

Company Report

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Strategy Advisors Co., Ltd.
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Q1 Results: Revised Upward Full-Year Forecast as NAND Tester Demand Strengthens and Embedded Systems Business Remains Robust

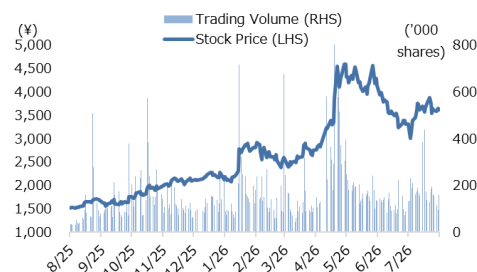
INNOTECH CORPORATION ("the Company") reported its Q1 (April–June) results for FY3/27, with net sales up 48.0% YoY to ¥14.0 billion and operating profit up 6.8x YoY to ¥1.61 billion, marking a significant increase in both net sales and operating profit. Even compared to the previous fourth quarter (January–March), when the company's performance began to recover, net sales remained virtually flat QoQ, down 0.1%, while operating profit rose 56.6% QoQ, achieving a significant increase in profit contrary to typical seasonal trends. Progress rate toward the full-year forecast announced in May stood at 28% for net sales and 44% for operating profit.

Factors contributing to the strong Q1 performance included robust sales of embedded systems in the "System/Services" segment, as well as strong demand for STAr Technologies' reliability evaluation equipment and improved profitability in the "Test Solutions" segment. NAND testers in the "Test Solutions" segment are expected to be a key driver of future performance, and Q1 got off to a solid start in line with initial forecasts. Meanwhile, the "Semiconductor Design-Related" segment, including its flagship EDA business, is performing in line with initial forecasts.

The company revised its FY3/27 forecasts upward. Net sales were revised upward by ¥1 billion to ¥51 billion, operating profit by ¥300 million to ¥4 billion, and net profit by ¥150 million to ¥5 billion (including the remaining ¥3.46 billion in gains from the sale of the headquarters, expected to be recognized in Q2). In the "Test Solutions" segment, growing demand for testers from domestic customers continues to drive overall performance, and there is no change to this outlook. This upward revision reflects improved profitability in "Test Solutions" and an upward revision to the Business Outlook for FY3/27 for embedded systems in "System/Services". Therefore, if demand for testers and embedded systems continues to exceed expectations, it is entirely possible that results for FY3/27 will surpass the company's forecast.

The business environment surrounding the company has improved significantly, and robust demand for NAND testers and embedded systems is expected to continue. In addition to successfully acquiring new overseas customers for testers, the company is also considering expanding into DRAM and CIS (CMOS image sensors) starting in FY3/27. As the stock price has risen, the valuation level has improved to a PBR of 1.7x (based on actual results for FY3/26). Our equity story is that "the company will

Stock Price and Trading Volume (Past 1 Year)



Source: Strategy Advisors.

Key Indicators

Stock Price (8/26/26)	3,620
52-Week High (5/25/26)	4,585
52-Week Low (9/01/25)	1,509
All-Time High (5/25/26)	4,585
All-Time Low (10/27/08)	182
Shares on Issue (mn)	13.7
Market Capitalization	49.6
Equity Ratio (3/26)	54.8
ROE (3/26 Actual, %)	15.9
PER (3/27 CoE, x)	8.7
PBR (3/26 Actual, x)	1.7
Yield (3/27 CoE, %)	3.6

Source: Strategy Advisors.

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be recognized as an SPE (semiconductor manufacturing equipment) firm with high growth potential in niche markets" ([Please refer our report published on June 11](#)). As the company enters a phase of earnings expansion, the likelihood of this equity story being realized is increasing. Further upside is expected for the stock price.

Japanese GAAP - Consolidated

FY	Sales	YoY	Operating Profit	YoY	Ordinary Profit	YoY	Net Profit	YoY	EPS	DPS
	(¥mn)	(%)	(¥mn)	(%)	(¥mn)	(%)	(¥mn)	(%)	(¥)	(¥)
3/26 Q1	9,457	-7.4	234	-45.9	407	-44.4	185	-57.3	14.2	-
3/27 Q1	13,996	48.0	1,608	584.7	1,714	320.7	1,206	549.7	99.4	-
3/23	38,629	3.7	2,319	-10.3	2,480	-16.9	1,666	-24.1	127.0	70.0
3/24	41,358	7.1	2,474	6.7	2,880	16.1	1,477	-11.3	110.6	70.0
3/25	41,977	1.5	1,887	-23.7	1,755	-39.1	1,200	-18.8	89.5	70.0
3/26	46,737	11.3	3,108	64.7	2,912	66.0	4,111	242.6	320.2	125.0
3/27 CoE Old	50,000	7.0	3,700	19.0	3,700	27.0	4,850	18.0	398.4	130.0
3/27 CoE New	51,000	9.1	4,000	28.7	4,000	37.4	5,000	21.6	415.5	130.0

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

Source: Company Data. Compiled by Strategy Advisors.

Table of Contents

1. Overview of Q1 FY3/27 Financial Results	3
2. Trends by Sector:	5
1) Test Solutions Business	5
2) Semiconductor Design-Related Business.....	9
3) System/Services Business.....	11
3. Business Outlook for FY3/27	13
4. Stock Price and Valuation	15

1. Overview of Q1 FY3/27 Financial Results

Q1 Results Showed Significant YoY Revenue and Profit Growth; “Test Solutions” Segment Turned Profitable

The Q1 financial results announced on August 10 showed net sales of ¥14.0 billion (+48.0% YoY), and operating profit of ¥1.61 billion, 6.8x higher than the previous year, marking a significant increase in both net sales and operating profit. By segment, “Test Solutions” saw revenue rise 131.3% YoY, and operating profit improved by ¥1.29 billion YoY, turning to a profit of ¥1.02 billion. This was driven by a recovery in demand from major Japanese customers for Testers, the acquisition of new overseas customers, and strong performance from STAr Technologies. The “Semiconductor Design-Related” segment saw revenue rise 13.5% YoY and operating profit increase 45.3% YoY. Performance remained solid, led by EDA. The “System/Services” segment recorded a 16.8% YoY increase in revenue and a 32.7% YoY rise in operating profit. Strong performance in embedded systems offset the slump at GAIO Technology.

