

Q3 FY3/25 Results: On Track with Full-Year Company Forecast

In Q3 of FY3/25, sales were down 29.8% YoY to ¥65.29 billion and operating income was down 39.1% YoY to ¥2.4 billion. In Information Network Solution Services, excluding the now sold Electronic Device business, sales were down 7.6% YoY and operating income was down 29.9% YoY. This was largely due to the absence of large-scale equipment projects that existed in the previous year.

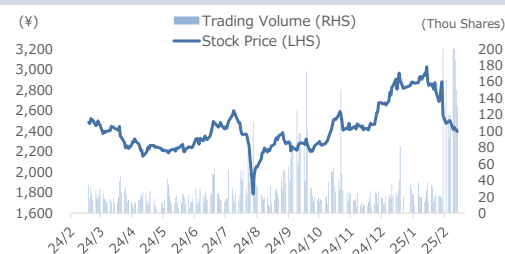
Support for Windows 10 will end in October 2025, which appears to be generating demand for PC replacement. The introduction of high-priced AI-equipped PCs is also expected to have an effect on increased demand. Equipment orders in Q3 (3 months) increased significantly by 23.6% YoY, confirming the effect. High levels of orders are likely to continue in Q4. The increase in orders is expected to be reflected in sales and profits in Q4 and revenue concentration in Q4 will be higher than usual. The company's performance up till Q3 appear to be in line with expectations and we expect it will achieve its full-year forecast.

Cumulative sales in the six growth areas for Q3 appear to have increased 6% YoY to approximately ¥8.7 billion. Sales in Q3 (3 months) are estimated to have increased 4% YoY to approximately ¥3 billion. Security has grown significantly, and Contact Centers also appear to be performing well.

The stock price has recovered since December last year, hitting an all-time high of ¥3,025 on January 22nd. After that, it fluctuated following the announcement of the Q3 results and fell once the stock offering was announced on February 6th. The valuation is significantly lower than the industry averages of 21.7 and 3.9, with a PER of 10.6 based on the forecast for FY3/25 and a PBR of 1.1 based on the actual BPS for FY3/24. When looking at the stock price, the immediate focus will be on whether the company will achieve its earnings forecast for FY3/25, its growth strategy for FY3/26 and onward and its use of surplus funds.

It was announced that President and CEO Kazunori Yoshii would become Chairman and Senior Managing Executive Officer Katsuyuki Yoshida would become President and CEO after the general shareholders meeting in June this year. Yoshida is currently the head of the Solutions Business Unit, so this is a natural appointment.

Stock Prices & Trading Volumes (Past 1 Year)



Source: Strategy Advisors

Key Indicators

| | |
|-------------------------------|-------|
| Stock Price (2/21) | 2,395 |
| 52-Week High (25/1/22) | 3,025 |
| 52-Week Low (24/8/5) | 1,785 |
| All-Time High (25/1/22) | 3,025 |
| All-Time Low (11/19/02) | 157 |
| Shares on Issue (mn) | 18.1 |
| Market Capitalization (¥ bn) | 43.4 |
| ROE (3/24 Actual, %) | 14.5 |
| Equity Ratio (3/24 Actual, %) | 49.8 |
| PER (3/25 CoE, Times) | 10.6 |
| PBR (3/24 Actual, Times) | 1.1 |
| Dividend Yield (3/25 CoE, %) | 3.8 |

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 (¥) |
|---------------------|-----------------|----------------------|-------------------------------|----------------------|------------------------------|----------------------|-------------------------|----------------------|-------------|------------|
| 3/2024 Q3 | 32,126 | 16.8 | 1,597 | 313.7 | 1,631 | 234.2 | 1,281 | 369.2 | 71.2 | - |
| 3/2025 Q3 | 23,456 | -27.0 | 1,006 | -37.0 | 1,032 | -36.7 | 700 | -45.4 | 38.6 | - |
| 3/2024 Q1-Q3 | 93,013 | 12.7 | 3,938 | 179.8 | 3,992 | 143.1 | 4,187 | 330.1 | 233.1 | - |
| 3/2025 Q1-Q3 | 65,298 | -29.8 | 2,400 | -39.1 | 2,520 | -36.9 | 1,736 | -58.5 | 96.0 | - |
| 3/2022 | 119,316 | -0.6 | 4,012 | 25.3 | 4,227 | 25.8 | 2,798 | 19.2 | 158.5 | 48.0 |
| 3/2023 | 123,899 | 3.8 | 5,118 | 27.6 | 5,355 | 26.7 | 3,521 | 25.8 | 197.5 | 61.0 |
| 3/2024 | 124,856 | 0.8 | 6,439 | 25.8 | 6,486 | 21.1 | 5,477 | 55.6 | 304.8 | 90.0 |
| 3/2025 CoE | 103,000 | -17.5 | 6,250 | -2.9 | 6,250 | -3.7 | 4,100 | -25.1 | 226.6 | 91.0 |

Source: Company Data. Compiled by Strategy Advisors

1. Summary of Financial Results for Q3 FY3/25

Profits Fell Due to a Negative Impact from a Large Project in the First Half of the Previous Year. But the Results were In-Line with Expectations

In the cumulative financial results for Q3 of FY3/25, sales were down 29.8% YoY and operating income was down 39.1% YoY. Due to the impact of the sale of the Electronic Device business in Q4 of FY3/24, from within the Information Network Solutions Services Business (hereinafter "Information Network Business"), sales were down 7.6% YoY and operating income were down 29.9% YoY. In Q3 (three months), sales for the business were down 6.3% YoY and operating income was down 32.6% YoY.

