

## FY3/2024 OP Up 26% & FY3/2025 Company Forecast Slightly Down. Stock Price Has Not Yet Factored in Transformation to a Pure ICT Player

FY3/2024 results exceeded all of the company's forecasts, which were revised upward on January 31, 2024. Sales were ¥124.856 billion (+0.8% YoY), operating profit was ¥6.439 billion (+25.8% YoY) and net income attributable to owners of the parent was ¥5.477 billion (+55.6% YoY).

By segment, Information Network Solutions grew significantly. The company as a whole achieved sales increases and record-high profits, offsetting the negative impact of Electronic Devices, which was deconsolidated from the 4Q due to the sale of a business unit. Net income increased significantly due to extraordinary gains from the sale of real estate holdings and strategic equity holdings to improve asset efficiency.

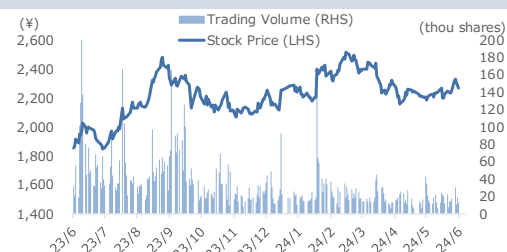
Free cash flow for FY3/2024 increased from ¥4.302 billion in FY3/2023 to ¥20.420 billion. In addition to the increase in operating cash flow, investable cash flow increased to ¥15.466 billion from ¥0.039 billion in the previous year due to (1) sales of businesses, (2) sales of real estate and (3) reduction of strategic equity holdings.

For FY3/2025, the company forecasts net sales of ¥103.0 billion (-17.5% YoY), operating income of ¥6.25 billion (-2.9% YoY) and net income of ¥4.1 billion (-25.1% YoY). The company expects a 0.5% YoY increase in sales and a 5.5% YoY increase in operating profit in the single-segment Information Network Solutions business.

Equipment sales are expected to grow due to renewal demand following the scheduled termination of support for Windows 10 in October 2025 and increased sales of high-performance AI-equipped PCs. Further improvement in profit margins is expected due to continued growth in the "six growth areas" with high profitability, as well as continued optimization of procurement costs and price increases in existing areas.

The P/E ratio of 9.9 times based on FY3/2025 company estimates continues to leave the company undervalued compared to SIers and NIers at 15-25 times. Tsuzuki Denki's transformation into a pure player in the ICT business has not yet been widely recognized in the market.

### Stock Price and Volumes



Source: Strategy Advisors

### Key Indicators

Stock Price (6/13/24)	2,270
Year-to-Date High (2/28/24)	2,520
Year-to-Date Low (4/19/24)	2,155
52-Week High (2/28/24)	2,520
52-Week Low (6/6/23)	1,767
Shares on Issue (mn)	18.0
Market Capitalization (¥ bn)	40.9
EV (¥ bn)	12.4
Equity Ratio (3/24 Actual, %)	49.8
PER (3/25 CoE, Times)	10.0
PBR (3/24 Actual, Times)	1.0
Yield (3/25 CoE, %)	4.0

Source: Strategy Advisors

### Japanese GAAP – Consolidated

FY	Sales (¥ mn)	YoY (%)	OP (¥ mn)	YoY (%)	RP (¥ mn)	YoY (%)	NP (¥ mn)	YoY (%)	EPS (¥)	DPS (¥)
FY3/2021	120,004	-4.3	3,202	-28.2	3,361	-26.6	2,346	-25.6	134	46
FY3/2022	119,316	-0.6	4,012	25.3	4,227	25.8	2,798	19.2	158	48
FY3/2023	123,899	3.8	5,118	27.6	5,355	26.7	3,521	25.8	197	61
FY3/2024	124,856	0.8	6,439	25.8	6,486	21.1	5,477	55.6	305	90
FY3/2025 CoE	103,000	-17.5	6,250	-2.9	6,250	-3.7	4,100	-25.1	228	91

Source: Strategy Advisors. Based on Company Data

## 1. Full Year Results for FY3/2024

**Growth in Information Network Solutions Offsets the Negative Impact from the Sale of the Electronic Devices Business, Resulting in Higher Sales and Record Profits**

Tsuzuki Denki announced its full-year financial results for FY3/2024 on May 13, 2024 and held an online financial results presentation on May 22, 2024.

The results for FY3/2024 were net sales of ¥124.856 billion (+0.8% YoY), operating income of ¥6.439 billion (+25.8% YoY), ordinary income of ¥6.486 billion (+21.1% YoY) and net income attributable to owners of the parent of ¥5.477 billion (+55.6% YoY). These figures exceeded the company's initial forecasts, which were revised upward on January 31, 2024 (net sales of ¥124.0 billion, operating income of ¥6.0 billion, recurring income of ¥6.0 billion, net income of ¥4.8 billion and EPS of ¥267.09).

By segment, Information Network Solutions achieved significant Year-on-Year growth. The sales increase and record-high profits were achieved by the entire company, covering the revenue decline in Electronic Devices, which was deconsolidated from the fourth quarter due to the sale of its business. Net income rose sharply due to extraordinary gains from the sale of real estate holdings and strategic equity holdings, which were aimed at improving asset efficiency. The Electronic Devices business posted sales of ¥22.333 billion (-25.5% YoY) and operating profit of ¥0.487 billion (-48.9% YoY).

**Operating Profit Margin for Information Network Solutions Rose by 1.4% YoY to 5.8%**

The Information Network Solutions segment posted a substantial increase in profit, with net sales of ¥102.523 billion (+9.2% YoY) and operating income of ¥5.925 billion (+42.6% YoY). The operating profit to sales ratio in this segment rose 1.4% YoY, from 4.4% to 5.8%.

