# HITO-Communications Holdings | 4433 (TSE Prime)

**Company Report**
July 24, 2026

Strategy Advisors Co., Ltd.
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## Full-Year Forecast Revised Downward Following Cumulative Q3 FY8/2026 Results. Airport Segment Poised for Accelerated Earnings Growth from FY8/2027 as Key Growth Drivers Are Now in Place

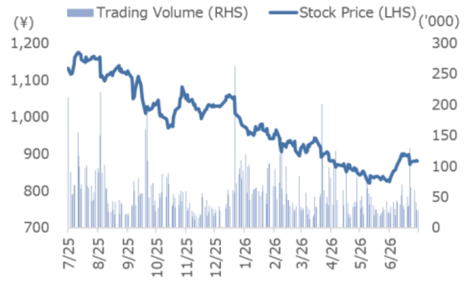
HITO-Communications Holdings reported a 0.3% YoY decline in revenue and a 40.9% decline in operating profit for cumulative Q3 FY8/2026. This was due to factors such as a decline in staff utilization rates resulting from various flight reductions, the financial performance of FMG - a consolidated subsidiary responsible for airport ground handling operations in the Airport Sector – which deteriorated significantly, forcing the Company to report a substantial drop in operating profit.

Other factors contributing to the decline in profit included upfront investments aimed at securing lump-sum contracts at major airports nationwide and a profit decline resulting from FMG's change in fiscal year-end in the previous period (both in the Airport Sector), as well as poor performance in the Land Operating Business (Inbound Tourism Sector), the termination of a contract with a major e-commerce client (Digital Sales Support Sector), and thirdly, the conclusion of the Osaka-Kansai Expo project (Sports & Entertainment Sector).

In light of the lower-than-expected cumulative Q3 results and the outlook for Q4, the company revised downward its full-year forecasts, lowering sales from ¥66.28 billion to ¥62.26 billion and operating profit from ¥2.8 billion to ¥1.15 billion. Separately, following FMG's March win of a lump-sum contract from Cebu Pacific Air to provide comprehensive ground handling services at major airports nationwide, as well as its acquisition of "FAA 145" certification from the U.S. Federal Aviation Administration, the company has completed a fully integrated model that enables it to handle all processes of its core ground handling operations, "passenger, ramps, and maintenance", in-house and on a nationwide scale.

The company's stock price rebounded after investors responded positively to the growth scenario outlined in the new Medium-Term Management Plan announced in November 2024. While the stock price trended upward until early August 2025, it subsequently declined due to factors such as lower-than-expected earnings starting in FY8/2026 Q1 and concerns over downward revisions to the full-year forecast. It is currently trading slightly below ¥900.

**Stock Price and Trading Volume (Past 1 Year)**




Source: Strategy Advisors

**Key Indicators**

| | |
|---|---|
| Stock Price (7/24/26) | 881 |
| 52-Week High (8/5/25) | 1,175 |
| 52-Week Low (6/4/26) | 821 |
| All-Time High (12/14/21) | 2,789 |
| All-Time Low (3/19/20) | 603 |
| # of Shares Issued (mn) | 17.8 |
| Market Capitalization (¥bn) | 15.7 |
| EV (¥bn) | 16.6 |
| Equity Ratio (FY8/25, %) | 42.6 |
| ROE (FY8/25 Actual, %) | 4.9 |
| PER (FY8/26 CoE, x) | 103.4 |
| PBR (FY8/25 Actual, x) | 0.9 |
| Dividend Yield (FY8/26) | 4.3 |

Source: Strategy Advisors

One of the Company's Equity Stories is "the dramatic growth of the Airport Sector through the resolution of a national social issue - the capacity shortage in the ground handling industry at major domestic airports - aiming to achieve the 2030 target of 60 million inbound tourists". Once the conflict in Iran subsides and the aviation fuel issue is resolved, attention is expected to surge toward the Airport Sector - which is already poised for dramatic growth. Consequently, the stock price is likely to factor in expectations for medium to long-term earnings growth, and forward PER for FY8/2027 and beyond may rise above 20x - the upper limit observed from September 2019 to June 2026.

**Japanese GAAP - Consolidated**

| FY | Sales (¥mn) | YoY (%) | Operating Profit (¥mn) | YoY (%) | Ordinary Profit (¥mn) | YoY (%) | Net Profit (¥mn) | YoY (%) | EPS (¥) | DPS (¥) |
|---|---|---|---|---|---|---|---|---|---|---|
| FY8/25 Q1-Q3 | 47,691 | 7.1% | 1,867 | 27.5% | 1,871 | 29.7% | 841 | 101.9% | 47.2 | — |
| **FY8/26 Q1-Q3** | **47,531** | **-0.3%** | **1,102** | **-40.9%** | **1,017** | **-45.6%** | **261** | **-69.0%** | **14.6** | **—** |
| FY8/22 | 64,130 | -23.9% | 5,739 | 19.9% | 5,759 | 12.4% | 3,227 | 16.3% | 180.9 | 30.0 |
| FY8/23 | 63,980 | -0.2% | 4,198 | -26.8% | 4,300 | -25.3% | 1,885 | -41.6% | 105.7 | 31.0 |
| FY8/24 | 58,547 | -8.5% | 1,568 | -62.6% | 1,536 | -64.3% | -43 | — | -2.4 | 35.0 |
| FY8/25 | 63,596 | 8.6% | 2,495 | 59.1% | 2,504 | 63.0% | 853 | — | 47.9 | 37.0 |
| FY8/26 CoE Old | 66,280 | 4.2% | 2,800 | 12.2% | 2,810 | 12.2% | 1,295 | 51.7% | 72.6 | 37.5 |
| **FY8/26 CoE New** | **62,260** | **-2.1%** | **1,150** | **-53.9%** | **1,065** | **-57.5%** | **152** | **-82.2%** | **8.5** | **37.5** |

Note: Net profit refers to profit attributable to owners of the parent.
Source: Company Data. Compiled by Strategy Advisors.

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# 1. Cumulative Results for Q3 FY8/2026

## 1) Financial Results Overview

**Cumulative Q3 FY8/2026 Results: Revenue -0.3% & Operating Profit -40.9%**

For the cumulative Q3 FY8/2026 results, sales decreased to ¥47.531 billion (-0.3% YoY), operating profit decreased to ¥1.102 billion (-40.9% YoY) and profit attributable to owners of the parent decreased to ¥261 million (-69% YoY).

**Figure 1. Cumulative Results for Q3 FY8/2026 (Unit: ¥mn)**

| FY | FY8/25 | | | | | FY8/26 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q1-Q3 | Q4 | Q1 | Q2 | Q3 | Q1-Q3 | YoY |
| Net Sales | 16,428 | 14,499 | 16,764 | 47,691 | 15,905 | 16,211 | 14,891 | 16,429 | 47,531 | -0.3% |
| Gross Profit | 3,327 | 2,985 | 3,206 | 9,518 | 3,394 | 3,092 | 3,147 | 3,249 | 9,488 | -0.3% |
| Gross Profit Margin | 20.3% | 20.6% | 19.1% | 20.0% | 21.3% | 19.1% | 21.1% | 19.8% | 20.0% | — |
| SG&A Expenses | 2,590 | 2,443 | 2,617 | 7,650 | 2,766 | 2,750 | 2,759 | 2,876 | 8,385 | 9.6% |
| SG&A Ratio | 15.8% | 16.8% | 15.6% | 16.0% | 17.4% | 17.0% | 18.5% | 17.5% | 17.6% | — |
| Operating Profit | 737 | 541 | 589 | 1,867 | 628 | 341 | 388 | 373 | 1,102 | -40.9% |
| OP Margin | 4.5% | 3.7% | 3.5% | 3.9% | 3.9% | 2.1% | 2.6% | 2.3% | 2.3% | — |
| Ordinary Profit | 748 | 531 | 592 | 1,871 | 633 | 316 | 359 | 342 | 1,017 | -45.6% |
| Extraordinary Income/Loss | -3 | 72 | -3 | 66 | -499 | -5 | -2 | 0 | -7 | — |
| Income Before Income Taxes | 744 | 603 | 591 | 1,938 | 132 | 311 | 357 | 343 | 1,011 | -47.8% |
| Income Taxes | 403 | 278 | 264 | 945 | 66 | 188 | 204 | 213 | 605 | -36.0% |
| Profit | 341 | 325 | 326 | 992 | 67 | 122 | 153 | 130 | 405 | -59.2% |
| Profit Attributable to non-controlling Interests | 66 | 34 | 51 | 151 | 54 | 51 | 44 | 46 | 144 | -4.6% |
| Profit Attributable to Owners of the Parent | 274 | 291 | 276 | 841 | 12 | 71 | 109 | 81 | 261 | -69.0% |
| EBITDA | 1,065 | 863 | 902 | 2,830 | 1,001 | 723 | 837 | 741 | 2,301 | -18.7% |

Note: EBITDA = Operating Profit + Depreciation + Amortization of Goodwill

Source: Company Data. Compiled by Strategy Advisors.

