

COMPANY RESEARCH AND ANALYSIS REPORT

NCD Co., Ltd.

4783

Tokyo Stock Exchange Standard Market

8-Jan.-2026

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Summary

In FY3/26, profits are expected to decline because of a pullback from the previous fiscal year and effects of temporary expenses

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 three business pillars including IT-related businesses (System Development Business, Support and Service Business) and Parking System Business

The Company is developing and managing three business pillars: the System Development Business (hereafter, System Development) and the Support and Service Business (hereafter, Support and Service), which are IT-related businesses, and the Parking System Business (hereafter, Parking System), which is an unattended bicycle parking lot-related business that it launched through utilizing its expertise in IT solutions. The Company’s strength in the IT field lies in providing one-stop total solutions. It has built a solid customer based, resulting in a stable revenue structure with over 80% of its sales come from recurring sales. Parking System 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. For 1H FY3/26, operating income declined because of a pullback from large-scale projects and temporary expenses

In the 1H FY3/26 consolidated results, net sales increased 1.2% year on year (YoY) to ¥14,940mn, operating income decreased 24.4% to ¥1,061mn, ordinary income decreased 24.8% to ¥1,073mn, and net income attributable to owners of the parent decreased 26.8% to ¥703mn. Overall, sales growth was modest, constrained by the completion of multiple large-scale IT projects, strategic withdrawals from some clients in IT-related businesses, and a pullback from large-scale equipment sales projects in the previous fiscal year in Parking System. Each income declined because of a pullback from high-margin large-scale projects and increased costs from upfront investments. Gross profit decreased 3.1%, and the gross profit margin dropped 0.9 percentage points (pp) to 21.1%. SG&A expenses increased 13.2%, and the SG&A expense ratio increased 1.5pp to 14.0%. As a result, the operating income margin decreased 2.4pp to 7.1%.

3. Profits are also expected to fall in FY3/26

The forecast for consolidated results in FY3/26 was revised downward on November 7, 2025, with the Company forecasting net sales to increase 3.0% YoY to ¥31,000mn, operating income to decline 12.8% to ¥2,450mn, ordinary income to decrease 14.1% to ¥2,450mn, and net income attributable to owners of the parent to decrease 13.4% to ¥1,650mn. The Company revised downward its initial forecasts announced on May 13, 2025, reducing net sales by ¥1,000mn, operating income by ¥550mn, ordinary income by ¥550mn, and net income attributable to owner of the parent by ¥300mn. Compared with the previous year, the projection is for higher sales but lower profits. While efforts are being made to acquire new customers and projects, it is expected to take time to offset the negative impact on profit caused by the completion of high margin large-scale projects in IT-related businesses at the end of the previous fiscal year. The Company expects to continue to actively invest in human capital, including wage increases. The Company expects Parking System to recover from 2H FY3/26.

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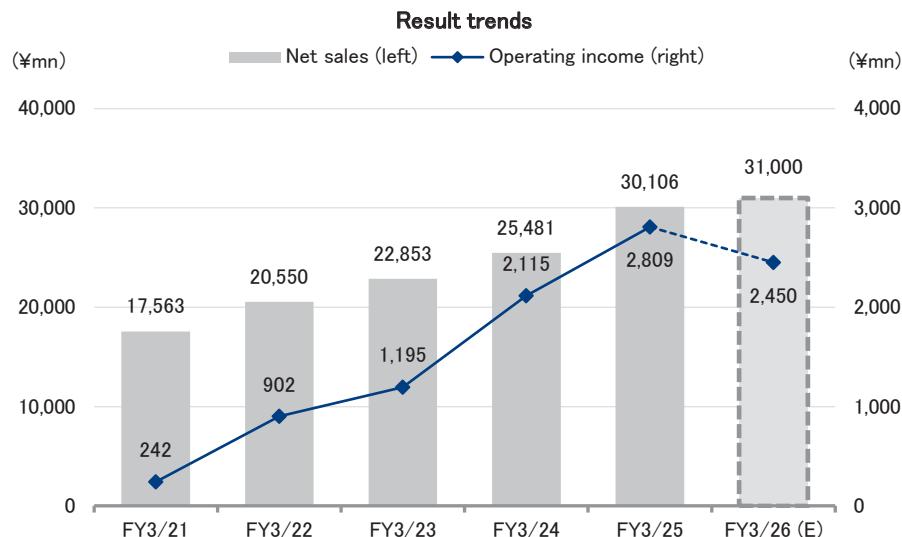
Summary

4. Continues to prioritize profitability improvements across the next medium-term management plan (FY3/27–FY3/29)

In May 2023, the Company set out its 2032 Vision (NCD Group Vision), setting medium- to long-term targets of ¥40.0bn in net sales, ¥4.0bn in operating income, and an operating income margin of 10.0% for FY3/32. Additionally, the current 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. For the final year of the medium-term management plan Vision 2026 (FY3/26), the Company revised forecasts revised downward because of a pullback from large-scale projects and the occurrence of temporary expenses. Looking ahead to the next medium-term management plan (FY3/27–FY3/29), it will continue to prioritize improving profitability, while promoting the creation of Group synergies and the shift toward high value-added business models.

