

Q1 Results were Within Expectation. President Kazunori Yoshii, Who Took Office after the Previous President Suddenly Passed Away, is Expected to Continue Reforms

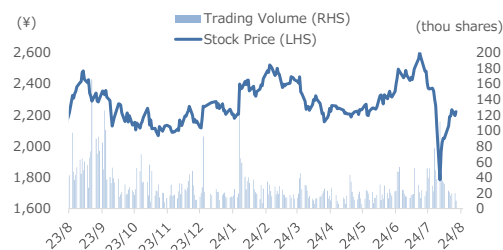
In FY3/2025 Q1 results, net sales declined 33.3% YoY to ¥18.77 billion and operating income fell 99.9% YoY to ¥1 million; if you exclude the electronic devices business, which was sold in FY3/2024 and was included until Q3, net sales fell 8.2% YoY and operating income declined 99.8% YoY.

Sales of the company's products and services tend to increase in Q2 and Q4 when client budget execution tends to be concentrated. In the first quarter of this fiscal year, revenue was lower than in the same period of the previous year due to the absence of large projects in the equipment business, but it was higher than in the first quarter of FY3/2023. Although the company noted that orders are lagging slightly, it currently projects sales of ¥103.0 billion (+0.5% YoY excluding the impact of the sale of the electronic devices business) and operating profit of ¥6.25 billion (+5.5% YoY) for FY3/2025.

We had the opportunity to meet with President Kazunori Yoshii, who assumed the position of President on July 1 following the sudden death of former president Isao Emori. President Yoshii was previously the No. 2 Representative Director and Vice President. As such, we expect the management transition to be smooth. President Yoshii has been in the management field since he joined the company as a new graduate. He is expected to continue with the long-term vision, medium-term management plan and other management policies formulated under the previous president. President Yoshii himself is expected to add his own color to the company, talking about promoting the younger generation, focusing on technology and so on.

While the overall stock market has been volatile, the company's price relative to TOPIX has slightly underperformed following Q1 results but has not moved significantly. Valuations continue to be significantly below those of other SIers and NIers. While the stock market's valuation of the company, which has become an "ICT pure-play" following the sale of its electronic devices business, is not yet expected to change significantly, valuations are expected to gradually improve as the company steadily improves its profitability and capital efficiency. The company's performance trends for FY3/2025, the probability of achieving its medium-term plan and the use of its abundant cash are the main impact factors to watch for in the near-term company share price.

Stock Price and Volume



Source: Strategy Advisors

Key Indicators

Stock Price (8/20)	2,221
Year-to-Date High (7/17)	2,599
Year-to-Date Low (8/5)	1,785
52-Week High (7/17/24)	2,599
52-Week Low (8/5/24)	1,785
Shares on Issue (mn)	18.0
Market Capitalization (¥ bn)	40.1
EV (¥ bn)	11.6
Equity Ratio (3/24 Actual, %)	49.8
PER (3/25 CoE, Times)	9.8
PBR (3/24 Actual, Times)	1.0
Dividend Yield (3/25 CoE, %)	4.1

Source: Strategy Advisors

Japanese GAAP - Consolidated

FY	Sales (¥ mn)	YoY (%)	OP (¥ mn)	YoY (%)	RP (¥ mn)	YoY (%)	NP (¥ mn)	YoY (%)	EPS (¥)	DPS (¥)
FY3/2024 Q1	28,128	14.3	698	NM	673	NM	448	NM	25.0	-
FY3/2025 Q1	18,771	-33.3	1	-99.9	41	-93.8	1	-99.7	0.1	-
FY3/2021	120,004	-4.3	3,202	-28.2	3,361	-26.6	2,346	-25.6	134.1	46.0
FY3/2022	119,316	-0.6	4,012	25.3	4,227	25.8	2,798	19.2	158.5	48.0
FY3/2023	123,899	3.8	5,118	27.6	5,355	26.7	3,521	25.8	197.5	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 CoE	103,000	-17.5	6,250	-2.9	6,250	-3.7	4,100	-25.1	227.5	91.0

Source: Strategy Advisors. Based on Company Data.

