Tsuzuki Denki Co. | 8157 (TSE Prime)

Company Report

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Strategy Advisors, Inc.
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FY3/2025 Results: Operating Income Reached a Record High for the Third Consecutive Fiscal Year. Achieved Profit Targets of the Mid-Term Business Plan 1-Year Ahead of Schedule. Upward Revision, as Strong Performance Continues

FY3/2025 results, net sales -21.3% YoY to ¥98.26 billion and operating income +0.6% YoY to ¥6.48 billion. In the Information Network Solution Services segment, which excludes the electronic devices business that were sold, sales were -4.2% YoY, while operating income was up +9.4% YoY. Although revenue decreased due to the absence of large-scale projects such as equipment purchases from the previous year, the company achieved its third consecutive record profit thanks to improvements in the cost ratio and a reduction in sales, general and administrative expenses. For FY3/26, the company has revised upward the initial operating profit target for the medium-term management plan, which does not take into account the sales of the electronic devices business, and they plan to substantially exceed this target. We expect this favorable performance to continue for the time being.

By business model, equipment sales were -10.3% due to the absence of large special procurement projects in the previous year. In the development/ construction business, sales were +3.5% due to strong acquisitions of network and system construction projects for the manufacturing and real estate industries. In services, sales were almost flat YoY due to solid performance in the six growth areas, despite YoY decline in the maintenance business.

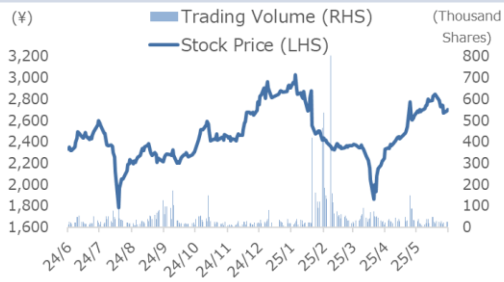
Sales in the six growth areas were +3% YoY to ¥12.3 billion. In addition to growth in security, for which demand is increasing, contact center sales were also solid, thanks to the use of AI to win large orders. Profitability is improving due to the addition of managed and security services.

In terms of profit, there were factors in reducing profits, such as a reactionary drop from the previous year's special demand in the equipment business and the occurrence of unprofitable projects; but there were cost reductions through pricing management and an improvement in the cost ratio due to productivity improvements. Profits increased due to a decrease in personnel costs resulting from an increase in the number of retirees.

The stock price has recovered since last December, reaching ¥3,025, the highest price since listing, on January 22; it declined following the release of the stock offering on February 6 and the announcement of the US tariff policies in early April, but has since been firm and recovered to around ¥2,700. The company's P/E ratio based on FY3/26 forecast is 10.9x and P/B ratio based on FY3/25 results are 1.1x, which are much lower than the industry average of 21.3x and 3.9x, respectively.

The company's valuation is low compared to its peers and we believe that its stock price does not reflect the fact that it has become a pure player in the ICT business. We believe that the key factors to watch for in terms of the stock price going forward are the extent to which the company gets on a growth trajectory in FY3/26 and beyond, whether it makes better use of cash, including through M&A, plus trends in shareholder returns.

Stock Price and Volumes



Source: Strategy Advisors

Key Indicators

Stock Price (6/17/25)	2,699
52-Week High (1/22/25)	3,025
52-Week Low (8/5/24)	1,785
All-Time High (1/22/25)	3,025
All-Time Low (11/19/02)	157
Shares on Issue (mn)	18.1
Market Capitalization (¥bn)	48.9
Equity Ratio (FY3/25 Actual, %)	11.3
ROE (FY3/25 Actual, %)	55.2
PER (FY3/26 CoE, Times)	10.9
PBR (FY3/25 Actual, Times)	1.1
Dividend Yield (FY3/26 CoE, %)	3.7

Source: Strategy Advisors

Japanese GAAP - Consolidated

FY	Net Sales (¥ mn)	YoY Change (%)	Operating Income (¥ mn)	YoY Change (%)	Ordinary Income (¥ mn)	YoY Change (%)	Net Income (¥ mn)	YoY Change (%)	EPS (¥)	DPS (¥)
FY3/2022	119,316	-0.6	4,012	25.3	4,227	25.8	2,798	19.3	158.0	48.0
FY3/2023	123,899	3.8	5,118	27.6	5,355	26.7	3,521	25.8	197.0	61.0
FY3/2024	124,856	0.8	6,439	25.8	6,486	21.1	5,477	55.6	304.8	90.0
FY3/2025	98,263	-21.3	6,481	0.6	6,596	1.7	4,764	-13.0	263.3	99.0
FY3/2026 CoE	102,500	4.3	6,700	3.4	6,750	2.3	4,500	-5.6	248.3	100.0

Source: Company Data. Created by Strategy Advisors.

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1. Full Year Results for FY3/2025

Operating Income and Ordinary Income Reached Record Highs for 3-Consecutive Fiscal Years

For FY3/2025, net sales were down -21.3% YoY to ¥98.26 billion, operating income was up +0.6% to ¥6.48 billion, ordinary income was +1.7% to ¥6.59 billion and net income attributable to owners of the parent decreased -13.0% to ¥4.76 billion. Although net sales decreased due to the sales of the electronic devices business in Q4 FY3/24, operating income and ordinary income reached record highs for the third consecutive quarter due to cost reductions and SG&A expense reductions. Net income decreased due to the absence of ¥1.85 billion gains on sales of fixed assets recorded in FY3/24 (Figure 1).

Figure 1: Summary of FY3/25 Financial Results

(¥ mn)

	FY3/24 Results (A)	FY3/25 Forecast (B)	**FY3/25 Results (C)**	Achievement (C)/(B)
Sales	124,856	103,000	**98,263**	95.4%
YoY	0.8%	-17.5%	**-21.3%**	
Operating Income	6,439	6,250	**6,481**	103.7%
YoY	25.8%	-2.9%	**0.6%**	
Ordinary Income	6,486	6,250	**6,596**	105.5%
YoY	21.1%	-3.7%	**1.7%**	
Net Income	5,477	4,100	**4,764**	116.2%
YoY	55.6%	-25.1%	**-13.0%**	

Source: Company Data. Created by Strategy Advisors.

Operating Income +9.4% Excluding the Impact of the Sale of the Electronic Devices Business

Because of the impact of the sale of the electronic devices business in Q4 of FY3/24, a comparison of the information network solution services business (hereafter "information Network Solutions Business") is shown in Figure 2. Net sales were down -4.2% YoY, while operating income rose +9.4% YoY. The initial forecast for the information Network Solutions Business was for sales of ¥103.0 billion (+0.5% YoY) and operating income of ¥6.25 billion (+5.5% YoY). While the company achieved only 95.4% of its sales target, it exceeded its operating income target by 103.7%.

Sales Of Equipment Decreased Due to the Absence of Large Special Procurement Projects. Sales Increased Due to Strong Project Wins in Development/Construction

By business model, equipment sales declined 10.3% due to the absence of large special procurement projects from the previous year. In the development/construction business, sales were +3.5% due to strong acquisitions of network and system construction projects for the manufacturing and real estate industries. In services, sales were almost flat YoY due to strong sales in the six growth areas, although sales in the maintenance business were down YoY.

