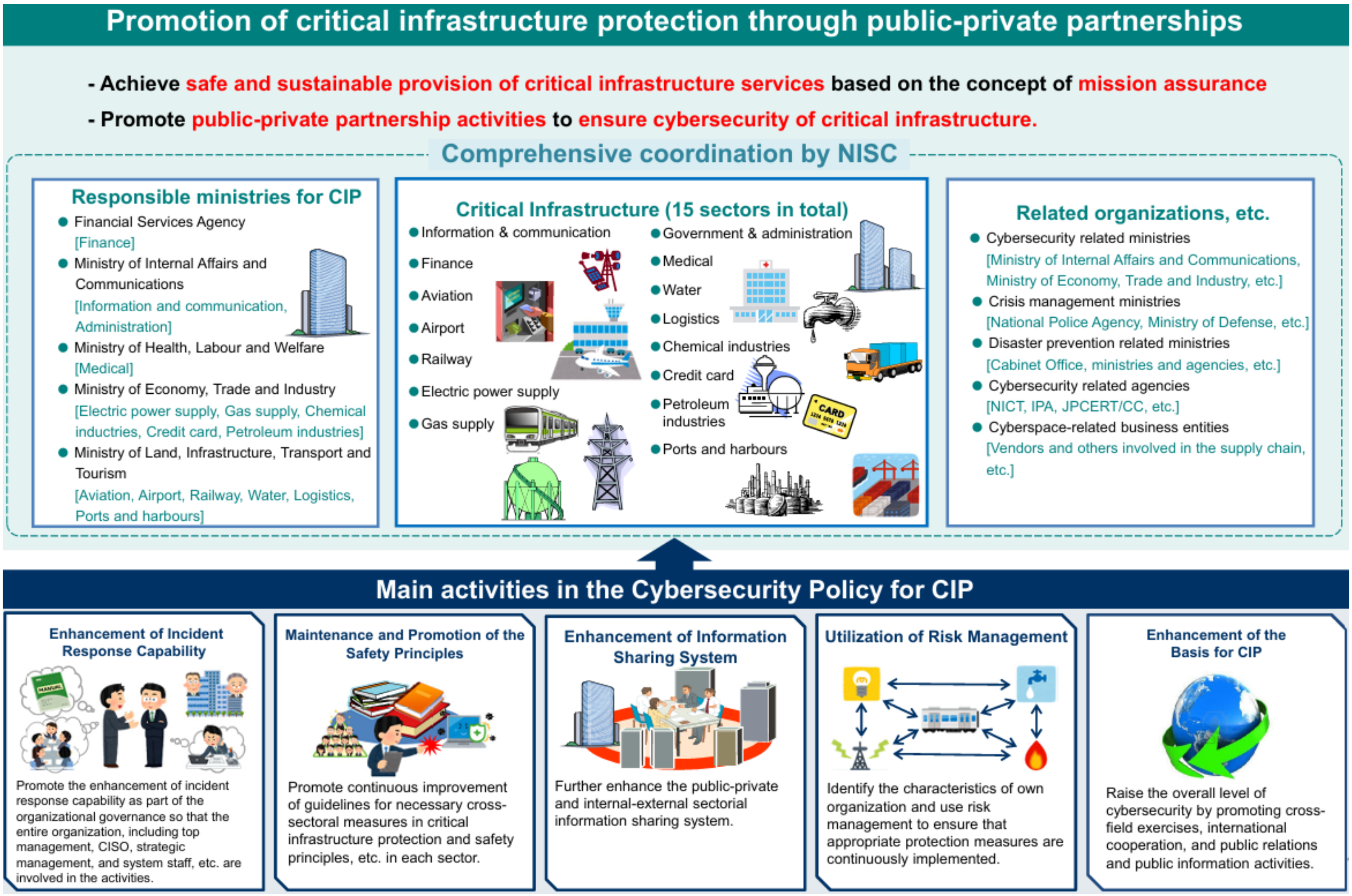
Segue Group reported strong Q1 FY12/2026 results on May 13, with sales of ¥9.18 billion (+91.8% YoY) and operating profit of ¥1.44 billion (+541.2% YoY). The primary driver was the recognition of revenue from large-scale projects in GSS. With progress toward the initial full-year operating profit target of ¥2.3 billion, reaching 63%, the company has made a strong start, raising expectations for an upward revision.