In Q1 (3 Months), Net Sales Remained Flat QoQ, While Operating Profit Increased

Compared to the previous quarter, Q1 (3 months) net sales decreased by 0.1% (remaining essentially flat), while operating profits increased by 56.6%, marking a significant rise in profit. By segment, on a QoQ basis, the “Test Solutions” segment saw net sales decrease by ¥740 million but operating profit increase by ¥240 million; while net sales declined, profitability improved, resulting in higher profits. “Semiconductor Design-Related” saw revenue increase by ¥190 million and operating profit rise by ¥110 million, while “System/Services” recorded a revenue increase of ¥540 million and an operating profit rise of ¥180 million; both segments secured higher revenue and profits. The decline in revenue from “Test Solutions” was effectively offset by the revenue growth in “Semiconductor Design” and “System/Services”.

Announcement of Upward Revision — Strong Performance in Embedded Systems and Others Drives Results

Compared to the company’s forecast announced in May, Q1 results progressed at a pace exceeding expectations. The company announced an upward revision to its full-year forecast simultaneously with the release of its Q1 financial results. The primary factors behind the revision were improved profitability for Testers and STAr Technologies in the “Test Solutions” segment, as well as an upward revision to the outlook for embedded systems in the “System/Services” segment. Notably, demand for Testers in the “Test Solutions” segment from a major domestic customer has picked up in earnest since April, as anticipated.

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Figure1 . Summary of Q1 FY3/27 Financial Results (¥mn)

FY	3/26				3/27	FY3/26 FY	3/26 FY	3/27 CoE FY
	Q1	Q2	Q3	Q4	Q1			
Sales	9,457	12,143	11,129	14,006	13,996	46,737	50,000	51,000
YoY	-7.4%	14.7%	22.1%	16.2%	48.0%	11.3%	7.0%	9.1%
Test Solution	2,671	4,958	3,906	6,921	6,179	18,456	20,200	20,300
YoY	-17.4%	29.8%	53.0%	28.9%	131.3%	23.2%	9.4%	10.0%
Semiconductor Design-Related	3,278	3,462	3,460	3,529	3,719	13,729	14,400	14,500
YoY	-2.5%	6.2%	10.2%	9.2%	13.5%	5.7%	4.9%	5.6%
System and Service	3,507	3,725	3,762	3,557	4,097	14,551	15,400	16,200
YoY	-3.2%	6.1%	9.9%	3.1%	16.8%	3.9%	5.8%	11.3%
Gross Profit	2,803	3,716	3,545	4,180	4,598	14,246	15,500	16,300
YoY	-9.9%	14.5%	34.5%	14.3%	64.0%	12.6%	8.8%	14.4%
Gross Margin	29.6%	30.6%	31.9%	29.8%	32.9%	30.5%	31.0%	32.0%
Test Solution	925	1,740	1,465	2,290	2,404	6,420	7,300	7,600
YoY	-19.4%	29.9%	71.9%	24.5%	159.9%	23.9%	13.7%	18.4%
Gross Margin	34.6%	35.1%	37.5%	33.1%	38.9%	34.8%	36.1%	37.4%
Semiconductor Design-Related	764	801	847	766	882	3,178	3,300	3,400
YoY	-3.4%	8.7%	26.2%	7.7%	15.4%	9.2%	3.8%	7.0%
Gross Margin	23.3%	23.1%	24.5%	21.7%	23.7%	23.1%	22.9%	23.4%
System and Service	1,114	1,176	1,233	1,124	1,311	4,647	4,900	5,300
YoY	-4.9%	0.5%	10.9%	1.7%	17.7%	2.0%	5.4%	14.1%
Gross Margin	31.8%	31.6%	32.8%	31.6%	32.0%	31.9%	31.8%	32.7%
Operating Profit	234	902	943	1,027	1,608	3,108	3,700	4,000
YoY	-45.9%	94.5%	253.7%	42.3%	584.7%	64.7%	19.0%	28.7%
OP Margin	2.5%	7.4%	8.5%	7.3%	11.5%	6.6%	7.4%	7.8%
Test Solution	-264	411	264	779	1,021	1,190	-	-
YoY	-	-	-	127.8%	-	-	-	-
OP Margin	-	8.3%	6.8%	11.3%	16.5%	6.4%	-	-
Semiconductor Design-Related	139	175	245	97	202	656	-	-
YoY	-17.8%	48.3%	260.3%	-4.9%	45.3%	43.5%	-	-
OP Margin	4.2%	5.1%	7.1%	2.7%	5.4%	4.8%	-	-
System and Service	407	473	508	361	540	1,748	-	-
YoY	-22.0%	-12.7%	22.1%	13.2%	32.7%	-2.8%	-	-
OP Margin	11.6%	12.7%	13.5%	10.1%	13.2%	12.0%	-	-
Adjustment	-47	-156	-74	-211	-156	-488	-	-

Source: Company Data. Compiled by Strategy Advisors.

Figure 2. Summary of Q1 FY3/27 Financial Results (Qtly, ¥mn)

FY	3/26				3/27
	Q1	Q2	Q3	Q4	Q1
Sales					
Test Solutions	2,671	4,958	3,906	6,921	6,179
(YoY)	-17.4%	29.8%	53.0%	28.9%	131.3%
Testers	554	1,524	784	1,388	3,246
STAr Technologies	2,117	3,434	3,122	5,533	2,932
Semiconductor Design-Related	3,278	3,462	3,460	3,529	3,719
(YoY)	-2.5%	6.2%	10.2%	9.2%	13.5%
EDA and Others	2,264	2,433	2,397	2,525	2,595
Sanei Hytechs	951	994	1,020	934	923
MoDeCH	62	36	42	70	200
System/Services	3,507	3,725	3,762	3,557	4,097
(YoY)	-3.2%	6.1%	9.9%	3.1%	16.8%
Embedded Systems and Others	914	971	1,001	987	1,728
IT Access	1,322	1,412	1,461	1,249	1,290
GAIO Technology	1,170	1,209	1,157	1,205	995
Regulus	99	135	141	116	82
Total	9,457	12,143	11,129	14,006	13,996
(YoY)	-7.4%	14.7%	22.1%	16.2%	48.0%
Operating Profit					
Test Solutions	-264	411	264	779	1,021
(OP Margin)	-9.9%	8.3%	6.8%	11.3%	16.5%
Semiconductor Design-Related	139	175	245	97	202
(OP Margin)	4.2%	5.1%	7.1%	2.7%	5.4%
System/Services	407	473	507	361	540
(OP Margin)	11.6%	12.7%	13.5%	10.1%	13.2%
Adjustment Amount	-47	-156	-74	-211	-156
Total	234	902	943	1,027	1,608
(YoY)	-46.1%	94.4%	254.5%	42.4%	584.7%
(OP Margin)	2.5%	7.4%	8.5%	7.3%	11.5%

Source: Company Data. Compiled by Strategy Advisors.

