

## Company Report

September 19, 2025

### First-Half Orders Top ¥ 20 Billion. Company Plan Revised Upward

On August 13, Segue Group announced its Q2 FY12/25 (April–June) results, posting revenues of ¥5.21 billion (+50.8% YoY) and operating profit of ¥450 million (vs. a ¥80 million loss in Q2 FY12/24). The Company delivered substantial top and bottom-line growth. In tandem with this release, management revised its full-year guidance upward, raising revenues from ¥22.5 billion to ¥24.8 billion and operating profit from ¥1.26 billion to ¥1.51 billion. Order intake surged significantly, driven by 3 large-scale projects, including an ultra-large contract (the Company defines “large-scale” as approximately ¥1.0 billion).

The ultra-large order stemmed from Government Solution Services (GSS), part of the Japanese government’s IT infrastructure renewal initiative approved by Cabinet in June 2023. Specifically, the government is decommissioning its traditional government-wide network and building a new closed inter-ministerial network, which is being rolled out step by step across ministries and agencies. Because connections to this network are authenticated using terminals compliant with GSS technical specifications, it offers enhanced security. With demand expected to remain strong, the Company anticipates continued order wins related to GSS.

By business segment, Value Added Distribution (VAD) drove overall growth. Q2 VAD revenue increased 55.8% YoY, reflecting contributions from large-scale orders related to GSS as well as products from Juniper Networks (U.S.) and Extreme Networks (U.S.). As in Q1, profitability remained strong, with Q2’s gross margin sustaining a high level at 25.7%. Progress in pricing negotiations and cost reductions in maintenance services further underscored the effectiveness of internal initiatives.

Following the earnings release, the Company’s share price rose nearly 30%. Valuation multiples also expanded, with PER approaching 30x and PBR near 7x, levels above their peers. At Strategy Advisors, in light of the acquisition of ultra-large orders, we view the Company as being on track to achieve the challenging targets set for the final year of the mid-term management plan (FY12/26)- namely, ¥30.0 billion in revenue and ¥2.0 billion in operating profit, taking into account potential M&A activity.

Strategy Advisors Inc.  
Kenichi Ito



#### Stock Price & Trading Volumes (Past Year)



Source: Strategy Advisors

#### Key Indicators

Stock Price (9/19/25)	653
Year-to-Date High (8/26/25)	680
Year-to-Date Low (4/7/25)	414
52-Week High (8/26/25)	680
52-Week Low (4/7/25)	414
Shares on Issue (mn)	31.7
Market Capitalization (¥ bn)	20.7
EV (¥ bn)	19.1
Equity Ratio (6/25 Actual, %)	24.1
PER (12/25 CoE, Times)	26.6
PBR (12/24 Actual, Times)	6.8
Dividend Yield (12/25 CoE, %)	2.0

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 1H	8,410	-7.1	346	-44.7	739	22.6	434	6.4	13.3	—
12/2025 1H	10,000	18.9	685	97.5	677	-8.4	402	-7.2	12.7	—
12/2021	12,039	9.5	639	-24.3	686	-21.5	455	-28.2	39.1	5.3
12/2022	13,623	13.2	906	41.8	1,051	53.2	743	63.3	65.8	6.0
12/2023	17,443	28.0	1,086	19.9	1,015	-3.4	661	-11.0	19.4	10.0
12/2024	18,717	7.3	720	-33.7	1,060	4.4	507	-23.3	15.6	11.0
12/2025	22,500	20.2	1,260	75.0	1,260	18.9	701	38.3	22.1	13.0
Previous CoE										
12/2025 CoE	24,800	32.5	1,512	110.0	1,480	39.6	780	53.6	24.6	13.0

Note: 3-for-1 Stock Split for Common Shares Effective March 1, 2024.

Source: Company Data. Compiled by Strategy Advisors.

## 1. FY12/25 H1 Financial Results Summary

### Strong Top & Bottom-Line Growth in Q2

On August 13, Segue Group its Q2 (April–June) FY12/25 financial results, reporting revenue of ¥5.21 billion (+50.8% YoY) and operating profit of ¥450 million (vs. an operating loss of ¥80 million in Q2 of the previous year). This marked a significant increase in both revenue and earnings. The Company also revised upward its full-year guidance, raising revenue from ¥22.5 billion to ¥24.8 billion and operating profit from ¥1.26 billion to ¥1.51 billion. The Company secured several large-scale contracts, including 3 major deals (one of which was exceptionally large), totaling several billion yen in orders (approx. 80% product, 20% service). Roughly half of these will be recognized in the current fiscal year.