1. FY3/2025 Q1 Financial Summary & Forecast

Q1 Revenue Levels are Usually Low Due to Seasonality

In FY3/2025 Q1 results, sales declined 33.3% YoY to ¥18.77 billion and operating profit fell 99.9% YoY to 1 million yen, but since the electronic devices business was transferred to Restar (3156 TSE Prime) in FY3/2024 Q4, excluding this transfer, sales in the information network solutions business declined 8.2% YoY and operating profit fell 99.8% YoY. As a result, sales and operating profit were down 8.2% and 99.8% YoY, respectively, in the Information Network Solutions segment. Many of the company's products and services are sold in line with clients' budget execution, so sales and profits tend to be concentrated in Q2 and Q4.

There were No Large Sales Deals this Q1 Compared to the Same Period Last Year

In FY3/2024, Q1 sales and operating profit were higher than in previous years due to a large equipment sales deal, but in FY3/2025, Q1 sales and operating profit were lower than in previous years due to the absence of such deals. However, both sales and operating profit were higher than in FY3/2023, indicating that the profit level is on a rising trend.

Figure 1: Sales, Orders and Backlog by Business Model

(¥mn)	FY3/24			FY3/25	
	Q1	Q2	Q3	Q4	Q1
Sales	20,445	25,208	25,026	31,844	18,771
(YoY)	14.5%	11.2%	25.5%	-4.8%	-8.2%
Equipment	7,172	10,779	11,156	15,818	5,455
(YoY)	29.5%	17.8%	79.1%	-7.1%	-23.9%
Development & Construction	2,687	3,813	3,915	4,371	2,590
(YoY)	4.3%	11.2%	41.0%	-13.6%	-3.6%
Service	10,584	10,617	9,955	11,655	10,725
(YoY)	8.7%	5.3%	-8.9%	2.5%	1.3%
Orders	24,271	23,962	20,301	26,026	23,642
(YoY)	-8.8%	-5.8%	-12.4%	-4.5%	-2.6%
Equipment	8,576	10,300	7,379	11,796	7,880
(YoY)	-26.3%	-7.5%	-23.1%	-7.2%	-8.1%
Development & Construction	3,797	3,767	2,784	3,251	3,785
(YoY)	31.8%	-6.1%	-18.4%	-12.9%	-0.3%
Service	11,896	9,896	10,139	10,978	11,976
(YoY)	-1.8%	-3.9%	-0.4%	1.6%	0.7%
Order Backlog	29,684	28,438	23,713	17,895	22,766
(YoY)	14.0%	-1.3%	-26.0%	-30.8%	-23.3%
Equipment	18,846	18,368	14,590	10,568	12,993
(YoY)	14.9%	-0.1%	-32.9%	-39.4%	-31.1%
Development & Construction	5,780	5,734	4,603	3,484	4,679
(YoY)	21.0%	6.9%	-23.2%	-25.4%	-19.0%
Service	5,056	4,335	4,519	3,842	5,093
(YoY)	4.1%	-14.4%	4.8%	2.6%	0.7%

Source: Strategy Advisors. Based on Company Data.

Business Negotiations for PCs are Expected to Start from Q2 Onward. Full-Year Forecasts Remain Unchanged

According to the company, it expects to receive large orders in 2H for PCs in connection with the end of support for Windows 10, and these individual large orders are expected to be about the same size as those in FY3/2024. The company expects stable monthly earnings from its services business, but its equipment and development/construction business, which often generates sales as a set, will depend on future trends in orders, so there may be some uncertainty. At this point, the company's full-year FY3/2025 forecasts are generally in line with expectations, with sales of ¥103.0 billion (+0.5% YoY excluding the impact of the sale of the electronic devices business) and operating profit of ¥6.25 billion (+5.5% YoY). There is no change this time.

