

# OPTiM Corporation

**3694**

Tokyo Stock Exchange Prime Market

17-Feb.-2023

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## Summary

### **In 1H FY3/23, both strong stock-type and flow-type sales, driven by the mainstay Optimal Biz and OPTiM Cloud IoT OS services, and continued active investment with a priority on “killer services”**

OPTiM Corporation <3694> (“the Company”) is a venture company specializing in AI and IoT technologies which was established by current President and Representative Director Shunji Sugaya and his friends in 2000 when he was a student at Saga University. With “We make the Internet as simple as breathing” as its mission statement, it is aiming to be a leading company in the Fourth Industrial Revolution by making its mainstay Optimal Biz and OPTiM Cloud IoT OS the de facto standards. The total number of staff (including cooperating companies) is 645 (as of April 1, 2022), around 70% of whom are involved with development. From the start, it has been developing technologies with a focus on creating never-before-seen services, and owns a number of patents related to these technologies. The Company has major companies from a wide range of industries among its partners, and its technological capabilities and potential have been highly evaluated both internally and externally. In 2014, it was listed on the Tokyo Stock Exchange (TSE) Mothers Market, and upgraded to the TSE 1st Section in 2015. The Company transferred to the Prime Market in conjunction with the reorganization of TSE markets in April 2022.

#### 1. Business details

The Company’s operations are divided into businesses centered on Optimal Biz (Corporate DX), and businesses utilizing OPTiM Cloud IoT OS (Industrial DX). In Corporate DX, the Company proposes digitalization to improve internal operations and work efficiency, and targets all sectors and industries. The Company has a cumulative customer base of over 180,000 companies through the provision of Optimal Biz and other services, and the Company utilizes sales partners to offer services with new value, including OPTiM Contract and OPTiM Asset, to this customer base. Optimal Biz, the Company’s flagship PC and mobile management service, is an essential service in the fields of security countermeasures and batch settings for companies, such as for smartphones, tablets, PCs, and IT equipment, and has maintained the No. 1 share in the growing domestic Mobile Device Management (MDM) market for 12 years running. This business has a stock-type business model, and its stable earnings support the Company’s investment in development. In Industrial DX, the Company promotes digitalization aimed at business creation targeting individual industries based on OPTiM Cloud IoT OS. As an initiative to utilize the new AI/IoT platform OPTiM Cloud IoT OS, the Company is combining IT with different industries in the pursuit of “○○ x IT” (“○○” stands for the sector) to transform all industries on the model of the Fourth Industrial Revolution. In 2017, as one of the Company’s initiatives in the construction industry, four companies, including Komatsu Ltd. <6301> (“Komatsu”), started LANDLOG, a new platform for the construction production process. In the agriculture, forestry, and fishery industries, in 2016 the Company succeeded with a demonstration experiment for pest control using drones in the agriculture field. Moreover, in 2018, the Smart Agriculture Alliance, which is led by the Company, grew to a nationwide scale and carried out full-scale harvesting of crops, including rice and soybeans. In the healthcare field, the Company released the “Pocket Doctor” remote healthcare consultation service in 2016 and the “Online Healthcare Platform” in 2020. Recently, the Company’s technology has been used in the network support system of the “hinotori™ Surgical Robot System,” Japan’s first surgical assistance robot system developed by Medicaoid Corporation, a joint venture of Kawasaki Heavy Industries, Ltd. <7012> and SYSMEX CORPORATION <6869>.

#### Summary

Since its founding, the Company has constantly provided innovative services and developed new markets with support from abundant technological capabilities founded on an intellectual property strategy and business creation capabilities. It has several services of No. 1 shares in the Japanese market and possesses a business model with strong license income. Additionally, it has been promoting powerful business development with top players in various industries in recent years as a market leader in AI, IoT, and Big Data.

## 2. Results trends

In 1H FY3/23 consolidated results, net sales rose 17.9% year-on-year (YoY) to ¥4,151mn, and operating profit increased 0.3% to ¥573mn, as the Company passed through the second quarter smoothly toward 23rd consecutive year of revenue increases since its founding. In net sales, both stock-type sales (license revenues, etc.) and flow-type sales (revenues from customized development) were both steady. In stock-type sales, licenses increased at a steady pace for both the Optimal Biz and OPTiM Cloud IoT OS services. In flow-type sales, the Healthcare x IT field in particular performed well, continuing on from the previous term. On the profit front, the percentage of flow-type sales (customization) increased from the previous year, and even though the cost of sales ratio increased with an increase in amortization of software, higher revenues and other factors caused the SG&A expense ratio to decline, so operating profit and ordinary profit were both flat. Overall, the Company has maintained a certain level of profitability (operating margin of 13.8%) while making ample investments for the future, so it can be seen that trends have been steady.

## 3. Growth strategies and topics

OPTiM Contract, a contract management service that uses AI, is an example of a strongly performing service in Corporate DX. Measuring results from before and after use, it was found that the service reduces work time by approximately 90% and costs by around 65% (both figures based on internal research), so the results are overwhelming, and this high level of cost effectiveness gives it a competitive advantage.

In Industrial DX, OPTiM Geo Scan, a 3D surveying app for the construction and civil engineering sectors, is being increasingly enhanced as a killer service. OPTiM Geo Scan is an application that can generate high-precision 3D data as required at civil engineering worksites by scanning the object being surveyed, such as an earth structure, with a smartphone or tablet device. Compared to conventional electro-optical surveying, the time involved is reduced by up to 90%. In March 2022, it became the first application in Japan to conform with the requirements in the work progress control guidelines for 3D surveying technology revised by the Ministry of Land, Infrastructure, Transport and Tourism. This allows it to be used throughout the overall construction process to improve work efficiency. Progress is also being made on strengthening peripheral functions.

