Sponsored Research
August 10, 2023

Sessa Investment Research

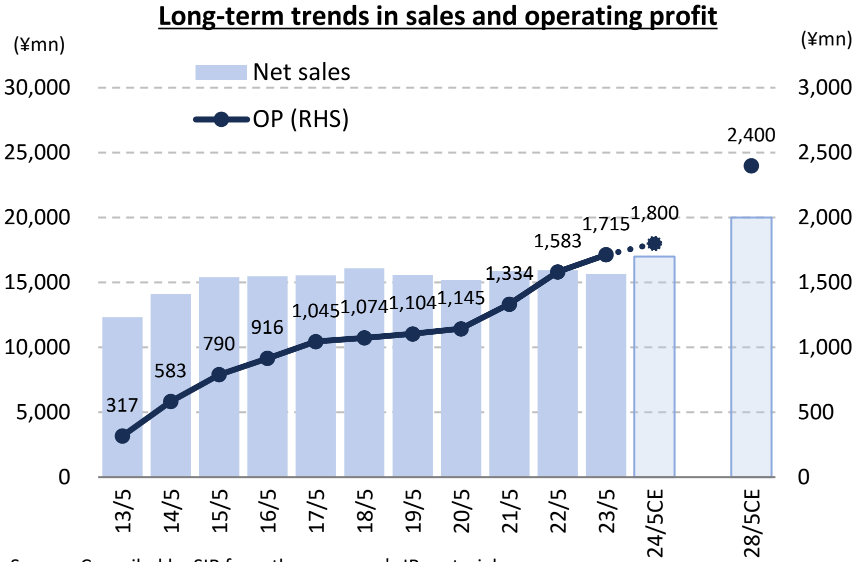
Continued growth and enhanced shareholder returns are driving progress in rerating

- New Medium-Term Management Plan includes policy committed to capital efficiency -

Summary

- Since reporting its full-year results for FY23/5, OHBA shares have been rerated and its share price is up approximately 20% at the time of writing. In its five-year medium-term management plan ending in FY28/5, the company has set ambitious earnings targets (sales CAGR of 5.0%, operating profit CAGR of 7.0%) and a policy committed to capital efficiency (ROE 12%, ROIC 12%). In addition, the company has further strengthened its shareholder return policy (targeting a total return ratio of 60%), which has been one of the best among listed construction consulting companies, and this has likely driven the rerating to some extent.
- One of the reasons for the ambitious targets is likely the company’s confidence in the sustainability of the profitability improvements and enhanced returns that it has achieved in previous years. Although top-line growth has been sluggish given the ongoing impact of falling sales from Great East Japan Earthquake-related work, operating profit has expanded by about 60% compared to five years ago, mainly reflecting continued improvement in gross profit margins. In addition, the company's balance sheet is sound, carrying no debt and boasting an equity ratio of 65.4% as of end-FY23/5, and it has been able to substantially boost total shareholder returns, including share buybacks.
- SIR is closely monitoring trends in the development of new markets and new businesses aimed at solving social issues, including disaster prevention/mitigation, defense civil engineering, and smart city/urban development digital transformation. With profitability already above the industry average, we believe the key will be whether the company can expand sales by leveraging its unique strengths in urban development and enhance its ability to reinvest and return profits to shareholders. Furthermore, given that the company had over ¥4.0 bn in net cash and over ¥1.0 bn in investment securities as of end-FY23/5, it is important to keep in mind that the company may be able to achieve discontinuous growth, including through M&A deals.

Long-term trends in sales and operating profit



Source: Compiled by SIR from the company's IR materials.
Note: The 24/5CE and 28/5CE figures indicate the company's forecast.

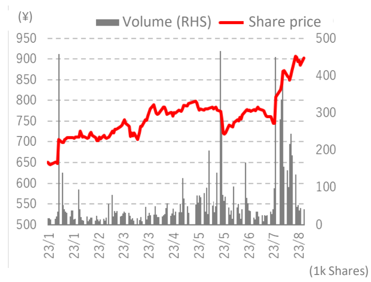
4Q Follow-up

URBAN DEVELOPMENT & CIVIL ENGINEERING, CONSULTANTS
OHBA & CO.

Focus Points:
General construction consulting firm boasting a leading market share in the field of urban development. The company has aggressively worked to improve profitability under its current medium-term management plan ending in FY23/5, and investors will likely pay close attention to its business strategy that capitalizes on improved cash flow generation capabilities from FY24/5 onward.

Key Indicators	
Share price (8/9)	893
YH (7/31)	910
YL (1/6)	644
10YH (19/12/12)	995
10YL (14/1/6)	216
Shrs out. (mn shrs)	17.25
Mkt cap (¥ bn)	15.5
EV(¥ bn)	11.3
Shr equity ratio (2/28)	65.4%
24.5 P/E (CE)	12.57x
23.5 P/B (act)	1.37x
24.5 DY (CE)	3.77%

Share price and volume since 2023



Source: SPEEDA

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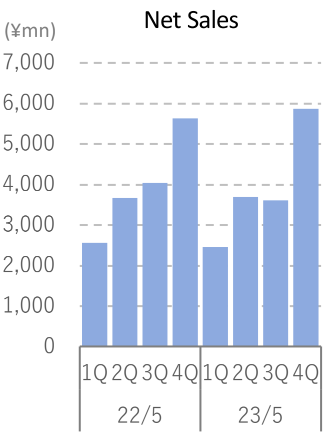
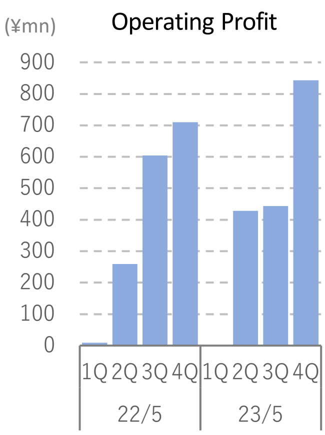
FY23/5 Full Year Results





Four gross margin improvement factors drove above-target earnings

In FY23/5, sales fell 1.8% YoY to ¥15.65 bn (vs. plan of ¥16.0 bn), and operating profit rose 8.3% YoY to ¥1.71 bn (vs. plan of ¥1.60 bn). Sales fell slightly short of plan, but the company was able to beat profit targets thanks to a 2.7pt improvement in gross profit margin from 30.4% to 33.1%. The earnings results were favorable, taking into consideration that the company was reporting lower sales and lower profits through cumulative 3Q while its order backlog came in weak at the end of 3Q compared to a year earlier. There are four key factors behind the improved gross margins, which drove performance above profit targets.