Figure 2: Summary of FY3/25 Financial Results (Information Network Solutions Business)

(¥ mn)	FY3/24 Results	FY3/25 CoE	**FY3/25 Results**	FY3/25 Q1 Results	FY3/25 Q2 Results	FY3/25 Q3 Results	FY3/25 Q4 Results	FY3/26 Medium-Term Initial Target	**FY3/26 Revised Medium-Term Targets**
Sales	102,523	103,000	**98,263**	18,771	23,071	23,456	32,965	102,200	**102,500**
YoY	9.2%	0.5%	**-4.2%**	-8.2%	-8.5%	-6.3%	3.5%	–	**4.3%**
Equipment	44,925	–	**40,320**	5,455	8,794	9,668	16,403	–	**–**
YoY	18.4%		**-10.3%**	-23.9%	-18.4%	-13.3%	3.7%		
Development & Construction	14,786	–	**15,310**	2,590	3,900	3,610	5,210	–	**–**
YoY	6.8%		**3.5%**	-3.6%	2.3%	-7.8%	19.2%		
Service	42,811	–	**42,632**	10,725	10,377	10,178	11,352	–	**–**
YoY	1.6%		**-0.4%**	1.3%	-2.3%	2.2%	-2.6%		
Operating Income	5,925	6,250	**6,481**	1	1,393	1,006	4,081	5,500	**6,700**
YoY	42.6%	5.5%	**9.4%**	-99.8%	-15.2%	-37.0%	63.2%	–	**3.4%**

Note: For comparative purposes, only the Information Networks business is shown due to the sale of Electronic Devices business in Q4 of FY3/24.

Source: Company Data. Created by Strategy Advisors.

The factors behind the increase in profit are shown in Figure 3. Whilst a reactionary drop from the previous year's special demand in the equipment business was a factor in the ¥940 million decrease in profit, there was a ¥1.04 billion improvement in the cost ratio due to cost reductions through pricing management and productivity improvements. The combination of business unit-based management and branch office-based management has resulted in cost reductions, mainly in Q4. Despite the negative impact of two unprofitable projects, a decrease in SG&A expenses was a factor in the ¥610 million increase in profit. SG&A expenses were significantly affected by a decrease in personnel expenses due to an increase in the number of retirees. Despite the decrease in personnel, the company was able to increase profits by improving productivity.

Figure 3: Factors Behind the Changes in Operating Income for FY3/25

Source: Company data

Accelerating Collaboration

FY3/25 was characterized by the acceleration of collaboration. The objective of the existing areas is to capture the benefits of scale and complement each other's products and areas; while the growth areas are to complement and capture technologies, products and solutions. As shown in Figure 4, steady progress is being made; in particular, in each of the six growth areas, which are expected to contribute to future performance.

Figure 4: Progress of Collaboration in FY3/25

	Themes	Partner and details	
Existing	Strengthening business foundations ■ Strengthening channels, customer base, and product capabilities ■ Improving operational efficiency	Daiwabo Information System Co., Ltd.	Entered into business alliance agreements
Six growth areas	1 Contact Center System	Salesforce Japan Co.,Ltd.	Started collaboration with Service Cloud Voice
		Microsoft Japan Co.,Ltd	Launched service using OpenAI's speech recognition model Whisper
	2 Cloud Communication	Nextgen, Inc.	Signed sales agreement for CPaaS platform
	3 Managed Services	Sciseed Inc.	Launched sAI Search and sAI Chat
	4 Security	GLOBAL SECURITY EXPERTS Inc. CROSS HEAD Co., Ltd. Net One Partners Co., Ltd.	Launched OT Security & Network Pack
	5 DX Consulting	Penetrate of Limits Co.,Ltd.	Started handling "amie," a generative AI internal document search service
	6 Market-specific DX Services	Ascend Co.,ltd	Signed agency agreement to expand sales collaboration
		Sealnet Co,Ltd LYNA LOGICS, Inc.	Began collaboration to realize logistics DX

Source: Company Data.

In Addition to the Usual Seasonal Factors, Sales in Q4 FY3/25 will be Strong in Anticipation of the end of Windows 10 Support in October 2025

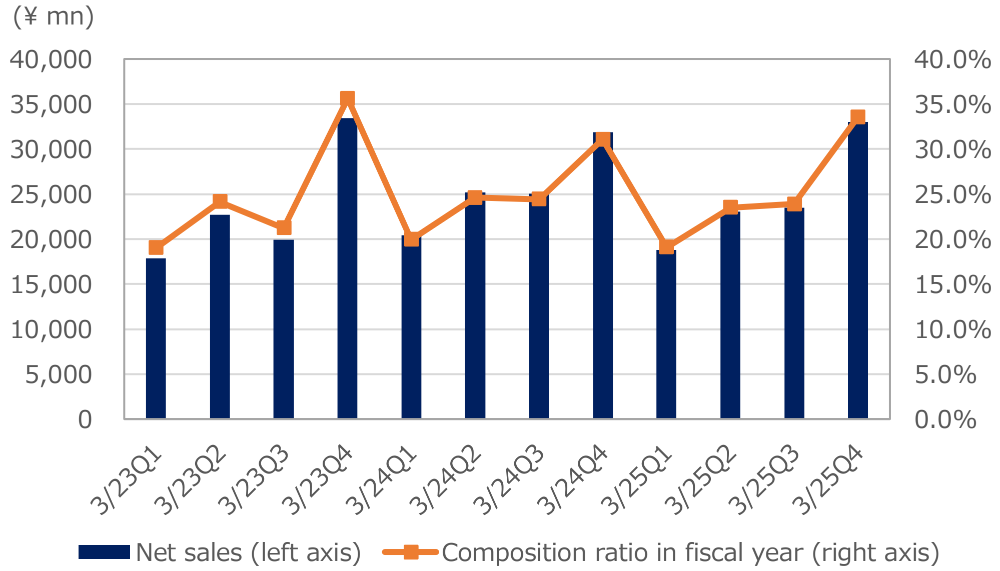
The company's quarterly results are shown in Figure 5. Many of the company's customers concentrate their budget execution and inspections at the end of the fiscal year, so the company's sales tend to increase in Q4 (Figure 6). Sales in Q4 of FY3/25 increased +3.5% YoY and operating income increased +63.2%, showing a particularly strong trend. As support for "Windows 10" will end in October 2025 (EOS: End of Support), as seen in Figure 5, equipment sales are increasing at the current rate. This trend is expected to continue through the first half of FY3/26.

Figure 5: Quarterly Performance Trends

FY	3/24				3/25			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total Sales	**28,128**	**32,759**	**32,126**	**31,843**	**18,771**	**23,071**	**23,456**	**32,965**
(YoY Change)	14.3%	7.6%	16.8%	-23.0%	-33.3%	-29.6%	-27.0%	3.5%
Information Network	**20,445**	**25,208**	**25,026**	**31,844**	**18,771**	**23,071**	**23,456**	**32,965**
(YoY Change)	14.5%	11.2%	25.5%	-4.8%	-8.2%	-8.5%	-6.3%	3.5%
Equipment	**7,172**	**10,779**	**11,156**	**15,818**	**5,455**	**8,794**	**9,668**	**16,403**
(YoY Change)	29.5%	17.8%	79.1%	-7.1%	-23.9%	-18.4%	-13.3%	3.7%
Development & Construction	**2,687**	**3,813**	**3,915**	**4,371**	**2,590**	**3,900**	**3,610**	**5,210**
(YoY Change)	4.3%	11.2%	41.0%	-13.6%	-3.6%	2.3%	-7.8%	19.2%
Services	**10,584**	**10,617**	**9,955**	**11,655**	**10,725**	**10,377**	**10,178**	**11,352**
(YoY Change)	8.7%	5.3%	-8.9%	2.5%	1.3%	-2.3%	2.2%	-2.6%
Electronic Devices	**7,683**	**7,550**	**7,100**	**-**	**-**	**-**	**-**	**-**
(YoY Change)	13.7%	-2.8%	-6.1%	-	-	-	-	-
Gross Profit	5,346	6,436	6,527	6,999	4,114	5,413	5,074	8,064
(Gross Margin)	19.0%	19.6%	20.3%	22.0%	21.9%	23.5%	21.6%	24.5%
SG&A	4,648	4,793	4,930	4,498	4,113	4,020	4,068	3,982
Operating Income	**698**	**1,643**	**1,597**	**2,501**	**1**	**1,393**	**1,006**	**4,081**
(YoY Change)	NM	34.3%	313.7%	-32.6%	-99.9%	-15.2%	-37.0%	63.2%
(Operating Margin)	2.5%	5.0%	5.0%	7.9%	0.0%	6.0%	4.3%	12.4%
Information Network	**472**	**1,458**	**1,493**	**2,501**	**1**	**1,393**	**1,006**	**4,081**
(Operating Margin)	2.3%	5.8%	6.0%	7.9%	0.0%	6.0%	4.3%	12.4%
Electronic Devices	**216**	**176**	**95**	**-**	**-**	**-**	**-**	-
(Operating Margin)	2.8%	2.3%	1.3%	-	-	-	-	-
Elimination or Corporate	9	9	9	-	-	-	-	-
Non-Operating Income (Loss)	-25	45	34	-8	41	53	26	-6
Ordinary Income	**673**	**1,688**	**1,631**	**2,494**	**41**	**1,447**	**1,032**	**4,076**
(YoY Change)	NM	33.7%	234.2%	-32.8%	-93.9%	-14.3%	-36.7%	63.4%
(Ordinary Margin)	2.4%	5.2%	5.1%	7.8%	0.2%	6.3%	4.4%	12.4%
Extraordinary Income	0	1,816	-7	120	31	-6	0	227
Pretax Profit	673	3,504	1,624	2,614	72	1,440	1,032	4,304
Income Taxes	172	1,000	305	1,291	39	382	297	1,235
Net Income	501	2,504	1,319	1,323	33	1,058	735	3,069
Net Income to Minority Interests	52	47	37	34	32	22	35	41
Net Income to Owners of the Parent	**448**	**2,458**	**1,281**	**1,290**	**1**	**1,035**	**700**	**3,028**
(YoY Change)	NM	190.2%	369.2%	-49.4%	-99.8%	-57.9%	-45.4%	134.7%

