

OPTiM Corporation

3694

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Summary

Stock-type sales grew steadily in 1H FY3/24. Continued to make growth investments to become “a leading company in the Fourth Industrial Revolution.” Killer services evolved in fields such as agriculture, construction, and marketing

OPTiM Corporation <3694> (“the Company”) is a venture company specializing in AI and IoT technologies. It 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. 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 (1,129 pending, 548 registered, as of September 2023). 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 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 main services consist of IoT Platform Services, which provide 87.0% of total net sales (FY3/23). It is divided into Mobile Management Services, which is a longstanding strength of the Company, and X-Tech Services, an area in which it has been actively investing in recent years. In Mobile Management Services, the main focus is Optimal Biz, whose functions include operations management within an organization, and settings for asset management and security policy by managing various devices such as smartphones and tablets on the cloud. Its commercial distribution includes sales by partner companies and OEM supply, and the Company receives license fees according to the number of devices.

In X-Tech Services, it is engaged in initiatives using the AI/IoT platform OPTiM Cloud IoT OS in various industries and package services like OPTiM AI Camera. As an initiative to utilize 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 the agriculture, forestry and fisheries industries, it succeeded with a demonstration experiment for pest control using AI and drones in 2016, which was a first for the agriculture field in Japan. In 2018, the Smart Agriculture Alliance, which is led by the Company, started providing smart agricultural services to contracted producers on a nationwide scale, beginning with the full-scale harvesting of crops, including rice and soybeans. In the healthcare field, the Company released Pocket Doctor, Japan’s first remote healthcare consultation service, in 2016 and Online Healthcare Platform in 2020. In the same year, the Company’s AI/IoT platform OPTiM Cloud IoT OS was adopted for the network support system of the hinotori™ Surgical Robot System, Japan’s first surgical assistance robot system developed by Medicaroid Corporation, a joint venture of Kawasaki Heavy Industries, Ltd. <7012> and SYSMEX CORPORATION <6869>. In the construction industry, it provides OPTiM Geo Scan, the world’s first application for generating high-precision 3D data using a smartphone. In addition to the services described above, X-Tech Services saw the emergence of a slew of killer services.

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 with 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 the 1H FY3/24 consolidated results, the Company recorded ¥4,384mn in net sales (up 5.6% YoY), ¥762mn in operating profit (up 33.1%), ¥671mn in ordinary profit (up 29.9%), and ¥394mn in profit attributable to owners of parent (up 31.9%), as the Company passed through the second quarter smoothly toward achieving record-high net sales for the 24th consecutive year since its founding. Looking at net sales, stock-type sales, which account for approximately 80% of net sales, showed particularly steady growth. Sales were steady primarily for Optimal Biz, the core product in Mobile Management Services, and OPTiM Cloud IoT OS, the core product of X-Tech Services. In addition, licenses were steadily accumulated for products such as OPTiM Geo Scan, a 3D surveying smartphone app for the construction industry. In flow-type sales, sales trended favorably for Marketing DX. On the profit front, the gross margin rose 1.0 percentage points YoY and the SG&A expense ratio declined 2.6 percentage points, resulting in a 3.6-percentage point increase in the operating margin to 17.4%. Operating profit rose substantially by 33.1% YoY. Overall, the Company made ample upfront investments for the future while maintaining high profitability, so it can be seen that trends have been steady.

3. Growth strategies and topics

The Company's basic strategy is to rapidly improve business results by continuing the smooth growth in Mobile Management Services while realizing huge growth in X-Tech Services, which is consistent with its efforts to date. In X-Tech Services, it is developing multiple industry-specific killer services using OPTiM Cloud IoT OS and other related technologies and its main business areas include agritech, digital construction, digital health, office DX, marketing DX, and video management DX.