The first factor is an increase in technician prices on a macro level. The technician price for commissioned design work set by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) rose by approximately 5.4% from FY2022 to FY2023. While a certain percentage of the increase may be passed on to the workers as part of labor and subcontracting costs, the remainder likely helped improve profitability. The next report is scheduled to be released in February 2024 and updated in March 2024.

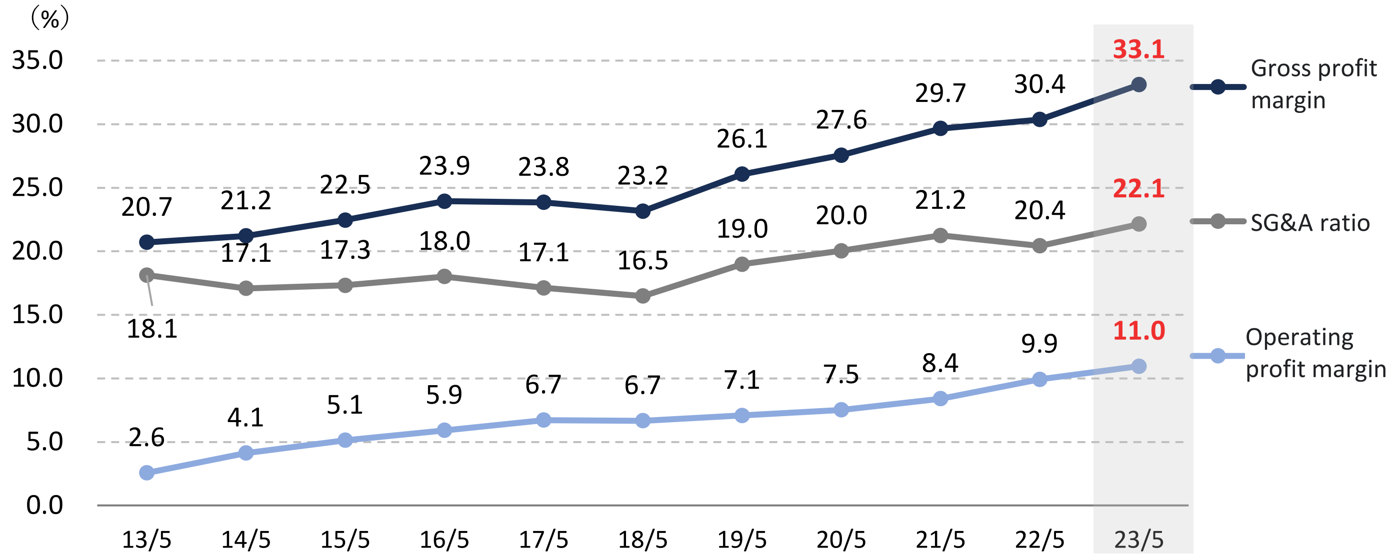
profitability Great East Japan Earthquake reconstruction-related projects were reduced to almost nothing, the mix of highly profitable prime government projects increased, leading to higher profitability overall. With the continued decline in sales from earthquake reconstruction-related projects, which peaked at about ¥5.0 bn, companywide sales have remained generally flat despite the continued increase in sales from general government and private-sector projects. However, sales will likely rise steadily going forward on the back of an increase in the company's technician workforce.

The third is the expansion of OHBA's business solutions business. In the land readjustment business, in addition to survey and design work, the company is also working to expand earnings opportunities by acquiring and disposing some of the reserved land that it acts as an agent for, as well as through providing brokerage services. While this may contribute to fluctuation in earnings in the short term, it will likely drive earnings to an extent given that the company operates businesses that leverages its strengths in urban planning.

The fourth factor is (4) progress in equalizing utilization among branches. In recent years, the number of projects secured in the Tohoku region has been lower than in other regions, and there has been some variation in utilization by branch. However, the company was able to equalize utilization and optimize labor costs by introducing a system that displays technician information, such as the qualifications, workload, and work performance of each technician.

On the other hand, the SG&A ratio has risen slightly, but this is mainly attributable to higher personnel expenses stemming from increases in base salaries and technician allowances. For a company with an extremely labor-intensive business model, this is an essential factor for improving corporate value over the medium to long term.

Long-term trends in various earnings and expenses as a percentage of sales



Source: compiled by SIR from the company's IR materials.

