COMPANY RESEARCH AND ANALYSIS REPORT

NCD Co., Ltd.

4783

Tokyo Stock Exchange Standard Market

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Contents

Summary

FY3/25 consolidated results and dividend forecasts revised upward, and medium-term management plan targets revised upward again

NCD Co., Ltd. <4783> (hereafter, also “the Company”) is a pioneer as an independent system integrator with a history tracing back to its foundation in 1967.

1. Operates IT-related businesses (System Development Business, Support and Service Business) and Parking System Business as its three business pillars

The Company is developing and managing three business pillars: the System Development Business (systems integration) and the Support and Service Business (service integration), which are IT-related businesses, and the Parking System Business (parking solutions), which is an unattended bicycle parking lot-related business that it launched through utilizing its expertise in IT solutions. In the IT-related businesses, the Company’s strength is its ability to provide systems development and outsourcing services that ensure stable quality. It is also notable for its stable income structure with a recurring sales ratio of more than 80%, achieved through long-term ongoing transactions with major blue-chip companies. The Parking System Business is the largest operator of electromagnetic lock-type bicycle parking lots in Japan, mainly as the direct manager and operator of self-operated bicycle parking lots.

2. In FY3/25, sales and profits grew sharply to record highs, exceeding the Company’s upwardly revised forecasts

In the FY3/25 consolidated results, net sales increased 18.1% year on year (YoY) to ¥30,106mn, operating income increased 32.8% to ¥2,809mn, ordinary income increased 33.3% to ¥2,852mn, and net income attributable to owners of the parent increased 37.3% to ¥1,905mn. Sales and profits grew sharply to reach record highs, exceeding the Company’s previous forecasts (revised up on November 8, 2024). Subsidiary Japan Computer Services, Inc. (hereafter JCS)’s full-term consolidation also contributed to the significant growth, offsetting a rise in costs accompanying investments in human capital, investments related to new businesses, and so forth, as well as Fukuoka Office relocation and other costs. As a result, the operating income margin increased 1.0 percentage point (pp) to 9.3%. Excluding the effects of JCS’ full-term consolidation, organic growth was 10.1% for consolidated net sales, and 10.5% for IT-related businesses net sales.

3. In FY3/26, the Company also forecasts sales and profit growth with consecutive record-high results

For the FY3/26 consolidated results, the Company forecasts net sales growth 6.3% YoY to ¥32,000mn, operating income growth of 6.8% to ¥3,000mn, ordinary income growth of 5.2% to ¥3,000mn, and net income attributable to owners of the parent to increase 2.3% to ¥1,950mn. In FY3/26, it expects growth in sales and profits, albeit not as strong as in FY3/25 when subsidiary JCS’ full-term consolidation also contributed, and consecutive record-high results. It expects favorable trends in all segments, the effects of sales growth, and success with measures to improve profitability to offset higher costs accompanying investments in human capital, investments related to new businesses, and so forth. We at FISCO believe strong results are also likely in FY3/26 with sales and profits staying on a growth trajectory, given factors including that profitability in IT-related businesses is on an uptrend due to the NCD service model’s advance, and profitability is expected to improve further in the Parking System Business as a result of BPR.

4. Operating income margin nearly reached medium-term management plan's final year target, dividend payout ratio raised

The medium-term management plan Vision 2026 covers FY3/24 to FY3/26, which has been positioned as a period for taking the first step in realizing the Group's vision. Its basic policies are to further pursue NCD value by creating new businesses and raising the added-value of existing businesses, strengthen the management base to increase corporate value, and rebuild an optimal Group business system. Targets for its final year, FY3/26, are net sales of ¥32,000mn, operating income of ¥3,000mn, an operating income margin of 9.4%, and ROE of 20% or higher (subsequent to upward revisions on May 13, 2024 and on November 8, 2024). The Company expects the operating income margin, which it views as a key performance indicator, to reach the plan's final year target of 9.4% in FY3/26 since it rose to nearly that at 9.3% in FY3/25. Regarding shareholder returns, the Company announced a change to its dividend policy on May 13, 2025, raising its dividend payout ratio target from at least 30% to at least 50%. The revised policy takes effect from FY3/26.

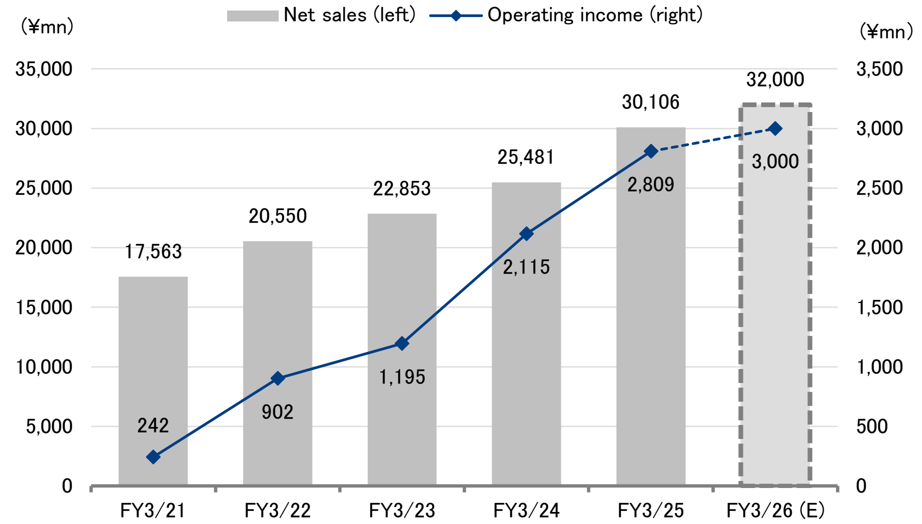
5. Measures to improve profitability evaluated as successful

The Company's operating income margin in FY3/26 is on track to attain the target for the medium-term management plan's final year of 9.4% (after having been raised again). That would be a 4.2pp increase compared with the operating income margin of 5.2% in FY3/23, a figure indicating significant improvement in profitability over those three years. We at FISCO attribute this to benefits from the Company's steady efforts to improve profitability, not just a better business environment. In addition, we regard the Company's sharp increase to its dividend payout ratio target for shareholder returns as a show of its confidence in profit growth going forward. Further, we want to keep an eye on progress with efforts to improve profitability, partly given the possibility of early achievement of the operating income margin target of 10.0% for FY3/32 under the long-term Group vision.