In agritech, in July 2023, the Company announced a technology enabling "shot-into stripe seeding" by attaching a part to inject seed rice, called a Stripe Seed Shooter, to a self-navigating drone and began providing this technology as a service. In comparison with conventional drone-based direct seeding procedures, the Company's service is expected to realize low seedling growth risk and high yields. In digital construction, OPTiM Geo Scan, a 3D surveying smartphone app, has been gaining momentum, with the cumulative number of licenses surpassing 1,000 over approximately 2.5 years since the Company began providing this service on a full scale (in May 2021). In May 2023, it started offering OPTiM Geo Scan Advance, a terrestrial laser scanner that can generate high-precision 3D data covering long distances using a smartphone. Conventional LiDAR sensors built into iPhones and iPads have a maximum range of five meters, so there are times when this makes surveying difficult. However, OPTiM Geo Scan Advance enables surveying to be carried out over long distances and in difficult to access areas, such as landslides and other disaster sites. In August 2023, OPTiM Geo Scan Advance was used in surveying to assess damage from heavy rains in Saga City and helped to make work more efficient in difficult to access areas. In marketing DX, in April 2023 the beta version of Saga City Super App, which enables users to access all services of Saga City from a single app, was released to the public. This app is based on OPTiM Digital Marketing's technology. The official version released in June 2023 was downloaded by approximately 30,000 people over half a year and has contributed to improved convenience for city residents. If this app proves to be a successful case example, it is likely to pave the way for the expansion of DX across local governments. The point that all these examples share is that they combine and multiply technologies accumulated by the Company to accelerate the cultivation of new business areas and addition of new functions and services.

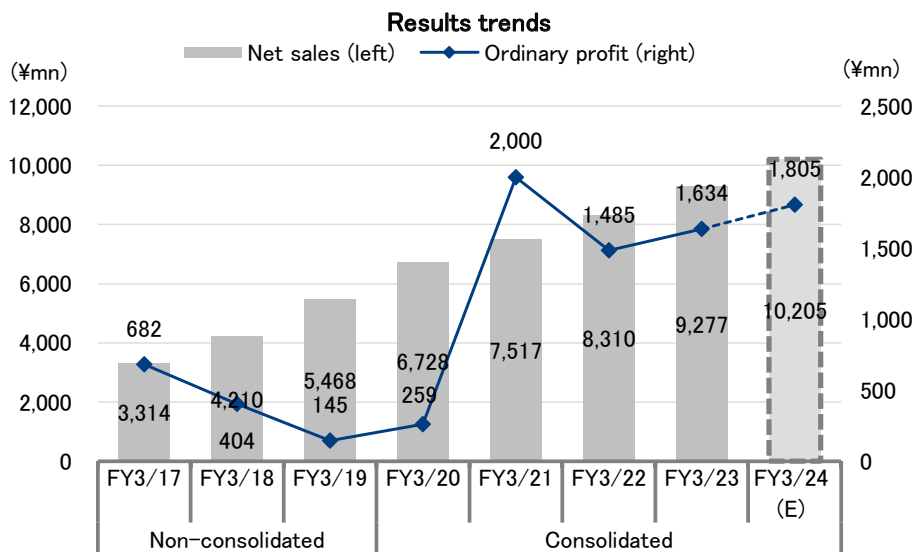
Summary

4. Outlook

In its FY3/24 consolidated results forecast, the Company is predicting net sales to increase 10.0% YoY to ¥10,205mn, operating profit to increase 10.8% to ¥1,939mn, ordinary profit to increase 10.4% to ¥1,805mn, and profit attributable to owners of parent to increase 14.9% to ¥1,106mn (as initially forecast). The Company is striving for record-high net sales for the 24th consecutive year since its founding, maintaining the same growth rate as in the previous term (11.6%). 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 FY3/24. The rapid advances in DX in each industry are providing a tailwind for X-Tech Services. In this environment, the Company will make active investments and strengthen sales through high-priority "killer services" as part of efforts to increase stock-type sales underpinning stable future growth. The progress rate of net sales for 1H against the full-year net sales forecast was 43.0%, on par with a normal year. As for the Company's sales structure, sales are heavily weighted toward the second half of the fiscal year primarily because stock-type license income is mainly generated through sales on a monthly billing basis and the acceptance period for flow-type customized sales tends to be concentrated in the second half. On the profit front, the Company is targeting record-high operating profit, even while making growth investments proactively. The progress rate of operating profit for 1H against the full-year operating profit forecast is 39.3%, which exceeds the level for the same period of the previous year (33.9%). FISCO believes the Company's profit targets are sufficiently achievable even if it continues to make growth investments more proactively.