Figure 1. Summary of Q3 FY3/25 Financial Results (Information Network Solutions Business)

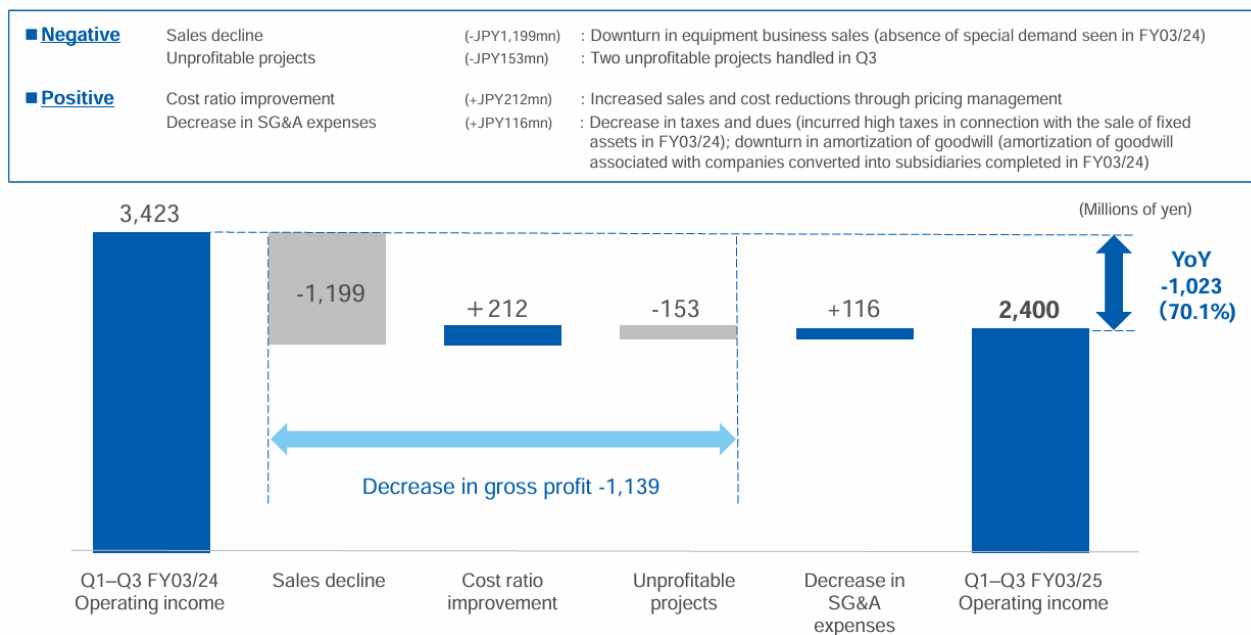
(¥ mn)

| | 3/24 Q1-Q3 (A) | Progress (A)/(C) | 3/25 Q1-Q3 (B) | Progress (B)/(D) | 3/25 Q1 | 3/25 Q2 | 3/25 Q3 | 3/24 Full (C) | 3/25 Full CoE (D) |
|-------------------------------|----------------------|---------------------|----------------------|---------------------|---------|---------|---------------|------------------|-------------------------|
| Sales | 70,679 | 68.9% | 65,298 | 63.4% | 18,771 | 23,071 | 23,456 | 102,523 | 103,000 |
| YoY | 16.9% | | -7.6% | | -8.2% | -8.5% | -6.3% | 9.2% | 0.5% |
| Equipment | 29,107 | 64.8% | 23,917 | NA | 5,455 | 8,794 | 9,668 | 44,925 | NA |
| YoY | 39.1% | | -17.8% | | -23.9% | -18.4% | -13.3% | 18.4% | |
| Development & Construction | 10,415 | 70.4% | 10,100 | NA | 2,590 | 3,900 | 3,610 | 14,786 | NA |
| YoY | 18.6% | | -3.0% | | -3.6% | 2.3% | -7.8% | 6.8% | |
| Service | 31,156 | 72.8% | 31,280 | NA | 10,725 | 10,377 | 10,178 | 42,811 | NA |
| YoY | 1.3% | | 0.4% | | 1.3% | -2.3% | 2.2% | 1.6% | |
| Operating Income | 3,423 | 57.8% | 2,400 | 38.4% | 1 | 1,393 | 1,006 | 5,925 | 6,250 |
| YoY | 434.8% | | -29.9% | | -99.8% | -4.5% | -32.6% | 42.6% | 5.5% |

Note: Since the Electronic Device Business was sold in Q4 of FY3/24, only the Information Network Business is shown for comparison purposes.

Source: Company Data. Compiled by Strategy Advisors

Figure 2. Factors Behind Changes in Operating Profit for the Cumulative Third Quarter of FY3/25



Source: Company Data

Q3 of FY3/25, the largest decrease was due to the decline in sales in the equipment business, at ¥1.19 billion. A reaction to the large equipment projects in the previous year, equipment sales for the cumulative Q3 fell 17.8% YoY. In addition, the occurrence of two unprofitable projects led to a decrease in profit of ¥150 million. On the other hand, the effects of improved cost rates through pricing management and cost reductions increased profits by ¥210 million and a decrease in sales and administrative expenses increased profits by ¥110 million, slightly reducing the overall decrease in profits.