Key Points

- The Company has three business pillars including System Development, Support and Service, and Parking System
- In 1H FY3/26, profits are expected to decline because of a pullback from large-scale projects in the previous fiscal year and effects of temporary expenses, and are expected to decrease across the full year as well
- Continues to prioritize profitability improvements across the next medium-term management plan (FY3/27–FY3/29)



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

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Company profile

Pioneering independent system integrator

1. Company profile

The Company is a pioneer as an independent system integrator founded 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 1H FY3/26, total assets were ¥15,885mn, net assets were ¥8,165mn, the equity ratio was 50.9%, 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., NCD CHINA Co., Ltd., NCD EST Co., Ltd., NCD PROS Co., Ltd. (ownership ratio: 67%), and Japan Computer Services Inc. (hereafter, JCS).

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, 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.

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Company profile

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.
November 2024	Issued Integrated Report 2024, the Group's first integrated report
December 2024	Designated as a DX Certified Business Operator

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

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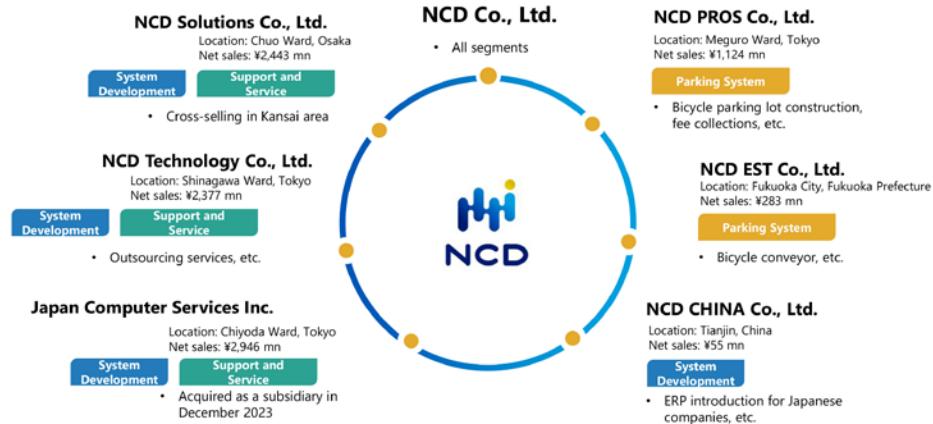
Business overview

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

1. Business overview and characteristics/strengths

The Company, as a total solutions provider, is developing and managing three business pillars: System Development (systems integration) and Support and Service (service integration), which are IT-related businesses, and Parking System (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 Solutions engages in system development and other IT-related businesses, mainly for the Panasonic Holdings <6752> Group; NCD Technology engages in IT-related outsourcing operations and other IT-related businesses; JCS engages in IT-related businesses including operation and maintenance of systems, mainly for Kao <4452>; NCD CHINA engages in the system development business including ERP introduction for Japanese companies in China; NCD PROS conducts a bicycle parking lot construction and operations business; and NDC EST manufactures bicycle transport conveyors and operates a bicycle parking lot business in Kyushu.

Group companies and business segments



*Net sales are for FY3/25.

Source: The Company's results briefing materials

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Business overview

System Development mainly handles development and maintenance consignments for core systems

2. System Development

System Development 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 primarily conducts outsourcing of maintenance and operations

3. Support and Service

Support and Service 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 inquiries, 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. Support and Service bases are strengthening efforts addressing business continuity planning (BCP), such as at the time of a disaster, in a high security environment.

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IT-related business with a robust earnings base

4. Achieving a recurring sales ratio of more than 80% through a solid customer base

In IT-related businesses (System Development, and Support and Service), the Company has built a solid 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, the Company is establishing a stable revenue base with 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 1H FY3/26 broke down by category as 8.3% from IT consulting, 52.3% from SI services (including business application maintenance), 7.8% from package introduction, 24.2% from IT infrastructure, and 7.4% from service desk. By client industry, finance accounted for 39.9% of net sales, information and communication services for 23.1%, machinery for 10.4%, social infrastructure for 9.5%, food for 7.9%, services for 7.6%, and others for 1.6%. Looking at the breakdown by one-time and recurring sales, one-time sales business (system development and construction, etc.) accounted for 18% of net sales, and recurring sales business (system maintenance and operation, etc.) for 82%. 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 is the largest operator of electromagnetic lock-type bicycle parking lots in Japan

5. Parking System

Parking System 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, easing traffic congestion, effective utilization of land, region and community building, and improvement of the global environment through reduced CO₂ 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 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 searching for bicycle parking spaces to agreements is completed online.