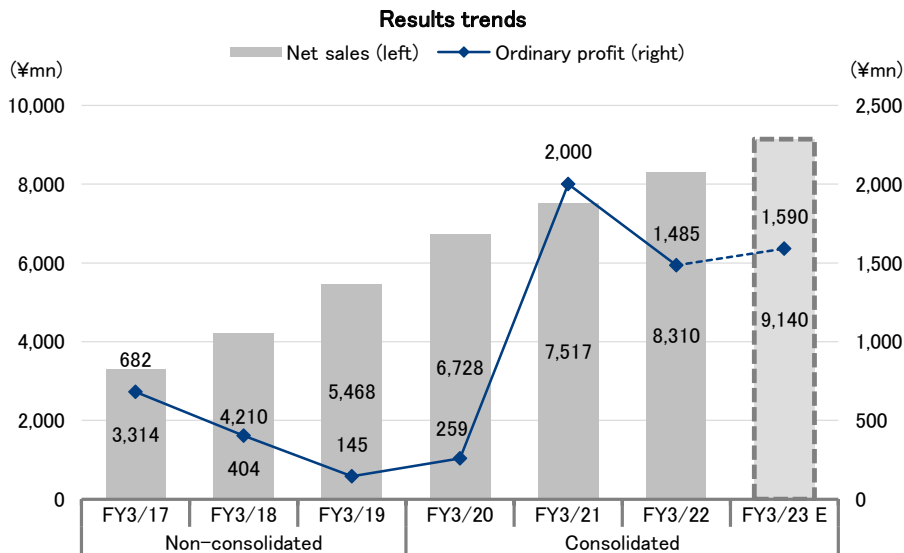
Summary

4. Outlook

The Company has maintained its initial forecasts for FY3/23 consolidated results. It is predicting net sales to increase 10.0% YoY to ¥9,140mn and operating profit to rise 10.1% to ¥1,690mn. The Company is striving for record-high net sales for the 23rd consecutive year since its founding, maintaining the same growth rate as the previous term. With the EMM and MDM markets expanding at a solid pace, the Company's mainstay products and services are in an advantageous position, and the increase in stock-type sales, which account for around 80.0% of total sales, is expected to continue in 2H. The progress rate against the forecast for full-year net sales is 45.4%, which exceeds the level of the previous year (42.4%). Flow-type sales have also been strong, and considering the nature of stock-type businesses, which accumulate sales in 2H, FISCO believes there is a high likelihood that results will come in above forecasts. Regarding profits, the Company's basic policy is to make active growth investments while maintaining a certain level of profit. In addition, if there are good investment opportunities during the period (including M&A, etc.), the policy is to invest in growth in an active and flexible manner. The progress rate against the forecast for full-year operating profit is 33.9%, short of the previous year (37.3%), but FISCO believes the target is sufficiently achievable even if the Company continues to make active growth investments.

Key Points

- Optimal Biz is the de facto standard for PC and mobile management service
- Has an extensive track record in construction, agriculture, healthcare, and other industries, using OPTiM Cloud IoT OS, an AI/IoT platform
- 1H FY3/23 sales increased 17.9% YoY. Both stock-type and flow-type sales performing well, driven by mainstay Optimal Biz and OPTiM Cloud IoT OS
- Continuing to make active growth investments to become a central company in the Fourth Industrial Revolution. "Killer services" currently being enhanced
- Initial forecasts for FY3/23 maintained. Expecting record-high sales for the 23rd consecutive term since its founding; seeking double-digit operating profit growth while making active growth investments



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

## ■ Company overview

### **A venture company attracting attention that aims to have a leading presence in the Fourth Industrial Revolution. Promoting Corporate DX and Industrial DX with its domestically produced AI/IoT platform**

#### 1. Company overview and history

The Company is a venture company specializing in AI and IoT technologies which was established by current President and Representative Director Shunji Sugaya and his friends in 2000 when he was a student at Saga University. With “We make the Internet as simple as breathing” as its mission statement, it is aiming to be a leading company in the Fourth Industrial Revolution by making its OPTiM Cloud IoT OS the de facto standard. The Company considers its sole reason for existence to be the creation and realization of innovation, and it is distinguished by making a large number of inventions since its foundation. Mr. Sugaya ranked No. 1. for the scale of patent assets held by individuals in the field of information and communications from 1993 to 2020. The total number of staff (including cooperating companies) is 645 (as of April 1, 2022), around 70% of whom are involved with development.

Although the Company’s main business was initially Internet video advertising services, it concluded a technology-license agreement with Nippon Telegraph and Telephone East Corporation (“NTT East”) in 2006, and used this opportunity of providing automated Internet connection tools that utilize AI to convert to an optimal business (its coined term for a business that aims to make the Internet as simple as breathing and optimize the world of tomorrow). In 2009, it started to provide the Optimal Biz management platform for PCs. The Company has been offering a variety of products and services up until now, but its value of “smartly operating remote devices” has remained consistent even as its fields covered and its technologies change.

From around 2011, to respond to the trend to shift from PCs to mobile throughout the world, the Company developed a management platform compatible with multiple devices, including smartphones and other devices. It is currently promoting OPTiM Cloud IoT OS, which expands and evolves this platform, to make it the de facto standard. From 2013, it entered into the area of unlimited-usage services for software and content, and broadened the scope of its business model.

In 2015, the Company made fully fledged its “OO x IT” initiative to use IT to bring about reforms in industry. It started projects with its partner companies and organizations in fields including construction and agriculture. In the construction industry, four companies, including Komatsu, jointly started LANDLOG, a new platform for the construction production process in 2017. The Company started provision of OPTiM Land Scan (now, OPTiM Geo Scan), a straightforward high-precision smartphone 3D surveying app that can be used by anyone with iPad Pro and is the first of its kind in the world, in 2020. In the agriculture, forestry and fisheries industries, in 2016 the Company succeeded with a demonstration experiment for pest control using drones in the agriculture field. Moreover, in 2018, the Smart Agriculture Alliance, which is led by the Company, grew to a nationwide scale and carried out full-scale harvesting of crops, including rice and soybeans. The Company has also made remarkable headway in the healthcare field, where its technology is being used in the network support system of the “hinotori™ Surgical Robot System,” Japan’s first surgical assistant robot system, developed by Medicaroid.

Company overview

The Company has major companies from a wide range of industries among its partners, and its technological capabilities and potential have been highly evaluated both internally and externally. The Company is accelerating efforts to expand business through collaboration with major companies, including the establishment of OPTiM Bank Technologies Corp., a joint venture with THE BANK OF SAGA LTD. aimed at planning and selling solutions that utilize AI and IoT, in 2020 and participation in the establishment of NTT e-Drone Technology Corporation with NTT East and others to promote use of domestic drone services, and establishment of DXGoGo Corporation, a joint venture with KDDI CORPORATION <9433> to assist Corporate DX with product planning that uses AI and IoT, in 2021.

Furthermore, in 2014 the Company was listed on TSE Mothers Market, rising quickly to the First Section in 2015. The Company transferred to the Prime Market in conjunction with the reorganization of TSE markets in April 2022.