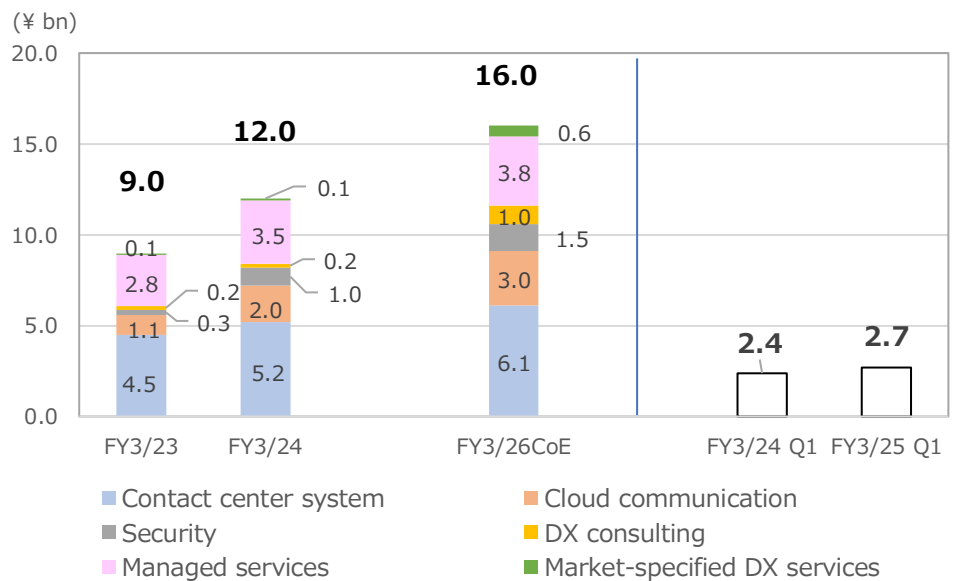
Efforts to Improve Profitability Continue

The operating profit margin for the Information Network Solutions segment was 5.8% in FY3/2024 and is expected to rise further to 6.1% in FY3/2025. Although it is difficult to see from the seasonally low Q1 results, it appears that the company is continuing its efforts to improve its profit margin. Specifically, the company is strengthening its pricing management, which began in earnest in FY3/2024. As of March 1, 2024, the company notified customers of price revisions for maintenance services and other services, including those currently under contract. The company is also reviewing those that have been under contract with the company for many years.

Steady Expansion in 6 Growth Areas

In addition, in order to add value, the company is expanding its proposal-based business in the form of offerings from the company. This is expected to lead to higher profit margins. In FY3/2024, total sales in the six growth areas that the company is focusing on amounted to ¥12.0 billion (+36% YoY), and further growth is expected in FY3/2025 as well. In particular, security services appear to be strongly growing due to the introduction of Zero Trust and other factors. Sales of contact centers, managed services are also expected to grow steadily.

Figure 2: Sales Trends in Six Growth Areas



Source: Strategy Advisors. Based on Company Data.