Robust Public & Private Sector Demand Drove a Significant Increase in Orders

A notable point is that orders received in Q1 increased significantly to ¥8.61 billion (+43.7% YoY), despite the absence of numerous large orders worth more than ¥1 billion each. In addition to strong demand for security-related products, both private-sector and public-sector demand remained robust; including government ministry and agency projects worth hundreds of millions of yen and a network monitoring project for a power utility company. The company's customer base is expanding and efforts to strengthen security have become evident across a wide range of sectors, including private enterprises, universities, infrastructure operators and government ministries and agencies.

Strategy Advisors notes that strong order intake appears to be supported by ongoing efforts by the public and private sectors working together to strengthen cybersecurity for critical infrastructure in accordance with the "Action Plan for Cybersecurity of Critical Infrastructure" established by the NISC.

Figure 1. Overview of Cybersecurity Policy for CIP



Source: National Cybersecurity Office.

Leadership From the New President of J's Communications Also Contributed

In addition, leadership from Tatsuo Watanabe, a director of the company who assumed the position of President and Representative Director of its core subsidiary J's Communications in January 2026, has also contributed to order acquisition. Mr. Watanabe possesses extensive industry expertise, having served as Director and Senior Executive Officer of Mitsui Knowledge Industry Co., Ltd., a wholly owned subsidiary of Mitsui & Co. (8031, TSE Prime), where he was responsible for leading the ICT Core Sales Group. As government-led efforts involving both the public and private sectors to ensure cybersecurity progress, the appointment of an executive with extensive IT industry experience appears to be paying off.

Figure 2. Profile of Tatsuo Watanabe

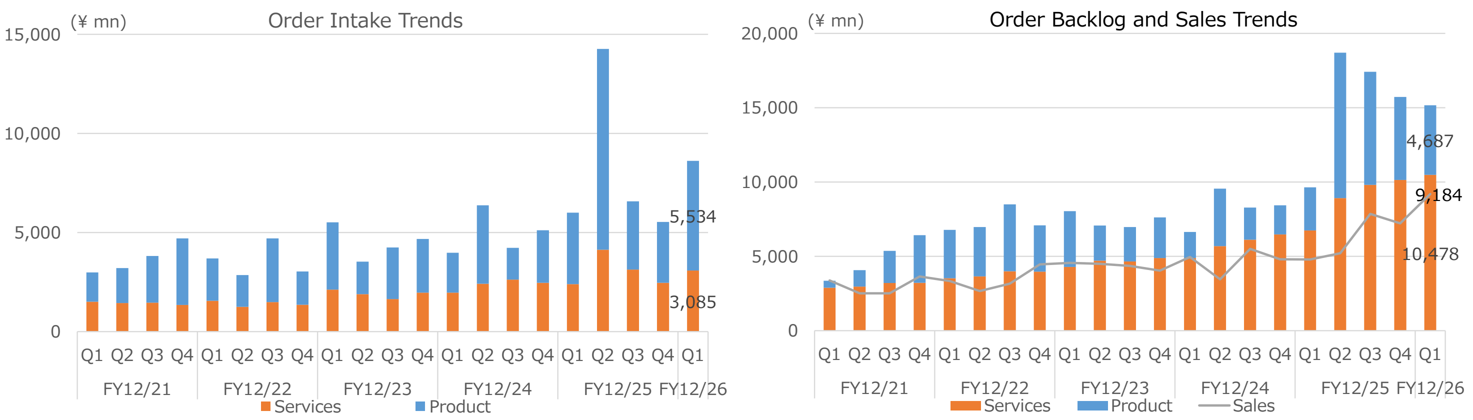
Date	Career summary, positions, responsibilities, and significant concurrent positions
Apr-87	Joined NCR Japan, Ltd. (currently NCR Commerce Japan Ltd.)
Feb-00	Joined Aspect Communications Corporation
Apr-01	Joined Compaq Computer Corporation (currently HP Japan Inc.)
Jan-02	Joined IBM Japan, Ltd.
Apr-05	Joined NextCom K.K. (currently Mitsui Knowledge Industry Co., Ltd.)
Apr-06	Executive Officer, General Manager of Business Division 2
Apr-07	Mitsui Knowledge Industry Co., Ltd., Executive Officer, General Manager of Communication Business Division 1
Apr-15	Executive Officer, General Manager of the Corporate Planning Division
Apr-16	Director, Executive Officer, CIO (in charge of Corporate Planning Division, HR & General Affairs Division, and Information Technology Promotion Division)
Apr-17	Director, Executive Officer, in charge of Sales
Apr-19	Director, Head of ICT Core Sales Group and Head of Sales Planning Group
Apr-21	Director, Executive Managing Officer, Head of ICT Core Sales Group, Sales Planning Group
Apr-22	Joined Rakuten Communications, Corp., Director, in charge of System Sales Promotion
Apr-23	Managing Director
Apr-24	J's Communication Co., Ltd., Director and Executive Vice President J's Technology Co., Ltd., Director (current position)
Mar-25	Director of the Company (current position)
Jan-26	J's Communication Co., Ltd., Representative Director (current position)

Source: Company Data. Compiled by Strategy Advisors.