**The "6 Growth Areas" - Targeting Aggressive Expansion in the Mid-Term Business Plan. Sales Increased 36% YoY to ¥12.0 billion**

The increase in the profit margin is due to the expansion of earnings in the "six growth areas", which are the key policies of the medium-term management plan, and the improvement of the profit margin in the "existing areas". The six growth areas are business fields where market expansion is expected over the medium to long term, and where Tsuzuki Denki has strengths and profitability are high. The total sales in the six growth areas for FY3/2024 were ¥12.0 billion, up 36% from the previous year.

**Sales Breakdown in the "6 Growth Areas"**

Sales in the six areas were as follows: (1) Contact Center Systems: ¥5.2 billion (+16% YoY), (2) Cloud Communications: ¥2.0 billion (+82% YoY), (3) Security: ¥1.0 billion (+233% YoY), (4) DX Consulting: ¥0.2 billion (+28% YoY), (5) Managed Services: ¥3.5 billion (+25% YoY) and (6) Market-specific DX Services amounted to ¥0.1 billion (vs. zero in the previous year).

In the Information Network Solutions sub-segment, "Equipment" sales grew strongly to ¥44.925 billion (+18.4% YoY) as PC's, network equipment and other equipment were installed in a wide range of industries. In the Development & Construction business, network and infrastructure construction and small and medium-sized system development grew, resulting in sales of ¥14.786 billion (+6.8% YoY). "Services" sales were ¥42.811 billion (+1.6% YoY), mainly in the six growth areas.

**Free Cashflow Increased From ¥4.3 Billion in the Previous Year to ¥20.4 Billion Due to the Sale of the Electronic Device Business and Asset Efficiency Improvement, in Addition to a Steady Increase in CF from Operating Activities**

In FY3/2024, cash flow from operations increased to ¥4.954 billion from ¥4.263 billion in FY3/2023 due to strong business performance. On the other hand, cash flow from investments increased to ¥15.466 billion from ¥0.039 billion in the previous year due to (1) the sale of Electronic Device business, (2) sale of real estate and (3) reduction of strategic stock holdings. As a result, free cash flow expanded to ¥20.42 billion from ¥4.302 billion in the previous year.

Despite the increase in dividend payments due to higher dividend per share, cash and cash equivalents increased significantly from ¥20.845 billion at the end of FY3/2023 to ¥38.684 billion at the end of FY3/2024. The equity ratio at the end of FY3/2024 was 49.8%, up from 42.0% at the end of FY3/2023. The annual dividend was ¥90, up from ¥89 announced on January 31, 2024, in accordance with the dividend policy based on the mid-term management plan (with a minimum DOE of 3.5% with a target payout ratio of 40%).

**Figure 1: Net Sales, Operating Income, Total Assets & Employee by Segment**

FY	3/19	3/20	3/21	3/22	3/23	3/24	3/25 CoE
<b>Sales (¥ mn)</b>							
<b>Information Network Solutions</b>	93,704	102,104	97,848	92,319	93,905	102,523	103,000
(YoY change)	13.8%	9.0%	-4.2%	-5.7%	1.7%	9.2%	0.5%
<b>Equipment</b>	39,391	44,790	44,207	37,127	37,943	44,925	
(YoY change)		13.7%	-1.3%	-16.0%	2.2%	18.4%	
<b>Development &amp; Construction</b>	17,665	19,668	14,518	14,501	13,840	14,786	
(YoY change)		11.3%	-26.2%	-0.1%	-4.6%	6.8%	
<b>Services</b>	36,647	37,645	39,122	40,690	42,121	42,811	
(YoY change)		2.7%	3.9%	4.0%	3.5%	1.6%	
<b>Electronic Devices</b>	25,168	23,261	22,155	26,996	29,993	22,333	
(YoY change)	-15.1%	-7.6%	-4.8%	21.9%	11.1%	-25.5%	
<b>Total</b>	118,872	125,366	120,004	119,316	123,899	124,856	103,000
(YoY change)	6.2%	5.5%	-4.3%	-0.6%	3.8%	0.8%	-17.5%
<b>Operating Income (¥ mn)</b>							
<b>Information Network Solutions</b>	3,054	4,289	2,960	3,400	4,155	5,925	6,250
(YoY change)	35.9%	40.4%	-31.0%	14.9%	22.2%	42.6%	5.5%
<b>Electronic Devices</b>	260	163	242	592	954	487	
(YoY change)	-5.8%	-37.3%	48.5%	144.6%	61.1%	-49.0%	
<b>Elimination or Corporate</b>	3	4	0	18	8	27	
<b>Total</b>	3,318	4,457	3,202	4,012	5,118	6,439	6,250
(YoY change)	30.7%	34.3%	-28.2%	25.3%	27.6%	25.8%	-2.9%
<b>Total Assets (¥ mn)</b>							
<b>Information Network Solutions</b>	47,998	46,471	45,251	63,868	64,719	81,066	
<b>Electronic Devices</b>	20,415	18,636	19,258	20,920	21,860	-	
<b>Elimination or Corporate</b>	10,529	12,341	11,691	-5,563	-3,372	-	
<b>Total</b>	78,944	77,448	76,200	79,226	83,207	81,066	
<b>Operating Profit Margin</b>							
<b>Information Network Solutions</b>	3.3%	4.2%	3.0%	3.7%	4.4%	5.8%	6.1%
<b>Electronic Devices</b>	1.0%	0.7%	1.1%	2.2%	3.2%	2.2%	
<b>Total</b>	2.8%	3.6%	2.7%	3.4%	4.1%	5.2%	6.1%
<b>Return on Assets</b>							
<b>Information Network Solutions</b>	6.8%	9.1%	6.5%	6.2%	6.5%	8.1%	
<b>Electronic Devices</b>	1.2%	0.8%	1.3%	2.9%	4.5%	-	
<b>Total</b>	4.3%	5.7%	4.2%	5.2%	6.3%	7.8%	
<b>Number of Employees at End of Fiscal Year</b>							
<b>Information Network Solutions</b>	1,847	1,873	1,933	1,916	1,907	1,837	
<b>Electronic Devices</b>	187	183	167	117	164	-	
<b>Elimination or Corporate</b>	302	303	308	349	257	257	
<b>Total</b>	2,336	2,359	2,408	2,382	2,328	2,094	