Key Points

- Stock-type sales grew steadily in 1H FY3/24. The number of licenses increased for OPTiM Geo Scan and other products, as well as for mainstay products Optimal Biz and OPTiM Cloud IoT OS
- An extremely stable financial condition, leaving surplus capacity for future M&A and other initiatives
- Continuing to make active growth investments to become a central company in the Fourth Industrial Revolution. Killer services are evolving in fields such as agritech, digital construction, and marketing DX
- Aiming to make FY3/24 the 24th consecutive year of revenue increases since the Company's founding and achieve record-high operating profit. The progress rate has held steady through 1H, with the Company expected to balance active growth investment and securing profits



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

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■ Company overview

**A venture company attracting attention that aims to have a leading presence in the Fourth Industrial Revolution.
Rolling out numerous AI and IoT platforms and subscription services developed in Japan**

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, including achieving 1,129 pending patents and 548 registered patents as of September 2023. The total number of employees is 398 (as of April 1, 2023), and the majority of these are involved in 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 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 “●● 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. At this time, the cumulative number of license agreements has exceeded 1,000. 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 AI/IoT platform OPTiM Cloud IoT OS 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. <8395> 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.

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	Provided 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) β -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	Participated in the establishment of NTT e-Drone Technology Corporation to promote use of domestic drone services Established 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 Entered-into a business alliance with Gurunavi, in the fields of DX services for the restaurant industry
2023	Combined the Company's marketing DX service OPTiM Digital Marketing and Online Healthcare Platform to provide to Tayoris, SOGO MEDICAL CO., LTD.'s official healthcare app Started provision of OPTiM Geo Scan Advance, which enables the easy generation of high-precision 3D data covering long distances using a smartphone Established OPTiM FARM Corp., which conducts agricultural production using a wide range of cutting-edge agritech

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

2. Content of business

The Company's main services consist of IoT Platform Services, which provide 87.0% of total net sales (FY3/23). It is divided into Mobile Management Services, which is a longstanding strength of the Company, and X-Tech Services, an area in which it has been actively investing in recent years. In Mobile Management Services, the main focus is Optimal Biz, whose functions include operations management within an organization, and settings for asset management and security policy by managing various devices such as smartphones and tablets on the cloud. Its commercial distribution includes sales by partner companies and OEM supply, and the Company receives license fees according to the number of devices. In X-Tech Services, it is engaged in initiatives using the AI/IoT platform OPTiM Cloud IoT OS in various industries and package services like OPTiM AI Camera.

Remote Management Services provide 7.5% of total net sales (FY3/23). Optimal Second Sight, which is a remote work support service, not only supports work in the field, it has also been adopted as support equipment for disaster countermeasures to facilitate smooth relief activities and to ascertain conditions in the field during a disaster. Its core technologies are remote screen sharing and remote operations. The Company receives license fees according to the number of devices at customer companies that have installed it.

Company overview

Support Services contribute 1.2% of total net sales (FY3/23). Sales are trending downward alongside the slowdown in the growth of the PC market. The Company provides Optimal Diagnosis & Repair, which automatically detects and repairs problems on devices like smartphones and tablets, and Optimal Setup, which automatically analyzes, operates and sets up routers, and it receives customization fees for functions added at the time of installations and license fees.

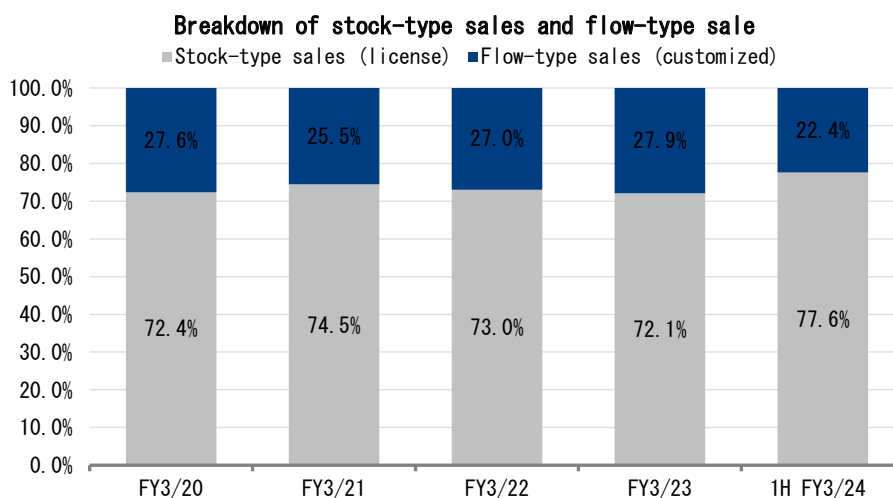
Other Services are at 4.3% of total net sales (FY3/23). This segment delivers unlimited-usage services for software and content, including Unlimited Software for individuals, and Unlimited Tablet for reading popular magazines, and mainly utilizes a fixed monthly fee model.