Figure 3. Sales, Orders and Backlog by Business Model

(¥ mn)

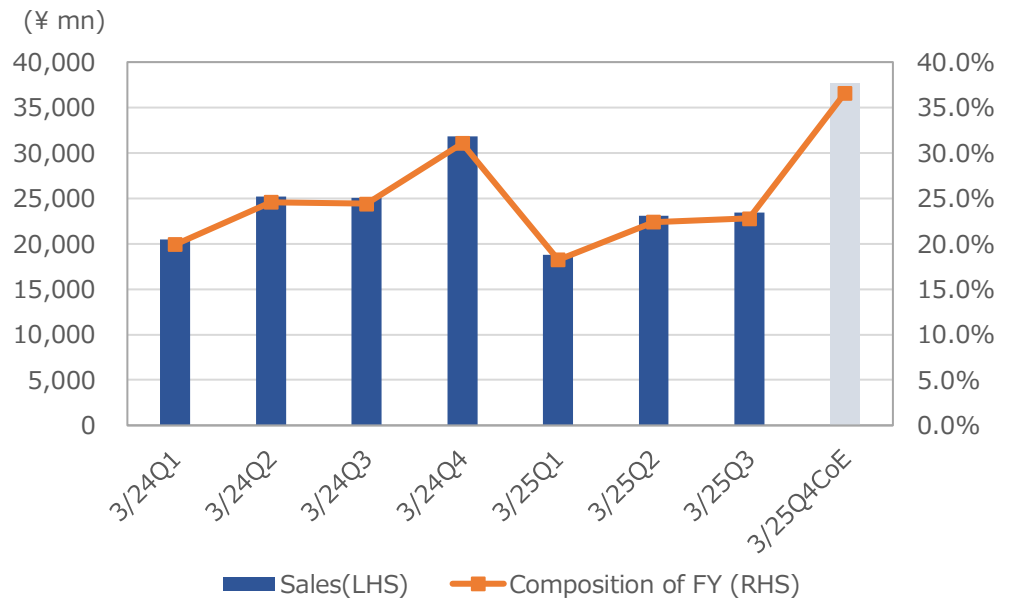
| FY | 3/24 | | | | 3/25 | | |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| Sales | 20,445 | 25,208 | 25,026 | 31,844 | 18,771 | 23,071 | 23,456 |
| (YoY) | 14.5% | 11.2% | 25.5% | -4.8% | -8.2% | -8.5% | -6.3% |
| Equipment | 7,172 | 10,779 | 11,156 | 15,818 | 5,455 | 8,794 | 9,668 |
| (YoY) | 29.5% | 17.8% | 79.1% | -7.1% | -23.9% | -18.4% | -13.3% |
| Development & Construction | 2,687 | 3,813 | 3,915 | 4,371 | 2,590 | 3,900 | 3,610 |
| (YoY) | 4.3% | 11.2% | 41.0% | -13.6% | -3.6% | 2.3% | -7.8% |
| Service | 10,584 | 10,617 | 9,955 | 11,655 | 10,725 | 10,377 | 10,178 |
| (YoY) | 8.7% | 5.3% | -8.9% | 2.5% | 1.3% | -2.3% | 2.2% |
| Orders | 24,271 | 23,962 | 20,301 | 26,026 | 23,642 | 25,641 | 22,583 |
| (YoY) | -8.8% | -5.8% | -12.4% | -4.5% | -2.6% | 7.0% | 11.2% |
| Equipment | 8,576 | 10,300 | 7,379 | 11,796 | 7,880 | 11,351 | 9,120 |
| (YoY) | -26.3% | -7.5% | -23.1% | -7.2% | -8.1% | 10.2% | 23.6% |
| Development & Construction | 3,797 | 3,767 | 2,784 | 3,251 | 3,785 | 4,091 | 3,995 |
| (YoY) | 31.8% | -6.1% | -18.4% | -12.9% | -0.3% | 8.6% | 43.5% |
| Service | 11,896 | 9,896 | 10,139 | 10,978 | 11,976 | 10,199 | 9,467 |
| (YoY) | -1.8% | -3.9% | -0.4% | 1.6% | 0.7% | 3.1% | -6.6% |
| Order Backlog | 29,684 | 28,438 | 23,713 | 17,895 | 22,766 | 25,335 | 24,463 |
| (YoY) | 14.0% | -1.3% | -26.0% | -30.8% | -23.3% | -10.9% | 3.2% |
| Equipment | 18,846 | 18,368 | 14,590 | 10,568 | 12,993 | 15,550 | 15,002 |
| (YoY) | 14.9% | -0.1% | -32.9% | -39.4% | -31.1% | -15.3% | 2.8% |
| Development & Construction | 5,780 | 5,734 | 4,603 | 3,484 | 4,679 | 4,870 | 5,256 |
| (YoY) | 21.0% | 6.9% | -23.2% | -25.4% | -19.0% | -15.1% | 14.2% |
| Service | 5,056 | 4,335 | 4,519 | 3,842 | 5,093 | 4,915 | 4,204 |
| (YoY) | 4.1% | -14.4% | 4.8% | 2.6% | 0.7% | 13.4% | -7.0% |

Source: Company Data. Compiled by Strategy Advisors

The company's forecast for full FY3/25 is sales of ¥103 billion and operating profit of ¥6.25 billion and the progress rate for the cumulative Q3 is 63.4% and 38.4%, respectively. As shown in Figure 4, the company's sales tend to expand in Q4 every year because client companies concentrate on budget execution and inspection at the end of the fiscal year, but this tendency is expected to be particularly strong in FY3/25. As support for Windows 10 will end in October 2025 (EOS: End of Service) orders for equipment are currently increasing, as shown in Figure 6 and this trend is expected to continue into Q4.