### Full-Year Plan Revised Upward

While the Company revised its guidance upward by +¥2.3 billion in revenue and +¥250 million in operating profit, the earnings forecast can be viewed as somewhat conservative. At Strategy Advisors, we view the targets set for the final year of the mid-term management plan, referred to by the Company as the “Challenge Target with M&A” (¥30.0 billion in revenue and ¥2.0 billion in operating profit)—as being within reach.

In pursuit of achieving these targets, it is also possible that the Company may bring forward investments originally planned for the next fiscal year to accelerate growth. Approximately half of the large-scale orders are expected to be recognized in FY12/26. Even excluding M&A activity, the Company has already advanced to a level where achievement of its challenge targets appears feasible, an important point worth highlighting.

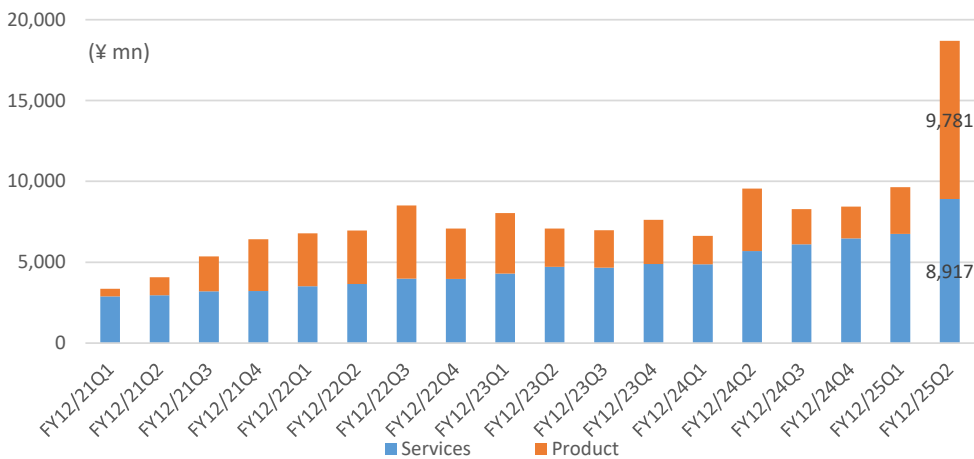
Favorable Order Momentum

As highlighted in our previous report, the strong order performance can be attributed to several factors: (1) Robust infrastructure demand around network-related areas, which has led to solid demand for products from Ruckus Networks (U.S.) and Juniper Networks (U.S.). (2) In January 2025, the U.S. Department of Justice filed an antitrust lawsuit against Hewlett Packard Enterprise (U.S.) over its proposed acquisition of Juniper Networks, resulting in some distributors becoming reluctant to handle Juniper products, thereby driving additional orders for the Company and (3) The management reshuffle implemented in 2024 as part of generational renewal is now producing tangible effects, enabling the Company to capture orders more effectively without missed opportunities compared to the past. Even excluding the recently booked large-scale order, the order backlog continues to grow steadily, suggesting that both external environmental changes and internal efforts such as management reforms are contributing to results.

Extraordinary Demand  
Driven by Government IT  
Overhaul

The large-scale order recorded this time stems from Government Solution Services (GSS) and is part of the national information system renewal program approved by the Cabinet in June 2023. Specifically, the government is decommissioning its traditional government-wide network and building a new closed inter-ministerial network, which is being rolled out step by step across ministries and agencies. Because connections to this network are authenticated using terminals compliant with GSS technical specifications, it offers enhanced security. These efforts are expected to further promote telework adoption, paperless operations and the introduction of efficiency-enhancing tools. Consequently, projects from individual ministries are likely to continue emerging in the coming fiscal periods.

Figure 1Changes in the Backlog of Orders



Source: Company Data. Compiled by Strategy Advisors.

## 2. Progress of Each Segment

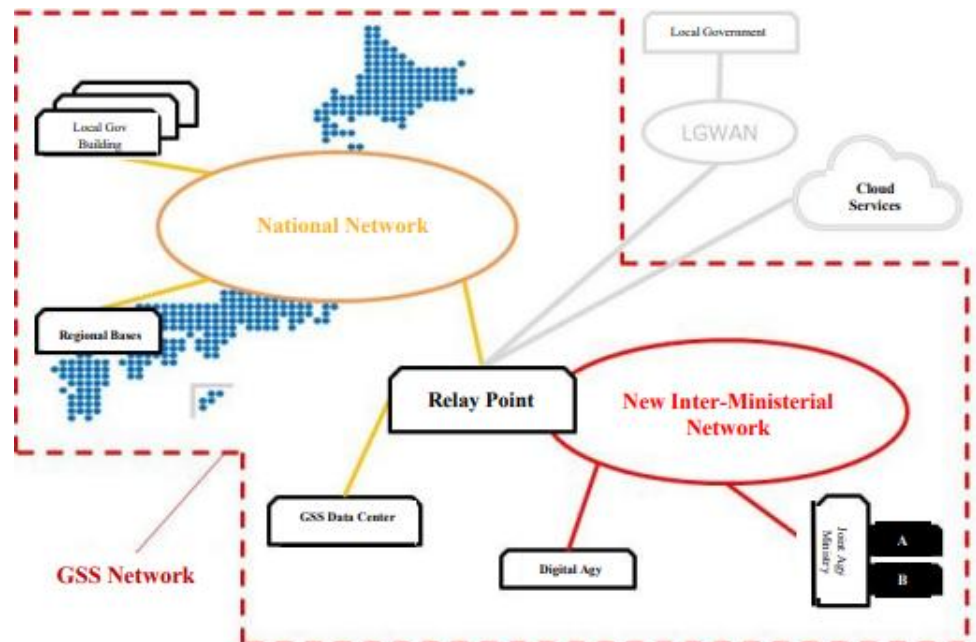
### Large-Scale Projects Drive Significant Profitability Improvement at VAD