Business description by service

Service	Business description
IoT Platform Services	Mobile Management Services Main service is Optimal Biz used to manage smartphones, tablets, and other devices on the cloud, manage operations within organizations and assets, and conduct security policy settings.
	X-Tech Services Package services such as the AI/IoT platform OPTiM Cloud IoT OS and OPTiM AI Camera
Remote Management Services	Optimal Second Sight, which is a remote work support service, not only supports work in the field, but it has also been adopted as support equipment for disaster countermeasures to facilitate smooth relief activities and to ascertain conditions in the field during a disaster.
Support Services	Provides Optimal Diagnosis & Repair, which automatically detects and repairs problems on devices like smartphones and tablets, and Optimal Setup, which automatically analyzes, operates and sets up routers.
Other Services	This business delivers the unlimited-usage services for software and content, including Unlimited Software and Unlimited Tablet.

Source: Prepared by FISCO from the Company's securities report

Net sales composition consists of stock-type sales and flow-type sales with a breakdown in stock-type sales and flow-type sales of about 4:1. The Company's basic strategy is to maximize stock-type sales (license income), which offer stable revenues, so it is prioritizing the establishment of its own products and services. Therefore, although it is engaging in customized development (flow-type sales) that will lead to stock-type sales in the future, the priority given to other types of customized development is falling. In a typical year, the trend is for flow-type sales to increase in 2H.



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

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■ Business overview

Optimal Biz has held the No. 1 share for 13 consecutive years in the PC and mobile management service market
In X-Tech Services, the Company has an extensive track record of AI/IoT services for each industry using OPTiM Cloud IoT OS

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. 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 and 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.

Business overview

2. The Company's business areas

(1) Mobile management service, Optimal Biz

Optimal Biz is the Company's mainstay service that was launched in 2009. It is classified as a corporate MDM tool and is capable of easily managing 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 Business Innovation Corp., which is a Group company of FUJIFILM Holdings Corporation <4901>; Panasonic Solution Technologies Co., Ltd., which is a Group company of Panasonic Holdings Corporation <6752>; RICOH JAPAN Corp., which is a sales subsidiary of RICOH COMPANY, LTD. <7752>; and OTSUKA CORPORATION <4768>. It also provides Optimal Biz 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). As the domestic MDM market grows at a steady rate of over 10% annually, the Company has solidified a position as the de facto standard with a No.1 share secured in the market*1 for 13 consecutive years and deployments at more than 180,000 companies*2. In addition, the average churn 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 been steadily increasing with heightened needs for 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 denshichobohozon, 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 – FY2023 Edition" MDM shipped ID volume (including SaaS, ASP), multiple other research reports.

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



Source: The Company's results briefing materials

(2) X-Tech Services

The Company will utilize OPTiM Cloud IoT OS, a platform for platformers, to combine IT (AI, IoT, etc.) with various industries, and through "•• x IT" it will reinvent all industries on the model of the Fourth Industrial Revolution. This initiative started with demonstration experiments and has been developing into official businesses and services for specific client companies and industries. Initial industries are "Digital construction" "Agritech" and "Digital health" and these efforts have already ramped up businesses in many cases.

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Business overview

a) Digital construction

Construction is one of the most advanced areas in utilizing AI and IoT. The Company provides OPTiM Cloud IoT OS for LANDLOG, a construction and civil engineering platform for EARTHBRAIN Ltd., a joint venture led by Komatsu and aims to realize frontline operations of the future with safety and high productivity. LANDLOG collects and accumulates 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 provides users with data in a format that can be used efficiently at construction sites. OPTiM Cloud IoT OS serves as the foundation for this service. In addition, in 2020, the Company established Landlog Marketing Corporation (currently OPTiM Digital Construction Corporation), which promotes construction DX and ICT (information and communications technology) projects and conducts sales of smart construction retrofit kits* and marketing of DX solutions for the construction industry.

