

Orders Are Extremely Strong. The Effect of Changes in the External Environment & Strengthening of the Organizational Structure Are Becoming Apparent

The Q1 (Jan-March) FY12/2025 (disclosed on May 13th) showed a significant decrease in profits, with sales of ¥4.78 billion (down 3.3% YoY) and operating profit of ¥220 million (down 47.5% YoY). In addition to a slight decrease in sales due to the timing of some projects being delayed, there was an increase in sales and administrative expenses (up ¥50 million) due to changes in the scope of consolidation related to M&A and an increase in goodwill amortization (up ¥40 million), thereby pushing down operating profit. The business environment, especially for the company's main business, VAD, has been extremely favorable and orders received in the Q1 were ¥5.99 billion (up 51.0% YoY).

By business, VAD sales fell 18.2%, but the gross profit margin was 27.5%, showing a significant improvement in profitability YoY. There are several factors behind the improvement in profitability, including the fact that some low-profit projects in the same period last year have been resolved; and the progress in improving profitability, mainly for Juniper, Ruckus and other main products. In addition, the company has been reducing maintenance costs and has begun price revision negotiations with customers. Strategy Advisors believes that one of the reasons the company's valuation has remained low compared to its competitors is its low profitability. We believe that the fact that the company is making progress in leveraging its mainstay VAD business is a positive factor for the stock price.

The stock price fell sharply following the announcement in February of a review of shareholder benefits, but has since recovered. This year, there is a possibility that an increase in individual investors will invest in the company again toward the end of June in order to fulfill the conditions for continued ownership of the benefits. In addition, given the orders received in the Q1, the Q2 results are expected to be solid, so Strategy Advisors believe that the stock price may remain relatively solid over the next few months.

In addition to the dividend yield of 2.6%, capital gains are also expected as fundamentals improve, so this fiscal year's performance trends will be worth keeping an eye on.

Stock Price & Trading Volumes (Past Year)



Source: Strategy Advisors

Key Indicators

Stock Price (5/26/25)	505
Year-to-Date High (2/13/25)	669
Year-to-Date Low (4/7/25)	414
52-Week High (9/2/24)	679
52-Week Low (4/7/25)	414
Shares on Issue (mn)	31.6
Market Capitalization (¥ bn)	16.0
EV (¥ bn)	14.1
Equity Ratio (12/24 Actual, %)	22.3
PER (12/25 CoE, Times)	22.6
PBR (12/24 Actual, Times)	6.7
Dividend Yield (12/25 CoE, %)	2.6

Source: Strategy Advisors

Japanese GAAP - Consolidated

FY	Sales (¥ mn)	YoY Change (%)	Operating Income (¥ mn)	YoY Change (%)	Ordinary Income (¥ mn)	YoY Change (%)	Net Income (¥ mn)	YoY Change (%)	EPS (¥)	DPS (¥)
12/2024 Q1	4,953	8.6	430	3.0	813	97.4	539	94.2	16.0	-
12/2025 Q1	4,788	-3.3	226	-47.4	243	-70.1	140	-74.0	4.4	-
12/2021	12,039	9.5	639	-24.3	686	-21.5	455	-28.2	13.0	5.3
12/2022	13,623	13.2	906	41.8	1,051	53.2	743	63.3	21.2	6.0
12/2023	17,443	28.0	1,086	19.9	1,015	-3.4	661	-11.0	6.3	10.0
12/2024	18,717	7.3	720	-33.7	1,060	4.4	507	-23.3	15.6	11.0
12/2025 CoE	22,500	20.2	1,260	75.0	1,260	18.9	701	38.3	22.2	13.0

Source: Company Data. Compiled by Strategy Advisors.

1. FY12/25 Q1 Financial Results Summary

Q1 Earnings Show a Big Drop in Profits. But Orders Are Strong, so there is No Need for Concern

The Q1 (January-March) FY12/2025 (disclosed on May 13th) showed a large decrease in profits, with sales of ¥4.78 billion (down 3.3% YoY) and operating profit of ¥220 million (down 47.5% YoY). In addition to a slight decrease in sales due to the timing of some projects being delayed, an increase in selling and administrative expenses (up ¥50 million) and an increase in goodwill amortization (up ¥40 million) due to changes in the scope of consolidation related to M&A pushed down operating profits.