Key Points

- Three main pillars of the System Development Business, Support and Service Business, and Parking System Business
- In FY3/25, sales and profits grew sharply to record highs, exceeding the Company's upwardly revised forecasts
- In FY3/26, the Company also forecasts sales and profit growth with consecutive record-high results
- Operating income margin nearly reached medium-term management plan's final year target, dividend payout ratio raised
- Measures to improve profitability evaluated as successful

Result trends



Source: Prepared by FISCO from the Company's financial results

Company profile

Pioneering independent system integrator

1. Company profile

The Company is a pioneer as an independent system integrator with a history tracing back to its foundation in 1967. It advances its growth strategy of serving as a total solutions provider underpinned by its Group purpose of "Powering the world with passion." At the end of FY3/25, total assets were ¥16,095mn, net assets were ¥7,854mn, the equity ratio was 48.4%, and the number of issued shares was 8,800,000 (including 619,838 treasury shares). The Company's business bases were its Head Office (Shinagawa Ward, Tokyo), Odaiba Office (Koto Ward, Tokyo), Koto Service Center (Koto Ward, Tokyo), Fukuoka Office (Hakata Ward, Fukuoka City), Kokura Office (Kitakyushu City, Fukuoka Prefecture), Nagasaki Office (Nagasaki City, Nagasaki Prefecture; including the MSC (Managed Service Center)), and Goto Office (Goto City, Nagasaki Prefecture). The Group encompasses the Company and its subsidiaries NCD Solutions Co., Ltd., NCD Technology Co., Ltd., JCS, NCD CHINA Co., Ltd., NCD EST Co., Ltd., and NCD PROS Co., Ltd. (ownership ratio: 67%).

2. History

The Company was established in March 1967 when it launched the System Development Business. It then launched the Support and Service Business in October 1995, and the Parking System Business in October 1997, then changed the Company name to NCD in January 2024. Regarding stock market-related matters, in September 2000, it registered for over-the-counter trading with the Japan Securities Dealers Association (it was listed on the Tokyo Stock Exchange (TSE) JASDAQ market following the merger of the exchanges). In April 2022, the Company was transferred to the TSE Standard Market following the reorganization of markets on the exchange. In Group companies, the Company established Nihon System Research Co., Ltd. (currently, NCD Technology) in November 2000, established NCD CHINA in April 2005, acquired ZEXIS CORPORATION (currently, NCD Solutions) as a subsidiary in December 2007 (made it a wholly owned subsidiary in August 2008), established NCD PROS in March 2018, and acquired Yano Industrial Inc. (currently, NCD EST) as a wholly owned subsidiary in April 2019, and acquired JCS as a wholly owned subsidiary in December 2023.

History

Date	Event
March 1967	The Company was established in Ebisu, Shibuya Ward, Tokyo, as a software development company
January 1970	In the Middle and Near East, it succeeded in developing and installing comprehensive systems, becoming the first company in Japan to develop software overseas
September 1976	Deployed the PRIDE system development methodology (developed by US-based MBA) as the first user in Japan
April 1979	Opened the Fukuoka Sales Office as a business site (currently, the Fukuoka Office)
February 1990	Received certification as a “system integrator” from the Ministry of International Trade and Industry (currently, the Ministry of Economy, Trade and Industry)
October 1995	Launched the Support and Service Business
October 1997	Merger of Finetech Systems Co., Ltd., C.A.P Co., Ltd., and Holon Co., Ltd. Launched the Parking System Business
April 1999	Relocated the Head Office to Nishi-Gotanda, Shinagawa Ward, Tokyo
September 2000	Registered for over-the-counter trading with the Japan Security Dealers Association
November 2000	Established Nihon System Research Co., Ltd. (currently, NCD Technology)
December 2004	Listed shares on the JASDAQ market of the Tokyo Stock Exchange
April 2005	Established NCD CHINA Co., Ltd. in the Huayuan Industry Area, Tianjin, China
June 2006	Acquired the Privacy Mark certification
May 2007	Acquired ISO 9001 certification (certification of the Fukuoka Sales Office as a related business office)
December 2007	Acquired ZEXIS CORPORATION as a subsidiary
May 2011	Opened the Nagasaki Sales Office as a business site (currently, the Nagasaki Office)
March 2013	The number of bicycle parking lot management units in the Parking System Business surpassed 300,000 units
November 2015	Opened the Koto Service Center as a business site
March 2017	50th anniversary of the Company’s establishment
March 2018	Established NCD PROS., Ltd. (subsidiary with a 67% stake)
April 2019	Acquired YANOSANGYO., Ltd. (renamed NCD EST in September 2021), as a subsidiary
October 2019	Opened the Odaiba Office as a business site
April 2020	Opened the Goto Office (Goto City, Nagasaki Prefecture) as a business site
September 2021	Acquired gold authorization as a company with an outstanding approach to health and productivity management
October 2021	Established the Sustainability Promotion Committee
April 2022	Transferred to the Tokyo Stock Exchange Standard Market Formulation of purpose and partial amendment of corporate philosophy
May 2023	Formulated the new medium-term management plan “Vision 2026”
October 2023	Acquired AWS Solution Provider certification
December 2023	Acquired Japan Computer Services Inc. (JCS) as a subsidiary
January 2024	Changed company name from Nippon Computer Dynamics Co., Ltd. to NCD Co., Ltd.
March 2024	Certified as 2024 Health & Productivity Management Outstanding Organizations (Large Enterprise Category)
November 2024	Issued Integrated Report 2024, the Group’s first integrated report

Source: Prepared by FISCO from the Company’s website and materials

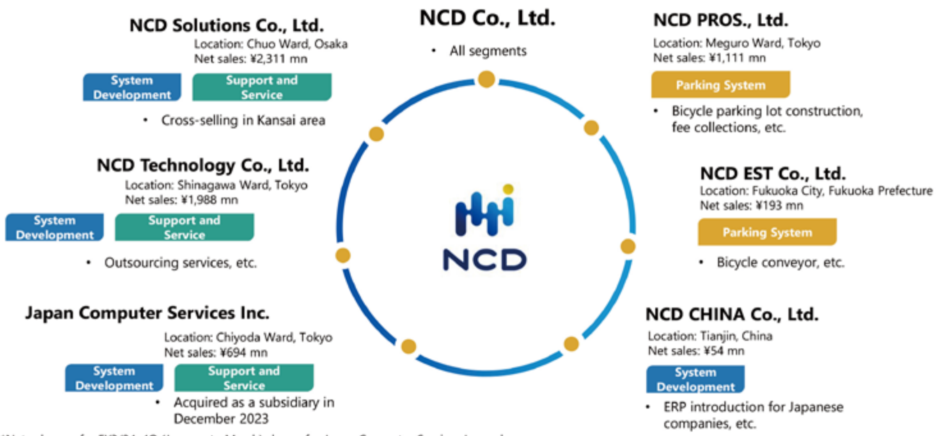
Business overview

Promotes IT-related businesses (System Development Business, Support and Service Business) and Parking System Business