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

The Company was the first in the world to develop OPTiM Geo Scan, an application that has sparked industrywide interest. High-precision 3D data can be acquired simply by scanning earth structures or other survey objects with a smartphone or tablet device with a built-in LiDAR sensor. Even at small-scale worksites where drones or laser scanners cannot be used, the app demonstrates its superiority, and, compared to conventional electro-optical surveying, the time required can be reduced by up to 60%. No specialized knowledge is required, and surveying can be easily performed by one person, 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 such as the terrestrial laser scanner OPTiM Geo Scan Advance, to further improve its convenience. The Company estimates the total addressable market for this field to be ¥360.0 billion.

b) Agritech

In the Agriculture 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 and fertilization technology,” and supports labor savings and higher income in agricultural operations. Other services developed by the Company (besides pinpoint agricultural chemical spraying) include “seeding technology” using drones; “Agri Field Manager,” a service for conducting analysis of fields and crops using AI; 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 at the optimal times with the minimum amount of pesticides used by combining the growth 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 estimates the total addressable market for this field to be ¥388.5bn.

Business overview

c) Digital health

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,” the first remote healthcare consultation service in Japan using smartphones and tablets, 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 Mediaroid Intelligent Network System (MINS) jointly with Mediaroid 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 Mediaroid, 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 surgeries in the fields of urology, digestive system surgery, and gynecology. The Company estimates the total addressable market for this field to be ¥150.0bn.

d) Marketing DX

Development in this field is based on the CRM tools of YURASCOPE Corporation, a subsidiary acquired through an M&A in 2020. Since the COVID-19 pandemic, the digitalization of customer service has accelerated. The Company develops cloud services and smartphone apps that digitalize customer service at companies and organizations and make marketing activities better and more efficient. Examples include tools for the restaurant industry aimed at boosting customer orders and carrying out sales activities when customers are not present, tools for communication between local governments and citizens, and user tools for large-scale stadiums.

e) Office DX

The Company provides various AI solutions for office operations regardless of industry or type of business. Its representative service is OPTiM Contract, an AI contract management service that uses AI technology to facilitate tasks such as document searches and the management of termination dates. OPTiM denshichobohozon, is an AI transaction information (records) management service that uses AI to make the keeping of transaction information, such as invoices, receipts, and purchase orders, more efficient. The storage of this information is a requirement of the Electronic Bookkeeping Law, for which the grace period will end in December 2023. The office DX field includes demand from large companies to small and medium enterprises, regardless of industry or type of business, and the market is estimated to be worth over ¥422.2bn.

Business overview

f) Video management 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 have been 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).

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) Other Services**a) Optimal Remote**

Optimal Remote is a service 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.

b) Optimal Second Sight

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 a decrease in movement among locations.

Business overview

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 stock-type sales (license income), 5) plentiful customer base, and 6) business creation capabilities.

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%. Services include Optimal Biz, an MDM and PC management service that has held the No.1 share of the domestic MDM market for 13 consecutive years.
5. Plentiful customer base	A cumulative customer base of more than 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 2019 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 holds the intellectual property for each of its killer services. For example, the basis for OPTiM Cloud IoT OS is a patent for the automatic selection of optimal AI or API based on predefined conditions (registration number: JP6404529), the basis for OPTiM Geo Scan is a program that simply realizes high-precision 3D surveys through automatic coupling of positional information and 3D point cloud data (registration number: JP7009021), and the basis for OPTiM Digital Marketing is a program that analyzes camera images using AI and provides coupons with discount rates based on seat vacancy rates (registration number: JP6246446). 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). As of the end of September 2023, the Company had 1,129 pending patents and 548 registered patents. These intellectual properties not only create walls preventing others from entering new business fields, but also allow major companies to feel secure in establishing partnerships and alliances with the Company.

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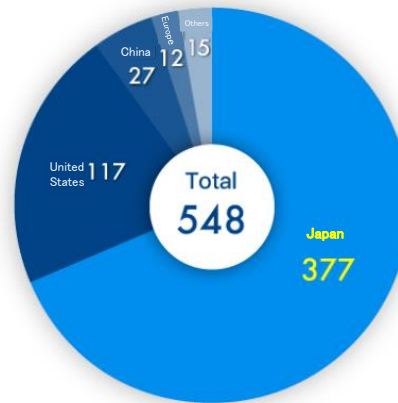
Business overview

Number of pending and registered patents (as of September 2023)

Number of pending patents



Number of registered patents



Source: The Company's website

5. Sales channel strategy

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.