Backlog of Orders is at an All-Time High

At first glance, it seems like a tough start with a large decrease in profits, but projects are becoming larger than ever before, with some system delivery projects spanning half a year or even a year, and quarterly performance fluctuating depending on the inspection period. The business environment is also extremely favorable, especially for the company's main business, VAD. Orders received in the Q1 were ¥5.99 billion (up 51.0% YoY), a significant increase; and the backlog of orders is also at an all-time high, which is expected to be recorded as sales from the Q2 (April to June). Looking at the 1H of the year (January to June), progress is expected to be in line with the company's plan, so there is no need for excessive concern.

Orders Are Trending Favorably Thanks to a Combination of External Environment and Internal Efforts

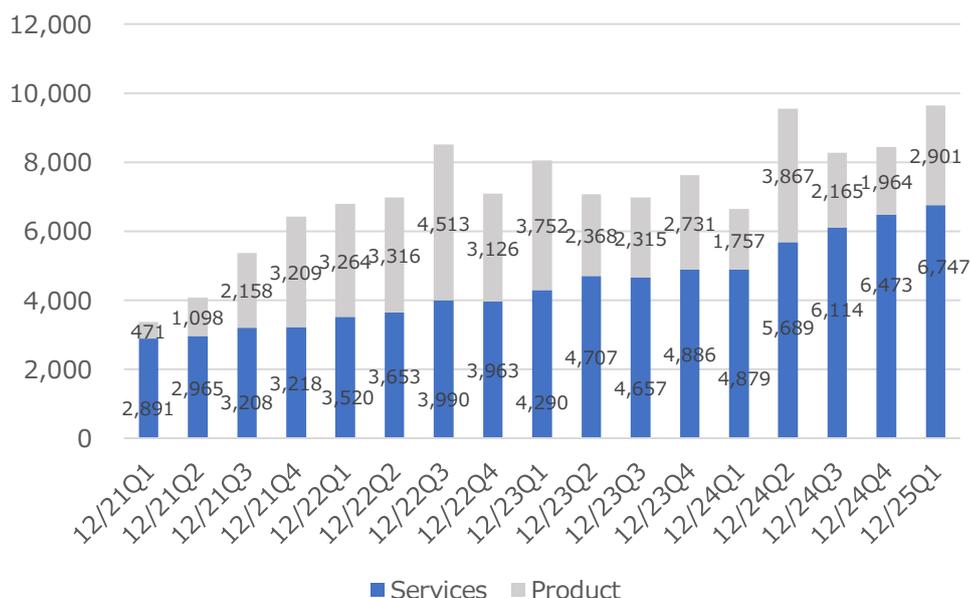
The reasons for the strong orders include: 1) extremely strong demand for network-related infrastructure, resulting in strong demand for RUCKUS and Juniper Networks products; 2) as the US Department of Justice has filed a lawsuit against Hewlett Packard Enterprise (USA) for possible antitrust violations in its acquisition of Juniper Networks (USA), reported in January 2024, some distributors have become reluctant to handle Juniper Networks products, resulting in an increase in orders for the Segue Group.

The Company is also Hopeful of Receiving Orders from Q2 Onwards

Thirdly, the effects of the executive personnel changes made in 2024 in an effort to rejuvenate the company are becoming apparent, with the company being able to secure orders than before.

Strategy Advisors highly evaluate the company's management efforts, not only in terms of the impact of the external environment, but also in terms of the results of internal efforts such as organizational strengthening, which are becoming apparent. In addition, large orders are expected to come in from the Q2 onwards, so the performance trends for this fiscal year will be worth watching.

Figure 1. Changes in Backlog of Orders



Source: Company Data

2. Progress of Each Project

VAD Has Seen a Significant Improvement in Profitability

By business, VAD sales fell 18.2%, but the gross profit margin was 27.5%, showing a significant improvement in profitability YoY. The reasons for the improvement in profitability include 1) the fact that some low-profit projects were recorded in the previous year, 2) the above-mentioned factors made some distributors reluctant to handle Juniper Networks, which led to an increase in Segue Group's handling share and the success of price negotiations such as volume discounts and 3) the company has been reducing costs for maintenance and has begun price revision negotiations with customers.

Strategy Advisors believe that one of the reasons why the company's valuation remained low compared to its competitors was its low profitability and that the fact that the company's mainstay VAD business is being shored up is a positive factor for the stock price.

Large-Scale Orders Are Expected to Be Received from Q2 Onwards

The company is currently receiving favorable inquiries and is expecting to receive orders for large projects from central government ministries and agencies from the Q2 onward. In addition, the company is also expected to receive orders for relatively profitable large projects related to products from Extreme Networks (USA), which it is focusing on as its main product going forward, so future performance trends will be closely watched.

