



Wacom (6727)

Laying the foundations for transformation

11 November 2024

Q2 FY3/25 results update

- Recovery profile and ongoing initiatives** – Q1-2 FY3/25 results demonstrated a major OP recovery at 122.5% YoY, driven by the absence of inventory writedowns, normalizing margins, an FX tailwind, and sustained growth at the Technology Solution business. Management’s focus is on preparations to ready the business for the new ‘Wacom Chapter 4’ medium-term plan due to commence in FY3/26, primarily involving cost optimization at the Branded business which saw reduced segmental losses YoY. Overall, we believe the company is on track with its transformation efforts to accelerate sales growth and generate stable operating margins for the medium term.

Share price: ¥711 Market cap: ¥103.8bn



Source: Bloomberg

Maintaining our earnings estimates

- FY3/25 company guidance unchanged but highlighting potential adjustments** – The company has left its FY3/25 guidance unchanged. We believe the company is taking a conservative approach while being aware of risks in H2 FY3/25, which has some potential for slowing demand. It has also telegraphed the possibility of an extraordinary loss associated with headcount reduction and overhauling its in-house IT systems, relating to structural reforms. We have maintained our earnings estimates, with the view that upside risk remains from 1) sustained demand at the Technology Solution business, 2) FX tailwind from a weaker yen, and 3) continued cost reduction efforts.
- Valuations** – On our earnings estimates, the shares are trading on PER of 11.7x FY3/26, and a free cash flow yield of 10.7%. Our estimated total shareholder return is 5.7%, based on a ¥3bn buyback and DPS of ¥20. For FY3/25 we have reflected a ¥5bn buyback (previously ¥3bn) following the announcement of the new ¥2bn buyback program currently in place, resulting in a 7.6% total shareholder return.

Price Performance

| | YTD | 1M | 3M | 12M |
|---------|------|------|-------|-------|
| Abs (%) | +8.2 | +2.7 | +22.2 | +0.1 |
| Rel (%) | -6.5 | +1.5 | +10.7 | -14.6 |

Company sector

Electronic Components – Misc.
Technology Hardware, Storage & Peripherals

Stock data

| | |
|---------------------------|-------------|
| Price (¥) | 711 |
| Mkt cap (¥bn) | 103.8 |
| Mkt cap (\$m) | 674.8 |
| 52-week range (¥) | 542-848 |
| Shares O/S (m) | 146.0 |
| Average daily value (\$m) | 2.8 |
| Free float (%) | 83.6 |
| Foreign shareholding (%) | 43.6 |
| Ticker | 6727 |
| Exchange | Tokyo Prime |
| Net Debt/Equity (x) | N/A |
| FFO leverage (x) | N/A |
| BBG BUY HOLD SELL | 1 1 0 |