Results trends

Stock-type sales grew steadily for mainstay products Optimal Biz and OPTiM Cloud IoT OS in 1H FY3/24. The number of licenses increased for OPTiM Geo Scan and certain other products.

1. Overview of 1H FY3/24 results

In the 1H FY3/24 consolidated results, the Company recorded ¥4,384mn in net sales (up 5.6% YoY), ¥762mn in operating profit (up 33.1%), ¥671mn in ordinary profit (up 29.9% YoY), and ¥394mn in profit attributable to owners of parent (up 31.9% YoY), as the Company passed through the second quarter smoothly toward achieving record-high net sales for the 24th consecutive year since its founding.

Results trends

1H FY3/24 consolidated results

	1H FY3/23		1H FY3/24		YoY
	Results	Vs. net sales	Results	Vs. net sales	
Net sales	4,151	100.0%	4,384	100.0%	5.6%
Cost of sales	2,091	50.4%	2,164	49.4%	3.5%
Gross profit	2,059	49.6%	2,220	50.6%	7.8%
SG&A expenses	1,486	35.8%	1,457	33.2%	-2.0%
Operating profit	573	13.8%	762	17.4%	33.1%
Ordinary profit	516	12.4%	671	15.3%	29.9%
Profit attributable to owners of parent	298	7.2%	394	9.0%	31.9%

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

Looking at net sales, stock-type sales showed particularly steady growth centered on Optimal Biz, the core product of Mobile Management Services, and OPTiM Cloud IoT OS, the core product of X-Tech Services. As DX permeated society and the number of devices increased, demand for Optimal Biz increased in various situations, particularly for office, business devices, and telework. In fields where the Company seeks to develop killer services based on OPTiM Cloud IoT OS, licenses were steadily accumulated for OPTiM Geo Scan, a 3D surveying smartphone app for the construction industry. In flow-type sales, sales trended favorably for Marketing DX.

On the profit front, the gross margin rose 1.0 percentage points YoY and the SG&A expense ratio declined 2.6 percentage points, resulting in a 3.6-percentage point increase in the operating margin to 17.4%. Operating profit rose substantially by 33.1% YoY. Overall, the Company made ample upfront investments for the future while maintaining high profitability, so it can be seen that trends have been steady.

An extremely stable financial condition, leaving surplus capacity for future M&A and other initiatives

2. Financial condition and management indicators

Total assets at the end of 1H FY3/24 increased by ¥317mn from the end of the previous year to ¥8,536mn. Current assets increased ¥140mn to ¥3,888mn. This was mainly attributable to cash and deposits increasing by ¥581mn, while notes and accounts receivable – trade, and contract assets decreased by ¥541mn. Fixed assets increased by ¥177mn to ¥4,647mn due to factors such as an increase of ¥387mn in software. The balance of cash and deposits at term-end improved further to ¥2,022mn.

Total liabilities declined by ¥67mn to ¥1,962mn. This was mainly attributable to current liabilities declining ¥68mn due to factors including a decrease of ¥182mn in notes and accounts payable - trade. Non-current liabilities were largely unchanged, increasing by ¥0mn to ¥139mn. Total net assets increased ¥385mn to ¥6,574mn due to factors such as an increase of ¥394mn in retained surplus from recording profit attributable to owners of parent.

Regarding management indicators for stability, the current ratio was 213.3%, while the equity ratio was 75.9%. Therefore, the Company's financial stability is extremely high. Given characteristics such as an abundance of cash and deposits and very low levels of borrowings, the Company's financial structure will allow it to actively pursue acquisitions in cases where M&A deals and other opportunities arise.