Source: Prepared by Strategy Advisors

## 2. FY3/2025 Forecast

**Sales and Profits are Expected to Decline in FY3/2025 Due to the Sale of the Electronic Device Business**

For FY3/2025, the company forecasts consolidated net sales of ¥103.0 billion (-17.5% YoY), operating income of ¥6.25 billion (-2.9% YoY), recurring profit of ¥6.25 billion (-3.7% YoY) and net income attributable to shareholders of the parent company of ¥4.1 billion (-25.1% YoY). The company expects a 0.5% YoY sales increase in the Information Network Solutions segment, which is a single-segment business. In addition, the company expects equipment sales to grow due to renewal demand following the scheduled termination of support for Windows 10 in October 2025 and an increase in sales of high-performance AI-equipped PC's.

**Information Network Solutions Expects to Increase Profit with Further Improvement in Profit Margins**

Excluding the impact of the Electronic Devices business, the Information Network Solutions segment is expected to see a further increase in profit margin, with an increase of 5.5% YoY. The improvement in profit margin is due to further earnings growth in the six growth areas with high-margin, as well as the continued effect of price increases in existing business areas through pricing management, which is being promoted in the current mid-term business plan.

The company-wide operating profit margin for FY3/2025 is expected to be 6.1%, up from 5.2% in FY3/2024. This is due to the improvement in Information Network Solutions and the removal of low-margin Electronic Devices.

For FY3/2025, the company plans to pay an annual dividend of ¥91 per share, up ¥1 from the previous year, based on a payout ratio of 40%.

## 3. Progress of the Medium-Term Management Plan and The Future

**Profit was Higher Than Forecast in FY3/2024, Year 1 of the Mid-Term Plan**

Tsuzuki Denki is currently promoting its mid-term management plan, "Transformation 2026 ~ Shift resources to growth areas". The management targets for FY3/2026 are sales of ¥130 billion, operating profit of ¥6.5 billion, ROE of over 10% and CO2 emissions of 1,468 tons. In FY3/2024, the company's first year of operations, it made a good start with net sales of ¥124.9 billion, operating income of ¥6.4 billion, ROE of 14.5% and CO2 emissions of 1,573 tons. Operating income, in particular, was close to the plan's final year levels.

**Significant Progress in Reforming the Business Portfolio**

In particular, the sale of the Electronic Devices business, which was not planned during the medium-term management plan period, enabled the company to make significant progress in the structural reform of its business portfolio. In terms of improving the profit structure, the company made progress in improving operating margin and return on assets.

**Focus on the Use of ¥12 Billion Increased by the Sale of the Business (Investment for Growth or Return to Shareholders)**

Moving forward, Strategy Advisors believes that the key will be the use of cash acquired from the sale of the Electronic Devices business. Tsuzuki Denki Co. states that the sale of the Electronic Device business generated a total of ¥12.2 billion in additional cash, consisting of ¥8.5 billion in cash inflows and a ¥3.7 billion reduction in the standard for cash on hand.

The company has stated that the direction of the additional funds is to use them for both growth investments (mainly M&A) and shareholder returns (dividend increases and share buybacks) and specific actions to be taken in the future will be closely watched.

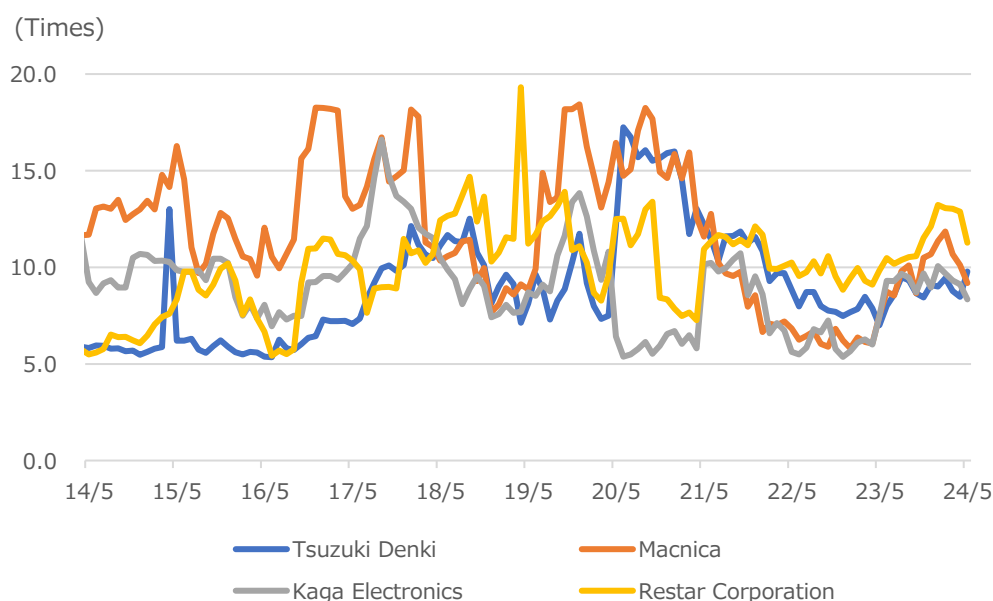
## 4. Valuation

**Single Digit PER. The Market has Not Factored the Transformation into a Pure ICT Player**

Based on the company's medium-term management plan, profitability has been steadily improving and although the company increased its dividend significantly last fiscal year, stock market valuations remain low.

