

## Steadily laying the groundwork for renewed growth

### Summary

#### ► 3Q FY2024/3 Results

Cumulative 3Q sales came in at ¥1,458 mn (-1.2% YoY), operating profit at ¥75 mn (-38.1% YoY), and net profit at ¥76 mn (-37.0% YoY), marking a substantial drop in profit while the top line remained mostly flat. This reflects the company's medium-term management plan, which calls for increased investment in human capital. The company disclosed sales by service for the first time in this quarter's financial results, and cited sales expansion through cross-selling of each service as the key to future growth. It plans to promote the use of multiple services through a variety of measures.

#### ► Full-year FY2024/3 Earnings Forecast

The company maintained its initial full-year earnings forecast, which calls for sales to increase 10.2% YoY, operating profit to drop 20.7% YoY to ¥145 mn, and net profit to rise 8.2% YoY to ¥100 mn. Progress on a profit basis appears to be lagging, but performance has a seasonal tendency to be strongest during 4Q.

#### ► Component Procurement Service

The company plans to launch an automated component procurement service this summer. The service involves connecting to external electronic part e-commerce sites, enabling p-ban.com users to check component inventory status and prices in real time and procure electronic components on the company's platform. This will be an extremely strategic service for the company, which aims to promote the use of multiple services.

#### ► Share Price Insight

P-ban.com's share price has underperformed, but investor focus has been on blue-chip stocks, and small-mid-cap stocks have generally lagged behind. The company is making steady progress in laying the foundation for renewed growth, but it will take time for the market to fully appreciate this. The company is proactively expanding its business domain and pursuing M&A opportunities and business tie-ups, and future synergistic tie-ups and M&A deals could trigger a reevaluation of its share price.

¥mn, %	Net Sales	YoY	Oper. profit	YoY	Ordin. Profit	YoY	Net profit	YoY	EPS	DPS
FY20/3	2,133	1.2	247	-17.1	232	-22.7	112	-52.5	24.98	5
FY21/3	1,989	-6.8	205	-17	210	-9.5	143	27.7	31.89	8
FY22/3	1,933	-2.8	198	-3.4	199	-5.2	137	-4.2	28.97	8
FY23/3	2,015	4.2	183	-7.6	182	-8.5	92	-32.1	19.52	8
FY24/3 CE	2,221	10.2	145	-20.8	145	-20.3	100	8.2	21.84	8
FY23/3 Q3	1,476	3.7	122	-13	122	-14.2	82	-16.3	17.12	-
FY24/3 Q3	1,458	-1.2	75	-38.1	76	-37	82	-36.1	11.26	-

Source: Compiled by SIR from TANSWIN financial statements.

## 3Q Follow-up



### Focus Points:

Leading B2B e-commerce platform provider of printed circuit board (PCB) and EMS online services, with its own unique supply chain, targeting higher penetration with large enterprise customers.

### Key Indicators

Share price (2/26)	378
YH (24/2/2)	465
YL (24/2/15)	373
10YH (19/12/26)	1,839
10YL (22/3/9)	472
Shrs out. (mn shrs)	4.925
Mkt cap (¥ bn)	1,880
EV (¥ bn)	738
Equity ratio (9/30)	81.9%
24.3 P/E (CE)	17.2x
23.3 EV/EBITDA (CE)	4.7x
23.3 P/B (act)	1.40x
23.3 ROE (act)	5.0%
24.3 DY (CE)*	2.1%

### 1Y price chart



Source: TradingView

### Team Coverage

[research@sessapartners.co.jp](mailto:research@sessapartners.co.jp)