Figure 3: Quarterly Business Performance Trends

(¥ mn)	23/3				24/3				25/3
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Total sales	24,609	30,437	27,499	41,354	28,128	32,759	32,126	31,843	18,771
(YoY change)	-0.9%	7.6%	-1.2%	7.8%	14.3%	7.6%	16.8%	-23.0%	-33.3%
Information Network Solutions	17,851	22,668	19,935	33,451	20,445	25,208	25,026	31,844	18,771
(YoY change)	-2.9%	4.7%	-3.0%	5.4%	14.5%	11.2%	25.5%	-4.8%	-8.2%
Equipment	5,540	9,154	6,228	17,021	7,172	10,779	11,156	15,818	5,455
(YoY change)	-8.1%	16.3%	-15.8%	7.5%	29.5%	17.8%	79.1%	-7.1%	-23.9%
Development & Construction	2,575	3,429	2,777	5,059	2,687	3,813	3,915	4,371	2,590
(YoY change)	4.1%	-8.3%	-23.3%	8.4%	4.3%	11.2%	41.0%	-13.6%	-3.6%
Services	9,734	10,086	10,930	11,371	10,584	10,617	9,955	11,655	10,725
(YoY change)	-1.4%	0.5%	14.6%	1.1%	8.7%	5.3%	-8.9%	2.5%	1.3%
Electronic Device	6,758	7,768	7,565	7,902	7,683	7,550	7,100	-	-
(YoY change)	4.9%	17.1%	3.8%	19.2%	13.7%	-2.8%	-6.1%	-	-
Gross profit	4,527	5,951	5,132	8,568	5,346	6,436	6,527	6,999	4,114
(Gross profit margin ratio)	18.4%	19.6%	18.7%	20.7%	19.0%	19.6%	20.3%	22.0%	21.9%
SG&A	4,730	4,727	4,746	4,857	4,648	4,793	4,930	4,498	4,113
Operating Profit	-202	1,223	386	3,711	698	1,643	1,597	2,501	1
(YoY change)	NM	15.4%	-28.7%	38.8%	NM	34.3%	313.7%	-32.6%	-99.9%
(Operating Profit Margin)	-0.8%	4.0%	1.4%	9.0%	2.5%	5.0%	5.0%	7.9%	0.0%
Information Network Solutions	-392	913	119	3,515	472	1,458	1,493	2,501	1
(Operating Profit Margin)	-2.2%	4.0%	0.6%	10.5%	2.3%	5.8%	6.0%	7.9%	0.0%
Electronic Device	179	304	257	214	216	176	95	-	-
(Operating Profit Margin)	2.6%	3.9%	3.4%	2.7%	2.8%	2.3%	1.3%	-	-
Adjustment	10	5	11	-18	9	9	9	0	0
Non-operating Income (Loss)	93	40	102	2	-25	45	34	-8	41
Recurring Profit	-109	1,263	488	3,713	673	1,688	1,631	2,494	41
(YoY change)	NM	16.4%	-29.3%	38.4%	NM	33.7%	234.2%	-32.8%	-93.9%
(Recurring Profit Margin)	-0.4%	4.1%	1.8%	9.0%	2.4%	5.2%	5.1%	7.8%	0.2%
Extraordinary Income	-1	-3	0	229	0	1,816	-7	120	31
Pretax Profit Margin	-111	1,260	489	3,941	673	3,504	1,624	2,614	72
Income Taxes	-13	362	157	1,338	172	1,000	305	1,291	39
Net income	-97	896	333	2,602	501	2,504	1,319	1,323	33
Net Income to Minority Interests	49	50	59	55	52	47	37	34	32
Net income to Owners of the parent	-147	847	273	2,548	448	2,458	1,281	1,290	1

Source: Strategy Advisors. Based on Company Data.

2. Profile of President Kazunori Yoshii & Management Policy

Smooth Transition to New President Yoshii Following the Passing of Former President Emori

Following the death of former President Isao Emori on June 28, former Executive Vice President Kazunori Yoshii was appointed President and Representative Director effective July 1. President Yoshii joined the firm in the same year as the former President Emori and had been involved in management as No. 2. We had an opportunity to meet with President Yoshii. His profile and other details are described below.

Consistently Involved in Administration Since Joining the Company as a New Graduate

President Yoshii joined Tsuzuki Denki in April 1981. He wanted to join a company that was planning to go public (the company was listed on the second section of the Tokyo Stock Exchange in January 1986). The company was also engaged in the business of network construction, etc., and had many prominent companies as clients, which attracted him to the company. After joining, he was assigned to the accounting department, but since the company was small at the time, he was forced to do a lot of work on his own. Since then, he has consistently been involved in the administrative department.

Tsuzuki Moved Away from Owner-Operated Management and Has Been Reforming

When the owner, the Tsuzuki family, retired from management in the 2000s, President Yoshii hoped that the company should develop as a normal, non-owner-operated company in the future. In fact, he took on administrative duties under the subsequent top management and supported various reforms. In particular, during the reign of former President Emori, progress was made in efforts to enhance corporate value, such as reforming the business portfolio and strengthening investor relations activities.

Followed Basic Management Policies Such as Long-Term Vision & Mid-Term Plan

President Yoshii intends to follow the framework of the long-term vision announced in May 2023, the medium-term management plan "Transformation 2026," and other policies. In this context, he stated that since the long-term vision is the vision that the company aims to achieve by 2032, he would like to change what needs to be changed while backcasting in response to the changing times. In the future, specific management policies and other details under President Yoshii's leadership will gradually be formulated. In our interview, President Yoshii raised the following points.

The Company Wants to Increase Opportunities for the Younger Generation to Play an Active Role

One is the promotion of the younger generation. The company, like many historical companies, has a high percentage of older employees (the average age of parent company employees is 43.5 years old), which inevitably forces the company to transfer authority and operations to the younger generation. Since the time of former President Emori, the company has been discussing how to motivate the younger generation to play an active role, and this is seen as a highly important issue for President Yoshii.