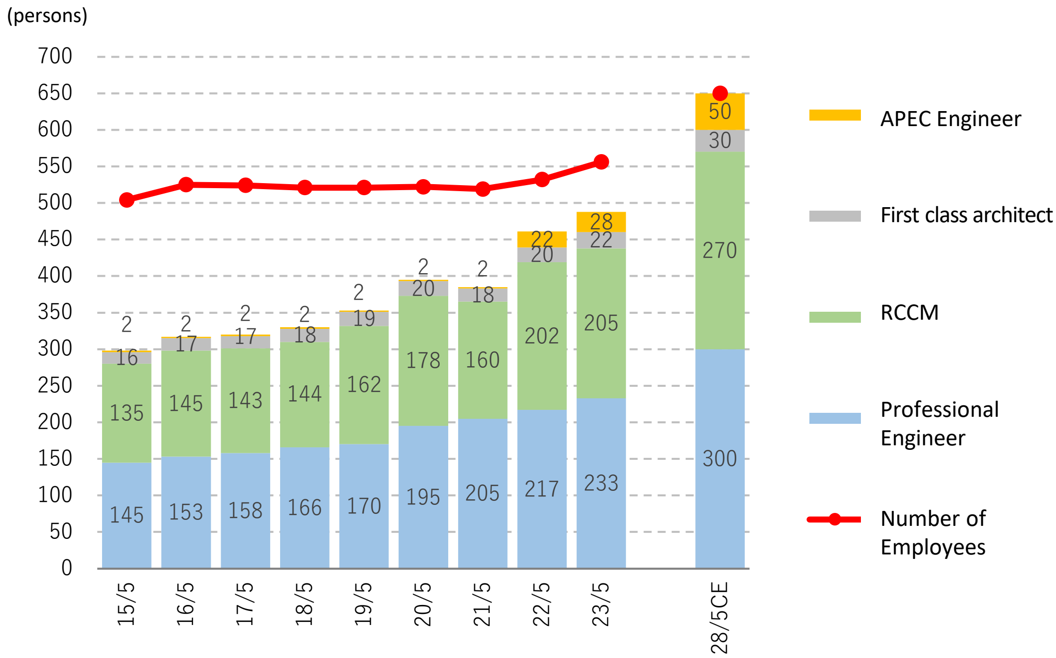
Mid-term Management Plan

Working to solidify foundation in terms of human resources and technology with the aim of expanding into new markets and business areas

Alongside its earnings announcement, OHBA announced a new five-year medium-term management plan ending in FY28/5, which it positions as its first stage of taking on challenges and leaping forward into the next 100 years, as the company marked its 100th anniversary in 2022. The company's earnings targets call for a 5-year CAGR of 5.0% to ¥20.0 bn in net sales and a 7.0% CAGR to ¥2.4 bn in operating profit.

The first pillar of the plan is aimed at **(1) further expanding qualified personnel and enhancing technical capabilities as a construction consulting firm with leading market share in urban planning** (planned increase from 488 qualified personnel at end-FY23/5 to 650 in FY28/5). In the previous medium-term management plan that ended in FY23/5, the company set a target of 500 qualified personnel and pushed forward with internal measures such as increasing technician allowances, which helped boost the number of qualified personnel close to the target at 488. It is difficult to see from the outside, but since technician prices vary depending on the skill level of the technician, this likely played a role in improving profitability and securing more profitable projects in the past. The company aims to boost its qualified personnel headcount to 650 people by end-FY28/5, and we believe that it has a good chance of achieving this target given its execution capabilities shown during the previous medium-term management plan period.

Employee Count and Qualified Personnel



Source: Compiled by SIR from the company's IR materials.
Note: The 28/5CE figures indicate the company's medium-term target.

The second pillar of the plan involves (2) **investing in human capital to secure and enhance technical capabilities** (continuous base salary increase, etc.). While the company has some measures already in progress, such as announcing wage increases of at least 3% YoY for two consecutive terms, continuing to increase starting salaries, moving up the timing of promotions for younger employees, and raising technical allowances, it plans to introduce and implement a series of measures that will further enhance employee engagement. Personnel costs in the broad sense (including outsourcing costs) account for approximately 70% of the company's sales, and for a company with an extremely labor-intensive business model, this is an essential factor for ensuring competitiveness relative to its competitors. Although employee count has remained flat at around 500 employees, the company will need to expand its workforce to handle the increase in projects, requiring it to step up its new graduate and mid-career recruiting capabilities. These measures may reduce profitability in the short term, but they are essential to ensure the sustainability of the company's operations, and we will be keeping a close eye on these trends. In recent years, in addition to the urban planning field, the company has been adding technicians in the road and steel structure fields. It will be interesting to see if the company can secure more prime contracts from government agencies, including from MLIT, which the company has had little success with in the past, by stepping up its hiring of mid-career professionals with experience working on prime government contracts.

The third pillar of the plan is geared toward (3) **developing new businesses to solve social issues such as disaster prevention/mitigation, defense civil engineering, and smart city/urban planning digital transformation**. The company intends to step up expansion efforts into a broader range of fields, while leveraging its fundamental strength in urban planning. The new medium-term management plan includes the following seven themes. In addition to securing more projects under the government's ❶"Five-Year Acceleration Measures for Disaster Prevention, Disaster Mitigation, and National Land Resilience" policy, ❷the company aims to provide survey and design services to strengthen Self Defense Force facilities (defense civil engineering), ❸develop industrial and logistics sites (urban development) as production bases returning to Japan and foreign companies establishing factories in Japan, and ❹redevelop urban areas (urban reconstruction), while also taking on ❺ green infrastructure-related work aimed at achieving carbon neutrality (environment and decarbonization), ❻implementing smart city projects (smart city and urban planning DX), and ❼rebuilding aging condominiums and offering real estate utilization consulting services (business solutions and civil engineering management). While the company currently has a rather broad target, it will be interesting to observe future developments and disclosures to see when and to what extent the company will be able to achieve reproducible earnings growth in these areas.

Quantitative targets of the medium-term management plan ending in FY28/5

Item	Unit	FY23/5	CHG	FY28/5 CE
Net Sales	¥mn	15,647	4,353	20,000
Operating Profit	¥mn	1,714	686	2,400
OPM	%	11.0	1.0	12
ROE	%	10.6	1.4	12
ROIC	%	11.1	0.9	12
Payout Ratio	%	Aim to 35%	＋15ppt	Aim to 50%
Total Return	%	Aim to 50%	＋10ppt	Aim to 60%

Source: compiled by SIR from the company's IR materials.

