

COMPANY RESEARCH AND ANALYSIS REPORT

R&D COMPUTER CO., LTD.

3924

Tokyo Stock Exchange Prime Market

19-Aug.-2022

FISCO Ltd. Analyst

Ken Segawa



FISCO Ltd.

<https://www.fisco.co.jp>

R&D COMPUTER CO., LTD.
3924 Tokyo Stock Exchange Prime Market

19-Aug.-2022
<https://www.rand.co.jp/ir/en-library.php>

Index

Summary	01
1. Results trends	01
2. M&A policy	01
3. Growth strategy	02
Company profile	03
1. History	03
2. Business description	03
3. IT-related and business-related qualifications	07
4. M&A policy	09
Results trends	10
1. Outline of results for FY3/22	10
2. Trends by service line	11
3. Financial condition and management indicators	13
4. Cash flows	14
Outlook	14
● Outlook for FY3/23	14
Medium-term growth strategy	15
1. Numerical targets	15
2. Growth initiatives	15
Shareholder return policy	18
1. Dividend policy	18
2. Shareholder benefits program	19
Sustainability	20

R&D COMPUTER CO., LTD.
3924 Tokyo Stock Exchange Prime Market

19-Aug.-2022
<https://www.rand.co.jp/ir/en-library.php>

Summary

Targeting sustained growth through aggressive strategy centered on package-based SI services

R&D COMPUTER CO., LTD. <3924> (hereafter, also “the Company”) is an independent, medium-sized systems integrator that celebrated the 50th anniversary of its foundation in January 2021. In addition to a stable business foundation from strong relations of trust with its customer base built up over many years, the Company has pursued an aggressive strategy in what it considers the growth area of package-based SI services, such as concluding M&A deals in both FY3/22 and FY3/23.

1. Results trends

In FY3/22 consolidated results, net sales increased 8.1%* year on year (YoY) to ¥9,596mn, and operating profit increased 40.6% YoY to ¥872mn. Net sales grew significantly, helped by making infree Corp. a subsidiary in the package-based SI services, the main pillar of growth strategy. For operating profit, the Company recorded a provision for loss on order received for unprofitable projects, but profit improved from higher sales in the high-profit-margin package-based SI services business, and from the selection and focus on projects, pushing both net sales and profit to record highs.

* YoY are reference values compared to non-consolidated figures. Same for below.

For the FY3/23 consolidated results, the Company has left its medium-term numerical forecasts unchanged, and expects net sales to increase 11.5% YoY to ¥10,700mn, and operating profit to improve 8.9% YoY to ¥950mn, which would constitute record sales and profit for a second consecutive year. As well as strengthening existing technologies, the Company is taking proactive steps to develop business domains with high growth prospects centering on the package-based SI services, focus on and select business structure, and expand direct transactions with customers. For profit, in addition to continuing to pursue its strategic investments, the Company expects the end of the state of emergency declaration caused by the spread of the COVID-19 pandemic to increase sales activities including business travel, and increase SG&A expenses that were restricted in FY3/22.

2. M&A policy

The Company adopted an aggressive M&A strategy from FY3/22, and targets package-based SI-related companies, which it has positioned as a growth business, that have the potential for group synergies. It acquired all the shares in infree and made it a wholly-owned subsidiary in April 2021 as part of this policy. The Company will expand SAP-related business for the entire group by sharing resources such as education tools developed by infree within the group. SAP-related sales jumped from ¥69mn in FY3/21 to ¥483mn in FY3/22. The Company also acquired all the shares in NESCO SUPER SOLUTION Co., Ltd. and made it a wholly-owned subsidiary in April 2022. NESCO SUPER SOLUTION has knowledge and high technological capabilities in the accounting package SuperStream business. It has direct transactions with mainly major corporation customers, and has introduced systems to 600 companies, cumulatively. The Company expects the sharing of the insights of NESCO SUPER SOLUTION to expand direct transactions with customers being promoted by the Company.

R&D COMPUTER CO., LTD.
3924 Tokyo Stock Exchange Prime Market

19-Aug.-2022
<https://www.rand.co.jp/ir/en-library.php>

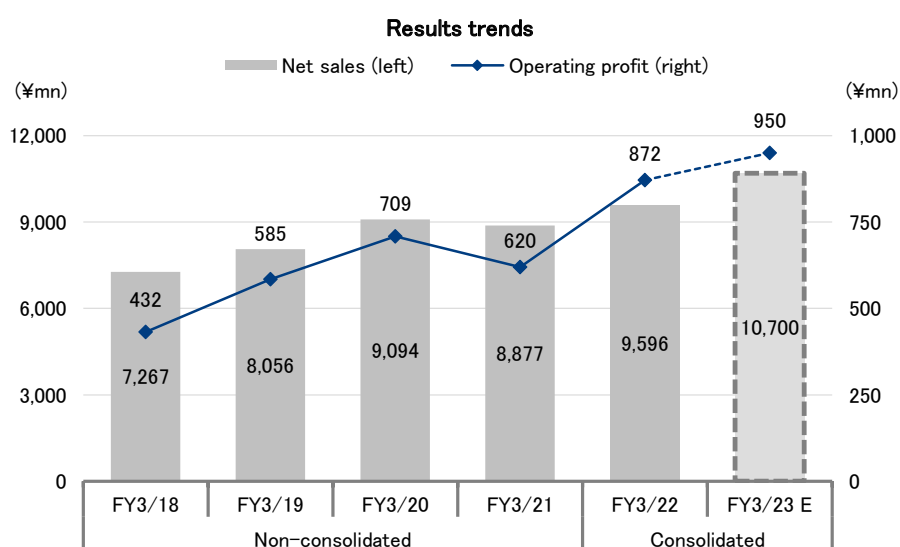
Summary

3. Growth strategy

The Company's policy is to build on the foundation of the system integration services and infrastructure solutions services, both steady growth businesses, while accelerating growth by expanding the package-based SI services which it has positioned as a growth business. For Salesforce, which accounts for over half the package-based SI services' sales, the Company is pursuing low-code development, and agile development using the cloud services of partner companies. The Company will add new development methods, and deepen cooperation with companies possessing packages, cloud, excellent IT products/services and proprietary technologies, increase development speed by broadening the scope of solutions, and provide optimal solutions that meet the requirements of customers.

Key Points

- In the package-based SI services it positions as a growth business, has made package-based SI services-related companies subsidiaries in two consecutive fiscal years
- Posted record high FY3/22 sales and profit. Expects to post another new record high in FY3/23
- Focusing on speedy agile development, low-code development and cloud



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

■ Company profile

An independent systems integrator with a business history of half a century

The Company has a long history as an independent systems integrator, celebrating 50 years since its foundation in January 2021. Unusual for the information services industry, it was established by an educational institute. “With all our heart” as the company creed, and it conducts business based on its three corporate philosophies of 1) Create value for customers and pursue customer satisfaction to increase corporate value, 2) As a group of professionals, open up a path for the next generation and become a leading information technologies company, and 3) Always maintain and uphold an innovative corporate culture.