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Business overview

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 (designated management system and usage fee system), and contracting wherein the Company is consigned to manage bicycle parking lots operated by entities such as railway companies and local governments. In 1H FY3/26, equipment sales accounted for 10.4% of net sales in Parking System, self-operated bicycle parking lots for 38.5%, designated management for 28.3%, contracting for 19.7%, and others (e-commerce business, etc.) for 3.0%. Designated management sales broke down as 20.4% from the designated management fee system and 79.6% from the usage fee system. Looking at the breakdown by one-time sales and recurring sales, one-time sales business (sales of bicycle parking equipment, e-commerce business, etc.) accounted for 13%, while the recurring sales business (bicycle parking lot usage fees, management and operations, etc.) for 86%. Although equipment sales fluctuate depending on large-scale projects, revenue from usage fees at self-operated bicycle parking lots has expanded, and thus Parking System is based on a recurring sales business model.

Parking System 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 due to the ability to reduce the number of abandoned bicycles. As of October 1, 2025, the NCD Group had 2,106 sites and 562,213 bicycle parking spaces under management. Of these, the number of sites managed under ECOPOOL is 386, and the number of units managed is 130,327, with the introduction of ECOPOOL expanding rapidly.

As an example of large-scale projects, the Company was selected in April 2022 to be a local government 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. The Company started the management and operation of bicycle parking lots with a total of 3,138 spaces in Ebina City in April 2025. In October of the same year, the Company was selected as the designated manager of bicycle parking lot operations in Toda City (second period, with management and operation of 10,020 bicycle parking lot spaces commencing in April 2026). For commercial facilities, in June 2025, the Company delivered and installed 631 bicycle parking lots at Mitsui Shopping Park LaLa Terrace Kita-Ayase, which opened as part of the Kita-Ayase Station land readjustment project. In September 2025, 1,030 units were delivered and installed at CROSS KANAMACHI, which opened as part of the Kanamachi Station North Exit redevelopment project.

The Company is implementing BPR to further improve profitability in Parking System. 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.). In March 2025, the Company developed a bicycle parking patrol management system (a smartphone app for parking staff) and started the utilization of it to streamline patrol operations and making better use of data collected through these operations, driving DX in bicycle parking management.

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IT-related businesses and Parking System on a growth trajectory

6. Performance by segment

With regard to the net sales by segment for FY3/25 (net sales to external customers), net sales for System Development were ¥12,699mn (42.2% of total net sales), Support and Service were ¥9,409mn (31.3%), and Parking System were ¥7,975mn (26.5%). Across the past five fiscal years (FY3/21–FY3/25), each business segment has been on a growth trajectory. For Parking System, 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. Shares of total net sales have trended around 40% for System Development, 30% for Support and Service, and 30% for Parking System.

In FY3/25, segment income (operating income before corporate expenses) for System Development was ¥1,867mn (39.8% of total segment income), Support and Service was ¥1,029mn (21.9%), and Parking System was ¥1,786mn (38.1%). Segment income is expanding especially for Parking System, which is also experiencing a rise in its share of total segment income. The segment income margin for System Development was 14.7%, Support and Service was 10.9%, and Parking System was 22.4%. The segment income margin has been trending around the lower 10% level for System Development, although it is subject to fluctuations depending on the profitability of individual projects, and in the general vicinity of 10% for Support and Service. It rose to the 20% level in FY3/25 for the Parking System Business, owing to growth in net sales brought about by a recovery in usage and increased installations following COVID-19, 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.

As noted later, during 1H FY3/26, income margins declined across all segments, attributable to sluggish sales growth and rising costs. However, the downturn was mainly due to a pullback from large-scale projects in the previous fiscal year and the occurrence of temporary expenses, and FISCO thinks that the growth trend seen across all segments remains unchanged.