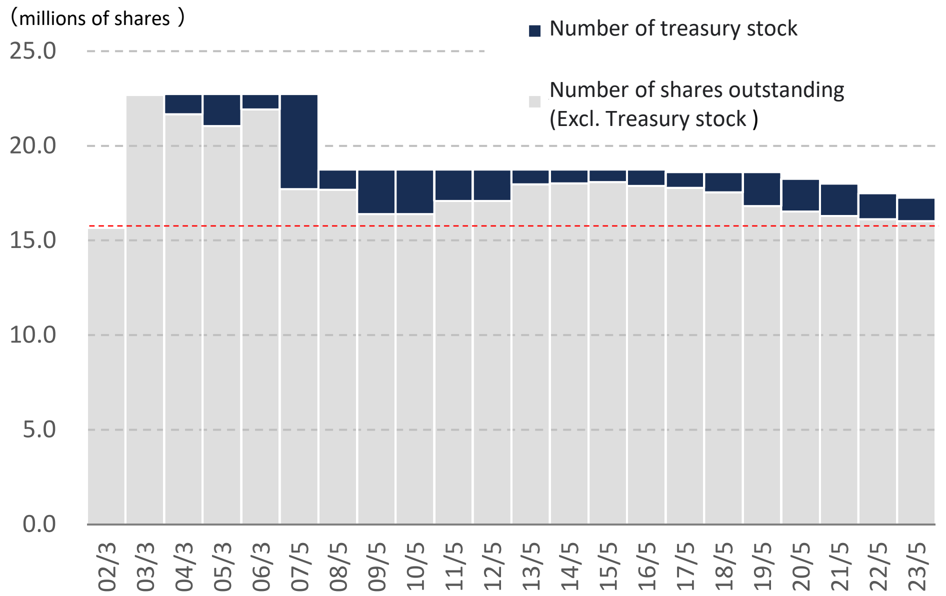
Capital efficiency indicators newly included in medium-term targets

OHBA introduced new quantitative targets of 12.0% operating margin (11.0% in FY23/5), 12.0% ROE (10.6% in FY23/5), and 12.0% ROIC (11.1% in FY23/5), which were not included in the previous medium-term management plan that ended in FY23/5. Although the company's P/B ratio is over 1.0x, which is unusual for a construction consulting firm, these targets can be seen as an indication of the company's commitment to capital efficiency in light of calls from the Tokyo Stock Exchange. In addition to improving profitability, the company will also focus on (1) strengthening shareholder returns and (2) clarifying its M&A policy.

The company also strengthened its shareholder return policy with the announcement of its medium-term management plan. The target total return ratio is now 60%, a 10pt increase over the previous target of 50%, and the target dividend payout ratio is now 50%, a 15pt increase over the previous target of 35%. The company has been executing on its dividend and share buyback targets set in previous years, and we expect it to follow through on the upwardly revised targets. Another notable point is that the dividend yield now looks more attractive. Dividing the FY24/3 plan DPS of ¥34.0 by the closing price of ¥902 on August 7, the dividend yield climbs to 3.77%. This DPS is calculated based on the FY24/5 plan, which calls for operating profit of ¥1.80 bn and a bottom line of ¥1.15 bn. If the company were to secure operating profit of ¥2.40 bn in the future, as laid out in the final year of the medium-term plan, investors can expect an even higher dividend yield.

The number of shares outstanding (excluding treasury shares), including share buybacks, came to about 16 million shares for the first time in 21 years. With the issuance of new shares in FY03/03 in connection with the capital and business tie-up with EM Research Institute, the company's shares were diluted, but it gradually repurchased and retired shares to bring back outstanding shares to the current level.

Ultra-long term changes in the number of shares outstanding



Source: compiled by SIR from the company's IR materials.

As of end-FY23/5, OHBA has no debt and carries over ¥4.0 bn in net cash and over ¥1.0 bn in investment securities, boasting an equity ratio of 65.4%. With an extremely healthy balance sheet, another notable point is its ample investment capacity. One potential way to utilize this capacity is through M&A deals. In pursuit of discontinuous growth through M&A deals, the company newly announced its policy of (1) expanding its scale through M&A deals with other companies in the same industry and (2) expanding its business domain by strengthening alliances with architectural design firms and other related companies in different industries. In May 2023, the company made Ohba Research and Land Surveys, a leading land surveying company with many blue-chip clients, into a subsidiary once again.

Guidance

Projecting mid to high single-digit sales and profit growth, ample order backlog YoY at the start of FY24/5

OHBA's FY24/5 earnings forecast calls for sales of ¥17.0 bn (+8.6% YoY) and operating profit of ¥1.8 bn (+5.0% YoY). It aims to achieve steady growth in both sales and profit by capturing demand related to the Japanese government's Five-Year Acceleration Measures for National Land Stabilization and by promoting management measures in line with the above-mentioned medium-term management plan. As of end-FY23/5, the company's order backlog was up 12.3% YoY at ¥9.44 bn, and it will likely make a good start to the fiscal year. Its projected dividend payout ratio for FY24/5 is 47.4%, and it plans to return profits to shareholders in line with its policy of a roughly 50% payout ratio from the first year of the new medium-term management plan.

Valuation

Progress in rerating following the new medium-term management plan and enhanced shareholder return policy

OHBA's share price had been stable at around ¥750 prior to announcing full-year FY23/5 earnings, but rose about 20% to around ¥900 after the announcement. In addition to the ambitious medium-term targets, the company's enhanced shareholder return policy seems to have been well-received. The P/E ratio based on the first year of the medium-term plan sits around 12x, which is slightly high compared to the 10x average of other construction consulting stocks. However, given the company's leading sub-sector return policy and steady earnings improvement, a certain level of valuation premium is warranted.