**FMG's Fiscal Year-End Change, Upfront Investments in the Airport Segment & Lower Staff Utilization Were the Key Factors Behind the Earnings Decline**

Compared to the same period last year, the main factors contributing to the decline in revenue were: 1) the impact of flight reductions in the Airport Sector due to deteriorating Japan-China relations and soaring jet fuel prices; 2) the impact of FMG's fiscal year-end change in the same period last year (impact amount: ¥411 million), 3) the termination of a contract with a major e-commerce client in the Digital Sales Support Sector and 4) the conclusion of the Osaka-Kansai Expo project in the Sports & Entertainment Sector.

The main factors contributing to the decline in profit were: 1) a decrease in staff utilization rates due to various flight reductions, 2) increased expenses associated with upfront investments aimed at securing nationwide consolidated contracts, 3) the impact of FMG's fiscal year-end change (all of the above relate to the Airport Sector), 4) Poor performance of the land operation business in the Inbound Tourism Sector, 5) Termination of a contract with a major client in the Digital Sales Support Sector (impact: ¥38 million), 6) Conclusion of the Osaka-Kansai Expo project in the Sports & Entertainment Sector and 7) Upfront costs associated with the launch of regional revitalization projects in the Public Sector.

**Factors Contributing to the Profit Increase Include the Expansion of High-Margin New Businesses in the Wholesales Business Sector**

On the other hand, the main factors contributing to the increase in revenue include: 1) an increase in new contracts from overseas airlines such as Cebu Pacific Air in the Airport Sector, 2) higher revenue in the communications field within the Store Sales Support sector and 3) contributions from newly consolidated subsidiaries.

The main factors contributing to the increase in profit include: 1) the expansion of high-margin new businesses in the Wholesales Business that utilize IP licenses, such as character lottery tickets and concept cafes; and 2) improved profitability in the personnel staffing business resulting from ongoing negotiations to raise unit rates.

**Cumulative Gross Profit Margin for Q3 Was 20.0%. Unchanged from the Same Period Last Year**

The gross profit margin for Q3 was 20%, unchanged from the same period last year. This was due to a temporary, significant decline in FMG's profit margin in the Airport Sector - resulting from upfront investment costs such as depreciation and labor expenses, as well as various flight reductions - while the proportion of sales from high-margin services and products increased in the Wholesales Business and other segments.

**Gross Profit Margins for Q2 and Q3 Rose YoY**

However, regarding the gross profit margin on a quarterly basis, whilst it declined in Q1 from 20.3% to 19.1%, the proportion of sales from high-margin services and products increased, resulting in the margin rising from 20.6% in Q2 to 21.1%, and in Q3 it rose from 19.1% to 19.8% YoY.

**Cumulative SG&A Expenses for Q3 Were +10% YoY**

Cumulative SG&A expenses for Q3 increased by 9.6% YoY due to the newly consolidated subsidiaries, soaring logistics costs in the Wholesales Business, and increases in personnel expenses and other costs associated with organizational strengthening in the Airport Sector.

**Cumulative Q3 Operating Profit -41% & EBITDA -19%**

Although gross profit declined by only 0.3% YoY, operating profit for the cumulative Q3 period fell by 40.9% YoY due to the increase in SG&A expenses. Meanwhile, EBITDA for the cumulative Q3 period stood at ¥2.301 billion, (-18.7% YoY), primarily due to a significant increase in depreciation expenses resulting from upfront investments in the Airport Sector.

**Non-operating Income & Expenses Deteriorated**

Non-operating income decreased overall from ¥101 million to ¥56 million YoY, primarily due to the absence of penalty income (¥20 million) and compensation received (¥24 million) recorded in FY8/2026.

Non-operating expenses increased from ¥97 million to ¥142 million YoY, driven primarily by a rise in interest expenses - which increased from ¥54 million to ¥83 million - due to an increase in borrowings and rising interest rates. As a result, net non-operating income deteriorated from a surplus of ¥4 million to a deficit of ¥86 million YoY.

**Tax Burden Ratio Rises Amid Sharp Decline in Profits**

Although amortization of goodwill - which is not recognized as a tax-deductible expense - decreased slightly from ¥611 million to ¥596 million YoY, the corporate tax burden ratio rose from 48.8% to 59.8% YoY as a result of the significant decline in quarterly net income before taxes and other adjustments.

**Conversion of Non-Consolidated Subsidiaries into Consolidated Subsidiaries**

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

**NO Change in the Soundness of the Company's Financial Position**

Total assets at the end of Q3 FY8/2026 stood at ¥41.652 billion (+¥830 million YoY). Major changes included a decrease of ¥849 million in equity in affiliates and a decrease of ¥330 million in long-term loans to affiliates, resulting from the consolidation of a previously non-consolidated subsidiary; cash and deposits also decreased by ¥821 million. On the other hand, notes receivable, accounts receivable and contract assets increased by ¥1.565 billion, tangible fixed assets increased by ¥959 million, and finally inventories (merchandise and work in progress) increased by ¥156 million.

On the funding side, total liabilities increased by ¥1.14 billion to ¥23.056 billion, primarily due to a ¥2.25 billion increase in short-term borrowings and a ¥543 million increase in accounts payable YoY. In addition, due to dividend payments and other factors, shareholders' equity decreased to ¥16.975 billion (-¥398 million). As a result, the equity ratio declined from 42.6% to 40.8% YoY. However, the net debt-to-equity ratio (Net D/E Ratio) remained negative at −0.04, indicating that the soundness of the company's financial position has not changed.

## 2) Trends by Sector/Segment

**<Trends by Sector>**

**Business Classified into 8 Sectors**

The company currently classifies its business into 8 sectors and discloses sales by sector.

**Figure 2. Cumulative Q3 FY8/2026 Sales by Sector (Unit: ¥mn)**

| FY | 8/25 | | | | | 8/26 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q1-Q3 | Q4 | Q1 | Q2 | Q3 | Q1-Q3 | YoY |
| Wholesales Business | 4,580 | 3,418 | 4,505 | 12,503 | 4,176 | 4,613 | 3,455 | 4,522 | 12,590 | 0.7% |
| Store Sales Support | 3,588 | 3,727 | 3,751 | 11,066 | 3,701 | 3,698 | 3,853 | 4,039 | 11,590 | 4.7% |
| Digital Sales Support | 3,555 | 2,835 | 2,852 | 9,242 | 2,756 | 2,978 | 2,629 | 2,683 | 8,290 | -10.3% |
| Airport | 2,048 | 1,960 | 1,878 | 5,886 | 2,057 | 1,824 | 2,097 | 2,008 | 5,929 | 0.7% |
| Inbound Tourism | 1,500 | 1,396 | 1,721 | 4,617 | 1,161 | 1,484 | 1,389 | 1,415 | 4,288 | -7.1% |
| Sports & Entertainment | 742 | 755 | 1,581 | 3,078 | 1,560 | 1,131 | 946 | 1,275 | 3,352 | 8.9% |
| Public | 227 | 200 | 253 | 680 | 267 | 263 | 323 | 278 | 864 | 27.0% |
| Works | 184 | 207 | 225 | 616 | 230 | 216 | 200 | 208 | 624 | 1.3% |
| Total | 16,428 | 14,499 | 16,764 | 47,691 | 15,905 | 16,211 | 14,891 | 16,429 | 47,531 | -0.3% |

Source: Company Data. Compiled by Strategy Advisors.

**Store Sales Support, etc.**

Sectors that saw revenue growth include Store Sales Support (+¥524 million YoY), Sports & Entertainment (+¥274 million), Public (+¥183 million), Wholesales Business (+¥87 million), airport (+¥43 million) and Works (+¥8 million).

**Store Sales Support Sector**

**Store Sales Support Sector Revenue +5%**

Although the Store segment continued to underperform, revenue in the Store Sales Support sector increased by 4.7% YoY due to stronger growth in the core communications field, driven by more aggressive marketing activities by telecommunications carriers. However, the revenue growth was insufficient to fully offset increases in cost of sales - such as staff labor costs - and it appears that operating profit for this sector declined.

**Sports & Entertainment Sector**

**Sports & Entertainment Sector: Revenue +9%**

Although sales related to the Osaka-Kansai Expo, held from April 13 to October 13, 2025, decreased YoY, the Sports & Entertainment Sector posted an 8.9% YoY increase in sales. This was driven by higher sales from operational support services for professional sports teams and contributions from Squad, a newly consolidated subsidiary engaged in the sports information business. On a quarterly basis, sales in Q2 saw the exclusion of ¥258 million in sales from the Osaka-Kansai Expo project - decreased to ¥946 million from ¥1.131 billion in Q1.

However, sales in Q3 increased to ¥1.275 billion, driven by higher sales from operational support services for professional sports teams following the start of the professional baseball season, among other factors.