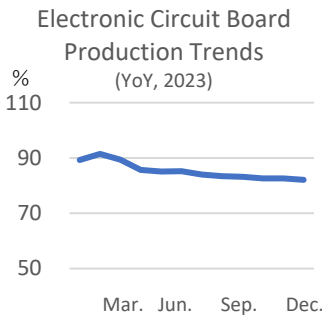


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### 3Q FY2024/3 Results

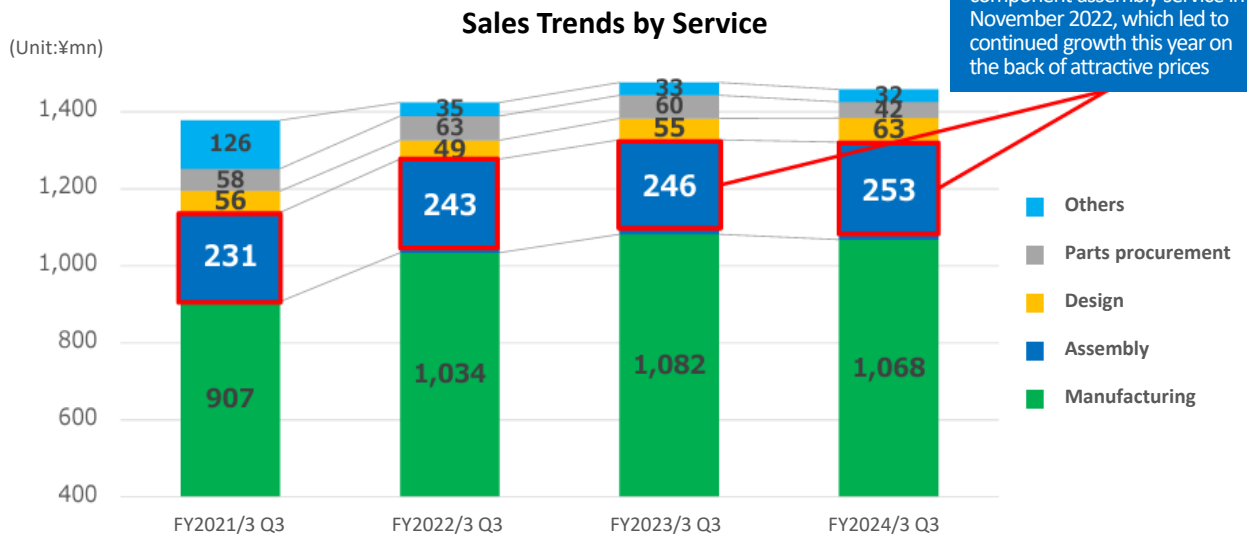
Cumulative 3Q sales came in at ¥1,458 mn (-1.2% YoY), gross profit at ¥488 mn (-0.2% YoY), operating profit at ¥75 mn (-38.1% YoY), and net profit at ¥76 mn (-37.0% YoY), marking a substantial drop in profit while the top line remained mostly flat. These results reflect the company's medium-term management plan, which calls for expanding and strengthening existing businesses and kickstarting new growth, and the company has been investing in human capital according to plan.

In 2023, the electronics market remained firm for automotive applications, but demand for smartphones and PC applications stagnated, and the circuit board production trends published by JEITA continued to show negative YoY growth. The company's mainstay manufacturing services are less affected by macroeconomic trends, as prototype demand accounts for a large portion of its business.



Source: The Japan Electronics Packaging and Circuits Association (JPCA)