In Q2, VAD recorded a substantial year-on-year revenue increase of 55.8%. This was primarily driven by large-scale GSS-related orders, as well as the recognition of major projects involving products from Juniper Networks and Extreme Networks. Similar to Q1, profitability was also maintained, with a high gross margin of 25.7% in Q2. Key factors behind this performance include: (1) Some low-margin projects were recognized in the previous year. (2) Increased share of Juniper Networks products, as some distributors became less active in handling them, enabling the Company to secure favorable terms through volume discounts and other price negotiations. And (3) Ongoing progress in cost reductions and price revisions for maintenance services. One reason the Company's valuation has remained relatively low compared to peers has been its historically lower profitability. However, the ability to secure large-scale orders while maintaining profitability - particularly through the core VAD business - should be viewed favorably by capital markets.

### GSS-Related Orders Expected to Remain at Elevated Levels

Orders related to GSS are expected to continue going forward. From the next fiscal year onwards, connectivity is planned not only with central government ministries, but also with local offices of each ministry and regional joint government buildings. In October 2024, the Company established the Digital Government Promotion Department to drive proactive sales activities, suggesting a high likelihood that strong order intake will be maintained.

**Figure 2. Schematic Overview of Government Solution Services (GSS)**



Source: Digital Agency.

## **SI Revenue Remains Solid, But Margins Stay Low**

In Q2, the SI segment posted a solid YoY revenue increase of 15.0%, driven by large-scale projects for major travel agencies as well as substantial infrastructure projects for universities. On the other hand, the gross margin came in at a relatively low 20.2%, apparently impacted by the active utilization of external partners. Meanwhile, Kaetec, the Company's promising end-user service, experienced somewhat subdued performance due to internal organizational changes. Expanding proprietary services for end-users remains essential to sustainably improving profitability and future recovery is expected.

## **In-House Development: Contribution Expected from New Lineup, "RevoWorks ZONE"**

In Q2, in-house development revenue reached ¥350 million, marking a 39.5% YoY increase and a partial recovery from the weak performance in Q1. The core product, RevoWorks Browser, appears to be steadily securing new projects, primarily among local governments and healthcare institutions. Additionally, RevoWorks ZONE, which began sales in April this year, continues to receive strong inquiries and is expected to contribute to performance in the second half (July–December). Meanwhile, Segue Security is progressing as planned, consistent with Q1. The Company is making proactive investments to secure human resources for business expansion and strengthen its organizational structure. In particular, demand for SOC-based managed services remains robust. Leveraging the capability to support all stages vertically - from consulting to operational support - is a key strength, indicating promising prospects for future business growth.

## **Overseas: Delay in Launch of ISS Resolution's New Business**

The overseas segment started the year somewhat sluggishly due to the earthquake in Myanmar on March 28. However, Q2 revenue reached ¥390 million, representing a substantial increase of ¥400 million compared to the previous quarter. This growth was primarily driven by the consolidation of First One Systems (Thailand), which became a subsidiary in May 2024. Meanwhile, the launch of the new ISS Resolution business has been slightly delayed, but attention is focused on accelerated growth from the current fiscal year onward.