Furthermore, in Japan during FY8/2027, various international events, including the 20th Asian Games (September 19–October 4), are scheduled to take place, which could have a positive impact on the company.

**Sports & Entertainment Sector Sales Growth: Q3 and Q4 FY8/2025 Was Driven by Seasonality & the Contribution of the Osaka-Kansai Expo**

The Sports & Entertainment Sector is characterized by significant fluctuations in quarterly sales due to the presence or absence of events and the seasonality of various professional sports. In FY8/2025, sales were ¥742 million in Q1 (+20% YoY), ¥755 million in Q2 (+44% YoY), ¥1.581 billion in Q3 (+75% YoY) and ¥1.56 billion in Q4 (+94% YoY). Sales growth was particularly pronounced in H2 FY8/2025. The increase in sales in Q3 was due to seasonal factors - specifically, the fact that sales in Q3 and Q4, which coincide with the professional baseball season, typically exceed those of Q2 - as well as a significant contribution from the Osaka-Kansai Expo (sales from this project in H2 totaled ¥1.073 billion).

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

**Public Sector**

**Public Sector Revenue +27%**

Revenue in the Public Sector increased by 27% YoY. This was driven by the Iga NINJA Experience Facility ''Bansenshukai'' - a regional revitalization project that opened at the end of August 2025 - as well as the “Space Interaction Hall Sora-Miru” in Kushimoto-Town, Wakayama Prefecture, which began operations in April 2025. However, regarding “Bansenshukai”, in addition to depreciation expenses for the facility, costs associated with its opening were already incurred. As a result, the sector’s operating profit for cumulative Q3 appears to have declined significantly.

**Wholesales Business Sector**

**Wholesales Business Sector: Revenue +1%, Profit +2%**

Revenue in the Wholesales Business, managed by BRANCH OUT and others, increased by 0.7% YoY. Revenue from apparel products and fan merchandise utilizing IP licenses, as well as collaborative products with influencers, is believed to have declined compared to the same period last year - which saw a significant revenue increase - as the company prioritized strengthening its production and logistics systems and consequently curbed order intake.

Overall revenue increased due to the expansion of new businesses - such as concept cafes and pop-up shops (temporary stores) utilizing major IPs, as well as character lottery tickets - which the company has been actively promoting since the second half of FY8/2025; and contributions from TSUMORI CHISATO DESIGN STUDIO, which was newly consolidated as a subsidiary.

In this sector, the SG&A ratio deteriorated due to soaring overseas logistics costs. However, although the yen appears to have weakened compared to the same period last year, the gross profit margin rose YoY due to the launch of new, highly profitable initiatives such as concept cafes, which appears to have offset the deterioration in the SG&A ratio. As a result, the segment profit margin rose from 5.4% in the same period of the previous year to 5.5%, and segment profit increased by 2.1% YoY.

**Branch Out: Entered the Character Lottery Market**

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

**Q1 and Q3 are the Peak Demand Periods for the Wholesale Business**

Sales in the wholesale business for Q3 (¥4.522 billion) increased significantly from Q2 (¥3.455 billion). This is because Q1 and Q3, which coincide with the launch periods for fall and spring collections, respectively- are peak demand periods. Since Q1, sales have continued to show a slight increase.

**The Wholesale Business Sector: Q3 Segment Profit Margin Declined Slightly Due to the Weak Yen**

Regarding the Wholesales Business Sector's quarterly segment profit margin, in Q1 - which corresponds to the peak demand period for apparel products - the margin fell from 6.5% in the same period of the previous year to 5.7% due to factors such as rising logistics costs. However, in Q2, which corresponds to the off-season, the margin surged sharply from 2.0% in the same period of the previous year to 4.4%, driven by a notable increase in the sales share from new business ventures. As a result, segment profit for Q2 surged from ¥70 million to ¥152 million YoY.

The segment profit margin for Q3 fell from 6.8% in the same period of the previous year to 6.1%, due to factors such as the weakening of the yen. Consequently, segment profit for Q3 decreased from ¥306 million to ¥276 million YoY. Since it takes some time to pass on cost increases resulting from the weakening of the yen and other factors in sales prices, the company was forced to accept a deterioration in profit margins in Q3.

**Wholesales Business: Announcement of Measures to Improve Profit Margins**

BRANCH OUT has outlined the following 3 measures to improve profit margins and ensure stable profit generation even during periods of yen depreciation. The first is selective order acceptance with a focus on profitability. Going forward, the company plans to avoid accepting orders where price pass-through is difficult as much as possible and concentrate resources on projects that can secure a certain profit margin.

Second is a shift toward high-value-added areas. Specifically, the company plans to expand its product portfolio in markets driven by fan psychology - where price sensitivity is low - such as “promotional goods other than apparel” and “character lottery tickets”. Third is the promotion of exports to global markets utilizing IP licensing. Leveraging the weak yen as a tailwind, the company aims to diversify its revenue streams by directly supplying highly competitive Japanese-originated IP merchandise to the global market.

### Airport Sector

**Airport Sector: Consists of Airport Facility Operations Support & Sales Support Services, as Well as Ground Handling Services**

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

**FMG’s Presence is Rapidly Growing**

When FMG joined the group in July 2023, it had approximately 600 employees, 30 client companies and no GSE vehicles. As of July 2026, the company has over 1,150 employees, does business with 100 airlines (of which business with 7 Chinese airlines is currently largely suspended), and owns 10 sets of GSE vehicles, indicating that its presence within the industry is growing at an unprecedented pace.

**Cebu Pacific Air Ground Handling Operations: Began at Major Airports Nationwide Starting at the End of March**

After launching cabin cleaning services at select airports in January 2026, FMG opened a ramp facility at Chubu Centrair International Airport in March. Additionally, the company announced that it would begin operating its Fukuoka Airport facility in collaboration with a local ground handling company. Furthermore, at the end of March, the company began providing comprehensive ground handling services at major airports nationwide for Cebu Pacific Air, the Philippines’ largest low-cost carrier (LCC) - a long-cherished goal.

**Establish a Comprehensive Ground Handling System at 7 Major Airports Nationwide by This Fall**

Going forward, including Naha Airport - where the company plans to open a ramp facility - the company is expected to establish a system capable of providing comprehensive ground handling services at 7 major airports nationwide, including Narita Airport, where international scheduled flights operate, by the fall of 2026.

**Need to Closely Monitor the Impact of the Iran Conflict**

However, due to the conflict in Iran, flight reductions have spread not only to flights to the Middle East and European flights transiting through the Middle East, but also to other regional international airlines, such as Cebu Pacific Air, due to aviation fuel shortages and soaring prices. Although there are currently signs that some airlines are reversing these flight reductions, it remains necessary to closely monitor the impact of the Iran conflict on the company's Airport Sector going forward.

**Airport Sector Revenue +1%, but Real Growth is +8%**

Revenue in the Airport Sector increased by 0.7% YoY. This was due to a 1x factor, when 10 months' worth of FMG's sales (August 2024 through May 2025) was recognized following a change in FMG's fiscal year-end. On a like-for-like basis, after adjusting for FMG's August 2024 sales of ¥411 million, sales increased by 8.3% YoY.

The increase in revenue on an actual basis was driven by higher revenue in the ground handling business, resulting from an expansion of new orders from Cebu Pacific Air and others following the in-house production of ramp operations and the addition of new locations (Kansai International Airport in September 2024 and New Chitose Airport in October).

**The Airport Sector Also Includes Seasonal Demand in Q2 & Q4**

Looking at quarterly sales for the Airport Sector,  Q4 FY8/2025 was ¥2.057 billion, while for FY8/2026, Q1 was ¥1.824 billion, Q2 was ¥2.097 billion and Q3 was ¥2.008 billion. The QoQ decline in sales in Q1 FY8/2026 was due to Q4 FY8/2025 had temporary summer flights at various airports. The increase in sales in  Q2 FY8/2026 compared to Q1 was driven by demand for temporary winter flights, primarily at New Chitose Airport. In addition, contributions from new orders for airport ramp services, despite the full impact of reduced flights to China resulting from the deterioration of Japan-China relations, impacted positively.

The decline in sales for Q3 FY8/2026 compared to Q2 is presumed to be due to the fact that, although sales from Cebu Pacific Air contributed for approximately 2-months, the company was affected by the tapering off of winter seasonal demand, as well as flight reductions and the shift to smaller aircraft by multiple customers resulting from soaring jet fuel prices and supply shortages caused by the situation in the Middle East.

**Fiscal Year-End Change Impact: Due to Upfront Investments & Various Flight Reductions, the Airport Sector Appears to Have Posted a Significant Decline in Profits and Slipped into the Red**

Meanwhile, regarding the cumulative Q3 profit and loss for the Airport Sector, it is believed that the sector also posted a loss due to FMG's significant decline in profits and its shift to a loss. In addition to the decline in profits due to lower sales resulting from FMG's fiscal year-end change, factors contributing to the profit decline include a significant increase in personnel expenses (the initial training period for ground handling staff is approximately half a year), rent and lease expenses (for warehouses and offices where Ground Support Equipment (GSE) vehicles are stored), and depreciation expenses associated with upfront investments for large-scale projects secured starting in late March, as well as a decrease in staff utilization rates due to various flight reductions.