We believe this is because it is not widely understood that Tsuzuki Denki has transformed itself into a pure player in the ICT business, through the sale of its Electronic Devices business. The range of PER for information electronics trading firms over the past decade has been 5-15 times, while system integrators have ranged from 15 times to 25 times and network integrators from 15 times to 30 times for the same period

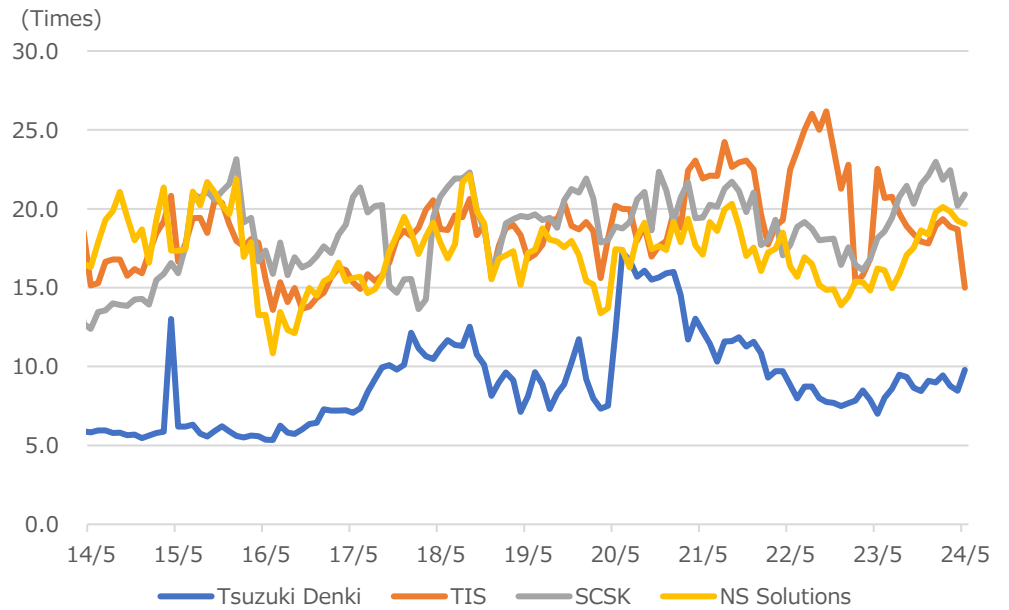
**Figure 2: Historical PER of Tsuzuki Denki & Electronics Trading Companies**