SI was Generally as Expected

The SI business saw a large increase in sales due to the recording of large infrastructure projects for universities and other institutions, but profitability declined. The company has received orders for large projects from private companies and sales are expected to be recorded from the Q2 onwards. Looking at the full year, it can be said that progress is expected to be as expected.

In-House Development: Revoworks ZONE is Expected to Have an Impact on Business Results from the 3rd Quarter Onwards

In-House development got off to a somewhat sluggish start due to the falloff of large projects and the shift of some services to cloud-based services. RevoWorks ZONE, which went on sale in April of this fiscal year, is receiving strong inquiries. As it will take some time for this to contribute to sales, the company expects results to appear in earnings from the Q3 (July to September).

Segue Security Continues to Invest in The Frontline

Segue Security is progressing as expected and is nearing the breakeven point for monthly services and so is in a position to increase profitability in the future. However, the company plans to continue with upfront investments, mainly in recruitment and to strengthen its organization. In other news, the company announced that it will begin offering managed EDR services for Acronis services (from January 2025). This is a good example of how upfront investment in SOC has led to the diversification of its service menu.

Overseas: The Earthquake in Myanmar Resulted in a Sluggish Start

Overseas, sales increased significantly due to the consolidation of First One Systems, but the performance appears to have been weaker than the company's expectations. The background to this is that some customers were unable to carry out their work due to the impact of the earthquake that occurred in Myanmar (March 28th), and therefore inspections of projects did not progress smoothly. As this business is expected to be a new growth driver, it got off to a somewhat sluggish start, but we would like to hope for a recovery in the future.

With the Listing of the Capital Business Partner, Segue is in a Position of Having Double-Digit Billion Yen of Unrealized Gains

Another topic that is not related to each business is the listing (March 27th) of ZenmuTech (338A, TSE Growth), a capital and business partner. Segue Group is a major shareholder holding 9.13% of the total issued shares; and as a result of the large increase in the stock price after the listing, it appears to be holding unrealized gains in the double-digit billion-yen range.

The lock-up period is six months, so the company cannot sell the shares immediately, but this can be said to have been a positive surprise for the company in the sense that it now has more options for mid-term financing.

Figure 2. Quarterly Financial Results (¥ mn, %)

FY	FY12/23		FY12/24		FY12/23		FY12/25		
	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	
Net Sales	4,561	4,497	4,353	4,032	4,954	3,457	5,506	4,801	4,788
(YoY)	36.6%	68.7%	37.5%	-9.5%	8.6%	-23.1%	26.5%	19.1%	-3.4%
VAD	2,531	2,033	2,129	2,273	2,838	1,908	1,884	2,944	2,321
(YoY)	58.7%	49.5%	64.5%	9.1%	12.1%	-6.2%	-11.5%	29.5%	-18.2%
SI	1,881	2,196	1,975	1,523	1,823	1,293	2,727	1,162	1,986
(YoY)	20.3%	112.2%	30.7%	-27.2%	-3.1%	-41.1%	38.1%	-23.7%	9.0%
In-House Development	150	267	248	237	293	257	263	271	247
(YoY)	-17.1%	-1.4%	-31.2%	-14.5%	95.9%	-3.9%	6.2%	14.6%	-15.7%
Overseas	-	-	-	-	-	-	631	423	233
(YoY)	-	-	-	-	-	-	-	-	86.4%
Gross Profit	1,091	993	1,038	1,002	1,213	914	1,261	1,204	1,134
(Gross Profit Margin)	23.9%	22.1%	23.8%	24.9%	24.5%	26.4%	22.9%	25.1%	23.7%
·VAD	564	402	450	340	612	417	534	643	638
(Gross Profit Margin)	22.3%	19.8%	21.1%	15.0%	21.6%	21.9%	28.3%	21.8%	27.5%
·SI	445	355	387	478	407	354	409	278	304
(Gross Profit Margin)	23.6%	16.2%	19.6%	31.4%	22.3%	27.4%	15.0%	23.9%	15.3%
·In-House Development	82	235	202	183	195	142	109	151	120
(Gross Profit Margin)	54.9%	88.1%	81.3%	77.3%	66.6%	55.3%	41.3%	55.7%	48.6%
Overseas	-	-	-	-	-	-	210	132	71
(Gross Profit Margin)	-	-	-	-	-	-	33.3%	31.3%	30.5%
SG&A	673	783	737	845	783	997	972	1,120	908
Ordinary Profit	418	210	302	156	431	-84	289	84	226
(YoY)	85.8%	100.0%	24.8%	-53.3%	3.1%	-140.0%	-4.3%	-46.2%	-47.6%
(Operating Profit Margin)	9.2%	4.7%	6.9%	3.9%	8.7%	-2.4%	5.2%	1.7%	4.7%

Source: Company Data

3. Stock Price Trends and Valuations

After the Announcement of a Review of Benefits, the Stock Price Fell, but Has Since Remained Firm

The stock price fell when the company announced a review of shareholder benefits in February, but has since been recovering. The company's stock price also temporarily fell along with the decline in the index due to the impact of Trump's tariffs, but it has since started to rise; and it seems that the dividend yield is supporting the stock price during the decline in stock prices.

