Company Report

September 10, 2026

Strategy Advisors Inc.
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Upward Revision Announced, but Scope for Further Upside Potential Remains

Segue Group disclosed its Q2 FY12/26 (Apr–Jun) financial results on August 13, reporting net sales of JPY 6.72bn (+29.0% YoY) and operating profit of JPY 740m (+62.7% YoY), marking substantial profit growth. In addition, the company announced an upward revision to its full-year earnings guidance. The primary drivers behind this revision were revenue recognition from large-scale RevoWorks projects in Q1, smooth progress in revenue recognition for GSS (Government Solution Service) projects, and some operating expenses—such as recruitment and advertising/promotional costs—being unspent.

Meanwhile, the company maintained its full-year dividend forecast. According to interviews conducted by Strategy Advisors, the company intends to maintain a dividend payout ratio of 50%, and if earnings upside expands further in 2H and beyond, there could be potential for a significant dividend increase at the fiscal year-end.

By business segment, the VAD (Value Added Distribution; value-added sales of overseas products) business—which sells IT infrastructure and security products—drove overall growth, primarily due to the revenue recognition of large-scale projects. Q2 sales for the VAD business came to JPY 3.04bn (+2.5% YoY), while gross profit reached JPY 940m (+24.1% YoY), achieving double-digit profit growth. Even excluding GSS projects, performance appears to have grown in both sales and profits. Strategic sales activities have led to larger project sizes from major SIs, supported by the company's independent positioning and strong relationships of trust built with its partners.

The share price continues its upward trend. This is likely backed by heightened expectations for an upward earnings revision following the strong Q1 financial results announcement. Expectations of an increase in the year-end dividend may also be serving as a factor pushing up the stock price. Strategy Advisors views the company's assumptions for 2H as conservative, leaving substantial scope for further upside.

Stock Price & Trading Volumes (Past Year)

Source: Strategy Advisors.

Key Indicators

Stock Price (09/10/26)	613
Historical High (11/28/25)	801
Historical Low (03/09/22)	169
52-Week High (11/28/25)	801
52-Week Low (03/04/26)	486
Shares on Issue (mn)	36.5
Market Capitalization (¥ bn)	22.3
EV (¥ bn)	24.0
Equity Ratio (12/25 Actual, %)	22.1
PER (12/26 CoE, Times)	13.5
PBR (12/25 Actual, Times)	5.3
Dividend Yield (12/26 CoE, %)	2.9

Source: Strategy Advisors.

The company's equity story centers on its transformation into a total security solutions company. In addition to continuous growth in existing core businesses centered on VAD, the tangible results of key initiatives—such as expanding sales of in-house products centered on RevoWorks, and expanding direct transactions with end users through synergies with Segue Security—are expected to drive up the gross profit margin, leading to further valuation upside. Attention is focused on the company's evolution into an enterprise capable of comprehensively solving customer cybersecurity challenges by leveraging its independent status, an operational structure capable of providing end-to-end support from design to operation and maintenance, and in-house services centered on RevoWorks.

Japanese GAAP - Consolidated

FY	Sales (¥ mn)	YoY Change (%)	Operating Income (¥ mn)	YoY Change (%)	Ordinary Income (¥ mn)	YoY Change (%)	Net Income (¥ mn)	YoY Change (%)	EPS (¥)	DPS (¥)
12/25 Q2	5,212	50.8	458	-	434	-	262	-	8.2	-
12/26 Q2	6,723	29.0	746	62.7	772	77.9	479	82.8	13.1	-
12/23	17,443	28.0	1,086	19.8	1,015	-3.4	660	-11.1	19.6	10.0
12/24	18,717	7.3	720	-33.7	1,060	4.4	507	-23.1	15.7	11.0
12/25	25,074	34.0	1,854	157.5	2,001	88.8	1,191	134.6	37.6	13.0
12/26 Previous CoE	30,000	19.6	2,300	24.0	2,299	14.8	1,403	17.8	38.6	18.0
12/26 New CoE	30,000	19.6	2,600	40.2	2,600	29.9	1,600	34.3	45.4	18.0

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

1. Upward Forecast Revision Announced, but Scope for Further Upside Remains

Full-Year Guidance Revised Upward Alongside Q2 FY12/26 Results Announcement

Segue Group disclosed its Q2 FY12/26 (Apr–Jun) financial results on August 13, reporting net sales of JPY 6.72bn (+29.0% YoY) and operating profit of JPY 740m (+62.7% YoY), marking substantial profit growth. In addition, the company announced an upward revision to its full-year earnings guidance, raising its operating profit forecast from JPY 2.30bn to JPY 2.60bn. The primary drivers behind this revision were revenue recognition from large-scale RevoWorks projects in Q1, smooth progress in revenue recognition for GSS projects, and some operating expenses—such as recruitment and advertising/promotional costs—being unspent.

The second-half earnings assumptions implied by back-calculating from the revised full-year company forecast (net sales of JPY 14bn and operating profit of JPY 400m) appear conservative. If the gross profit margin in 2H remains at a level comparable to 1H, SG&A expenses in 2H are projected to be approximately 1.6x those of 1H, suggesting there is scope for further upside.

Meanwhile, the company maintained its full-year dividend forecast. According to interviews conducted by Strategy Advisors, the company intends to maintain a dividend payout ratio of 50%, and if earnings upside expands further in 2H and beyond, there is potential for a significant dividend increase at the fiscal year-end.