1. Business overview and characteristics/strengths

The Company, as a total solutions provider, is developing and managing three business pillars: the System Development Business (systems integration) and the Support and Service Business (service integration), which are IT-related businesses, and the Parking System Business (parking solutions), which is an unattended bicycle parking lot-related business that it launched through utilizing its expertise in IT solutions. The Company leverages advanced technologies and high-quality services cultivated through an extensive track record as an independent company, the latest information technology and abundant application knowledge, and one-stop service provision to deliver total solutions. Subsidiary NCD Technology engages in system development and other IT-related businesses; NCD Solutions engages in system development and other IT-related businesses, mainly for the Panasonic Holdings <6752> Group; JCS engages in IT-related businesses including operation and maintenance of systems, mainly for Kao <4452>; NCD CHINA engages in system development business including ERP introduction for Japanese companies in China; NDC EST operates a bicycle parking lot business in Kyushu; and NCD PROS conducts a bicycle parking lot management and operations business.

Group companies and business segments



*Net sales are for FY3/24. 4Q (January to March) shown for Japan Computer Services Inc. only

Source: The Company's results briefing materials

System Development Business mainly handles development and maintenance consignments for core systems

2. System Development Business

The System Development Business conducts outsourced system integration, which involves undertaking the planning, design, development, construction, testing, installation, maintenance and management mainly of core systems. Its services include systems construction solutions, infrastructure construction solutions, and package solutions, primarily for major corporate groups. Based on the expertise cultivated through its abundant track record, the Company constructs its own proprietary systems development standard “NS-SD” (NCD Standard System Development) and project management standard “NS-PM” (NCD Standard Project Management) to realize system development that ensures stable quality.

As solutions for medium-sized and other companies that want to install systems in a short period of time at low cost, the Company provides package solutions including installation, customization, and management support for the package software of its strategic partner companies. Its strengths include installing Oracle <ORCL>’s applications, OBIC BUSINESS CONSULTANTS <4733>’s Bugyo series of core business systems, and Panasonic Net Solutions Co., Ltd.’s MAJOR FLOW workflow management system. In addition, it acquired AWS Solution Provider certification and concluded an AWS Solution Provider Program (SPP) agreement in October 2023 for Amazon’s (Amazon.com <AMZN>) Amazon Web Services (AWS). As a certified Japanese partner of Salesforce <CRM>, it has extensive experience assisting with installation of the Salesforce platform, and offers linked package tools developed in-house as a fee-based service to Salesforce users. Supporting Japanese companies’ global development is also a feature of the Company, which helps install ERP packages such as “mcframe GA,” Business Engineering <4828>’s globally-compliant ERP, and “Yoyu U8,” which has the No. 1 share for ERP in China.

Support and Service Business primarily conducts outsourcing of maintenance and operations

3. Support and Service Business

The Support and Service Business undertakes service integration in the form of outsourcing services for the maintenance and operation of customers’ IT assets, such as IT infrastructure maintenance and operation solutions and business process support solutions. It constructed the Company’s “NS-OS” (NCD Standard Operation Service) operating standard based on the Information Technology Infrastructure Library (ITIL) framework. NS-OS is a maintenance and operation support service wherein a specialized group of engineers capable of addressing even multiple system failures in areas such as network systems construction and maintenance and management provide comprehensive support on behalf of customers’ system operations departments.

Two managed service centers (MSCs), one in Tokyo and one in Nagasaki, coordinate to provide one-stop technical support for system and application maintenance and operations via 24-hour, 365-day remote monitoring, a service desk to address inquires, and so forth. Another feature of this business segment is that its expertise and capabilities including rapid response, flexible service, and comprehensive support built up through extensive experience enable it to go beyond providing maintenance and operation services to customers for which the Company built systems to undertake maintenance and operation of applications and systems built by other companies. The Support and Service Business’ bases are strengthening efforts addressing business continuity planning (BCP), such as at the time of a disaster, in a high security environment.

A solid customer base with leading blue-chip customers in IT-related businesses

4. A solid customer base has been built with leading blue-chip customers in IT-related businesses; achieving a recurring sales ratio of more than 80%

In IT-related businesses (System Development Business, and Support and Service Business), the Company has built a powerful customer base that includes major insurers, leading energy companies, top manufacturers, and other blue-chip companies. This business notably entails many long-term, ongoing transactions. Generally, the system development industry has a structure with extensive secondary and tertiary outsourcing to mid-sized companies by major system integrators. In the Company's case, direct transactions with end users (primary consignment) are at more than 80% of business. In addition, it is building up recurring sales from services such as maintenance and operation of systems that it developed and constructed since it has many long-term ongoing contracts with blue-chip companies.

Net sales from IT-related businesses in FY3/25 broke down by category as 54% from SI services (including business application maintenance), 26% from IT infrastructure, 9% from IT consulting, 7% from service desk, and 4% from package introduction. One-time sales business (system development and construction, etc.) accounted for 20% of net sales, and recurring sales business (system maintenance and operation, etc.) for 80%. By client industry, finance accounted for 37% of net sales, information and communication services for 21%, social infrastructure for 13%, machinery for 10%, services for 9%, food for 8%, and others for 2%. This stable earnings structure with recurring business accounting for more than 80% of net sales is also a characteristic of these operations, and that number demonstrates the high level of the Company's technological abilities and quality.

Parking System Business largest operator of electromagnetic lock-type bicycle parking lots in Japan

5. Parking System Business

The Parking System Business mainly sells electromagnetic-lock bicycle parking equipment and manages bicycle parking lot operations. In addition to utilizing IT to manage bicycle parking lot operations in a more efficient and labor-saving manner, this business contributes to eliminating bicycle parking issues such as abandoned bicycles from communities nationwide, easing traffic congestion, effective utilization of land, region and community building, and improvement of the global environment through reduced CO_2 emissions. Initially, the focus was on one-time sales of electromagnetic-lock bicycle parking equipment and payment machines. However, the Company expanded the business as a pioneer in coin-operated bicycle parking lots (unattended bicycle lots with spaces rented by the hour) in the bicycle parking lot industry where attended lots rented by the month had prevailed by leveraging the IT technology it had amassed to realize unattended management of bicycle lots through remote operation. Currently, it operates the time-based unattended bicycle parking lots EcoStation21 and monthly bicycle parking lots ECOPOOL services primarily near commercial facilities, train stations, and so forth in metropolitan Tokyo, but also in areas like Kansai, Chubu, and Kyushu (it consigns operations to partner companies in Kansai and Chubu). ECOPOOL is Japan's first online-based monthly bicycle parking lot service, which the Company independently developed it in 2013. It reduces the cost of managing bicycle parking lots by eliminating the need for attendants since everything from signing up to starting to use the service is completed online.