Source: Company Data. Created by Strategy Advisors.

Figure 6: Information Network Solutions Business Sales by Quarter



Source: Company Data. Created by Strategy Advisors.

Financial Strategies for Cost of Capital, Capital Debt Structure and Capital Allocation are Presented in the "Transformation 2026" Mid-Term Management Plan

In its medium-term management plan, "Transformation 2026", released in May 2023, the company presented its financial strategy for cost of capital, capital debt structure and capital allocation. The company recognizes that its cost of equity is about 9%, WACC is about 6% and the hurdle rate for investment is set at 7% above WACC. Regarding the capital/liability structure, the company intends to maintain financial soundness as of the end of FY3/23, while continuing to reduce strategic equity holdings, reduce assets and improve the cash conversion cycle (CCC). As for capital allocation, the company has set a minimum dividend payout ratio of 3.5% and a target payout ratio of 40%, while making investments.

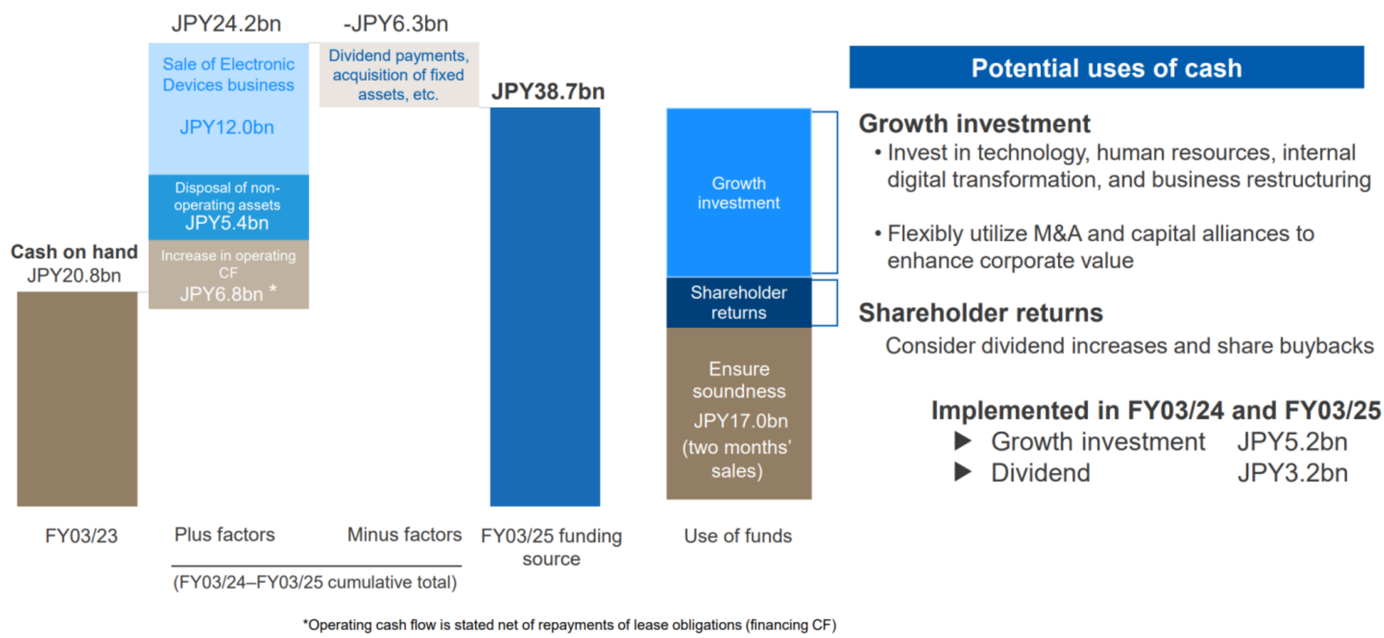
Execute Financial Strategies In-Line with the Mid-Term Plan

As for the progress of the company's financial strategy for FY 3/25, the company is strengthening its management of capital cost investments and investing in technology, human resources, internal DX and business restructuring, whilst keeping an eye on hurdle rates. As for the capital/debt structure, the company's equity ratio increased from 42.0% in FY3/23 to 55.2% in F3/25 due to continued strong performance. The company has been working to reduce its assets, generating ¥5.4 billion in funds in FY3/24 and FY3/25 from the sale of real estate and strategic equity holdings. The number of strategic stock holdings has been reduced by two since the end of FY3/24, bringing the total to 25. The dividend payout ratio (based on business profit) is 40.3% and the company has increased dividends for four consecutive terms.

Cash Balances Increased

The cash balance at the end of FY3/25 was ¥38.7 billion, up ¥17.9 billion from the end of FY3/23. Factors behind the increase included ¥12.0 billion from the sale of the electronic devices business, ¥5.4 billion from the disposal of non-operating assets and ¥6.8 billion increase in operating cash flow (less repayment of lease obligations). There was a ¥6.3 billion decrease in cash due to dividend payments and acquisition of fixed assets. The company's approach to cash is to reserve approximately ¥17.0 billion, equivalent to about two months of monthly sales, for safety purposes and use the remainder for investment in growth and shareholder returns (Figure 7).

Figure 7: Current Cash Position



Source: Company Data.

Despite an Increase in the Number of Projects Under Consideration in Strategic Investments, This Did Not Lead to Major Investments

Regarding investments, investments in technology, human resources, internal DX and business restructuring are progressing steadily. As of the end of the second year of the 3-year mid-term plan, 65% (i.e. ¥5.2 billion/¥8.0 billion) of investments have been made as expected. On the other hand, strategic investments, including M&A, are not progressing smoothly: the company is considering specific projects in both cutting-edge areas such as AI and expansion of existing areas and 48 projects were under consideration in FY3/25, up from 33 in FY3/24. However, the company is conscious of the investment hurdle rate (7%) and has yet to make any major investments.

Favorable Orders in Q3 & Q4 of FY3/25

Quarterly orders and order backlogs for FY3/25 are shown in Figure 8. Orders for the full year were up 6.4% YoY and all business models were up YoY. In particular, in Q3 and Q4, orders increased by more than 10% YoY. In equipment, mobile work systems for the financial and construction industries are growing. In development and construction, network construction projects for the manufacturing and real estate industries were strong, with the company winning a number of system development projects. In services, the company's recurring business, such as cloud computing usage fees, is growing. The company's order backlog increased 13.1% from the end of FY3/24 and it is highly probable that sales in FY3/26 will start to grow steadily.