2. Trends by Sector:

1) Test Solutions Business

Return to Operating Profit

This segment consists of Testers handled by the parent company, as well as probe cards and reliability-evaluation equipment from the Taiwanese subsidiary STAr Technologies. In FY3/26, performance rebounded from the previous year's low point, resulting in a return to operating profitability. In FY3/27, the segment aims to drive further growth for the entire company.

Testers: Demand From Domestic Customers Resumed in Q4 and Contributed Fully in Q1

The company's main products are testers for NAND flash memory. Quarterly net sales trends (3 months) showed ¥550 million in Q1 FY3/26, ¥1.52 billion in Q2, ¥780 million in Q3, and ¥1.39 billion in Q4; in Q1 FY3/27, net sales reached ¥3.25 billion, representing a significant QoQ increase, though overall results were in line with initial forecasts for FY3/27. Furthermore, the ratio of domestic to overseas sales was roughly 50:50 in Q1 (Strategy Advisors estimate). In the domestic market, demand from major customers for NAND testers resumed primarily in Q4 and contributed fully starting in Q1. Overseas sales grew for both new and existing customers, exceeding expectations. Profitability exceeded initial forecasts due to an improved product mix.

STAr Technologies: Reliability Evaluation Equipment Maintains High Levels; Probe Cards Profitability Improves

STAr Technologies' quarterly net sales trends were as follows: Q1 FY3/26 (April–June 2025: reported as January–March due to a fiscal year shift) was ¥2.11 billion; Q2 (July–September: similarly, April–June) was ¥3.43 billion; Q3 (October–December: also July–September) was ¥3.12 billion, and Q4 (January–March 2026: corresponding to October–December 2025) reached a high level of ¥5.53 billion, partly due to increased shipments of reliability evaluation equipment driven by seasonal factors; Q1 FY3/27 (April–June 2026: reported as January–March due to a fiscal year shift) decreased to ¥2.93 billion as a result of a rebound effect. However, reflecting the fact that demand for reliability evaluation equipment has come in earlier than usual, net sales have exceeded initial forecasts, and profitability has improved. Net sales of probe cards remained generally in line with expectations, driven primarily by major foundries.

Figure 3. Revenue Trends in Test Solutions Business (¥mn, Half-Yearly)

FY	3/25		3/26	
	H1	H2	H1	H2
Net Sales	7,053	7,924	7,629	10,827
Testers	1,142	571	2,078	2,172
STAr Technologies	5,911	7,353	5,551	8,655
Operating Profit	-410	98	147	1,043
Testers	-177	-390	177	236
STAr Technologies	-233	488	-30	807
OP Margin	-5.8%	1.2%	1.9%	9.6%
Testers	-15.5%	-68.3%	8.5%	10.9%
STAr Technologies	-3.9%	6.6%	-0.5%	9.3%

FY	3/26				3/27	3/26	3/27
	Q1	Q2	Q3	Q4	Q1	FY	CoE FY
Net Sales	2,671	4,958	3,906	6,921	6,179	18,456	20,300
Testers	554	1,524	784	1,388	3,246	4,250	6,900
STAr Technologies	2,117	3,434	3,122	5,533	2,932	14,206	13,400
Operating Profit	-264	411	264	779	1,021	1,190	NA
Testers	-56	233	46	189	1,033	413	NA
STAr Technologies	-208	178	218	590	-12	777	NA
OP Margin	-9.9%	8.3%	6.8%	11.3%	16.5%	6.4%	NA
Testers	-10.1%	15.3%	5.9%	13.6%	31.8%	9.7%	NA
STAr Technologies	-9.8%	5.2%	7.0%	10.7%	-0.4%	5.5%	NA

Note: The breakdown of net sales is based on segment information. The breakdown of operating profit is based on segment information and briefing materials. Testers' operating profit is calculated by subtracting STAr Technologies' operating profit from the division's operating profit.

Source: Company Data. Compiled by Strategy Advisors.

The NAND Flash Memory Market Remains Remarkably Robust

According to Kioxia Holdings (TSE Prime 285A; hereinafter “Kioxia”), which announced its Q1 earnings on July 31, the NAND flash memory market remains remarkably robust. The company forecasts a bit growth rate of 15–20% for CY26 and expects demand to continue exceeding supply in CY27 as well. Furthermore, it was revealed that Kioxia’s Q1 (April–June CY26) sales price (like-for-like) rose approximately 70% QoQ, marking a sharp increase following the trend seen in January–March. Kioxia’s net sales guidance for Q2 (July–September) of FY3/27 is a 35.2% increase QoQ, with the rise in selling prices cited as the primary driver of this net sales growth. Although the pace of sharp price increases driven by tight supply and demand has slowed slightly, it appears to be holding steady at present.

In the Testers Business, Demand from Domestic Customers Is Expected to Continue Recovering During FY3/27

In the NAND flash memory market, demand is currently outpacing supply, driven by growing demand for AI inference servers. Demand for conventional servers is also being boosted by AI applications. On the other hand, sales of NAND flash memory for smartphones and PCs have plateaued due to rising product prices caused by increased BOM (Bill of Materials) costs for the devices themselves, and there are signs that demand is slowing. Against this backdrop, leading companies in the NAND industry are prioritizing the

production of cutting-edge products for AI inference servers. Consequently, production capacity for conventional products across the industry is under pressure, and the supply-demand balance for these products is also becoming increasingly tight. For the company's Testers business in FY3/27, recovery is expected to continue for major domestic NAND customers. For new overseas NAND customers as well, the company is projected to maintain a high market share and continue steady growth.