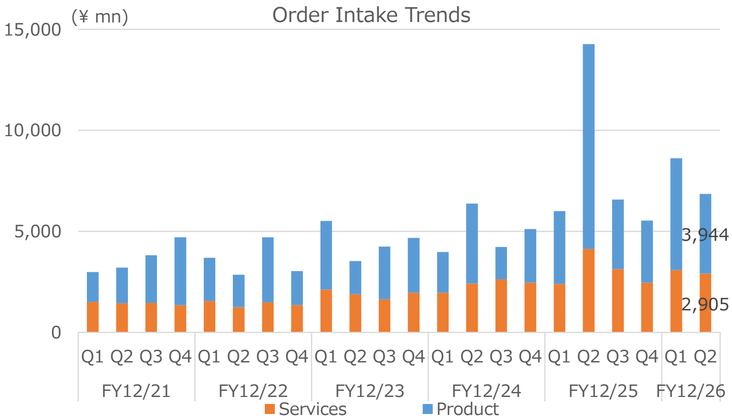
Order Intake and Order Backlog Remained Solid

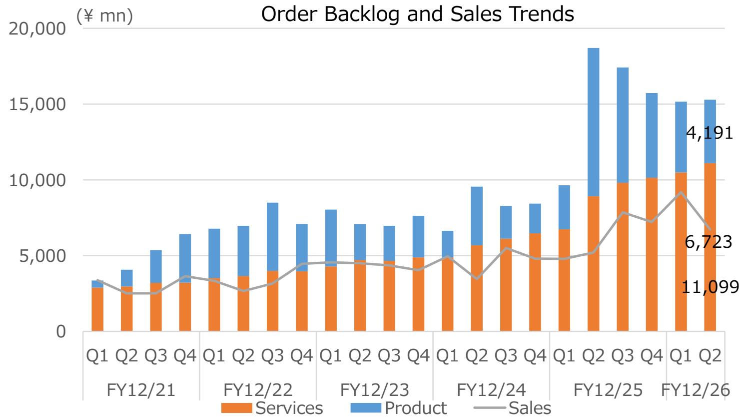
Order intake, a key KPI, came to JPY 6.84bn in Q2, while order backlog remained at a high level of JPY 15.29bn. Large-scale GSS orders appear to have reached around JPY 1.5bn, representing overall solid progress. A notable point is that the order backlog for maintenance services continues to build up steadily. After flow revenues are recognized, recurring maintenance service revenues are recognized continuously until replacement occurs in approximately five years, driving steady term-by-term growth in order backlog. Furthermore, advances received stood at JPY 8.87bn at the end of Q2 (vs. JPY 6.75bn at the end of December 2025), which further suggests that the 2H net sales target of JPY 14bn is conservative.

Accelerating Upfront Investments in 2H to Drive Future Growth

From 2H onward, the company plans to aggressively execute upfront investments. While 1H financial performance was strong, recruitment did not progress as fast as anticipated, leaving room for improvement. In 2H, the company intends to step up recruitment activities further, hiring broadly from senior executives who will drive the next medium-term management plan down to junior personnel. In addition, sales promotion initiatives such as exhibitions are scheduled, and attention will focus on how extensively the company can make upfront investments—laying the groundwork for next fiscal year and beyond—during the current fiscal year when earnings have ample buffer. Furthermore, the company is considering announcing its new medium-term management plan alongside its full-year financial results announcement. During the current medium-term management plan period, tailwinds from GSS contributed to performance progressing ahead of initial targets. In the upcoming medium-term management plan, key attention will center on new growth strategies aimed at transforming into a total security solutions company.

Figure 1. Trend in Order Intake, Backlog and Sales





Source: Company Data. Compiled by Strategy Advisors.

2. VAD Business Continues to Drive Growth, with Profitability Also Improving

VAD Business Driving Top-Line Growth and Margin Expansion

By business segment, the VAD business—which sells IT infrastructure and security products—drove growth, primarily due to the revenue recognition of large-scale projects. Q2 results for this business came to net sales of JPY 3.04bn (+2.5% YoY) and gross profit of JPY 940m (+24.1% YoY), achieving double-digit profit growth. Even excluding GSS projects, performance appears to have grown in both sales and profits. Strategic sales activities have led to larger-scale project from major SIs, with the company's independent positioning and strong relationships of trust built with its partners yielding positive results.

The gross profit margin for the VAD business came in at 31.1%, demonstrating improved profitability compared to past quarters. Profitability in VAD is significantly influenced by the sales mix between lower-margin products and services; however, the higher profitability of security-related products relative to other network-related products contributed to this margin improvement.

Considering that the gross profit margin of SI companies generally hovers around 30%, attention will focus on whether transitioning toward a security-centric business model going forward can elevate the company's overall gross profit margin.