History

Year	Major event
2000	Founded OPTiM Corporation
2001	Established Tokyo Office
2006	Started providing an e-mail/router auto-setup tool, "Optimal Setup"
2007	Started providing a screensharing product for PC, "Optimal Remote"
2008	Increased capital through third-party allocation (NTT East)
2009	Made business alliance with NIPPON TELEGRAPH AND TELEPHONE CORPORATION to promote Home ICT Started providing a PC management platform, "Optimal Biz"
2010	Started providing the world's first remote support product for Android devices, "Optimal Remote Mobile"
2011	Started providing a mobile device management platform, "Optimal Biz for Mobile" Acquired a patent for device identification technology, "Tiger"
2012	Recognized and took 9th place in the "Ranking of Patent Asset Scale in Information Communication Industry, 2011-2012"
2013	Started providing "Unlimited Software powered by OPTiM"
2014	Listed on Tokyo Stock Exchange's Mothers market Achieved three straight years of No.1 MDM service share in Japan by "Optimal Biz" Started sales of "Unlimited Tablet powered by OPTiM", the world's first comprehensive tablet service Acquired the 1st place of Emerging Market Company Ranking of Patent Asset Scale in the Information Communication Industry issued by Patent Result Co., Ltd. Announced "Optimal Remote for Lollipop," realizing global first remote support of every Android™ smartphone and tablet in the world
2015	Announced "Remote Experience Sharing," OPTiM's remote technology strategy for the IoT/wearables era Formed a business alliance with Komatsu for Remote Technology, with its first collaboration involving "Optimal Second Sight," a Visual Remote Support service, in which it provides its Smart Construction ICT solutions to construction sites Announced "SkySight," the world's first Big Data analysis platform that supports drones Concluded a three-party agreement for IT Agriculture with Saga University and Saga Prefectural Government Strengthened Capital Alliance with Fuji Xerox Jointly developed "Pocket Doctor," a remote healthcare assistance service Moved to the First Section of the Tokyo Stock Exchange
2016	Pocket Doctor won the Grand Prize in the Japan Healthcare Business Contest 2016 held by the Ministry of Economy, Trade and Industry Announced a new version of OPTiM Cloud IoT OS, an OS optimized for the AI and IoT age Saga University's Faculty of Agriculture, Saga Prefecture's Agriculture, Forestry and Fisheries Department, and OPTiM Corporation were the first in the world to successfully conduct a demonstration experiment to utilize a drone equipped with pest-killing functions in order to conduct pesticide-free pest control at night OPTiM Corporation and Microsoft entered-into a technology alliance in the AI and IoT fields
2017	Concluded a comprehensive partnership agreement with Saga Prefecture to promote the utilization of AI and IoT toward realizing the Fourth Industrial Revolution Four companies, including Komatsu, decided on the joint planning and management of LANDLOG, a new platform that connects to the construction production process as a whole Relocated head office to within a national university (Saga University), the first listed company to do so in Japan Made a subsidiary of Telepathy Global Co., Ltd., which has development capabilities for IoT hardware Started the Smart Agriculture Alliance to utilize AI, IoT, and Big Data to realize "Fun, Cool and Profitable Agriculture"
2018	Won the Intellectual Property Achievement Award, which recognizes companies that have contributed to the development of the intellectual property rights system The Company and MonotaRo opened the MonotaRo AI Store Opened SMART AGRi, an IT and agriculture future media Announced AGRi EARTH, an AI, IoT, and robot platform for the agriculture, forestry and fisheries, distribution processing, and food industries Started DRONE CONNECT β -version, a drone pilot sharing service Announced two new products: OPTiM AI Camera, which has a pre-trained model application menu for more than 300 models, and OPTiM AI Prediction, a prediction service based on quantitative data analyses Announced it holds the basic patent relating to a technology for pinpoint pesticide spraying and fertilization

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Company overview

Year	Major event
2019	Established OPTiM AGRI MICHINOKU Co., Ltd., Japan's first smart agriculture regional trading company, with Michinoku Bank Concluded a basic agreement for a business alliance with Sysmex in the field of "cutting edge healthcare x AI and IoT" The number of organizations participating in the Smart Agriculture Alliance exceeded 1,000 Obtained approval for second-class medical equipment manufacturing and sales business Opened OPTiM KOBE as a new base in Kobe City Kawasaki Heavy Industries and OPTiM Corporation entered-into a business alliance to utilize AI and IoT in the fields of precision machinery and robots Entered-into a business alliance with VNPT, Vietnam's state-run major communications group, in the fields of AI services and smart agriculture
2020	Provision of OPTiM services at no charge as assistance in dealing with the COVID-19 outbreak Announced Optimal Biz Telework that harnesses AI to enhance work management, motivation, physical well-being, and productivity in telework Sysmex Corporation and OPTiM Corporation jointly established D'PULA Medical Solutions Corporation to plan, develop, and operate a medical AI and IoT open platform and digital transformation solutions Established OPTiM Bank Technologies Corp. as a joint venture with the Bank of Saga For the first time in the world, started providing, free of charge, OPTiM Land Scan (now, OPTiM Geo Scan) $\beta$ -version, which is an app that anyone can easily use with an iPhone Pro to make high-precision smartphone 3D surveys For the first time in Japan in the agriculture field, conducted a demonstration experiment for a non-assisted non-visual flight using a fixed-wing drone to realize Level 3 of the Aerial Industrial Revolution Established the DX Fund with the Bank of Saga
2021	Participates in the establishment of NTT e-Drone Technology Corporation to promote use of domestic drone services Establishes DXGoGo, a joint venture with KDDI to assist corporate DX with product planning that uses AI and IoT Formally launched OPTiM Geo Scan, an app that allows anyone to use an iPhone Pro or iPad Pro to easily make high-precision smartphone 3-D surveys Announced and formally launched OPTiM Contract, which uses AI to reduce contract management costs and risks Announced and formally launched OPTiM ID+, a cloud authentication platform service Launched a "pinpoint time spraying" service as a new lineup for pinpoint spraying series OPTiM's AI solutions acquired the No. 1 market share in 8 categories Patent for "AI analysis and management system," received the Minister of Education, Culture, Sports, Science and Technology Award at the 2021 Kyushu Regional Invention Awards
2022	Announced "OPTiM Geo Point" app that enables anyone to conduct global navigation satellite system (GNSS) surveying and pile driving using a smartphone Transitioned to the Prime Market following the reorganization of TSE market categories OPTiM Geo Scan compatible with Ministry of Land, Infrastructure, Transport and Tourism's Guidelines for Work Progress Management Started providing "OPTiM Asset" MDM/PC management service Optimal Biz achieved No. 1 share in MDM market for 12th straight year based on the result of a research report from Deloitte Tohmatsu MIC Research Institute

Source: Prepared by FISCO from the Company's web page and releases

## 2. Content of business

The Company's services can be divided into Corporate DX and Industrial DX.

Corporate DX proposes digitalization to improve internal operations and work efficiency, and targets all sectors and industries. The Company has a cumulative customer base of over 180,000 companies through the provision of Optimal Biz and other services, and the Company utilizes sales partners to offer services with new value, including OPTiM Remote IoT and OPTiM Contract (details on both discussed below) to this customer base. The business model is mainly stock-type sales (license sales, etc. and subscriptions).

In Industrial DX, the Company promotes digitalization aimed at business creation targeting individual industries based on OPTiM Cloud IoT OS. In "OO x IT," initiatives in construction, healthcare, agriculture and robotics have come first, and many services have already been established, including OPTiM Geo Scan in the construction field and an agriculture DX service in the agriculture field. Furthermore, OPTiM AI Camera series, a cloud-based AI image analysis service that can be used simply by connecting a camera is also an industry-specific initiative and is therefore categorized as Industrial DX. The business model is primarily stock-type sales (license sales, etc. and subscriptions), while there are also flow-type sales specific to each industry and company (customization development revenue, etc.).