Since it was established by an educational institute, one of its features is its passion for educating employees. It encourages employees to acquire not only IT-related qualifications, but other business-related qualifications as well, and on average each employee holds three or more qualifications. Employees having skills and knowledge both in IT and customers’ businesses makes it possible to develop systems that provide high levels of customer satisfaction.

1. History

At the time of its foundation in 1971, the Company began transactions with FUJITSU <6702> in the development of a banking system, which led to expansion of its business scope centering around the outsourced development of financial systems for banks and insurance companies. In December 1987, it entered the credit card systems field via Toyo Information Systems Co., Ltd. (currently TIS Inc. <3626>), and in July 1990, entered the field of distribution systems to department stores by concluding a work outsourcing basic agreement with Takashimaya Co., Ltd. <8233>, thereby expanding its user base. In 2006, it started infrastructure-related services for system integration services as the infrastructure solutions services. The Company began collaborating with Salesforce (Salesforce.com, Inc. <CRM>) of the US in April 2010, and started providing cloud computing services. Furthermore, in systems integration services, it has started working on introducing package systems and developing add-ons as package-based SI services.

The Company was listed on the Tokyo Stock Exchange (TSE) Second Section in December 2015, and subsequently upgraded to the TSE First Section in May 2018. It then moved to the Prime Market following the TSE’s restructuring of its market segments in April 2022.

2. Business description

The Company operates the three service lines of system integration services, infrastructure solutions services, and package-base SI services, and is structured to provide total system support to resolve business issues.

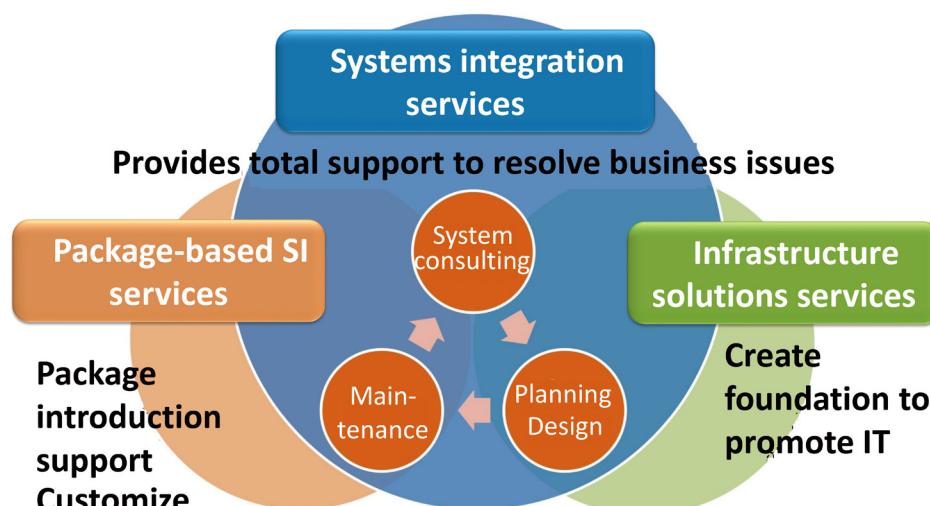
R&D COMPUTER CO., LTD.
3924 Tokyo Stock Exchange Prime Market

19-Aug.-2022

<https://www.rand.co.jp/ir/en-library.php>

Company profile

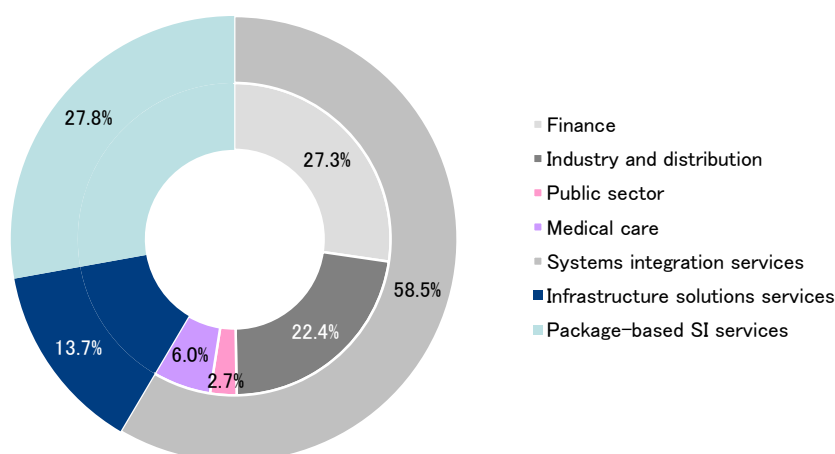
Service lines and one-stop services



Source: The Company's results briefing materials

According to the composition of total net sales by service line in FY3/22, systems integration services provided 58.5%, infrastructure solutions services 13.7%, and package-based SI services 27.8%. Breaking down net sales in systems integration services according to customer industry, finance provided 27.3% (banks 15.2%, insurance and securities 2.9%, and credit cards 9.2%), industry and distribution 22.4%, public sector 2.7%, and medical care 6.0%. The ratio of net sales of package-based SI services increased 5.5pp YoY due to the consolidation of infree.

Ratio of net sales by industry (FY3/22)



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

Financial institutions are the biggest customers for the IT services industry. In the case of the Company, it serves prime contractors include FUJITSU and Hitachi, Ltd. <6501> as a collaborating company.

R&D COMPUTER CO., LTD.
3924 Tokyo Stock Exchange Prime Market

19-Aug.-2022
<https://www.rand.co.jp/ir/en-library.php>

Company profile

The Company's customer base includes major systems integrators with which it has maintained excellent business relations for many years. The solid customer base includes FUJITSU at the top of the list, followed by the Hitachi Group centered on Hitachi, Ltd. and Hitachi Solutions, Ltd., the NTT Group centered on NTT DATA KANSAI Corporation, and NS Solutions Corporation <2327>. In addition, main users with which it conducts direct transactions include Mitsubishi Research Institute DCS Co., Ltd., Sumitomo Mitsui Trust Systems & Services Co., Ltd., Idemitsu Kosan Co., Ltd. <5019>, OPTAGE Inc., and NOMURA HOLDINGS, INC. <8604>, and these users are increasing. This customer base can be said to be the result of high evaluations from customers of the Company's technological capabilities, its business knowledge in areas such as finance and distribution, and its track record in terms of quality.