Source: Bloomberg

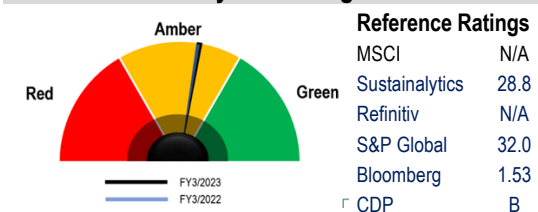
| Year-end | 3/23 | 3/24 | 3/25E | 3/26E | 3/27E |
|-------------------------------|--------|--------|--------|--------|--------|
| Sales (¥bn) | 112.73 | 118.79 | 123.91 | 128.93 | 133.36 |
| OP (¥bn) | 2.01 | 7.06 | 9.17 | 12.85 | 14.45 |
| NI (¥bn) | 1.79 | 4.56 | 6.69 | 9.38 | 10.55 |
| EPS (¥) | 11.34 | 29.64 | 43.50 | 60.96 | 68.53 |
| DPS (¥) | 20.00 | 20.00 | 20.00 | 20.00 | 20.00 |
| Sales growth YoY (%) | +3.6 | +5.4 | +4.3 | +4.1 | +3.4 |
| OP growth YoY (%) | -84.5 | +250.6 | +29.9 | +40.1 | +12.4 |
| NP growth YoY (%) | -83.6 | +154.5 | +46.7 | +40.1 | +12.4 |
| EPS growth YoY (%) | -83.3 | +161.5 | +46.7 | +40.1 | +12.4 |
| PER (x) | 62.7 | 24.0 | 16.3 | 11.7 | 10.4 |
| EV/EBITDA (x) | 20.7 | 9.0 | 7.5 | 5.6 | 5.1 |
| EV/Sales (x) | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 |
| PBR (x) | 2.6 | 2.9 | 2.7 | 2.3 | 1.9 |
| ROE (%) | 4.3 | 11.9 | 18.1 | 22.5 | 21.2 |
| ROCE (%) | 4.5 | 15.4 | 19.2 | 23.2 | 22.7 |
| FCF yield (%) | (2.5) | 14.6 | 6.6 | 10.7 | 10.4 |
| Dividend yield (%) | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Total shareholder returns (%) | 4.7 | 10.1 | 7.6 | 5.7 | 5.7 |

Source: Company, Astris Advisory (estimates)

Business Overview

Wacom specializes in the development of graphics tablets, pen displays, and related digital interface solutions.

Astris-Sustainability ESG rating



Next events

Q1 FY3/25 results August 2024

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This report has been commissioned and paid for by the company.

Recent results

Q1-2 FY3/25 results

Continuing earnings recovery YoY assisted by FX tailwind from weaker yen

Key financials

| (¥bn) | Q1-2 FY3/24 | Q1-2 FY3/25 | YoY (%) |
|---------------------------------------|----------------|----------------|---------------|
| Sales | 55.59 | 57.32 | +3.1 |
| Gross profit/(loss) | 17.01 | 20.10 | +18.2 |
| Gross margins (%) | 30.6 | 35.1 | |
| SG&A costs | 14.55 | 14.63 | +0.5 |
| Operating profit/(loss) | 2.46 | 5.48 | +122.9 |
| Operating margins (%) | 4.4 | 9.6 | |
| Recurring profit | 4.99 | 4.79 | -4.1 |
| Net income attributable to the parent | 3.80 | 3.47 | -8.8 |
| Average FX rate | | | |
| USD | 141.31 | 152.30 | +7.8 |
| EUR | 153.51 | 165.46 | +7.8 |
| CNY | 19.80 | 21.15 | +6.8 |

Source: Company

Branded Business reducing segment losses YoY

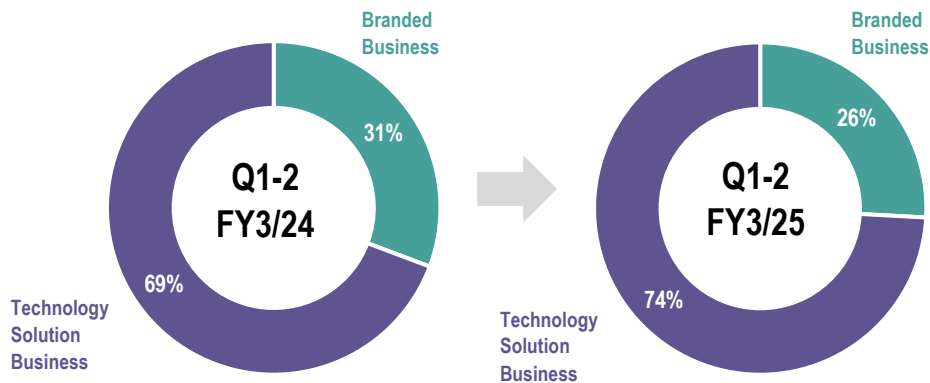
Per business segment (pre-elimination)