**Figure 3: Quarterly Financial Performance**

	23/12				24/12				25/12	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Net Sales</b>	<b>4,561</b>	<b>4,497</b>	<b>4,353</b>	<b>4,032</b>	<b>4,954</b>	<b>3,457</b>	<b>5,506</b>	<b>4,801</b>	<b>4,788</b>	<b>5,213</b>
(YoY)	36.6%	68.7%	37.5%	-9.5%	8.6%	-23.1%	26.5%	19.1%	-3.4%	50.8%
<b>VAD</b>	<b>2,531</b>	<b>2,033</b>	<b>2,129</b>	<b>2,273</b>	<b>2,838</b>	<b>1,908</b>	<b>1,884</b>	<b>2,944</b>	<b>2,321</b>	<b>2,973</b>
(YoY)	58.7%	49.5%	64.5%	9.1%	12.1%	-6.2%	-11.5%	29.5%	-18.2%	55.8%
<b>SI</b>	<b>1,881</b>	<b>2,196</b>	<b>1,975</b>	<b>1,523</b>	<b>1,823</b>	<b>1,293</b>	<b>2,727</b>	<b>1,162</b>	<b>1,986</b>	<b>1,481</b>
(YoY)	20.3%	112.2%	30.7%	-27.2%	-3.1%	-41.1%	38.1%	-23.7%	9.0%	14.6%
<b>In-house Development</b>	<b>150</b>	<b>267</b>	<b>248</b>	<b>237</b>	<b>293</b>	<b>257</b>	<b>263</b>	<b>271</b>	<b>247</b>	<b>358</b>
(YoY)	-17.1%	-1.4%	-31.2%	-14.5%	95.9%	-3.9%	6.2%	14.6%	-15.7%	39.5%
<b>Overseas</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>631</b>	<b>423</b>	<b>233</b>	<b>399</b>
(YoY)	-	-	-	-	-	-	-	-	-	-
Gross Profit	1,091	993	1,038	1,002	1,213	914	1,261	1,204	1,134	1,425
(Gross Profit Margin)	23.9%	22.1%	23.8%	24.9%	24.5%	26.4%	22.9%	25.1%	23.7%	27.3%
• VAD	564	402	450	340	612	417	534	643	638	764
(Gross Profit Margin)	22.3%	19.8%	21.1%	15.0%	21.6%	21.9%	28.3%	21.8%	27.5%	25.7%
• SI	445	355	387	478	407	354	409	278	304	301
(Gross Profit Margin)	23.6%	16.2%	19.6%	31.4%	22.3%	27.4%	15.0%	23.9%	15.3%	20.3%
• In-house Development	82	235	202	183	195	142	109	151	120	224
(Gross Profit Margin)	54.9%	88.1%	81.3%	77.3%	66.6%	55.3%	41.3%	55.7%	48.6%	62.6%
Overseas	-	-	-	-	-	-	210	132	71	135
(Gross Profit Margin)	-	-	-	-	-	-	33.3%	31.3%	30.5%	33.8%
SG&A	673	783	737	845	783	997	972	1,120	908	965
<b>Operating Profit</b>	<b>418</b>	<b>210</b>	<b>302</b>	<b>156</b>	<b>431</b>	<b>-84</b>	<b>289</b>	<b>84</b>	<b>226</b>	<b>459</b>
(YoY)	85.8%	100.0%	24.8%	-53.3%	3.1%	-	-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%	8.8%

Source: Company Data. Compiled by Strategy Advisors.



## 3. Stock Price Trends and Valuations

### Stock Price Rises Nearly 30% Following Upward Revision of Company Plan

The Company's stock price has rose by nearly 30% following the upward revision of its corporate plan, which was announced simultaneously with the earnings release. The PER has increased to just under 30× and PBR has risen close to 7×, indicating a relatively high valuation compared with peers. At Strategy Advisors, in light of the acquisition of ultra-large orders, we believe that the stock has partially priced in the targets set for the final year of the mid-term management plan (FY12/26) - referred to by the Company as the "Challenge Target with M&A" - namely, ¥30.0 billion in revenue and ¥2.0 billion in operating profit. When operating profit reaches ¥2 billion, net income is expected to be approximately ¥1.4 billion, which implies a PER of around 15× based on the current market capitalization.

### Total Yield Including Shareholder Benefits and Dividends Remains Just Under 5.0%

The Company also offers shareholder benefits, providing investors holding 1,000 or more shares long-term with QUO cards worth ¥20,000 annually. The shareholder benefit yield is approximately 3.0% and combined with dividends, the total yield remains attractive at just under 5.0%. At Strategy Advisors, we view a total yield of 5.0% as supportive of the stock price and we expect continued steady performance going forward.

### The Stock Could Rise to Slightly Above 20× PER

The next key catalyst for the stock is expected to be the FY12/26 earnings outlook, which will be disclosed with the FY12/25 earnings release. As noted above, a portion of the targets for the final year of the mid-term management plan is already likely priced in. However, if the Company announces at the beginning of the fiscal year an operating profit target of ¥2 billion, there is considerable potential for the PER to rise to slightly above 20×.

### Potential for Non-Linear Growth Through M&A

Simultaneously with the earnings announcement, the Company disclosed that its consolidated subsidiary, J's Technology, will acquire the Network Integration business of Net Farms (Osaka). While the impact on earnings is minor, such M&A activity remains an effective means to secure network engineers. Moreover, given the relatively high valuation now achieved, given that the Company has achieved a relatively high valuation, it can also be considered that investing in acquisitions of competitors has become more attractive than conducting share buybacks. Looking toward the final year of the mid-term management plan, there is potential for non-linear growth through further M&A in addition to existing businesses.