Results trends

Consolidated balance sheets and management indicators

	End-FY3/23	End-1H FY3/23	Change
	(¥mn)		
Current assets	3,748	3,888	140
(Cash and deposits)	1,440	2,022	581
(Notes and accounts receivable-trade and contract assets)	2,101	1,560	-541
Non-current assets	4,470	4,647	177
(Intangible assets)	2,409	2,479	340
Total assets	8,219	8,536	317
Current liabilities	1,891	1,822	-68
(Notes and accounts payable - trade)	512	329	-182
(Short-term borrowings)	314	314	0
Non-current liabilities	139	139	0
Total liabilities	2,030	1,962	-67
Total net assets	6,189	6,574	385
Total liabilities and net assets	8,219	8,536	317
<Stability>			
Current ratio (current assets ÷ current liabilities)	198.2%	213.3%	-
Equity ratio (shareholders' equity ÷ total assets)	74.2%	75.9%	-

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 are evolving in fields such as agritech, digital construction, and marketing DX

1. Projection of medium- to long-term sales growth

Over the past few years, the Company has focused on R&D activities and achieved results in a variety of industries by launching new services based on Optimal Biz and OPTiM Cloud IoT OS. In the medium- to long-term, the Company aims to rapidly improve business results by continuing the smooth growth in Mobile Management Services (Optimal Biz) while realizing huge growth in X-Tech Services. In X-Tech Services, it is developing multiple industry-specific killer services using OPTiM Cloud IoT OS and other related technologies and its main business areas include agritech, digital construction, digital health, office DX, marketing DX, and video management DX.

Growth strategies and topics

2. Progress of main X-Tech services and newest examples

(1) Agritech

In the agricultural sector, numerous demonstrations have been conducted involving pinpoint agricultural chemical spraying and fertilization technology using drones; Agri Field Manager, a service for managing fertilization, seed dissemination, and fields using drones; 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. Agri-Contractor Services use both the hardware (drones, etc.) and software (AI/IoT-based analysis systems, etc.) the Company has developed to date. Here, the Company has been enhancing its lineup with multiple services, including “pinpoint time spraying,” which is a drone service for carrying out pest removal and prevention at optimal times. In July 2023, the Company announced a technology enabling “shot-into stripe seeding” by attaching a part to inject seed rice, called a Stripe Seed Shooter, to a self-navigating drone and began providing this technology as a service. In comparison with conventional drone-based direct seeding procedures, the Company’s service is expected to realize low seedling growth risk and high yields.



Source: The Company's results briefing materials

(2) Digital construction

In terms of topics in the construction and civil engineering field, OPTiM Geo Scan, a 3D surveying smartphone app, has been gaining momentum, with the cumulative number of licenses exceeding 1,000 over approximately 2.5 years since the Company began providing this service on a full scale (in May 2021). In March 2022, OPTiM Geo Scan became the first application in Japan to comply with the requirements of the “Guidelines for Formwork Management Using 3D Measurement 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, OPTiM Geo Scan can be used in an integrated manner throughout the construction process, from project planning and design to the start of construction, and through to final inspections, thereby realizing improved operational efficiency. Moreover, the Company has strengthened peripheral functions. It 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 May 2023, it started providing OPTiM Geo Scan Advance, a terrestrial laser scanner that can generate high-precision 3D data covering long distances using a smartphone. Conventional LiDAR sensors built into iPhones and iPads have a maximum range of five meters, so there are times when this makes surveying difficult. However, OPTiM Geo Scan Advance enables surveying to be carried out over long distances and in difficult to access areas, such as landslides and other disaster sites. In August 2023, OPTiM Geo Scan Advance was used in surveying to assess damage from heavy rains in Saga City and helped to make work more efficient in difficult to access areas.

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Growth strategies and topics

OPTiM Geo Scan, a 3D surveying smartphone app



Source: The Company's results briefing materials

OPTiM Geo Scan Advance



Source: The Company's results briefing materials

(3) Digital health

In the healthcare sector, the Company has successfully developed a system for surgical robots. 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. The system's first application was in urology, and it has also been approved for digestive system surgery and gynecology applications, so it has fully entered a period of widespread uptake. Additionally, in February 2023, it combined the Company's marketing DX service OPTiM Digital Marketing and Online Healthcare Platform to provide Tayoris, SOGO MEDICAL CO., LTD.'s official healthcare app. As SOGO MEDICAL's official app, Tayoris is being used in dispensing pharmacies across Japan, including at SOGO PHARMACY, which has about 740 stores (as of February 2023). Under the concepts of reliable expertise, pleasing peace of mind, and convenience that fits more closely with lifestyles, it provides an integrated range of services including a prescription record function, an online medication guidance function, a medication alarm function, and a function for managing vital signs.