| (¥bn) | Q1-2 FY3/24 | Q1-2 FY3/25 | YoY (%) |
|-------------------------------------|----------------|----------------|------------|
| Sales | | | |
| Branded Business | 17.08 | 14.82 | -13.2 |
| Technology Solution Business | 38.51 | 42.49 | +10.3 |
| Segmental profit/(loss) | | | |
| Branded Business | (2.02) | (1.11) | N/A |
| Technology Solution Business | 6.92 | 9.32 | +34.8 |
| Adjustments | | | |
| Segmental profit margins (%) | | | |
| Branded Business | -11.8 | -7.5 | |
| Technology Solution Business | 18.0 | 21.9 | |

Source: Company

The Technology Solution business continues to expand

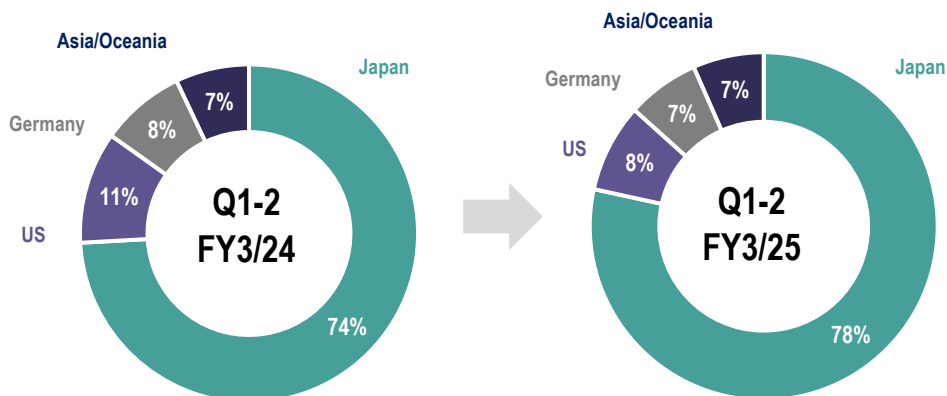
Business segment sales mix



Source: Company

Technology Solution business (sales all recognized in Japan) continues to drive growth

Geographic sales mix



Source: Company

The Technology Solution business has OEM customers with sales networks catering to customers worldwide; sales are all recorded in Japan (sales prices are mainly denominated in US dollars).

Key highlights

Q1-2 FY3/25 results were optically positive with robust earnings growth YoY, demonstrating the following key developments:

- Robust growth YoY at operating profit level** – a strong OP recovery (+122.9% YoY) was driven by a combination of 1) normalizing margins with low hurdles YoY stemming from inventory writedown in the previous year, 2) positive FX translation impact YoY from a weakening Japanese yen, and 3) the Technology Solution business experiencing increasing sales and segment profit YoY with positive results from technology and model mix.

- **Cost reduction efforts** – SG&A costs have remained broadly flat YoY and segment losses at the Branded business have significantly declined YoY. A core tenet of Wacom’s preparations to embark on its new ‘Wacom Chapter 4’ medium-term plan from FY3/26 is to transform the Branded business involving cost optimization, and this is being executed.
- **Unchanged FY guidance** – the company has maintained FY3/25 guidance despite what appear to be strong Q1-2 FY3/25 results. We infer that the company is taking a conservative approach to guidance while being aware of risks into H2 FY3/25 with the potential for slowing demand. It has also telegraphed the possibility of an extraordinary loss associated with headcount reduction and overhauling its in-house IT systems, relating to structural reforms. The aim is to centralize development functionality in Japan and streamline company-wide operations, impacting some overseas operations.
- **In line with preparation for ‘Wacom Chapter 4’** – the company has the remainder of FY3/25 to lay down the foundations for the next medium-term plan ‘Chapter 4’ commencing in FY3/26. We believe that the company is focused on continued structural reform of the Branded business, and conducting investment activities such as capital tie-ups and acquisition of IP to develop and provide integrated pen and digital ink experiences.