The Company's main customers are major systems integrators. In particular, close business relations with the FUJITSU Group formed immediately after founding, and it has become a core partner. In FUJITSU's FY2020 PQI (Partner Quality Improvement) skill level certification, the Company ranked GOLD for all three steps of the skill levels, including the first step (quality records), second step (quality evaluation), and third step (quality plan), for the fifth consecutive year. The extent of sales reliance on this main customer in FY3/22 was 26.9%, and the extent of reliance on the FUJITSU Group was 36.7%. While maintaining excellent relations with FUJITSU, the Company is also aiming to increase the volume of transactions with other systems integrators such as Hitachi and NTT DATA KANSAI. The ratio of total net sales of direct transactions with customers was roughly one-quarter in FY3/22, and the Company aims to increase that ratio to one-third by expanding direct transactions with customers going forward.

List of partnerships and main customers

Partnerships	Main customers
FUJITSU core partner PQI skill level GOLD certification (GOLD certification for all steps, covering the first, second, and third steps)	FUJITSU LIMITED and FUJITSU Group companies
Hitachi Solutions Excellent partner	Hitachi, Ltd. and Hitachi Group companies
Salesforce.com	NEC Corporation and NEC Group companies
Consulting partner	NTT DATA KANSAI Corporation, TIS Inc.
Application partner	INTEC Inc., OPTAGE Inc.
TIS Excellent partner	NS Solutions Corporation, ITOCHU Techno-Solutions Corporation
Microsoft Partner	Saison Information Systems Co., Ltd., Joho-Tech Company Limited
Gold Data Analytics	Salesforce Japan Co., Ltd.
Silver Application Development	IBM Japan, Ltd.
Silver Collaboration and Content	NOMURA HOLDINGS, INC., Nikko Systems Solutions, Ltd.
Silver Datacenter	Mitsubishi Research Institute DCS Co., Ltd., Mizuho Research & Technologies, Ltd., The Japan Research Institute, Limited
Silver Messaging	Sumitomo Mitsui Trust Systems & Services Co., Ltd.
AWS Partner Network (APN) select consulting partner	JCB Co., Ltd.
SuperStream-NX solutions partner	Idemitsu Kosan Co., Ltd., Bando Chemical Industries, Ltd.
Oracle PartnerNetwork Silver	JR East Information Systems Company
OBC Alliance Partnership Gold Partner	Kikkoman Business Services Co.
Ruby Association Certified System Integrator Gold	TBS HOLDINGS, INC.
MAJOR FLOW Z	NTV IT Produce Corporation, Nippon Television Music Corporation
Sales partner/development partner	

Source: Prepared by FISCO from the Company's website

R&D COMPUTER CO., LTD.
3924 Tokyo Stock Exchange Prime Market

19-Aug.-2022
<https://www.rand.co.jp/ir/en-library.php>

Company profile

(1) Systems integration services

The mainstay systems integration services cover a wide range of fields, including finance, industry and distribution, public sector, and medical care. It mainly conducts outsourced development for customers such as end users, domestic manufacturers, and major systems integrators. The Company has in place a system to provide total services covering all processes, from planning and system construction through to system management. Banks are investing in IT in order to reduce workload and to save labor, and demand is expected to be at a high level in the medium to long term. There are also many projects for online banks and distribution-related financial subsidiaries.

(2) Infrastructure solutions services

Infrastructure solutions services covers an array of services including introducing the hardware, such as servers, that form customers' IT system infrastructure; constructing networks and systems infrastructure, including databases and application infrastructure; and performing subsequent management and maintenance. After surveying and analyzing the IT systems infrastructure environments of various customers, including general companies, universities and other educational facilities, hospitals, and government ministries and agencies, it provides infrastructure solutions services that are tailored to meet their needs. Specifically, in addition to infrastructure solutions services such as network construction, it provides total, one-stop services by combining systems integration services.

(3) Package-based SI services

As the main pillar of the growth fields, the Company forms alliances with system and package vendors and in some cases is provided with packages, and offers a total service to customers, from support for introducing software package products (Salesforce, COMPANY, SuperStream, SAP, etc.) to customization, add-on development, maintenance, and management.

The Company started a business with Salesforce in April 2010 and concluded a sales partner agreement with it in November 2016. It is currently a Salesforce Gold consulting partner and application partner and has a track record of more than 2,000 projects for around 500 companies. It uses its business findings on many industries and many types of businesses and knowledge on a wide range of products (Sales Cloud, Service Cloud, Community Cloud, Lightning Platform, Einstein Analytics, Field Service Lightning, Heroku, and Pardot) to propose optimal solutions. In terms of industries, it has a track record of projects including for non-life insurance, insurance agencies, universities, vocational schools and cram and preparatory schools, the manufacturing industry (food, equipment, parts, software, etc.), restaurants, wholesale businesses, retail businesses, specialty trading companies, apparel, print and publishing businesses, real estate, dispatches of human resources, internet services, legal offices, and facility management.

By making infree a subsidiary, SAP was added to the main package alliance. Furthermore, this service line's sales greatly increased from 9.0% in FY3/16, when the Salesforce sales partner agreement began, to 27.8% (FY3/22).

R&D COMPUTER CO., LTD. | 19-Aug.-2022 3924 Tokyo Stock Exchange Prime Market | <https://www.rand.co.jp/ir/en-library.php>

Company profile

Main package alliances handled

Company name	Main package	Partnership
Salesforce.com	Salesforce	Consulting partner Application partner
SuperStream	SuperStream-NX	SuperStream-NX solutions partner
OBIC business consultants	Strategic mission-critical system Bugyo V ERP 10	OBC Alliance Partnership Gold Partner
Microsoft Corporation	Microsoft Dynamics CRM	Microsoft Partner Gold Data Analytics Silver Application Development
Works Human Intelligence	COMPANY personnel and salary	
SAP	SAP R/3	Open Eco System partner (infree)

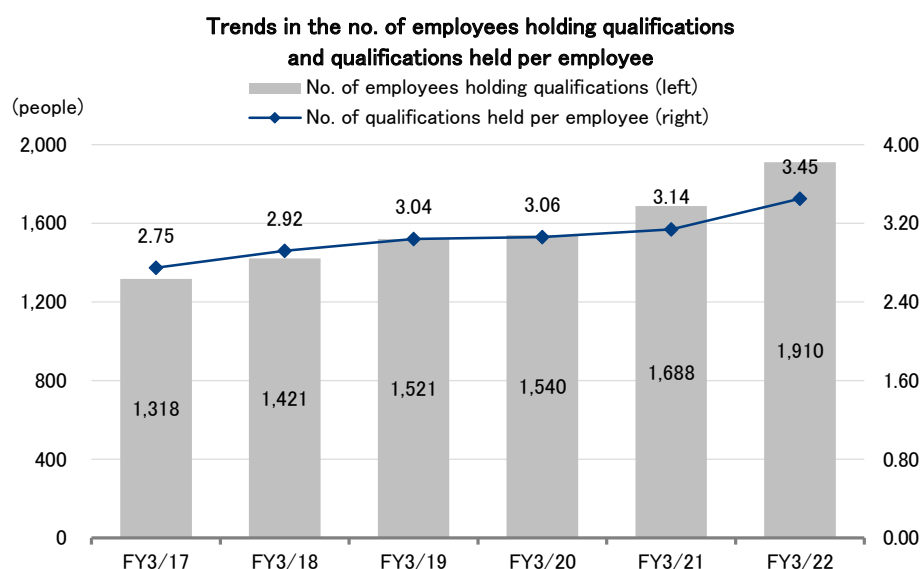
Note: Names of companies, products, and services are trade names, trademarks, and registered products of the respective companies. The TM and ® marks are not shown