President Yoshii Wants to Focus on the Technology that Tsuzuki Denki has

President Yoshii also stated that he would like to re-focus on the company's technology holdings. He would like to utilize more engineers to expand business by proposing new technologies to current clients and to attract new clients from affiliated companies of major clients. The company will continue to improve efficiency and profitability while achieving sales growth. Although President

Yoshii is not an engineer himself, he seems to have a strong attachment to the company's technology and the engineers who carry it.

President Yoshii is expected to gradually reflect the above ideas in management while continuing along the lines of former President Emori. He is expected to issue a message as the new president after the Q2 results announcement, which is expected to attract attention.

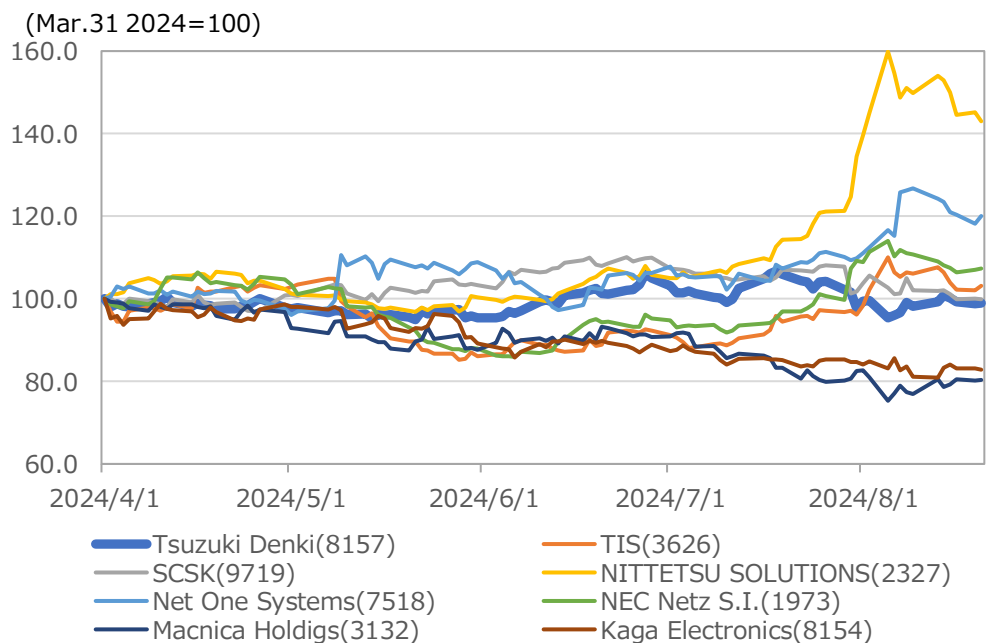
Specific Policies & Other Details Will be Revealed After Q2 Results

Stock Markets are Volatile, but Company-Specific Stock Price Volatility is Limited