For this reason, due to the EOS factor in addition to the usual seasonality, sales in Q4 of FY3/25 are expected to increase significantly compared to the same period last year. In order to achieve the company's forecast, sales in Q4 need to increase 36.6% YoY, but this should be possible. Along with the increase in sales, operating profit in Q4 is also expected to significantly increase YoY.

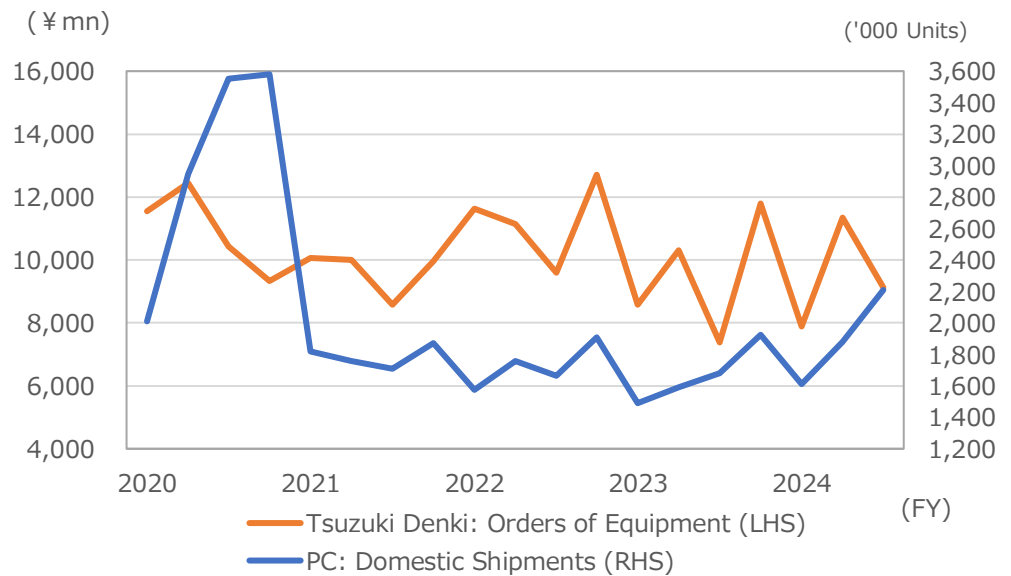
Figure 4. Quarterly Information Network Business Sales Trends



Note: The composition ratio by quarter for FY2025 is based on the company's forecast for FY2025.

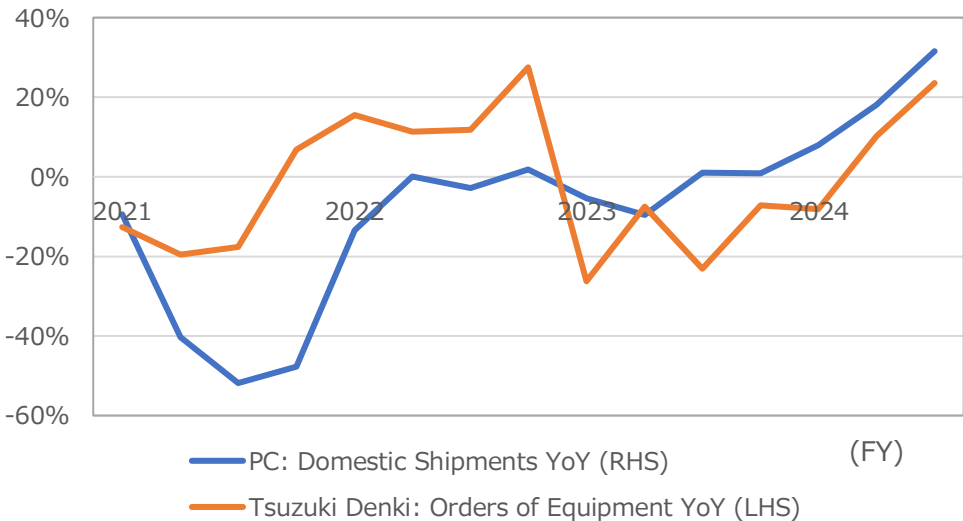
Source: Company Data. Compiled by Strategy Advisors

Figure 5. Trends in Domestic PC Shipments & Tsuzuki Denki's Equipment Orders



Source: Prepared by Strategy Advisors. Based on Data from the Japan Electronics and Information Technology Industries Association (JEITA)

Figure 6. Trends in Domestic PC Shipments & Tsuzuki Denki's Equipment Orders (YoY Comparison)



Source: Prepared by Strategy Advisors. Based on Data from the Japan Electronics and Information Technology Industries Association (JEITA)

