

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

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

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

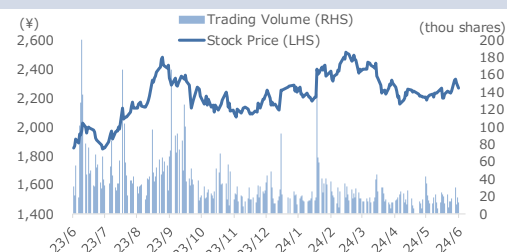
Free cash flow for FY3/2024 increased from ¥4.302 billion in FY3/2023 to ¥20.420 billion. In addition to the increase in operating cash flow, investable cash flow increased to ¥15.466 billion from ¥0.039 billion in the previous year due to (1) sales of businesses, (2) sales of real estate and (3) reduction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

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

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

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

Stock Price and Volumes



Source: Strategy Advisors

Key Indicators

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

Source: Strategy Advisors

Japanese GAAP – Consolidated

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

Source: Strategy Advisors. Based on Company Data

1. Full Year Results for FY3/2024

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

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

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

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

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

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

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

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

Sales Breakdown in the "6 Growth Areas"

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

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

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

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

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

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

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

Source: Prepared by Strategy Advisors

2. FY3/2025 Forecast

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

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

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

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

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

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

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

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

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

Significant Progress in Reforming the Business Portfolio

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

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

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

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

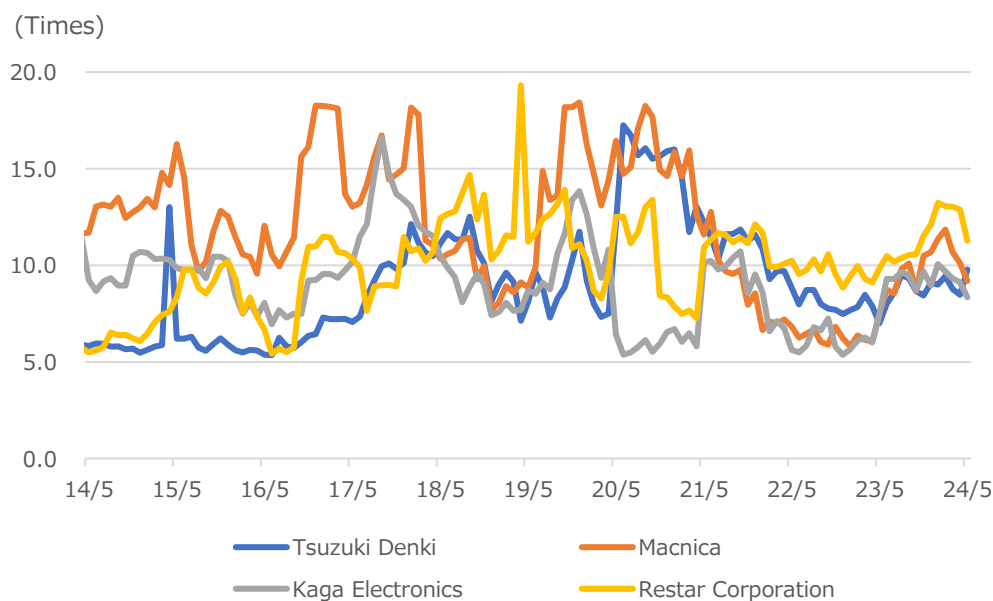
4. Valuation

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

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

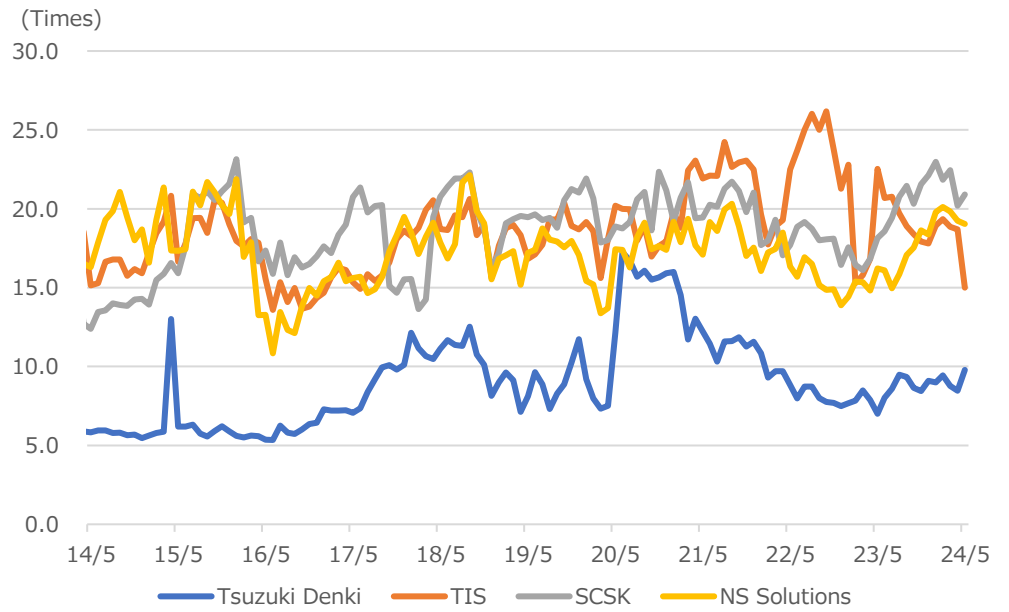
We believe this is because it is not widely understood that Tsuzuki Denki has transformed itself into a pure player in the ICT business, through the sale of its Electronic Devices business. The range of PER for information electronics trading firms over the past decade has been 5-15 times, while system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

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



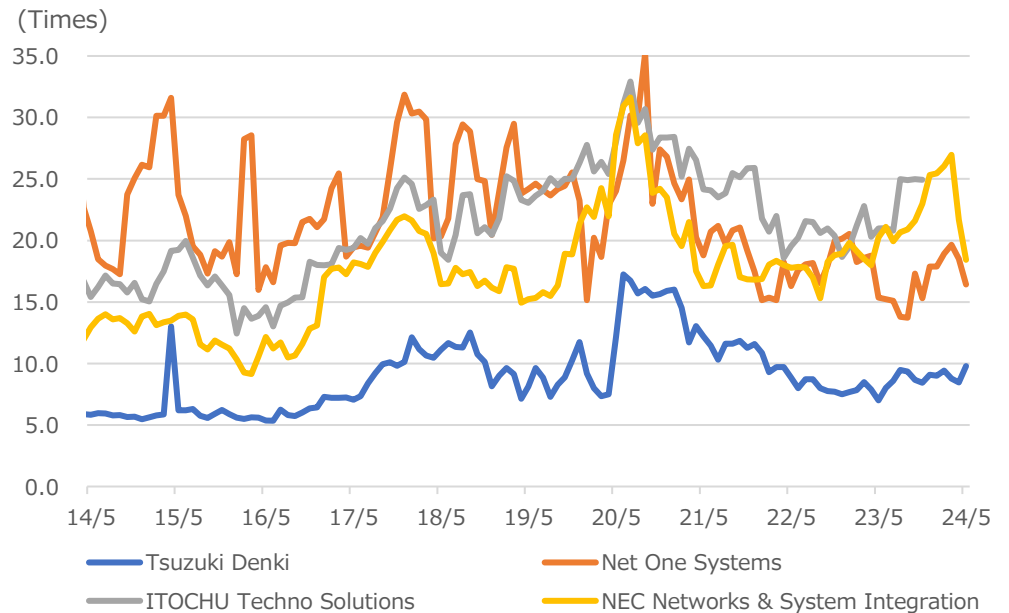
Source: Prepared by Strategy Advisors

Figure 3: Historical PER for Tsuzuki Denki and System Integrators



Source: Prepared by Strategy Advisors

Figure 4: Historical PER of Tsuzuki Denki and Network Integrators



Source: Prepared by Strategy Advisors

Figure 5: Comparison of Valuations with Peers

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

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

Source: Prepared by Strategy Advisors

Figure 6. Consolidated Statements of Income (¥ mn)

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

Source: Prepared by Strategy Advisors

Figure 7. Consolidated Balance Sheets (¥ mn)

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

Source: Prepared by Strategy Advisors

Figure 8. Consolidated Cash Flow (¥ mn)

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

Source: Prepared by Strategy Advisors

Figure 9: Stock Price and Capital Efficiency Indicators

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

Source: Prepared by Strategy Advisors

Figure 10: Quarterly Performance

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

Source: Prepared by Strategy Advisors

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