The Next Few Months Will Be Strong

Furthermore, there is a possibility that an increase in individual investors will reinvest in the company toward the end of June this year in order to fulfill the conditions for continued holding of the benefits. In addition, given the orders received in the Q1, the Q2 results are expected to be solid. Strategy Advisors believe that the stock price may remain relatively solid over the next few months.

The PER Based on CoE for this Fiscal Year is 23x. It Does Not Seem Overvalued

The PER based on the results for FY12/2024 is 31.2x, but the PER based on the company's forecast for FY12/2025 is about 23x, so it does not feel overpriced. Considering the dividend yield of about 2% to 3%, in addition to income gains, capital gains that incorporate the fundamentals of this fiscal year are also at a level that can be fully expected.

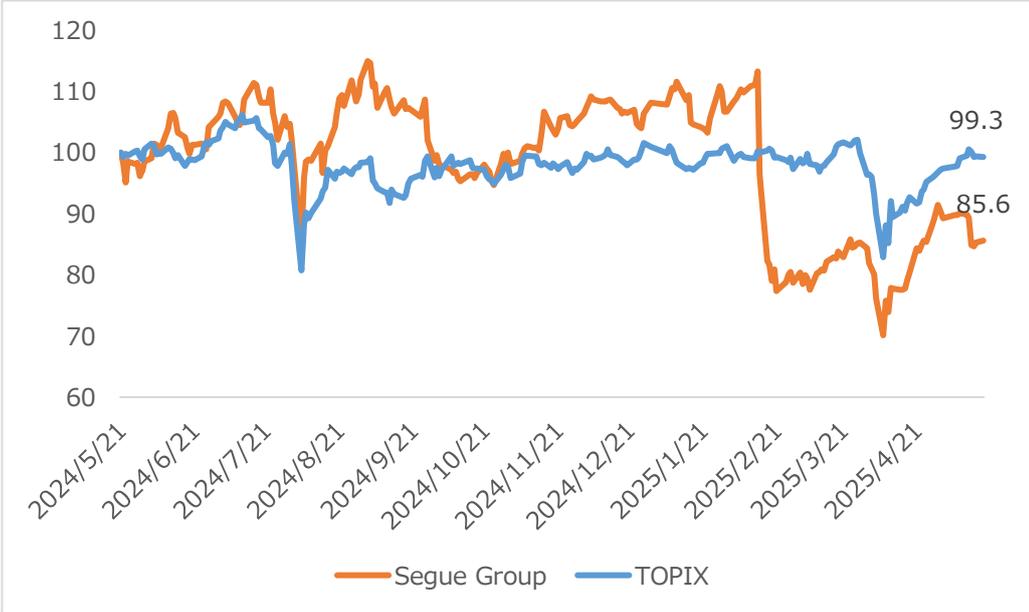
Among Competitors, There Are Companies with PBR of >10x

In addition to investing in growth, primarily through M&A, the company is also proactive in returning profits to shareholders, and as business performance expands, it is expected that ROE will rise further. The current PBR is over 5.0x, which is a relatively high valuation for a system integrator, but since some of its competitors have PBR of over 10x, it is believed that there is still room for valuations to rise.

We Expect the Company to Continue to Thoroughly Manage its Business with an Awareness of Stock Prices and Capital Costs

The company's fundamentals are extremely favorable and it is looking to maintain its listing on the Prime Market. We expect the company to continue to thoroughly manage its business with an awareness of share price and capital costs, while also considering the balance between growth in investments and shareholder returns as it expands its business.

Figure 3. Relative Stock Price Chart



Source: SPEEDA

Note: Calculated based on the closing price on April 22,2025 as 100.