Announcement of new ¥2.0bn share buyback

The company has announced a new ¥2.0bn share buyback program (up to 4 million shares), equivalent to 2.83% of shares outstanding. The acquisition period will be from October 31, 2024, to January 20, 2025.

This new program will bring the cumulative capital allocation to share buybacks to ¥17.5bn, approaching the target of ¥20.0bn set for the current ‘Wacom Chapter 3’ medium-term plan ending in FY3/25. Consequently, there is potential scope for an additional ¥2.5bn buyback to be conducted before the FY end.



Astris earnings estimates and key assumptions

We have maintained our earnings estimates for FY3/25 and beyond. We believe upside potential to guidance remains from 1) sustained demand at the Technology Solution business, 2) FX tailwind, and 3) continued cost reduction efforts. In addition, it should be noted that the company referred to possible extraordinary losses to be incurred in FY3/25 in relation to structural reforms including headcount reduction to lift profit level of the Branded Business by more than ¥2bn in FY3/26.

Our estimates reflect a stable Technology Solution Business and a turnaround in the Branded Business

Astris Advisory earnings estimates

| Year-end | FY3/25 guidance (unchanged) | FY3/25E | FY3/26E | FY3/27E |
|--------------------------------------|-----------------------------------|---------------|---------------|---------------|
| Sales | 120.00 | 123.91 | 128.93 | 133.36 |
| Growth YoY (%) | +1.0 | +4.3 | +4.1 | +3.4 |
| OP (¥bn) | 8.50 | 9.17 | 12.85 | 14.45 |
| OPM (%) | 7.0 | 7.4 | 10.0 | 10.8 |
| EBITDA (¥bn) | - | 11.65 | 15.43 | 17.11 |
| EBITDA margins (%) | - | 9.4 | 12.0 | 12.8 |
| FCF (¥bn) | - | 6.51 | 11.39 | 10.65 |
| FCF margin (%) | - | 5.3 | 8.8 | 8.0 |
| FCF conversion (%) | - | 71.0 | 88.7 | 73.8 |
| FCF yield (%) | - | 6.7 | 10.9 | 10.5 |
| DPS (¥) | 20.0 | 20.0 | 20.0 | 20.0 |
| Dividend payout ratio (%) | 46.9 | 46.0 | 32.8 | 29.2 |
| Dividend yield (%) | 2.7 | 2.7 | 2.7 | 2.7 |
| Total shareholder returns (%) | 7.6 | 7.6 | 5.7 | 5.7 |

Source: Astris Advisory

Note: FCF conversion is FCF/Pre-tax Profit

The core assumptions of our estimates are as follows:

- **Sales growth** – the core driver is sustained growth in the Technology Solution Business as Wacom continues to win OEM projects.
- **Profitability** – steady OPM improvement driven as the Branded Business reduces its segment losses.
- **Positive free cash flow generation** – we estimate that the company will demonstrate a more sustained profile for free cash flow generation after improvements in working capital management, and the sales mix favoring the stable Technology Solution business.

Our estimates on shareholder returns

- **Dividends** – we forecast a DPS of ¥20 for FY3/25 – FY3/27, as we believe the company will opt for steady dividends.



- Buybacks – Wacom has conducted buybacks on an annual basis from FY3/22. While there has been no guide from the company regarding sustained activity, we believe buybacks are likely to continue into FY3/26 and FY3/27 for the following reasons:
 - Wacom is well-capitalized with a ¥17.66bn net cash balance in FY3/24, together with long-term investments of ¥1.61bn (total making up 54% of shareholders equity). There is excess capital ready for deployment.
 - With improved working capital management and the stable Technology Solution Business driving earnings, free cash flow generation should become more sustained resulting in more capital.

We have estimated ¥3bn annual buybacks for FY3/26 to FY3/27.



Summary

Wacom specializes in the development of pen tablets, display products, and related digital interface solutions. It broadly provides two products – market-leading in-house products under the Branded Business, and OEM solutions for major electronics brands such as Samsung, Lenovo, and HP under the Technology Solution Business.