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Growth strategies and topics

(4) Office DX

One example of a service that is attracting interest 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 research by the Company), so the results are overwhelming, and this high level of cost effectiveness gives it a competitive advantage. Meanwhile, OPTiM denshichobohozon is a service developed in anticipation of the enactment of the Electronic Bookkeeping Law in January 2024. For this service, the Company has finished obtaining JIIMA certifications (Certification of Legal Requirements for Electronic Transaction Software was obtained in August 2023, and Certification of Legal Requirements for Scanner Storage Software under the Electronic Bookkeeping Law was obtained in October 2023*). OPTiM denshichobohozon can now legally support electronic data and scanned data for documents sent or received in paper form, providing more secure document storage. Traditionally, the Company's strengths have been its realization of differentiation through image recognition and AI analysis. The Company continued to drive the evolution of OPTiM denshichobohozon in 2023 through enhancements such as upgrading document management and AI analysis functions, as well as removing the limit on the number of documents in use at the same time, thereby allowing an unlimited number. Consequently, the deployment of this software is expected to accelerate.

* JIIMA certification was also obtained for OPTiM Contract.

(5) Marketing DX

In the OPTiM Digital Marketing field, in April 2023 the beta version of Saga City Super App, which enables users to access all services of Saga City from a single app, was released to the public. This app is based on OPTiM Digital Marketing's technology. The official version released in June 2023 was downloaded by approximately 30,000 people over half a year and has contributed to improved convenience for city residents. If this app proves to be a successful case example, it is likely to pave the way for the expansion of DX across local governments.

The point that all these examples share is that they combine and multiply technologies accumulated by the Company to accelerate the cultivation of new business areas and addition of new functions and services.

■ Outlook

Aiming to make FY3/24 the 24th consecutive year of revenue increases since the Company's founding and achieve record-high operating profit. The progress rate has held steady through 1H, with the Company expected to balance active growth investment and securing profits.

In FY3/24 consolidated results, the Company is forecasting ¥10,205mn (up 10.0% YoY) in net sales, ¥1,939mn (up 10.8%) in operating profit, ¥1,805mn (up 10.4%) in ordinary profit, and ¥1,106mn (up 14.9%) in profit attributable to owners of parent (as initially forecast). The Company started recouping past investments in FY3/21. However, it plans to continue aggressive R&D investments targeting development of the total addressable market worth ¥160tn and to steadily grow revenues and profit, with the goal of being a leading company in the Fourth Industrial Revolution.

FY3/24 consolidated results outlook

	(¥mn)					
	FY3/23		FY3/24			
	Results	Vs. net sales	Forecast	Vs. net sales	YoY	1H progress rate
Net sales	9,277	100.0%	10,205	100.0%	10.0%	43.0%
Operating profit	1,750	18.9%	1,939	19.0%	10.8%	39.3%
Ordinary profit	1,634	17.6%	1,805	17.7%	10.4%	37.2%
Profit attributable to owners of parent	962	10.4%	1,106	10.8%	14.9%	35.6%

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

The Company is striving for record-high net sales for the 24th consecutive year since its founding, maintaining the same growth rate as in the previous term (11.6%). Stock-type sales account for approximately 80% of the Company's net 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 FY3/24. The rapid advances in DX in each industry are providing a tailwind for X-Tech Services. In this environment, the Company will make active investments and strengthen sales through high-priority "killer services" as part of efforts to increase stock-type sales underpinning stable future growth. The progress rate of net sales for 1H against the full-year net sales forecast was 43.0%, on par with a normal year. As for the Company's sales structure, sales are heavily weighted toward the second half of the fiscal year primarily because stock-type license income is mainly generated through sales on a monthly billing basis and the acceptance period for flow-type customized sales tends to be concentrated in the second half.

On the profit front, the Company is targeting record-high operating profit, even while making growth investments proactively. The operating margin forecast (19.0%) is lower than the profit margin of 24.1% (FY3/21) 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 of operating profit for 1H against the full-year operating profit forecast is 39.3%, which exceeds the level for the same period of the previous year (33.9%). FISCO believes the Company's profit targets are sufficiently achievable even if it continues to make growth investments more proactively.

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 and northward migration of pests caused by climate change.

(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.

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.

ESG initiatives

(3) Governance**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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