Source: Prepared by Strategy Advisors

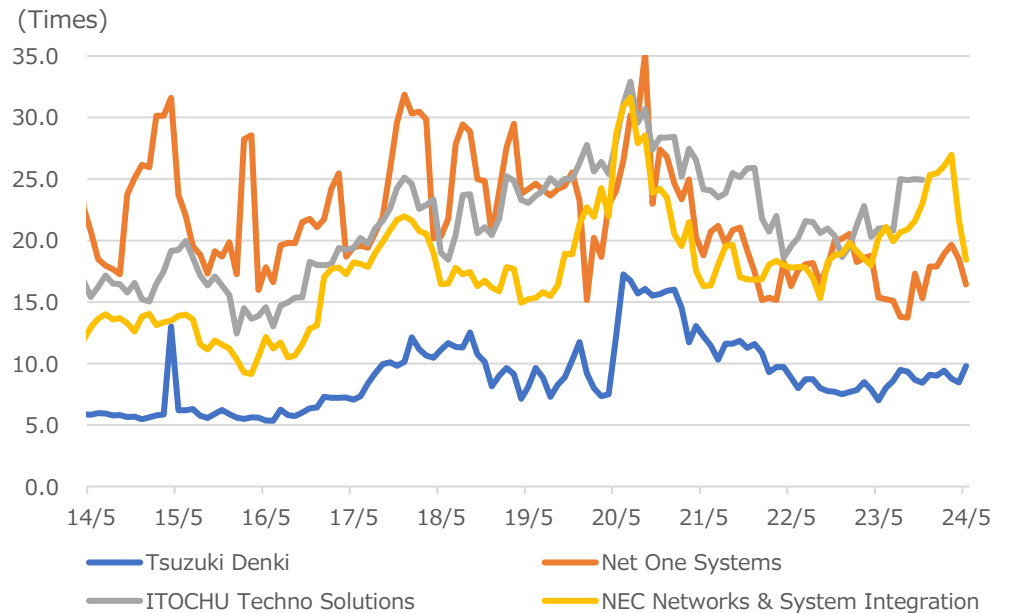


**Figure 3: Historical PER for Tsuzuki Denki and System Integrators**



Source: Prepared by Strategy Advisors

**Figure 4: Historical PER of Tsuzuki Denki and Network Integrators**



Source: Prepared by Strategy Advisors

Figure 5: Comparison of Valuations with Peers

	Code	FY	Market Cap.	Prices	EV	EPS	PER	BPS	PBR	EBITDA	EV/EBITDA
			¥ bn	¥	¥ bn	¥	Times	¥	Times	¥ bn	Times
Tsuzuki Denki	8157	24-Mar	42.1	2,336	13.6	304.8	7.7	2,241.9	1.0	8.1	1.7
		25-Mar	40.9	2,270	12.4	227.5	10.0	2,241.9	1.0	7.9	1.6
Nomura Research Institute	4307	24-Mar	2,501.8	4,243	2,626.4	136.9	31.0	677.6	6.3	168.6	15.6
		25-Mar	2,416.2	4,193	2,540.8	152.7	27.5	693.3	6.0	180.2	14.1
Otsuka Shokai	4768	23-Dec.	1,102.2	2,907	881.6	125.1	23.2	904.8	3.2	70.9	12.4
		24-Dec.	1,111.1	2,924	890.9	125.7	23.3	866.8	3.4	76.6	11.6
TIS Inc.	3626	24-Mar	797.7	3,289	736.5	203.3	16.2	1,288.2	2.6	82.5	8.9
		25-Mar	673.1	2,872.5	611.9	192.6	14.9	1,333.3	2.2	84.5	7.2
SCSK Corporation	9719	24-Mar	886.5	2,838	816.1	129.5	21.9	967.5	2.9	78.4	10.4
		25-Mar	953.5	3,052	883.1	142.4	21.4	967.5	3.2	83.4	10.6
BIPROGY Inc.	8056	24-Mar	455.6	4,531	431.9	251.2	18.0	1,654.9	2.7	51.1	8.4
		25-Mar	420.3	4,180	396.6	243.7	17.2	1,654.9	2.5	53.4	7.4
NS Solutions Corporation	2327	24-Mar	452.0	4,940	382.8	265.0	18.6	2,588.5	1.9	47.1	8.1
		25-Mar	463.9	5,070	394.7	267.8	18.9	2,588.5	2.0	48.1	8.2
NSD Co.	9759	24-Mar	231.8	2,976	205.6	133.3	22.3	800.8	3.7	17.8	11.6
		25-Mar	233.0	3,030	206.8	135.3	22.4	811.3	3.7	18.4	11.3
NEC Networks & System Integration Corporation	1973	24-Mar	377.6	2,535	313.4	102.9	24.6	1,024.1	2.5	28.9	10.8
		25-Mar	332.6	2,233	268.4	120.8	18.5	1,024.1	2.2	32.8	8.2
Net One Systems Co.	7518	24-Mar	222.1	2,700	218.6	169.8	15.9	919.3	2.9	23.1	9.5
		25-Mar	208.0	2,622.5	204.5	181.6	14.4	886.4	3.0	24.6	8.3
JBCC Holdings Inc.	9889	24-Mar	50.6	3,270	40.8	203.4	16.1	1,367.4	2.4	4.8	8.5
		25-Mar	48.9	3,160	39.0	231.8	13.6	1,367.4	2.3	5.5	7.1
DENTSU SOKEN INC.	4812	23-Dec.	380.0	5,840	324.1	225.4	25.9	1,275.1	4.6	24.2	13.4
		24-Dec.	333.8	5,130	272.4	241.3	21.3	1,284.7	4.0	25.7	10.6
Japan Business Systems, Inc.	5036	23-Sep	54.9	1,204	62.4	74.0	16.3	487.6	2.5	5.0	12.5
		24-Sep.	42.3	927	50.5	32.9	28.2	486.6	1.9	6.0	8.4

Note: Share prices are the closing price on the last day of the relevant fiscal year in the upper row and the closing price on the 13th of June 2024 in the lower row

Source: Prepared by Strategy Advisors



**Figure 6. Consolidated Statements of Income (¥ mn)**

FY	3/18	3/19	3/20	3/21	3/22	3/23	3/24	3/25CoE
<b>Total sales</b>	<b>111,973</b>	<b>118,872</b>	<b>125,366</b>	<b>120,004</b>	<b>119,316</b>	<b>123,899</b>	<b>124,856</b>	<b>103,000</b>
(YoY change)	6.5%	6.2%	5.5%	-4.3%	-0.6%	3.8%	0.8%	-17.5%
<b>Information Network Solutions</b>	<b>82,320</b>	<b>93,704</b>	<b>102,104</b>	<b>97,848</b>	<b>92,319</b>	<b>93,905</b>	<b>102,523</b>	<b>103,000</b>
(YoY change)	1.9%	13.8%	9.0%	-4.2%	-5.7%	1.7%	9.2%	0.5%
<b>Electronic Devices</b>	<b>29,652</b>	<b>25,168</b>	<b>23,261</b>	<b>22,155</b>	<b>26,996</b>	<b>29,993</b>	<b>22,333</b>	<b>0</b>
(YoY change)	21.8%	-15.1%	-7.6%	-4.8%	21.9%	11.1%	-25.5%	
<b>Gross Profit</b>	<b>19,459</b>	<b>21,496</b>	<b>23,075</b>	<b>21,465</b>	<b>22,511</b>	<b>24,178</b>	<b>25,308</b>	
(Gross Profit Margin)	17.4%	18.1%	18.4%	17.9%	18.9%	19.5%	20.3%	
SG&A	16,920	18,177	18,618	18,263	18,498	19,060	18,868	
<b>Operating Profit</b>	<b>2,538</b>	<b>3,318</b>	<b>4,457</b>	<b>3,202</b>	<b>4,012</b>	<b>5,118</b>	<b>6,439</b>	<b>6,250</b>
(YoY change)	18.5%	30.7%	34.3%	-28.2%	25.3%	27.6%	25.8%	-2.9%
(Operating Profit Margin)	2.3%	2.8%	3.6%	2.7%	3.4%	4.1%	5.2%	6.1%
<b>Information Network Solutions</b>	<b>2,248</b>	<b>3,054</b>	<b>4,289</b>	<b>2,960</b>	<b>3,400</b>	<b>4,155</b>	<b>5,925</b>	<b>6,250</b>
<b>Electronic Devices</b>	<b>276</b>	<b>260</b>	<b>163</b>	<b>242</b>	<b>592</b>	<b>954</b>	<b>487</b>	
<b>Elimination or Corporate</b>	<b>13</b>	<b>3</b>	<b>4</b>	<b>0</b>	<b>18</b>	<b>8</b>	<b>27</b>	
Non-operating Income (Loss)	74	176	120	158	214	237	46	
Non-operating Income	352	408	316	312	364	370	203	
Non-operating Expenses	278	232	196	154	150	133	157	
<b>Recurring Profit</b>	<b>2,612</b>	<b>3,494</b>	<b>4,577</b>	<b>3,361</b>	<b>4,227</b>	<b>5,355</b>	<b>6,486</b>	<b>6,250</b>
(YoY change)	16.6%	33.8%	31.0%	-26.6%	25.8%	26.7%	21.1%	-3.6%
(Recurring Profit Margin)	2.3%	2.9%	3.7%	2.8%	3.5%	4.3%	5.2%	6.1%
Extraordinary Income	45	175	32	52	219	423	2,443	
Extraordinary Loss	195	161	293	174	16	198	514	
Pretax Profit	2,463	3,509	4,317	3,238	4,430	5,579	8,415	
(YoY change)	16.7%	42.5%	23.0%	-25.0%	36.8%	25.9%	50.8%	
Pretax Profit Margin	2.2%	3.0%	3.4%	2.7%	3.7%	4.5%	6.7%	
Income Taxes	947	1,296	1,161	817	1,453	1,844	2,768	
(Effective Tax Rate)	38.4%	36.9%	26.9%	25.2%	32.8%	33.1%	32.9%	
<b>Net income</b>	<b>1,515</b>	<b>2,212</b>	<b>3,155</b>	<b>2,419</b>	<b>2,976</b>	<b>3,734</b>	<b>5,647</b>	
Net Income to Minority Interests				72	178	213	170	
<b>Net income to Owners of the parent</b>	<b>1,515</b>	<b>2,212</b>	<b>3,155</b>	<b>2,346</b>	<b>2,798</b>	<b>3,521</b>	<b>5,477</b>	<b>4,100</b>
(YoY change)	14.7%	46.0%	42.6%	-25.6%	19.3%	25.8%	55.6%	-25.1%