SI Business Focuses on Transitioning to a High-Margin Model and Talent Acquisition

Q2 performance for the System Integration (SI) business expanded rapidly, with net sales reaching JPY 2.78bn (+87.7% YoY) and gross profit coming in at JPY 470m (+59.1% YoY), despite a slight decline in the gross profit margin. In FY12/25, profitability had been depressed due to the impact of strategically acquired low-margin projects. In 1H FY12/26, however, profitability has been improving, primarily driven by Q1 (Jan–Mar) margin gains following revenue recognition from direct-transaction projects with end users (major travel agencies and universities). The company intends to evolve from a low-margin model centered on SES (System Engineering Services) and similar offerings to a high-margin model by securing prime projects in collaboration with Segue Security. Amid rising arguments that the diminishing need for engineers alongside the spread of generative AI, it will be essential for the company to specialize in areas where differentiation can be achieved easily.

Meanwhile, recruitment remains a challenge, with 1H hiring reportedly falling short of the plan. Amid an intensifying recruitment environment driven by a shortage of DX talent, the hurdle for hiring experienced professionals who can be immediately effective has risen. Furthermore, hiring inexperienced personnel acts as a cost driver during their training and ramp-up period until they become fully operational; thus, strategic navigation that balances profitability with scale expansion will be indispensable. Going forward, expectations center on key initiatives such as domain-specific differentiation in security, personnel exchange with the VAD business, and strengthening the recruitment and training framework.

Growth Set to Accelerate via Customer Migration to RevoWorks Cloud

Q2 performance for the In-House Development business came to net sales of JPY 280m (-21.5% YoY) and gross profit of JPY 140m (-33.5% YoY), representing a substantial decline in both sales and profits compared to Q1, which had benefited from the recognition of large-scale projects. The core product, RevoWorks Browser, currently operates under a license-based flow revenue model; going forward, however, the company plans to encourage customer migration to RevoWorks Cloud, shifting toward a recurring revenue-centered business model.

Against the backdrop of municipal security reinforcement promoted by the Ministry of Internal Affairs and Communications, security measures based on a Zero Trust architecture are expected to advance. In addition, as renewal demand for RevoWorks Browser accelerates in earnest from the current fiscal year through the next, the company plans to recommend migration to RevoWorks Cloud at the time of renewal. Including initial setup services, order intake is expected to reach close to JPY 1bn, raising expectations for accelerated growth from next fiscal year onward.

RevoWorks Cloud is a service utilizing proprietary sandbox technology (technology that creates an isolated virtual environment) and functions as a Zero Trust browser that logically separates cloud access from internet access. Driven by the spread of remote work and increased utilization of cloud services, the demand for Zero Trust security is becoming increasingly evident among local governments and public entities, which may serve as a catalyst for securing projects by leveraging this surge in renewal demand.

High Expectations for Growth at Segue Security

Segue Security, established in November 2022, is a strategic subsidiary specializing in providing security services. Demand for security services remains strong, and the company offers a broad range of support services—including consulting, security training, vulnerability assessments, incident response, and operations support—resulting in a broad customer base. The company is also focusing on developing services that leverage generative AI, launching "RiskLoom" in April 2026. This service is an assessment solution that uses AI to automatically analyze the conformity between an organization's internal security regulations and various guidelines.

Strategy Advisors expects expanded sales of "RiskLoom" as an entry-point service to support the business expansion of Segue Security. In addition to managed services utilizing a SOC (Security Operation Center), attention will also center on synergies with J’s Technology, which provides SI services. Improving profitability is essential for an increase in Segue Group’s market capitalization; by increasing direct transactions with end customers through the acquisition of security-related projects, the company could break away from the valuation typically associated with a wholesale business.

Thailand Operations Posted Revenue Growth, but Restructuring ISS Resolution Remains a Challenge

Q2 performance for the overseas business delivered substantial growth in both revenue and profit, with net sales reaching JPY 610m (+53.6% YoY) and gross profit coming in at JPY 200m (+48.9% YoY), as First One Systems continued to drive growth. Progress was made in securing IT infrastructure projects for universities and public institutions in Thailand. On the other hand, ISS Resolution, which recognized an impairment loss of JPY 110m in the previous fiscal year, continues to underperform, making fundamental reform indispensable. ISS's core business consists of maintenance services for Dell Technologies (US) products, but the business environment is deteriorating as a growing number of maintenance cases are handled directly by the manufacturer. Going forward, the company is considering optimizing the local operational structure of its two Thai subsidiaries, and attention will center on strengthening the structure to maximize group synergies. Because Thailand hosts a large number of Japanese corporate subsidiaries, primarily in manufacturing, and demand for IT investment is robust, it will be important to implement in Thailand the business model established in Japan.