The Company is Well Positioned to Achieve its FY12/26 Revenue Target

Supported by strong order intake, order backlog stood at ¥15.16 billion at the end of Q1 (+57.2% YoY, -3.6% QoQ). After deducting Q1 sales from the initial full-year sales target, the company needs to generate approximately ¥21 billion in sales from Q2 onward. However, given the existing order backlog of ¥15.16 billion, the likelihood of achieving the FY12/2026 plan is high. Attention will focus on whether the Company can continue securing, ahead of schedule, orders from Q2 onward that are expected to contribute to sales from 2H FY12/2026 through FY12/2027.

Figure 3. Trend in Order Intake, Backlog and Sales



Source: Company Data. Compiled by Strategy Advisors.

2. Large-Scale Project Recognition in the VAD Business & In-House Development Business Drove Growth

The VAD Business Was the Primary Growth Driver

By business segment, the VAD Business was the primary growth driver, mainly due to the recognition of revenue from large-scale projects involving IT infrastructure and security products. The segment posted substantial growth in both sales and gross profit, with sales of ¥5.64 billion (+143.3% YoY) and gross profit of ¥1.28 billion (+101.9% YoY).

Meanwhile, the VAD Business gross profit margin declined to 22.8% (vs. 27.5% in the prior-year period), as large-scale projects, which have a higher proportion of products and lower profitability than services, made a greater contribution to sales. Revenue recognition for these large-scale projects was completed in Q1 and an improvement in the gross profit margin is therefore expected from Q2 onward. Order intake is also said to have remained strong recently, raising expectations for Q2 results.

Figure 4: Qtly Financial Performance by Business

	FY12/24				FY12/25				FY12/26
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sales (¥ mn)									
VAD	2,837	1,907	1,884	2,944	2,321	2,973	3,678	4,793	5,647
System Integration	1,822	1,292	2,727	1,162	1,986	1,481	3,478	1,590	2,636
In-house Development	292	256	263	271	247	358	242	287	630
Overseas	0	0	631	423	233	399	458	543	269
Total	4,953	3,457	5,506	4,800	4,788	5,213	7,858	7,215	9,184
Sales (YoY)									
VAD	12.1%	-6.2%	-11.5%	29.5%	-18.2%	55.9%	95.2%	62.8%	143.3%
System Integration	-3.1%	-41.2%	38.1%	-23.7%	9.0%	14.6%	27.5%	36.8%	32.7%
In-house Development	96.0%	-4.1%	6.0%	14.8%	-15.4%	39.8%	-8.0%	5.9%	154.7%
Overseas	-	-	-	-	-	-	-27.4%	28.4%	15.5%
Total	8.6%	-23.1%	26.5%	19.0%	-3.3%	50.8%	42.7%	50.3%	91.8%
Gross Profit (¥ mn)									
VAD	611	417	533	643	638	764	846	1,137	1,288
System Integration	406	353	408	278	304	301	589	284	596
In-house Development	195	142	108	151	120	224	102	133	498
Overseas	0	0	210	132	71	135	150	127	81
Total	1,213	913	1,261	1,204	1,134	1,424	1,689	1,683	2,463
Gross Profit Margin (%)									
VAD	21.6%	21.9%	28.3%	21.8%	27.5%	25.7%	23.0%	23.7%	22.8%
System Integration	22.3%	27.4%	15.0%	23.9%	15.3%	20.3%	16.9%	17.9%	22.6%
In-house Development	66.6%	55.3%	41.3%	55.7%	48.6%	62.6%	42.2%	46.3%	79.0%
Overseas	0.0%	0.0%	33.3%	31.3%	30.5%	33.8%	32.9%	23.4%	30.3%
Total	24.5%	26.4%	22.9%	25.1%	23.7%	27.3%	21.5%	23.3%	26.8%

Source: Company Data. Compiled by Strategy Advisors.