Figure 4. Comparative Valuations with Peers

Ticker	Company	FY	Stock Price (2/21)(¥)	Market cap (¥ mn)	PER (Times)	PBR (Times)	ROE (%)	EV/EBITDA (Times)	Dividend Yield (%)	Shareholder s' Equity Ratio(%)	Net D/E Ratio (Times)	Stock Price Change Over Past Year (%)	Stock Price Change Over Past 3 Years (%)
3968	Segue Group	12/2024	457	14,880	29.3	4.9	14.4	12.5	2.8	22.3	-0.5	-33.6	162.1
9719	SCSK	03/2024	3,763	1,177,349	29.3	3.9	14.1	14.1	1.9	64.1	-0.2	40.3	96.7
3697	SHIFT	08/2024	1,373	367,278	70.0	10.7	16.2	26.1	0.0	54.3	-0.3	-21.5	3.4
2327	NS Solutions	03/2024	4,115	753,053	29.7	3.0	11.1	14.7	1.8	63.2	-0.3	66.6	133.1
9749	FUJISOFT	12/2024	9,803	660,722	29.2	4.4	16.0	23.2	0.0	53.9	0.1	62.8	254.5
4722	Future	12/2024	1,784	170,065	15.3	2.8	19.3	8.2	2.6	60.3	-0.3	7.0	34.3
9682	DTS	03/2024	4,190	178,839	23.5	2.7	11.8	10.0	2.6	73.4	-0.6	9.3	53.7
2317	Systema	03/2024	350	149,058	16.7	3.2	20.0	9.4	3.4	70.5	-0.8	21.5	-9.3
3636	Mitsubishi Research Institute	09/2024	4,665	74,845	14.7	1.1	7.5	4.8	3.4	56.5	-0.4	-4.4	25.7
3762	TECHMATRIX	03/2024	2,167	96,471	24.8	4.0	17.4	8.5	1.5	25.4	-1.1	9.2	39.2
3844	COMTURE	03/2024	1,896	61,130	19.2	3.6	19.7	9.5	2.5	71.7	-0.7	-3.6	-31.4
5036	Japan Business Systems	09/2024	1,100	53,203	31.5	2.1	6.7	11.8	3.2	37.3	0.7	-16.5	NA
4413	baudroie	02/2024	5,070	81,294	64.5	18.0	29.6	47.2	0.0	67.1	-0.8	56.0	415.2
4687	TDC SOFT	03/2024	1,353	67,957	19.0	6.4	17.7	12.8	1.8	72.4	-0.7	30.7	144.9
4417	GLOBAL SECURITY EXPERTS	03/2024	5,080	38,828	47.4	15.3	37.7	32.8	0.8	37.2	0.2	-6.8	288.2
3915	TerraSky	02/2024	2,338	30,203	97.9	2.6	2.9	27.7	0.0	60.2	-0.5	56.4	63.7
3040	Soliton Systems	12/2024	1,100	21,713	11.6	1.6	14.8	2.5	4.7	52.7	-1.2	-20.1	-26.5
9600	I-NET	03/2024	1,939	31,494	13.3	1.5	11.7	6.3	2.9	53.4	0.1	-8.1	53.3
3857	LAC	03/2024	1,156	36,175	25.3	2.3	9.1	9.0	1.0	64.8	-0.3	57.1	54.8
4847	Intelligent Wave	06/2024	1,067	28,105	19.2	3.0	15.8	7.3	3.3	54.7	-0.5	-7.9	84.9
4662	Focus Systems	03/2024	1,062	17,303	11.3	1.2	10.7	5.8	3.6	63.9	-0.3	-4.9	18.1
3837	Ad-Sol Nissin	03/2024	2,142	20,124	20.6	2.8	14.0	10.1	2.8	71.5	-0.5	31.0	33.8
4434	Serverworks	02/2024	2,429	19,151	29.3	1.8	6.3	11.5	0.0	59.0	-0.6	-37.3	5.5

Source: SPEEDA. Compiled by Strategy Advisors.

Figure 5. Consolidated Statement of Income (¥ mn)