Source: Prepared by Strategy Advisors

**Figure 7. Consolidated Balance Sheets (¥ mn)**

<b>FY</b>	<b>3/18</b>	<b>3/19</b>	<b>3/20</b>	<b>3/21</b>	<b>3/22</b>	<b>3/23</b>	<b>3/24</b>
Cash and Deposits	16,016	15,457	18,473	15,944	19,162	20,877	38,696
Accounts Receivables	32,256	33,372	29,927	31,765	32,757	32,248	21,579
Inventories	6,807	8,087	8,484	7,618	7,483	11,683	3,649
Other Current Assets	2,538	2,255	1,355	1,413	1,793	2,388	2,005
<b>Current Assets</b>	<b>57,617</b>	<b>59,171</b>	<b>58,239</b>	<b>56,740</b>	<b>61,195</b>	<b>67,196</b>	<b>65,929</b>
Property and Equipment	3,856	3,912	3,974	3,465	3,949	3,926	1,795
Other Tangible Fixed Assets	3,695	3,398	2,908	2,799	1,479	578	392
<b>Tangible Assets</b>	<b>7,551</b>	<b>7,310</b>	<b>6,882</b>	<b>6,264</b>	<b>5,428</b>	<b>4,504</b>	<b>2,187</b>
Intangible Assets	1,833	3,040	3,057	2,967	3,072	2,610	2,286
Investment Securities	5,279	4,643	3,770	4,766	4,096	3,471	4,092
Other Investment Assets	3,888	4,779	5,499	5,462	5,432	5,425	6,571
Investments and Other Assets	9,167	9,422	9,269	10,228	9,528	8,896	10,663
<b>Total Fixed Assets</b>	<b>18,552</b>	<b>19,772</b>	<b>19,208</b>	<b>19,460</b>	<b>18,030</b>	<b>16,011</b>	<b>15,137</b>
<b>Total Assets</b>	<b>76,169</b>	<b>78,944</b>	<b>77,448</b>	<b>76,200</b>	<b>79,226</b>	<b>83,207</b>	<b>81,066</b>
Accounts Payable	20,744	18,609	17,863	15,875	15,307	17,144	11,637
Short-Term Debt	8,686	13,483	6,265	6,483	10,695	5,882	5,359
Provision for Bonuses	2,323	2,567	2,536	2,415	2,303	2,513	2,416
Other Current Liabilities	5,015	6,479	6,785	5,264	6,581	7,521	9,050
<b>Current Liabilities</b>	<b>36,768</b>	<b>41,138</b>	<b>33,449</b>	<b>30,037</b>	<b>34,886</b>	<b>33,060</b>	<b>28,462</b>
Long-Term Debts	6,155	3,392	6,995	6,364	1,810	5,109	4,830
Net Defined Benefit Liabilities	5,520	5,434	6,805	7,959	8,531	8,826	5,563
Other Long-Term Liabilities	145	263	445	668	798	825	1,346
<b>Long-Term Liabilities</b>	<b>11,820</b>	<b>9,089</b>	<b>14,245</b>	<b>14,991</b>	<b>11,139</b>	<b>14,760</b>	<b>11,739</b>
<b>Total Liabilities</b>	<b>48,588</b>	<b>50,228</b>	<b>47,695</b>	<b>45,029</b>	<b>46,026</b>	<b>47,820</b>	<b>40,202</b>
Capital Stock	9,812	9,812	9,812	9,812	9,812	9,812	9,812
Capital Surplus	3,100	3,100	2,581	2,581	2,581	2,581	2,756
Retained Earnings	18,288	19,973	21,021	21,150	23,018	25,607	29,705
Treasury Stock	-5,875	-5,816	-3,785	-2,472	-2,257	-1,979	-2,043
<b>Shareholder's Equity</b>	<b>25,326</b>	<b>27,070</b>	<b>29,629</b>	<b>31,072</b>	<b>33,155</b>	<b>36,022</b>	<b>40,230</b>
Other Comprehensive Income	2,254	1,646	123	-137	-307	-1,076	171
Non-Controlling Interest				236	352	441	462
<b>Total Net Assets</b>	<b>27,580</b>	<b>28,716</b>	<b>29,752</b>	<b>31,171</b>	<b>33,199</b>	<b>35,387</b>	<b>40,864</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>76,169</b>	<b>78,944</b>	<b>77,448</b>	<b>76,200</b>	<b>79,226</b>	<b>83,207</b>	<b>81,066</b>