Profitability in the System Integration Business Improved Significantly

The System Integration Business reported sales of ¥2.63 billion (+32.7% YoY) and gross profit of ¥590 million (+96% YoY), with profitability improving significantly. In FY12/2025, profitability had declined due to the impact of strategically acquired low-margin projects. In FY12/2026, however, profitability has improved, mainly due to the recognition of revenue from projects involving direct transactions with end users, including a major travel agency and universities. The company intends to evolve from a low-profitability model centered on SES (System Engineering Service) and similar services to a higher-profitability model through initiatives such as securing prime projects in collaboration with Segue Security. As discussions about the diminishing need for engineers have emerged alongside the spread of generative AI, it will be important for the company to focus on areas where differentiation can be achieved more easily.

The In-House Development Business Achieved Substantial Revenue & Profit Growth

The In-House Development Business posted substantial growth in both sales and gross profit, with sales of ¥630 million (+154.7% YoY) and gross profit of ¥490 million (+313.9% YoY). The primary driver was the recognition of revenue from a large-scale project for government ministries and agencies involving RevoWorks Browser, an internet-isolated virtual browser. As the business is primarily license-based, its contribution to profit was significant.

Against the backdrop of local government cybersecurity resilience initiatives promoted by the Ministry of Internal Affairs and Communications, security measures based on a zero-trust framework are expected to advance. In addition, renewal demand for RevoWorks Browser is expected to accelerate in earnest from FY12/2026 through FY12/2027. The company intends to encourage customers to migrate to RevoWorks Cloud at the time of renewal. Including initial setup services, orders of close to ¥1 billion are expected, making this a potential growth driver from FY12/2027 onward.

RevoWorks Cloud is a service that utilizes proprietary sandbox technology (technology that creates an isolated virtual environment) and functions as a zero-trust browser that logically separates cloud access from internet access. Demand for zero-trust security is also becoming increasingly evident among local governments, driven by the spread of remote work and the growing use of cloud services. As a result, leveraging the surge in renewal demand as a catalyst, the company may secure additional projects.

Figure 5: Comparison of RevoWorks Browser and RevoWorks Cloud

Item	RevoWorks Browser	RevoWorks Cloud
Technical Architecture	Browser Isolation (Local Container type)	Browser Isolation Multi-Sandbox Zero Trust type
Protection Target	Endpoint (Local environment)	Data on Endpoint + Cloud (SaaS)
Target Environment	Closed networks for municipalities, hospitals, etc.	DX and SaaS utilization by enterprises, etc.
Deployment Model	On premises	Cloud service
File Sanitization	Offered as an option	Offered as an option
Benefits	High isolation, highly compliant with municipal requirements	Ideal for secure SaaS utilization, Zero Trust compatible

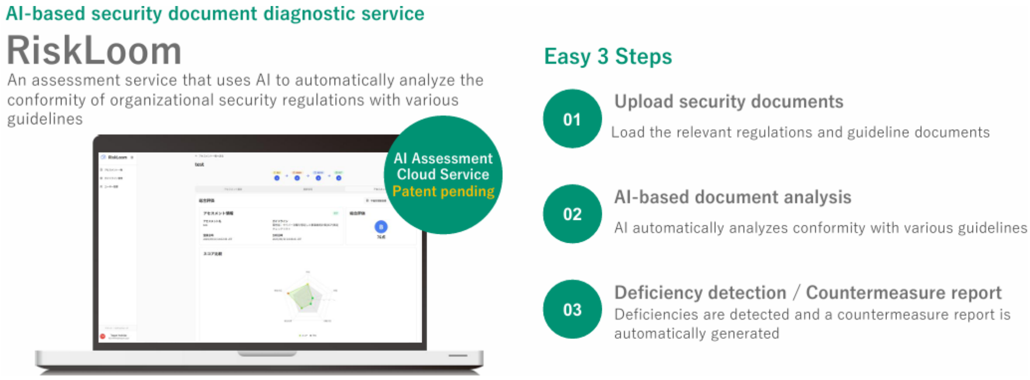
Source: Company Data. Compiled by Strategy Advisors.

Expectations Remain High for Strategic Subsidiary Segue Security

Segue Security, which is included in the In-House Development Business and was established in November 2022, is a strategic subsidiary that is expected to achieve full-year profitability in FY12/2026. Demand for security services remains strong and the company offers a broad range of support services, including consulting, security training, vulnerability assessments, incident response and operations support. Its customer base is broad. The company is also focusing on the development of services utilizing generative AI and launched “RiskLoom” in April 2026. The service is an assessment solution that uses AI to automatically analyze the alignment between an organization’s internal security policies and various guidelines.