Source: Prepared by FISCO from the Company's materials

3. IT-related and business-related qualifications

(1) Number of employees holding qualifications

One of the Company's strengths is that it has a group of excellent engineers. It actively encourages employees to acquire qualifications not only related to IT, but also business-related qualifications to deepen their understanding of customers' businesses, such as finance, industry and distribution, and medical care. At the end of March 2022, 1,910 employees in total held IT-related and business-related qualifications (breaking this down, 1,665 employees held IT-related qualifications and 245 employees held business-related qualifications). The average number of qualifications held per employee is 3.45. At infree, a total of 59 employees have acquired SAP-certified consultant qualification and/or other SAP-certified qualifications.



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

By actively promoting acquisitions of business-related qualifications, the Company's engineers are able to provide systems solutions and services from the customer's viewpoint. As a result, customer satisfaction is increasing, which becomes the driving force behind building strong relations of trust.

Company profile

**Company's no. of employees with IT-related and business-related qualifications
(total number of employees, end of FY3/22)**

Qualifications by industry		(people) No. of employees with qualifications
IT-related qualifications		1,665
Information Processing Engineers		448
Vendor qualifications	Salesforce Certification	112
Business-related qualifications		245
Finance	Banking Proficiency Test	28
	Finance business proficiency test	20
	Securities Broker Representative License	9
Industry and distribution	Retail Marketing	29
Medical care	Health Information Managers	8
	Healthcare Information Technologists	19
Common to industries	PMP (Project Management Professional)	43
	Bookkeeping	64

Source: Prepared by FISCO from the Company's materials

(2) New employee training

The Company also focuses on educating new employees. Prior to joining the Company, they complete an e-learning course to prepare for the basic information processing test, and upon joining, they spend three months receiving training to become members of society and on basic technologies. Furthermore, during the new employee training period, they are set the challenge of acquiring vendor qualifications relating to the Oracle <ORCL> database and Java programming. In the spring of 2021, 25 new graduates joined the Company and undertook new employee training. Despite training being cut to two months and made into a combination of group training and studying online at home due to COVID-19, similar to the previous year, all the new employees passed the prescribed vendor exams. Following the three-month new employee training after joining the Company, new employees then transition to OJT for their assigned position. There, they receive support from senior colleagues who are their trainers. Core cooperating company employees are also allowed to participate in new employee training.

New employee training

1. Training before joining the company
e-learning (measures for the basic information processing test)
2. Training to become members of society
• Training to become members of society, presentation training, mental health training
3. Basic technology education
• Information processing fundamentals, Java fundamentals, Java applications, system design fundamentals, algorithm fundamentals, database fundamentals, network fundamentals
• Exam preparation course (ORACLE MASTER Bronze Oracle Database 12C, ORACLE Java SE7 Bronze)
4. OJT training
After being assigned to their first positions, senior colleagues serve as trainers and provide support

Source: Prepared by FISCO from the Company's website

When recruiting, the Company seeks graduates and postgraduates from both the sciences and humanities. As it has in place a complete education system, it seems that it prioritizes recruits with “the ability to think logically,” “a willingness to learn” and “a passion for the IT industry and SE,” and recruits people who have the aptitude to use its system positively and want to grow. In April 2022, 29 people, including recent graduates looking to change jobs, joined the company, and it plans to recruit 30 new graduates in the spring of 2023.

R&D COMPUTER CO., LTD.
3924 Tokyo Stock Exchange Prime Market

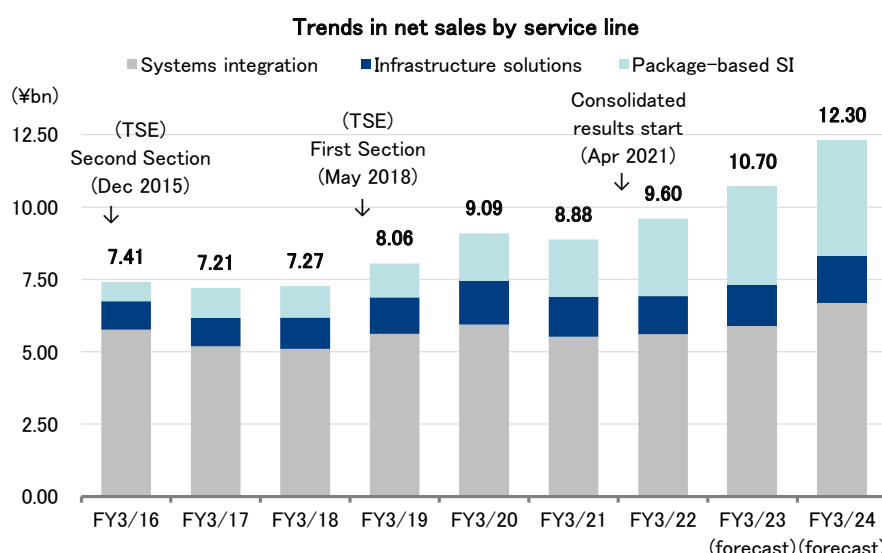
19-Aug.-2022
<https://www.rand.co.jp/ir/en-library.php>

Company profile

The Company has systemized its training structure, and it covers various training related to IT technologies, interpersonal skills, work positions, management, project management, quality control, acquiring qualifications, and study sessions on new technologies. Recently, it has been working on initiatives including training on Python, which is a programming language used for development in cutting-edge fields such as AI, and agile development that utilizes new digital technologies like low-code development to realize systems development in an extremely short period of time by using the visual operations of the Graphical User Interface (GUI), centered on the DX Promotion Headquarters. Going forward, the Company intends to strengthen the acquisition of cloud-based skills.

4. M&A policy

The Company adopted an aggressive M&A strategy from FY3/22, and targets package-based SI-related companies, which it has positioned as a growth business, that have the potential for group synergies. The Company's policy is to build on the foundation of the system integration services and infrastructure solutions services, both steady growth businesses, while accelerating growth by expanding the package-based SI services which it has positioned as a growth business. In package-based SI services, the Company seeks to expand direct transactions with customers, and gain sustained business and repeat orders such as maintenance.