### Steady Enhancement of Corporate Value Expected

The Company continues to pursue management focused on both stock performance and capital cost, strengthening its approach to maximize growth investments while actively returning capital to shareholders. As business expansion continues, it is expected that shareholder returns, including dividends, will be steadily enhanced, supporting the sustainable growth of corporate value alongside business growth.

**Figure 4. Relative Stock Price Chart**



Note: Calculated based on the closing price on September 19, 2025 as 100.  
Source: Company Data. Compiled by Strategy Advisors.

**Figure 5. Comparative Valuations with Peers**

Company name	FY	Stock Price	Market Cap	PER	PBR	ROE	EV/EBITD A	Dividend Yield	Shareholders' Equity Ratio	Net D/E Ratio	Stock Price Chg Over Past 1yr	Stock Price Chg Over Past 3yr
		(9/19) (¥)	(9/19) (¥ mn)	CoE (Times)	(Times)	CoE (%)	(Times)	CoE (%)	(%)	(Times)	(%)	(%)
<b>Segue Group</b>	<b>Dec-24</b>	<b>653</b>	<b>20,722</b>	<b>26.6</b>	<b>6.8</b>	<b>25.6</b>	<b>18.6</b>	<b>2.0</b>	<b>22.3</b>	<b>0.8</b>	<b>3.0</b>	<b>184.3</b>
SCSK	Mar-25	4,863	1,521,002	23.9	5.2	21.8	19.0	1.9	32.9	1.1	61.7	116.5
NS Solutions	Mar-25	3,714	679,566	23.3	2.6	11.2	13.9	2.2	62.0	0.1	2.2	108.7
SHIFT	Aug-24	1,356	357,015	45.2	10.5	23.2	25.8	0.0	54.3	0.3	50.9	2.5
DTS	Mar-25	5,210	205,044	76.0	3.5	18.8	11.3	-	72.2	0.0	31.2	46.6
Future	Dec-24	2,290	203,068	17.7	3.7	20.7	10.8	2.0	60.3	0.3	27.9	41.3
Systema	Mar-25	513	183,375	19.5	5.6	29.0	13.0	2.3	62.7	0.0	38.6	22.4
baudroie	Feb-25	3,045	95,845	40.2	21.0	51.3	34.9	0.2	53.1	0.4	5.7	404.3
TECHMATRIX	Mar-25	2,107	84,635	17.3	3.5	20.2	7.4	1.7	23.0	0.2	-11.8	31.7
Mitsubishi Research Institute	Sep-24	5,250	82,687	14.5	1.2	8.4	5.7	3.0	56.5	0.0	28.0	20.1
Japan Business Systems	Sep-24	1,563	71,264	14.3	3.1	22.0	15.6	2.6	37.3	0.9	62.3	44.5
TDC SOFT	Mar-25	1,388	65,459	18.6	3.1	16.9	10.2	2.2	73.8	0.0	14.7	129.0
COMTURE	Mar-25	1,654	52,739	15.9	2.9	18.0	7.8	3.0	72.1	0.0	4.4	-29.1
GLOBAL SECURITY EXPERTS	Mar-25	3,350	50,348	35.5	16.4	46.0	30.1	1.0	37.8	0.6	6.7	134.7
TerraSky	Feb-25	2,137	27,587	20.2	2.5	12.3	11.8	0.0	56.9	0.0	-1.2	5.5
Intelligent Wave	Jun-25	1,108	29,009	17.2	3.1	17.8	6.9	3.3	50.7	0.0	21.5	58.3
I-NET	Mar-25	1,749	26,686	14.4	1.4	9.6	6.5	3.3	52.1	0.5	13.8	34.7
Soliton Systems	Dec-24	1,445	26,792	15.3	2.2	14.3	5.1	3.6	52.7	0.0	34.8	30.8
Focus Systems	Mar-25	1,637	24,749	13.2	1.8	13.4	8.5	3.3	67.2	0.1	44.7	66.9
Ad-Sol Nissin	Mar-25	1,328	23,186	18.4	3.3	17.8	10.9	2.8	71.6	-	51.4	80.7
Serverworks	Feb-25	2,046	15,731	19.0	1.4	7.4	7.3	0.0	55.9	-	-26.9	-16.0

Source: Speeda Data. Compiled by Strategy Advisors.