Strategy Advisors expects “RiskLoom” to gain traction as an entry-point service to support the expansion of Segue Security’s business. In addition to managed services utilizing a SOC (Security Operation Center), Strategy Advisors also expects synergies with J’s Technology, which provides SI services. Improving profitability is essential for an increase in Segue Group’s market capitalization. By increasing the number of direct transactions with end customers through the acquisition of security-related projects, the company may be able to move beyond the valuation typically associated with a wholesale business.

Figure 6: Overview of Segue Security's New Services



Source: Company Materials.

First One Systems Drove Growth in the Overseas Business

The Overseas Business reported sales of ¥260 million (+15.5% YoY) and gross profit of ¥80 million (+13.4% YoY), with First One Systems serving as the primary growth driver. The company made progress in securing IT infrastructure projects from universities and public-sector institutions in Thailand. Meanwhile, ISS Resolution, for which an impairment loss of ¥110 million was recognized in FY12/2025, continued to underperform, making fundamental reforms essential. The company is considering optimizing the local operating structure of its two Thailand subsidiaries. Strategy Advisors expects further strengthening of the operating structure aimed at maximizing group synergies. Thailand is home to a large number of subsidiaries of Japanese companies, particularly in the manufacturing sector and demand for IT investment remains strong. Accordingly, it will be important for the company to implement in Thailand the business model it has successfully established in Japan.

3. Expectations for Increased Upfront Investment to Support Growth Beyond FY12/2027

The Share Price Trend Has Turned Positive

The stock had been under pressure following the public offering conducted in February 2026 due to concerns over dilution (14.1%). However, following the Q1 results announcement, the stock has resumed an upward trajectory. The primary reason appears to be the favorable start to the fiscal year, with progress toward the initial full-year operating profit target reaching 63% in Q1.

Based on the company's FY12/2026 plan, the stock is currently trading at a PER of slightly below 15x, suggesting that achievement of the initial plan is already reflected in the stock price to a certain extent. For further upside in the stock price, it will be important for the company to demonstrate both an upward revision to its FY12/2026 plan and growth prospects from FY12/2027 onward. Strategy Advisors believes that the likelihood of an upward revision to FY12/2026 earnings is high, based on 1) continued strength in both order intake and order backlog, and 2) the existence of a buffer in SG&A expenses due to the inclusion of upfront investment costs for FY12/2027.

FY12/26 Marks the Final Year of the Medium-Term Management Plan

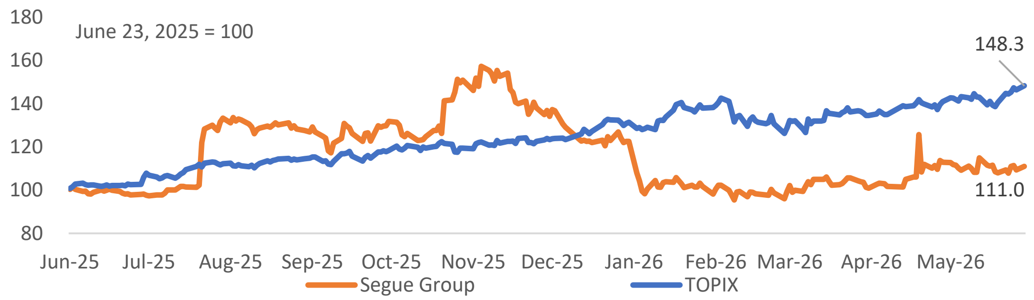
FY12/2026 marks the final year of the medium-term management plan and the challenge target of ¥2 billion in operating profit set under the plan is within reach. Given that earnings are progressing ahead of expectations, it will be important for the company to proactively undertake investments during FY12/2026 that will support the next medium-term management plan. Strategy Advisors expects: 1) the execution of M&A that could become a new growth driver following the completion of GSS projects, 2) strengthening of the management structure through the recruitment of senior executives and 3) increased business investment aimed at accelerating the growth of Segue Security and the Thailand subsidiaries.

Expectations for the Company's Transformation into a Total Security Solutions Company

The company's equity story is its transformation into a Total Security Solutions Company. In addition to the continued growth of its existing businesses, centered on the VAD Business, the successful execution of initiatives such as: 1) transforming Kaetec (an outsourced IT administration service for SMEs) through the use of AI and expanding services for end users, 2) expanding sales of proprietary products centered on RevoWorks, 3) accelerating the growth of the Overseas Business and 4) increasing direct transactions with end users through synergies with Segue Security, is expected to become increasingly evident. By improving its gross profit margin through these initiatives, the company's valuation is expected to increase further.