Short-term catalysts for share price appreciation include a rise in the probability of profit growth in line with top-line expansion and the announcement and execution timing of share buybacks. In addition, the company's name does not often appear in individual projects, as it tends to remain in the background, but if the company is involved in some distinctive projects in its new business areas, it could trigger a rerating. As such, investors should keep a close eye on news releases.

Valuation table of construction consultant companies

Code	Company	EOFY	Stock price	Market value	P/E			PBR	Net Cash	Ord. Profit	Ord. Profit margin		
			(8/7)	(8/7)	FY21	FY22E	FY23E	Most recent FY	Most recent FY	FY21	FY21	FY22E	FY23E
-	-	-	yen	¥mn			X	X	¥mn				%
9765	OHBA	May	902	15,560	13.5	13.5	12.6	1.37	4,205	1,654	19.9	(0.2)	3.5
-	Construction Consultants Average		-	-	11.0	11.5	10.5	0.99	-	-	19.4	6.6	(1.6)
1954	Nippon Koei	Jun.	3,375	50,848	7.7	7.6	-	0.65	(23,750)	9,065	27.2	24.7	-
2153	E•J Holdings	May	1,591	25,582	8.1	8.1	7.8	0.90	16,683	4,706	16.1	(1.5)	3.5
2325	NJS	Dec.	3,065	30,797	15.1	16.9	16.2	1.27	13,979	2,859	14.0	(29.6)	35.7
2498	Oriental Consultants HD	Sep.	2,642	16,185	9.0	5.6	6.2	0.83	(1,641)	3,476	37.0	24.7	(12.4)
4707	KITAC CORPORATION	Oct.	342	2,041	61.5	21.2	13.1	0.67	(1,872)	36	(86.4)	280.6	62.8
4840	Trils Incorporated	Dec.	385	3,196	(12.7)	6.4	(155.9)	0.57	808	(222)	TR	RS	BE
6091	Wesco Holdings	Jul.	475	8,419	9.0	9.0	10.1	0.46	6,664	1,057	19.2	17.8	(8.4)
6542	FC Holdings	Jun.	723	4,959	5.3	5.2	-	0.68	658	1,161	23.6	3.4	-
7369	Meiho Holdings	Jun.	3,155	4,935	22.0	32.8	-	2.65	287	397	(1.5)	(14.4)	-
7377	DN Holdings	Jun.	1,357	11,426	7.2	7.0	-	1.09	3,301	2,202	-	4.5	-
9232	PASCO	Mar.	1,831	26,399	11.3	6.4	5.9	0.97	(11,005)	3,935	(15.3)	65.8	(23.4)
9233	Asia Air Survey	Sep.	977	18,186	10.2	10.2	-	1.03	3,293	2,563	12.2	7.1	-
9248	People, Dreams & Technologies Group	Sep.	1,733	16,318	-	6.6	12.8	0.77	6,187	-	-	-	(37.0)
9621	CTI Engineering	Dec.	3,435	48,636	10.9	8.3	9.9	1.02	19,700	7,118	36.5	15.7	(11.4)
9647	KYOWA ENGINEERING CONSULTANTS	Nov.	3,665	2,148	7.9	6.6	6.3	0.74	1,632	463	45.6	18.6	5.6
9755	OYO	Dec.	2,540	65,187	22.5	33.7	20.3	0.88	17,672	4,179	32.8	(27.4)	48.4
9768	IDEA Consultants	Dec.	1,703	12,771	5.8	5.7	7.3	0.60	3,019	2,107	(0.1)	55.6	(21.9)

Code	Company	EOFY	ROE		Ord. Profit margin		Asset turnover		Equity ratio		Payout ratio		Dividend return
			FY21	FY22E	FY21	FY22E	FY21	FY22E	FY21	FY22E	FY21	FY22E	current period
-	-	-		%		%		Times		%		%	%
9765	OHBA	May	11.5	-	10.4	10.3	1.13	-	68.2	-	34.3	32.0	3.77
-	Construction Consultants Average		10.8	9.9	8.9	8.9	1.04	0.97	57.8	63.3	21.7	25.0	2.74
1954	Nippon Koei	Jun.	8.8	-	6.9	7.8	0.79	-	44.9	-	28.6	28.1	3.70
2153	E•J Holdings	May	11.8	-	12.8	13.0	0.96	-	70.2	-	21.8	24.7	3.46
2325	NJS	Dec.	9.3	7.8	14.8	10.5	0.73	0.69	78.0	81.7	32.1	41.4	2.61
2498	Oriental Consultants HD	Sep.	13.1	16.6	5.1	5.6	1.40	1.47	28.0	33.9	17.0	15.4	2.74
4707	KITAC CORPORATION	Oct.	1.2	3.3	1.4	5.1	0.47	0.48	48.7	49.5	89.9	30.9	1.46
4840	Trils Incorporated	Dec.	(5.5)	10.1	(22.1)	(29.0)	0.2	0.1	63.2	84.4	(39.5)	0.0	TBD
6091	Wesco Holdings	Jul.	5.5	5.2	7.7	7.9	0.71	0.79	73.7	75.1	30.4	30.4	3.37
6542	FC Holdings	Jun.	13.8	-	13.6	13.8	0.93	-	67.6	-	18.2	15.7	3.04
7369	Meiho Holdings	Jun.	12.7	-	6.5	4.7	1.80	-	50.1	-	0.0	0.0	0.00
7377	DN Holdings	Jun.	15.2	-	6.9	6.8	1.64	-	50.6	-	37.1	31.0	4.42
9232	PASCO	Mar.	11.0	-	7.3	6.9	0.83	-	33.5	-	23.5	19.1	2.73
9233	Asia Air Survey	Sep.	10.6	-	7.9	8.1	1.14	-	59.1	-	26.1	29.3	3.07
9248	People, Dreams & Technologies Group	Sep.	-	11.8	-	10.3	-	1.12	-	59.0	0.0	25.2	2.31
9621	CTI Engineering	Dec.	12.3	13.6	9.6	9.9	1.10	1.15	53.8	64.8	19.0	24.1	2.91
9647	KYOWA ENGINEERING CONSULTANTS	Nov.	11.8	12.2	6.3	7.1	1.04	1.09	33.7	40.8	6.5	5.4	0.82
9755	OYO	Dec.	4.2	2.7	8.1	5.1	0.61	0.67	81.0	78.3	40.7	63.7	1.97
9768	IDEA Consultants	Dec.	10.8	9.5	10.2	14.2	0.76	0.75	74.1	72.7	12.0	14.9	2.94