Figure 2. Qtly Financial Performance by Business

	FY12/23				FY12/24				FY12/25				FY12/26	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales (¥ mn)														
VAD	2,530	2,033	2,128	2,273	2,837	1,907	1,884	2,944	2,321	2,973	3,678	4,793	5,647	3,048
System Integration	1,881	2,196	1,975	1,522	1,822	1,292	2,727	1,162	1,986	1,481	3,478	1,590	2,636	2,780
In-house Development	149	267	248	236	292	256	263	271	247	358	242	287	630	281
Overseas	0	0	0	0	0	0	631	423	233	399	458	543	269	613
Total	4,561	4,496	4,352	4,032	4,953	3,457	5,506	4,800	4,788	5,213	7,858	7,215	9,184	6,723
Sales (YoY)														
VAD	58.7%	49.6%	64.5%	9.1%	12.1%	-6.2%	-11.5%	29.5%	-18.2%	55.9%	95.2%	62.8%	143.3%	2.5%
System Integration	20.3%	112.4%	30.7%	-27.3%	-3.1%	-41.2%	38.1%	-23.7%	9.0%	14.6%	27.5%	36.8%	32.7%	87.7%
In-house Development	-17.2%	-1.1%	-31.1%	-14.5%	96.0%	-4.1%	6.0%	14.8%	-15.4%	39.8%	-8.0%	5.9%	154.7%	-21.5%
Overseas	-	-	-	-	-	-	-	-	-	-	-27.4%	28.4%	15.5%	53.6%
Total	36.7%	68.7%	37.5%	-9.5%	8.6%	-23.1%	26.5%	19.0%	-3.3%	50.8%	42.7%	50.3%	91.8%	29.0%
Gross Profit (¥ mn)														
VAD	564	402	450	340	611	417	533	643	638	764	846	1,137	1,288	948
System Integration	444	355	386	477	406	353	408	278	304	301	589	284	596	479
In-house Development	82	235	201	182	195	142	108	151	120	224	102	133	498	149
Overseas	0	0	0	0	0	0	210	132	71	135	150	127	81	201
Total	1,090	992	1,038	1,001	1,213	913	1,261	1,204	1,134	1,424	1,689	1,683	2,463	1,778
Gross Profit Margin (%)														
VAD	22.3%	19.8%	21.1%	15.0%	21.6%	21.9%	28.3%	21.8%	27.5%	25.7%	23.0%	23.7%	22.8%	31.1%
System Integration	23.6%	16.2%	19.6%	31.4%	22.3%	27.4%	15.0%	23.9%	15.3%	20.3%	16.9%	17.9%	22.6%	17.2%
In-house Development	54.9%	88.1%	81.3%	77.3%	66.6%	55.3%	41.3%	55.7%	48.6%	62.6%	42.2%	46.3%	79.0%	53.0%
Overseas	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	33.3%	31.3%	30.5%	33.8%	32.9%	23.4%	30.3%	32.8%
Total	23.9%	22.1%	23.9%	24.8%	24.5%	26.4%	22.9%	25.1%	23.7%	27.3%	21.5%	23.3%	26.8%	26.4%

Source: Company Data. Compiled by Strategy Advisors.

3. Share Price Maintains Upward Trajectory; High Expectations for Next Medium-Term Management Plan

Upward Trend Supported by Earnings Upside and Expectations of Dividend Increases

Although the stock price fell due to concerns over dilution (14.1%) following the public offering conducted in February 2026, it has been on an upward trend since May. This is likely backed by heightened expectations for an upward earnings revision following the strong Q1 results announcement. Expectations of an increase in the year-end dividend may also be serving as a factor pushing up the stock price.

Strategy Advisors believes there is substantial scope for further upside, given the company's conservative assumptions for 2H. Based on the revised full-year company forecast, PER stands at 13.5x, placing its valuation on par with peer SI companies. On the other hand, PBR is relatively high at 5.3x (2.9x as of the end of June due to the third-party allotment), with a relatively high valuation assigned thanks to high ROE driven by proactive shareholder returns, such as a target dividend payout ratio of 50%.

Transformation into a Total Security Solutions Company Expected to Boost Valuation

Meanwhile, the company's equity story centers on its transformation into a total security solutions company. In addition to continuous growth in existing core businesses centered on VAD, the tangible results of key initiatives—such as 1) transforming Kaetec (an outsourced IT systems service for SMEs) through the use of AI and expanding services for end users, 2) expanding sales of in-house products centered on RevoWorks, 3) accelerating the growth of the overseas business, and 4) expanding direct transactions with end users through synergies with Segue Security—are expected to elevate the gross profit margin, leading to further valuation upside.

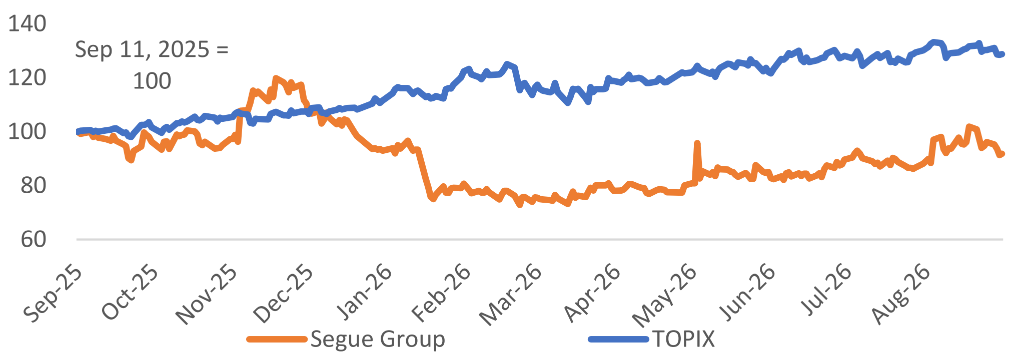
Indeed, cybersecurity peers such as Global Security Experts (4417, TSE Growth) and Soliton Systems (3040, TSE Prime) trade at higher PER multiples than the company. As a Total Security Company, attention will focus on its evolution into an enterprise capable of comprehensively solving customer security challenges by connecting the aforementioned initiatives and leveraging its independent status, an operational structure capable of end-to-end support from design to maintenance and operation, and in-house services centered on RevoWorks.