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

FY	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25 CoE
<b>Total Sales</b>	<b>7,793</b>	<b>8,767</b>	<b>9,647</b>	<b>10,993</b>	<b>12,039</b>	<b>13,623</b>	<b>17,443</b>	<b>18,718</b>	<b>24,800</b>
(YoY)		12.5%	10.0%	14.0%	9.5%	13.2%	28.0%	7.3%	32.5%
<b>VAD</b>				<b>5,280</b>	<b>5,262</b>	<b>6,332</b>	<b>8,966</b>	<b>9,574</b>	
(YoY)				-	-0.3%	20.3%	41.6%	6.8%	
<b>SI</b>				<b>5,127</b>	<b>6,169</b>	<b>6,203</b>	<b>7,576</b>	<b>7,005</b>	
(YoY)				-	20.3%	0.6%	22.1%	-7.5%	
<b>In-house Development</b>				<b>586</b>	<b>608</b>	<b>1,088</b>	<b>901</b>	<b>1,084</b>	
(YoY)				-	3.7%	79.0%	-17.2%	20.3%	
<b>Gross profit</b>	<b>1,871</b>	<b>2,169</b>	<b>2,532</b>	<b>3,093</b>	<b>3,092</b>	<b>3,559</b>	<b>4,124</b>	<b>4,592</b>	
(Gross Profit Margin)	24.0%	24.7%	26.2%	28.1%	25.7%	26.1%	23.6%	24.5%	
<b>VAD</b>				1,371	1,314	1,299	1,757	2,206	
(Gross Profit Margin)				26.0%	25.0%	20.5%	19.6%	23.0%	
<b>SI</b>				1,313	1,446	1,419	1,665	1,447	
(Gross Profit Margin)				25.6%	23.4%	22.9%	22.0%	20.7%	
<b>In-house Development</b>				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	
<b>Operating Profit</b>	<b>382</b>	<b>484</b>	<b>548</b>	<b>844</b>	<b>639</b>	<b>906</b>	<b>1,086</b>	<b>720</b>	<b>1,512</b>
(YoY)		26.7%	13.2%	54.0%	-24.3%	41.8%	19.9%	-33.7%	110.0%
(Operating Profit Margin)	4.9%	5.5%	5.7%	7.7%	5.3%	6.7%	6.2%	3.8%	6.1%
Non-Operating Income	58	20	17	32	55	204	22	450	
Non-Operating Expense	3	18	11	1	7	60	93	110	
<b>Ordinary Profit</b>	<b>438</b>	<b>486</b>	<b>554</b>	<b>874</b>	<b>686</b>	<b>1,051</b>	<b>1,015</b>	<b>1,060</b>	<b>1,480</b>
(YoY)		11.0%	14.0%	57.8%	-21.5%	53.2%	-3.4%	4.4%	39.6%
(Ordinary Profit Margin)	5.6%	5.5%	5.7%	8.0%	5.7%	7.7%	5.8%	5.7%	6.0%
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%	
<b>Profit</b>	<b>319</b>	<b>377</b>	<b>412</b>	<b>634</b>	<b>455</b>	<b>742</b>	<b>648</b>	<b>535</b>	
Profit (Loss) Attributable to Non-controlling Interests	0	0	0	0	0	-2	-13	27	
<b>Profit Attributable to Owners of Parent</b>	<b>319</b>	<b>377</b>	<b>412</b>	<b>634</b>	<b>455</b>	<b>743</b>	<b>661</b>	<b>508</b>	<b>780</b>
(YoY)		18.2%	9.3%	53.9%	-28.2%	63.3%	-11.0%	-23.1%	53.5%

Source: Speeda Data. Compiled by Strategy Advisors.

**Figure 7. Key Financial Indicators**

FY	17/12	18/12	19/12	20/12	21/12	22/12	23/12	24/12
<b>EPS (¥)</b>	<b>54.4</b>	<b>64.4</b>	<b>35.1</b>	<b>54.4</b>	<b>39.1</b>	<b>65.8</b>	<b>19.4</b>	<b>15.6</b>
<b>BPS (¥)</b>	<b>69</b>	<b>72</b>	<b>80</b>	<b>91</b>	<b>90</b>	<b>103</b>	<b>37</b>	<b>92</b>
<b>Dividend per share (¥)</b>	<b>0.00</b>	<b>1.66</b>	<b>3.33</b>	<b>5.33</b>	<b>5.33</b>	<b>6.00</b>	<b>10.00</b>	<b>11.00</b>
Dividend payout ratio	0.0%	2.6%	9.5%	9.8%	13.6%	9.1%	51.4%	70.6%
<b>Closing price (¥)</b>	<b>332</b>	<b>246</b>	<b>305</b>	<b>453</b>	<b>259</b>	<b>272</b>	<b>309</b>	<b>639</b>
<b>PER (Times)</b>	<b>6.1</b>	<b>3.8</b>	<b>8.7</b>	<b>8.3</b>	<b>6.6</b>	<b>4.1</b>	<b>15.9</b>	<b>41.0</b>
<b>PBR (Times)</b>	<b>4.8</b>	<b>3.4</b>	<b>3.8</b>	<b>5.0</b>	<b>2.9</b>	<b>2.6</b>	<b>8.3</b>	<b>7.0</b>
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
<b>Market Capitalization</b>	<b>11,292</b>	<b>8,456</b>	<b>10,511</b>	<b>15,533</b>	<b>8,742</b>	<b>9,128</b>	<b>10,403</b>	<b>20,222</b>
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
<b>ROE</b>	<b>16.5%</b>	<b>15.8%</b>	<b>15.7%</b>	<b>21.3%</b>	<b>14.3%</b>	<b>21.6%</b>	<b>17.2%</b>	<b>14.4%</b>
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%
<b>Number of Employees</b>	<b>350</b>	<b>391</b>	<b>409</b>	<b>446</b>	<b>473</b>	<b>527</b>	<b>570</b>	<b>709</b>