Source: Prepared by Strategy Advisors

**Figure 8. Consolidated Cash Flow (¥ mn)**

<b>FY</b>	<b>3/18</b>	<b>3/19</b>	<b>3/20</b>	<b>3/21</b>	<b>3/22</b>	<b>3/23</b>	<b>3/24</b>
Income before Income Taxes and Others	2,463	3,509	4,317	3,238	4,430	5,579	8,415
Depreciation and Amortization	1,299	1,919	2,247	2,408	2,531	2,124	1,576
Amortization of Goodwill				45	90	90	45
Decrease (Increase) in Accounts Receivables	-4,297	-820	2,438	-1,653	-860	587	-476
Increase (Decrease) in Accounts Payable	3,084	-2,153	-74	-2,057	-621	1,817	-1,305
Decrease/(Increase) in Inventories	205	-1,265	-447	891	173	-4,188	2,333
Other Operating Cashflows	-986	-338	-456	-2,123	-183	-1,746	-5,634
<b>Cash Flows from Operating Activities</b>	<b>1,768</b>	<b>852</b>	<b>8,025</b>	<b>749</b>	<b>5,560</b>	<b>4,263</b>	<b>4,954</b>
Purchases of Property, Plant and Equipment	-3,103	-1,789	-917	-1,245	-1,061	-283	-424
Proceeds from Sales of Property, Plant and Equipment	1,400	2,193	1,297	791	908	266	3,934
Purchase of Intangible Assets	-688	-1,127	-1,258	-945	-812	-807	-522
Proceeds from Sales of Intangible Assets		451	314	255	290	52	158
Purchase of Investment Securities	-72	-89	-43	-38	-98	-24	-162
Proceeds from Sales of Investment Securities	60	238	413	113	765	741	1,249
Others	-67	263	186	-202	4	94	11,233
<b>Cash Flows from Investing Activities</b>	<b>-2,470</b>	<b>140</b>	<b>-8</b>	<b>-1,271</b>	<b>-4</b>	<b>39</b>	<b>15,466</b>
Net Increase (Decrease) in Borrowings	-1,825	166	-2,728	464	50	-514	-254
Repayment of Lease Obligations	-956	-1,248	-1,625	-1,590	-1,609	-1,318	-939
Acquisition of Treasury Stock	-757	0	0	-664	0	-5	-275
Proceeds from Disposal of Treasury Stock	2,970	59	113	854	215	283	385
Dividends Payments	-311	-527	-709	-1,093	-1,006	-932	-1,379
Dividends Paid to Non-Controlling Interests					-62	-124	-149
<b>Cash Flows from Financing Activities</b>	<b>-880</b>	<b>-1,551</b>	<b>-4,950</b>	<b>-2,029</b>	<b>-2,413</b>	<b>-2,612</b>	<b>-2,613</b>
Free Cash Flow	-702	992	8,017	-522	5,556	4,302	20,420

Source: Prepared by Strategy Advisors

**Figure 9: Stock Price and Capital Efficiency Indicators**

FY	3/18	3/19	3/20	3/21	3/22	3/23	3/24
<b>EPS (¥)</b>	<b>96.1</b>	<b>128.9</b>	<b>182.1</b>	<b>134.1</b>	<b>158.5</b>	<b>197.5</b>	<b>304.8</b>
<b>BPS (¥)</b>	<b>1,613</b>	<b>1,667</b>	<b>1,706</b>	<b>1,761</b>	<b>1,854</b>	<b>1,950</b>	<b>2,242</b>
<b>Dividend Per Share (¥)</b>	<b>29.0</b>	<b>39.0</b>	<b>55.0</b>	<b>46.0</b>	<b>48.0</b>	<b>61.0</b>	<b>90.0</b>
Dividend Payout Ratio	30.2%	30.3%	30.2%	34.3%	30.3%	30.9%	29.5%
<b>Share Price (¥)</b>	<b>874</b>	<b>851</b>	<b>1,100</b>	<b>1,657</b>	<b>1,480</b>	<b>1,563</b>	<b>2,336</b>
<b>PER (Times)</b>	<b>9.1</b>	<b>6.6</b>	<b>6.0</b>	<b>12.4</b>	<b>9.3</b>	<b>7.9</b>	<b>7.7</b>
<b>PBR (Times)</b>	<b>0.5</b>	<b>0.5</b>	<b>0.6</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>	<b>1.0</b>
Number of Shares Issued (1,000)	24,678	24,678	22,178	20,178	20,178	20,178	20,178
Number of Treasury Stock (1,000)	7,574	7,450	4,740	2,610	2,458	2,258	2,156
Number of Shares of Treasury Stock Excluded (1,000)	17,104	17,228	17,438	17,568	17,720	17,920	18,022
<b>Market Capitalization (¥ mn)</b>	<b>14,949</b>	<b>14,661</b>	<b>19,182</b>	<b>29,110</b>	<b>26,226</b>	<b>28,009</b>	<b>42,098</b>
Equity Ratio	36.2%	36.4%	38.4%	40.6%	41.5%	42.0%	49.8%
Interest-Bearing Debt (¥ mn)	14,841	16,875	13,260	12,847	12,505	10,991	10,189
D/E Ratio	0.54	0.59	0.45	0.42	0.38	0.31	0.25
Enterprise Value (¥ mn)	13,774	16,079	13,969	26,013	19,569	18,123	13,591
EBITDA (¥ mn)	3,838	5,237	6,704	5,656	6,634	7,333	8,060
EV/EBITDA (Times)	3.6	3.1	2.1	4.6	2.9	2.5	1.7
<b>ROE</b>	<b>5.9%</b>	<b>7.9%</b>	<b>10.8%</b>	<b>7.7%</b>	<b>8.8%</b>	<b>10.4%</b>	<b>14.5%</b>
ROIC (Capital Invested)	3.9%	4.6%	7.4%	5.5%	5.7%	7.1%	7.5%
ROIC (Business Assets)	6.7%	7.7%	11.7%	8.5%	9.2%	12.2%	17.5%
<b>Number of Employees</b>	<b>2,286</b>	<b>2,336</b>	<b>2,359</b>	<b>2,408</b>	<b>2,382</b>	<b>2,328</b>	<b>2,094</b>