The company is **preparing for a business transformation towards a new growth stage** which will commence in FY3/26 in conjunction with the ‘Wacom Chapter 4’ new medium-term plan. The key objectives are:

- **Sustainable growth in the digital ink and drawing market** through technological advancements and increasing adoption.
- **Turnaround of the Branded Business** through product portfolio renewal and structural reforms. The in-house brand segment has a strong professional market following and stimulates engagement with the OEM market.
- **The implementation of new growth engines.** This will involve a combination of activities in AI (in EdTEch), XR, security, and remote service, aimed at delivering **recurring revenues and improvement in the quality of earnings.**

Key objectives are 1) expand the digital writing market, 2) turnaround of Branded Business segment and 3) implement new growth engines

In May 2023, the company set the following as a guide to its financial targets for the next medium-term management policy period (scheduled to be updated in May 2025):

- Total sales volume of approximately ¥150bn (give or take 10%).
- OPM level at around 10% (vs a 5-year historic average of 7.2%).

Astris Advisory estimates Wacom will drive medium-term growth via the following factors:

- Steady sales growth in the Technology Solution Business as Wacom continues to expand OEM projects.
- The Branded Business is to become profitable due to product portfolio renewal and structural reform.
- Incremental improvements in OPM as a result of the sales mix being impacted by the emergence of recurring services revenue.

On our estimates, the shares are trading on PER FY3/26 11.7x, free cash flow yield of 10.7% and a total shareholder return of 5.7%.



Company description

Overview

Wacom is a leading name in the field of digital pen and tablet technology

Established in 1983, Wacom specializes in the development of pen tablets, display products, and related digital interface solutions. It produces its in-house brand of products spanning entry-level and professional models and provides OEM solutions to major electronics and PC brands such as Samsung, Lenovo, HP, and Fujitsu. The company has a strong brand, recognized for its high-quality products used and endorsed by artists, designers, and creative professionals worldwide.

Wacom's key technologies include digital pen technology that uses both EMR (electromagnetic induction) and active ES (active electrostatic coupling), as well as the 'Universal Ink Model' digital ink technology represented by WILL (Wacom Ink Layer Language), where digital stroke data is optimally formatted for conversion into services. This patented IP can be applied to handwriting analysis, examples including visualizing creative input and tracking progress being made in learning.

A key technology is the patented Universal Ink Model

The company is **expanding into the EdTech sector** in partnership with Z-Kai (Zoshinkai Holdings Co., Ltd.), a prominent Japanese educational services company operating tablet-based online courses. **Utilizing knowledge graph (AI) based learning experiences and analyzing pen stroke data offers students improved user interactions, personalized learning, and advanced analytics.** Access to raw handwriting data gives Wacom an upstream competitive advantage versus other peers active in EdTech offering learning management systems (LMS), such as Moodle and Google Classroom.

Expansion into EdTech

Key objectives targeted by the company are:

- To grow the digital ink and drawing market through technological advancements and increasing adoption.
- Turnaround of the Branded Business through product portfolio renewal and structural reform; the in-house brand segment has a strong professional market following and stimulates engagement with the OEM market.
- The implementation of new growth engines, as guided in the upcoming 'Wacom Chapter 4' medium-term plan covering FY3/26 – FY3/29. This will involve a combination of activities in AI (in EdTech), XR, security, and remote services

Key objectives are 1) expand the digital ink market, 2) establish a profitable Branded Business segment and 3) implement new growth engines

We view Wacom as a company striving for positive change, and implementing new growth initiatives. However, earnings visibility for these needs to be developed, but the introduction of services and license income should improve the sales mix, with recurring revenues providing greater earnings stability.

The company currently has two core business segments:

- **Branded Business** – Wacom-branded products and solutions for creative users and enterprises.
- **Technology Solution Business** – Technology solution for OEM partners of smartphones, tablet PCs, eBooks, and other devices.