FY	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25 CoE
Total Sales	7,793	8,767	9,647	10,993	12,039	13,623	17,443	18,718	22,500
(YoY)	NM	12.5%	10.0%	14.0%	9.5%	13.2%	28.0%	7.3%	20.2%
VAD				5,280	5,262	6,332	8,966	9,574	
(YoY)				-	-0.3%	20.3%	41.6%	6.8%	
SI				5,127	6,169	6,203	7,576	7,005	
(YoY)				-	20.3%	0.6%	22.1%	-7.5%	
In-House Development				586	608	1,088	901	1,084	
(YoY)				-	3.7%	79.0%	-17.2%	20.3%	
Gross Profit	1,871	2,169	2,532	3,093	3,092	3,559	4,124	4,592	
(Gross Profit Margin)	24.0%	24.7%	26.2%	28.1%	25.7%	26.1%	23.6%	24.5%	
VAD				1,371	1,314	1,299	1,757	2,206	
(Gross Profit Margin)				26.0%	25.0%	20.5%	19.6%	23.0%	
SI				1,313	1,446	1,419	1,665	1,447	
(Gross Profit Margin)				25.6%	23.4%	22.9%	22.0%	20.7%	
In-House Development				409	332	842	702	597	
(Gross Profit Margin)				69.7%	54.6%	77.3%	77.9%	55.1%	
SG&A	1,489	1,685	1,983	2,249	2,453	2,653	3,038	3,872	
Operating Profit	382	484	548	844	639	906	1,086	720	1,260
(YoY)		26.7%	13.2%	54.0%	-24.3%	41.8%	19.9%	-33.7%	75.0%
(Operating Profit Margin)	4.9%	5.5%	5.7%	7.7%	5.3%	6.7%	6.2%	3.8%	5.6%
Non-Operating Income	58	20	17	32	55	204	22	450	
Non-Operating Expense	3	18	11	1	7	60	93	110	
Ordinary Profit	438	486	554	874	686	1,051	1,015	1,060	1,260
(YoY)		11.0%	14.0%	57.8%	-21.5%	53.2%	-3.4%	4.4%	18.9%
(Ordinary Profit Margin)	5.6%	5.5%	5.7%	8.0%	5.7%	7.7%	5.8%	5.7%	5.6%
Extraordinary Profit	28	70	65	66	56	189	0	269	
Extraordinary Loss	0	0	1	2	32	74	0	196	
Profit Before Income Taxes	466	556	619	938	710	1,165	1,015	1,133	
(YoY)		19.3%	11.3%	51.5%	-24.3%	64.1%	-12.9%	11.6%	
(Pre-Tax Profit Margin on Sales)	5.98%	6.34%	6.42%	8.53%	5.90%	8.55%	5.82%	6.05%	
Income Taxes	147	178	207	304	255	423	368	598	
(Effective Tax Rate)	31.55%	32.01%	33.44%	32.41%	35.92%	36.31%	36.26%	52.78%	
Profit	319	377	412	634	455	742	648	535	
Profit (Loss) Attributable to Non-Controlling Interests	0	0	0	0	0	-2	-13	27	
Profit Attributable to Owners of Parent	319	377	412	634	455	743	661	508	701
(YoY)		18.2%	9.3%	53.9%	-28.2%	63.3%	-11.0%	-23.1%	38.0%

Source: Company Data. Compiled by Strategy Advisors.

Figure 6. Key Financial Indicators

FY	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24
EPS (¥)	54.4	64.4	35.1	54.4	39.1	65.8	19.4	15.6
BPS (¥)	69	72	80	91	90	103	37	92
Dividend Per Share (¥)	0.00	1.66	3.33	5.33	5.33	6.00	10.00	11.00
Dividend Payout Ratio	0.0%	2.6%	9.5%	9.8%	13.6%	9.1%	51.4%	70.6%
Closing Price (¥)	332	246	305	453	259	272	309	639
PER (Times)	6.1	3.8	8.7	8.3	6.6	4.1	15.9	41.0
PBR (Times)	4.8	3.4	3.8	5.0	2.9	2.6	8.3	7.0
Shares on Issue ('000)	5,669	5,729	11,487	11,557	11,640	11,688	11,721	32,560
Treasury Stock ('000)	0	0	0	128	390	501	498	914
Number of Treasury Stocks Excluded ('000)	5,669	5,729	11,487	11,429	11,250	11,187	11,223	31,646
Market Capitalization	11,292	8,456	10,511	15,533	8,742	9,128	10,403	20,222
Shareholders' Equity Ratio	45.0%	45.8%	45.3%	44.1%	37.1%	32.6%	33.8%	22.3%
Interest-Bearing Debt Balance	59	0	18	10	502	1,130	850	2,311
D/E Ratio	0.03	0.00	0.01	0.00	0.16	0.31	0.21	0.76
EV (Enterprise Value)	9,811	6,805	8,359	13,838	7,914	7,179	7,824	18,617
EBITDA	495	592	683	1,003	806	1,055	1,281	1,026
EV/EBIDA	19.8	11.5	12.2	13.8	9.8	6.8	6.1	18.1
ROE	16.5%	15.8%	15.7%	21.3%	14.3%	21.6%	17.2%	14.4%
ROIC (Invested Capital)	11.4%	12.7%	13.0%	18.0%	11.2%	11.3%	14.8%	2.4%
ROIC (Business Assets)	45.1%	65.6%	80.8%	87.0%	37.7%	33.8%	51.8%	9.4%
Number of Employees	350	391	409	446	473	527	570	709

Source: Company Data. Compiled by Strategy Advisors.