The segment's sales categories are equipment sales, management and operations, and others (bicycle-related product sales, etc.). The management and operations category consists of self-operated bicycle parking lots that the Company operates and manages based on contracts with private-sector companies that own commercial facilities and so forth, designated management wherein the Company conducts management and operations as the manager designated by the local government (usage fee system and designated management system), and contracting wherein the Company is consigned to manage bicycle parking lots operated by entities such as railway companies and local governments. In FY3/25, self-operated bicycle parking lots accounted for 34% of net sales in the Parking System Business, designated management for 26%, equipment sales for 18%, contracting for 18%, and others for 4%. Designated management sales broke down as 80% from the usage fee system and 20% from the designated management fee system. One-time sales business (bicycle parking lot equipment sales, etc.) accounted for 22% of net sales, and recurring sales business (self-operated bicycle parking lot usage fee income, designated management, contracting, etc.) for 78%. The business model is focused on recurring sales.

As of April 1, 2025, the NCD Group managed 2,057 bicycle parking lots, 95 more YoY, with a total of 560,066 spaces, 16,049 more. Within that, it managed 380 ECOPOOL bicycle parking lots, 76 more YoY, with a total of 128,669 spaces, 24,204 more. The Group manages one of the largest domestic networks of electromagnetic lock-type bicycle parking lots, which are widely supported by local governments, railway companies, commercial facilities, and other organizations nationwide for helping to reduce the number of abandoned bicycles. As a recent example of local government projects, the Company was selected in April 2022 to be a bicycle parking lot management service provider by four local government bodies (Shinjuku Ward, Itabashi Ward, Shinagawa Ward, Kawasaki City), and started management and operation of 246 bicycle parking lots with about 58,000 spaces in total. Also, it was selected to be a bicycle parking lot management service provider by Ebina City in April 2025, and started management and operation of bicycle parking lots with a total of 3,138 spaces.

The Company is implementing BPR to further improve profitability in the Parking System Business, partly due to a temporary decline in earnings in the business caused by the COVID-19 pandemic. Specifically, it is advancing initiatives such as bringing construction and other peripheral operations in-house (bicycle parking equipment installation work and related tasks are being consolidated under NCD PROS), introducing cashless payment, optimizing the usage fee structure (revising fees), withdrawing from low-margin designated management projects, and developing new sales channels (general contractors, developers, architectural offices, etc.).

IT-related businesses and Parking System Business on a growth trajectory

6. Performance by segment

Results over the past five years (FY3/21 to FY3/25) are as follows in terms of net sales by segment (net sales to external customers) and ratio of net sales by segment, segment income (operating income before corporate expenses) and segment income ratio, and segment income margin (same).

In FY3/25, net sales for the System Development Business were ¥12,699mn (42.2% of total net sales), the Support and Service Business were ¥9,409mn (31.3%), and the Parking System Business were ¥7,975mn (26.5%). Net sales are on a growth trajectory in all segments. For the Parking System Business, net sales were impacted by the COVID-19 pandemic in FY3/21, but recovered in FY3/24 to a level higher than before the COVID-19 pandemic, and expanded further in FY3/25. Excluding the period during the COVID-19 pandemic, shares of total net sales have trended around 40% for the System Development Business, 30% for the Support and Service Business, and 30% for the Parking System Business.

In FY3/25, segment income for the System Development Business was ¥1,867mn (39.8% of total segment income), the Support and Service Business was ¥1,029mn (21.9%), and the Parking System Business was ¥1,786mn (38.1%). Segment income is also on a growth trajectory in all segments. Segment income is expanding especially rapidly for the Parking System Business, which is also experiencing a rise in its share of total segment income. The segment income margin for the System Development Business was 14.7%, the Support and Service Business was 10.9%, and the Parking System Business was 22.4%. The segment income margin has been trending around the lower 10% level for the System Development Business, although it is subject to fluctuations depending on the profitability of individual projects, and in the general vicinity of 10% for the Support and Service Business, which is focused on maintenance and operations. It rose to the 20% level in FY3/25 for the Parking System Business, owing to growth in net sales, along with the success of efforts to improve the earnings structure including bringing construction and other peripheral operations in-house, revising fees mainly for self-operated parking lots, and withdrawing from low-margin designated management projects.

Net sales by segment and composition of net sales

(¥mn)

Item	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25
Net sales					
System Development Business	7,405	8,365	9,243	10,421	12,699
Support and Service Business	5,072	6,099	6,892	7,735	9,409
Parking System Business	5,060	6,073	6,675	7,297	7,975
Consolidated net sales	17,563	20,550	22,853	25,481	30,106
Composition of net sales					
System Development Business	42.2%	40.7%	40.4%	40.9%	42.2%
Support and Service Business	28.9%	29.7%	30.2%	30.4%	31.3%
Parking System Business	28.8%	29.6%	29.2%	28.6%	26.5%

Note: Net sales constitute net sales to external customers, composition constitutes the share of consolidated net sales including others
Source: Prepared by FISCO from the Company's financial results

Segment income and composition of segment income

(¥mn)

Item	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25
Segment income					
System Development Business	928	1,020	1,033	1,541	1,867
Support and Service Business	481	620	703	851	1,029
Parking System Business	13	451	817	1,284	1,786
Before consolidation adjustments	1,421	2,096	2,560	3,685	4,691
Composition of segment income					
System Development Business	65.3%	48.7%	40.4%	41.8%	39.8%
Support and Service Business	33.9%	29.6%	27.5%	23.1%	21.9%
Parking System Business	1.0%	21.5%	31.9%	34.9%	38.1%

Note: Segment income constitutes operating income before corporate expenses. Composition constitutes the share of the total before adjustments including others.
Source: Prepared by FISCO from the Company's financial results

Segment income margin

Item	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25
Segment income margin					
System Development Business	12.5%	12.2%	11.2%	14.8%	14.7%
Support and Service Business	9.5%	10.2%	10.2%	11.0%	10.9%
Parking System Business	0.3%	7.4%	12.2%	17.6%	22.4%