Long track record in the digital ink and drawing industry

Timeline summary

| Key dates | Details |
|----------------------|---|
| July 1983 | Established Wacom in Ageo City, Japan. |
| April 1984 | Released the WT series, the world's first pen tablet with cordless cursors. |
| September 1987 | Released SD series, the world's first cordless pen tablet. |
| April 2002 | Entry into the pen sensor component field (the Technology Solution Business). |
| April 2003 | IPO on the JASDAQ Exchange. |
| December 2005 | Listed in the First Section of the Tokyo Stock Exchange. |
| May 2021 | Release of current 'Wacom Chapter 3' medium-term direction (FY3/22-FY3/25) |
| April 2022 | Transferred to the Prime Market of the Tokyo Stock Exchange. |

Source: Company, Refinitiv

Business segment data

Wacom has two core business segments.

Current segment details

| Business segment | Description | Product line |
|-------------------------------------|---|---|
| Brand Business | Wacom-branded products and solutions for creative users and enterprises. | <ul style="list-style-type: none"> - Display - Pen tablet - LCD signature pen tablet |
| Technology Solution Business | Technology solution for OEM partners of smartphones, tablets, laptops, and other devices. | AES (active electrostatic)/EMR® (Electro-Magnetic Resonance) digital pen technology solutions. |

Source: Company



JGAAP Financial Summary

| Income statement (¥bn) | FY 3/23 | FY 3/24 | FY 3/25E | FY 3/26E | FY 3/27E |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Sales | 112.73 | 118.79 | 123.91 | 128.93 | 133.36 |
| COGS | 81.56 | 82.03 | 85.50 | 88.96 | 90.68 |
| Gross profit | 31.17 | 36.77 | 38.41 | 39.97 | 42.67 |
| Gross profit margin (%) | 27.7 | 30.9 | 31.0 | 31.0 | 32.0 |
| Operating profit | 2.01 | 7.06 | 9.17 | 12.85 | 14.45 |
| OP margin (%) | 1.8 | 5.9 | 7.4 | 10.0 | 10.8 |
| Non-operating income | 0.92 | 2.99 | 0.10 | 0.10 | 0.10 |
| Non-operating expenses | (0.07) | (0.19) | (0.10) | (0.10) | (0.10) |
| Recurring profit | 2.87 | 9.85 | 9.17 | 12.85 | 14.45 |
| Extraordinary gains | 0.00 | 0.15 | - | - | - |
| Extraordinary losses | (0.68) | (4.09) | - | - | - |
| Pre-tax profit | 2.19 | 5.91 | 9.17 | 12.85 | 14.45 |
| Tax | (0.40) | (1.35) | (2.48) | (3.47) | (3.90) |
| Effective tax rate (%) | 14.0 | 13.7 | 27.0 | 27.0 | 27.0 |
| Net income | 1.79 | 4.56 | 6.69 | 9.38 | 10.55 |
| Non-controlling NI | - | - | - | - | - |
| Parent attributable NI | 1.79 | 4.56 | 6.69 | 9.38 | 10.55 |

| | | | | | |
|------------------------|-------|--------|-------|-------|-------|
| Sales growth YoY (%) | +3.6 | +5.4 | +4.3 | +4.1 | +3.4 |
| OP growth YoY (%) | -84.5 | +250.6 | +29.9 | +40.1 | +12.4 |
| Pre-tax profit YoY (%) | -84.9 | +169.6 | +55.1 | +40.1 | +12.4 |
| NI growth YoY (%) | -83.6 | +154.5 | +46.7 | +40.1 | +12.4 |