Figure 7. Balance Sheet (¥ mn)

FY	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24
Cash and Deposits	1,469	1,663	2,181	1,727	1,352	2,990	3,358	3,909
Notes and Accounts Receivable - Trade	1,116	1,190	1,236	2,176	2,078	2,361	2,019	3,095
Inventories	769	686	640	822	2,377	3,104	2,848	1,688
Others	724	820	988	1,081	1,430	1,521	1,805	2,104
Current assets	4,079	4,359	5,044	5,807	7,237	9,976	10,029	10,796
Buildings and structures	13	15	28	33	42	45	99	105
Tools, Furniture and Fixtures	152	152	154	161	167	164	243	245
Others	1	1	9	1	1	40	35	28
Tangible Fixed Assets	166	168	190	195	209	248	377	377
Intangible Assets	35	219	302	241	166	258	263	1,575
Investment Securities	705	356	336	603	665	343	468	235
Others	170	248	274	346	348	427	694	649
Investments and Other Assets	875	604	610	949	1,013	770	1,162	885
Total Noncurrent Assets	1,075	991	1,102	1,385	1,389	1,276	1,802	2,837
Total Assets	5,154	5,350	6,146	7,192	8,625	11,252	11,831	13,633
Accounts Payable Trade	856	595	508	805	1,606	1,886	1,513	1,411
Current Portion of Long-Term Loans	0	0	0	8	502	288	274	632
Advances Received	1,110	1,620	2,079	2,184	2,473	3,138	4,018	4,874
Others	554	470	519	737	521	1,056	1,049	1,396
Current Liabilities	2,520	2,686	3,107	3,734	5,101	6,367	6,853	8,313
Long-Term Debt	0	0	10	2	0	805	544	1,653
Retirement Benefit Liability	132	147	176	201	223	246	260	360
Others	181	67	67	82	102	150	160	114
Noncurrent Liabilities	313	213	253	285	325	1,200	964	2,127
Total Liabilities	2,833	2,899	3,360	4,019	5,426	7,567	7,817	10,440
Capital Stock	498	506	507	511	515	517	526	533
Capital Surplus	271	278	280	283	287	290	297	0
Retained Earnings	1,143	1,520	1,875	2,394	2,666	3,229	3,520	2,833
Treasury Shares	0	0	0	-100	-303	-384	-382	-467
Total Shareholders' Equity	1,912	2,304	2,661	3,088	3,165	3,652	3,961	2,899
Accumulated Other Comprehensive Income	409	146	107	54	-21	-48	-22	83
Share Subscription Rights	0	0	18	31	55	63	64	61
Non-Controlling Interests	0	0	0	0	0	18	11	150
Total Net Assets	2,321	2,451	2,787	3,173	3,199	3,685	4,014	3,193
Total Liabilities and Net Assets	5,154	5,350	6,146	7,192	8,625	11,252	11,831	13,633

Source: Company Data. Compiled by Strategy Advisors.

Figure 8. Cash Flow (¥ mn)

FY	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24
Profit Before Income Taxes	466	556	619	938	710	1,165	1,015	1,133
Depreciation	85	98	112	134	143	125	152	177
Amortization of Goodwill	28	10	23	25	24	24	43	129
Decrease (Increase) in Notes and Accounts Receivable - Trade	93	-73	53	-941	98	-235	347	-834
Decrease (Increase) in Accounts Receivable	0	-10	-35	-124	-149	224	128	-98
Decrease (Increase) in Inventories	-467	83	52	-182	-1,555	-721	256	1,192
Decrease (Increase) in Advance Payments	-15	-168	-98	34	-19	-287	-384	-123
Increase (Decrease) in Notes and Accounts Payable - Trade	462	-261	-141	296	801	256	-376	-157
Increase (Decrease) in Advances Received	158	482	446	104	289	651	879	777
Others	-140	-281	-269	-122	-493	-77	-475	-442
Cash Flows from Operating Activities	670	435	761	164	-151	1,125	1,586	1,755
Increase/Decrease in Fixed Deposits	91	0	0	0	0	0	0	0
Purchase of Investment Securities	-109	-51	-35	-331	-194	-1	-121	-51
Proceeds from Sales of Investment Securities	30	80	93	70	61	379	0	223
Purchase of Property, Plant & Equipment	-100	-107	-83	-86	-111	-81	-227	-119
Purchase of Intangible Assets	-28	-129	-85	-11	-14	-13	-78	-44
Purchase of Subsidiary Share Capital Associated with a Change in the Scope of Consolidation	0	-72	-96	0	0	-195	0	-1,161
Payments into Long-Term Deposits	0	0	0	0	0	0	-169	169
Others	-12	-19	27	-43	3	-5	-64	-9
Cash Flows from Investing Activities	-127	-297	-179	-402	-255	84	-659	-991
Net Increase (Decrease) in Borrowings	-85	-39	-12	-8	492	595	-290	1,328
Proceeds from Issuance of Shares	30	15	3	7	8	5	3	0
Purchase of Treasury Shares	0	0	0	-100	-202	0	0	-1,279
Dividends Paid	0	0	-57	-115	-183	-180	-370	-328
Others	-40	-20	0	0	-98	35	-12	-55
Cash flows from financing activities	-95	-44	-66	-216	17	454	-669	-335
Free Cash Flow	543	138	582	-238	-406	1,209	927	764