Figure 7. Quarterly Performance Trends

| FY | 3/24 | | | | 3/25 | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4CoE |
| Total Sales | 28,128 | 32,759 | 32,126 | 31,843 | 18,771 | 23,071 | 23,456 | 37,702 |
| (YoY Change) | 14.3% | 7.6% | 16.8% | -23.0% | -33.3% | -29.6% | -27.0% | 18.4% |
| Information Network | 20,445 | 25,208 | 25,026 | 31,844 | 18,771 | 23,071 | 23,456 | 37,702 |
| (YoY Change) | 14.5% | 11.2% | 25.5% | -4.8% | -8.2% | -8.5% | -6.3% | 18.4% |
| Equipment | 7,172 | 10,779 | 11,156 | 15,818 | 5,455 | 8,794 | 9,668 | |
| (YoY Change) | 29.5% | 17.8% | 79.1% | -7.1% | -23.9% | -18.4% | -13.3% | |
| Development & Construction | 2,687 | 3,813 | 3,915 | 4,371 | 2,590 | 3,900 | 3,610 | |
| (YoY Change) | 4.3% | 11.2% | 41.0% | -13.6% | -3.6% | 2.3% | -7.8% | |
| Services | 10,584 | 10,617 | 9,955 | 11,655 | 10,725 | 10,377 | 10,178 | |
| (YoY Change) | 8.7% | 5.3% | -8.9% | 2.5% | 1.3% | -2.3% | 2.2% | |
| Electronic Device | 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 | |
| (Gross Margin) | 19.0% | 19.6% | 20.3% | 22.0% | 21.9% | 23.5% | 21.6% | |
| SG&A | 4,648 | 4,793 | 4,930 | 4,498 | 4,113 | 4,020 | 4,068 | |
| Operating Income | 698 | 1,643 | 1,597 | 2,501 | 1 | 1,393 | 1,006 | 3,850 |
| (YoY Change) | NM | 34.3% | 313.7% | -32.6% | -99.9% | -15.2% | -37.0% | 53.9% |
| (Operating Margin) | 2.5% | 5.0% | 5.0% | 7.9% | 0.0% | 6.0% | 4.3% | 10.2% |
| Information Network | 472 | 1,458 | 1,493 | 2,501 | 1 | 1,393 | 1,006 | 3,850 |
| (Operating Margin) | 2.3% | 5.8% | 6.0% | 7.9% | 0.0% | 6.0% | 4.3% | 10.2% |
| Electronic Device | 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 | |
| Ordinary Income | 673 | 1,688 | 1,631 | 2,494 | 41 | 1,447 | 1,032 | 3,730 |
| (YoY Change) | NM | 33.7% | 234.2% | -32.8% | -93.9% | -14.3% | -36.7% | 49.6% |
| (Ordinary Margin) | 2.4% | 5.2% | 5.1% | 7.8% | 0.2% | 6.3% | 4.4% | |
| Extraordinary Income | 0 | 1,816 | -7 | 120 | 31 | -6 | 0 | |
| Pretax Profit | 673 | 3,504 | 1,624 | 2,614 | 72 | 1,440 | 1,032 | |
| Income Taxes | 172 | 1,000 | 305 | 1,291 | 39 | 382 | 297 | |
| Net income | 501 | 2,504 | 1,319 | 1,323 | 33 | 1,058 | 735 | |
| Net Income to Minority Interests | 52 | 47 | 37 | 34 | 32 | 22 | 35 | |
| Net income to Owners of the Parent | 448 | 2,458 | 1,281 | 1,290 | 1 | 1,035 | 700 | 2,364 |
| (YoY Change) | NM | 190.2% | 369.2% | -49.4% | -99.8% | -57.9% | -45.4% | 83.3% |

Source: Company Data. Compiled by Strategy Advisors

The Six Growth Areas Continue to Expand

The company's six growth areas are performing well, with cumulative sales in Q3 totaling approximately ¥8.7 billion (up 6% YoY). Cloud Communication, which saw a rebound from the large projects of the previous year, is also expected to be strong at present. These are expected to contribute to earnings growth, particularly in services.

Figure 8. Sales Trends in Six Growth Areas

(¥ bn)

| Areas | 3/24 | YoY Change | 3/25 H1 | YoY Change | 3/26 CoE |
|--------------------------------|-------------|------------|------------|------------|-------------|
| Contact Center System | 5.2 | 16% | 2.4 | 3% | 6.1 |
| Cloud Communication | 2.0 | 82% | 0.7 | -15% | 3.0 |
| Managed Services | 3.5 | 25% | 1.8 | 25% | 3.8 |
| Security | 1.0 | 233% | 0.6 | 62% | 1.5 |
| DX Consulting | 0.2 | 28% | 0.12 | 79% | 1.0 |
| Market-Specified DX Services | 0.1 | NA | 0.04 | -9% | 0.6 |
| Total of 6 Growth Areas | 12.0 | 36% | 5.7 | 7% | 16.0 |

Source: Company Data. Compiled by Strategy Advisors

Announcement of Change of President

On January 31, the company announced that President Kazunori Yoshii would become Representative Director and Chairman after the general shareholders' meeting in June and that Katsuyuki Yoshida, Senior Managing Executive Officer and Head of the Solutions Business Unit, would succeed him as Representative Director and President. President Yoshii took over in July of last year following the sudden death of former President Isao Emori. While President Yoshii had been in the management field for a long time, it seems natural that the baton would be handed over to Mr. Yoshida, who has mainly worked in sales and is currently the head of the company's main business.

2. Stock Price Trends and Valuations

After Hitting its Highest Price Since Listing, the Stock Price Retreated

The stock price has recovered since December last year, hitting a record high of ¥3,025 since its listing on January 22. After that, the stock price fluctuated following the announcement of Q3 results and then fell once the stock offering was announced on February 6.