| Balance sheet (¥bn) | FY 3/23 | FY 3/24 | FY 3/25E | FY 3/26E | FY 3/27E |
|---|--------------|--------------|--------------|--------------|--------------|
| Cash & equivalents | 20.02 | 31.66 | 31.81 | 39.03 | 45.45 |
| Inventory | 21.73 | 13.09 | 13.65 | 14.21 | 14.69 |
| Accounts receivables | 12.05 | 12.86 | 13.41 | 13.95 | 14.43 |
| Other | 6.38 | 7.07 | 7.38 | 7.68 | 7.94 |
| Current assets | 60.17 | 64.68 | 66.25 | 74.87 | 82.52 |
| Tangible assets | 6.21 | 5.72 | 6.09 | 6.47 | 6.87 |
| Goodwill | - | - | - | - | - |
| Intangible assets | 1.50 | 1.53 | 1.90 | 2.29 | 2.69 |
| Investment | 1.26 | 1.61 | 1.61 | 1.61 | 1.61 |
| Other | 6.14 | 6.08 | 6.08 | 6.08 | 6.08 |
| Fixed assets | 15.11 | 14.94 | 15.68 | 16.46 | 17.26 |
| Total assets | 75.28 | 79.62 | 81.93 | 91.32 | 99.77 |
| Short term borrowing | 7.00 | 7.00 | 7.80 | 7.80 | 7.80 |
| Trade creditors | 10.64 | 11.48 | 12.27 | 12.76 | 13.01 |
| Other | 12.40 | 15.42 | 14.14 | 15.49 | 15.39 |
| Current liabilities | 30.04 | 33.90 | 34.20 | 36.05 | 36.20 |
| Long term borrowing | 2.00 | 7.00 | 7.00 | 7.00 | 7.00 |
| Other LT liabilities | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 |
| Long term liabilities | 4.75 | 9.75 | 9.75 | 9.75 | 9.75 |
| Shareholder's equity | 40.49 | 35.97 | 37.97 | 45.52 | 53.82 |
| Share acquisitions rights | - | - | - | - | - |
| Non-controlling interests | - | - | - | - | - |
| Total net assets | 40.49 | 35.97 | 37.97 | 45.52 | 53.82 |
| Total liabilities & net assets | 75.28 | 79.62 | 81.93 | 91.32 | 99.77 |

Source: Company, Astris Advisory (estimates)

| Cash flow statement (¥bn) | FY 3/23 | FY 3/24 | FY 3/25E | FY 3/26E | FY 3/27E |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Profit before tax | 2.19 | 5.91 | 9.17 | 12.85 | 14.45 |
| Depreciation/amortization | 2.20 | 2.57 | 2.48 | 2.58 | 2.67 |
| Changes in working capital | (1.43) | 9.32 | (0.55) | 1.00 | (0.59) |
| Other non-cash items | (0.29) | 1.68 | - | - | - |
| Tax paid | (3.72) | (2.00) | (2.48) | (3.47) | (3.90) |
| Cash from Operating Activities | (1.06) | 17.48 | 8.62 | 12.96 | 12.62 |
| Capex | (1.54) | (2.32) | (1.73) | (1.81) | (1.87) |
| Acquisitions/increase stakes | - | - | - | - | - |
| Other investing cash flow | (1.60) | 0.04 | (0.78) | (0.37) | (0.58) |
| Cash from Investing Activities | (3.14) | (2.28) | (2.52) | (2.18) | (2.44) |
| Total cash dividends paid | (3.18) | (3.12) | (3.08) | (3.08) | (3.08) |
| Debt issuance/(retirement) | 6.25 | 4.21 | - | - | - |
| Equity financing/(buybacks) | (2.00) | (7.51) | (5.00) | (3.00) | (3.00) |
| Other | - | - | - | - | - |
| Cash from Financing Activities | 1.07 | (6.43) | (8.08) | (6.08) | (6.08) |
| FX impact | 1.32 | 2.92 | 2.12 | 2.52 | 2.32 |
| Net cash flow | (1.81) | 11.68 | 0.14 | 7.23 | 6.42 |