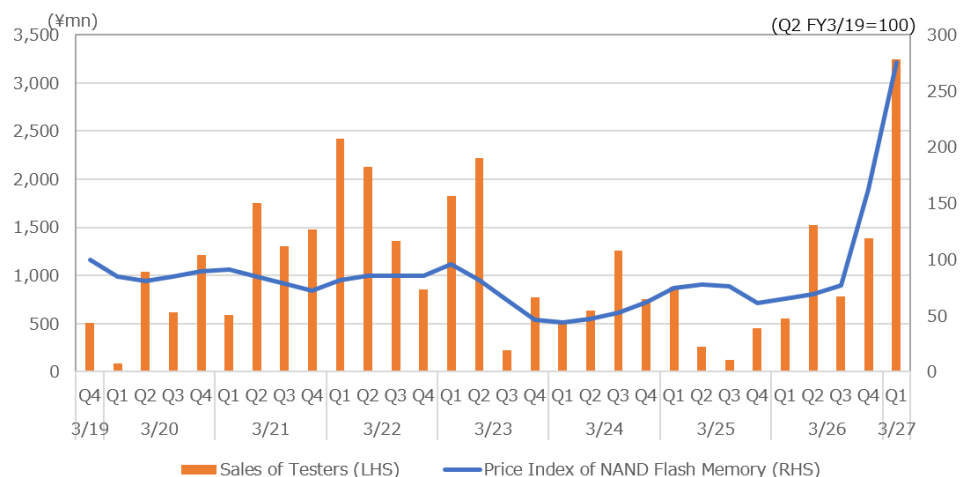
Increased Memory Capacity Positively Impacts Testers' Demand

Kioxia, a NAND flash manufacturer, has begun operations in a new building at its Kitakami Plant and is increasing the production ratio of its high-performance 3D-NAND product, BiCS8 FLASH™ (218-layer). Furthermore, the company is currently preparing for mass production of the next-generation BiCS10 (332-layer). As such, the trend toward an increase in high-performance products with large memory capacities contributes to longer test times, which is a positive factor for the company's Testers demand.

Overseas NAND Manufacturers Are Also Benefiting from Expanding Demand

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

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



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

Source: Company materials, Strategy Advisors

2) Semiconductor Design-Related Business

Performance Remains Solid, Centered on EDA

This segment consists of INNOTECH CORPORATION, which acts as a distributor for imported EDA products; Sanei Hytechs, which engages in semiconductor design and software development; MoDeCH, which creates simulation models for semiconductor devices; and PHi microTech, which was acquired in FY3/26. Overall, performance in Q1 remained solid, led by EDA. Compared to the May forecast, both net sales and gross profit were generally in line with expectations.

EDA: Steady Performance

The EDA business performed steadily. The company sells EDA software developed by U.S.-based Cadence to Japanese manufacturers of electronic components and industrial machinery, among others, and continues to provide follow-up services. This is a so-called “recurring revenue” business model, and its strength lies in stable net sales. FY3/27 is expected to see a high number of renewals for multi-year contracts with customers, and it can be said that the company has successfully navigated Q1—a season typically marked by a high volume of renewals—without incident.

Sanei Hytechs: Growth Slows for Existing Domestic Customers

In Sanei Hytechs’ semiconductor design business, demand for the design of analog semiconductors and other products for existing domestic customers—primarily in the automotive and industrial machinery sectors—stagnated due to factors such as delays in project start dates. Additionally, overseas, AI-related business in Vietnam declined.

MoDeCH: Growth Driven by Large-Scale Projects

MoDeCH’s simulation model development and sales business saw significant growth in Q1, driven by large-scale projects related to R&D contracts secured during FY3/26.

PHi microTech: Two Months’ Results Consolidated

PHi microTech specializes in the sale of high-speed analog ICs for optical communications. It was included in the consolidated financial statements starting in Q1 FY3/27 (two months’ worth).

Figure 5. Revenue Trends in Semiconductor Design-Related Business (¥mn, Half-Yearly)

FY	3/25		3/26	
	H1	H2	H1	H2
Sales	6,622	6,370	6,740	6,989
EDA and Others	4,588	4,501	4,697	4,922
Sanei Hytechs	1,922	1,756	1,945	1,954
MoDeCH	112	112	98	112
Operating Profit	287	170	314	342
EDA and Others	124	140	158	197
Sanei Hytechs	164	41	167	117
MoDeCH	-1	-11	-11	28
OP Margin	4.3%	2.7%	4.7%	4.9%
EDA and Others	2.7%	3.1%	3.4%	4.0%
Sanei Hytechs	8.5%	2.3%	8.6%	6.0%
MoDeCH	-0.9%	-9.8%	-11.2%	25.0%

FY	3/26				3/27	3/26	3/27
	Q1	Q2	Q3	Q4	Q1	FY	CoE FY
Sales	3,278	3,462	3,460	3,529	3,719	13,729	14,500
EDA and Others	2,264	2,433	2,397	2,525	2,595	9,619	10,400
Sanei Hytechs	951	994	1,020	934	923	3,899	3,500
MoDeCH	62	36	42	70	200	210	600
Operating Profit	139	175	245	97	202	656	NA
EDA and Others	69	89	104	93	92	355	NA
Sanei Hytechs	65	102	145	-28	40	284	NA
MoDeCH	5	-16	-4	32	70	17	NA
OP Margin	4.2%	5.1%	7.1%	2.7%	5.4%	4.8%	NA
EDA and Others	3.0%	3.7%	4.3%	3.7%	3.5%	3.7%	NA
Sanei Hytechs	6.8%	10.3%	14.2%	-3.0%	4.3%	7.3%	NA
MoDeCH	8.1%	-44.4%	-9.3%	45.7%	35.0%	8.1%	NA

Note: Sales breakdown is based on segment information. Operating profit breakdown is based on segment information and briefing materials, EDA and Others includes PHi microTech.

Source: Company Data. Compiled by Strategy Advisors.

3) System/Services Business

Strong Performance in Embedded Systems and Others Offsets the Slump at GAIO Technology

This segment consists of INNOTECH CORPORATION's embedded systems business; GAIO Technology, which handles sales of automotive-verification tools and contract services; IT Access, which develops cashless-payment terminals and software for vending machines; Regulus, which specializes in image processing technology; and NetVision, which provides image interface boards for the evaluation and verification of in-vehicle cameras. In Q1, while embedded systems net sales grew YoY, net sales at IT Access, GAIO Technology, and Regulus declined. Overall, the segment posted year-over-year increases in both net sales and profit. Compared to the May forecast, the shortfall at GAIO Technology was more than offset by the outperformance of embedded systems, resulting in both net sales and gross profit exceeding expectations.

Embedded Systems and Others: Strong Performance in Semiconductor and Industrial Equipment Sectors

INNOTECH CORPORATION's Embedded Systems segment is experiencing stronger-than-expected demand. Sales of the company's proprietary CPU boards and box-type computers grew strongly in the semiconductor and industrial equipment (including measurement instruments) sectors, driven by the boom in AI data centers. Sales in the defense, marine, and railway sectors also remained steady. The segment is expected to continue driving growth for the entire company starting in Q2.