Valuation Remains Low Compared to Peers

Valuation has remained at a low level. The PER based on the forecast for FY3/25 is 10.6 times and the PBR based on the actual results for FY3/24 is 1.1 times. Compared to its peers, it is significantly lower than the industry average of PER of 21.7 times and PBR of 3.9 times. The forecast ROE, calculated by dividing the company's forecast net income for FY3/25 by the most recent equity capital, is 10.0%, which is relatively low within the industry; but even taking this into account, the current valuation can be said to be low.

Future Focus

The key point in considering the future trend of the stock price is whether the company's forecast for FY3/25 can be achieved. As mentioned above, considering the increase in demand due to the EOS of "Windows 10", we believe that the company's forecast can be achieved, but since the progress rate up to Q3 is not high, some in the market are concerned. In addition, the performance trend for FY3/26 is also starting to be factored in and the company's forecast for FY3/26, which will be announced at the time of the announcement of the full-year FY3/25, will also be of interest. The target for FY3/26, which is the final year of the medium-term management plan, is ¥6.5 billion in operating income. If the company's forecast of ¥6.25 billion is achieved in FY3/25, the hurdle will not be high. In addition, surplus cash has been maintained from the sale of the Electronic Device business in FY3/24 and it will be interesting to see how the company will expand shareholder returns and invest in growth such as M&A.

**Figure 9. Comparison of Profitability with Other Companies in the Industry
(Based on Most Recent Fiscal Year Results)**

| | Code | FY | Operating Margin | ROE | ROIC | EBITDA Margin | Equity Ratio |
|---------------------------|-------------|-------------|---------------------|-------------|-------------|------------------|-----------------|
| | | | % | % | % | % | % |
| Tsuzuki Denki | 8157 | 3/24 | 5.2 | 14.5 | 18.4 | 6.5 | 49.8 |
| Nomura Research Institute | 4307 | 3/24 | 16.3 | 19.9 | 20.1 | 22.9 | 43.3 |
| Otsuka Shokai | 4768 | 12/23 | 6.7 | 15.0 | 46.8 | 7.5 | 55.0 |
| TIS | 3626 | 3/24 | 11.8 | 16.0 | 20.9 | 15.0 | 59.5 |
| SCSK | 9719 | 3/24 | 11.9 | 14.1 | 17.8 | 16.3 | 64.1 |
| BIPROGY | 8056 | 3/24 | 9.0 | 16.5 | 21.1 | 13.8 | 53.0 |
| NITTETSU SOLUTIONS | 2327 | 3/24 | 11.3 | 11.1 | 20.6 | 15.1 | 63.2 |
| NSD | 9759 | 3/24 | 15.0 | 17.5 | 36.3 | 17.5 | 72.2 |
| JBCC Holdings | 9889 | 3/24 | 6.8 | 15.5 | 23.3 | 7.4 | 56.9 |
| Dentsu Research Institute | 4812 | 12/24 | 13.8 | 17.4 | 40.5 | 16.3 | 61.9 |
| Japan Business Systems | 5036 | 9/23 | 3.3 | 6.7 | 7.8 | 3.9 | 37.3 |
| Average | | | 10.1 | 14.9 | 24.9 | 12.9 | 56.0 |

Source: Compiled by Strategy Advisors. Based on Company Data

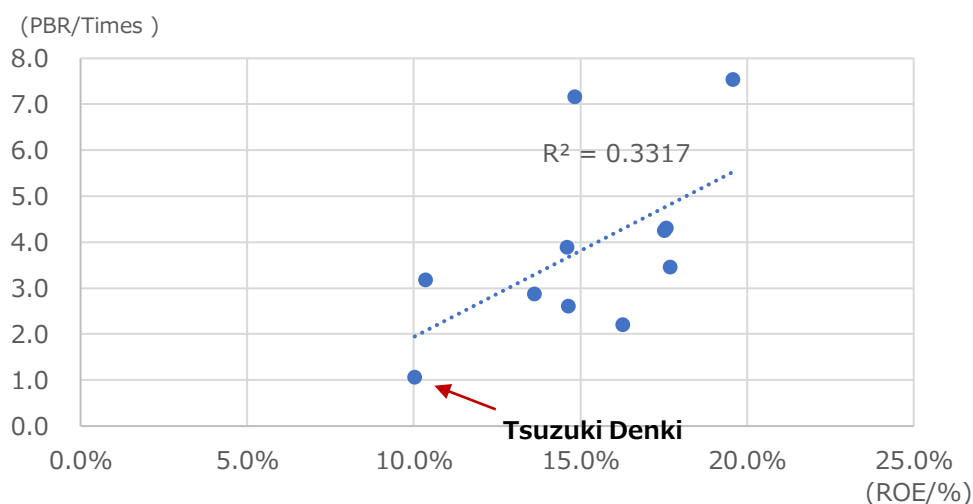
Figure 10. Valuation Comparison with Peer Companies