Strengthening Recruitment Capabilities to Create a Virtuous Cycle of Growth

In addition, transforming into a total security company is expected to have a positive impact on recruitment. If the company can make a leap to become a provider of cutting-edge security services in a high-growth market that is attractive to engineers, this will bring positive effects for both new graduate and mid-career recruitment, enabling growth through a virtuous cycle of expanding human resources.

Meanwhile, the company is reportedly considering disclosing a new medium-term management plan. Under the current medium-term management plan, tailwinds from GSS contributed to high growth; however, whether the company can demonstrate a sustainable growth strategy during the next medium-term management plan period will be critical in forecasting its future stock price performance.

Figure 3. Relative Stock Price Chart



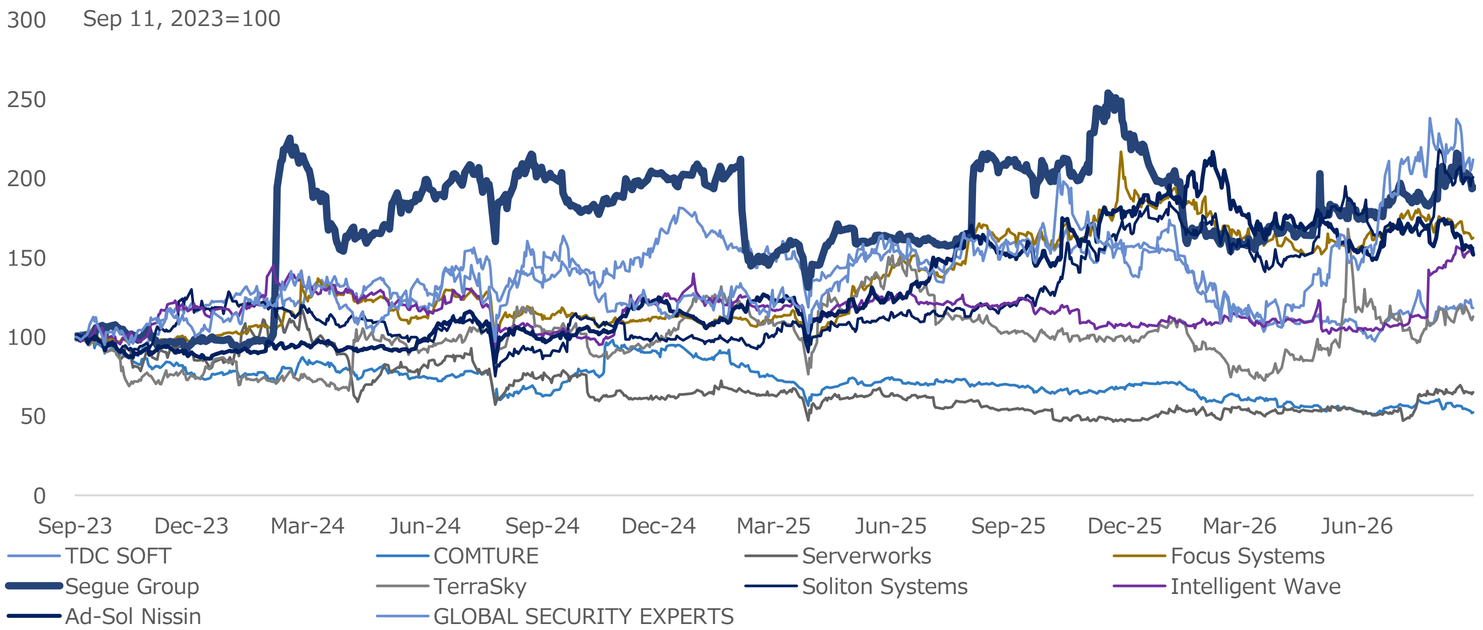
Note: Calculated based on the closing price on September 11, 2025 as 100.
Source: Strategy Advisors.