Furthermore, the company's cumulative depreciation expenses for cumulative Q3 increased by ¥251 million YoY, with most of this increase attributable to GSE vehicles in the Airport Sector.

**Restoring Flight Schedules and Securing New Orders Are Key to Recovering the Company's Underlying Profitability**

The ground handling business is one with an extremely high contribution margin at each location, where the cost of sales - composed of fixed costs such as labor expenses and GSE depreciation - remains largely constant up to a certain number of contracted flights. Just as the company was expanding its staff and GSE fleet in anticipation of the launch of major projects, there was a sharp increase in flight cancellations due to the deterioration of Japan-China relations and soaring aviation fuel prices caused by the worsening situation in the Middle East. This led to a temporary and significant surplus of resources, such as staff and equipment, which was the primary factor behind the ground handling business recording a loss. In other words, it can be said that the current profit and loss situation in the Airport Sector, caused by the materialization of geopolitical risks, is significantly below its normal level.

FMG currently views this as a "period of patience" leading up to full-scale return on investment (an increase in the number of flights handled). While awaiting an improvement in Japan-China relations, the company is actively pursuing business opportunities to handle flights from other countries, such as ASEAN airlines and appears to have secured some new orders.

Investors should bear in mind that once the number of flights handled and resources are optimized - driven by the anticipated reversal of flight reductions (resumption of service) and new orders - and sales exceed the break-even point, profit margins will rise sharply, revealing the company's true earning power.

**Maintenance Business to Become a Key Driver of Revenue Growth Alongside Ramp Services**

In March 2026, FMG obtained "FAA 145" certification, the certification required for aircraft maintenance operations, from the U.S. Federal Aviation Administration (FAA). In Japan, it is highly unusual for an independent ground handling company not affiliated with a major airline group to obtain this certification. With the acquisition of a comprehensive contract from Cebu Pacific Air covering major airports nationwide and the attainment of this certification, FMG has effectively established an end-to-end model capable of handling all processes—passenger services, ramp operations, and maintenance—in-house on a nationwide scale.

While passenger services originally accounted for the bulk of FMG's sales, sales in the ramp operations segment—which saw significant strengthening of personnel and equipment during FY8/2025—expanded rapidly. With the acquisition of "FAA 145" certification, the company is now able to perform operational maintenance entirely in-house and has entered the "release operations" business, which involves dispatching aircraft without the need for airline staff to be present. While FMG's maintenance business was previously limited to maintenance support services and accounted for a small portion of sales, it is expected to become a key driver of sales growth alongside the ramp operations business going forward.

**Expectations Are High for an Upward Revision of the Sales Target for the Airport Sector Set, Outlined in the Medium-Term Management Plan**

Going forward, key areas of focus will include securing new contracts at Naha, Chubu International, and Fukuoka airports, winning lump-sum contracts for ground handling at major airports nationwide from a second and subsequent client and expanding orders for maintenance services following the acquisition of FAA Part 145 certification. In the near term, it appears that the number of resumed flights - primarily by airlines from ASEAN countries - and negotiations for new projects are gradually increasing. As FMG's business structure has been rapidly strengthened over the past year, if the conflict in Iran subsides and the aviation fuel issue is resolved, an upward revision of the sales target set in the Medium-Term Management Plan (¥12.8 billion for FY8/2029) appears to be within reach.

**Digital Sales Support & Inbound Tourism Are Sectors with Declining Revenues**

Sectors that saw a decline in revenue include Digital Sales Support (-¥951 million YoY) and Inbound Tourism (-¥329 million YoY).

**Digital Sales Support Sector**

**Digital Sales Support Sector Revenue -10% for Cumulative Q3**

Overall, the Digital Sales Support Sector saw a 10.3% YoY revenue decline for the cumulative Q3 period. Breaking it down, revenue decreased by 0.5% YoY for all segments except the EC/TC support business - which includes inside sales handled by SALES ROBOTICS, the remote customer service system managed by UsideU and system development handled by LOWCAL. While SALES ROBOTICS saw an increase in revenue, LOWCAL appears to have experienced a decline.

On the other hand, revenue for the EC/TC support business managed by BBF, Inc. fell by 13.1% YoY due to the termination of contracts with major clients in the EC/TC support segment and the slump in the TV shopping (TC) support business caused by a deteriorating market environment. However, segment profit for the EC/TC support business increased by 4.2% YoY, as efforts to improve profitability - such as streamlining outsourcing costs - proved successful.

**UsideU Expects Contributions from New Projects**

In March, UsideU formed a business alliance with DigiJapan, inc. (Headquartered in Minato Ward, Tokyo), the IT strategy subsidiary of the Teraoka Seiko Group, and began providing solutions utilizing the remote customer service system “Time Rep” to dry cleaners nationwide. While the impact on current performance is expected to be minimal, the company looks forward to future contributions from this initiative.

**Inbound Tourism Sector**

**Inbound Tourism Sector Revenue -7%**

Revenue in the Inbound Tourism Sector fell 7.1% YoY, as the land operating business and other segments continued to struggle due to the impact of the Chinese government's visa exemption policy for foreign visitors.

**<Trends by Segment>**

**Profit Increased in the Personnel Staffing Business, but Earnings in the Outsourcing Business Deteriorated Significantly**

The company discloses its financial results not only by sector but also by business segment. Excluding the EC/TC support business - mentioned in the explanation of the Digital Sales Support Sector - and the Wholesales Business. The Outsourcing Business reported sales of ¥19.979 billion (+5.2% YoY), a segment loss of ¥324 million (compared to a profit of ¥477 million YoY), while the personnel staffing business posted sales of ¥6.246 billion (-4.4% YoY) and a segment profit of ¥369 million (+17.5% YoY).

**Personnel Staffing Business**

In the Personnel Staffing Business, although revenue declined slightly due to factors such as weak performance in the Store Sales Support Sector, profit increased thanks to improved profitability resulting from ongoing negotiations on unit rates.

**Outsourcing Business**

**Outsourcing Business: FMG's Profit & Loss Deteriorated Significantly**

The following 3 factors are the main reasons why operating profit in the outsourcing business for cumulative Q3 decreased by ¥801 million YoY.

The largest factor contributing to the decline in profit was the significant deterioration in FMG's earnings due to various service reductions resulting from the materialization of geopolitical risks. While the impact of the change in the fiscal year-end and increases in personnel expenses and depreciation expenses associated with the launch of large-scale projects had been factored into the initial plan; the decrease in sales and gross profit resulting from the various service reductions had not been factored into the initial plan.

The second factor contributing to the decline in profit was the upfront costs associated with the launch of the regional revitalization project in Iga City within the Public Sector. The third factor was the decline in profit in the Sports & Entertainment Sector due to the conclusion of the Osaka-Kansai Expo. Note that the second and third factors were factored into the initial plan.

## 2. Business Outlook

### 1) FY8/2026 Company Plan

**FY8/2026 Plan Has Been Revised Downward**

The initial plan for FY8/2026 called for sales of ¥66.28 billion (+4.2% YoY), operating profit of ¥2.8 billion (+12.2% YoY), ordinary profit of ¥2.81 billion (+12.2% YoY) and profit attributable to owners of the parent of ¥1.295 billion (+51.7% YoY). Based on the progress of its cumulative Q3 results, which fell short of expectations, and with the Business Outlook for Q4, the company revised its full-year earnings forecast downward at the time of its Q3 earnings announcement.

The revised plan calls for sales of ¥62.26 billion (-2.1% YoY), operating profit of ¥1.15 billion (-53.9% YoY), ordinary profit of ¥1.065 billion (-57.5% YoY) and profit attributable to owners of the parent of ¥152 million (-82.2% YoY).

**Figure 3. Company Plan for FY8/2026 (¥mn)**

| FY | 8/25 Actual | 8/26 Company Plan (Old) | 8/26 YoY | 8/26 Company Plan (New) | 8/26 YoY |
|---|---|---|---|---|---|
| Net Sales | 63,596 | 66,280 | 4.2% | 62,260 | -2.1% |
| Gross Profit | 12,912 | 13,527 | 4.8% | 12,206 | -5.5% |
| Gross Profit Margin | 20.3% | 20.4% | — | 19.6% | — |
| SG&A Expenses | 10,416 | 10,727 | 3.0% | 11,056 | 6.1% |
| SG&A Ratio | 16.4% | 16.2% | — | 17.8% | — |
| Operating Profit | 2,495 | 2,800 | 12.2% | 1,150 | -53.9% |
| OP Margin | 3.9% | 4.2% | — | 1.8% | — |
| Ordinary Profit | 2,504 | 2,810 | 12.2% | 1,065 | -57.5% |
| Profit Attributable to Owners of Parent | 853 | 1,295 | 51.7% | 152 | -82.2% |

Source: Company Data. Compiled by Strategy Advisors.