Net sales by segment and composition of net sales

Item	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	1H FY3/26	(¥mn)
Net sales							
System Development	7,405	8,368	9,243	10,421	12,699	6,255	
Support and Service	5,072	6,099	6,892	7,735	9,409	4,789	
Parking System	5,060	6,073	6,675	7,297	7,975	3,875	
Composition of net sales							
System Development	42.2%	40.7%	40.4%	40.9%	42.2%	41.9%	
Support and Service	28.9%	29.7%	30.2%	30.4%	31.3%	32.1%	
Parking System	28.8%	29.6%	28.6%	28.6%	26.5%	25.9%	

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

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Business overview

Segment income and composition of segment income (before corporate expenses and other adjustments)

Item	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	1H FY3/26	(¥mn)
Segment income							
System Development	928	1,020	1,033	1,541	1,867	846	
Support and Service	481	620	703	851	1,029	472	
Parking System	13	451	817	1,284	1,786	834	
Composition of segment income							
System Development	65.3%	48.7%	40.4%	41.8%	39.8%	39.2%	
Support and Service	33.9%	29.6%	27.5%	23.1%	21.9%	21.9%	
Parking System	1.0%	21.5%	31.9%	34.9%	38.1%	38.7%	

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	1H FY3/26
Segment income margin						
System Development	12.5%	12.2%	11.2%	14.8%	14.7%	13.5%
Support and Service	9.5%	10.2%	10.2%	11.0%	10.9%	9.9%
Parking System	0.3%	7.4%	12.2%	17.6%	22.4%	21.5%

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 promotes BPR

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

In IT-related businesses (System Development, Support and Service), 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 System Development through expansion of maintenance and operation services after development work and in Support and Service through growth in ongoing contracting projects, so the earnings structure is stable. In Parking System, 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 as the use of bicycle parking lots recovered as the effects of the pandemic subsided, and by increasing the number of bicycle parking lots and spaces it manages. The Company is also promoting BPR to improve profitability.

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Results trends

For 1H FY3/26, operating income declined because of a pullback from large-scale projects and effects of temporary expenses

1. Overview of the 1H FY3/26 consolidated results

In the 1H FY3/26 consolidated results, net sales increased 1.2% YoY to ¥14,940mn, operating income decreased 24.4% to ¥1,061mn, ordinary income decreased 24.8% to ¥1,073mn, and net income attributable to owners of the parent decreased 26.8% to ¥703mn. Overall, sales growth was modest, constrained by the completion of multiple large-scale projects and strategic withdrawals from some clients in IT-related businesses, and a pullback from large-scale projects for equipment sales in Parking Systems in the previous fiscal year. Each income declined because of a pullback from high-margin large-scale projects and increased costs from upfront investments.

Gross profit decreased 3.1%, and the gross profit margin dropped 0.9pp to 21.1%. As a factor affecting cost of sales, material costs fell by ¥82mn following the decline in parking system equipment sales, while personnel expenses increased ¥292mn. In addition, a temporary ¥55mn expense was incurred from the transition of the parking system's network line (FOMA). SG&A expenses increased 13.2%, and the SG&A expense ratio increased 1.5pp to 14.0%. With regard to factors affecting SG&A expenses, human capital-related expenses increased ¥118mn (personnel expenses, etc. increased ¥92mn, education and training expenses increased ¥26mn), research and development expenses increased ¥60mn (Bicycle IT Business (tentative name) increased ¥53mn, next-generation bicycle parking facility development investment increased ¥6mn), system investment-related expenses increased ¥28mn, and advertising expenses increased ¥10mn. As a result, the operating income margin decreased 2.4pp to 7.1%.

Overview of the 1H FY3/26 cumulative consolidated results

	(¥mn)					
	1H FY3/25		1H FY3/26		YoY	
	Results	vs.	Results	vs.	Change	% change
Net sales	14,759	100.0%	14,940	100.0%	180	1.2%
Gross profit	3,249	22.0%	3,150	21.1%	-99	-3.1%
SG&A expenses	1,845	12.5%	2,088	14.0%	243	13.2%
Operating income	1,404	9.5%	1,061	7.1%	-342	-24.4%
Ordinary income	1,426	9.7%	1,073	7.2%	-353	-24.8%
Net income attributable to owner of the parent	960	6.5%	703	4.7%	-257	-26.8%
Net sales by segment						
System Development	6,165	41.8%	6,255	41.9%	89	1.4%
Support and Service	4,619	31.3%	4,789	32.1%	169	3.7%
Parking System	3,966	26.9%	3,875	25.9%	-91	-2.3%
Other	8	0.1%	20	0.1%	12	157.3%
Segment income						
System Development	910	14.8%	846	13.5%	-63	-7.0%
Support and Service	465	10.1%	472	9.9%	7	1.6%
Parking System	944	23.8%	834	21.5%	-110	-11.6%
Other	3	48.5%	4	20.8%	0	10.3%
Adjustments for corporate expenses, etc.	-920	-	-1,096	-	-176	-

Notes: 1. Net sales by segment constitute net sales to external customers. Segment income constitutes operating 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

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Income margin declined because of a pullback from large-scale projects and increased costs