Company overview

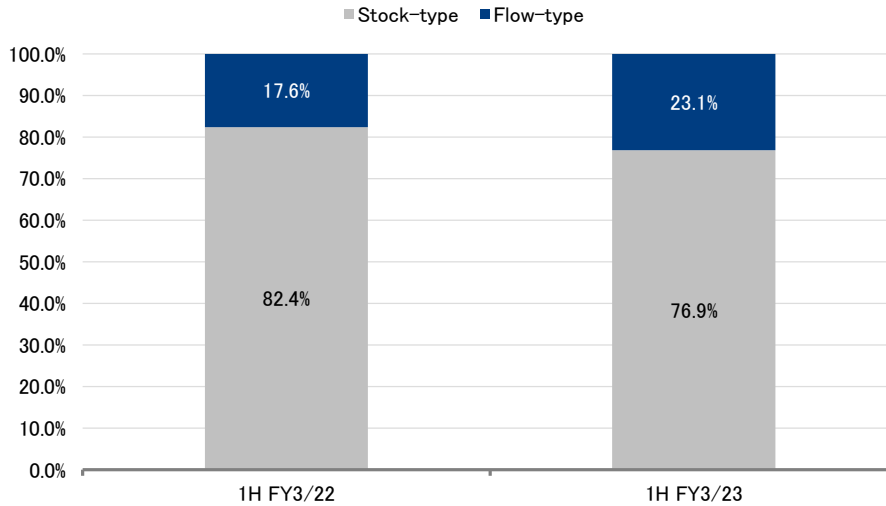
Business description

	Corporate DX	Industrial DX
Customer	Covers all sectors and industries. Existing client base of approximately 180,000 companies	Covers individual industries. Particular progress being made in agriculture, construction, healthcare, robotics
Purpose	Digitalization to improve internal operations and efficiency	Digitalization for business creation
Main software/ platforms	Optimal Biz	OPTIM Cloud IoT OS
Examples of new value proposition	Optimal Remote IoT, OPTiM ID+, OPTiM Digital Marketing, OPTiM Contract, etc.	Construction: OPTiM Geo Scan Healthcare: MINS Agriculture: Agriculture DX service Robots: Robot DX service All industries: OPTiM AI Camera series
Business model	Mainly stock-type sales (license revenues, etc.) A subscription revenue model, in which stable growth is achieved by accumulating the number of customers	Stock-type sales (license revenues, etc.) + flow-type sales (customization development revenues, etc.) Customization refers to development, etc. at the time of initial introduction, and fluctuates significantly

Source: Prepared by FISCO from the Company's materials

Net Sales composition consists of stock-type sales and flow-type sales with a breakdown in stock-type sales and flow-type sales of 3:1.

Breakdown of stock-type sales and flow-type sales



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

## Business overview

**Optima Biz is the de facto standard for PC and mobile management service. Has an extensive track record in construction, agriculture, healthcare, and other industries, using OPTiM Cloud IoT OS, an AI and IoT platform**

### 1. Market trends

The Company's growth is supported by the development of the Fourth Industrial Revolution\*1. In recent years, the use of IoT (Internet of Things), which includes network cameras, sensors, and wearable devices in addition to PCs and mobile devices, has been rapidly spreading. Forecasts indicate that IoT device installations could reach 41.6bn units in 2025, according to the Company. Alongside this, the volume of data created will increase explosively, and it is estimated that by 2025, the volume of data created by IoT devices in the world will reach 79.4tn GB (approximately four times the volume in 2020). The accelerating increase in Big Data will drive the use of AI to guide users to the useful information within. It can be said that one of the Company's strengths is its provision of solutions that hold the key to advancing the Fourth Industrial Revolution. These include Optimal Biz that manages IoT devices and the OPTiM Cloud IoT OS platform to use IoT and AI. The market that the Company targets is a massive market that is growing, with an estimated potential of ¥160tn (45 billion devices x ¥300/month\*2).

\*1 The major changes to the industrial structure and the creation of new economic value through the development of information communication technologies, including IoT, AI, and Big Data.

\*2 "45 billion devices" is the estimated number of IoT devices shipped. "¥300/month" is the average monthly unit price of Optima Biz.

### 2. Company's business areas

#### (1) Optimal Biz (Corporate DX)

Optimal Biz is the Company's mainstay Corporate DX service that was launched in 2009. It is classified as a corporate MDM tool and is capable of easily managing mobile devices, such as smartphones, tablets, PCs, and IT equipment, and implementing security measures, from a browser. The Company provides this service through numerous sales partners, including KDDI, NTT East, FUJIFILM Holdings Corporation <4901>, Panasonic <6752>, RICOH COMPANY, LTD. <7752>, and OTSUKA CORPORATION <4768>, and on an OEM basis as a service of sales partners and receives license fees based on the number of devices (¥300/month as the standard price per single-device end user). The domestic MDM market is growing at a steady rate of over 10% annually, and the Company has solidified a position as the de facto standard with a top share secured in the market\*1 for 12 consecutive years and deployments at more than 180,000 companies\*2. In addition, the average cancellation rate was significantly lower than the industry average at approximately 0.5%, highlighting the high level of customer satisfaction. Since the start of the COVID-19 pandemic, telework has been increasingly utilized regardless of company sector or size, and the number of licenses has steadily increased with mounting needs related to management and security measures for computers and smartphones used for work. In fields peripheral to Optimal Biz, there are new services like OPTiM Contract, OPTiM ID+ and OPTiM Asset, and convenience increases when they are utilized in combination.

\*1 Deloitte Tohmatsu MIC Research Institute's "Collaboration and Mobile Management Software Market Outlook – FY2022 Edition" MDM shipped ID volume (including SaaS, ASP), multiple other research reports

\*2 According to the Company's compilation as of June 25, 2019.

## Business overview

**(2) Optimal Remote (Corporate DX)**

Optimal Remote is a solution for Corporate DX utilized in customer support and other scenes. It significantly reduces support time previously spent on oral explanations through use of screen sharing with customer devices and remote control and resolves issues in about 60% of the time spent for support. It also speeds up and shortens the overall support process by achieving much faster speeds than products from other companies in screen transfer and remote-control responses. License volume is steadily increasing with increased demand for remote support in the COVID-19 environment. An example is application in smartphone support, which was difficult to provide in store activities. Moreover, the Company is also developing a web-based screen sharing service “Optimal Remote Web” and a tool for device managers called “Optimal Remote IoT,” which enables centralized remote operation from a web browser.

**(3) Optimal Second Sight (Industrial DX)**

Optimal Second Sight is a remote work assistance service that shares video from frontline locations using cameras on smart glasses, smartphones, and tablets, and supports frontline activities using various assistance functions. License volume increased for this service too thanks to obtaining COVID-19-related demand. The service truly meets the needs of the new normal by confirming conditions and facilitating support from a distant location for tasks that had previously relied on on-site confirmation amid restrictions on movement among locations.

**(4) OPTiM AI Camera series (Industrial DX)**

The Company released OPTiM AI Camera, a strategic product, and derivative services in 2018 and aims to become the de facto standard in video analysis using AI. OPTiM AI Camera is a service that conducts image analysis on the cloud utilizing existing surveillance cameras. It can be easily deployed because the service does not require deployment of specialized hardware for image analysis. OPTiM AI Camera Enterprise is a service that supports fields such as marketing, security, and operational efficiency by collecting data from various types of cameras installed in different industries and for different purposes in stores, facilities, and other locations and analyzing the images using learned models. It is capable of delivering rapid and advanced AI image analysis through installation of OPTiM Edge and other specialty hardware and analyzing images acquired with network cameras. Furthermore, it can address a wide range of needs with an unlimited-use pack that covers core functions, optional features that are specialized by industry, and professional plans that assist in development of image analysis solutions tailored to individual customers. Recently, there are increasing cases of use in various sectors, and the Company has disclosed some of the applications, which include increasing the sophistication and efficiency of dam wall inspections, visualizing traffic conditions in parking garages via vehicle sensors, and assessing the number of people staying at tourist spots (to prevent the spread of infections).