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

(1) infree

The Company acquired all the shares in infree and made it a wholly-owned subsidiary in April 2021. This was its first ever M&A acquisition. infree, which was founded in August 2001, has since its foundation been strong in the areas of consulting to introduce SAP R/3, which is an SAP enterprise resource planning (ERP) package, and add-on software development. SAP R/3 has been introduced by more than 10,000 major companies around the world and has the largest share of the global ERP market. FY7/20 results prior to becoming a subsidiary were net sales of ¥330mn, operating profit of ¥21mn, ordinary profit of ¥23mn, net income of ¥17mn, fiscal year-end capital of ¥15mn and net assets of ¥50mn. The Company will expand SAP-related business for the entire group by sharing resources such as education tools developed by infree within the group. SAP-related sales jumped from ¥69mn in FY3/21 to ¥483mn in FY3/22. infree was certified as an SAP PartnerEdge Service partner in January 2022.

R&D COMPUTER CO., LTD.
3924 Tokyo Stock Exchange Prime Market

19-Aug.-2022
<https://www.rand.co.jp/ir/en-library.php>

Company profile

(2) NESCO SUPER SOLUTION

The Company also acquired all the shares in NESCO SUPER SOLUTION and made it a wholly-owned subsidiary in April 2022. NESCO SUPER SOLUTION was founded in 2006 following the split of the SuperStream business of NESCO CO., LTD., headquartered in Chiyoda City, Tokyo. FY3/21 results prior to becoming a subsidiary were net sales of ¥586mn, operating profit of ¥74mn, ordinary profit of ¥78mn, net income of ¥34mn, fiscal year-end capital of ¥260mn and net assets of ¥298mn. NESCO SUPER SOLUTION expects to record roughly ¥100mn in goodwill amortization and acquisition-related expenses in FY3/23. It will change its office location and company name as a result of becoming a subsidiary.

NESCO SUPER SOLUTION has knowledge and high technological capabilities in the accounting package SuperStream business as a SuperStream-NX partner. It has direct transactions with mainly major corporation customers, and has introduced systems to 600 companies, cumulatively. The Company expects the sharing of the insights of NESCO SUPER SOLUTION to expand direct transactions with customers being promoted by the Company. NESCO SUPER SOLUTION has been providing the SuperStream/400 that operates on IBM i (formerly AS400) based on SuperStream-CORE from October 2001. The Company intends to provide higher value-added next generation services by integrating NESCO SUPER SOLUTION's package-based SI services.

Results trends

Posted record high FY3/22 sales and profit

1. Outline of results for FY3/22

In FY3/22 consolidated results, net sales increased 8.1% YoY to ¥9,596mn, operating profit increased 40.6% YoY to ¥872mn, ordinary profit grew 35.2% YoY to ¥879mn, and profit attributable to owners of parent improved 45.6% YoY to ¥627mn, a record high for both net sales and profits. Results also beat the Company's upwardly revised profit forecasts from February 2022; net sales by 1.0%, operating profit by 9.0%, ordinary profit by 8.6% and profit attributable to owners of parent by 12.0%.

FY3/22 results

(¥mn)

	FY3/21 (non-consolidated)		FY3/22 (consolidated)			Change		vs. plan
	Results	% of net sales	Plan	Results	% of net sales	Amount	%	
Net sales	8,877	100.0%	9,500	9,596	100.0%	718	8.1%	1.0%
Gross profit	1,493	16.8%	-	1,827	19.0%	335	22.3%	-
SG&A expenses	873	9.8%	-	955	10.0%	81	9.3%	-
Operating profit	620	7.0%	800	872	9.1%	252	40.6%	9.0%
Ordinary profit	650	7.3%	810	879	9.2%	228	35.2%	8.6%
Profit attributable to owners of parent	430	4.9%	560	627	6.5%	196	45.6%	12.0%

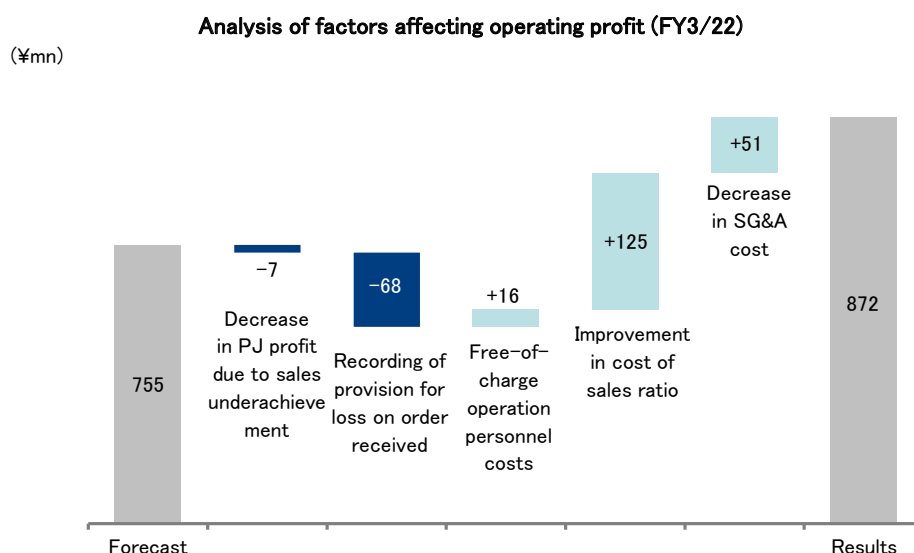
Note: Forecasts for FY3/22 are the those announced in February 2022. YoY comparisons are reference values compared with the nonconsolidated figures
Source: Prepared by FISCO from the Company's financial results

R&D COMPUTER CO., LTD.
3924 Tokyo Stock Exchange Prime Market

19-Aug.-2022
<https://www.rand.co.jp/ir/en-library.php>

Results trends

Net sales grew significantly, helped by making infree a subsidiary in the package-based SI services, the main pillar of the Company's growth strategy. For operating profit, the Company recorded a provision for loss on order received for unprofitable projects, but profit improved from higher sales in the high-profit-margin package-based SI services business, and from the selection and focus on projects, pushing both net sales and profit to record highs. In terms of the analysis of the changes in operating profit the vis-à-vis the forecast at the start of the fiscal year, increasing factors were a decrease in personnel expenses from uncharged operations (¥16mn), an improvement in cost of sales ratio (¥125mn), and a decline in SG&A expenses (¥51mn), while decreasing factors were a decrease in PJ profit due to sales underachievement (¥7mn), and the recording of a loss on large-scale unprofitable projects provision (¥68mn). The cause of the cost of sales ratio improvement was higher sales in the high-profit-margin package-based SI services business, and improved profit from the selection and focus on projects. In order to maintain productivity while ensuring the health and safety of employees (including employees of partner companies) and customers, the Company focused on maintaining and continuing business activities while proactively promoting measures such as telework, staggered office hours, remote business talks, and online meetings. The Company recorded ¥41mn as subsidiary acquisition costs and goodwill amortization for FY3/22, meaning that infree made only a minor contribution to profit.