Figure 8: Sales & Order Backlog (Information Network Solutions Business, ¥ mn)

FY	3/24					3/25				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Orders	**24,271**	**23,962**	**20,301**	**26,026**	**94,560**	**23,642**	**25,641**	**22,583**	**28,749**	**100,615**
(YoY)	**-8.8%**	**-5.8%**	**-12.4%**	**-4.5%**	**-7.7%**	**-2.6%**	**7.0%**	**11.2%**	**10.5%**	**6.4%**
Equipment	8,576	10,300	7,379	11,796	38,051	7,880	11,351	9,120	11,792	40,143
(YoY)	-26.3%	-7.5%	-23.1%	-7.2%	-15.6%	-8.1%	10.2%	23.6%	0.0%	5.5%
Development & Construction	3,797	3,767	2,784	3,251	13,599	3,785	4,091	3,995	4,406	16,277
(YoY)	31.8%	-6.1%	-18.4%	-12.9%	-3.1%	-0.3%	8.6%	43.5%	35.5%	19.7%
Service	11,896	9,896	10,139	10,978	42,909	11,976	10,199	9,467	12,552	44,194
(YoY)	-1.8%	-3.9%	-0.4%	1.6%	-1.1%	0.7%	3.1%	-6.6%	14.3%	3.0%
Order Backlog	**29,684**	**28,438**	**23,713**	**17,895**	**-**	**22,766**	**25,335**	**24,463**	**20,246**	**-**
(YoY)	**14.0%**	**-1.3%**	**-26.0%**	**-30.8%**	**-**	**-23.3%**	**-10.9%**	**3.2%**	**13.1%**	**-**
Equipment	18,846	18,368	14,590	10,568	-	12,993	15,550	15,002	10,391	-
(YoY)	14.9%	-0.1%	-32.9%	-39.4%	-	-31.1%	-15.3%	2.8%	-1.7%	-
Development & Construction	5,780	5,734	4,603	3,484	-	4,679	4,870	5,256	4,451	-
(YoY)	21.0%	6.9%	-23.2%	-25.4%	-	-19.0%	-15.1%	14.2%	27.8%	-
Service	5,056	4,335	4,519	3,842	-	5,093	4,915	4,204	5,404	-
(YoY)	4.1%	-14.4%	4.8%	2.6%	-	0.7%	13.4%	-7.0%	40.7%	-

Source: Company Data. Created by Strategy Advisors.

2. FY3/2026 Forecast

Operating Income and Ordinary Income are Expected to Reach Record Highs for the 4th Consecutive Fiscal Year

The company forecasts a 4.3% YoY increase in net sales to ¥102.5 billion, a 3.4% YoY increase in operating income to ¥6.7 billion, a 2.3% YoY increase in ordinary income to ¥6.75 billion and a 5.6% decrease in net income attributable to owners of the parent to ¥4.5 billion for FY3/26. The company will focus on markets where high growth is expected and where it can take advantage of its knowledge and technological capabilities. It plans to "strengthen business for the SMB (Small and Medium-sized Business) market", "expand the healthcare (medical DX) business", "create new services by leveraging technological capabilities", "expand cloud infrastructure business" and "deepen the six growth areas".

Despite the Sale of the Electronic Devices Business, Operating Income is Expected to Exceed the Medium-Term Management Plan's Initial Target

Although sales are expected to be slightly affected by the US tariff policies of April, the order backlog at the end of FY3/25 is also at a high level, so the company expects steady growth in both equipment, development/construction and services in conjunction with the Windows 10 EOS. The company also expects its pricing management based on strong relationships with customers to continue to be effective, and operating income and ordinary income to reach record highs for the 4th consecutive fiscal year. Compared to the original target announced in the May 2023 mid-term business plan, operating income is expected to exceed the original target only in the Information Network Solutions Business, despite the downward revision of net sales due to the sale of the electronic devices business (Figure 9).

Figure 9: Forecast for FY3/26

(¥ mn)

	FY3/24 Results	FY3/25 Results	FY3/26 Forecast	FY3/26 Medium-Term Initial Target
Sales	124,856	98,263	102,500	130,000
YoY	0.8%	-21.3%	4.3%	-
Equipment	6,439	6,481	6,700	6,500
YoY	25.8%	0.6%	3.4%	-
Development & Construction	6,486	6,596	6,750	-
YoY	21.1%	1.7%	2.3%	-
Net Income	5,477	4,764	4,500	-
YoY	55.6%	-13.0%	-5.6%	-

Source: Company Data. Created by Strategy Advisors.

Dividends are Expected to Increase for the 5th Consecutive Fiscal Year

As a financial strategy for FY3/26, the company will continue to reduce assets and sell strategic stock holdings to improve capital efficiency. In terms of shareholder returns, the company expects to increase the dividend per share by ¥1 to ¥100 for the fifth consecutive year. The dividend payout ratio (based on business profit) is expected to be 40.3%, which is almost in line with the company's guideline.

3. Progress of the Medium-Term Management Plan "Transformation 2026"

Steady Progress of the 3-Year Medium-Term Management Plan "Transformation 2026"

The 3-year medium-term management plan called "Transformation 2026," disclosed in May 2023, sets the goal of "shifting resources to growth areas" as the first stage toward the 100th anniversary of the company's founding in FY3/33. The plan is based on the 3-pillars of "business strategy," "financial strategy" and "strengthening of management foundations".

In September 2023, the company decided to sell its electronic devices business. Although the business accounted for 21.4% of net sales and 15.4% of operating income in the original mid-term plan targets, the targets were not lowered at the time of the sale. In May 2025, approaching the final year of the medium-term plan, the sales target was lowered, but the operating income target was raised. It can be said that the medium-term plan is progressing very well.

Progress in 6 Growth Areas is Thought to be as Expected

One of the pillars of business strategy is to strengthen the 6 growth areas (contact center systems, cloud communications, security, DX consulting, managed services and specific market DX services). Sales for FY3/25 increased 3% YoY to ¥12.3 billion. Cloud communications declined 30% due to the impact of less large-scale projects as in the previous fiscal year, but contact center systems and security performed well, resulting in increased sales. For FY3/26, revenue is projected to be ¥16.3 billion, an upward revision from the initial target of ¥16 billion set in the medium-term plan (Figure 10).

Contact Center Systems Performed Well Thanks to Collaboration with AI Ventures, etc.

Sales of contact center systems in FY3/25 totaled ¥5.5 billion (+6% YoY), thanks to the acquisition of large projects using AI, linkage with OpenAI's speech recognition model and Salesforce's Service Cloud Voice, etc., the creation and sale of modules that link applications with CTI (Computer Telephony Integration) systems and collaboration with AVAYA and Genesis Cloud Services. The company's customer base is also growing due to its collaboration with AVAYA and Genesis Cloud Services, Inc. The company expects further growth in FY3/26, with sales of ¥6.2 billion (+13% YoY).

In Cloud Communications, Despite A Reactionary Decline from the Large-Scale Projects in the Previous Fiscal Year, the Number of Contracts Steadily Increased

Cloud Communication sales for FY3/25 were ¥1.4 billion (-30% YoY), a decrease due to the absence of large projects in the previous year, but the number of contracted IDs is increasing. The company is replacing on-premises Private Branch Exchange (PBX) with cloud PBX. The company is adding NTT Communications' IP phone service to its choice of telecommunications carriers to enhance convenience. Sales are expected to come mainly from the next fiscal year in the form of subscriptions and since contracts are steadily accumulating, the company expects sales of ¥2.7 billion (+93% YoY) in FY3/26.

Managed Services are Expected to Grow Steadily Against a Backdrop of Favorable Market Conditions

Managed service sales for FY3/25 totaled ¥3.7 billion (+6% YoY), with stable growth due to the introduction of new services such as AI chatbot services, etc. IT assessment services and consulting services are also being expanded and efforts to add services to system equipment EOS are also proving successful. The company expects the market environment to remain favorable due to the shortage of human resources in the IT industry and it is expected to continue to grow, with sales of ¥4.1 billion (+11% YoY) projected for FY3/26.