GAIO Technology: Continued Slump

At GAIO Technology, sales of automotive-verification tools and engineering services have been weaker than initially anticipated at the start of the fiscal year. Currently, the domestic automotive industry itself is in a slump, and there are no signs of a recovery in demand.

IT Access: Offsets Decline in Payment Terminal Sales with Service Revenue and Other Sources

At IT Access reports that sales of new payment terminals—its core business—continue to be sluggish due to a loss of demand resulting from some customers shifting to in-house solutions and intensifying competition from rivals. However, the company is offsetting this decline with increased service revenue and other factors, and overall performance remains stable. The company is expanding from its current core business of beverage vending machines into other applications, such as office convenience stores, ice cream vending machines, and parking lots.

Regulus: Forklift Business Slumps

Regulus saw sluggish growth in both its image processing systems for forklifts and its contract development projects related to image processing.

NetVision: 2 Months' Results Included in Consolidated Financials

NetVision was consolidated at the end of April, so two months' results were included in the consolidated financials.

Figure 6. Revenue Trends in System/Services Business (¥mn, Half-Yearly)

FY	3/25		3/26	
	H1	H2	H1	H2
Sales	7,132	6,873	7,232	7,319
Embedded Systems & Others	1,671	1,404	1,885	1,988
IT Access	2,827	2,565	2,734	2,710
GAIO Technology	2,414	2,589	2,379	2,362
Regulus	221	314	234	257
Operating Profit	1,064	735	880	868
Embedded Systems & Others	190	56	227	187
IT Access	334	201	313	261
GAIO Technology	559	439	334	395
Regulus	-19	39	6	25
OP Margin	14.9%	10.7%	12.2%	11.9%
Embedded Systems & Others	11.4%	4.0%	12.0%	9.4%
IT Access	11.8%	7.8%	11.4%	9.6%
GAIO Technology	23.2%	17.0%	14.0%	16.7%
Regulus	-8.6%	12.4%	2.6%	9.7%

FY	3/26				3/27	3/26	3/27
	Q1	Q2	Q3	Q4	Q1	FY	CoE FY
Sales	3,507	3,725	3,762	3,557	4,097	14,551	16,200
Embedded Systems & Others	914	971	1,001	987	1,728	3,873	6,150
IT Access	1,322	1,412	1,461	1,249	1,290	5,456	5,700
GAIO Technology	1,170	1,209	1,157	1,205	995	4,742	3,750
Regulus	99	135	141	116	82	575	600
Operating Profit	407	473	508	361	540	1,748	NA
Embedded Systems & Others	102	125	117	71	331	414	NA
IT Access	161	152	188	73	171	574	NA
GAIO Technology	150	184	177	218	80	729	NA
Regulus	-6	12	26	-1	-42	31	NA
OP Margin	11.6%	12.7%	13.5%	10.1%	13.2%	12.0%	NA
Embedded Systems & Others	11.2%	12.9%	11.7%	7.2%	19.2%	10.7%	NA
IT Access	12.2%	10.8%	12.9%	5.8%	13.3%	10.5%	NA
GAIO Technology	12.8%	15.2%	15.3%	18.1%	8.0%	15.4%	NA
Regulus	-6.1%	8.9%	18.3%	-0.9%	-51.2%	5.4%	NA

Note: Sales breakdown is based on segment information. Operating profit breakdown is based on segment information and briefing materials, Embedded Systems and Others includes NetVision.

Source: Company Data. Compiled by Strategy Advisors.

3. Business Outlook for FY3/27

The company's operating profit forecast for FY3/27 is ¥4.0 billion (+28.7% YoY)

The company's full-year forecast for FY3/27 has been revised upward to net sales of ¥51.0 billion (+9.1% YoY), and operating profit of ¥4.0 billion (+28.7% YoY). By segment, "Test Solutions" is expected to see net sales of ¥20.3 billion (+10.0% YoY), with gross profit of ¥7.6 billion (+18.4% YoY). "Semiconductor Design-Related" is expected to increase in net sales of ¥14.5 billion (+5.6% YoY), with gross profit increasing to ¥3.4 billion (+7.0% YoY). "System/Services" is expected to increase in net sales of ¥16.2 billion (+11.3% YoY), with gross profit increasing to ¥5.3 billion (+14.1% YoY).

Price Adjustments in Response to Rising Raw Material Costs Are Progressing Smoothly.

The operating profit forecast has been revised upward by ¥300 million. A positive factor is the generation of marginal profit from the increase in revenue (¥1 billion). On the other hand, a further increase in R&D expenses (approximately ¥100 million) is expected to have a negative impact. Furthermore, price adjustments to offset rising raw material costs (such as various semiconductors) are proceeding smoothly, particularly for embedded systems and similar products, and it is unlikely that risks will materialize in Q2 or beyond. Procurement of raw materials for the H1 of the fiscal year has been largely secured, and the company is currently focusing on securing supplies for the H2.

We View the Likelihood of Meeting Forecasts as High, but Rising Component and Material Costs and Procurement Difficulties Pose Risks

Given that Q1 operating profit stood at ¥1.61 billion, representing a high progress rate of 40.3% against the company's upwardly revised forecast of ¥4.0 billion—we believe the likelihood of meeting the forecast is sufficiently high at this point. However, risks to achieving the plan include constraints on the company's supply volume due to rising costs of parts (particularly semiconductors) and materials, as well as procurement difficulties stemming from changes in the supply chain—including the situation in the Middle East—and fluctuations in profitability resulting from changes in customers' product mixes.

Test Solutions

For the "Test Solutions" segment, the full-year forecast was revised upward to ¥20.3 billion in net sales (+¥100 million) and ¥7.6 billion in gross profit (+¥300 million). Regarding Testers, while the net sales forecast remains largely unchanged, the company anticipates improved profitability due to changes in the product mix. For STAr Technologies, the company views the strong performance in Q1 (January–March 2026 due to a fiscal year shift) because of demand being brought forward from Q2 and beyond and therefore has not revised its outlook.

Semiconductor Design-Related

For the "Semiconductor Design-Related" segment, full-year forecasts were revised to ¥14.5 billion in net sales (+¥100 million) and ¥3.4 billion in gross profit (+¥100 million). The revisions were minor. They incorporated factors such as the fact that the impact of a large-scale R&D project included in MoDeCH's Q1 results exceeded expectations.