Note: Calculated using segment income before corporate expenses
Source: Prepared by FISCO from the Company's financial results

IT-related businesses conduct thorough project management and quality management; Parking System Business promotes BPR

7. Risk factors, income characteristics, challenges, and countermeasures

In IT-related businesses (the System Development Business, the Support and Service Business), a general risk is that profit is subject to fluctuations depending on the profitability of individual projects. To mitigate that risk, the Company conducts rigorous project and quality management to prevent losses and sustain profitability. Also, recurring sales are growing in the System Development Business through expansion of maintenance and operation services after development work and in the Support and Service Business through growth in ongoing projects, so the earnings structure is stable. In the Parking System Business, earnings were temporarily depressed by the COVID-19 pandemic, but the Company has made recurring sales centered on bicycle parking lot fee income the segment's mainstay by increasing the number of bicycle parking lots and spaces it manages, and is promoting BPR to improve profitability.

Results trends

In FY3/25, sales and profits grew sharply to record highs, exceeding the Company's upwardly revised forecasts

1. Overview of FY3/25 consolidated results

In the FY3/25 consolidated results, net sales increased 18.1% YoY to ¥30,106mn, operating income increased 32.8% to ¥2,809mn, ordinary income increased 33.3% to ¥2,852mn, and net income attributable to owners of the parent increased 37.3% to ¥1,905mn. Sales and profits grew sharply to reach record highs, exceeding the Company's previous forecasts (revised up on November 8, 2024 to net sales of ¥30,000mn, operating income of ¥2,700mn, ordinary income of ¥2,700mn, net income attributable to owners of the parent of ¥1,800mn). Subsidiary JCS' full-term consolidation (newly consolidated from 4Q FY3/24) also contributed to the significant growth, offsetting a rise in costs accompanying investments in human capital, investments related to new businesses, and so forth, as well as Fukuoka Office relocation and other costs. Gross profit increased 27.2% YoY, and the gross profit margin rose 1.5pp to 21.8%. SG&A expenses increased 23.2%, and the SG&A expense ratio increased 0.5pp to 12.5%. As a result, the operating income margin increased 1.0pp to 9.3%. JCS' full-term consolidation boosted net sales by ¥2,116mn and operating income by ¥95mn (after offsetting a ¥31mn increase in goodwill amortization).

Summary of the FY3/25 consolidated results

(¥mn)

	FY3/24		FY3/25		YoY		Previous forecasts amount	vs. forecasts	
	Results	vs. net sales	Results	vs. net sales	Change	%		Change	Achievement rate
Net sales	25,481	100.0%	30,106	100.0%	4,624	18.1%	30,000	106	100.4%
Gross profit	5,162	20.3%	6,565	21.8%	1,402	27.2%	-	-	-
SG&A expenses	3,047	12.0%	3,755	12.5%	708	23.2%	-	-	-
Operating income	2,115	8.3%	2,809	9.3%	694	32.8%	2,700	109	104.1%
Ordinary income	2,140	8.4%	2,852	9.5%	712	33.3%	2,700	152	105.6%
Net income attributable to owners of the parent	1,387	5.4%	1,905	6.3%	517	37.3%	1,800	105	105.9%
Net sales by segment									
System Development Business	10,421	40.9%	12,699	42.2%	2,278	21.9%	12,840	-140	98.9%
Support and Service Business	7,735	30.4%	9,409	31.3%	1,674	21.6%	9,470	-60	99.4%
Parking System Business	7,297	28.6%	7,975	26.5%	677	9.3%	7,690	285	103.7%
Other	26	0.1%	22	0.1%	-4	-17.6%	-	-	-
Segment income									
System Development Business	1,541	14.8%	1,867	14.7%	325	21.1%	2,000	-132	93.4%
Support and Service Business	851	11.0%	1,029	10.9%	178	21.0%	950	79	108.4%
Parking System Business	1,284	17.6%	1,786	22.4%	501	39.1%	1,640	146	109.0%
Other	7	29.1%	8	38.3%	0	8.4%	-	-	-
Adjustments for corporate expenses, etc.	-1,570	-	-1,882	-	-	-	-	-	-

Notes: 1. Previous forecast are figures revised up on November 8, 2024.
Notes: 2. Net sales by segment constitute net sales to external customers. Segment income constitutes income before corporate expenses.
Notes: 3. Segment income to net sales ratio is the ratio of segment income to net sales for each segment.
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Parking System Business profitability rose sharply

2. Trends by segment

Looking at trends by segment (net sales constitute net sales to external customers; segment income constitutes operating income before corporate expenses), sales and profit rose sharply in both IT-related businesses. In the System Development Business, net sales increased 21.9% YoY to ¥12,699mn and segment income increased 21.1% to ¥1,867mn. In the Support and Service Business, net sales increased 21.6% to ¥9,409mn and segment income increased 21.0% to ¥1,029mn. In addition to strong demand in areas such as application maintenance for insurance companies, system development for gas companies, enterprise system revamping and cloud-based enterprise system operation for manufacturing industry, progress optimizing prices and JCS' full-term consolidation contributed. Net sales were solid in all business categories, with YoY growth of 22.9% for SI service, 9.0% for IT infrastructure, 35.7% for IT consulting, 51.3% for service desk, and 24.2% for package introduction. Excluding the effects of JCS' full-term consolidation, organic growth in net sales for IT-related businesses was 10.5%. The segment income margin for the System Development Business declined 0.1pp YoY to 14.7%, while that for the Support and Service Business declined 0.1pp to 10.9%. In addition to higher costs, there was impact from JCS, which was consolidated throughout the fiscal year, currently having a slightly lower profit margin than the Company's existing businesses.

In the Parking System Business, net sales increased 9.3% YoY to ¥7,975mn and segment income increased 39.1% to ¥1,786mn. A breakdown of net sales shows a 11.8% decline for designated management due to withdrawal from unprofitable projects, but solid growth of 15.2% for self-operated bicycle parking lots that generate recurring earnings, and growth of 63.1% for equipment sales reflecting a contribution from several large-scale projects including equipment replacements. Net sales from contracting increased 3.0%, while other sales decreased 1.3%. Segment income rose sharply, exceeding the previous forecast. The segment income margin rose 4.8pp to 22.4%, considerably surpassing pre-pandemic levels (14.7% in FY3/19, 14.1% in FY3/20). Profitability improved significantly, reflecting the results of initiatives to improve the earnings structure including price revisions focused on self-operated parking lots, business efficiency improvements, and withdrawal from unprofitable designated managed bicycle parking lots.