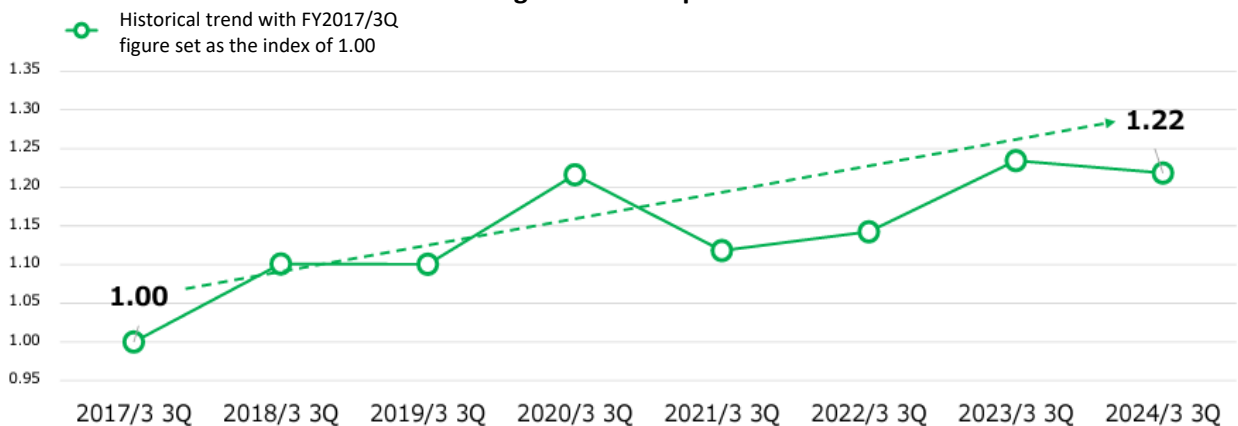
The company implemented price revisions for its component assembly service in November 2022, which led to continued growth this year on the back of attractive prices



Source: The Company IR results briefing materials.

component assembly services increased. The company believes that the key to growth is to expand sales by cross-selling each service. Thanks to the increase in customers using multiple services, average customer spend has grown 1.22 times compared to FY2017/3. The company plans to promote the use of multiple services through the electronic component procurement service, which will be discussed later in this report.

### Average customer spend index



Source: The Company IR results briefing materials.

The assembly service appears to be growing moderately in terms of sales value, but transactions are on the rise thanks to a price revision implemented in November 2022, which included a price cut to boost competitiveness.

SG&A expenses totaled ¥412 mn, up ¥45 mn from ¥367 mn a year earlier. 70% of the increase was for personnel expenses, as the company’s employee headcount rose from 31 to 39 employees in line with initial plans. The increase in other expenses stems from sales-related costs associated with the normalization of business operations following the COVID-19 pandemic.

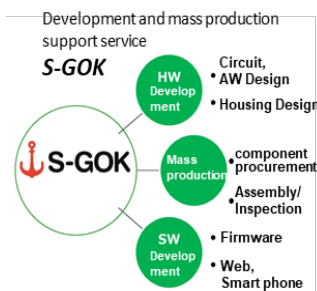
### Full-year FY2024/3 Earnings Forecast

The company's full-year earnings forecast calls for sales to increase 10.2% YoY, operating profit to drop 20.7% YoY to ¥145 mn, and net profit to rise 8.2% YoY to ¥100 mn. The increase in net profit is attributable to the reversal of deferred tax assets from the previous year. Progress on a profit basis appears to be lagging, but the company’s performance has a seasonal tendency to be strongest during 4Q. Accordingly, the company has maintained its initial forecast.

¥mn,%	FY23/3 3Q	FY24/3 3Q	YoY	FY24/3 Full-year(CE)	Progress %
Net sales	1,476	<b>1,458</b>	-1.2%	2,221	65.6%
Gross profit	489	<b>488</b>	-0.2%	727	67.1%
SG&A expenses	367	<b>412</b>	12.3%	582	70.8%
Operating profit	122	<b>75</b>	-38.1%	145	51.7%
Net profit	82	<b>52</b>	-36.1%	100	52.0%

Source: Compiled by SIR from TANSHIN financial statements.

### Growth Measures and Initiatives



### Human Capital Investment

FY2024/3 is the second year of the first medium-term plan under the company’s nine-year, three-term long-term plan, and is characterized by expanding and strengthening existing businesses and of existing businesses and kickstarting new growth. To expand and strengthen its mainstay P-ban.com PCB e-commerce business and to grow its S-GOK development and mass production support business, the company has hired eight new employees, a 25% increase through 3Q. These are primarily system development engineers and customer support personnel. The company has also recently established an R&D team to bolster its customer support function using generative AI, which will be discussed later in this report. Its strategy is to expand its services into the mass-production field by taking a “structure x people” approach. Accordingly, in-person negotiations are essential to securing orders from medium- and large-sized companies. Hiring human resources in the current fiscal year will serve as an important step in this process.