Security is a 4-Company Collaboration to Provide High-Quality Services in the Face of Rising Demand

Security is an area where demand is increasing due to the rise in cyber-attacks, with sales for FY3/25 totaling ¥1.2 billion (+20% YoY). OT (Operational Technology) security in particular is becoming increasingly important, and through a business alliance with these companies, Global Security Expert, Net One Partners, and Cross Head, the company provides consistent services including "user experience", "implementation support", "construction" and "operation and maintenance". The company has been able to develop services that start with security diagnostic services, which are more upstream, and then build on them if security holes are found. The company plans to offer its services to a wide range of companies that may be the target of attacks and thus expects high growth. For FY3/26, they expect sales of ¥2 billion (up 67% YoY).

DX Consulting Works Strategically to Acquire Ancillary Business through Upstream Involvement

DX consulting is upstream consulting for the introduction of generative AI and data analysis, etc. In FY3/25, sales were ¥360 million (+80% YoY). The company plans to strategically engage in this business because it can acquire ancillary business by being involved in the upstream. For FY3/26, they expect sales of ¥1 billion (up 178% YoY).

Specific Market DX Services for Logistics Operations are Firm

Sales of DX services for specific markets totaled ¥150 million in FY3/25 (+88% YoY), but results were divided by market. For logistics operations, DX is being introduced to address various social issues such as drivers' working hour regulations, health management, traffic congestion and CO_2 emissions, and growth is accelerating, including the securing of large business contracts. In the fruit and vegetable market, on the other hand, the company is working to strengthen its functions, as the requirements of each company vary widely, and horizontal deployment has not progressed smoothly. In FY3/26, they expect both markets to grow and are planning sales of ¥390 million (up 160% YoY).

Figure 10: Sales Trends in Six Growth Areas

(¥ bn)

Areas	3/24	YoY Change	3/25	YoY Change	3/26 Target	YoY Change
Contact Center System	5.2	16%	5.5	6%	6.2	13%
Cloud Communication	2.0	82%	1.4	-30%	2.7	93%
Managed Services	3.5	25%	3.7	6%	4.1	11%
Security	1.0	233%	1.2	20%	2.0	67%
DX Consulting	0.2	28%	0.36	80%	1.0	178%
Market-Specified DX Services	0.08	NA	0.15	88%	0.39	160%
Total of 6 Growth Areas	**12.0**	**36%**	**12.3**	**3%**	**16.3**	**31%**

Source: Company Data. Created by Strategy Advisors.

Cost to Income Ratio Improved by 0.9% in FY3/25 Due to Improved Profitability in Existing Business Areas

Another pillar of the business strategy is "improving profitability in existing business areas". In FY3/25, the cost ratio improved by 0.9%. Pricing management progressed by focusing on acquiring high-quality business opportunities and reviewing prices based on strong relationships with customers. In addition, the company's development process productivity has improved through the use of the "Tsuzuki Style" technical standard guidelines and the generation of AI. In terms of special demand for EOS system equipment, the company is improving profitability by strengthening PC sales and adding services such as managed services and security, etc. The business alliance agreement concluded with Daiwabo Information System Co., Ltd. in October 2024 is expected to further improve profitability by leveraging the company's product and service procurement capabilities, logistics infrastructure and partner support functions.

Increased Cash Reserves

In terms of financial strategy, the equity ratio rose to 55.2% in FY3/25 and ROE was 11.3%. While performance has been strong, strategic investments, including in M&A have not progressed. Shareholder returns are being expanded as planned. Cash inflows from the sale of the electronic devices business has reduced the need for cash reserves and lead to an increase in cash reserves. The company has stated that it will consider increasing shareholder returns while basing investments on growth, a situation that requires action.

Measures to Strengthen the Management Base are also Being Developed

To strengthen the management base, the company is working to increase human capital and strengthen governance. With regard to human capital, they are working on human resource development and improvement of the internal environment. In terms of human resource development, the company is promoting next-generation management personnel development training to cultivate leaders, certifying advanced DX personnel and DX associates internally, increasing the ratio of women in full-time, career-track and managerial positions, and finally, actively hiring mid-career employees. In addition, the company is promoting the development of entrepreneurs (in-house entrepreneurs) in order to establish new business domains.

The company is improving its internal environment from the perspective of enhancing autonomy and supporting growth. The company aims to raise the engagement index to 3.2 in FY3/26 by improving compensation and other measures. To strengthen governance, the company is increasing the ratio of independent outside directors (from 40% in FY3/24 to 44% in FY3/25), studying executive compensation systems that contribute to corporate value enhancement and strengthening dialogue with investors.

Greenhouse Gas Emission Reduction Target was Achieved 1-Year Ahead of Schedule in FY3/25 and the Target was Revised Upward

“Transformation 2026" is a plan to strengthen sustainability activities. The themes of these activities are "Creating an environment that nurtures human (strengthening human capital)", "Creating an environment that nurtures knowledge and technology" and "Promoting responsible corporate behavior - reducing environmental impact”. The company's target for environmental impact was to reduce greenhouse gas emissions by 50% in FY3/31 compared to FY3/14 and by 37% in FY3/26; but since these targets were achieved in FY3/25, one year ahead of schedule, the company has revised its target upward to a 42% reduction in FY3/26.

High Expectations for the New Organization

In January 2025, the company announced that President Kazunori Yoshii will become Chairman of the Board after the June shareholders' meeting and that Executive Vice President and General Manager of the Solutions Business Division Katsuyuki Yoshida will succeed him as President. Mr. Yoshida is expected to further drive the company's efforts to capture EOS demand for Windows 10 and to strengthen the 6 growth areas. We believe that the new structure, in which Mr. Yoshii, who has a long career in management and Mr. Yoshida, who has mainly worked in sales and is currently the head of the core business, take the helm as Chairman and President, is a good fit for the company as it seeks to further enhance its corporate value by leveraging its human capital. We have high expectations for the company.

4. Topics - Tsuzuki Denki's Competitive Advantage to be Strengthened

Strengths are "Human", "Knowledge" & "Technology"

The company states that its strengths are its "human", "knowledge" and "technology”. In its report issued on February 21, 2024, Strategy Advisors cited the company's competitive advantages as; (1) top-class technological capabilities in the ICT industry, held by both SI and NI, (2) relationships of trust with global vendors that enable it to provide optimal systems to client companies as a multi-vendor and the in-house, (3) a system that can provide all services necessary for corporate ICT on a one-stop basis and (4) a customer base of 20,000 companies, mainly large corporations, built up through a long history of on-site transactions. In this chapter, we will look back mainly at the period since the first medium-term plan was formulated in 2017 and examine how the company has created a business model that is difficult for other companies to imitate, as well as its future competitive advantages.

Significantly Expanded Customer Base with the Full-Scale Shift to Office Automation in the Late 1970’s

Fuji Electric Manufacturing Co., Ltd. (today's Fuji Electric Co., Ltd.) in Nagoya in 1932, the company was established with the objective of contributing to society by increasing the use of telecommunications equipment. When it was first established, the company sold and installed telephone exchanges, and expanded its business areas to various locations while improving its technical capabilities in line with customer needs. In the late 1970’s, with the advent of full-scale office automation (OA), they expanded their customer base by proposing software development based on an understanding of business operations, communication equipment upgrades and reforms to business processes to companies and other organizations.

The 2000’s and Beyond Were a Difficult Time, Due to Structural Changes in the IT Industry

The 2000’s were a difficult time for the company. The company faced difficult circumstances due to structural changes in the IT industry, including changes in operators caused by the rapid spread of the Internet, product diversification, the rise of global vendors in the networking field and the shift from on-premise PBX’s to software PBX’s and cloud PBX’s. Despite these challenges, the company maintained operating income ability thanks to its strong customer base and a low turnover rate of 1-3% thanks to its generous compensation package for employees. The fact that the company's loyal employees were able to survive this period of change supported the company's growth since the first medium-term management plan was formulated.