Strategy Advisors believes that the company's relatively low valuation in the past can be attributed to 1) the perception that its VAD Business resembled a simple import trading business and 2) the fact that many of its customers were large SI companies, resulting in lower profitability relative to prime-vendor SI companies. As the results of the above initiatives become increasingly visible, there is ample potential for the company's valuation to rise.

Figure 7. Relative Stock Price Chart



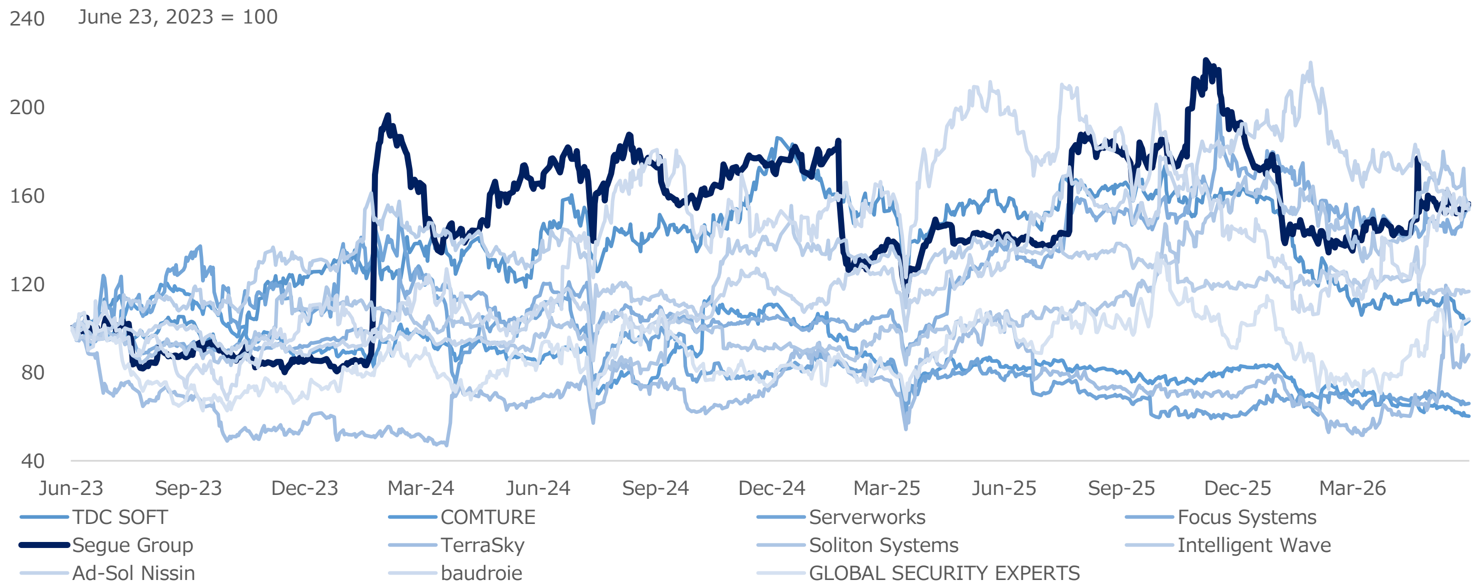
Note: Calculated based on the closing price on June 23, 2025 as 100.
Source: Company Data. Compiled by Strategy Advisors.