Source: compiled by SIR from the company's IR materials.
Note: Operating profit is shown in place of recurring profit for Nippon Koei, which uses IFRS accounting. In calculating the construction consulting average, Kitac and Triis are excluded, as their recent earnings have not been stable. TR=Turn red. RS= Red shrink. BE=Break even.

Income Statement

Item	Unit	Act 14/5	15/5	16/5	17/5	18/5	19/5	20/5	21/5	22/5	23/5	CE 24/5
Net Sales	¥mn	14,113	15,402	15,480	15,542	16,086	15,581	15,203	15,862	15,933	15,648	17,000
YoY	%	14.6	9.1	0.5	0.4	3.5	(3.1)	(2.4)	4.3	0.4	(1.8)	8.6
Orders Received	¥mn	-	-	-	-	16,918	15,377	15,752	15,239	15,936	16,681	-
Government and private sector, etc.	¥mn	-	-	-	-	11,906	12,883	14,294	14,304	15,421	-	-
Earthquake reconstruction-related	¥mn	-	-	-	-	2,920	2,494	1,457	935	514	-	-
Sales of Company-owned Real Estate	¥mn	-	-	-	-	2,092	0	0	0	0	-	-
Construction consultant	¥mn	12,662	13,402	13,613	13,847	13,417	14,936	14,123	15,267	14,668	-	-
YoY	%	17.6	5.8	1.6	1.7	(3.1)	11.3	(5.4)	8.1	(3.9)	-	-
Geospatial Information	¥mn	2,830	2,785	2,949	2,575	2,794	2,898	3,138	3,619	3,577	-	-
YoY	%	20.5	(1.6)	5.9	(12.7)	8.5	3.7	8.3	15.3	(1.2)	-	-
Environment	¥mn	1,226	744	1,092	1,056	588	758	657	596	670	-	-
YoY	%	17.8	(39.3)	46.8	(3.3)	(44.3)	29.0	(13.3)	(9.3)	12.5	-	-
Urban Planning	¥mn	6,125	7,143	6,742	6,952	6,620	6,910	5,908	6,611	6,149	-	-
YoY	%	21.9	16.6	(5.6)	3.1	(4.8)	4.4	(14.5)	11.9	(7.0)	-	-
Civil Engineering	¥mn	2,480	2,729	2,831	3,264	3,415	4,369	4,420	4,441	4,272	-	-
YoY	%	5.7	10.1	3.7	15.3	4.7	27.9	1.2	0.5	(3.8)	-	-
Orders Received	¥mn	12,763	13,516	13,778	14,106	14,262	14,573	14,417	14,657	13,934	15,631	-
Geospatial Information	¥mn	2,778	2,886	2,580	2,865	2,839	2,961	4,048	3,019	3,255	3,950	-
Environment	¥mn	1,541	1,188	1,346	747	654	593	535	525	809	872	-
Urban Planning	¥mn	5,868	6,854	7,091	6,965	6,719	6,461	5,758	6,911	5,397	6,570	-
Civil Engineering	¥mn	2,575	2,589	2,762	3,528	4,050	4,559	4,077	4,203	4,473	4,240	-
Order Backlog	¥mn	7,495	7,609	8,166	8,425	9,271	8,908	9,202	8,592	6,758	7,622	-
Geospatial Information	¥mn	1,536	1,637	1,383	1,673	1,719	1,782	2,691	2,091	1,476	1,917	-
Environment	¥mn	1,005	978	990	682	748	582	460	389	480	669	-
Urban Planning	¥mn	3,791	3,922	4,463	4,476	4,575	4,126	3,975	4,276	3,070	3,512	-
Civil Engineering	¥mn	1,163	1,072	1,329	1,594	2,229	2,418	2,075	1,837	1,732	1,524	-
Business Solutions	¥mn	1,451	2,000	1,866	1,695	2,670	645	1,079	595	1,145	-	-
YoY	%	(6.3)	37.8	(6.7)	(9.2)	57.5	(75.8)	67.3	(44.8)	92.3	-	-
Orders Received	¥mn	1,848	1,811	1,672	986	2,656	804	1,334	582	2,001	1,049	-
Order Backlog	¥mn	1,633	1,444	1,249	540	526	685	940	926	1,644	1,812	-