INNOTECH CORPORATION | 9880 (TSE Prime)

System/Services

The full-year forecast for “System/Services” was revised to ¥16.2 billion in net sales (+¥800 million) and ¥5.3 billion in gross profit (+¥400 million). While the slump at GAIO Technology—which was worse than initially anticipated—was considered a negative factor, the forecast incorporated a positive outlook based on the expectation that embedded systems will see growth in the industrial equipment sector (particularly measurement instruments within data centers) and the semiconductor sector, driven by the boom in AI data center-related activities. Furthermore, it is estimated that the company’s embedded systems, including CPU boards and box-type computers—hold a competitive advantage over rivals in terms of product appeal and production capacity, which encompasses component procurement capabilities. It is reasonable to expect that the company will expand its market share going forward.

Figure7 . Income Statement (Qtly, ¥mn)

FY	3/26				3/27	3/27
	Q1	Q2	Q3	Q4	Q1	CoE
Net Sales	9,457	12,143	11,129	14,006	13,996	51,000
(YoY)	-7.4%	14.7%	22.1%	16.2%	48.0%	9.1%
Cost of Sales	6,654	8,427	7,584	9,826	9,398	34,700
Gross Profit	2,803	3,716	3,545	4,180	4,598	16,300
(Gross Profit Margin)	29.6%	30.6%	31.9%	29.8%	32.9%	32.0%
SG&A Expenses	2,569	2,814	2,601	3,153	2,990	12,300
Operating Profit	234	902	943	1,027	1,608	4,000
(YoY)	-45.9%	94.5%	253.7%	42.3%	584.7%	28.7%
(OP Margin)	2.5%	7.4%	8.5%	7.3%	11.5%	7.8%
Non-Operating Income	403	-91	152	233	254	-
Non-Operating Expenses	230	466	-83	279	148	-
Ordinary Profit	407	344	1,178	980	1,714	4,000
(YoY)	-44.4%	1,845.7%	122.7%	106.8%	320.7%	37.4%
(OP Margin)	4.3%	2.8%	10.6%	7.0%	12.2%	7.8%
Extraordinary Income	0	407	30	2,910	0	-
Extraordinary Loss	0	0	0	109	4	-
Profit Before Income Taxes	408	752	1,209	3,782	1,709	-
(YoY)	-44.3%	4,010.3%	42.5%	804.0%	318.7%	-
(Pretax Profit Margin)	4.3%	6.2%	10.9%	27.0%	12.2%	-
Income Taxes	223	382	298	1,051	481	-
(Effective Tax Rate)	54.7%	50.8%	24.6%	27.8%	28.1%	-
Profit	185	369	910	2,730	1,227	-
Profit Attributable to Non-Controlling Interests	0	-18	44	59	21	-
Profit Attributable to Owners of Parent	185	388	865	2,671	1,206	5,000
(YoY)	-57.3%	16.2x	61.4%	13.1x	549.7%	21.6%
(Net Profit Margin)	2.0%	3.2%	7.8%	19.1%	8.6%	9.8%

Source: Company Data. Compiled by Strategy Advisors.

4. Stock Price and Valuation

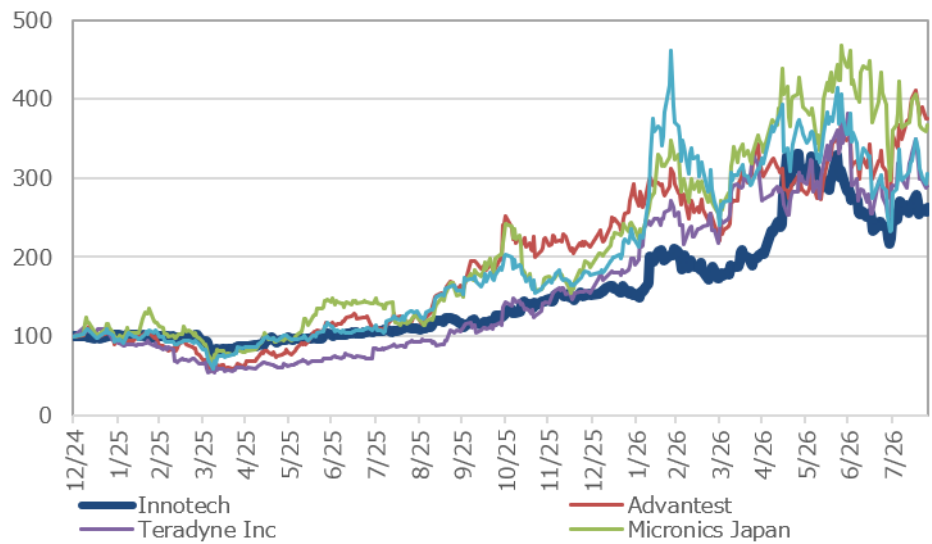
The Stock Price Has Risen and Is Currently Trading Between ¥4,000 and ¥4,500

The Company's stock price plummeted following President Trump's April 2025 announcement regarding the imposition of reciprocal tariffs. After hitting a low of ¥1,070 during intraday trading on April 7, the stock rebounded and has continued to rise steadily ever since. Entering 2026, the stock price continued to rise in response to an improvement in the NAND flash market, which is linked to demand for Testers. It rose further on the positive reception of the FY3/26 earnings results and dividend increase announced on May 14, reaching a year-to-date high of ¥4,915 during intraday trading on May 26. Since then, following a general correction in semiconductor-related stocks in July and the release of Q1 earnings, the stock is currently trading within a range of ¥3,500 to ¥4,000.

Performance Comparison with Companies Related to Testers

Looking at the stock price trends of tester and probe card companies. The company's peers in the tester sector are Advantest (6857, TSE Prime) and Teradyne (TER, NASDAQ), both global SPE companies that offer product lineups supporting a wide range of semiconductors, from logic chips to various types of memory. As demand for GPUs used in AI servers began to rise in earnest, stock prices first for industry leader Advantest and then for Teradyne entered an upward trend following the market bottom in April 2025. The outlook for testers targeting logic and HBM (High-Bandwidth Memory) improved—driven by surging GPU prices and increased HBM production volumes—which in turn boosted stock prices. On the other hand, the timing of changes in the supply-demand environment for NAND flash memory—which had traditionally been influenced by the smartphone market—was delayed. Starting in 2026, prices are surging in line with expanding storage demand from AI data centers, and the stock price of this company, which manufactures NAND Testers, is also rising sharply. In terms of performance starting from the end of 2024, the company is catching up to the other two firms, partly due to its strong earnings report announced in May. Additionally, the stock prices of Micronics Japan (6871, TSE Prime), which manufactures probe cards, and Japan Electronic Materials (6855, TSE Standard) are performing well amid the trend of expanding AI demand.