First Medium-Term Management Plan Formulated and Announced, and Full-Fledged Dialogue with the Stock Market Begins

In May 2017, the company formulated and announced its first medium-term management plan, "Make New Value 2020”. The plan's basic policies were to "improve the profitability of core businesses", "take on the challenge of growing new fields and domains", and "implement health management”. During the same period, the company achieved record-high operating income and ordinary income for the third consecutive year. In the core business, growth in the services field and a decrease in project losses from unprofitable projects contributed significantly to the improvement in profitability. In addition to the growth in sales of operation services, which were the focus of the company's efforts, the company also worked to attract customers in other areas, such as planning, design, and implementation, by identifying customer issues and proposing solutions through operation. The amount of losses on unprofitable projects was significantly reduced through checks by a third-party organization, visualization of projects, and stricter decision-making on orders. In June 2018, the company held a briefing session for investors and analysts for the first time. The company's comprehensive measures to increase internal discipline while engaging in dialogue with the stock market, as well as encouraging the challenge of new fields and paying attention to employee engagement, are considered to have been successful.

Second Medium-Term Plan Also Achieved

“Innovation 2023" the company's medium-term management plan formulated in May 2020, focuses on "Transforming the business structure through service-oriented business", "Promoting data-driven business" and "Strengthening the management foundation”. The company has achieved high targets for operating income, operating margin and ROE, and has posted record profits. The "Total Solution Service Framework (TSF)," which summarizes the company's core solution services, has become an effective sales tool, contributing to revenue growth, and the company has made progress in co-creation with partners, such as making Comdesign a subsidiary and forming a capital and business alliance with NextGen. Human resource development is progressing better than expected and sales in the business of supporting DX implementation are growing steadily. The company is also strengthening its governance and expanding its human capital.

Develop Management Philosophy and Purpose

In June 2022, the company developed its management philosophy and established the Purposes. The management philosophy consists of the Purpose, which verbalizes the values and ideal state of the company, and the Values, which defines the values and action guidelines to be cherished by employees. The Purpose is to "create a "margin" full of possibilities through human, knowledge and technology, together. It expresses the company's commitment to bringing human and society together through its strengths in human, knowledge and technology to create a margin of freedom, room and fun, and to freely paint the present and future in a wide variety of colors. The company's values are "face", "build", "connect", "challenge", "enjoy", "support" and "work through". The guiding principles are to further enhance the strengths of "human," "knowledge," and "technology" by "building long-lasting and deep relationships of trust with customers while facing their business challenges" and "taking on the challenge of cutting-edge technology and services and enjoying the challenge".

Operating Income is Expected to be Achieved Despite the sale of the Electronic Devices Business in the 3rd Mid-Term Management Plan

In May 2023, the company formulated its long-term vision and medium-term management plan, "Transformation 2026". The long-term vision is "Growth Navigator," which is the company's "ideal state in 10 years". The company aims to go one step further from being with its customers to becoming a partner that leads to their growth. In addition, the company has set "business growth", "improvement of capital efficiency" and "strengthening of management capital" as the pillars of its efforts to enhance its corporate value. The medium-term plan aims to "shift resources to growth areas" as the first stage to achieve the long-term vision. The main strategies include expansion of growth areas, business portfolio restructuring, cost-conscious financial management, balance sheet optimization, active investment in human capital and enhancement of governance. As mentioned earlier, the company has sold its electronic devices business, which was not taken into account when the plan was formulated, but it is expected to exceed its profit targets and achieve them substantially above the targets.

Establish Competitive Advantage Based on "Human"

The company's competitive advantage is based on its "Human". In promoting OA from the late 1970's, the company's personnel did not simply provide systems and equipment to customers, but rather, as "Tsuzuki, who knows the customer better than the customer himself", identified customer issues and helped solve them through ICT. Through these efforts, the company has developed its technological capabilities in both SI and NI, and has built a customer base of 20,000 companies.

The human who have supported the company's growth have enabled it to collaborate with highly specialized partners and have accumulated advanced technology. The company has accumulated a wealth of experience in solving all kinds of problems for all kinds of customers. This experience has brought "knowledge" that leads to solutions to current customer issues. This cyclical accumulation of strengths in human, knowledge and technology has given the company a strength that is difficult for other companies to imitate.

Materiality Will Refine Competitive Advantage & Increase Difficulty of Imitation

The company's materiality is "creating value for society through business", "growth and vitalization of human", "development and application of knowledge and technology", "contribution to the global environment and society" and "strengthening of a sound management base". Having become a pure player in ICT through the sale of its electronic device business, the company is now seeking to build on its strengthened management foundation to create value for society and further accumulate "human", "knowledge" and "technology". The company is further refining its competitive advantage and making it more difficult for others to imitate it.

5. Stock Trends and Valuations

After Reaching a Historical High Stock Price, the Stock Offering and the Announcement of the U.S. Tariff Policies Caused a Decline. But the Market Subsequently Reversed its Course and Rallied

The stock price has recovered since December last year, reaching a record high of ¥3,025 on January 22. It then fell temporarily following the announcement of a stock offering on February 6. Prices fell further in early April following the announcement of US tariff policies, but have since bottomed out and are now on a recovery trend. The market has remained firm since the announcement of financial results on May 12, recovering to around ¥2,700.

Valuations are Low Compared to Peers

Valuations are low (Figure 11), with a PER of 10.9x based on FY2025 forecasts and a PBR of 1.1x based on FY2024 results. Compared to its peers, the company's PER and PBR are well below the industry average of 21.9x and 4.0x, respectively; and its expected ROE, calculated as net income for FY2025 divided by recent equity capital, is relatively low within the industry at 10.2%. Even taking ROE into account, the company's current PBR is low.

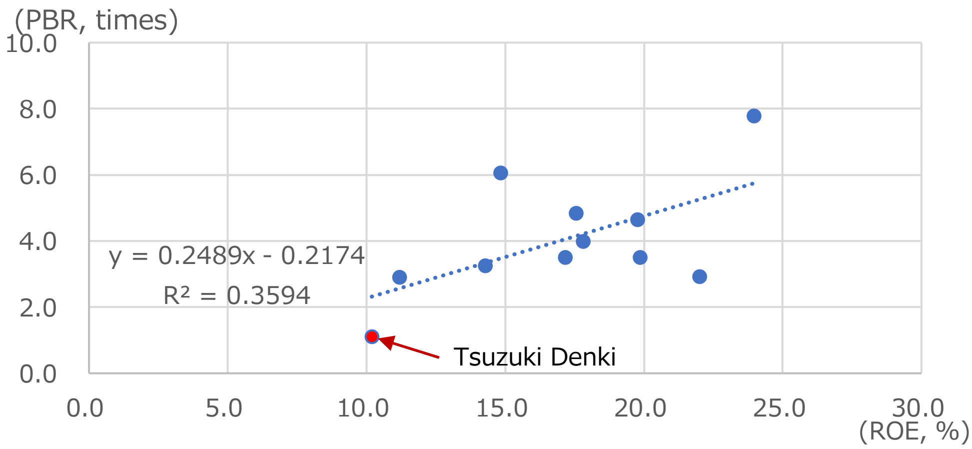
Figure 11: Valuation Comparison with Peer Companies

	Code	FY	Price (Jun 17)	Market Cap	PER CoE	PBR Actual	EV/ EBITDA	Yield CoE	Payout CoE	ROE CoE
			¥	¥ bn	Times	Times	Times	%	%	%
Tsuzuki Denki	**8157**	**2025/03**	**2,699**	**48.9**	**10.9**	**1.1**	**2.5**	**3.4**	**36.7**	**10.2**
Nomura Research Institute	4307	2025/03	5,902	3,376.6	32.5	7.8	17.5	1.1	34.7	24.0
Otsuka Shokai	4768	2024/12	2,963	1,123.6	20.4	6.1	9.9	2.9	58.6	14.8
TIS	3626	2025/03	4,799	1,115.1	22.1	3.2	11.6	1.4	31.4	14.3
SCSK	9719	2025/03	4,342	1,357.0	23.6	4.7	14.3	1.6	38.5	19.8
BIPROGY	8056	2025/03	6,038	592.8	20.2	3.5	9.4	1.7	33.5	17.2
NITTETSU SOLUTIONS	2327	2025/03	4,141	757.7	25.9	2.9	10.8	1.8	45.7	11.2
NSD	9759	2025/03	3,514	268.7	22.4	4.0	12.3	2.3	52.2	17.8
JBCC Holdings	9889	2025/03	1,368	85.0	17.7	3.5	9.8	9.1	160.5	19.8
Dentsu Research Institute	4812	2024/12	6,790	441.9	27.6	4.8	14.2	1.6	43.9	17.5
Japan Business Systems	5036	2024/09	1,460	66.6	18.0	2.9	9.4	2.4	43.1	22.0
Average					**21.9**	**4.0**	**11.1**	**2.7**	**52.6**	**17.1**

Note: EBITDA is the company's forecasted operating income plus recent actual depreciation and amortization; ROE is calculated using the company's forecasted net income plus recent quarterly shareholders' equity.