2. Trends by segment

In System Development, net sales (net sales to external customers) increased 1.4% YoY to ¥6,255mn, while profit (operating income before corporate expenses) decreased 7.0% to ¥846mn. Despite increased net sales, profits declined, causing the income margin decreased 1.3pp to 13.5%. Although the Company acquired projects dedicated to insurance companies, financial institutions, and construction firms, the completion of several high-margin large-scale projects at the end of the previous fiscal year, in addition to a strategic withdrawals from some clients and rising personnel expenses adversely affected overall performance. The completion of large-scale projects resulted in a ¥296mn decline in net sales and a ¥62mn decline in profit, while strategic withdrawals led to a ¥287mn decline in net sales and a ¥63mn decline in profit.

In Support and Service, net sales increased 3.7% YoY to ¥4,789mn and profit increased 1.6% to ¥472mn. While this resulted in a slight increase in net sales and profit, the income margin decreased 0.2pp to 9.9%. On a standalone basis, the Company performed steadily, securing contracts such as PC security operations in the manufacturing sector, support desk services in retail, and network construction for insurance companies. However, delays in acquiring new projects at subsidiaries adversely affected results. Profit at subsidiaries decreased ¥50mn at NCD Technology and ¥35mn at JCS.

Net sales from IT-related businesses (total sales for System Development and Support and Service) broke down by category as follows: IT consulting decreased 7.5% YoY to ¥919mn, SI services decreased 0.9% to ¥5,771mn, package introduction increased 102.7% to ¥859mn, IT infrastructure decreased 3.4% to ¥2,675mn, and service desk increased 5.3% to ¥818mn. One of the new project highlights was the introduction of the cloud-based workflow system, MAJOR FLOW, for clients in the financial industry, enabling integration with the Group's core Bugyo series platform. The Company secured orders from retail customers for support desk services covering PCs and internal systems. The Company also secured the requirements definition phase in multiple performance management system development projects for overseas subsidiaries. It will continue to provide comprehensive support, from system design and development, to user training and operations.

In Parking System, net sales decreased 2.3% YoY to ¥3,875mn and income decreased 11.6% to ¥834mn. With this decline in net sales and profit, the income margin decreased 2.3pp to 21.5%. Despite a steady increase in usage fee income for self-operated bicycle parking lots that generate recurring earnings after revised pricing, temporary expenses related to changing the network line (FOMA) for payment machines (¥55mn) and investment in next-generation bicycle parking development (¥6mn) had an adverse effect, in addition to a pullback from high-margin large-scale projects of equipment sales in the previous fiscal year (dragging down net sales by ¥299mn and ¥139mn in profit). The breakdown of net sales shows a decrease of 42.6% to ¥404mn in equipment sales due to a pullback from large-scale projects; self-operated bicycle parking lots increased 11.8% to ¥1,494mn, designated management rose 4.3% to ¥1,097mn (of which, 20.4% was from the designated management fee system, 79.6% under the usage fee system), sales from contracting increased 10.3% to ¥766mn; and other sales decreased 34.9% to ¥115mn.

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Results trends

Financial position remains favorable

3. Financial condition

Looking at the Company's financial condition, at the end of 1H FY3/26, total assets decreased ¥209mn versus the end of FY3/25 to ¥15,885mn. While work in process increased ¥107mn, cash and deposits decreased ¥136mn, and notes and accounts receivable - trade, and contract assets decreased ¥289mn. Total liabilities decreased ¥521mn to ¥7,720mn. While provision for share-based payments (current liabilities) increased ¥164mn and retirement benefit liabilities increased ¥211mn, provision for bonuses decreased ¥372mn and provision for share-based payments (non-current liabilities) decreased ¥132mn. Total net assets increased ¥311mn to ¥8,165mn. This was primarily due to an increase in retained earnings of ¥400mn. As a result, the equity ratio rose 2.5pp to 50.9%. 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)

Item	End of FY3/22	End of FY3/23	End of FY3/24	End of FY3/25	End of 1H FY3/26	Change
Total assets	11,890	12,387	14,899	16,095	15,885	-209
Current assets	7,949	8,579	11,044	12,586	12,282	-304
Non-current assets	3,941	3,808	3,854	3,509	3,603	94
Total liabilities	7,422	7,342	8,495	8,241	7,720	-521
Current liabilities	4,721	4,885	5,791	5,741	5,183	-557
Non-current liabilities	2,701	2,456	2,704	2,500	2,536	36
Total net assets	4,468	5,045	6,403	7,854	8,165	311
Shareholders' equity	4,406	4,966	6,236	7,594	7,994	400
Equity ratio	37.3%	40.4%	42.6%	48.4%	50.9%	2.5pp