Financial position remains favorable

3. Financial condition

Looking at the Company's financial condition, at the end of FY3/25, total assets increased ¥1,196mn versus the end of FY3/24 to ¥16,095mn. This is mainly because securities decreased ¥200mn and land decreased ¥172mn, whereas cash and deposits increased ¥1,654mn and accounts receivable – trade increased ¥384mn. Total liabilities decreased ¥253mn to ¥8,241mn. This is mainly because provision for bonuses increased ¥162mn, whereas lease liabilities (total for current liabilities and non-current liabilities) decreased ¥325mn. In addition, total long- and short-term borrowings decreased ¥109mn to ¥799mn. Total net assets rose ¥1,450mn YoY to ¥7,854mn, of which mainly retained earnings increased ¥1,357mn YoY. As a result, the equity ratio rose 5.8pp to 48.4%. The equity ratio has increased due to the accumulation of profits, and there are no particular matters of concern regarding the status of cash flows. FISCO deems that the Company's financial position remains favorable.

Financial statements and cash flow statement (simplified)

(¥mn)

Item	End of FY3/21	End of FY3/22	End of FY3/23	End of FY3/24	End of FY3/25	Change
Total assets	10,816	11,890	12,387	14,899	16,095	1,196
Current assets	6,768	7,949	8,579	11,044	12,586	1,541
Non-current assets	4,047	3,941	3,808	3,854	3,509	-345
Total liabilities	6,651	7,422	7,342	8,495	8,241	-253
Current liabilities	3,976	4,721	4,885	5,791	5,741	-49
Non-current liabilities	2,674	2,701	2,456	2,704	2,500	-204
Total net assets	4,165	4,468	5,045	6,403	7,854	1,450
Shareholders' equity	4,057	4,406	4,966	6,236	7,594	1,357
Equity ratio	38.3%	37.3%	40.4%	42.6%	48.4%	5.8pp

Item	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25
Cash flows from operating activities	218	1,918	568	2,574	2,270
Cash flows from investing activities	142	-48	-171	-99	361
Cash flows from financing activities	-61	-779	-413	-508	-947
Cash and cash equivalents at end of period	2,721	3,814	3,799	5,767	7,455

Source: Prepared by FISCO from the Company's financial results

Outlook

In FY3/26, the Company also forecasts sales and profit growth with consecutive record-high results

● Overview of FY3/26 consolidated forecasts

For its consolidated results in FY3/26, the Company forecasts net sales to increase 6.3% YoY to ¥32,000mn, operating income to rise 6.8% to ¥3,000mn, ordinary income to grow 5.2% to ¥3,000mn, and net income attributable to owners of the parent to increase 2.3% to ¥1,950mn. It expects consecutive record-high results in FY3/26, with growth in sales and profits, albeit not as strong as in FY3/25 when subsidiary JCS' full-term consolidation also contributed. All segments are expected to perform well, and the increased sales and the results of profitability improvement measures are expected to absorb the increased costs associated with human capital investment and new business-related investments.

Overview of FY3/26 consolidated forecasts

(¥mn)

	FY3/25		FY3/26		YoY	
	Results	vs. net sales	Forecasts	vs. net sales	Change	% change
Net sales	30,106	100.0%	32,000	100.0%	1,893	6.3%
Gross profit	6,565	21.8%	-	-	-	-
SG&A expenses	3,755	12.5%	-	-	-	-
Operating income	2,809	9.3%	3,000	9.4%	190	6.8%
Ordinary income	2,852	9.5%	3,000	9.4%	147	5.2%
Net income attributable to owner of the parent	1,905	6.3%	1,950	6.1%	44	2.3%
Net sales by segment						
System Development Business	12,699	42.2%	13,900	43.4%	1,200	9.5%
Support and Service Business	9,409	31.3%	10,100	31.6%	690	7.3%
Parking System Business	7,975	26.5%	8,000	25.0%	24	0.3%
Other	22	0.1%	-	-	-	-
Segment income						
System Development Business	1,867	14.7%	2,180	15.7%	312	16.8%
Support and Service Business	1,029	10.9%	1,130	11.2%	100	9.7%
Parking System Business	1,786	22.4%	1,830	22.9%	43	2.4%
Other	8	38.3%	-	-	-	-
Adjustments for corporate expenses, etc.	-1,882	-	-	-	-	-

Notes: 1. Net sales by segment constitute net sales to external customers. Segment income constitutes income before corporate expenses.
Notes: 2. Segment income to net sales ratio is the ratio of segment income to net sales for each segment.
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Segment forecasts are as follows (net sales constitute net sales to external customers; segment income constitutes operating income before corporate expenses). In the IT-related businesses, the Company's forecast for the System Development Business calls for net sales growth of 9.5% YoY to 13,900mn with segment income growth of 16.8% to ¥2,180mn, and for the Support and Service Business calls for net sales growth of 7.3% to ¥10,100mn with segment income growth of 9.7% to ¥1,130mn. In the Parking System Business, it forecasts net sales growth of 0.3% to ¥8,000mn with segment income growth of 2.4% to ¥1,830mn. It envisions continued strong demand in the IT-related businesses—the System Development Business and the Support and Service Business. In the Parking System Business, it expects only slightly higher sales due to a pullback from large-scale projects in equipment sales in the previous fiscal year, but will continue working on earnings structure reform.

Regarding its priority strategies, the Company will work in the IT-related businesses to evolve the NCD service model by expanding its service menu, promote full IT outsourcing by expanding managed service applications, develop highly-skilled IT personnel by promoting re-skilling in areas such as generative AI, and generate synergies with JCS and other Group companies. In the Parking System Business, it will advance further expansion of ECOPOOL focusing on railways and local governments, deployment of efficient and logical bicycle parking lots through a data-driven approach, improvement in the profitability of designated management bicycle parking lots though its local government strategy, and introduction of next-generation bicycle parking lot services. In the corporate division, it will promote sustainability management (disclosures based on the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, etc.), strengthen human resource management capabilities including with regard to securing and training personnel, further enhance the Group's governance structure, and actively engage in investor relations and public relations activities.

Considering factors including that orders are expected to remain at high levels in the IT-related businesses on the back of corporate investment in DX, profitability is on an upward trend due to the rollout of the NCD service model, and profitability is likely to improve further in the Parking System Business as a result of BPR, including price revisions and gains in operational efficiency, we at FISCO are anticipating good business results to continue in FY3/26 with both sales and profit remaining on a growth trajectory.