Figure 8. Comparison of Stock Prices between INNOTECH & Testers/Probe Cards Companies

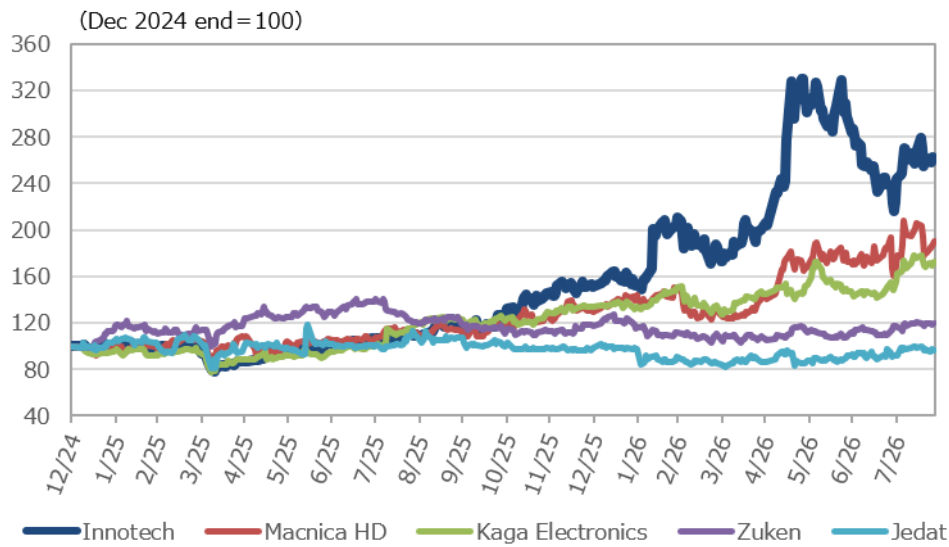


Source: Strategy Advisors.

Performance Comparison with Semiconductor Distributors, EDA Companies, and Probe Card Companies

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

Figure 9. Comparison of Stock Prices between INNOTECH & Semiconductor Distributors and EDA Companies

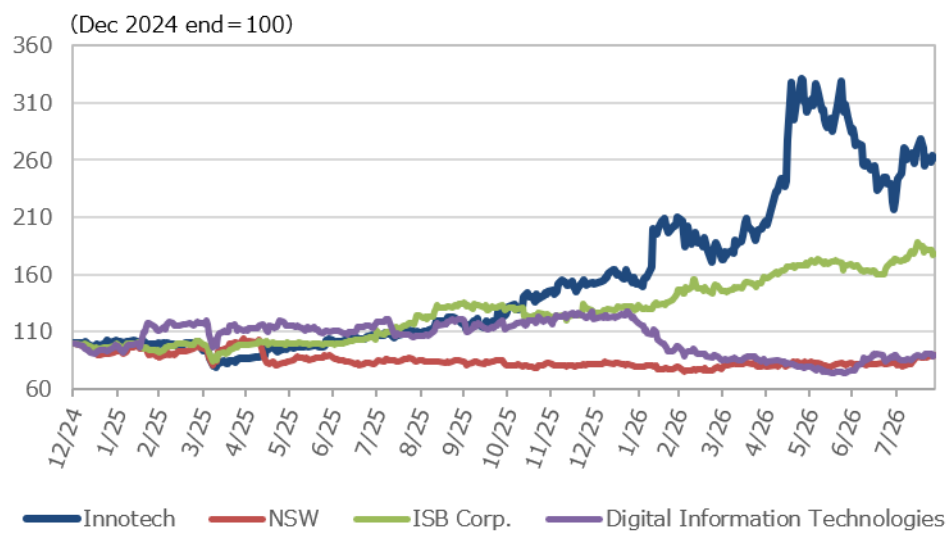


Source: Strategy Advisors.

Performance Comparison with System-Related Companies

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

Figure 10. Comparison of Stock Prices between INNOTECH & Embedded Systems-Related Companies



Source: Strategy Advisors.

INNOTECH CORPORATION | 9880 (TSE Prime)

Figure 11. Profitability Comparison with Peers (¥mn)

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

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

Source: Company Data. Compiled by Strategy Advisors.

Figure 12. Valuation Comparison with Peers (¥bn, x)

Company	Code	FY	Stock Price (8/26)	Market Cap.	PER CoE	PBR Actual	EV/ EBITDA	Dividend Yield CoE	ROE CoE
INNOTECH	9880	3/26	3,620	49.6	8.7	1.7	8.6	3.6%	19.2%
Advantest	6857	3/26	35,700	26,132.4	39.2	32.5	29.6	-	63.3%
Teradyne	TER	12/25	58,347	9,134.5	39.8	20.8	32.0	-	41.3%
Macnica Holdings	3132	3/26	3,520	630.3	19.6	2.3	13.2	2.3%	11.2%
Kaga Electronics	8154	3/26	4,980	261.4	10.8	1.3	7.3	2.8%	11.5%
Zuken	6947	3/26	4,980	110.8	18.4	2.5	10.7	3.0%	13.9%
Jedat	3841	3/26	1,275	5.0	23.4	1.4	7.3	3.1%	5.8%
Micronics Japan	6871	12/25	13,540	541.9	22.8	7.9	13.8	1.3%	25.2%
Japan Electronic Materials	6855	3/26	6,390	93.7	14.0	2.1	6.8	1.6%	14.4%
NSW	9739	3/26	2,774	41.3	11.0	1.1	3.7	4.5%	10.1%
ISB	9702	12/25	2,434	27.9	15.1	1.9	5.5	2.9%	12.4%
Digital Information Technologies	3916	6/26	966	29.9	13.0	3.1	6.9	4.3%	24.2%

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

Source: Company Data. Compiled by Strategy Advisors.

Although Valuations Have Risen, the Company Still Ranks in the Middle of Its Peer Group

The company's stock price has been on an upward trend, and its valuation has been rising since early spring 2026. Based on the company's forecast for FY3/27, the PER stands at 8.7x (16.2x on an adjusted basis, excluding extraordinary income of ¥3.46 billion), while the based on actual BPS for FY3/26 is 1.7x. The dividend yield based on this fiscal year's forecast is 3.6%.