Lease Rental Income, etc.	¥mn	0	0	0	0	0	0	0	0	120	-	-
Cost of Sales	¥mn	11,119	11,944	11,775	11,835	12,361	11,520	11,012	11,158	11,095	10,468	-
sales ratio	%	78.8	77.5	76.1	76.2	76.8	73.9	72.4	70.3	69.6	66.9	-
Cost of Sales (Non-consolidated)	¥mn	10,715	11,506	11,421	11,521	11,972	11,109	10,630	10,649	10,643	-	-
sales ratio	%	79.4	77.7	76.4	76.7	77.3	74.5	72.9	70.5	69.9	-	-
Material Cost	¥mn	299	348	251	278	243	241	272	394	732	-	-
sales ratio	%	2.2	2.3	1.7	1.9	1.6	1.6	1.9	2.6	4.8	-	-
Labor Cost	¥mn	2,967	3,587	3,668	3,807	3,800	3,890	3,624	3,442	3,410	-	-
sales ratio	%	22.0	24.2	24.5	25.4	24.5	26.1	24.9	22.8	22.4	-	-
Outsourcing cost	¥mn	4,937	6,178	6,564	6,038	5,605	5,655	5,602	4,854	5,520	-	-
sales ratio	%	36.6	41.7	43.9	40.2	36.2	37.9	38.4	32.1	36.3	-	-
Other Costs	¥mn	1,176	1,186	1,164	1,164	1,069	1,325	1,245	982	992	-	-
sales ratio	%	8.7	8.0	7.8	7.8	6.9	8.9	8.5	6.5	6.5	-	-
Other Increase(Decrease) in inventory, etc.	¥mn	1,336	208	-226	235	1,256	-2	-113	978	-11	-	-
sales ratio	%	9.9	1.4	(1.5)	1.6	8.1	0.0	(0.8)	6.5	(0.1)	-	-
Cost of Sales*	¥mn	405	438	353	314	388	411	382	509	453	-	-
sales ratio	%	66.2	73.1	65.6	59.6	65.8	61.1	61.4	67.0	64.1	-	-
Gross Profit	¥mn	2,994	3,458	3,705	3,707	3,725	4,061	4,191	4,704	4,838	5,180	-
sales ratio	%	21.2	22.5	23.9	23.8	23.2	26.1	27.6	29.7	30.4	33.1	-
SG&A Expenses	¥mn	2,411	2,668	2,789	2,661	2,652	2,957	3,046	3,370	3,255	3,465	-
sales ratio	%	17.1	17.3	18.0	17.1	16.5	19.0	20.0	21.2	20.4	22.1	-
Salary Allowance	¥mn	1,164	1,326	1,347	1,249	1,275	1,349	1,453	1,548	1,616	-	-
sales ratio	%	8.2	8.6	8.7	8.0	7.9	8.7	9.6	9.8	10.1	-	-
Other	¥mn	1,247	1,342	1,442	1,412	1,377	1,608	1,593	1,822	1,638	-	-
sales ratio	%	8.8	8.7	9.3	9.1	8.6	10.3	10.5	11.5	10.3	-	-
Operating Profit	¥mn	583	790	916	1,045	1,074	1,104	1,145	1,334	1,583	1,715	1,800
sales ratio	%	4.1	5.1	5.9	6.7	6.7	7.1	7.5	8.4	9.9	11	10.6
Non-Operating Income	¥mn	128	143	118	81	66	65	59	91	82	89	-
Non-Operating Cost	¥mn	100	69	50	29	20	19	27	45	11	16	-
Ordinary Profit	¥mn	611	865	984	1,097	1,120	1,151	1,177	1,380	1,654	1,788	1,850
sales ratio	%	4	6	6	7	7	7	8	9	10	11	11
Special Interest	¥mn	21	22	2	0	0	1,420	1	0	0	210	-
Extraordinary Loss	¥mn	17	6	53	120	6	145	10	19	60	497	-
Income before income taxes	¥mn	615	881	932	977	1,115	2,426	1,168	1,361	1,594	1,501	-
Total Income Taxes	¥mn	102	68	186	274	370	711	344	509	509	426	-
Effective Tax Rate	%	17	8	20	28	33	29	29	37	32	28	-
Net Income	¥mn	513	812	747	703	745	1,715	824	852	1,086	1,075	-
Non-Controlling Interests	¥mn	0	0	0	0	0	0	0	0	0	0	-
Net Profit ATOP	¥mn	513	812	747	703	745	1,715	824	852	1,086	1,075	1,150