Figure 8. Comparative Valuations with Peers

Ticker	Company name	FY	Stock Price (Jun 22) (¥)	Market Cap (Jun 22) (¥ mn)	PER CoE (Times)	PBR Actual (Times)	ROE CoE (%)	EV/EBITDA Actual (Times)	Dividend Yield CoE (%)	Shareholders' Equity Ratio Actual (%)	Net D/E Ratio Actual (Times)	Gross Profit Margin Actual (%)	Sales Growth Rate Actual (%)	Stock Price Chg Over Past 1yr (%)	Stock Price Chg Over Past 3yr (%)
3968	**Segue Group**	**Dec-24**	**565**	**20,536**	**14.6**	**4.9**	**33.5**	**9.6**	**3.2**	**22.1**	**0.9**	**23.7**	**34.0**	**11.0**	**53.3**
2327	NS Solutions	Mar-25	3,228	590,664	18.7	2.1	11.3	8.9	2.7	66.9	0.1	26.7	12.7	-21.2	56.7
3697	SHIFT	Aug-24	621	158,756	14.2	3.9	32.9	7.8	0.0	52.7	0.3	34.7	17.3	-64.3	-66.0
9682	DTS	Mar-25	977	155,675	13.0	2.5	18.4	7.1	3.9	74.5	0.0	21.9	7.4	-23.5	10.6
4722	Future	Dec-24	1,465	129,910	11.0	2.1	18.8	5.7	3.3	64.4	0.2	48.7	8.8	-33.7	-18.2
2317	Systena	Mar-25	396	141,553	13.3	3.6	26.8	7.1	4.5	64.9	0.0	26.3	12.9	-0.8	27.7
4413	baudroie	Feb-25	2,521	78,643	25.0	10.2	40.6	20.9	0.4	54.8	0.3	34.4	49.6	-20.5	57.1
3762	TECHMATRIX	Mar-25	1,664	66,868	12.4	2.5	20.4	3.9	3.2	21.5	0.2	31.5	10.6	-23.6	-11.0
3636	Mitsubishi Research Institute	Sep-24	4,430	69,814	10.6	1.0	9.2	4.4	3.7	56.1	0.0	23.7	5.3	-5.0	-21.3
5036	Japan Business Systems	Sep-24	1,444	65,065	9.3	2.4	25.8	9.8	3.5	36.4	0.9	10.4	22.5	-1.7	-13.1
4687	TDC SOFT	Mar-25	877	41,492	10.6	1.8	16.7	4.2	3.9	74.4	0.0	20.3	8.9	-33.7	0.6
3844	COMTURE	Mar-25	1,252	39,930	12.4	2.0	16.0	5.5	4.2	74.6	0.0	21.3	4.9	-27.0	-40.7
4417	GLOBAL SECURITY EXPERTS	Mar-25	3,290	49,521	24.8	11.3	45.4	21.5	1.5	44.2	0.4	36.2	25.2	6.1	-0.5
3915	TerraSky	Feb-25	2,569	33,163	21.7	2.6	12.1	11.9	0.7	56.5	0.0	26.6	13.5	-13.4	-14.4
4847	Intelligent Wave	Jun-25	934	24,456	17.2	2.6	15.0	5.5	4.0	50.7	0.0	29.9	7.4	-16.6	17.5
3040	Soliton Systems	Dec-24	1,971	36,545	15.6	2.8	17.7	4.4	3.0	50.5	0.0	46.7	6.2	47.4	56.9
4662	Focus Systems	Mar-25	1,650	24,170	10.0	1.6	16.0	6.0	4.1	64.6	0.1	14.7	9.7	12.2	53.3
3837	Ad-Sol Nissin	Mar-25	1,325	22,311	13.9	3.2	23.2	8.4	3.6	65.6	0.1	29.0	10.9	21.7	52.3
4434	Serverworks	Feb-25	1,950	14,457	16.5	1.5	9.3	5.6	1.5	48.0	0.1	9.1	12.0	-15.2	-36.3

Source: Speeda Data. Compiled by Strategy Advisors.

Figure 9. Relative Stock Price Chart



Note: Calculated based on the closing price on June 23, 2023 as 100.
Source: Speeda Data. Compiled by Strategy Advisors.

Figure 10. Consolidated Statement of Income (¥ mn)

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

Source: Speeda Data. Compiled by Strategy Advisors.

Figure 11. Key Financial Indicators

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

Source: Speeda Data. Compiled by Strategy Advisors.

Figure 12. Balance Sheet (¥ mn)

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

Source: Speeda Data. Compiled by Strategy Advisors.

Figure 13. Cash Flow (¥ mn)

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

Source: Speeda Data. Compiled by Strategy Advisors.

Figure 14. Qtly Performance Trends (¥ mn)