Source: Company Data. Prepared by Strategy Advisors.

Figure 12: ROE and PBR of Tsuzuki Denki and its Competitors

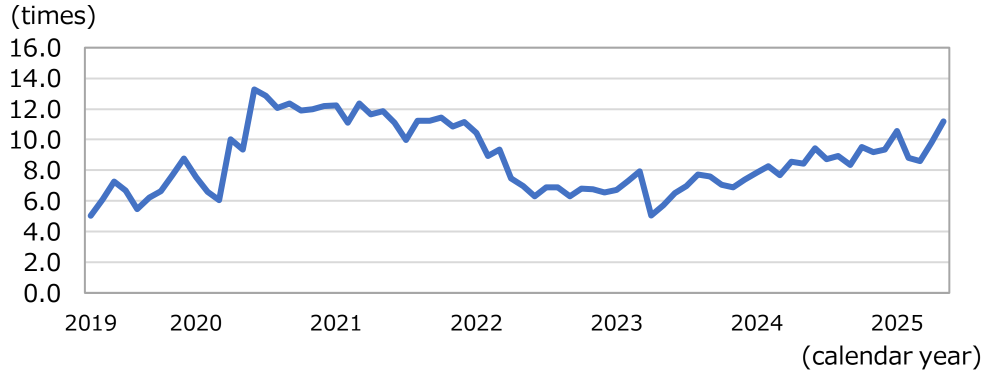


Source: Company Data. Created by Strategy Advisors.

Possibility that Becoming a "Pure Player in the ICT Business" has Not been Fully Factored into the Stock Price

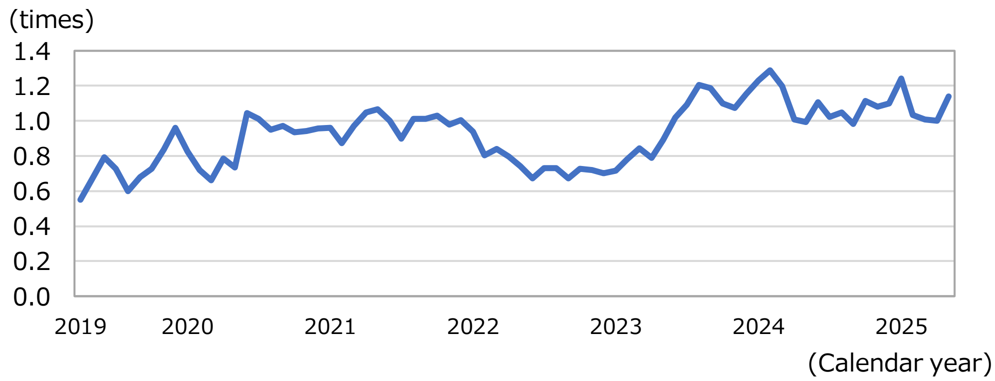
The company announced the transfer of its electronic device business in September 2023 and completed the transfer in January 2024. The PER has risen gradually over the same period, but the PBR has remained largely unchanged. The intention behind the transfer of the information network business, such as the concentration of management resources and improvement of capital efficiency, may not be fully reflected in the stock price.

Figure 13: Trends in PER (Based on the Current Fiscal Year)



Source: Company Data. Created by Strategy Advisors.

Figure 14: Trends in PBR (Performance-Based)



Source: Company Data. Created by Strategy Advisors.

Future Highlights

The key to the future trend of the stock price is the extent to which the company will get on a growth trajectory from FY3/26 onward. Operating income for FY3/26 is expected to exceed the previous target even after the sale of the electronic devices business, which was not anticipated when the medium-term plan was formulated. However, the increase compared to the previous fiscal year is limited to 3.4%. Positive factors include the end of support for Windows 10, expanded sales in the six growth areas and progress in pricing management, which could lead to further exceeding the target. The key focus will be on the growth trajectory outlined in the next medium-term plan.

Additionally, the extent to which cash utilization, including M&A, progresses will be a key point. Currently, cash reserves have accumulated significantly, necessitating some form of action. Furthermore, the trend in shareholder returns is also worth monitoring. While the company is currently implementing the shareholder return increase outlined in the medium-term plan, whether further increases will be implemented as part of cash utilization will be a key point.

6. Risk Factors

Although there are no major risks to watch at this time, the following three points can be pointed out in the medium to long term, amidst the rapid changes in the industry and the stock market.

(1) Technology may become inferior due to advances in AI

The development of AI technology requires significant investment and the industry could undergo a major transformation as a small number of institutions seize the de facto standard. Just as the major domestic IT companies lost strength in the 2000’s, the company's technological capabilities could be subordinated and it could lose its advantage.

(2) Possibility of losing the strength of "human"

In order to maintain a system in which "Tsuzuki knows the customer better than the customer himself", it is necessary to secure excellent human resources over a long period of time. The company is also focusing on improving employee engagement, but the aging of the workforce and changes in the professional attitudes of younger workers could result in the loss of its "human" strengths and the need for large personnel expenses.

(3) Possibility of losing management freedom due to the logic of capital

Fujitsu Limited, the second largest shareholder with a 12.8% stake, has been reducing its policy shareholdings, reducing the balance to ¥56.3 billion at the end of FY2024, down ¥65.8 billion from the end of FY2022. In the future, the company's shares may also be subject to this reduction. It may be necessary to repurchase shares in an unintended form or they may be released to the market and require further shareholder action. If held by activists, the company could lose management freedom by being required to control capital in the short term.

Figure 15: Consolidated Statement of Income (¥ mn)