Item	FY3/22	FY3/23	FY3/24	FY3/25	1H FY3/26
Cash flows from operating activities	1,918	568	2,574	2,270	384
Cash flows from investing activities	-48	-171	-99	361	-117
Cash flows from financing activities	-779	-413	-508	-947	-399
Cash and cash equivalents at end of period	3,814	3,799	5,767	7,455	7,318

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

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Outlook

Profits have been revised downward and are expected to fall in FY3/26

● Overview of FY3/26 consolidated forecasts

The forecast for consolidated results in FY3/26 was revised downward on November 7, 2025, with the Company forecasting net sales to increase 3.0% YoY to ¥31,000mn, operating income to decline 12.8% to ¥2,450mn, ordinary income to decrease 14.1% to ¥2,450mn, and net income attributable to owners of the parent to decrease 13.4% to ¥1,650mn. The Company revised downward its initial forecasts announced on May 13, 2025 (which were for net sales of ¥32,000mn, operating income of ¥3,000mn, ordinary income of ¥3,000mn, and net income attributable to owners of the parent of ¥1,950mn), reducing net sales by ¥1,000mn, operating income by ¥550mn, ordinary income by ¥550mn, and net income attributable to owners of the parent by ¥300mn. Compared with the previous year, the projection is for higher sales but lower profits. While efforts are being made to acquire new customers and projects, it is expected to take time to offset the negative impact on profit caused by the completion of high-margin large-scale projects in IT-related business at the end of the previous fiscal year. The Company expects to continue to actively invest in human capital, including wage increases. The Company expects Parking System to recover from 2H FY3/26.

Overview of FY3/26 consolidated forecasts

	FY3/25		FY3/26		YoY		(¥mn)	
	Results	vs.	Initial forecasts	Revised forecasts	vs.	Change	% change	vs. initial forecasts
Net sales	30,106	100.0%	32,000	31,000	100.0%	893	3.0%	-1,000
Operating income	2,809	9.3%	3,000	2,450	7.9%	-359	-12.8%	-550
Ordinary income	2,852	9.5%	3,000	2,450	7.9%	-402	-14.1%	-550
Net income attributable to owner of the parent	1,905	6.3%	1,950	1,650	5.3%	-255	-13.4%	-300
Net sales by segment								
System Development	12,699	42.2%	13,900	12,700	41.0%	0	0.0%	-1,200
Support and Service	9,409	31.3%	10,100	9,940	32.1%	530	5.6%	-160
Parking System	7,975	26.5%	8,000	8,360	27.0%	384	4.8%	360
Segment income								
System Development	1,867	14.7%	2,180	1,770	13.9%	-97	-5.2%	-410
Support and Service	1,029	10.9%	1,130	1,030	10.4%	0	0.1%	-100
Parking System	1,786	22.4%	1,830	1,820	21.8%	33	1.9%	-10

Notes: 1. Initial forecast are figures announced on May 13, 2025.

Notes: 2. Net sales by segment constitute net sales to external customers. Segment income constitutes operating 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

Segment plans are as follows (after revision; net sales constitute net sales to external customers; income constitutes operating income before corporate expenses). The Company's forecast for System Development calls for net sales growth of 0.0% YoY to ¥12,700mn with a decline in income of 5.2% to ¥1,770mn (initial forecast: ¥13,900mn in net sales and ¥2,180mn in profit), and Support and Service calls for net sales growth of 5.6% to ¥9,940mn with income growth of 0.1% to ¥1,030mn (initial forecast: ¥10,100mn in net sales and ¥1,130mn in profit). In Parking System, the Company forecasts net sales growth of 4.8% to ¥8,360mn with income growth of 1.9% to ¥1,820mn (initial forecast: ¥8,000mn in net sales and ¥1,830mn in profit). While it is not expected to cover a pullback from large-scale project in IT-related businesses across the full year, the Company expects Parking System to recover from 2H FY3/26.

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Outlook

Regarding its priority strategies for FY3/26, the Company will work in the IT-related businesses to evolve the NCD service model by expanding its service menu, strengthen 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 within the Group. In Parking System, 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 the development and introduction of next-generation bicycle parking lot services. In the corporate division, it will promote sustainability management, 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.