### The Operating Profit Margin Forecast Has Been Lowered from 4.2% to 1.8%

The gross profit margin forecast was lowered from the previous estimate of 20.4% to 19.6%, reflecting deteriorating profitability in the ground handling business in the Airport Sector due to reduced flight frequencies, as well as the impact of the weak yen in the Wholesales Business. The SG&A ratio was raised from the previous forecast of 16.2% to 17.8%, reflecting the reduction in sales and the deterioration in the cost-to-sales ratio in the Wholesales Business. As a result, the operating profit margin was lowered from the previous forecast of 4.2% to 1.8%.

### Sales Forecasts for the Airport Sector and Others Revised Downward

Although revised sales forecasts by sector have not been disclosed, sectors where sales forecasts have been revised downward include the Airport Sector (ground handling business), Digital Sales Support (TC business, system development business), the Wholesales Business and Inbound Tourism (land operating business).

### Reasons for the Low Net Income Forecast

It should be noted that no significant extraordinary losses are anticipated in the revised plan for FY8/2026. While the plan for ordinary profit is ¥1.065 billion (-57.5% YoY), the plan for profit attributable to owners of the parent is ¥152 million (-82.2% YoY). This low level is primarily due to the following 2 factors.

First, relative to the level of net income before income taxes and other adjustments, the amount of goodwill amortization - which is not tax-deductible - is high. Goodwill amortization is estimated to be just under ¥800 million. Second, because losses are expected at several consolidated subsidiaries, including FMG, the corporate tax burden is heavier relative to the level of net income before income taxes and other adjustments.

For FY8/2027, it is expected that the growth rate of profit attributable to owners of the parent will exceed that of operating profit, driven by improved earnings at consolidated subsidiaries - such as FMG - that have previously recorded losses.

**Progressive Dividends Are the Basic Dividend Policy**

The company's basic dividend policy is to pay progressive dividends in a stable and continuous manner, taking into account the results and financial condition of each fiscal year while maintaining a balance with the internal reserves necessary for future business expansion. Furthermore, the Company aims to maintain a stable dividend payout ratio of 30%. In line with the expansion of its business, the Company has raised its dividend from ¥15 per share in FY8/2018 to ¥37 per share in FY8/2025.

**A Track Record of 15 Consecutive Years of Dividend Increases**

Driven by President Yasui's desire to "increase the number of Hito-Com fans", the company has increased its dividend for 15 consecutive fiscal years since its IPO in 2011. In fact, the number of shareholders with voting rights has increased significantly, from 3,065 at the end of FY8/2017 to 15,964 at the end of FY8/2025.

**Dividend Forecast for FY8/2026 Remains Unchanged at ¥37.5**

Although the earnings forecast for FY8/2026 was revised downward, the company's projected dividend per share remains unchanged at ¥37.5 (+¥0.5 YoY & Dividend Payout Ratio: 440.1%).

## 2) Medium-Term Management Plan

**Target CAGR of 4% for Sales & 21% for Operating Profit. However, Excluding Covid-19 Services, the Targets Are 5% for Sales & 28% for Operating Profit**

In the 5-year Medium-Term Management Plan announced in November 2024, the company set the following financial targets for FY8/2029: sales of ¥71 billion (a projected CAGR of 3.9% based on FY8/2024), operating profit of ¥4 billion (20.6%) and EBITDA of ¥5.02 billion (13.8%). FY8/2024 results included ¥2.22 billion in sales, ¥390 million in operating profit and ¥390 million in EBITDA from Covid-19 Services. When calculating the CAGR starting from FY8/2024 on a basis excluding these services, sales are estimated to have increased by 4.7%, operating profit by 27.9% and EBITDA by 17.5%.

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

The company categorizes its 9 sectors - comprising its current 8 sectors plus one added in response to societal needs - into 4 key areas based on 2 criteria: projected annualized sales growth rate and value-added ratio (gross profit margin).

The sectors identified as "Priority Areas" - where both projected growth rates and value-added ratios are high - include airports, Wholesales Business, Digital Sales Support and Inbound Tourism. The company plans to concentrate its management resources on these 4 sectors, which require a high level of expertise. In the Priority Areas, the company will need to further solidify the Group's difficulty of imitation - which is difficult for others to replicate - by employing "human resource management approach to recruit, train and place the right people in the right positions to meet the needs of clients in a variety of industries; and its on-site capabilities to solve problems as a team while running with clients, which it has refined over the past 20 years by utilizing its nationwide network of offices".

In the “Deepening Areas” - sectors where the projected sales growth rate is low but the company aims to increase profits by raising the value-added ratio (gross profit margin) - Store Sales Support is highlighted, and the company states it will focus on improving cost efficiency and operations.

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

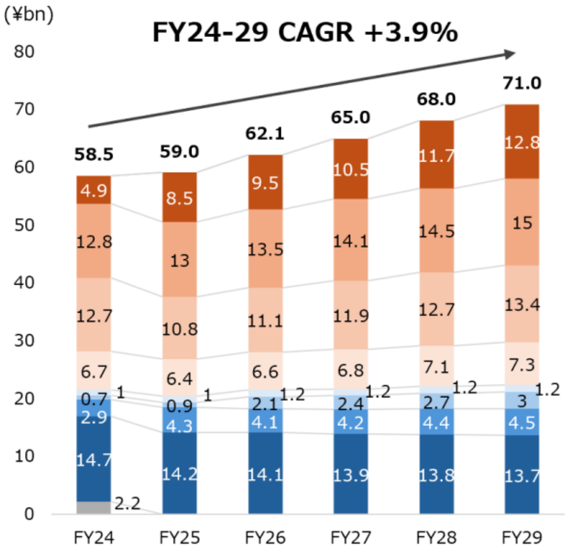
The company aims to build a business portfolio capable of sustainable growth by allocating management resources in a balanced yet focused manner across these 4 sectors, while establishing a solid earnings foundation.

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

The sales plan by sector is shown in figure 4. The Airport, Works, Wholesales Business and Sports & Entertainment Sectors are identified as the drivers of sales growth. The sales composition ratio for priority sectors is expected to rise from 65.9% in FY8/2024 (excluding COVID-19 countermeasure-related businesses) to 68.5% in FY8/2029.

The projected gross profit margins for each sector in the company’s FY8/2029 plan are as follows: Airport, Wholesales Business, Digital Sales Support and Public Sectors are expected to exceed 20%. Inbound Tourism and Store Sales Support are projected to be around 20% and Works and Sports & Entertainment are expected to be below 20%. Regarding current gross profit margins, while the Wholesales Business is believed to be maintaining a margin of around 20% and the Airport Sector is estimated to be significantly below 20%. If the gross profit margins of these 2 sectors - which are expected to drive future sales growth - rise above 20%, the company’s profit growth potential is expected to improve dramatically.

**Figure 4. Medium-Term Management Plan: Sales Planned by Sector**




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

Source: Company Data.

## 3. Stock Price Trends and Valuations

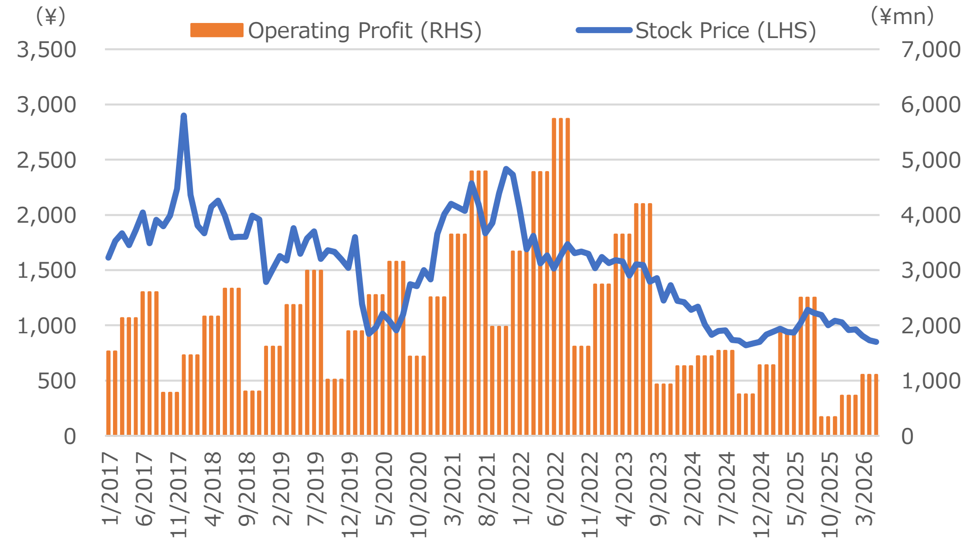
**From 2020 Through the First Half of 2024, the Stock Price Rose and Then Fell, Reflecting the Impact of the Covid-19 Pandemic on the Company's Performance**

The company's stock price had traded within a range centered on ¥1,600–¥1,900 in 2019, but in the spring of 2020 - when the COVID-19 pandemic broke out in Japan - it fell sharply in tandem with the broader market, shifting to a range centered on roughly ¥900–¥1,200. However, thanks to strong performance in the FY8/2020 period driven by robust demand for EC/TC Support Business and Store Sales Support, etc. in the communications field, the company's stock began to rise in September of that year.