Source: compiled by SIR from the company's IR materials.

KPI / Balance Sheet

Item	Unit	Act 14/5	15/5	16/5	17/5	18/5	19/5	20/5	21/5	22/5	23/5	CE 24/5
EPS	¥	28.5	45.1	41.4	39.2	42.1	99.5	49.3	52	67	66.7	71.8
Diluted EPS	¥	28.2	44.4	40.7	38.6	41.4	97.4	47.9	50.2	64.2	63.9	-
BPS	¥	261.1	334.3	333	358.7	390.7	460.1	487.6	551.5	610.3	657.9	-
DPS	¥	7	12	12	12	12	18	14	15	23	24	34
Payout Ratio	%	24.6	26.6	29	30.6	28.5	18.1	28.4	28.8	34.3	36	47.4
ROE	%	11.2	15.1	12.4	11.4	11.3	23.5	10.4	10	11.5	10.6	-
ROA (Operating profit)	%	4.9	6.7	7.5	8.8	9.6	9.3	9	10	11.3	11.2	-
Operating Profit Margin	%	4.1	5.1	5.9	6.7	6.7	7.1	7.5	8.4	9.9	11	10.6
Asset Turnover	times	1.18	1.31	1.28	1.31	1.43	1.32	1.2	1.19	1.13	1.02	-
Equity Ratio	%	39.5	52.3	46.9	57.5	60.4	62.8	62.1	65.7	68.2	65.4	-
EBITDA	¥mn	750	1,014	1,155	1,245	1,249	1,308	1,398	1,601	1,839	1,934	-
sales ratio	%	5.3	6.6	7.5	8	7.8	8.4	9.2	10.1	11.5	12.4	-
Capital Expenditures	¥mn	477	160	426	115	220	2,071	345	707	136	-	-
Total Assets	¥mn	11,900	11,550	12,703	11,085	11,353	12,332	12,979	13,675	14,427	16,117	-
Current Assets	¥mn	7,890	7,451	8,405	7,013	6,918	6,928	7,525	6,894	7,623	9,643	-
Cash and Deposits	¥mn	1,443	864	771	1,101	1,610	2,007	2,337	3,002	1,956	4,205	-
Notes and Accounts Receivable	¥mn	2,532	3,005	3,909	2,220	3,129	2,847	2,879	2,764	4,833	4,803	-
Inventory	¥mn	1,847	1,494	1,614	3,403	2,059	1,952	2,132	1,008	258	509	-
Other	¥mn	2,068	2,088	2,111	289	120	121	177	119	576	126	-
Non-Current Assets	¥mn	3,990	4,088	4,292	4,070	4,435	5,404	5,454	6,781	6,804	6,475	-
Property, Plant and Equipment	¥mn	2,577	2,655	2,809	2,721	2,783	3,913	3,925	4,368	4,266	3,312	-
Intangible Assets	¥mn	68	52	42	37	52	42	141	139	113	82	-
Investments and Other Assets	¥mn	1,345	1,381	1,441	1,312	1,600	1,450	1,388	2,274	2,425	3,081	-
Total Liabilities	¥mn	7,169	5,448	6,652	4,637	4,402	4,439	4,693	4,375	4,197	5,186	-
Current Liabilities	¥mn	4,319	3,912	5,560	3,429	3,523	3,348	3,800	3,672	3,489	4,272	-
Trade Payables	¥mn	953	721	925	773	816	862	944	869	1,027	1,257	-
Short-Term Interest-Bearing Debt	¥mn	1,588	1,240	2,370	626	346	192	60	60	0	0	-
Income Taxes Payable	¥mn	60	263	172	245	84	293	138	462	330	93	-
Other	¥mn	1,717	1,689	2,093	1,784	2,277	2,000	2,658	2,281	2,132	2,922	-
Non-current liabilities	¥mn	2,850	1,535	1,093	1,208	879	1,091	893	703	708	915	-
Long-term Interest-bearing Debt	¥mn	1,677	1,198	548	665	312	120	60	0	0	0	-
Other	¥mn	1,173	337	544	543	567	971	833	703	708	915	-
Total Net Assets	¥mn	4,731	6,103	6,050	6,448	6,950	7,893	8,286	9,300	10,230	10,931	-
Shareholders' Equity	¥mn	4,702	5,546	5,994	6,388	6,776	7,701	7,999	8,440	9,316	9,859	-
Accumulated Other Comprehensive Income	¥mn	0	499	-38	-9	77	38	56	545	524	686	-
Share Acquisition Rights	¥mn	25	58	95	69	98	154	231	316	391	386	-
Non-Controlling Interests	¥mn	3	0	0	0	0	0	0	0	0	0	-

Source: compiled by SIR from the company's IR materials.

Cash Flow Statement

Item	Unit	Act 14/5	15/5	16/5	17/5	18/5	19/5	20/5	21/5	22/5	23/5	CE 24/5
Cash Flows from Operating Activities	¥mn	1,767	263	369	2,304	1,697	1,500	1,260	1,994	(346)	2,295	-
Pretax Profit	¥mn	615	881	932	977	1,115	2,426	1,168	1,361	1,594	1,501	-
Depreciation	¥mn	166	224	239	200	176	204	253	267	256	220	-
Increase (decrease) in working capital	¥mn	719	(790)	(429)	1,375	957	76	218	546	(760)	359	-
Other, net	¥mn	353	38	18	54	(182)	(1,032)	64	68	(727)	797	-
Income Taxes	¥mn	(87)	(89)	(391)	(301)	(369)	(174)	(443)	(247)	(710)	(581)	-
Cash Flows from Investing Activities	¥mn	(662)	93	(641)	13	(191)	39	(212)	(848)	(179)	574	-
Increase (Decrease) of Property, Plant and Equipment	¥mn	(421)	(116)	(407)	(118)	(7)	54	(140)	(765)	(128)	445	-
Increase (Decrease) of Intangible Assets	¥mn	(24)	(12)	(19)	(10)	(33)	(7)	(121)	(30)	(29)	-	-
Other, net	¥mn	(217)	220	(216)	141	(151)	(8)	49	(52)	(22)	129	-
Free Cash Flows	¥mn	1,105	356	(272)	2,317	1,506	1,539	1,047	1,147	(525)	2,869	-
Cash Flows From Financing Activities	¥mn	(1,111)	(945)	182	(1,986)	(997)	(1,135)	(718)	(481)	(521)	(619)	-
Increase (Decrease) of Interest-Bearing Debt	¥mn	(1,021)	(828)	480	(1,626)	(633)	(346)	(192)	(60)	(60)	-	-
Cash Dividends Paid	¥mn	(89)	(125)	(217)	(216)	(213)	(312)	(318)	(231)	(261)	(420)	-
Increase (Decrease) in Equity	¥mn	0	8	(82)	(144)	(150)	(476)	(208)	(190)	(200)	(200)	-
Other, net	¥mn	0	0	0	0	0	0	0	0	0	0	-
Effect of Exchange Rate Change on Cash and Cash Equivalents	¥mn	2	10	(2)	(1)	0	0	0	0	0	0	-
Net Increase (Decrease) in Cash and Cash Equivalents	¥mn	(4)	(579)	(93)	330	509	397	329	665	(1,046)	2,249	-
Cash and Cash Equivalents at Beginning of Period	¥mn	1,447	1,443	864	771	1,101	1,610	2,007	2,337	3,002	1,956	-
Cash and Cash Equivalents at End of Period	¥mn	1,443	864	771	1,101	1,610	2,007	2,337	3,002	1,956	4,205	-

Source: compiled by SIR from the company's IR materials.

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