Source: Speeda Data. Compiled by Strategy Advisors.

**Figure 8. Balance Sheet (¥ mn)**

<b>FY</b>	<b>12/17</b>	<b>12/18</b>	<b>12/19</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24</b>
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
<b>Current assets</b>	<b>4,079</b>	<b>4,359</b>	<b>5,044</b>	<b>5,807</b>	<b>7,237</b>	<b>9,976</b>	<b>10,029</b>	<b>10,796</b>
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
<b>Tangible fixed assets</b>	<b>166</b>	<b>168</b>	<b>190</b>	<b>195</b>	<b>209</b>	<b>248</b>	<b>377</b>	<b>377</b>
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
<b>Total noncurrent assets</b>	<b>1,075</b>	<b>991</b>	<b>1,102</b>	<b>1,385</b>	<b>1,389</b>	<b>1,276</b>	<b>1,802</b>	<b>2,837</b>
<b>Total assets</b>	<b>5,154</b>	<b>5,350</b>	<b>6,146</b>	<b>7,192</b>	<b>8,625</b>	<b>11,252</b>	<b>11,831</b>	<b>13,633</b>
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
<b>Current liabilities</b>	<b>2,520</b>	<b>2,686</b>	<b>3,107</b>	<b>3,734</b>	<b>5,101</b>	<b>6,367</b>	<b>6,853</b>	<b>8,313</b>
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
<b>Noncurrent liabilities</b>	<b>313</b>	<b>213</b>	<b>253</b>	<b>285</b>	<b>325</b>	<b>1,200</b>	<b>964</b>	<b>2,127</b>
<b>Total liabilities</b>	<b>2,833</b>	<b>2,899</b>	<b>3,360</b>	<b>4,019</b>	<b>5,426</b>	<b>7,567</b>	<b>7,817</b>	<b>10,440</b>
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
<b>Total shareholders' equity</b>	<b>1,912</b>	<b>2,304</b>	<b>2,661</b>	<b>3,088</b>	<b>3,165</b>	<b>3,652</b>	<b>3,961</b>	<b>2,899</b>
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
<b>Total net assets</b>	<b>2,321</b>	<b>2,451</b>	<b>2,787</b>	<b>3,173</b>	<b>3,199</b>	<b>3,685</b>	<b>4,014</b>	<b>3,193</b>
<b>Total liabilities and net assets</b>	<b>5,154</b>	<b>5,350</b>	<b>6,146</b>	<b>7,192</b>	<b>8,625</b>	<b>11,252</b>	<b>11,831</b>	<b>13,633</b>

Source: Speeda Data. Compiled by Strategy Advisors.

**Figure 9. Cash Flow (¥ mn)**

<b>FY</b>	<b>12/17</b>	<b>12/18</b>	<b>12/19</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24</b>
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
Other	-140	-281	-269	-122	-493	-77	-475	-442
<b>Cash Flows from Operating Activities</b>	<b>670</b>	<b>435</b>	<b>761</b>	<b>164</b>	<b>-151</b>	<b>1,125</b>	<b>1,586</b>	<b>1,755</b>
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 and 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
Other	-12	-19	27	-43	3	-5	-64	-9
<b>Cash flows from investing activities</b>	<b>-127</b>	<b>-297</b>	<b>-179</b>	<b>-402</b>	<b>-255</b>	<b>84</b>	<b>-659</b>	<b>-991</b>
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
Other	-40	-20	0	0	-98	35	-12	-55
<b>Cash flows from financing activities</b>	<b>-95</b>	<b>-44</b>	<b>-66</b>	<b>-216</b>	<b>17</b>	<b>454</b>	<b>-669</b>	<b>-335</b>

Source: Speeda Data. Compiled by Strategy Advisors.