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

2. Trends by service line

Looking at net sales by service line, the package-based SI services, the main pillar of growth strategy, grew significantly.

R&D COMPUTER CO., LTD.
3924 Tokyo Stock Exchange Prime Market

19-Aug.-2022
<https://www.rand.co.jp/ir/en-library.php>

Results trends

Net sales by service line in FY3/22

	FY3/21 (non-consolidated)		FY3/22 (consolidated)		Change	
	Results	% of net sales	Results	% of net sales	Amount	%
Systems integration	5,524	62.2%	5,613	58.5%	88	1.6%
Finance	2,841	32.0%	2,619	27.3%	-222	-7.8%
(of which, banks)	1,761	19.8%	1,460	15.2%	-300	-17.1%
(of which, insurance and securities)	268	3.0%	275	2.9%	6	2.4%
(of which, credit cards)	811	9.1%	884	9.2%	72	8.9%
Industry and distribution	1,990	22.4%	2,154	22.4%	163	8.2%
Public sector	185	2.1%	262	2.7%	77	41.7%
Medical care	507	5.7%	576	6.0%	69	13.6%
Infrastructure solutions	1,375	15.5%	1,312	13.7%	-63	-4.6%
Package-based SI	1,976	22.3%	2,670	27.8%	694	35.1%
Total	8,877	100.0%	9,596	100.0%	719	8.1%

Note: YoY changes are reference values compared to non-consolidated figures

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

(1) Systems integration services

Net sales in the mainstay system integration services increased 1.6% YoY to ¥5,613mn. Net sales in the finance field, which provides the highest ratio of sales by industry, decreased 7.8% YoY to ¥2,619mn, and its ratio of total net sales was 27.3%. Sales to banks declined 17.1% YoY to ¥1,460mn, due to the fact that the FY3/21 megabank system development project, growth in projects for online banks and next-generation accounting system projects for regional banks and other financial institutions in the previous fiscal year were completed. Sales to the public sector improved 41.7% YoY to ¥262mn due to the receipt of a new large-scale project. Meanwhile, sales to the medical care industry improved a strong 13.6% YoY to ¥576mn. This was due to the contribution from digital health chart introduction support, and package system development projects for hospitals in FY3/22, despite the postponement or suspension of projects in FY3/21, including digital health chart projects, due to the COVID-19 pandemic.

(2) Infrastructure solutions services

Net sales of infrastructure solution services declined 4.6% YoY to ¥1,312mn. The YoY decline was due to factors such as projects becoming drawn out as a result of the impact of the shortage of semiconductors, and a decrease in orders in the education field.

(3) Package-based SI services

Net sales of package-based SI services were strong, increasing 35.1% YoY to ¥2,670mn, with the ratio of total sales at 27.8%. Net sales in the mainstay Salesforce-related business increased 10.9% YoY to ¥1,434mn, and sales of personnel salary packages increased 31.2% YoY to ¥374mn, and sales of accounting packages rose 9.5% YoY to ¥295mn. Additionally, with the consolidation of infree, SAP sales increased significantly from ¥69mn to ¥483mn.

In the SuperStream Partner Award 2021, the Company was awarded the Certified Consultant Award. This is awarded each year by the developer, SuperStream Inc., to partner companies that have increased sales of SuperStream products and worked hard on business development, and it was awarded to the partner that has the best results for the SuperStream-NX engineer certification exam. In 2022, NESCO SUPER SOLUTION, that had become a subsidiary of the Company in April 2022, was awarded the Sales Award by SuperStream.

R&D COMPUTER CO., LTD.
3924 Tokyo Stock Exchange Prime Market

19-Aug.-2022
<https://www.rand.co.jp/ir/en-library.php>

Results trends

Package-based SI services net sales by industry

	FY3/21 (non-consolidated)		FY3/22 (consolidated)		Change	
	Results	% of net sales	Results	% of net sales	Amount	%
Package-based SI	1,976	100.0%	2,670	100.0%	694	35.1%
Salesforce-related business	1,292	65.4%	1,434	53.7%	141	10.9%
SAP	69	3.5%	483	18.1%	413	-
Personnel salary packages (COMPANY, SuperStream)	285	14.4%	374	14.0%	89	31.2%
Accounting packages (SuperStream, Bugyo)	269	13.6%	295	11.0%	25	9.5%
Other (DynamicsCRM, others)	59	3.0%	83	3.1%	24	40.9%

Note: YoY changes are reference values compared to non-consolidated figures

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

3. Financial condition and management indicators

At the end of FY3/22, total assets were up ¥753mn versus the end of FY3/21 to ¥6,500mn. Current assets totaled ¥5,823mn, reflecting the major change of a ¥521mn increase in cash and deposits. Non-current assets totaled ¥676mn, and the main factor was a ¥115mn increase in intangible assets. Amortization of goodwill of ¥28mn was booked in FY3/22, with an end-FY3/22 balance of ¥114mn, and will continue every year over the next four years.

The Company practices debt-free management, and has a current ratio of 358.3% and an equity ratio of 67.2%, so its financial stability is extremely high. The management integrated indicator of ROE (return on equity) is 15.1%, and ROA (return on assets) is 14.4%, both high levels.

Balance sheet and management indicators

	FY3/19 (Non-consolidated)	FY3/20 (Non-consolidated)	FY3/21 (Non-consolidated)	FY3/22 (Consolidated)	Change
Current assets	4,503	4,969	5,187	5,823	636
(Cash and deposits)	2,055	2,167	2,384	2,906	521
Non-current assets	530	528	559	676	117
Property, plant and equipment	85	85	75	64	-11
Intangible assets	20	9	6	121	115
Investments and other assets	424	433	476	489	13
Total asset	5,033	5,498	5,746	6,500	753
Current liabilities	1,303	1,404	1,317	1,625	307
Non-current liabilities	468	466	482	508	25
Total liabilities	1,772	1,871	1,800	2,133	333
(Interest-bearing debt)	0	0	0	0	
Total net assets	3,261	3,626	3,946	4,366	419
[Stability]					
Current ratio	345.6%	353.9%	393.8%	358.3%	-35.5pt
Equity ratio	64.8%	66.0%	68.7%	67.2%	-1.5pt
[Profitability]					
Sales operating profit margin	7.3%	7.8%	7.0%	9.1%	2.1pt
ROA	12.3%	13.8%	11.6%	14.4%	2.8pt
ROE	12.1%	13.8%	11.4%	15.1%	3.7pt

Note: YoY change represents reference values compared with non-consolidated figures

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

Results trends

4. Cash flows

At the end of FY3/22, cash and cash equivalents were ¥2,883mn. Net cash provided by operating activities was ¥793mn, helped by net income for the period before taxes etc. of ¥949mn, etc. Net cash used in investing activities was ¥106mn, with ¥161mn used in the purchases of shares of subsidiaries. Net cash used in financing activities was ¥170mn, including a dividends payment amount of ¥167mn, etc.