### Response to S-GOK

S-GOK, a development and mass production support service that the company launched last year, appears to be receiving some customer feedback. Although the company does not disclose figures, as of 3Q, earnings from the EMS business, the predecessor to S-GOK, were flat YoY. However, based on the current order backlog, earnings for this fiscal year will likely be higher YoY.

Prior to launching the service, the company anticipated demand from venture companies specifically. However, after about a year in operation, inquiries from medium-sized and large companies have been on the rise. Many of these companies came from information systems and other industries that had no experience with hardware development.

### Component Procurement Service: Potential Catalyst for Expanding Service Domain

On February 2, 2024, the company announced that it will release an automated component procurement service this summer. The full automation of component procurement involves connecting to external electronic component e-commerce sites and systematizing and automating electronic component procurement from within the company's p-ban.com e-commerce site. Using this system accomplishes the following three main points. (1) Customers can instantly check inventory status and prices of electronic components they are looking to procure. (2) System-based automation reduces the company's personnel costs and offers market-competitive prices. (3) Centralized management of the flow of components needed for substrate assembly, such as automatically assigning delivery destinations of procured components to a specific component assembly plant.

Looking ahead, the company aims to boost the component procurement ratio for its component assembly services from 18% to 45% within three years of service launch by speeding up the procurement process and providing price advantages by digitizing the component procurement process through e-commerce. In addition, the company aims to expand simultaneous service use of PCB manufacturing services and component assembly services from approximately 30% to 50% of orders.

Furthermore, customers will be able to consolidate their electronic component management into the p-ban.com system by coupling it with the component inventory management and surplus inventory sales services scheduled for launch in the near future.



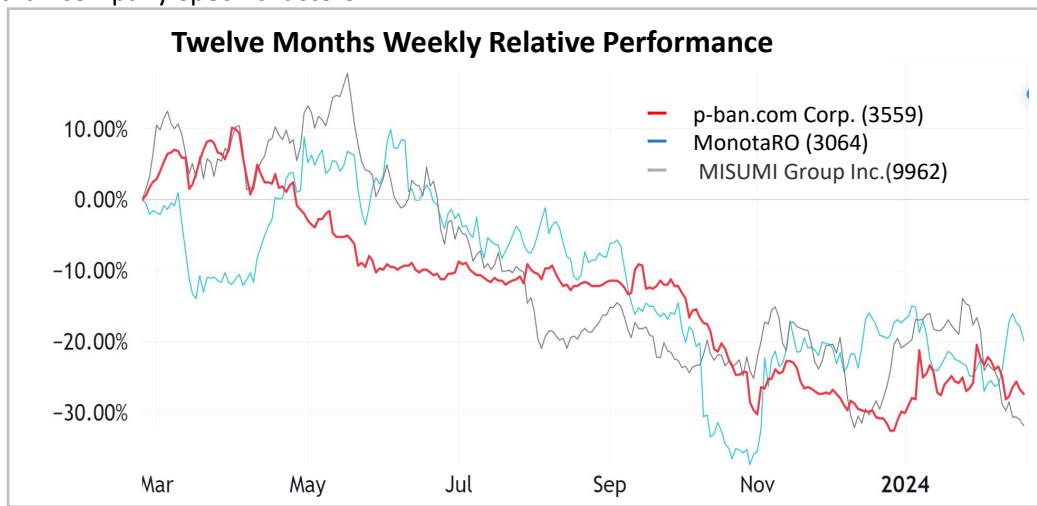
### AI-based Service Improvement Measures

The company established a new R&D team to introduce innovative services. The team is headed by an experienced person with a manufacturer's background who is highly familiar with how the company's customers think. The first product to be introduced was the "Kijunsho-chan" (specification document creator), an AI-based chatbot that helps customers with PCB design. This service uses AI to analyze the various design and manufacturing specifications provided on the company's p-ban.com e-commerce site and FAQs accumulated through over 20 years of service delivery, and provides the information needed for PCB design in a chat. Although the company does not monetize this service, it reduces the burden of reading specification documents and shortens design time for users, while also reducing the workload of support staff in responding to inquiries, which would enable the company to focus its human resources on advanced support services.