Driven by earnings growth in Covid-19 Services, the Digital Sales Support Sector, and the Wholesales Business, operating profit for FY8/2021 reached ¥4.787 billion (+52% YoY) and the company's stock price temporarily surpassed ¥2,800 in December 2021. However, entering 2022, concerns grew over sluggish Store Sales Support in the communications field and the future prospects of the expanding Covid-19 Services business, causing the company's stock price to settle into a range centered around ¥1,400 to ¥1,700 starting in March 2022. Although operating profit for FY8/2022 was strong at ¥5.739 billion, a 19.9% YoY increase from FY8/2019, it had little impact on the stock price.

Even with the financial results for FY8/2023, announced in October 2023, market concerns regarding the company's future performance were not dispelled and the company's stock price entered a downward trend. Following the Q2 FY8/2024 results, which showed a significant decline in operating profit, the company's stock price fell below ¥1,000.

**Figure 5. HITO-Communications Holdings Stock Price & Operating Profit**




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

### Stock Price: Began to Rise After the Medium-Term Management Plan Announcement in November 2024, Continued its Upward Trend Until Early August 2025

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

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

The cumulative Q3 FY8/2025 results, announced on July 15, showed strong performance, with revenue up 7% and operating profit up 28% YoY. The stock price fluctuated around the ¥1,000 mark for a while, but on August 5, it reached ¥1,175, its highest level in the past year. Subsequently, ahead of the FY8/2025 earnings announcement, the stock faced resistance at higher levels and shifted to a trading range of ¥1,000 to ¥1,150 starting in September.

**Stock Price Range: Mid-November 2025 Through the End of the Year Traded Was Between ¥1,000 and ¥1,100**

In the FY8/2025 earnings announcement released on October 14, operating profit rose 59% - exceeding the company's forecast - but profit attributable to owners of the parent fell short of the company's forecast due to the recognition of extraordinary losses. Additionally, the company projected that operating profit for FY8/2026 would increase by only 12%, representing a significant slowdown from the previous period's growth rate. As a result, the stock price temporarily fell below ¥1,000. Subsequently, buying by investors optimistic about the company's medium to long-term growth potential drove the stock price back into the ¥1,000 to ¥1,100 range from mid-November through the end of 2025.

**Announcement of Cumulative Q3 FY8/2026 Results: Subsequently the Stock Traded at a Level Slightly Below ¥900**

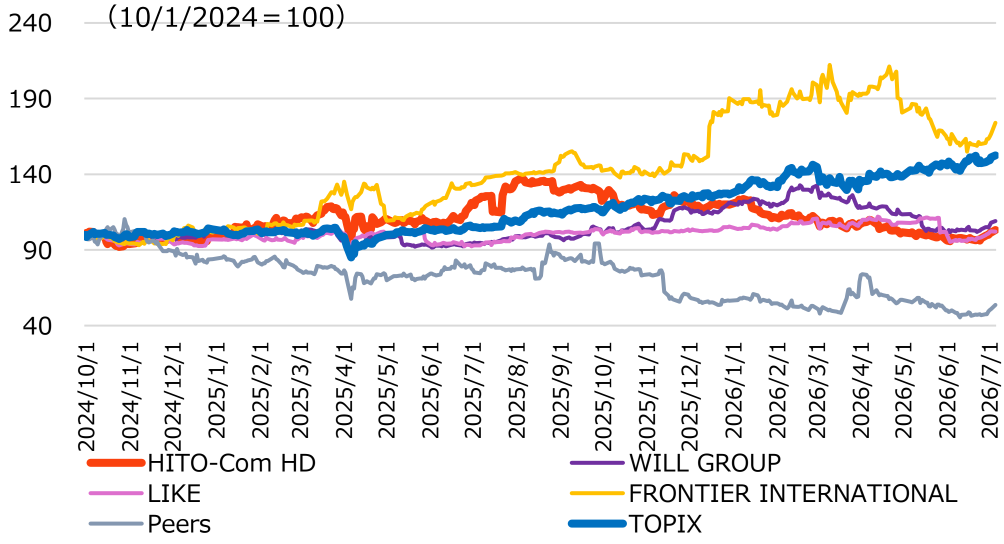
The Q1 FY8/2026 results, announced in January 2026, were in line with the company's expectations. However, since operating profit fell 53.7% YoY, the stock price range narrowed to between ¥900 and ¥1,000. The H1 FY8/2026 results, announced in April, also showed a significant decline in earnings.

Consequently, concerns over a downward revision to the full-year forecast caused the stock price to test lower levels, hitting a low of ¥821 on June 4.

Subsequently, buying from investors who recognized the stock's undervalued status pushed the price back up to around ¥900. When the company announced its cumulative Q3 FY8/2026 results and a downward revision to its full-year forecast on July 15, the stock price fell slightly. However, since the market had already factored in concerns about a downward revision to the full-year forecast to a certain extent, with low PBR and high dividend yield providing support, the stock did not test the low set in June and is currently trading at a level slightly below ¥900.

Figure 6 shows a comparison of the stock price with that of peer companies and the TOPIX since October 2024. From the announcement of the Medium-Term Management Plan in November 2024 through the end of 2025, expectations for a recovery in earnings rose, and the company's stock price trended relatively firmly. However, since the latter half of January 2026 - when the Q1 results for FY8/2026 were announced - the company's stock price has continued to underperform TOPIX and comparable companies.

**Figure 6. Comparison of Stock Prices of HITO-Communications Holdings and Similar Companies**

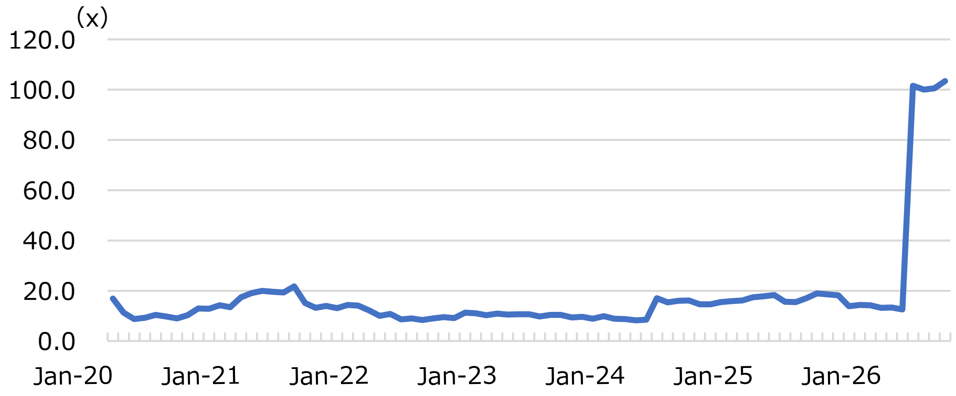



Source: Strategy Advisors

**Excluding Temporary Fluctuations, the Company's Forward PER Generally Ranges from 8 to 20x**

Excluding temporary fluctuations, the company's forward PER has generally fluctuated within a range of 8x to 20x since September 2019. Excluding temporary fluctuations, the forward PER peaked at 21.7x in June 2021, when the COVID-19 pandemic led to the expansion of the company's EC/TC Support Business, as well as Covid-19 Services, raising expectations for an upward revision of its earnings forecast. In fact, when the upward revision to the earnings forecast for FY8/2021 was announced in July of that year, forward PER temporarily declined, reaching 13.3x in August of the same year.

**Figure 7. HITO-Communications Holdings Forward PER Trends**




Source: Strategy Advisors

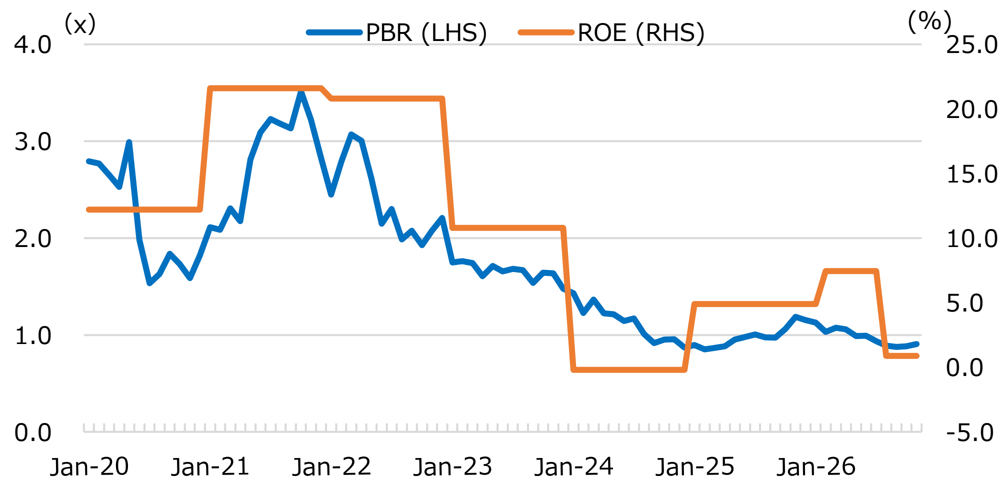
**Current Forward PER Rises to 103x**

Driven by robust earnings forecasts for FY8/2022, the forward PER reached 14.4x in November 2021. Although the earnings forecast for FY8/2022 was revised upward in April of the following year, concerns over a contraction in Covid-19 Services in the subsequent fiscal year and the winding down of business related to the Tokyo Olympic and Paralympic Games weighed on the market, causing the forward PER to fall below 10x.