Growth strategy

Operating income margin nearly reached medium-term management plan's final year target

1. Medium-term management plan "Vision 2026"

To accelerate its growth strategy of being a total solution provider, the Company set the Group's purpose as "Powering the world with passion." and its corporate philosophy as "Contributing to a bright future through unique technologies and services." In May 2023, the Company formulated a vision for itself in 2032 (Group vision) for sustainable growth and to increase corporate value, and established three basic policies: "Work to transform into a company with higher profitability and translate this into the sustainable growth of the NCD Group," "Build a third business pillar by taking on the challenge of new business domains," and "Strive to be a 'well-being company' such that working at the NCD Group brings happiness and the potential for growth." The Company's targets for FY3/32 are net sales of ¥40.0bn, operating income of ¥4.0bn and an operating income margin of 10.0%.

The Company formulated “Vision 2026,” the medium-term management plan for FY3/24 to FY3/26, back cast from its vision. The plan period has been positioned as the first step in realizing the Group’s vision and its basic policies are: Further pursue NCD value by raising the added-value of existing businesses and creating new businesses (further strengthen coordination between the IT-related businesses and Parking System Business and pursue new businesses to build a third business pillar), Strengthen the management base to increase corporate value (promote sustainability management, strengthen initiatives for human capital management to maximize human resources value, and contribute to business transformation and sustainable growth through DX promotion), and Rebuild an optimal Group business system (pursue an organizational structure that maximizes business synergies). In terms of direction, the Company will shore up existing businesses and make investments from a long-term perspective, which will include improving profitability that is lower than the industry average, strengthening coordination between business departments, strengthening initiatives for new business domains, increasing added-value in existing businesses, securing and training human resources, and strengthening initiatives for rewarding work. It plans to tie these initiatives to efforts to achieve the targets of its next medium-term management plan (FY3/27 to FY3/29) and its Group vision for FY3/32.

The Company raised its targets for the medium-term management plan Vision 2026’s final year, FY3/26, on May 13, 2024 and again on November 8, 2024, mainly to reflect profitability improvement and sales growth exceeding its expectations in all businesses, and JCS becoming a subsidiary. Its FY3/26 targets are now net sales of ¥32,000mn, operating income of ¥3,000mn, an operating income margin of 9.4%, and ROE of 20% or higher. Additionally, it targets total investment over the three-year plan period of ¥1,800mn (human capital investments of ¥700mn, R&D and new business-related investments of ¥600mn, and other investments of ¥500mn). It expects the operating income margin, which it views as a key performance indicator, to reach the plan’s final year target of 9.4% in FY3/26 since it rose to nearly that at 9.3% in FY3/25.

Revised medium-term management plan

(¥mn)

	FY3/26 targets		
	Initial forecast	First revision	Second revision
Net sales	26,000	30,000	32,000
Operating income	1,800	2,400	3,000
Operating profit margin	6.9%	8.0%	9.4%
ROE	15% or more	20% or more	20% or more
Net sales by segment			
System Development Business	11,000	12,500	13,700
Support and Service Business	8,000	9,800	10,100
Parking System Business	7,000	7,700	8,200
Segment income			
System Development Business	1,500	1,700	2,140
Support and Service Business	900	1,000	1,050
Parking System Business	1,150	1,750	1,860
Segment income margin			
System Development Business	13.6%	13.6%	15.6%
Support and Service Business	11.3%	10.2%	10.4%
Parking System Business	16.4%	22.7%	22.7%

Notes: 1. The initial forecast was announced on May 15, 2023, the first revision on May 13, 2024, and the second revision on November 8, 2024.
Notes: 2. Net sales by segment constitute net sales to external customers. Segment income constitutes income before corporate expenses.
Source: Prepared by FISCO from the Company’s results briefing materials, medium-term management plan materials, and press releases

Regarding key strategies, in the IT-related businesses, the Company is aiming to transition to a high added-value service model through initiatives including enhancing added value by evolving and expanding the NCD service model to contribute to customers' DX, further developing existing domains, strengthening its approach to acquiring new customers with a focus on large companies, and reinforcing its business base in order to expand structures and raise its ability to deliver services. In the Parking System Business, the Company will work to establish a strong position as a leading company by stabilizing its revenue base through the completion of its business restructuring project, creating businesses that offer high added value by converging the know-how it has cultivated in the bicycle parking lot business with market needs, and optimizing business structures. With regard to new business creation, the Company's multifaceted initiatives include launching its "co-do project" program for soliciting business ideas and holding gatherings to select among presentations of the business ideas submitted as part of its strategy. In the corporate division, the Company aims to achieve the levels of governance required by companies listed on the Prime Market through efforts including promoting sustainability management, human capital management, and establishing a more advanced governance system.

The Company has set out a number of initiatives to realize management that takes into account the cost of capital and the share price: increase profitability (by raising the added-value of existing businesses and creating new businesses to further improve profit margins and expansion of EPS), optimally allocate capital (deliver stable and continuous shareholder returns and invest in growth, such as human capital investment), step up sustainability initiatives and improve the disclosure of non-financial information (further promote Group-wide sustainability management and publish integrated reports), and reinforce IR and PR activities (establishment of IR and sustainability promotion office, expansion of dialogue with shareholders and investors, and information disclosure based on TCFD recommendations).

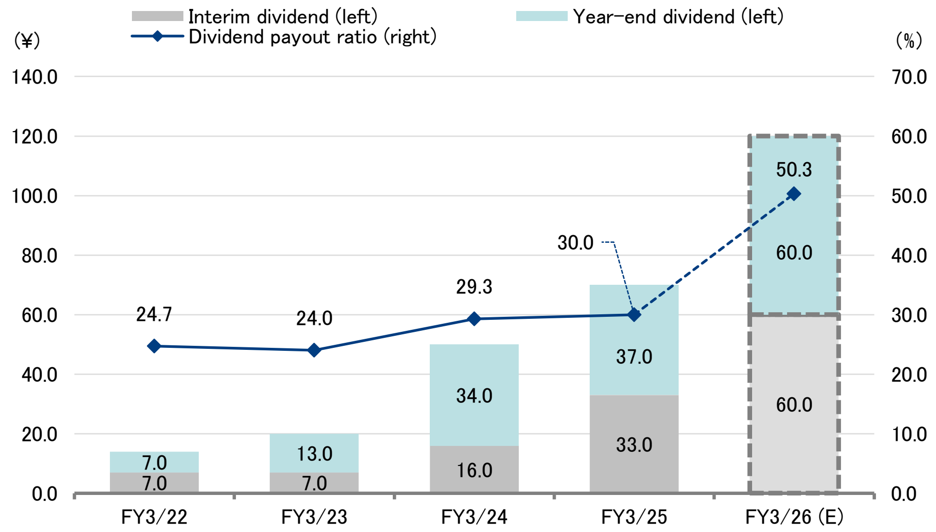
Representative Director and President Osamu Shimojo expressed his enthusiasm: "We have been steadily improving profitability as the result of efforts to improve quality and productivity in the IT-related businesses, and the effects of gains in operational efficiency and price revisions in the Parking System Business, and we have nearly reached our operating income margin target for the final fiscal year of our medium-term management plan. Moreover, we have raised our dividend payout ratio target from at least 30% to at least 50%, given that attainment of our FY3/32 operating income margin target of 10.0% under the Group's long-term vision has come into sight. We will continue to steadily implement various efforts to further improve profitability, and want to step up investor relations activities and enhance shareholder returns to further increase corporate value." FISCO's view is that the Company is making excellent progress with its medium-term management plan.