With valuations on the rise, both the PER and PBR now rank in the middle range among these companies. Along with the turnaround in the memory semiconductor cycle, the growth potential of the company's Testers—specifically its SPE-related operations—is beginning to be recognized. Meanwhile, Advantest, a tester competitor specializing in SPE, has a PER of 39.2x and a PBR of 32.5x, while Teradyne has a PER of 39.8x (based on a consensus EPS of \$9.21) and a PBR of 20.8x; it appears that their stock prices are commanding what is known as the “AI semiconductor premium”. Although the company has diversified its revenue streams and is not widely recognized as an SPE firm, it is becoming increasingly clear that its Testers business will drive the company's overall performance going forward, and its recognition as an SPE firm is likely to grow. While the company's valuation has risen, considering that it is not yet at the same high level as its two SPE competitors, there is still ample room for further appreciation.

There Are 2 Reasons for This

The following 2 factors are considered to have previously kept the company's stock valuation at a low level:

(1) Its ROE is lower than that of comparable companies

(2) The company has been unable to shake off the perception that it is an merely electronics trading company, leading to a view that it lacks growth potential

(1) Aiming to Achieve a Target ROE of 10% (Consistently Maintaining at Least 8%)

Regarding ROE growth (1): The company's ROE surged to 15.4% in FY3/26, but the underlying figure—excluding the impact of the sale of the headquarters building—was 8.4%. While this represents a significant improvement from the 4.8% recorded in FY3/25, it still falls short of the 10% target. Based on the company's forecasts, ROE for FY3/27 is expected to rise to around 10% for the time being. Regarding the cost of equity, the company maintains that, separate from the level calculated using the CAPM, a minimum of 8% should be used as the benchmark for investors' expected rate of return. According to company materials, the cost of equity calculated using the CAPM as of the end of FY3/23 was 5.66%. Using an 8% cost of equity as the benchmark, the ROE for FY3/26 exceeded that level. FY3/27, which marks the final year of the medium-term plan, will be a critical year for achieving the future target of 10% (while consistently maintaining at least 8%). With the announcement of strong Q1 results and an early upward revision to the forecast for FY3/27, it can be said that the company is off to a promising start.

(2) We Expect Investor Sentiment to Shift from Electronics Trading Company Stocks to Electronics Stocks, and Further to SPE Stocks

Regarding the shift away from electronics trading company stocks (2): A stable business foundation is taking shape, driven by a recovery in demand from domestic customers for NAND flash memory testers and the capture of demand from new overseas customers. Furthermore, with an eye toward growth starting in FY3/28, expansion into testers for DRAM and CIS is becoming a realistic prospect. In addition, the reliability evaluation equipment and probe cards handled by STAr Technologies are showing strong growth potential due to robust demand. The company's business portfolio has undergone a transformation in recent years, and the proportion of in-house

hardware is on the rise. In addition to the strong growth potential of Testers, the fact that embedded systems are beginning to emerge as a growth driver in the Q1 earnings report is likely to be viewed positively. Going forward, the proportion of in-house hardware in total operating profit is expected to rise further, and the stock market's perception of the company is expected to shift from that of an electronics trading company to an electronics manufacturer, and ultimately to that of a specialized electronics provider (SPE).

“Test Solutions” Drive EPS Growth, Aiming to Overcome Low Valuation

For sustained stock price appreciation going forward, continuous EPS growth and an improvement in valuation will be key challenges. At Strategy Advisors, we believe that enhancing the feasibility of the equity story is essential to overcoming these challenges.

INNOTECH CORPORATION | 9880 (TSE Prime)

Figure 13. Income Statement (¥mn)

FY	3/20	3/21	3/22	3/23	3/24	3/25	3/26	3/27 CoE
Net Sales	31,161	32,536	37,238	38,629	41,358	41,977	46,737	51,000
(YoY)	4.6%	4.4%	14.5%	3.7%	7.1%	1.5%	11.3%	9.1%
Cost of Sales	21,566	22,581	26,018	26,387	28,198	29,327	32,491	34,700
Gross Profit	9,595	9,954	11,219	12,242	13,160	12,649	14,246	16,300
(Gross Profit Margin)	30.8%	30.6%	30.1%	31.7%	31.8%	30.1%	30.5%	32.0%
SG&A Expenses	7,925	8,000	8,634	9,922	10,685	10,762	11,137	12,300
Operating Profit	1,670	1,954	2,585	2,319	2,474	1,887	3,108	4,000
(YoY)	-14.6%	17.0%	32.3%	-10.3%	6.7%	-23.7%	64.7%	28.7%
(Operating Profit Margin)	5.4%	6.0%	6.9%	6.0%	6.0%	4.5%	6.6%	7.8%
Non-Operating Income	594	902	908	719	898	854	697	-
Non-Operating Expenses	369	397	509	558	492	987	893	-
Ordinary Profit	1,896	2,460	2,984	2,480	2,880	1,754	2,912	4,000
(YoY)	-22.9%	29.7%	21.3%	-16.9%	16.1%	-39.1%	66.0%	37.4%
(Operating Profit Margin)	6.1%	7.6%	8.0%	6.4%	7.0%	4.2%	6.2%	7.8%
Extraordinary Income	0	7	72	2	3	339	3,349	-
Extraordinary Loss	0	10	81	0	534	76	109	-
Profit before Income Taxes	1,895	2,458	2,976	2,482	2,349	2,018	6,152	-
(YoY)	-16.0%	29.7%	21.1%	-16.6%	-5.4%	-14.1%	204.9%	-
(Pretax Profit Margin)	6.1%	7.6%	8.0%	6.4%	5.7%	4.8%	13.2%	-
Income Taxes	600	827	693	767	817	714	1,955	-
(Effective Tax Rate)	31.7%	33.6%	23.3%	30.9%	34.8%	35.4%	31.8%	-
Profit	1,294	1,630	2,283	1,714	1,532	1,304	4,196	-
Profit Attributable to Non-Controlling Interests	126	95	88	48	54	104	84	-
Profit Attributable to Owners of Parent	1,168	1,534	2,194	1,666	1,477	1,200	4,111	5,000
(YoY)	-21.8%	31.3%	43.0%	-24.1%	-11.3%	-18.8%	242.6%	21.6%
(Net Profit Margin)	3.7%	4.7%	5.9%	4.3%	3.6%	2.9%	8.8%	9.8%
EPS (¥)	81.0	120.7	168.7	127.0	110.6	89.5	320.2	415.5

Source: Company Data. Compiled by Strategy Advisors.

INNOTECH CORPORATION | 9880 (TSE Prime)

Figure 14. Balance Sheet (¥mn)

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

Source: Company Data. Compiled by Strategy Advisors.

Figure 15 . Cash Flow Statement (¥mn)

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

Source: Company Data. Compiled by Strategy Advisors.

Figure 16. Key Indicators

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

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

Source: Company Data. Compiled by Strategy Advisors.

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