Figure 4. Comparative Valuations with Peers

Ticker	Company name	FY	Stock Price (Sep 10) (¥)	Market Cap (Sep 10) (¥ mn)	PER CoE (Times)	PBR Actual (Times)	ROE CoE (%)	EV/EBITDA Actual (Times)	Dividend Yield CoE (%)	Shareholders' Equity Ratio Actual (%)	Net D/E Ratio Actual (Times)	Gross Profit Margin Actual (%)	Sales Growth Rate Actual (%)	Stock Price Chg Over Past 1yr (%)	Stock Price Chg Over Past 3yr (%)
3968	**Segue Group**	**Dec-24**	**613**	**22,281**	**13.5**	**5.3**	**38.2**	**10.3**	**2.9**	**22.1**	**0.9**	**23.7**	**34.0**	**-1.4**	**93.8**
2327	NS Solutions	Mar-25	3,828	700,453	21.7	2.5	11.6	12.4	2.3	66.9	0.1	26.7	12.7	14.8	99.9
3697	SHIFT	Aug-24	836	213,584	34.3	5.2	32.9	10.7	0.5	52.7	0.3	34.7	17.3	-38.4	-55.8
9682	DTS	Mar-25	1,077	171,609	14.4	2.7	18.4	8.0	3.5	74.5	0.0	21.9	7.4	-12.5	36.8
4722	Future	Dec-24	2,422	214,773	18.2	3.4	18.8	10.1	1.0	64.4	0.2	48.7	8.8	11.1	55.4
2317	Systena	Mar-25	428	152,991	14.4	3.9	26.8	7.8	4.2	64.9	0.0	26.3	12.9	-7.6	62.8
4413	baudroie	Feb-25	2,963	92,432	29.5	12.0	40.6	24.7	0.3	54.8	0.3	34.4	49.6	1.4	100.5
3762	TECHMATRIX	Mar-25	2,366	95,078	17.7	3.6	20.4	6.6	2.3	21.5	0.2	31.5	10.6	22.1	44.4
3636	Mitsubishi Research Institute	Sep-24	4,765	75,093	11.4	1.0	9.2	4.8	3.5	56.1	0.0	23.7	5.3	5.1	-1.6
5036	Japan Business Systems	Sep-24	1,487	67,003	9.6	2.5	25.8	10.1	3.4	36.4	0.9	10.4	22.5	3.3	40.1
4687	TDC SOFT	Mar-25	1,029	48,683	12.4	2.1	16.7	5.5	3.3	74.4	0.0	20.3	8.9	-23.9	19.3
3844	COMTURE	Mar-25	1,268	40,441	18.0	2.0	11.1	5.6	4.1	74.6	0.0	21.3	4.9	-20.8	-46.7
4417	GLOBAL SECURITY EXPERTS	Mar-25	4,415	66,455	33.1	15.1	45.4	28.9	1.1	44.2	0.4	36.2	25.2	37.4	82.3
3915	TerraSky	Feb-25	2,336	30,155	19.8	2.4	12.1	10.6	0.7	56.5	0.0	26.6	13.5	11.5	14.4
4847	Intelligent Wave	Jun-25	1,391	36,422	23.9	3.6	15.2	8.4	2.7	58.1	0.0	28.7	10.6	27.0	46.6
3040	Soliton Systems	Dec-24	2,354	43,646	16.3	3.3	20.2	6.6	3.1	50.5	0.0	46.7	6.2	72.1	98.6
4662	Focus Systems	Mar-25	1,608	23,555	9.6	1.5	16.0	5.9	4.2	64.6	0.1	14.7	9.7	3.2	65.3
3837	Ad-Sol Nissin	Mar-25	1,331	22,412	13.9	3.2	23.2	8.5	3.6	65.6	0.0	29.0	10.9	1.3	55.7
4434	Serverworks	Feb-25	2,450	18,163	20.8	1.9	9.3	8.0	1.2	48.0	0.1	9.1	12.0	20.4	-28.2

Source: Strategy Advisors.

Figure 5. Relative Stock Price Chart



Note: Calculated based on the closing price on September 11, 2023 as 100.
Source: Strategy Advisors.

Figure 6. Consolidated Statement of Income (¥ mn)

FY	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26 Previous CoE	12/26 New CoE
Total Sales	**7,792**	**8,767**	**9,646**	**10,992**	**12,038**	**13,622**	**17,443**	**18,717**	**25,074**	**30,000**	**30,000**
(YoY)		12.5%	10.0%	14.0%	9.5%	13.2%	28.0%	7.3%	34.0%	19.6%	19.6%
VAD				**5,280**	**5,262**	**6,332**	**8,966**	**9,574**	**13,766**		
(YoY)				-	-0.3%	20.3%	41.6%	6.8%	43.8%		
SI				**5,127**	**6,169**	**6,203**	**7,576**	**7,005**	**8,537**		
(YoY)				-	20.3%	0.6%	22.1%	-7.5%	21.9%		
In-house Development				**586**	**608**	**1,088**	**901**	**1,084**	**1,135**		
(YoY)				-	3.7%	79.0%	-17.2%	20.3%	4.7%		
Gross profit	**1,871**	**2,168**	**2,531**	**3,092**	**3,091**	**3,559**	**4,123**	**4,592**	**5,931**		
(Gross Profit Margin)	24.0%	24.7%	26.2%	28.1%	25.7%	26.1%	23.6%	24.5%	23.7%		
VAD				1,371	1,314	1,299	1,757	2,206	3,386		
(Gross Profit Margin)				26.0%	25.0%	20.5%	19.6%	23.0%	24.6%		
SI				1,313	1,446	1,419	1,665	1,447	1,479		
(Gross Profit Margin)				25.6%	23.4%	22.9%	22.0%	20.7%	17.3%		
In-house Development				409	332	842	702	597	580		
(Gross Profit Margin)				69.7%	54.6%	77.3%	77.9%	55.1%	51.1%		
SG&A	1,488	1,684	1,983	2,248	2,452	2,652	3,037	3,872	4,076		
Operating Profit	**382**	**484**	**548**	**843**	**638**	**906**	**1,086**	**720**	**1,854**	**2,300**	**2,600**
(YoY)		26.7%	13.2%	53.9%	-24.3%	41.9%	19.8%	-33.7%	157.5%	24.0%	40.2%
(Operating Profit Margin)	4.9%	5.5%	5.7%	7.7%	5.3%	6.7%	6.2%	3.8%	7.4%	7.7%	8.7%
Non-Operating Income	58	19	17	32	54	203	21	449	288		
Non-Operating Expense	2	18	10	1	7	59	92	109	140		
Ordinary Profit	**437**	**485**	**554**	**874**	**686**	**1,050**	**1,015**	**1,060**	**2,001**	**2,299**	**2,600**
(YoY)		11.0%	14.1%	57.7%	-21.5%	53.1%	-3.4%	4.4%	88.8%	14.8%	29.9%
(Ordinary Profit Margin)	5.6%	5.5%	5.7%	8.0%	5.7%	7.7%	5.8%	5.7%	8.0%	7.7%	8.7%
Extraordinary Profit	28	69	65	65	0	188	0	268	0		
Extraordinary Loss	0	0	1	1	32	74	0	195	110		
Profit Before Income Taxes	466	555	618	938	710	1,165	1,015	1,132	1,891		
(YoY)		19.2%	11.3%	51.7%	-24.3%	64.0%	-12.9%	11.6%	66.9%		
(Pre-tax profit margin on sales)	6.0%	6.3%	6.4%	8.5%	5.9%	8.6%	5.8%	6.1%	7.5%		
Income Taxes	147	178	206	303	255	423	367	598	659		
(Effective tax rate)	31.6%	32.1%	33.5%	32.4%	36.0%	36.3%	36.2%	52.8%	34.9%		
Profit	**319**	**377**	**411**	**634**	**454**	**741**	**647**	**534**	**1,231**		
Profit (Loss) Attributable to Non-controlling Interests	0	0	0	0	0	-1	-12	26	40		
Profit Attributable to Owners of Parent	**319**	**377**	**411**	**634**	**454**	**743**	**660**	**507**	**1,191**	**1,403**	**1,600**
(YoY)		18.3%	9.1%	54.1%	-28.3%	63.5%	-11.1%	-23.1%	134.6%	17.8%	34.3%