FY	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26CoE
Total Sales	**118,872**	**125,366**	**120,004**	**119,316**	**123,899**	**124,856**	**98,263**	**102,500**
(YoY Change)	6.2%	5.5%	-4.3%	-0.6%	3.8%	0.8%	-21.3%	4.3%
Information Network	**93,704**	**102,104**	**97,848**	**92,319**	**93,905**	**102,523**	**98,263**	**102,500**
(YoY Change)	13.8%	9.0%	-4.2%	-5.7%	1.7%	9.2%	-4.2%	4.3%
Electronic Devices	**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%	-	-
Gross Profit	**21,496**	**23,075**	**21,465**	**22,511**	**24,178**	**25,308**	**22,665**	
(Gross Margin)	18.1%	18.4%	17.9%	18.9%	19.5%	20.3%	23.1%	
SG&A	18,177	18,618	18,263	18,498	19,060	18,868	16,183	
Operating Income	**3,318**	**4,457**	**3,202**	**4,012**	**5,118**	**6,439**	**6,481**	**6,700**
(YoY Change)	30.7%	34.3%	-28.2%	25.3%	27.6%	25.8%	0.7%	3.4%
(Operating Margin)	2.8%	3.6%	2.7%	3.4%	4.1%	5.2%	6.6%	6.5%
Information Network	3,054	4,289	2,960	3,400	4,155	5,925	6,481	6,700
Electronic Devices	3.3%	4.2%	3.0%	3.7%	4.4%	5.8%	6.6%	6.5%
Elimination or Corporate	260	163	242	592	954	487	-	-
Non-Operating Income (Loss)	176	120	158	214	237	46	114	
Non-Operating Income	408	316	312	364	370	203	294	
Non-Operating Expenses	232	196	154	150	133	157	180	
Ordinary Income	**3,494**	**4,577**	**3,361**	**4,227**	**5,355**	**6,486**	**6,596**	**6,750**
(YoY Change)	33.8%	31.0%	-26.6%	25.8%	26.7%	21.1%	1.7%	2.3%
(Ordinary Margin)	2.9%	3.7%	2.8%	3.5%	4.3%	5.2%	6.7%	6.6%
Extraordinary Income	175	32	52	219	423	2,443	275	
Extraordinary Loss	161	293	174	16	198	514	23	
Pretax Profit	3,509	4,317	3,238	4,430	5,579	8,415	6,848	
(YoY Change)	42.5%	23.0%	-25.0%	36.8%	25.9%	50.8%	-18.6%	
Pretax Profit Margin	3.0%	3.4%	2.7%	3.7%	4.5%	6.7%	7.0%	
Income Taxes	1,296	1,161	817	1,453	1,844	2,768	1,953	
(Effective Tax Rate)	36.9%	26.9%	25.2%	32.8%	33.1%	32.9%	28.5%	
Net Income	**2,212**	**3,155**	**2,419**	**2,976**	**3,734**	**5,647**	**4,895**	
Net Income to Minority Interests			72	178	213	170	130	
Profit Attributable to Owners of Parent	**2,212**	**3,155**	**2,346**	**2,798**	**3,521**	**5,477**	**4,764**	**4,500**
(YoY Change)	46.0%	42.6%	-25.6%	19.3%	25.8%	55.6%	-13.0%	-5.5%

Source: Company Data. Created by Strategy Advisors.

Figure 16: Consolidated Balance Sheet (¥ mn)

FY	3/19	3/20	3/21	3/22	3/23	3/24	3/25
Cash and Deposits	15,457	18,473	15,944	19,162	20,877	38,696	38,713
Accounts Receivables	33,372	29,927	31,765	32,757	32,248	21,579	21,940
Inventories	8,087	8,484	7,618	7,483	11,683	3,649	2,601
Other Current Assets	2,255	1,355	1,413	1,793	2,388	2,005	1,809
Current Assets	**59,171**	**58,239**	**56,740**	**61,195**	**67,196**	**65,929**	**65,063**
Property and Equipment	7,310	6,882	6,264	5,428	4,504	2,187	1,974
Other Tangible Fixed Assets	3,912	3,974	3,465	3,949	3,926	1,795	1,821
Tangible Assets	3,398	2,908	2,799	1,479	578	392	153
Intangible Assets	3,040	3,057	2,967	3,072	2,610	2,286	2,541
Investment Securities	9,422	9,269	10,228	9,528	8,896	10,663	10,483
Other Investment Assets	4,643	3,770	4,766	4,096	3,471	4,092	4,538
Investments and Other Assets	4,779	5,499	5,462	5,432	5,425	6,571	5,945
Total Fixed Assets	**19,772**	**19,208**	**19,460**	**18,030**	**16,011**	**15,137**	**14,999**
Total Assets	**78,944**	**77,448**	**76,200**	**79,226**	**83,207**	**81,066**	**80,063**
Accounts Payable	18,609	17,863	15,875	15,307	17,144	11,637	11,560
Short-Term Debt	13,483	6,265	6,483	10,695	5,882	5,359	9,177
Provision for Bonuses	2,567	2,536	2,415	2,303	2,513	2,416	2,105
Other Current Liabilities	6,479	6,785	5,264	6,581	7,521	9,050	5,863
Current Liabilities	**41,138**	**33,449**	**30,037**	**34,886**	**33,060**	**28,462**	**29,209**
Long-Term Debts	3,392	6,995	6,364	1,810	5,109	4,830	370
Net Defined Benefit Liabilities	5,434	6,805	7,959	8,531	8,826	5,563	4,498
Other Long-Term Liabilities	263	445	668	798	825	1,346	1,356
Long-Term Liabilities	**9,089**	**14,245**	**14,991**	**11,139**	**14,760**	**11,739**	**6,224**
Total Liabilities	**50,228**	**47,695**	**45,029**	**46,026**	**47,820**	**40,202**	**35,433**
Capital Stock	9,812	9,812	9,812	9,812	9,812	9,812	9,812
Capital Surplus	3,100	2,581	2,581	2,581	2,581	2,756	2,581
Retained Earnings	19,973	21,021	21,150	23,018	25,607	29,705	31,901
Treasury Stock	-5,816	-3,785	-2,472	-2,257	-1,979	-2,043	-985
Shareholder's Equity	**27,070**	**29,629**	**31,072**	**33,155**	**36,022**	**40,230**	**43,309**
Other Comprehensive Income	1,646	123	-137	-307	-1,076	171	846
Non-Controlling Interest			236	352	441	462	473
Total Net Assets	**28,716**	**29,752**	**31,171**	**33,199**	**35,387**	**40,864**	**44,629**
Total Liabilities & Net Assets	**78,944**	**77,448**	**76,200**	**79,226**	**83,207**	**81,066**	**80,063**

Source: Company Data. Created by Strategy Advisors.

Figure 17: Stock Price and Capital Efficiency Indicators

FY	3/19	3/20	3/21	3/22	3/23	3/24	3/25
EPS (¥)	**128.9**	**182.1**	**134.1**	**158.5**	**197.5**	**304.8**	**263.3**
BPS (¥)	**1,666.9**	**1,706.2**	**1,760.9**	**1,853.7**	**1,950.1**	**2,241.9**	**2,436.1**
Dividend Per Share (¥)	**39.0**	**55.0**	**46.0**	**48.0**	**61.0**	**90.0**	**99.0**
Dividend Payout Ratio	30.3%	30.2%	34.3%	30.3%	30.9%	29.5%	37.6%
Stock Price (¥)	**851**	**1,100**	**1,657**	**1,480**	**1,563**	**2,336**	**2,263**
PER (x)	**6.6**	**6.0**	**12.4**	**9.3**	**7.9**	**7.7**	**8.6**
PBR (x)	**0.5**	**0.6**	**0.9**	**0.8**	**0.8**	**1.0**	**0.9**
Number of Shares Issued (‘000)	24,678	22,178	20,178	20,178	20,178	20,178	18,978
Number of Treasury Stock (‘000)	7,450	4,740	2,610	2,458	2,258	2,156	852
Number of Shares of Treasury Stock Excluded (‘000)	17,228	17,438	17,568	17,720	17,920	18,022	18,126
Market Capitalization (¥ mn)	**14,661**	**19,182**	**29,110**	**26,226**	**28,009**	**42,098**	**41,019**
Equity Ratio	36.4%	38.4%	40.6%	41.5%	42.0%	49.8%	55.2%
Interest-Bearing Debt (¥ mn)	16,875	13,260	12,847	12,505	10,991	10,189	9,547
D/E Ratio	0.59	0.45	0.42	0.38	0.31	0.25	0.22
Enterprise Value (¥ mn)	16,079	13,969	26,013	19,569	18,123	13,591	11,853
EBITDA (¥ mn)	5,237	6,704	5,656	6,634	7,333	8,060	7,830
EV/EBITDA (Times)	3.1	2.1	4.6	2.9	2.5	1.7	1.5
ROE	**7.9%**	**10.8%**	**7.7%**	**8.8%**	**10.4%**	**14.5%**	**11.3%**
ROIC	**8.0%**	**11.5%**	**8.5%**	**9.3%**	**11.8%**	**18.4%**	**26.8%**
Number of Employees	**2,336**	**2,359**	**2,408**	**2,382**	**2,328**	**2,094**	**2,061**

Note: ROIC is calculated as (operating income x (1-income tax rate))/((tangible fixed assets + intangible fixed assets + net working capital)) average for the period.

Source: Company Data. Prepared by Strategy Advisors.

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