**Figure 10. Quarterly Performance Trends (¥ mn)**

	23/12				24/12				25/12	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Net Sales</b>	<b>4,561</b>	<b>4,497</b>	<b>4,353</b>	<b>4,032</b>	<b>4,954</b>	<b>3,457</b>	<b>5,506</b>	<b>4,801</b>	<b>4,788</b>	<b>5,213</b>
(YoY)	36.6%	68.7%	37.5%	-9.5%	8.6%	-23.1%	26.5%	19.1%	-3.4%	50.8%
<b>VAD</b>	<b>2,531</b>	<b>2,033</b>	<b>2,129</b>	<b>2,273</b>	<b>2,838</b>	<b>1,908</b>	<b>1,884</b>	<b>2,944</b>	<b>2,321</b>	<b>2,973</b>
(YoY)	58.7%	49.5%	64.5%	9.1%	12.1%	-6.2%	-11.5%	29.5%	-18.2%	55.8%
<b>SI</b>	<b>1,881</b>	<b>2,196</b>	<b>1,975</b>	<b>1,523</b>	<b>1,823</b>	<b>1,293</b>	<b>2,727</b>	<b>1,162</b>	<b>1,986</b>	<b>1,481</b>
(YoY)	20.3%	112.2%	30.7%	-27.2%	-3.1%	-41.1%	38.1%	-23.7%	9.0%	14.6%
<b>In-house Development</b>	<b>150</b>	<b>267</b>	<b>248</b>	<b>237</b>	<b>293</b>	<b>257</b>	<b>263</b>	<b>271</b>	<b>247</b>	<b>358</b>
(YoY)	-17.1%	-1.4%	-31.2%	-14.5%	95.9%	-3.9%	6.2%	14.6%	-15.7%	39.5%
<b>Overseas</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>631</b>	<b>423</b>	<b>233</b>	<b>399</b>
(YoY)	-	-	-	-	-	-	6.2%	14.6%	-15.7%	39.5%
Gross Profit	1,091	993	1,038	1,002	1,213	914	1,261	1,204	1,134	1,425
(Gross Profit Margin)	23.9%	22.1%	23.8%	24.9%	24.5%	26.4%	22.9%	25.1%	23.7%	27.3%
• VAD	564	402	450	340	612	417	534	643	638	764
(Gross Profit Margin)	22.3%	19.8%	21.1%	15.0%	21.6%	21.9%	28.3%	21.8%	27.5%	25.7%
• SI	445	355	387	478	407	354	409	278	304	301
(Gross Profit Margin)	23.6%	16.2%	19.6%	31.4%	22.3%	27.4%	15.0%	23.9%	15.3%	20.3%
• In-house Development	82	235	202	183	195	142	109	151	120	224
(Gross Profit Margin)	54.9%	88.1%	81.3%	77.3%	66.6%	55.3%	41.3%	55.7%	48.6%	62.6%
Overseas	-	-	-	-	-	-	210	132	71	135
(Gross Profit Margin)	-	-	-	-	-	-	33.3%	31.3%	30.5%	33.8%
SG&A	673	783	737	845	783	997	972	1,120	908	965
<b>Operating Profit</b>	<b>418</b>	<b>210</b>	<b>302</b>	<b>156</b>	<b>431</b>	<b>-84</b>	<b>289</b>	<b>84</b>	<b>226</b>	<b>459</b>
(YoY)	85.8%	100.0%	24.8%	-53.3%	3.1%	-	-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%	8.8%
Non-Operating Income/Expenses	-6	-19	-5	-41	383	9	3	-55	17	-25
<b>Ordinary Profit</b>	<b>412</b>	<b>191</b>	<b>296</b>	<b>116</b>	<b>813</b>	<b>-73</b>	<b>290</b>	<b>30</b>	<b>244</b>	<b>434</b>
(YoY)	49.8%	3.8%	17.0%	-65.8%	97.3%	-	-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%	8.3%
Extraordinary Profit and Loss	0	0	0	0	0	0	12	244	0	0
Profit Before Income Taxes	412	191	296	116	813	-60	303	77	244	434
Income Taxes	143	69	107	49	268	43	115	172	109	156
<b>Profit</b>	<b>269</b>	<b>122</b>	<b>189</b>	<b>68</b>	<b>545</b>	<b>-103</b>	<b>188</b>	<b>-95</b>	<b>134</b>	<b>279</b>
Profit (Loss) Attributable to Non-controlling Interests	-9	-7	0	3	6	2	7	12	-6	16
<b>Profit Attributable to Owners of Parent</b>	<b>278</b>	<b>130</b>	<b>188</b>	<b>65</b>	<b>540</b>	<b>-106</b>	<b>181</b>	<b>-107</b>	<b>141</b>	<b>262</b>

Source: Speeda Data. Compiled by Strategy Advisors.

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