Stock Price Trends & Valuations

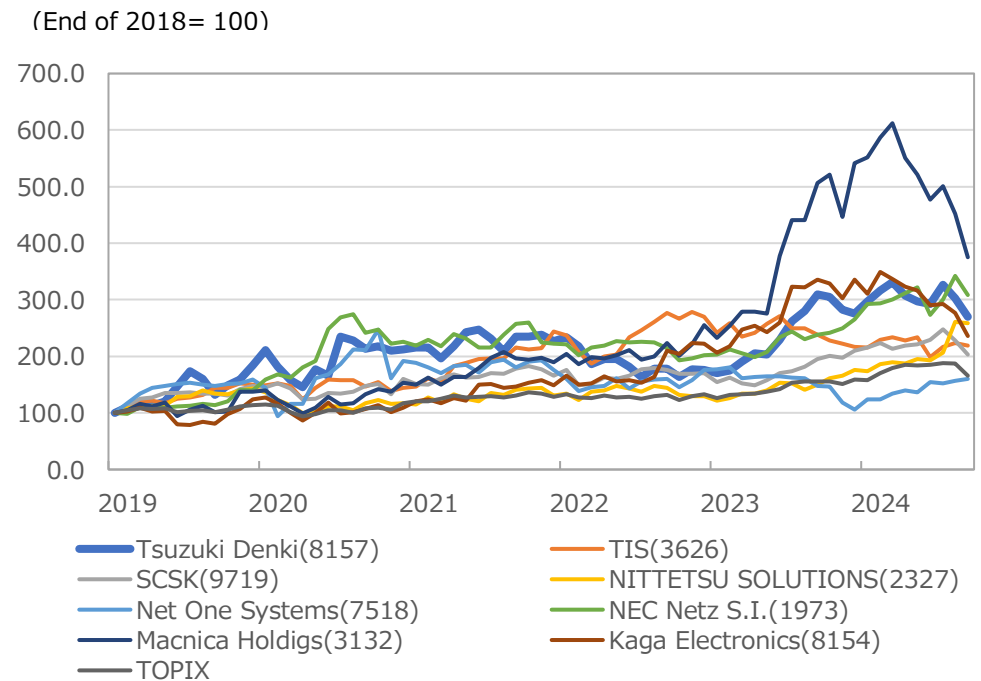
The stock market has fallen sharply in August, and the market has been in a state of flux: TOPIX and Tsuzuki Denki's share prices have fallen by 11.1% and 10.7% respectively, as of the close on August 9 compared to July 31. Major Sier, Nier, and electronics trading firms' relative to TOPIX Figure 4 shows the changes in share prices of major Sier, Nier, and electronics trading firms relative to the TOPIX. The share price of Tsuzuki Denki did not change noticeably following the announcement of the passing of former president Emori on July 1, presumably due to the view that his successor would be appointed soon and there would be no major impact on the company's management structure. After the Q1 earnings announcement on July 31, the price slightly underperformed TOPIX, but this was not a major move. Looking at other companies, NITTETSU SOLUTIONS (2327 TSE Prime) and Net One Systems (7518 TSE Prime) outperformed the TOPIX after their Q1 earnings announcements, suggesting that earnings trends are affecting stock prices even in this market environment.

Figure 4: Share Price Trends of Tsuzuki Denki and its Peers (relative to TOPIX)



Source: Strategy Advisors

Figure 5: Tsuzuki Denki & Other Companies in the Same Industry (Monthly)



Source: Strategy Advisors

Seasonal Demand in Q2 Will be the Focus of Attention

The stock market is expected to remain unstable for the time being, but the company is in an industry that is relatively insensitive to the global economy because of the limited direct impact of foreign exchange rates and its focus on the domestic market. The company's Q2 performance is likely to have an impact on its share price due to the company's unique factors; although the Information Network Solutions business posted a decline in profit in Q1, the market's assessment was not clear due to seasonal factors.

The Key Point is Whether Orders Will Recover in Q2

Since there is a time lag of 3-6 months from order receipt to sales for equipment and development/construction, it will be necessary for orders to recover to some extent in Q2 in order to have an impact on sales in the second half of the year. The key to recovery will be whether orders for individual large projects, which were not received in Q1, will come in as planned. The replacement trend of Windows 10 will be a key factor to watch as support for Windows 10 comes to an end.

Rising Profit Margins are Also Key

It will also be important to see if the company's focus on increasing proposal-based, high-value-added business and pricing management will lead to higher profit margins as expected. The rate of increase in the six growth areas will also be of interest from a medium-term perspective.

Tsuzuki Denki Co. | 8157 (TSE Prime)

The Use of Funds Also Attracts Attention

Cash and cash equivalents at the end of Q1 of FY3/2024 amounted to ¥ 38.7 billion, the same level as at the end of FY3/2024. M&A activity is not expected in the near-term but will be watched from a medium-term perspective.

Valuations Remain Low Compared to Other SIers & NIers

The company's valuations continue to be significantly below those of SIers and NIers in terms of PER and PBR. The stock market's valuation of the company, which has become an "ICT pure-play" following the sale of its electronic devices business, does not appear to have changed significantly yet. However, if the company's ongoing reforms steadily improve profit margins and capital efficiency, we expect valuations to gradually incline as the market takes this into account.