In addition, the company announced the launch of "Datasheet-chan," an electronic component information search service that also incorporates generative AI technology. Datasheet-chan combines online search with generative AI to display URLs of datasheets corresponding to the model number of an electronic component when the user enters the model number. In this release, the model numbers of electronic components need to be entered one by one, but in the future, all datasheets will be available simply by uploading a list of the electronic components needed.

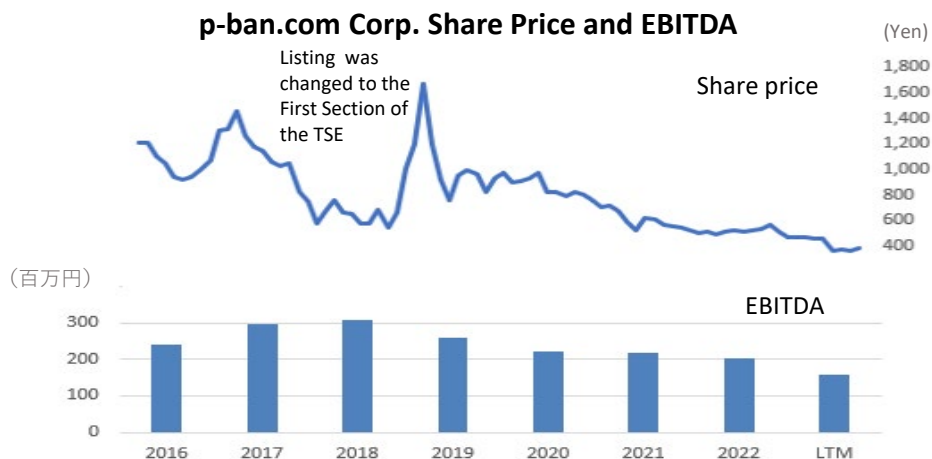
### Share Price Insight

The company's share price has underperformed the Nikkei Stock Average as it continues to hit new highs, but this has generally been the case for small-cap stocks overall. With investor interest concentrated on blue-chip stocks with large market capitalizations, small- and mid-cap stocks have lagged behind. The company's share price has trended similarly over the past year when compared to the charts of MonotaRO (3064), an e-commerce platform for industrial products, and MISUMI Group Inc. (9962). Taking into account that MonotaRO is expected to continue posting record-high profits in the current fiscal year, the valuation likely reflects external factors rather than company-specific factors.



Source: Compiled by SIR from TradingView data.

Below is a chart showing the company's share price and EBITDA since its IPO in 2017. Aside from a surge underpinned by a favorable market reaction to the company's move to the First Section of the Tokyo Stock Exchange in 2019, its share price has been generally consistent with changes in EBITDA. Investors pay attention to EBITDA for growth stocks as a way to evaluate whether sales are growing in line with a company's growth strategy and upfront investments. EBITDA represents cash flow excluding depreciation and amortization, which means that goodwill amortization from M&A transactions and other items are excluded from the valuation. In addition to expanding its core business domain, the company is also proactively working to expand M&A opportunities and business tie-ups. Going forward, synergistic tie-ups and M&A deals could be a catalyst for a re-rating of the company's share price.



Source: Compiled by SIR from SPEEDA data.

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### **Sessa Partners Inc.**

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#5a i-o Azabu, 2-8-14  
Azabujyuban, Minato-ku, Tokyo  
**info@sessapartners.co.jp**