**(5) “〇〇 x IT” (Industrial DX)**

The Company will utilize OPTiM Cloud IoT OS, a platform for platformers, to combine IT (AI, IoT, etc.) with various industries, and through “〇〇 x IT” it will reinvent all industries on the model of the Fourth Industrial Revolution. This initiative is starting with demonstration experiments and will be developed into official businesses and services for specific client companies. Initial industries are “Construction x IT,” “Agriculture x IT,” and “Healthcare x IT,” and these efforts have already ramped up businesses in some cases.

## Business overview

**a) Construction x IT**

Construction x IT is one of the most advanced areas in utilizing AI and IoT. The Company provides OPTiM Cloud IoT OS for LANDLOG, a new construction and civil engineering platform led by Komatsu, and aims to realize frontline operations of the future with safety and high productivity. The platform collects data from all types of “things” used in the construction production process (facilitating management and analysis of excavators, dump trucks, drones, and other equipment), and, under suitable authority management, various providers supply that data to many users who support construction sites. The Company established Landlog Marketing Corporation, which promotes construction DX and ICT (information communications technology) projects in 2020 and conducts sales of smart construction retrofit kits\* and marketing of DX solutions for the construction industry.

\* These kits support ICT-driven advanced functionality in familiar hydraulic shovels that are already being used with an “add-on” of the latest digital equipment.

OPTiM Geo Scan is an application drawing the industry attention. High-precision 3D data can be acquired simply by scanning the earth structure or other survey object with a smartphone or tablet device equipped with a LiDAR sensor. Even at small-scale worksites where the use of drones or laser scanners would be difficult, the app demonstrates its superiority, and, compared to conventional electro-optical surveying, the time required can be reduced by up to 60%. The app makes surveying easy to perform by one person and eliminates the need for specialized knowledge, so it can also help address shortages in engineers and other personnel. Developed ahead of other companies worldwide, it was launched in 2021, and since then, the Company has developed various options and peripheral devices to further improve its convenience.

**b) Agriculture x IT**

In the Agriculture x IT field, the Company has comprehensively developed an AI, IoT, and Robotics technology platform (agriculture DX service), including the world’s first “pinpoint agricultural chemical spraying technology,” and supports labor savings and higher income in agricultural operations. Other services developed by the Company (besides pinpoint agricultural chemical spraying) include “sowing technology” using drones, “Agri Field Manager,” a service for conducting image and sensor analysis of fields using AI and data obtained from IoT devices, and a “wide-area field management system” utilizing glider-type drones. These technologies support cutting-edge smart farming. In addition, the Company has started the “pinpoint time spraying” service which aims to offer the maximum prevention effect with the minimum amount of pesticides used by combining the reproduction forecasting technology and pest outbreak prediction technology it has developed over the years with drone prevention. The Company is proactively advancing initiatives that contribute to cost reductions for producers as well as a safe and secure food life for consumers, along with a lower environmental impact.

The Company has also implemented innovative business-model initiatives to expand use of smart agriculture and realize enjoyable, stylish, and profitable farming. One example is Smart Agri Food. In this initiative, the Company provides cutting-edge technology to producers at no charge and has them produce crops with high added value. It then purchases all of the output, handles branding and sales and shares revenue with producers. Rice is sold online on the Company’s “SMART AGRICULTURE FOOD” (nicknamed Sma-Choku (Smart Direct)) online store as well as on sites such as Amazon and Rakuten marketplace as “Smart Rice 2023” (FY2022 new rice, consisting of 11 types from seven prefectures).

## Business overview

**c) Healthcare x IT**

The Company combines IoT and AI technologies in the healthcare field as well and strives to resolve various issues in medicine. One example is “Pocket Doctor,” a remote healthcare consultation service, announced in 2016 that received the Grand Prize in the Japan Healthcare Business Contest 2016 sponsored by METI. The Company started OEM supply of the “Online Healthcare Platform,” which facilitates straightforward and quick development of online healthcare systems, in 2020. It also jointly developed the Medicaroid Intelligent Network System (MINS) jointly with Medicaroid Corporation in the same year. MINS is a network support system platform designed to assist the surgical assistance robot system for Japan’s first surgical assistance robot “hinotori™ Surgical Robot System” developed by Medicaroid, assist safe and efficient utilization of surgical rooms, and assist in transfer and inheritance of surgical techniques. It is an open platform on which information including the various sensors installed in hinotori™, endoscopic videos, and videos of the entire operating room, is collected, analyzed, and provided in real time. It was developed based on the Company’s OPTiM Cloud IoT OS. The “hinotori™ Surgical Robot System” and “MINS” are already being installed at several hospitals, where they are used in total resection operations to treat prostate cancer at hospitals such as the International Clinical Cancer Research Center at Kobe University Hospital and Musashino Tokushukai Hospital.

The results of the Company’s initiatives in individual industries are clearly emerging as its AI solutions market shares. According to a market survey for FY2021 conducted by Deloitte Tohmatsu MIC Research Institute, the Company acquired top market shares for AI solutions in eight categories (in FY2020 SaaS market trends for net sales trends by provision format, “SaaS net sales (FY2019-2021),” “SaaS user charge net sales (FY2019-2021),” and “SaaS related service net sales (FY2019-2021),” in net sales trends by industry, “agriculture, forestry and fisheries industries net sales (FY2019-2021)” and “healthcare net sales (FY2019-2021),” in net sales trend by employee numbers, “net sales for users with less than 300 employees (FY2019-2021);” and in net sales trend by application, “maintenance and inspection sales (FY2019-2021)” and “diagnostic support net sales (FY2019-2021”).

**3. The Company’s strengths**

The Company has constantly provided innovative services and developed new markets with support from abundant technological capabilities founded on an intellectual property strategy and business creation capabilities. It has services of No. 1 shares in the domestic market and built a business model with extensive license income. Additionally, it has been promoting powerful business development with top players in various industries in recent years as a market leader in AI, IoT, and Big Data. The Company’s strengths can be summarized in six points: 1) robust technology innovation capabilities, 2) advanced technology capabilities, 3) service planning, development, and operation capabilities, 4) strong license income, 5) plentiful customer base, and 6) business creation capabilities.