| | | | | | |
|-----------------------|---------------|--------------|--------------|--------------|--------------|
| Free cash flow | (2.60) | 15.16 | 6.89 | 11.16 | 10.75 |
| EBITDA | 4.21 | 9.63 | 11.65 | 15.43 | 17.11 |

| | | | | | |
|-------------------------------|------|-------|------|------|------|
| EBITDA margins (%) | 3.7 | 8.1 | 9.4 | 12.0 | 12.8 |
| Free cash flow margin (%) | -2.3 | 12.8 | 5.6 | 8.7 | 8.1 |
| Free cash flow conversion (%) | N/A | 256.4 | 75.1 | 86.8 | 74.5 |
| Capex/sales (%) | 1.4 | 2.0 | 1.4 | 1.4 | 1.4 |
| Capex/depreciation (%) | 70.1 | 90.4 | 70.0 | 70.0 | 70.0 |
| CFO margin (%) | -0.9 | 14.7 | 7.0 | 10.1 | 9.5 |

| Key metrics | FY 3/23 | FY 3/24 | FY 3/25E | FY 3/26E | FY 3/27E |
|---|--------------|-------------|-------------|-------------|-------------|
| Profitability | | | | | |
| Gross margin (%) | 27.7 | 30.9 | 31.0 | 31.0 | 32.0 |
| Operating margin (%) | 1.8 | 5.9 | 7.4 | 10.0 | 10.8 |
| Net margin (%) | 1.6 | 3.8 | 5.4 | 7.3 | 7.9 |
| ROA (%) | 2.4 | 5.9 | 8.3 | 10.8 | 11.0 |
| ROE (%) | 4.3 | 11.9 | 18.1 | 22.5 | 21.2 |
| ROCE (%) | 4.5 | 15.4 | 19.2 | 23.2 | 22.7 |
| ROIC (%) | 3.6 | 12.1 | 12.9 | 16.6 | 16.4 |
| Liquidity | | | | | |
| Current ratio (x) | 2.0 | 1.9 | 1.9 | 2.1 | 2.3 |
| Quick ratio (x) | 1.3 | 1.5 | 1.5 | 1.7 | 1.9 |
| Leverage | | | | | |
| Debt/Equity ratio (x) | 0.2 | 0.4 | 0.4 | 0.3 | 0.3 |
| Net Debt/Equity ratio (x) | net | net | net | net | net |
| | cash | cash | cash | cash | cash |
| Equity ratio (x) | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Interest cover (x) | 43.9 | 76.0 | 88.5 | 124.1 | 139.5 |
| Net Debt/EBITDA (x) | N/A | N/A | N/A | N/A | N/A |
| Valuation | | | | | |
| EPS reported (¥) | 11.3 | 29.6 | 43.5 | 61.0 | 68.5 |
| PER (x) | 62.7 | 24.0 | 16.3 | 11.7 | 10.4 |
| Diluted PER (x) | 62.7 | 24.0 | 16.3 | 11.7 | 10.4 |
| DPS (¥) | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 |
| Dividend payout ratio (%) | 176.4 | 67.5 | 46.0 | 32.8 | 29.2 |
| Dividend yield (%) | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Total shareholder return (%) | 4.7 | 10.1 | 7.6 | 5.7 | 5.7 |
| Free cash flow yield (%) | (2.5) | 14.6 | 6.6 | 10.7 | 10.4 |
| Diluted free cash flow yield (%) | (2.5) | 14.6 | 6.6 | 10.7 | 10.4 |
| PBR (x) | 2.6 | 2.9 | 2.7 | 2.3 | 1.9 |
| EV/sales (x) | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 |
| EV/EBITDA (x) | 20.7 | 9.0 | 7.5 | 5.6 | 5.1 |
| EV/EBIT (x) | 43.2 | 12.3 | 9.5 | 6.8 | 6.0 |
| EV/FCF (x) | N/A | 5.7 | 12.6 | 7.8 | 8.1 |



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