FY	12/23				12/24				12/25				12/26
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net Sales	**4,561**	**4,496**	**4,352**	**4,032**	**4,953**	**3,457**	**5,506**	**4,800**	**4,788**	**5,212**	**7,858**	**7,215**	**9,184**
(YoY)	36.7%	68.7%	37.5%	-9.4%	8.6%	-23.1%	26.5%	19.0%	-3.3%	50.8%	42.7%	50.3%	91.8%
VAD	**2,530**	**2,033**	**2,128**	**2,273**	**2,837**	**1,907**	**1,884**	**2,944**	**2,321**	**2,973**	**3,678**	**4,793**	**5,647**
(YoY)	58.7%	49.6%	64.5%	9.1%	12.1%	-6.2%	-11.5%	29.5%	-18.2%	55.9%	95.2%	62.8%	143.3%
SI	**1,881**	**2,196**	**1,975**	**1,522**	**1,822**	**1,292**	**2,727**	**1,162**	**1,986**	**1,481**	**3,478**	**1,590**	**2,636**
(YoY)	20.3%	112.4%	30.7%	-27.3%	-3.1%	-41.2%	38.1%	-23.7%	9.0%	14.6%	27.5%	36.8%	32.7%
In-house Development	**149**	**267**	**248**	**236**	**292**	**256**	**263**	**271**	**247**	**358**	**242**	**287**	**630**
(YoY)	-17.2%	-1.1%	-31.1%	-14.5%	96.0%	-4.1%	6.0%	14.8%	-15.4%	39.8%	-8.0%	5.9%	154.7%
Overseas	**-**	**-**	**-**	**-**	**-**	**-**	**631**	**423**	**233**	**399**	**458**	**543**	**269**
(YoY)	-	-	-	-	-	-	-	-	-	-	-27.4%	28.4%	15.5%
Gross Profit	1,090	992	1,038	1,001	1,213	913	1,261	1,204	1,134	1,424	1,689	1,683	2,463
(Gross Profit Margin)	23.9%	22.1%	23.9%	24.8%	24.5%	26.4%	22.9%	25.1%	23.7%	27.3%	21.5%	23.3%	26.8%
・VAD	564	402	450	340	611	417	533	643	638	764	846	1,137	1,288
(Gross Profit Margin)	22.3%	19.8%	21.1%	15.0%	21.5%	21.9%	28.3%	21.8%	27.5%	25.7%	23.0%	23.7%	22.8%
・SI	444	355	386	477	406	353	408	278	304	301	589	284	596
(Gross Profit Margin)	23.6%	16.2%	19.5%	31.3%	22.3%	27.3%	15.0%	23.9%	15.3%	20.3%	16.9%	17.9%	22.6%
・In-house Development	82	235	201	182	195	142	108	151	120	224	102	133	498
(Gross Profit Margin)	55.0%	88.0%	81.0%	77.1%	66.8%	55.5%	41.1%	55.7%	48.6%	62.6%	42.1%	46.3%	79.0%
Overseas	-	-	-	-	-	-	210	132	71	135	150	127	81
(Gross Profit Margin)	-	-	-	-	-	-	33.3%	31.2%	30.5%	33.8%	32.8%	23.4%	30.3%
SG&A	672	783	736	844	782	996	972	1,120	908	965	939	1,264	1,014
Operating Profit	**418**	**209**	**302**	**156**	**430**	**-83**	**288**	**84**	**226**	**458**	**750**	**418**	**1,449**
(YoY)	85.8%	99.0%	25.1%	-53.2%	3.0%	-	-4.3%	-46.1%	-47.5%	-	159.7%	396.4%	541.2%
(Operating Profit Margin)	9.2%	4.7%	6.9%	3.9%	8.7%	-2.4%	5.2%	1.8%	4.7%	8.8%	9.5%	5.8%	15.8%
Non-Operating Income/Expenses	-6	-18	-5	-40	382	10	1	-54	17	-24	99	55	-30
Ordinary Profit	**411**	**191**	**296**	**116**	**813**	**-73**	**290**	**30**	**243**	**434**	**849**	**474**	**1,418**
(YoY)	49.7%	4.0%	17.0%	-65.7%	97.4%	-	-1.8%	-74.0%	-70.0%	-	192.3%	1470.8%	482.6%
(Ordinary Profit Margin)	9.0%	4.3%	6.8%	2.9%	16.4%	-2.1%	5.3%	0.6%	5.1%	8.3%	10.8%	6.6%	15.4%
Extraordinary Profit and Loss	0	0	0	0	0	13	12	47	0	0	0	-110	0
Profit Before Income Taxes	411	191	296	116	813	-60	302	77	243	434	849	364	1,418
Income Taxes	143	68	107	48	267	42	115	172	109	155	284	110	538
Profit	**268**	**122**	**188**	**67**	**545**	**-102**	**187**	**-95**	**134**	**278**	**565**	**253**	**880**
Profit (Loss) Attributable to Non-controlling Interests	-9	-7	0	3	5	2	6	11	-6	16	20	9	-1
Profit Attributable to Owners of Parent	**277**	**130**	**188**	**64**	**539**	**-105**	**180**	**-107**	**140**	**262**	**545**	**243**	**882**

Source: Speeda Data. Compiled by Strategy Advisors.

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