Business overview

The Company's strengths

Characteristics (strengths)	Content
1. Robust technology innovation capabilities	Inventiveness to create from 0 to 1. Regarding technological ideas, the Company proactively secures intellectual property rights (The first venture company to receive the Intellectual Property Achievement Award from the Japan Patent Office. The Company's President ranked No. 1* for the scale of patent assets held by individuals in the field of information and communications)
2. Advanced technological capabilities	Realizes new concepts with advanced technological capabilities in AI, IoT, Cloud, Security, and Robotics
3. Service planning, development, and operation capabilities	Possesses planning capability to take products realizing new ideas and generalizing them as package services. Has the ability to plan, design, develop and operate with functions, price and service models that match customers' needs
4. Strong license income	Robust license revenue based on SaaS/subscription model (a model that allows customers to receive a service for a certain period of time by paying a fee). These services include Optimal Biz, an MDM and PC management service that has had the No. 1 MDM market share in Japan for 12 straight years, along with other services. The average cancellation rate is approximately 0.5%
5. Plentiful customer base	A cumulative customer base of roughly 180,000 companies that it has acquired over the years through direct sales as well as large partners
6. Business creation capabilities	Commercializes new products or services with many partners, including industry leading companies, telecommunications carriers, and printer manufacturers, or vastly expands business through business creation capabilities

\* Survey by Patent Result Co., Ltd. (as of the end of November 2021)  
 Source: Prepared by FISCO from the Company's results briefing materials

4. Intellectual Property Strategy

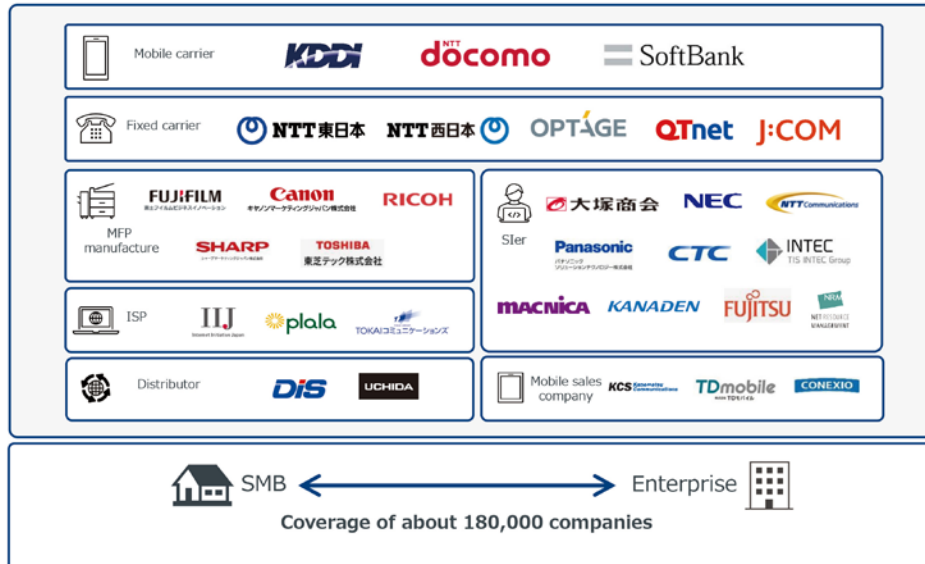
Since its establishment, the Company has developed technologies while keeping in mind creating services never seen in the world before, and it has adopted a strategy of acquiring and holding intellectual properties. One example of this is its outstanding device identification technology called Tiger, which it patented in Japan and the United States in 2011, that dramatically improves the accuracy of identifying devices. Also, the patent for pinpoint pesticide spraying technology obtained in 2018 received the Minister of Education, Culture, Sports, Science and Technology Award at the 2018 Kyushu Regional Invention Awards, and the patent for AI analysis and management system for contracts obtained in 2018 received the Minister of Education, Culture, Sports, Science and Technology Award at the 2021 Kyushu Regional Invention Awards. Additionally, the Company's President Shunji Sugaya is ranked No. 1 for individual patent asset scale in the field of information and communications (1993 through 2020). These intellectual properties not only create walls preventing others from entering new business fields, but also allows major companies to feel secure in establishing partnerships and alliances with the Company.

5. Sales channel strategy (Corporate DX)

The Company has a solid base in terms of its sales channels. Its cumulative base of 180,000 service user companies has been developed primarily by partner companies. These include companies such as major telecommunications carriers, multifunction printer manufacturers, ISPs, system integrators, and mobile phone sales companies, all of which have large numbers of corporate customers, forming a nationwide sales network. In particular, the Company has established joint ventures with the KDDI Group and the NTT Group, creating strong connections.

## Business overview

## Corporate DX partner strategy



Source: The Company's results briefing materials

## Results trends

### 1H FY3/23 sales increased 17.9% YoY. Driven by mainstay Optimal Biz and OPTiM Cloud IoT OS, both stock-type and flow-type sales performing well

#### 1. Overview of the 1H FY3/23 results

In 1H FY3/23, the Company passed through the second quarter smoothly toward increased sales for the 23rd consecutive fiscal year since its founding with ¥4,151mn in net sales (up 17.9% YoY), ¥573mn in operating profit (up 0.3%), ¥516mn in ordinary profit (up 0.1%), and ¥298mn in profit attributable to owners of parent (down 6.6%).

#### 1H FY3/23 consolidated results

	1H FY3/22		1H FY3/23		YoY
	Results	Vs. net sales	Results	Vs. net sales	
Net sales	3,521	100.0%	4,151	100.0%	17.9%
Cost of sales	1,525	43.3%	2,091	50.4%	37.1%
Gross profit	1,996	56.7%	2,059	49.6%	3.2%
SG&A expenses	1,424	40.4%	1,486	35.8%	4.4%
Operating profit	571	16.2%	573	13.8%	0.3%
Ordinary profit	516	14.7%	516	12.4%	0.1%
Profit attributable to owners of parent	319	9.1%	298	7.2%	-6.6%

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

#### Results trends

Regarding net sales, both stock-type and flow-type sales were steady. In stock-type sales, which makes up around three-fourths of total sales, licenses increased in a steady manner for both Optimal Biz, the core product in Corporate DX, and OPTiM Cloud IoT OS, the core product of Industrial DX. Additionally, in Corporate DX, there was sales growth in OPTiM Contract, a contract management service that utilizes AI, and in Industrial DX, there was sales growth from OPTiM Geo Scan, a 3D surveying app for smartphones. Regarding flow-type sales, which account for around one-fourth of total sales, three industrial fields of “〇〇 x IT” (Agriculture x IT, Healthcare x IT, and Construction and Civil Engineering x IT), which the Company has been engaged in for the past several years, have been growing, and Healthcare x IT in particular was strong the previous year and continues to be so this year. Among the Company’s sales, stock-type sales center on monthly fees, and in flow-type sales, the acceptance inspection period is concentrated in 2H, so due to these and other factors, sales are weighted toward 2H.

Regarding profits, the percentage of flow-type sales increased YoY, and even though the cost of sales ratio increased by 7.1 percentage points due to an increase in amortization of software, the SG&A expense ratio was limited to an increase of 4.4%. As a result, operating profit edged up by 0.3%, and ordinary profit increased by 0.1%, so both were nearly on par with the previous year. Profit attributable to owners of parent decreased. Although there were temporary factors that included loss on valuation of investment securities and deferred tax asset difference, these will have no effect on full-year results. Overall, the Company has maintained a certain level of profitability (operating margin of 13.8%) while making ample investments for the future, so trends have been steady in this regard.