Source: Company Data. Compiled by Strategy Advisors.

Figure 9. Quarterly Performance Trends (¥ mn)

FY	12/23				12/24				12/25
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net Sales	4,561	4,497	4,353	4,032	4,954	3,457	5,506	4,801	4,788
(YoY)	36.6%	68.7%	37.5%	-9.5%	8.6%	-23.1%	26.5%	19.1%	-3.4%
VAD	2,531	2,033	2,129	2,273	2,838	1,908	1,884	2,944	2,321
(YoY)	58.7%	49.5%	64.5%	9.1%	12.1%	-6.2%	-11.5%	29.5%	-18.2%
SI	1,881	2,196	1,975	1,523	1,823	1,293	2,727	1,162	1,986
(YoY)	20.3%	112.2%	30.7%	-27.2%	-3.1%	-41.1%	38.1%	-23.7%	9.0%
In-house Development	150	267	248	237	293	257	263	271	247
(YoY)	-17.1%	-1.4%	-31.2%	-14.5%	95.9%	-3.9%	6.2%	14.6%	-15.7%
Overseas	-	-	-	-	-	-	631	423	233
(YoY)	-	-	-	-	-	-	6.2%	14.6%	-15.7%
Gross Profit	1,091	993	1,038	1,002	1,213	914	1,261	1,204	1,134
(Gross Profit Margin)	23.9%	22.1%	23.8%	24.9%	24.5%	26.4%	22.9%	25.1%	23.7%
•VAD	564	402	450	340	612	417	534	643	638
(Gross Profit Margin)	22.3%	19.8%	21.1%	15.0%	21.6%	21.9%	28.3%	21.8%	27.5%
•SI	445	355	387	478	407	354	409	278	304
(Gross Profit Margin)	23.6%	16.2%	19.6%	31.4%	22.3%	27.4%	15.0%	23.9%	15.3%
•In-house Development	82	235	202	183	195	142	109	151	120
(Gross Profit Margin)	54.9%	88.1%	81.3%	77.3%	66.6%	55.3%	41.3%	55.7%	48.6%
Overseas	-	-	-	-	-	-	210	132	71
(Gross Profit Margin)	-	-	-	-	-	-	33.3%	31.3%	30.5%
SG&A	673	783	737	845	783	997	972	1,120	908
Operating Profit	418	210	302	156	431	-84	289	84	226
(YoY)	85.8%	100.0%	24.8%	-53.3%	3.1%	-140.0%	-4.3%	-46.2%	-47.6%
(Operating Profit Margin)	9.2%	4.7%	6.9%	3.9%	8.7%	-2.4%	5.2%	1.7%	4.7%
Non-Operating Income/Expenses	-6	-19	-5	-41	383	9	3	-55	17
Ordinary Profit	412	191	296	116	813	-73	290	30	244
(YoY)	49.8%	3.8%	17.0%	-65.8%	97.3%	-138.2%	-2.0%	-74.1%	-70.0%
(Ordinary Profit Margin)	9.0%	4.2%	6.8%	2.9%	16.4%	-2.1%	5.3%	0.6%	5.1%
Extraordinary Profit and Loss	0	0	0	0	0	0	12	244	0
Profit Before Income Taxes	412	191	296	116	813	-60	303	77	244
Income Taxes	143	69	107	49	268	43	115	172	109
Profit	269	122	189	68	545	-103	188	-95	134
Profit (Loss) Attributable to Non-Controlling Interests	-9	-7	0	3	6	2	7	12	-6
Profit Attributable to Owners of Parent	278	130	188	65	540	-106	181	-107	141

Source: Company Data. Compiled by Strategy Advisors.

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