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

Although the stock price fell following the downward revision of the FY8/2026 company plan announced on July 15, 2026, the rate of decline in the stock price was modest compared to the rate of earnings downward revision; consequently, the current forward PER has risen to 103x.

**Figure 8. HITO-Communications Holdings ROE & PBR Trends**




Note: The ROE for FY8/2026 is a forecast calculated using HITO-Communications Holdings' projected earnings and shareholders' equity as of the end of FY8/2025.
Source: Strategy Advisors

### Improving Profitability Remains a Challenge, the Targets Set in the Medium-Term Management Plan Appear Achievable

Figures 9 and 10 compare the profitability and valuations of the company with those of companies in the Store Sales Support Sector, one of the group's core sectors.

Although the most recent reported ROE improved significantly from the previous fiscal year, the company's figure was the lowest among the peer group due to a heavier burden of goodwill amortization - which is not tax-deductible - compared to other companies, as well as the recognition of high levels of extraordinary losses. Even based on the projected ROE for FY8/2026, the Figure is expected to remain low relative to its peers. Consequently, the company's PBR is at the lowest level among the peer group.

Regarding the operating profit margin in FY8/2026, the company recorded 3.9%, the second lowest among the 5 companies. The main factors are that the Airport Sector is in a phase of upfront investment and the burden of goodwill amortization. However, as these factors are expected to improve over the long term, there is significant room for improvement in both the operating profit margin and ROE.

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

When comparing the company's valuation with that of its peers, the company's forward PER, which currently stands as an outlier due to downward revisions to earnings forecasts - is not a useful reference. Therefore, calculating the forward PER based on the initial-period EPS forecast (¥72.6) is 12x. Although the forward PER based on the initial EPS forecast is relatively high, it is more accurate to view the company's stock price as being valued based on its low PBR rather than as being overvalued by the forward PER. Going forward, for the valuation benchmark for the company's stock price to shift to the forward PER and exceed 20x - the upper limit of the range from September 2019 to June 2026 - the following Equity Story will need to be realized.

**Figure 9. Profitability Comparison with Peers**

| Company Name | Code | FY | Sales (¥mn) | OP (¥mn) | OPM (%) | ROE (%) | Equity Ratio (%) | Number of Employees (Person) |
|---|---|---|---|---|---|---|---|---|
| **HITO-Com Holdings** | **4433** | **8/25** | **63,596** | **2,495** | **3.9** | **4.9** | **42.6** | **1,411** |
| WILL GROUP | 6089 | 3/26 | 146,856 | 3,279 | 2.2 | 12.3 | 35.8 | 9,005 |
| LIKE | 2462 | 5/26 | 67,316 | 2,981 | 4.4 | 12.7 | 46.1 | 5,482 |
| FRONTIER INTERNATIONAL | 7050 | 4/26 | 29,949 | 2,100 | 7.0 | 13.3 | 58.6 | 484 |
| Peers | 7066 | 9/25 | 6,104 | 559 | 9.2 | 15.4 | 61.9 | 413 |

Source: Company Data. Compiled by Strategy Advisors.

**Figure 10. Valuation Comparison with Peers**

| Company Name | Code | FY | Stock Price (7/24) (¥) | Market Cap. (7/24) (¥mn) | PER CoE (x) | PBR Actual (x) | ROE CoE (%) | Dividend Yield CoE (%) | 1-Year Return (7/24/25) (%) | 3-Year Return (7/24/23) (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| **HITO-Com Holdings** | **4433** | **8/25** | **881** | **15,719** | **103.4** | **0.9** | **0.9** | **4.3** | **-20.6** | **-42.7** |
| WILL GROUP | 6089 | 3/26 | 1,097 | 25,135 | 11.4 | 1.2 | 10.9 | 4.0 | 14.4 | -1.4 |
| LIKE | 2462 | 5/26 | 1,512 | 29,015 | 11.4 | 1.5 | 13.4 | 4.0 | 7.5 | -12.7 |
| FRONTIER INTERNATIONAL | 7050 | 4/26 | 1,376 | 12,326 | 9.5 | 1.3 | 13.2 | 5.3 | 23.1 | 34.2 |
| Peers | 7066 | 9/25 | 431 | 3,941 | 14.5 | 1.4 | 9.4 | - | -31.8 | -49.4 |

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

## 4. Equity Story

**2 Equity Stories**

Strategy Advisors identifies 2 Equity Stories. The first is "the dramatic growth of the Airport Sector through the resolution of a national social issue - the capacity shortage in the ground handling industry at major domestic airports - as the country works toward achieving its 2030 target of 60 million inbound tourists". The second is "the accelerated growth of the Wholesales Business Sector, which possesses the know-how to consistently generate 'marketable concepts' in the IP business market, where further expansion is anticipated". Both sectors are designated as priority areas in the company's Medium-Term Management Plan. If the feasibility of these 2 stories increases, investors who currently view the company as merely a staffing services firm are likely to revise their assessment and a rise in valuation can be expected.

**With the Completion of an End-to-End Model for the 3 Core Ground Handling Operations at Major Airports Nationwide, the Airport Sector Has Entered a Takeoff Phase**

Regarding the Wholesales Business Sector, sales for FY8/2025 reached ¥16.7 billion, making it highly likely that the target figure in the Medium-Term Management Plan (sales of ¥15 billion for FY8/2029) will be revised upward. Regarding the Airport Sector, since actual results for FY8/2025 fell slightly short of the company's plan and cumulative results for cumulative Q3 FY8/2026 have been sluggish, expectations for an upward revision of the Medium-Term Management Plan target (¥12.8 billion for the same period) are not high at this point.

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

Going forward, if the company secures lump-sum ground handling contracts at a second and third major national airport, wins large-scale maintenance contracts and resolves the aviation fuel issue, an upward revision of the sales target set in the Medium-Term Management Plan for the Airport Sector will come into view. Furthermore, as the company continues to secure large-scale, lump-sum contracts, improvements in labor and equipment efficiency are expected to lead to a sharp rise in profit margins for the Airport Sector, which posted a loss for cumulative Q3 FY8/2026. From this perspective, it can be said that the Airport Sector is currently entering a "takeoff" phase that will fundamentally transform the company's earnings structure.

**Once the Iran Conflict Subsides, Forward PER is Likely to Rise as Expectations for Medium to Long-Term Profit Growth Are Factored in**

The outcome of the Iran conflict - the root cause of the aviation fuel issue - remains uncertain and is likely to continue capping the upside for the stock price for the time being. However, once the Iran conflict subsides and the aviation fuel issue is resolved, attention is expected to surge toward the Airport Sector - which is poised for dramatic growth. Consequently, stock prices are likely to factor in expectations for medium to long-term earnings growth, and from FY8/2027 onward, forward PER may rise above 20x - the upper limit observed between September 2019 and June 2026.

**Improvement in ROE is Essential for a Rise in PBR**

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

Based on the company's downwardly revised forecast for net income, ROE for FY8/2026 is estimated to be around 0.9%. Furthermore, the company's ROE target for FY8/2029, as outlined in its Medium-Term Management Plan, is 10% or higher. A sustained rise in the PBR will likely require an improvement in ROE to exceed 10%.

**ROE Improvement Scenario 1) Improvement in EBITDA Margin**

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

First is the improvement of the EBITDA margin through sales growth, cost reductions and the expansion of high-value-added services across each business and sector. In particular, we expect improvements in the EBITDA margins of the Wholesales Business, Store Sales Support and Digital Sales Support, as these have a significant impact on consolidated results.

**ROE Improvement Scenario 2) Improvement in Profit Margins Due to Reduced Depreciation Expenses & Decreased Goodwill Amortization**

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

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

**ROE Improvement Scenario 3) Potential for Further Shareholder Returns**

Third, there is the potential to curb the growth of shareholders' equity through expanded shareholder returns. While the company's net D/E ratio at the end of Q3 FY8/2026 stood at -0.04, a healthy level, the basic policy on shareholder returns outlined in the Medium-Term Management Plan ending in FY8/2029 calls for returns of at least ¥3 billion, a dividend payout ratio of at least 30% and progressive dividends. If the company can curb the growth of shareholders' equity by implementing further shareholder returns, an increase in net income is expected to contribute significantly to an improvement in ROE.