■ Outlook

Expects to post second consecutive year of record net sales and operating profit in FY3/23

● Outlook for FY3/23

The Company left its medium-term numerical forecasts unchanged for FY3/23 consolidated results, and expects net sales to increase 11.5% YoY to ¥10,700mn, operating profit to improve 8.9% YoY to ¥950mn, and ordinary profit to increase 9.2% YoY to ¥960mn, which would constitute record sales and profit for a second consecutive year. It forecasts a 1.2% YoY decrease in profit attributable to owners of parent to ¥620mn, due to factors such as the drop out of extraordinary income of ¥70mn (¥59mn from gain on sale of securities, and ¥10mn compensation) recorded in FY3/22.

As well as strengthening existing technologies, the Company is taking steps to develop business domains with high growth prospects centering on package-based SI services, focus on and selection of business structure, and proactively expand direct transactions with customers, and forecasts an increase in sales. For profit, in addition to continuing to pursue its strategic investments, the Company expects the end of the state of emergency declaration caused by the spread of the COVID-19 pandemic to increase sales activities including business travel, and increase SG&A expenses that were restricted in FY3/22. It aims to improve profitability by accelerating steps to strengthen its base through productivity improvements and management efficiency, such as raising development project management awareness to help prevent unprofitable projects, and further bolstering project monitoring through PMO factors. NESCO SUPER SOLUTION will be consolidated in FY3/23, but is not expected to improve profit due to costs such as goodwill amortization costs, acquisition-related costs, office relocation costs and company name change costs.

Consolidated outlook for FY3/23

	FY3/22		FY3/23		Change	
	Results	% of net sales	Forecasts	% of net sales	Amount	Percentage
Net sales	9,596	-	10,700	-	1,104	11.5%
Systems integration	5,613	58.5%	5,900	55.1%	287	5.1%
Infrastructure solutions	1,312	13.7%	1,400	13.1%	88	6.7%
Package-based SI	2,670	27.8%	3,400	31.8%	730	27.3%
Operating profit	872	9.1%	950	8.9%	78	8.9%
Ordinary profit	879	9.2%	960	9.0%	81	9.2%
Profit attributable to owners of parent	627	6.5%	620	5.8%	-7	-1.2%

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

R&D COMPUTER CO., LTD.
3924 Tokyo Stock Exchange Prime Market

19-Aug.-2022
<https://www.rand.co.jp/ir/en-library.php>

Medium-term growth strategy

Aiming for FY3/24 net sales of ¥12,300mn, operating profit of ¥1,250mn, and an operating profit margin of 10.2%

1. Numerical targets

The Company has remained in the black for 50 years. In addition to a stable business foundation from strong relations of trust with its existing customers, it has expanded its customer base and diversified its service lines. Amid these circumstances, the Company has set Attack 100 as its future growth strategy, and is aiming to achieve net sales of ¥10bn at an early stage, and an operating margin of 10% in the medium to long term. As medium-term numerical targets (VISION2023), the Company is aiming for net sales of ¥12,300mn, operating profit of ¥1,250mn, ordinary profit of ¥1,270mn, and profit attributable to owners of parent of ¥830mn in FY3/24. The plan is for operating profit to double compared to the results in FY3/21 (non-consolidated), and the Company is aiming for an operating profit margin of 10.2%.

Medium-term numerical targets (VISION2023)

	(¥mn)									
	FY3/21 (non-consolidated)		FY3/22 (consolidated)			FY3/23 (consolidated)		FY3/24 (consolidated)		Three-year CAGR
	Results	% of net sales	Plan	Results	% of net sales	Plan	% of net sales	Plan	% of net sales	
Net sales	8,877	100.0%	9,630	9,596	100.0%	10,700	100.0%	12,300	100.0%	11.5%
Systems integration	5,524	62.2%	-	5,613	58.5%	5,900	55.1%	6,700	54.5%	6.6%
Infrastructure solutions	1,375	15.5%	-	1,312	13.7%	1,400	13.1%	1,600	13.0%	5.2%
Package-based SI	1,976	22.3%	-	2,670	27.8%	3,400	31.8%	4,000	32.5%	26.5%
Operating profit	620	7.0%	755	872	9.1%	950	8.9%	1,250	10.2%	26.3%
Ordinary profit	650	7.3%	760	879	9.2%	960	9.0%	1,270	10.3%	25.0%
Profit attributable to owners of parent	430	4.9%	500	627	6.5%	620	5.8%	830	6.7%	24.5%

Note: Three-year CAGR represents reference values compared to non-consolidated figures

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

2. Growth initiatives

The Company's growth initiatives are: 1) promotion of proactive M&A, 2) further strengthen teamwork with business partners, 3) promote the DX business, 4) expand direct transactions with customers and bolster areas of strength, and 5) further improve sales in existing SI areas. The IT market temporarily slowed in FY2020 due to the COVID-19 pandemic, but has since continued to show moderate growth. The DX market is expected to grow rapidly, boosted by COVID-19 measures. Reskilling is also on rise as a means to resolve the DX personnel shortage. Currently, the wage level of DX personnel is high, making it difficult for customer companies to incorporate it within their wage structure, and resulting in in-house production being limited to some companies. For this reason, parallel to the development of DX personnel, it will be important to appropriately use conventional development (system to accurately and efficiently record, store and use large amounts of data), and DX development (system to repeatedly provide and improve services in a short space of time).

R&D COMPUTER CO., LTD.
3924 Tokyo Stock Exchange Prime Market

19-Aug.-2022
<https://www.rand.co.jp/ir/en-library.php>

Medium-term growth strategy

Characteristics of conventional development and DX development

Type	Characteristics
Conventional development	System to accurately and efficiently record, store and use large amounts of data <ul style="list-style-type: none"> • Focus on quality: scratch development, waterfall development • Focus on cost: package, cloud, joint operation
DX development	System to repeatedly provide and improve services in a short space of time <ul style="list-style-type: none"> • Focus on speed: agile development, low-code development, cloud

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

Growth initiatives

1. **Promotion of proactive M&A**
Expand the Group's overall business scale by investing in companies with businesses that will create synergies with the Company
2. **Further strengthen teamwork with business partners**
Broaden the scope of solutions by deepening cooperation with companies possessing excellent IT products/services and proprietary technologies
3. **Promote the DX business**
 - (1) Cloud, package-based SI
 - a) Company-wide development of Salesforce-related business
 - b) Strengthen the cloud business in the infrastructure solutions services domain
 - c) Increase the ratio of package-based SI services, such as SAP, AWS, etc.
 - (2) Low-code development, agile development
Leverage the Company's strengths of technological capability, business knowledge, and high-quality system development capabilities to:
 - a) Promote agile/low-code development with the right people in the right places
 - b) Establish R&D Computer Agile Development Standard
 - c) Quickly develop agile personnel and low-code personnel
4. **Expand direct transactions with customers and bolster areas of strength**
 - (1) Expand direct transactions with customers
Acquire repeat orders using client base, and leverage package-based SI services to cultivate new clients
 - (2) Bolster areas of strength
Promote high-productivity development, focusing on areas in which the Company possesses know-how and new growth areas
5. **Further improve sales in existing SI areas.**
 - (1) Expand finance fields (insurance, securities, etc.)
 - (2) Expand public sector fields, such as Digital Agency, central government agencies projects, etc.
 - (3) Strengthen alliances with major vendors
 - (4) Promote modernization of existing systems