## Equity ratio of approximately 76.4%, retaining a highly safe financial foundation

### 2. Financial condition and management indicators

Total assets at the end of 1H FY3/23 decreased by ¥241mn from the end of the previous year to ¥7,145mn. Current assets declined ¥315mn to ¥3,216mn. This was mainly attributable to cash and deposits increasing by ¥165mn while notes and accounts receivable - trade and contract assets decreased by ¥620mn. Fixed assets increased by ¥73mn to ¥3,929mn due in part to intangible assets increasing by ¥331mn as a result of an increase in software. The balance of cash and deposits at term-end was ¥1,145mn.

Total liabilities declined by ¥540mn from the end of the previous term to ¥1,597mn. Current liabilities declined by ¥541mn to ¥1,459mn due to a decline of ¥500mn in short-term borrowings and other factors. Non-current liabilities were largely unchanged, increasing by ¥0mn to ¥138mn. Total net assets increased ¥298mn to ¥5,547mn due in part to an increase of ¥298mn in retained surplus from recording profit attributable to owners of parent.

In the management indicators of stability, the current ratio was 220.4%, while the equity ratio was 76.4%. Therefore, the Company’s financial stability is extremely high.



## Results trends

## Consolidated balance sheets and management indicators

	End of FY3/22	End of 1H FY3/23	Change
(¥mn)			
Current assets	3,532	3,216	-315
(Cash and deposits)	979	1,145	165
(Notes and accounts receivable-trade and contract assets)	2,277	1,657	-620
Non-current assets	3,855	3,929	73
(Intangible assets)	1,660	1,992	331
<b>Total assets</b>	<b>7,387</b>	<b>7,145</b>	<b>-241</b>
Current liabilities	2,000	1,459	-541
(Short-term borrowings)	514	14	-500
Non-current liabilities	138	138	0
<b>Total liabilities</b>	<b>2,138</b>	<b>1,597</b>	<b>-540</b>
<b>Total net assets</b>	<b>5,248</b>	<b>5,547</b>	<b>298</b>
<b>Total liabilities and net assets</b>	<b>7,387</b>	<b>7,145</b>	<b>-241</b>
<Stability>			
Current ratio (current assets ÷ current liabilities)	176.6%	220.4%	-
Equity ratio (shareholders' equity ÷ total assets)	69.8%	76.4%	-

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

## Growth strategies and topics

### Continuing to make active growth investments to become a central company in the Fourth Industrial Revolution. “Killer services” currently being enhanced

The Company focused on R&D activities in the past few years and achieved results in a variety of industries through promotion of “OO x IT” by launching new services based on Optimal BIZ and OPTiM Cloud IoT OS. Recently, it intends to develop new markets by categorizing digitalization into Industrial DX and Corporate DX categories because of strong advances by two different types of DX. The Company targets a massive market. The Company estimates the potential global market size of Industrial DX and Corporate DX at roughly ¥160tn and ¥9tn just in Japan (estimated from Japan's 5.8% share of global GDP in 2019). Assuming a market share on par with Optimal Biz (40%), this amounts to ¥3.6tn, and it is clear that the Company is pursuing the development of a large market.

#### 1. Corporate DX

Corporate DX refers to digitalization for internal work improvement and better efficiency targeting all business types and industries. Demand for promotion of remote work, enhanced work efficiency, and cost savings through digitalization of office work is rapidly expanding in the COVID-19 pandemic environment. The Company has a customer base of over 180,000 companies cumulatively through provision of Optimal Biz and other products and aims to leverage sales partners to provide services with new value, such as the IoT remote-operation service, contract management service, asset management service, and digital marketing service to this customer base.

Growth strategies and topics

One example of a service that is performing well is OPTiM Contract, an AI-based contract management service. It allows users to efficiently manage contracts, including classification/ registration, searches and inquiries/notifications, user file authority management, and other tasks. The service earned strong approval from users for its improved searchability using AI and automatic termination date notification, among other features. The service is on the OPTiM Cloud IoT OS platform, which allows users to manage contracts in a safe and secure environment. These functions are based on the patent for AI analysis and management system for contracts which won the Minister of Education, Culture, Sports, Science, and Technology Award at the 2021 Kyushu Regional Invention Awards. Measuring results from before and after use, it was found that the service reduces work time by approximately 90% and costs by around 65% (both figures based on internal research), so the results are overwhelming, and this high level of cost effectiveness gives it a competitive advantage.

OPTiM Contract



Source: The Company's website

There have also been strong sales of OPTiM Digital Marketing, a marketing DX service launched in June 2021. The service was developed based on the cloud CRM service of YURASCORE Corporation, which was made a subsidiary in 2020. It optimizes the various activities related to strengthening customer contact processes for clients in the retail and service industries. This includes customer information management, website content management, e-commerce site construction and operation, and efficient email magazine distribution. Users have given the service high ratings for helping to attract customers and promote purchases by distributing content aligned with customer preferences and attributes at the optimal times and for enabling the integrated management and analysis of customer data. Going forward, the Company will have an enterprise version that is aligned with the detailed needs of client companies and large-scale system operations and an SMB package version with industry-specific templates for small- to medium-scale companies in retail, medicine, construction services and other sectors, and will market these versions to its customer base of over 180,000 companies.

2. Industrial DX

Industrial DX refers to digitalization for creation of businesses that target specific industries. Since devices connected to the OPTiM AI and IoT platform and killer services for specific industries are increasing from promotion of the "OO x IT" strategy up to now, the Company aims to continue strengthening device coverage and advancing the development of killer services for industries.

#### Growth strategies and topics

For the construction and civil engineering sector, the Company is enhancing OPTiM Geo Scan, a 3D surveying app, as a killer service. OPTiM Geo Scan is an application that can generate high-precision 3D data as required at civil engineering worksites by scanning the object being surveyed, such as an earth structure, with a smartphone or tablet device. Compared to conventional electro-optical surveying, the time involved is reduced by up to 90%. In March 2022, OPTiM Geo Scan became the first application in Japan to conform with the requirements in the work progress control guidelines for 3D surveying technology revised by the Ministry of Land, Infrastructure, Transport and Tourism. From surveying at the start of projects to surveying while work is in progress to structural surveying for project inspections at worksites of all sizes, the service can be used in an integrated manner throughout the construction process, from project planning and design to construction start to final inspections. Moreover, progress is also being made on strengthening peripheral functions. The Company has improved convenience by releasing free options such as OPTiM Geo Point, an app for GNSS surveying and pile driving, and OPTiM Geo Design, a plotting app.

In the healthcare field, progress on systems for surgery robots has been remarkable. As discussed above, the Company is jointly developing the MINS, a network support system for the hinotori™ Surgical Robot System, which is a robotic surgery support system. Manufacturing and sales approval for the system has been obtained for use in urology, and it has so far been used for over 600 cases at five institutions in Japan. Recently, in October 2022, approval was received from the Ministry of Health, Labour and Welfare for the system's application to digestive system surgery and gynecology. In addition, in November of this year, the system will be used for the first time anywhere in colorectal cancer surgery at Sapporo Medical University Hospital, and it is beginning to be used in digestive system surgery and other fields. In light of these factors, it can be said that the Company is playing a role in the leading edge of medical DX.