Source: Prepared by Strategy Advisors

**Figure 10: Quarterly Performance**

FY	3/22		3/23		3/24				
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Total sales</b>	<b>38,375</b>	<b>24,609</b>	<b>30,437</b>	<b>27,499</b>	<b>41,354</b>	<b>28,128</b>	<b>32,759</b>	<b>32,126</b>	<b>31,843</b>
(YoY change)	-4.4%	-0.9%	7.6%	-1.2%	7.8%	14.3%	7.6%	16.8%	-23.0%
<b>Information Network Solutions Services</b>	<b>31,745</b>	<b>17,851</b>	<b>22,668</b>	<b>19,935</b>	<b>33,451</b>	<b>20,445</b>	<b>25,208</b>	<b>25,026</b>	<b>31,844</b>
(YoY change)	-6.5%	-2.9%	4.7%	-3.0%	5.4%	14.5%	11.2%	25.5%	-4.8%
<b>Equipment</b>	<b>15,832</b>	<b>5,540</b>	<b>9,154</b>	<b>6,228</b>	<b>17,021</b>	<b>7,172</b>	<b>10,779</b>	<b>11,156</b>	<b>15,818</b>
(YoY change)	-7.0%	-8.1%	16.3%	-15.8%	7.5%	29.5%	17.8%	79.1%	-7.1%
<b>Development &amp; Construction Services</b>	<b>4,668</b>	<b>2,575</b>	<b>3,429</b>	<b>2,777</b>	<b>5,059</b>	<b>2,687</b>	<b>3,813</b>	<b>3,915</b>	<b>4,371</b>
(YoY change)	-11.5%	4.1%	-8.3%	-23.3%	8.4%	4.3%	11.2%	41.0%	-13.6%
<b>Electronic Device</b>	<b>11,244</b>	<b>9,734</b>	<b>10,086</b>	<b>10,930</b>	<b>11,371</b>	<b>10,584</b>	<b>10,617</b>	<b>9,955</b>	<b>11,655</b>
(YoY change)	-3.4%	-1.4%	0.5%	14.6%	1.1%	8.7%	5.3%	-8.9%	2.5%
<b>Gross profit</b>	<b>7,498</b>	<b>4,527</b>	<b>5,951</b>	<b>5,132</b>	<b>8,568</b>	<b>5,346</b>	<b>6,436</b>	<b>6,527</b>	<b>6,999</b>
(Gross profit margin ratio)	19.5%	18.4%	19.6%	18.7%	20.7%	19.0%	19.6%	20.3%	22.0%
<b>SG&amp;A</b>	<b>4,824</b>	<b>4,730</b>	<b>4,727</b>	<b>4,746</b>	<b>4,857</b>	<b>4,648</b>	<b>4,793</b>	<b>4,930</b>	<b>4,498</b>
<b>Operating Profit</b>	<b>2,673</b>	<b>-202</b>	<b>1,223</b>	<b>386</b>	<b>3,711</b>	<b>698</b>	<b>1,643</b>	<b>1,597</b>	<b>2,501</b>
(YoY change)	-8.7%	NM	15.4%	-28.7%	38.8%	NM	34.3%	313.7%	-32.6%
(Operating Profit Margin)	7.0%	-0.8%	4.0%	1.4%	9.0%	2.5%	5.0%	5.0%	7.9%
<b>Information Network Solution Services</b>	<b>2,533</b>	<b>-392</b>	<b>913</b>	<b>119</b>	<b>3,515</b>	<b>472</b>	<b>1,458</b>	<b>1,493</b>	<b>2,502</b>
<b>Electronic Devices</b>	<b>139</b>	<b>179</b>	<b>304</b>	<b>257</b>	<b>214</b>	<b>216</b>	<b>176</b>	<b>95</b>	<b>0</b>
<b>Elimination or Corporate</b>	<b>0</b>	<b>10</b>	<b>5</b>	<b>11</b>	<b>-18</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>0</b>
<b>Non-Operating Income (Loss)</b>	<b>8</b>	<b>93</b>	<b>40</b>	<b>102</b>	<b>2</b>	<b>-25</b>	<b>45</b>	<b>34</b>	<b>-8</b>
<b>Recurring Profit</b>	<b>2,682</b>	<b>-109</b>	<b>1,263</b>	<b>488</b>	<b>3,713</b>	<b>673</b>	<b>1,688</b>	<b>1,631</b>	<b>2,494</b>
(YoY change)	-8.8%	NM	16.4%	-29.3%	38.4%	NM	33.7%	234.2%	-32.8%
(Recurring Profit Margin)	7.0%	-0.4%	4.1%	1.8%	9.0%	2.4%	5.2%	5.1%	7.8%
<b>Extraordinary Income/Loss</b>	<b>171</b>	<b>-1</b>	<b>-3</b>	<b>0</b>	<b>229</b>	<b>0</b>	<b>1,816</b>	<b>-7</b>	<b>120</b>
<b>Pretax Profit</b>	<b>2,854</b>	<b>-111</b>	<b>1,260</b>	<b>489</b>	<b>3,941</b>	<b>673</b>	<b>3,504</b>	<b>1,624</b>	<b>2,614</b>
<b>Income Taxes</b>	<b>943</b>	<b>-13</b>	<b>362</b>	<b>157</b>	<b>1,338</b>	<b>172</b>	<b>1,000</b>	<b>305</b>	<b>1,291</b>
<b>Net Income</b>	<b>1,910</b>	<b>-97</b>	<b>896</b>	<b>333</b>	<b>2,602</b>	<b>501</b>	<b>2,504</b>	<b>1,319</b>	<b>1,323</b>
<b>Net Income to Minority Interests</b>	<b>54</b>	<b>49</b>	<b>50</b>	<b>59</b>	<b>55</b>	<b>52</b>	<b>47</b>	<b>37</b>	<b>34</b>
<b>Net income to Owners of the parent</b>	<b>1,857</b>	<b>-147</b>	<b>847</b>	<b>273</b>	<b>2,548</b>	<b>448</b>	<b>2,458</b>	<b>1,281</b>	<b>1,290</b>

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