**Figure 11. Segment Trends (¥mn, Qtly Basis)**

| FY | 8/24 | 8/25 | | | | 8/26 | | |
|---|---|---|---|---|---|---|---|---|
| | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| **Sales** | | | | | | | | |
| **Outsourcing** | **5,501** | **6,032** | **6,032** | **6,922** | **6,845** | **6,266** | **6,670** | **7,043** |
| (YoY) | -15.6% | -8.1% | 8.2% | 24.2% | 24.4% | 3.9% | 10.6% | 1.7% |
| **Temporary Employee Placement** | **2,147** | **2,208** | **2,060** | **2,269** | **2,249** | **2,258** | **1,947** | **2,041** |
| (YoY) | -11.7% | -6.6% | -5.4% | 4.1% | 4.8% | 2.2% | -5.5% | -10.0% |
| **EC/TC Support** | **2,633** | **2,926** | **2,125** | **2,153** | **2,049** | **2,319** | **1,946** | **1,997** |
| (YoY) | 1.0% | 6.6% | -21.3% | -20.2% | -22.2% | -20.8% | -8.4% | -7.2% |
| **Wholesale** | **3,227** | **4,580** | **3,418** | **4,505** | **4,176** | **4,613** | **3,455** | **4,522** |
| (YoY) | 28.7% | 36.9% | 25.0% | 30.0% | 29.4% | 0.7% | 1.1% | 0.4% |
| **Other Businesses** | **501** | **680** | **864** | **916** | **586** | **754** | **873** | **826** |
| (YoY) | -24.0% | -15.4% | 8.3% | 12.0% | 16.6% | 10.9% | 1.0% | -9.8% |
| **Total** | **14,010** | **16,428** | **14,499** | **16,764** | **15,905** | **16,211** | **14,891** | **16,429** |
| (YoY) | -4.8% | 3.8% | 3.7% | 13.8% | 13.5% | -1.3% | 2.7% | -2.0% |
| **Operating Profit** | | | | | | | | |
| **Outsourcing** | **-76** | **140** | **225** | **112** | **170** | **-180** | **-13** | **-131** |
| (OP Margin) | -1.4% | 2.3% | 3.7% | 1.6% | 2.5% | -2.9% | -0.2% | -1.9% |
| **Temporary Employee Placement** | **29** | **122** | **47** | **145** | **178** | **176** | **51** | **142** |
| (OP Margin) | 1.4% | 5.5% | 2.3% | 6.4% | 7.9% | 7.8% | 2.6% | 7.0% |
| **EC/TC Support** | **198** | **205** | **154** | **-7** | **-24** | **124** | **156** | **86** |
| (OP Margin) | 7.5% | 7.0% | 7.2% | -0.3% | -1.2% | 5.3% | 8.0% | 4.3% |
| **Wholesale** | **39** | **299** | **70** | **306** | **308** | **261** | **152** | **276** |
| (OP Margin) | 1.2% | 6.5% | 2.0% | 6.8% | 7.4% | 5.7% | 4.4% | 6.1% |
| **Other Businesses** | **-81** | **-25** | **48** | **39** | **0** | **-33** | **48** | **8** |
| (OP Margin) | -16.2% | -3.7% | 5.6% | 4.3% | 0.0% | -4.4% | 5.5% | 1.0% |
| **Adjustment** | **-4** | **-4** | **-5** | **-5** | **-4** | **-7** | **-7** | **-7** |
| **Total Amount** | **104** | **737** | **541** | **589** | **628** | **341** | **388** | **373** |
| (YoY) | -81.2% | -20.5% | 55.9% | 210.0% | 6.0x | -53.7% | -28.3% | -36.7% |
| (OP Margin) | 0.7% | 4.5% | 3.7% | 3.5% | 3.9% | 2.1% | 2.6% | 2.3% |

Source: Company Data. Compiled by Strategy Advisors.

**Figure 12. Consolidated Statement of Income (¥mn)**

| FY | 8/18 | 8/19 | 8/20 | 8/21 | 8/22 | 8/23 | 8/24 | 8/25 | 8/26 CoE |
|---|---|---|---|---|---|---|---|---|---|
| **Net Sales** | **62,322** | **63,819** | **71,499** | **84,225** | **64,130** | **63,980** | **58,547** | **63,596** | **62,260** |
| (YoY) | 79.2% | — | 12.0% | 17.8% | -23.9% | -0.2% | -8.5% | 8.6% | -2.1% |
| Cost of Sales | 51,759 | 52,619 | 58,891 | 69,507 | 48,902 | 49,742 | 46,449 | 50,684 | 50,054 |
| Gross Profit | 10,563 | 11,200 | 12,607 | 14,718 | 15,227 | 14,238 | 12,097 | 12,912 | 12,206 |
| (Gross Profit Margin) | 16.9% | 17.5% | 17.6% | 17.5% | 23.7% | 22.3% | 20.7% | 20.3% | 19.6% |
| SG&A Expenses | 7,900 | 8,209 | 9,457 | 9,931 | 9,487 | 10,039 | 10,528 | 10,416 | 11,056 |
| **Operating Profit** | **2,663** | **2,991** | **3,149** | **4,787** | **5,739** | **4,198** | **1,568** | **2,495** | **1,150** |
| (YoY) | 2.4% | — | 5.3% | 52.0% | 19.9% | -26.9% | -62.6% | 59.1% | -53.9% |
| (OP Margin) | 4.3% | 4.7% | 4.4% | 5.7% | 9.0% | 6.6% | 2.7% | 3.9% | 1.8% |
| Non-Operating Income | 26 | 29 | 699 | 691 | 108 | 229 | 42 | 98 | |
| Interest and Dividends Income | 11 | 7 | 7 | 6 | 9 | 9 | 14 | 23 | |
| Non-Operating Expenses | 10 | 15 | 487 | 353 | 88 | 127 | 75 | 89 | |
| Interest Expenses | 7 | 11 | 16 | 12 | 10 | 10 | 38 | 69 | |
| **Ordinary Income** | **2,679** | **3,004** | **3,361** | **5,125** | **5,759** | **4,300** | **1,536** | **2,504** | **1,065** |
| (YoY) | 5.6% | — | 11.9% | 52.5% | 12.4% | -25.3% | -64.3% | 63.0% | -57.5% |
| (Ordinary Income Margin) | 4.3% | 4.7% | 4.7% | 6.1% | 9.0% | 6.7% | 2.6% | 3.9% | 1.7% |
| Extraordinary Income | 24 | 0 | 0 | 0 | 0 | 4 | 6 | 107 | |
| Extraordinary Loss | 5 | 4 | 419 | 321 | 99 | 537 | 255 | 540 | |
| Profit before Income Taxes | 2,698 | 3,000 | 2,941 | 4,803 | 5,660 | 3,767 | 1,287 | 2,070 | |
| (YoY) | 6.3% | 11.2% | -2.0% | 63.3% | 17.8% | -33.4% | -65.8% | 60.8% | |
| (Profit before Tax Ratio) | 4.3% | 4.7% | 4.1% | 5.7% | 8.8% | 5.9% | 2.2% | 3.3% | |
| Total Income Taxes | 1,036 | 1,150 | 1,450 | 1,808 | 2,245 | 1,629 | 1,127 | 1,011 | |
| (Effective Tax Rate) | 38.4% | 38.4% | 49.3% | 37.7% | 39.7% | 43.2% | 87.5% | 48.8% | |
| Profit | 1,661 | 1,849 | 1,490 | 2,995 | 3,415 | 2,137 | 160 | 1,059 | |
| Profit Attributable to Non-Controlling Interests | 193 | 125 | 119 | 220 | 187 | 251 | 204 | 205 | |
| **Profit Attributable to Owners of the Parent** | **1,468** | **1,723** | **1,370** | **2,774** | **3,227** | **1,885** | **-43** | **853** | **152** |
| (YoY) | -0.5% | — | -20.5% | 102.4% | 16.3% | -41.6% | — | — | -82.2% |
| (Net Profit Margin) | 2.4% | 2.7% | 1.9% | 3.3% | 5.0% | 2.9% | -0.1% | 1.3% | 0.2% |
| **EPS (¥)** | **82.1** | **96.3** | **76.7** | **155.5** | **180.9** | **105.7** | **-2.4** | **47.9** | **8.5** |

Source: Company Data. Compiled by Strategy Advisors.

**Figure 13. Consolidated Balance Sheet (¥mn)**

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

Source: Company Data. Compiled by Strategy Advisors.

**Figure 14. Consolidated Cash Flow Statement (¥mn)**

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

Source: Company Data. Compiled by Strategy Advisors.

**Figure 15. Key Indicators**

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

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

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