The Company's Profit Targets for the Fiscal Year Ending March 31, 2026, the Final Year of its Medium-Term Management Plan, Will Also be the Focus of Attention this Fiscal Year

If the company's FY3/2025 earnings forecast is more likely to be achieved after the Q2 results and if the company's profit target for FY3/2026, the final year of its medium-term management plan "Transformation 2026," is more likely to be achieved; this could have a positive effect on the company's stock price. The mid-term plan targets are sales of ¥130 billion, operating profit of ¥6.5 billion, and ROE of 10% or higher, which were set before the sale of the electronic device business and have not been changed since then. While sales are expected to be difficult to achieve through organic growth, the company believes that operating profit will cover the difference and make it possible to achieve these targets.

Figure 6: Profitability Comparison with Peers

	Code	FY	OP Margin	ROE	ROIC	EBITDA Margin	Equity Ratio
			%	%	%	%	%
Tsuzuki Denki	8157	3/2024	5.2	14.5	18.4	6.5	49.8
Nomura Research Institute	4307	3/2024	16.3	19.9	20.1	22.9	43.3
Otsuka Shokai	4768	24-Dec	6.4	14.3	37.5	7.3	61.1
TIS	3626	3/2024	11.8	16.0	20.9	15.0	59.5
SCSK	9719	3/2024	11.9	14.1	17.8	16.3	64.1
BIPROGY	8056	3/2024	9.0	16.5	21.1	13.8	53.0
NITTETSU SOLUTIONS	2327	3/2024	11.3	11.1	20.6	15.1	63.2
NSD	9759	3/2024	15.0	17.5	36.3	17.5	72.2
NEC Netz S.I.	1973	3/2024	7.0	10.4	14.7	8.0	53.5
Net One Systems	7518	3/2024	9.5	18.0	17.9	11.3	46.6
JBCC Holdings	9889	3/2024	6.8	15.5	23.3	7.4	56.9
Dentsu Research Institute	4812	12/2023	14.7	18.7	52.9	17.0	62.2
Japan Business Systems	5036	9/2023	3.7	16.0	13.1	4.4	44.8

Source: Prepared by Strategy Advisors. Based on Company Data.

Figure 7: Comparison of valuations with peers

	Code	FY	Market cap.	Price	EV	PER	PBR	EV/	Yield
			(Aug 20)			CoE	Actual	EBITDA	CoE
			¥ bn	¥	¥ bn	Times	Times	Times	%
Tsuzuki Denki	8157	3/25	40.1	2,221	11.6	9.8	1.0	1.5	4.1
Nomura Research Institute	4307	3/25	2,747.3	4,784	2,873.0	31.3	6.9	15.9	1.2
Otsuka Shokai	4768	12/24	1,311.7	3,459	1,091.2	27.5	3.8	14.2	2.0
TIS	3626	3/25	769.0	3,312	710.6	17.2	2.5	8.4	2.1
SCSK	9719	3/25	866.4	2,772.5	796.1	19.5	2.9	9.5	2.5
BIPROGY	8056	3/25	459.4	4,568	435.6	18.7	2.8	8.1	2.2
NITTETSU SOLUTIONS	2327	3/25	640.4	3,500	570.6	25.4	2.7	11.6	1.9
NSD	9759	3/25	237.2	3,085	213.3	22.8	3.8	11.6	2.4
NEC Netz S.I.	1973	3/25	389.5	2,615	325.5	21.6	2.6	9.9	2.1
Net One Systems	7518	3/25	250.8	3,163	247.3	17.4	3.3	10.2	2.7
JBCC Holdings	9889	3/25	64.6	4,170	54.8	18.0	3.0	10.0	2.5
Dentsu Research Institute	4812	12/24	374.8	5,760	318.9	23.9	4.5	12.4	1.9
Japan Business Systems	5036	9/24	43.3	950	50.9	28.9	1.9	8.5	2.6

Note: EBITDA is based on the company's forecast of operating income plus depreciation and amortization of the most recent results.

Source: Prepared by Strategy Advisors. Based on Company Data.

Figure 8. 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. Based on Company Data.

Figure 9. 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. Based on Company Data.

Figure 10: 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	6.6%	8.0%	11.5%	8.5%	9.3%	11.8%	18.4%
Number of Employees	2,286	2,336	2,359	2,408	2,382	2,328	2,094

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: Prepared by Strategy Advisors. Based on Company Data.

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