Growth strategy

Continues to prioritize profitability improvements across the next medium-term management plan

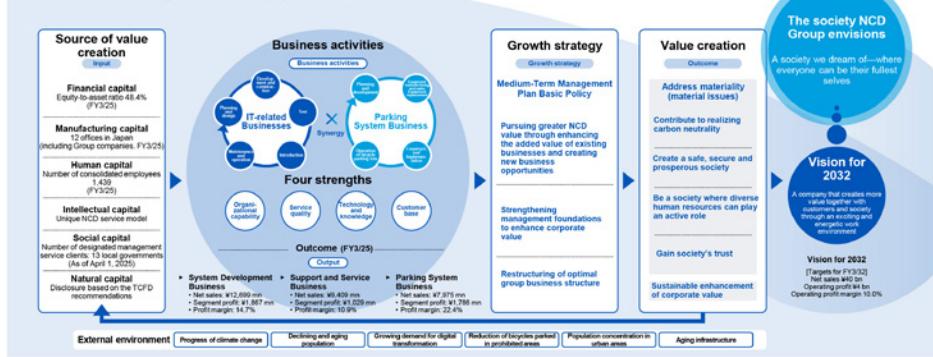
1. Medium-term management plan “Vision 2026”

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 (NCD Group vision), 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 the medium- to long-term are net sales of ¥40.0bn, operating income of ¥4.0bn, and an operating income margin of 10.0% for FY3/32.

Value creation model

■ Redefine the strengths of business activities starting from our Purpose to achieve the society NCD Group envisions

Purpose Powering the world with passion.



Source: The Company's results briefing materials

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Growth strategy

The Company formulated “Vision 2026,” the medium-term management plan (FY3/24–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 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–FY3/29) and its Group vision for 2032.

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 Parking System, 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 rolling out its “co-do project” program for soliciting business ideas as part of its strategy. The Company is promoting two programs as part of its efforts to develop next-generation leaders: the NCD Group Future Value Creation Project Research and the Business Strategy Program. 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 is promoting a number of initiatives to enhance corporate value: 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 (raising consolidated payout ratio to over 50%, executing growth investments in human capital and new businesses), step up sustainability initiatives and improve the disclosure of non-financial information (further promote Group-wide sustainability management and publish integrated reports and information disclosure based on TCFD (Task Force on Climate-related Financial Disclosures) recommendations), and reinforce IR and PR activities (establishment of IR and sustainability promotion office, expansion of dialogue with shareholders and investors), and further improvements to corporate governance (expanding English-language disclosure, aggregation and analysis of board effectiveness evaluation surveys conducted by external institutions).

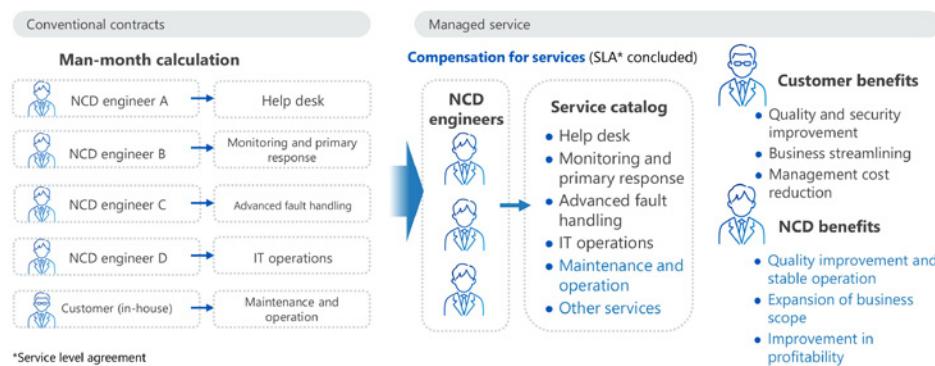
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Growth strategy

As previously noted, the earnings forecast for the final year of the medium-term management plan Vision 2026 (FY3/26) has been revised downward, reflecting the impact from the completion of large-scale projects and the occurrence of one-off expenses. President Osamu Shimojo expressed his sincere apologies to shareholders and investors for this downward revision, explaining that, under the next medium-term plan, the Company will intensify efforts to enhance profitability in IT-related fields through new customer acquisition and unit price increases, while also promoting a shift in maintenance and operations service contracts toward managed services that provide more comprehensive, high-value offerings. The Company will promote the transition to a high value-added business model by fostering advanced talent and actively utilizing AI to improve operational efficiency, quality, and solution capabilities. It is also advancing development of the Bicycle IT Project (tentative name) and aim for early commercialization, continued President Shimojo. In the next medium-term management plan, the Company will continue to prioritize improving profitability, while promoting the creation of Group synergies and the shift toward high value-added business models.