Dividend payout ratio target raised from at least 30% to at least 50%

2. Shareholder return policy

Regarding shareholder return policy, the Company has set a target consolidated payout ratio of 30% or higher starting in FY3/24 accompanying the start of its “Vision 2026” medium-term management plan. Based on this target, the Company raised the dividend for FY3/25 by ¥20.00 YoY to ¥70.00 (interim dividend of ¥33.00, year-end dividend of ¥37.00). The dividend payout ratio comes to 30.0%. In addition, the Company announced a change to its dividend policy on May 13, 2025, raising its dividend payout ratio target 30% or higher to 50% or higher. It is applying this change from FY3/26, and its FY3/26 dividend forecast calls for a ¥50.00 YoY increase to ¥120.00 (interim dividend of ¥60.00, year-end dividend of ¥60.00). The forecast dividend payout ratio is 50.3%. The Company also implements a shareholder benefits program as part of its measures to return profits to shareholders. Shareholders holding at least 1,000 shares (10 units) on September 30 of each year are eligible for the program. They receive gift (QUO cards) depending on the number of shares they hold and the continuous period of time they have held them. FISCO believes that the Company’s decision to raise its target dividend payout ratio is a sign of its confidence in its ability to achieve future profit growth, and we expect further enhancement of shareholder returns as the Company’s performance continues to grow.

Dividend and dividend payout ratio



Source: Prepared by FISCO from the Company’s financial results and results briefing materials

Shareholder benefits program

Gift: QUO card

Shares held	Continuous holding period	
	Less than 3 years	3 years or more
1,000 shares or more but less than 3,000 shares	Worth ¥2,000	Worth ¥3,000
3,000 shares or more but less than 5,000 shares	Worth ¥3,000	Worth ¥5,000
5,000 shares or more	Worth ¥5,000	Worth ¥7,000

<Continuous holding period conditions>
- Shareholders who can be verified as being recorded in the Company's shareholder registry as of the record date, which is the end of September each year, are eligible.
- Continuous holding of "3 years or more" is determined as shareholders who are recorded under the same shareholder number in the Company's shareholder registry each fiscal half (at the ends of March and September each year) for seven consecutive times or more.

Source: The Company's results briefing materials

Promoting sustainability management

3. Sustainability management

With respect to sustainability management, the Company established the Sustainability Promotion Committee in October 2021 and has outlined a policy of strengthening its sustainability management practices under its "Vision 2026" medium-term management plan. The Company advocates the materiality themes of "contribute to realizing carbon neutrality," "create a safe, secure and prosperous society," "be a society where diverse human resources can play an active role" and "gain society's trust." In addition, the Company established its Group's sustainable procurement guidelines in August 2023. In August 2024, it released a Partnership Building Declaration, and in November 2024 it issued Integrated Report 2024, the Group's first integrated report. Also, it started disclosing information based on the TCFD recommendations from its annual securities report issued in June 2025.

With respect to “contribute to realizing carbon neutrality,” the Company will promote DX and provide high added-value bicycle parking lot services. To “create a safe, secure and prosperous society,” it intends to provide resilient social infrastructure and contribute to regional revitalization. To “be a society where diverse human resources can play an active role,” it will promote respect for human rights and diversity and inclusion, balance ease of work and job satisfaction and train the next generation of leaders. And, to “gain society’s trust,” the Company plans to increase the sophistication of its governance system, promote compliance, and conduct appropriate risk management. Also, the Parking System Business contributes to eliminating bicycle parking problems like bicycles left on streets, easing traffic congestion, effectively utilize land, region and community building, and improvement of the global environment through reduced CO_2 emissions.

The basic concept of the Company’s HR strategy is to focus on autonomous career formation and reforms to the organizational culture through dialogue. Based on this concept, it is promoting health and productivity management, maintaining a pleasant workplace, work style reforms, career support, in-house ventures, diversity and inclusion, and increasing engagement. From 2021, it received Gold Certification as an excellent health company in the Healthy Company Declaration® program administered by the Kenko Kigyo Sengen Tokyo Suishin Kyogikai. In March 2025, the Company received certification as a 2025 Health & Productivity Management Outstanding Organizations (Large Enterprise Category). This marks the second consecutive year it has received this certification under the Ministry of Economy, Trade and Industry’s program for recognizing companies with excellent health and productivity management. In addition, the Company’s target for female managing directors/executive officers is to increase from the current one to at least two by FY3/31. Generally, female directors tend to be outside directors, but the Company plans to promote women internally to the position of managing director/executive officer.

Measures to improve profitability evaluated as successful

4. Analyst’s point of view

The Company’s operating income margin in FY3/26 is on track to attain the target for the medium-term management plan’s final year of 9.4% (after having been raised again). Compared with the operating income margin of 5.2% in FY3/23 when negative impact from the COVID-19 pandemic, a temporary factor, had basically eased, that would be a 4.2pp increase—a figure indicating significant improvement in profitability over those three years. We at FISCO attribute this to benefits from the Company’s steady efforts to improve profitability (expansion of the scope of work in IT-related businesses, expansion of recurring sales, evolution of the NCD service model, BPR in the Parking System Business, etc.), not just a better business environment. In addition, we regard the Company’s sharp increase to its dividend payout ratio target for shareholder returns as a show of its confidence in profit growth going forward. Further, we want to keep an eye on progress with efforts to improve profitability, partly given the possibility of early achievement of the operating income margin target of 10.0% for FY3/32 under the long-term Group vision.

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