| | Code | FY | Price (Feb 21) ¥ | Market Cap ¥ bn | PER CoE Times | PBR Actual Times | EV/ EBITDA Times | Yield CoE % | Payout CoE % | ROE CoE % |
|---------------------------|-------------|-------------|------------------------|-----------------------|---------------------|------------------------|------------------------|-------------------|--------------------|-----------------|
| Tsuzuki Denki | 8157 | 3/24 | 2,395 | 43.4 | 10.6 | 1.1 | 1.9 | 3.8 | 40 | 10.0% |
| Nomura Research Institute | 4307 | 3/24 | 5,232 | 2,991.4 | 32.6 | 7.5 | 17.1 | 1.2 | 39 | 19.6% |
| Otsuka Shokai | 4768 | 12/23 | 3,501 | 1,327.6 | 24.1 | 7.2 | 12.2 | 2.4 | 59 | 14.8% |
| TIS | 3626 | 3/24 | 3,835 | 890.8 | 19.9 | 2.9 | 9.9 | 1.8 | 35 | 13.6% |
| SCSK | 9719 | 3/24 | 3,763.0 | 1,176.0 | 25.3 | 3.9 | 12.6 | 1.9 | 48 | 14.6% |
| BIPROGY | 8056 | 3/24 | 4,327 | 424.8 | 17.8 | 2.6 | 7.5 | 2.3 | 41 | 14.6% |
| NITTETSU SOLUTIONS | 2327 | 3/24 | 4,115 | 752.9 | 28.4 | 3.2 | 13.4 | 1.8 | 50 | 10.4% |
| NSD | 9759 | 3/24 | 3,448 | 264.4 | 23.6 | 4.2 | 12.4 | 2.4 | 56 | 17.5% |
| JBCC Holdings | 9889 | 3/24 | 4,735 | 73.5 | 17.9 | 3.5 | 10.3 | 2.6 | 47 | 17.7% |
| Dentsu Research Institute | 4812 | 12/24 | 6,040 | 393.1 | 24.6 | 4.3 | 12.4 | 1.8 | 44 | 17.5% |
| Japan Business Systems | 5036 | 9/23 | 1,100 | 50.1 | 13.6 | 2.2 | 8.6 | 3.2 | 43 | 16.3% |
| Average | | | | | 21.7 | 3.9 | 10.7 | 2.3 | 46 | 15.1% |

Note: EBITDA is the company's forecast operating profit plus the most recent actual depreciation and amortization expenses. ROE is calculated based on the company's forecast net income and the most recent quarterly equity capital.

Source: Compiled by Strategy Advisors. Based on Company Data

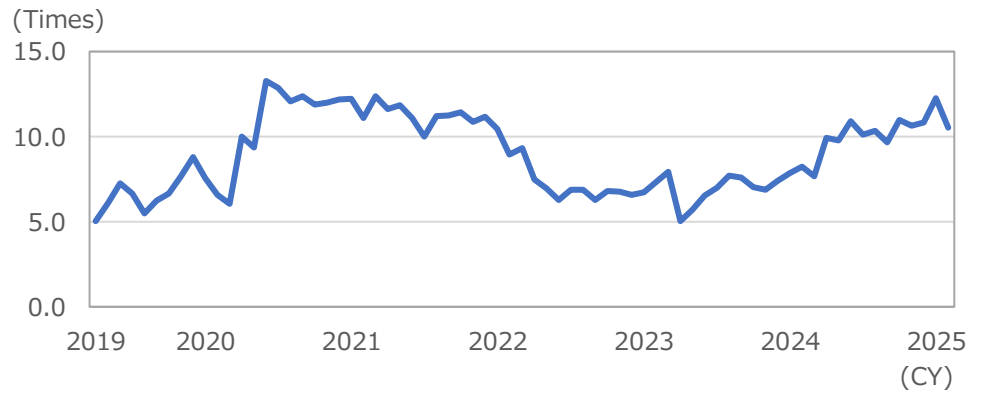
Figure 11. ROE and PBR of Tsuzuki Denki and its Competitors



Note: Calculated based on closing price on February 6. ROE is calculated based on the company's projected net income and most recent quarterly equity capital.

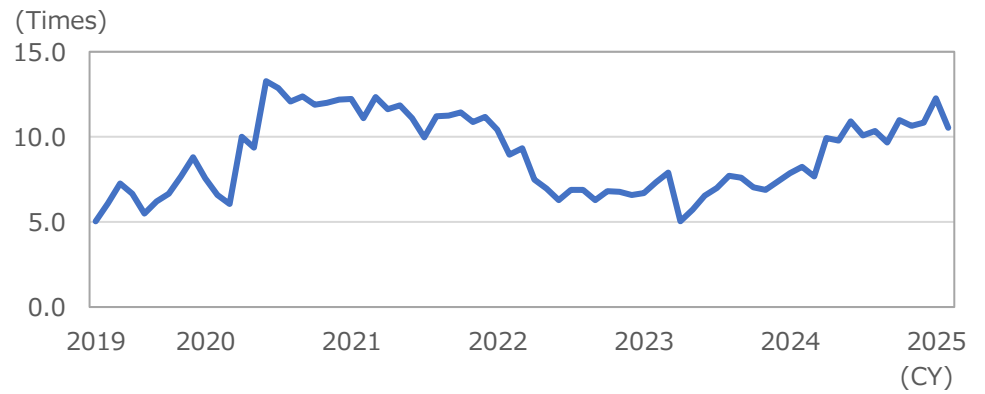
Source: Strategy Advisors

Figure 12. Trends in PER (Based on the Current Fiscal Year)



Source: Company Data. Compiled by Strategy Advisors

Figure 13. Trends in PBR (Performance-Based)