Managed service

■ In maintenance and operation services, switched to managed services that can provide comprehensive services and shifted to a high value-added business model



Source: The Company's results briefing materials

The Company's shareholder return policy targets a dividend payout ratio of at least 50%

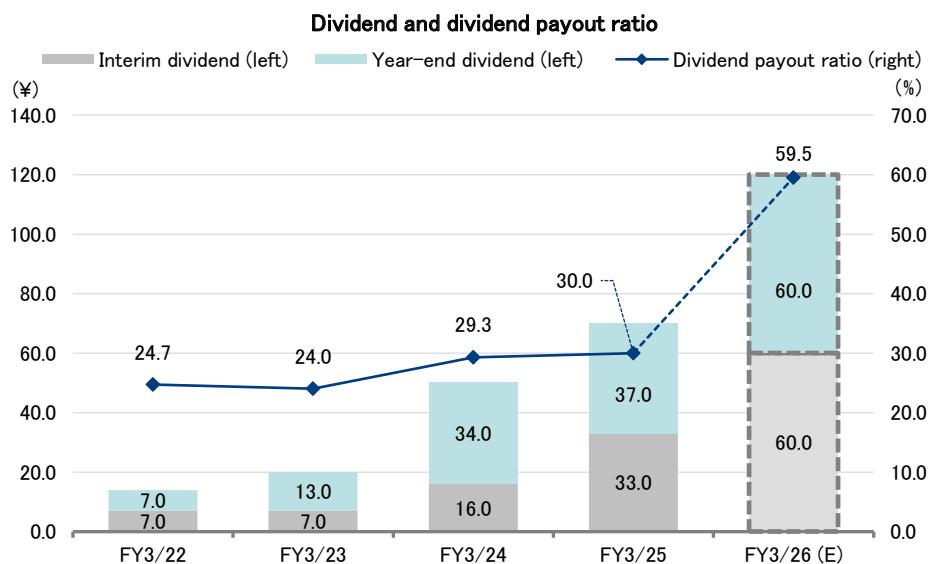
2. Shareholder return policy

Regarding shareholder returns, the Company has set a target consolidated dividend payout ratio of 30% or higher starting in FY3/24 accompanying the start of its "Vision 2026" medium-term management plan, and has raised the target dividend payout ratio for FY3/26 to at least 50%. Based on this policy, the dividend for FY3/26 is expected to be raised by ¥50.00 YoY to ¥120.00 (interim dividend of ¥60.00, year-end dividend of ¥60.00). The forecast dividend payout ratio is 59.5%. The Company also implements a shareholder benefit program. 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. Looking ahead, FISCO expects further enhancement of shareholder returns as the Company's performance continues to grow.

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Growth strategy



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

Shareholder benefits program

Gift: QUO card

Number of shares held	Continuous period of time held	
	Less than 3 years	3 years or more
1,000 to 2,999 shares	Worth ¥2,000	Worth ¥3,000
3,000 to 4,999 shares	Worth ¥3,000	Worth ¥5,000
5,000 shares or more	Worth ¥5,000	Worth ¥7,000

<Conditions for the continuous holding>

• With the last day in September in each year as the record date, shareholders who are confirmed as being registered in the registry of shareholders on this date are eligible for the program.

• As for the determination of continuous holdings, shareholders holding shares for "three years or more" are the ones who are registered consecutively seven times "with the same shareholder number" in the registry of shareholders in each fiscal half (the end of March and the end of September in each year).

<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

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Growth strategy

Promoting sustainability management

3. Sustainability management

With respect to sustainability management, the Sustainability Promotion Committee in October 2021, and 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.” Following this, 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. The Company also started disclosing information based on the TCFD recommendations from its annual securities report issued in June 2025, and in September of the same year, responded for the first time to the “Climate Change Questionnaire” in the CDP survey (a global non-profit that operates an environmental disclosure system for companies and municipalities), with results scheduled to be received in December of the same year. In December of the same year, the Company received a “B–” score, the fourth grade within the eight-stage evaluation framework.

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, Parking System 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 CO₂ 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) under the Ministry of Economy, Trade and Industry’s program (second certification since 2024), and in October of the same year, the Company obtained the Kurumin Certification, awarded by the Minister of Health, Labour and Welfare to child-care support companies.

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Growth strategy

Improved profitability expected in the next medium-term management plan

4. FISCO's view

The Company's operating income margin bottomed out in FY3/21 as Parking System was impacted by the COVID-19 pandemic, and has since shown steady growth through FY3/25, reflecting improved profitability. FISCO attributes this to benefits from the Company's efforts to improve profitability (expansion of recurring sales in IT-related businesses, evolution of the NCD service model, BPR in Parking System, etc.), not just a better business environment. For FY3/26, the Company has revised its forecasts downward, anticipating a decline in profit margins. This adjustment is attributable to the rebound following the completion of large-scale projects in the previous term and the occurrence of temporary expenses, and FISCO believes that the fundamental trajectory of revenue expansion remains unchanged with the expectation of further improvement in profitability in the next medium-term management plan.

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