Source: Strategy Advisors.

Figure 7. Key Financial Indicators

FY		12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26 Previous CoE	12/26 New CoE
EPS	**¥**	**57.1**	**66.3**	**35.9**	**55.6**	**39.6**	**66.5**	**19.6**	**15.7**	**37.6**	**38.6**	**45.4**
BPS	**¥**	**409**	**428**	**241**	**275**	**280**	**322**	**117**	**94**	**130**		
Dividend per share	**¥**	**0.00**	**1.66**	**3.33**	**5.33**	**5.33**	**6.00**	**10.00**	**11.00**	**13.00**	**18.00**	**18.00**
Dividend payout ratio	%	0.0%	2.5%	9.3%	9.6%	13.5%	9.0%	50.9%	69.8%	35.1%	47.2%	41.4%
Closing price	**¥**	**332**	**246**	**305**	**453**	**259**	**272**	**309**	**639**	**657**		
PER	**Times**	**5.8**	**3.7**	**8.5**	**8.1**	**6.5**	**4.1**	**15.7**	**40.6**	**17.5**		
PBR	**Times**	**0.8**	**0.6**	**1.3**	**1.6**	**0.9**	**0.8**	**2.6**	**6.8**	**5.1**		
Shares on Issue	'000	5,669	5,729	11,487	11,557	11,640	11,688	11,721	32,560	32,564		
Treasury stock	'000	0	0	0	128	390	501	498	914	819		
Number of treasury stocks excluded	'000	5,669	5,729	11,487	11,429	11,250	11,187	11,223	31,646	31,745		
Market Capitalization	**¥ mn**	**11,292**	**8,456**	**10,511**	**15,533**	**8,742**	**9,128**	**10,403**	**20,222**	**20,856**		
Shareholders' Equity Ratio	%	45.0%	45.8%	45.3%	44.1%	37.1%	32.6%	33.8%	22.3%	22.5%		
Interest-bearing debt balance	¥ mn	59	0	18	10	502	1,130	850	2,311	3,978		
D/E Ratio	Times	0.03	0.00	0.01	0.00	0.16	0.31	0.21	0.76	0.95		
EV (Enterprise Value)	¥ mn	9,811	6,805	8,359	13,838	7,914	7,179	7,824	18,617	22,510		
EBITDA	¥ mn	495	592	683	1,003	806	1,055	1,281	1,026	2,300		
EV/EBIDA	Times	19.8	11.5	12.2	13.8	9.8	6.8	6.1	18.1	9.8		
ROE	**%**	**16.5%**	**15.8%**	**15.7%**	**21.3%**	**14.3%**	**21.6%**	**17.2%**	**14.4%**	**32.9%**		
ROIC (Invested capital)	%	11.4%	12.7%	13.0%	18.0%	11.2%	11.3%	14.8%	2.4%	17.2%		
ROIC (Business assets)	%	45.1%	65.6%	80.8%	87.0%	37.7%	33.8%	51.8%	9.4%	34.9%		
Number of Employees		**350**	**391**	**409**	**446**	**473**	**527**	**570**	**709**	**712**		

Source: Strategy Advisors.

Figure 8. Balance Sheet (¥ mn)

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

Source: Strategy Advisors.

Figure 9. Cash Flow (¥ mn)

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

Source: Strategy Advisors.