Source: Company Data. Compiled by Strategy Advisors

Figure 14. Consolidated Statement 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 | - |
| (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 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 Income | 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 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 | |
| Ordinary Income | 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% |
| (Ordinary 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 | 0 | 0 | 0 | 72 | 178 | 213 | 170 | |
| Net Income to Owners of the | 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 15. Consolidated Balance Sheet (¥ mn)

| FY | 3/18 | 3/19 | 3/20 | 3/21 | 3/22 | 3/23 | 3/24 | 3/25 Q3 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Cash and Deposits | 16,016 | 15,457 | 18,473 | 15,944 | 19,162 | 20,877 | 38,696 | 35,147 |
| Accounts Receivables | 32,256 | 33,372 | 29,927 | 31,765 | 32,757 | 32,248 | 21,579 | 16,241 |
| Inventories | 6,807 | 8,087 | 8,484 | 7,618 | 7,483 | 11,683 | 3,649 | 6,778 |
| Other Current Assets | 2,538 | 2,255 | 1,355 | 1,413 | 1,793 | 2,388 | 2,005 | 2,223 |
| Current Assets | 57,617 | 59,171 | 58,239 | 56,740 | 61,195 | 67,196 | 65,929 | 60,389 |
| Property and Equipment | | 7,310 | 6,882 | 6,264 | 5,428 | 4,504 | 2,187 | 2,034 |
| Other Tangible Fixed Assets | 3,856 | 3,912 | 3,974 | 3,465 | 3,949 | 3,926 | 1,795 | 1,819 |
| Tangible Assets | 3,695 | 3,398 | 2,908 | 2,799 | 1,479 | 578 | 392 | 215 |
| Intangible Assets | 1,833 | 3,040 | 3,057 | 2,967 | 3,072 | 2,610 | 2,286 | 2,465 |
| Investment Securities | | 9,422 | 9,269 | 10,228 | 9,528 | 8,896 | 10,663 | 11,136 |
| Other Investment Assets | 5,279 | 4,643 | 3,770 | 4,766 | 4,096 | 3,471 | 4,092 | 4,621 |
| Investments and Other Assets | 3,888 | 4,779 | 5,499 | 5,462 | 5,432 | 5,425 | 6,571 | 6,515 |
| Total Fixed Assets | 18,552 | 19,772 | 19,208 | 19,460 | 18,030 | 16,011 | 15,137 | 15,636 |
| Total Assets | 76,169 | 78,944 | 77,448 | 76,200 | 79,226 | 83,207 | 81,066 | 76,026 |
| Accounts Payable | 20,744 | 18,609 | 17,863 | 15,875 | 15,307 | 17,144 | 11,637 | 10,819 |
| Short-Term Debt | 8,686 | 13,483 | 6,265 | 6,483 | 10,695 | 5,882 | 5,359 | 9,202 |
| Provision for Bonuses | 6,866 | 8,042 | 4,802 | 4,894 | 5,137 | 4,853 | 4,747 | 4,607 |
| Other Current Liabilities | 960 | 4,108 | 20 | 161 | 4,291 | 141 | 7 | 4,106 |
| Current Liabilities | 860 | 1,333 | 1,443 | 1,428 | 1,267 | 888 | 605 | 489 |
| Long-Term Debts | 2,323 | 2,567 | 2,536 | 2,415 | 2,303 | 2,513 | 2,416 | 1,269 |
| Net Defined Benefit Liabilities | 5,015 | 6,479 | 6,785 | 5,264 | 6,581 | 7,521 | 9,050 | 6,620 |
| Other Long-Term Liabilities | 36,768 | 41,138 | 33,449 | 30,037 | 34,886 | 33,060 | 28,462 | 27,910 |
| Long-Term Liabilities | 6,155 | 3,392 | 6,995 | 6,364 | 1,810 | 5,109 | 4,830 | 485 |
| Total Liabilities | 5,520 | 5,434 | 6,805 | 7,959 | 8,531 | 8,826 | 5,563 | 4,974 |
| Capital Stock | 145 | 263 | 445 | 668 | 798 | 825 | 1,346 | 1,338 |
| Capital Surplus | 11,820 | 9,089 | 14,245 | 14,991 | 11,139 | 14,760 | 11,739 | 6,797 |
| Retained Earnings | 48,588 | 50,228 | 47,695 | 45,029 | 46,026 | 47,820 | 40,202 | 34,707 |
| Treasury Stock | 9,812 | 9,812 | 9,812 | 9,812 | 9,812 | 9,812 | 9,812 | 9,812 |
| Shareholder's Equity | 3,100 | 3,100 | 2,581 | 2,581 | 2,581 | 2,581 | 2,756 | 2,756 |
| Other Comprehensive Income | 2,254 | 1,646 | 123 | -137 | -307 | -1,076 | 171 | 610 |
| Non-Controlling Interest | | | | 236 | 352 | 441 | 462 | 432 |
| Total Net Assets | 27,580 | 28,716 | 29,752 | 31,171 | 33,199 | 35,387 | 40,864 | 41,318 |
| Total Liabilities & Net Assets | 76,169 | 78,944 | 77,448 | 76,200 | 79,226 | 83,207 | 81,066 | 76,026 |

Source: Company Data. Compiled by Strategy Advisors

Figure 16. 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 (x) | 9.1 | 6.6 | 6.0 | 12.4 | 9.3 | 7.9 | 7.7 |
| PBR (x) | 0.5 | 0.5 | 0.6 | 0.9 | 0.8 | 0.8 | 1.0 |
| Number of Shares Issued ('000) | 24,678 | 24,678 | 22,178 | 20,178 | 20,178 | 20,178 | 20,178 |
| Number of Treasury Stock ('000) | 7,574 | 7,450 | 4,740 | 2,610 | 2,458 | 2,258 | 2,156 |
| Number of Shares of Treasury Stock Excluded ('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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Address: Central Building 703, 1-27-8 Ginza, Chuo-Ku, Tokyo 104-0061