In the field of agriculture, numerous demonstrations have been conducted involving such services as “pinpoint agricultural chemical spraying technology” using drones, Agri Field Manager, a service for analysis of fertilization and seed dissemination using drones and fields using AI and data collected from IoT devices, Agri House Manager, a greenhouse management service, Agri Assistant, a farming support service, and a large field management system that uses glider-type drones. As a result, the above devices and services have come to be recognized as essential AI agricultural tools for conducting smart farming, and it has become possible to collect service usage fees as compensation. Farmers in the Smart Agri Alliance, which is led by the Company, have achieved results of up to an approximately 90% reduction in agricultural chemicals. The alliance has a total agricultural area of 7,860 hectares, and includes 2,200 groups. (Data as of March 20, 2020).

## ■ Outlook

### Initial forecasts for FY3/23 maintained, expecting record-high sales for the 23rd consecutive term since its founding; seeking double-digit operating profit growth while making active growth investments

In FY3/23 consolidated results, the Company has left its initial forecasts unchanged, and is forecasting ¥9,140mn (up 10.0% YoY) in net sales, ¥1,690mn (up 10.1%) in operating profit, ¥1,590mn (up 7.1%) in ordinary profit, and ¥947mn (up 0.4%) in profit attributable to owners of parent. The Company started recouping past investments in FY3/21. However, it plans to continue aggressive R&D investments targeting development of the potential market worth ¥160tn with the goal of being a leading company in the Fourth Industrial Revolution.

#### FY3/23 consolidated results outlook

	FY3/22		FY3/23			1H progress rate
	Results	Vs. net sales	Forecast	Vs. net sales	YoY	
Net sales	8,310	100.0%	9,140	100.0%	10.0%	45.4%
Operating profit	1,534	18.5%	1,690	18.5%	10.1%	33.9%
Ordinary profit	1,485	17.9%	1,590	17.4%	7.1%	32.5%
Profit attributable to owners of parent	943	11.4%	947	10.4%	0.4%	31.6%

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

The Company is striving for record-high net sales for the 23rd consecutive year since its founding, maintaining the same growth rate as the previous term (10.5%). Stock-type sales account for around 80% of the Company's total sales. With the EMM and MDM markets expanding at a solid pace, the Company's mainstay products and services are in an advantageous position, and the increase in stock-type sales is expected to continue in 2H FY3/23 as well. Regarding services currently being rolled out, the Company's policy is to make active investment and strengthen sales after selecting high-priority "killer services" and to raise stock-type sales in support of future stable growth. The progress rate against the full-year forecast is 45.4%, which exceeds last year's rate of 42.4%. In FY3/23, flow-type sales have also been strong, and considering the nature of stock-type businesses, which accumulate sales in 2H, FISCO believes there is a high likelihood that results will exceed forecasts.

With regard to profit, the Company's policy is to conduct aggressive growth investments while retaining a certain level of profit. The operating margin is lower than the profit margin of 20% or higher representing the actual capability of the Company's business model, which speaks to the Company's strong commitment to investment. Moreover, the Company has stated its aim to be a leading company in the Fourth Industrial Revolution, and when good investment opportunities arise during the fiscal year (such as M&A), the Company's policy is to make growth investments flexibly and proactively. The progress rate against the forecast for full-year operating profit is 33.9%, short of the previous year (37.3%), but, at FISCO, we believe that the Company has set its sights on becoming amply able to achieve its plan even while making aggressive growth investments.

## ■ ESG initiatives

### Contributing to society through innovation since its founding

Even since before the term ESG (Environment, Social, Governance) attracted attention, the Company focused on ESG initiatives through its business while always thinking about having a positive influence on society. The Company's Management Philosophy is "Try hard to create universal technology/services/business models that influence people all over the world in a good way," and the Company is truly contributing to society through innovation. The Company also takes diversity, relationships with local communities, and governance into consideration in its management and operations. Some examples are described below.

#### (1) Environment

##### a) Reduction of agricultural chemicals and fertilizers by as much as 99% through pinpoint chemical and fertilizer spraying

Image analysis of crops is performed by AI and unnecessary pesticides are not sprayed, achieving cultivation with reduced amounts of pesticide.

##### b) Establishment of a cultivation technology framework capable of responding to climate change (warming) utilizing digital technology

By digitalizing weather, water levels, cultivation history, pests, and growth data, the Company has developed a system that recommends a cultivation method corresponding to environment and growth conditions. It also enhanced pest prediction technology using AI. It facilitates sustainable cultivation by assisting measures for issues such as crop damage from high temperatures caused by climate change and northward migration of pests.

##### c) Provision of ForestScope, a resource volume survey service using drones

The Company provides ForestScope service which estimates the number of trees and timber volume by aerially photographing forests with drones and analyzing images. Utilization of this service simplifies surveys of forest resource volume and reduces the number of steps required by those surveys. Resource volume surveys provide valuable data for forest conservation and contribute to planned forest management that involves tree cutting for conservation, cyclical resource usage, and carbon neutrality.

#### (2) Social

##### a) Provision of services that support diverse workstyles (Optimal Biz, Optimal Biz Telework, Optimal Remote, and Optimal Second Sight)

Spurred by the COVID-19 pandemic, many companies have shifted work formats to telework and are also requiring ways of working that are not focused on physical space or time. The Company provides multiple services for realizing diverse work styles in order to address this current need in society. At the same time, the Company generally requires employees to be at the office three days a week. Reaffirming the importance of face-to-face communication, the Tokyo head office, which relocated for expansion in April 2022, has taken measures to promote the sharing of information and communication among employees, such as establishing a bar-counter area within the company.

## ESG initiatives

**b) Healthcare x IT: Online healthcare services**

The Company is addressing the issues of regional differences in healthcare, work and child care, and loss of opportunity for hospital visits due to physical conditions, etc. by enabling continuous healthcare consultations through remote consultations on a smartphone or tablet. This will lead to preventative healthcare and reduce the number of patients with lifestyle-related diseases and nursing carers. For doctors also, it will reduce the time spent on home visits and the economic burden of such visits.

**(3) Governance****a) Establishment of Nomination, Remuneration, and Special Committees**

The "Nomination Committee" and "Remuneration Committee" have been established as advisory bodies voluntarily by the Board of Directors for the purpose of strengthening fairness, transparency, and objectivity by ensuring opportunities for appropriate involvement and advice from outside board directors when considering important matters such as selection and dismissal of board directors and remuneration. Both committees are composed of at least three members who are board directors, and the majority of them are selected from independent outside directors. In addition, the Company has established the Special Committee to enhance the Company's corporate governance by strengthening fairness, transparency, and objectivity with respect to important transactions, etc., that conflict with the interests of controlling shareholders and minority shareholders. The Committee consists of two independent outside board directors.

## ■ Shareholder return policy

### Putting priority on investing in the future, has not determined the dividend outlook

The Company puts priority on investing in growth and has not determined the dividend outlook at this point. As a venture company in Japan with rare technological capabilities and imagination, a medium- to long-term perspective will be necessary for investment.



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