Figure 10. Qtly Performance Trends (¥ mn)

FY	12/23				12/24				12/25				12/26	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Net Sales	**4,561**	**4,496**	**4,352**	**4,032**	**4,953**	**3,457**	**5,506**	**4,800**	**4,788**	**5,212**	**7,858**	**7,215**	**9,184**	**6,723**
(YoY)	36.7%	68.7%	37.5%	-9.4%	8.6%	-23.1%	26.5%	19.0%	-3.3%	50.8%	42.7%	50.3%	91.8%	29.0%
VAD	**2,530**	**2,033**	**2,128**	**2,273**	**2,837**	**1,907**	**1,884**	**2,944**	**2,321**	**2,973**	**3,678**	**4,793**	**5,647**	**3,048**
(YoY)	58.7%	49.6%	64.5%	9.1%	12.1%	-6.2%	-11.5%	29.5%	-18.2%	55.9%	95.2%	62.8%	143.3%	2.5%
SI	**1,881**	**2,196**	**1,975**	**1,522**	**1,822**	**1,292**	**2,727**	**1,162**	**1,986**	**1,481**	**3,478**	**1,590**	**2,636**	**2,780**
(YoY)	20.3%	112.4%	30.7%	-27.3%	-3.1%	-41.2%	38.1%	-23.7%	9.0%	14.6%	27.5%	36.8%	32.7%	87.7%
In-house Development	**149**	**267**	**248**	**236**	**292**	**256**	**263**	**271**	**247**	**358**	**242**	**287**	**630**	**281**
(YoY)	-17.2%	-1.1%	-31.1%	-14.5%	96.0%	-4.1%	6.0%	14.8%	-15.4%	39.8%	-8.0%	5.9%	154.7%	-21.5%
Overseas	**-**	**-**	**-**	**-**	**-**	**-**	**631**	**423**	**233**	**399**	**458**	**543**	**269**	**613**
(YoY)	-	-	-	-	-	-	-	-	-	-	-27.4%	28.4%	15.5%	53.6%
Gross Profit	1,090	992	1,038	1,001	1,213	913	1,261	1,204	1,134	1,424	1,689	1,683	2,463	1,778
(Gross Profit Margin)	23.9%	22.1%	23.9%	24.8%	24.5%	26.4%	22.9%	25.1%	23.7%	27.3%	21.5%	23.3%	26.8%	26.4%
・VAD	564	402	450	340	611	417	533	643	638	764	846	1,137	1,288	948
(Gross Profit Margin)	22.3%	19.8%	21.1%	15.0%	21.5%	21.9%	28.3%	21.8%	27.5%	25.7%	23.0%	23.7%	22.8%	31.1%
・SI	444	355	386	477	406	353	408	278	304	301	589	284	596	479
(Gross Profit Margin)	23.6%	16.2%	19.5%	31.3%	22.3%	27.3%	15.0%	23.9%	15.3%	20.3%	16.9%	17.9%	22.6%	17.2%
・In-house Development	82	235	201	182	195	142	108	151	120	224	102	133	498	149
(Gross Profit Margin)	55.0%	88.0%	81.0%	77.1%	66.8%	55.5%	41.1%	55.7%	48.6%	62.6%	42.1%	46.3%	79.0%	53.0%
Overseas	-	-	-	-	-	-	210	132	71	135	150	127	81	201
(Gross Profit Margin)	-	-	-	-	-	-	33.3%	31.2%	30.5%	33.8%	32.8%	23.4%	30.3%	32.8%
SG&A	672	783	736	844	782	996	972	1,120	908	965	939	1,264	1,014	1,031
Operating Profit	**418**	**209**	**302**	**156**	**430**	**-83**	**288**	**84**	**226**	**458**	**750**	**418**	**1,449**	**746**
(YoY)	85.8%	99.0%	25.1%	-53.2%	3.0%	-	-4.3%	-46.1%	-47.5%	-	159.7%	396.4%	541.2%	62.7%
(Operating Profit Margin)	9.2%	4.7%	6.9%	3.9%	8.7%	-2.4%	5.2%	1.8%	4.7%	8.8%	9.5%	5.8%	15.8%	11.1%
Non-Operating Income/Expenses	-6	-18	-5	-40	382	10	1	-54	17	-24	99	55	-30	25
Ordinary Profit	**411**	**191**	**296**	**116**	**813**	**-73**	**290**	**30**	**243**	**434**	**849**	**474**	**1,418**	**772**
(YoY)	49.7%	4.0%	17.0%	-65.7%	97.4%	-	-1.8%	-74.0%	-70.0%	-	192.3%	1470.8%	482.6%	77.9%
(Ordinary Profit Margin)	9.0%	4.3%	6.8%	2.9%	16.4%	-2.1%	5.3%	0.6%	5.1%	8.3%	10.8%	6.6%	15.4%	11.5%
Extraordinary Profit and Loss	0	0	0	0	0	13	12	47	0	0	0	-110	0	-5
Profit Before Income Taxes	411	191	296	116	813	-60	302	77	243	434	849	364	1,418	766
Income Taxes	143	68	107	48	267	42	115	172	109	155	284	110	538	255
Profit	**268**	**122**	**188**	**67**	**545**	**-102**	**187**	**-95**	**134**	**278**	**565**	**253**	**880**	**511**
Profit (Loss) Attributable to Non-controlling Interests	-9	-7	0	3	5	2	6	11	-6	16	20	9	-1	31
Profit Attributable to Owners of Parent	**277**	**130**	**188**	**64**	**539**	**-105**	**180**	**-107**	**140**	**262**	**545**	**243**	**882**	**479**

Source: Strategy Advisors.

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