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

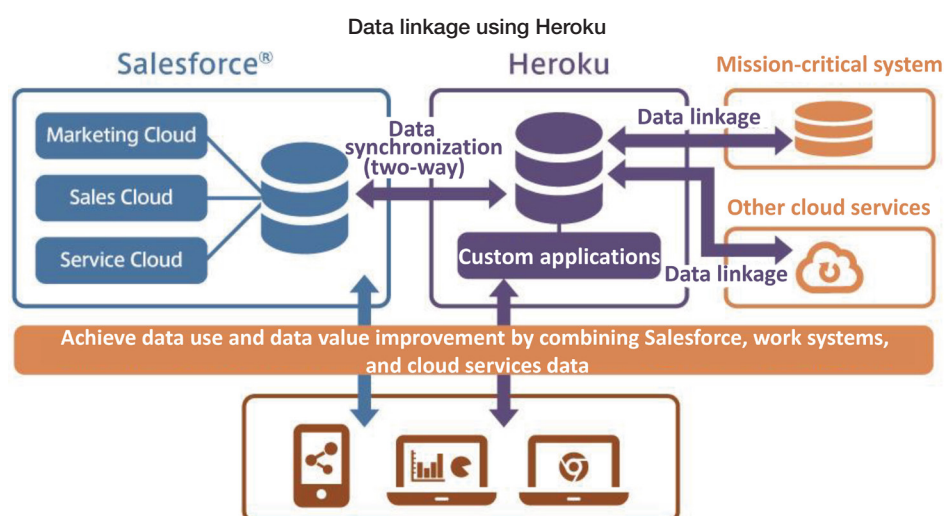
Focus on speedy agile development, low-code development and cloud

To promote the DX business, the Company will focus on the expansion of “cloud and package-based SI,” and “low-code development and agile development.” One example of this is the use of on-premise mission-critical systems and Heroku to build a system that links to Salesforce. The Heroku system is a container-based cloud PaaS (platform as a service) offered by Salesforce to safely link Salesforce data with external systems. This makes possible expansions such as linking IoT/big data, and web services to consumers, increasing the usefulness of Salesforce.

R&D COMPUTER CO., LTD.
3924 Tokyo Stock Exchange Prime Market

19-Aug.-2022
<https://www.rand.co.jp/ir/en-library.php>

Medium-term growth strategy

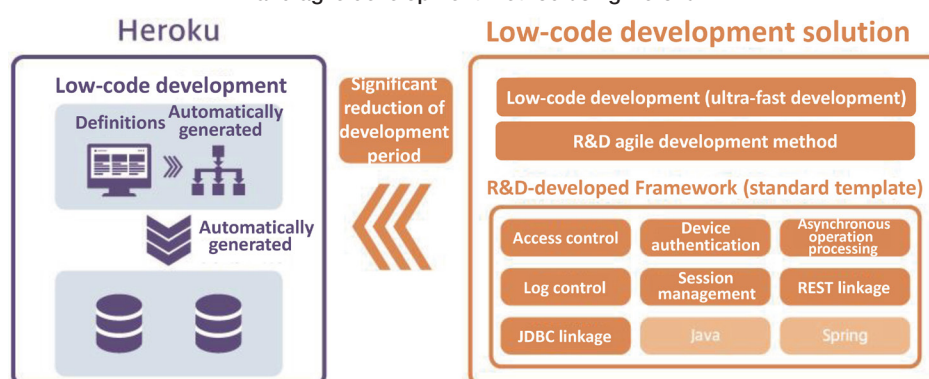


Source: The company's website

The development of applications using Heroku is a strength of the Company, and it has a track record of both small-scale and large-scale developments. Leveraging its Heroku application development experience to date, the Company has developed its original application development framework “R&D Framework.” This serves as the template that includes functional components with functions and quality that have been continuously strengthened through the Company’s development track record based on Java/spring.

When developing applications using Heroku, in addition to developments using existing application language, the Company also proposes short-term developments by combining low-code development and agile development methods. On some occasions, this has proved over 30% faster from development to release compared to existing application developments.

**Combining existing development methods and low-code development
and agile development method using Heroku**



Source: The company's website

R&D COMPUTER CO., LTD.
3924 Tokyo Stock Exchange Prime Market

19-Aug.-2022
<https://www.rand.co.jp/ir/en-library.php>

Medium-term growth strategy

Heroku main development examples

Examples	Type	Summary	System configuration
Mission-critical system replacement	Education	Replace on-premise mission-critical systems with Heroku Functions expansion, resource strengthening, replace on-premise	Heroku x mission-critical systems (on-premise)
Acceptance and order service portal development	Wholesale	Release service portal built by Heroku to relevant parties, link data on-premise and drastically improve work efficiency	Heroku x mission-critical system (on-premise)
Contract management portal development	Real estate	Collect information divided among multiple on-premise to Heroku, and build integrated information distribution infrastructure	Heroku x mission-critical system (on-premise)
Web system replacement	Retail	Websites for specific customers. Replace all on-premise Web systems from MyPage to backoffice operations with Heroku.	Heroku x mission-critical system (on-premises)
Sales support portal development	Manufacturing	Collect SalesforceR and on-premise information to Heroku and build integrated information distribution infrastructure	Heroku x SalesforceR (Sales Cloud) x mission-critical system (on-premises)
Field service portal development	Electrical safety inspection	Achieve management services such as workplan and dispatch, etc. to field services using the portal built by Heroku.	Heroku x SalesforceR (Sales Cloud) x mission-critical system (on-premises)

Source: Prepared by FISCO from the Company's website

By combining various cloud services that compliment Salesforce's Sales Cloud, Service Cloud, Marketing Cloud and Experience Cloud in order to develop CRM (customer relationship management), SFA (sales force automation), MA (marketing), customer services, analytics, and community systems, the Company facilitates service and function expansion in a short space of time without requiring individual development as well as reducing IT investment amounts. The Company has a track record of integrating cloud services offered by partner companies depending on the customer's requirements. These cloud services include time management, accounting settlements, man-hour management, form creation and printing, electronic form services, contents management services and data backup services. The Company is able to offer optimal proposals in line with customer requirements through multi-cloud integration.

Shareholder return policy

FY3/23 dividend forecast of ¥28.0 per share, unchanged YoY

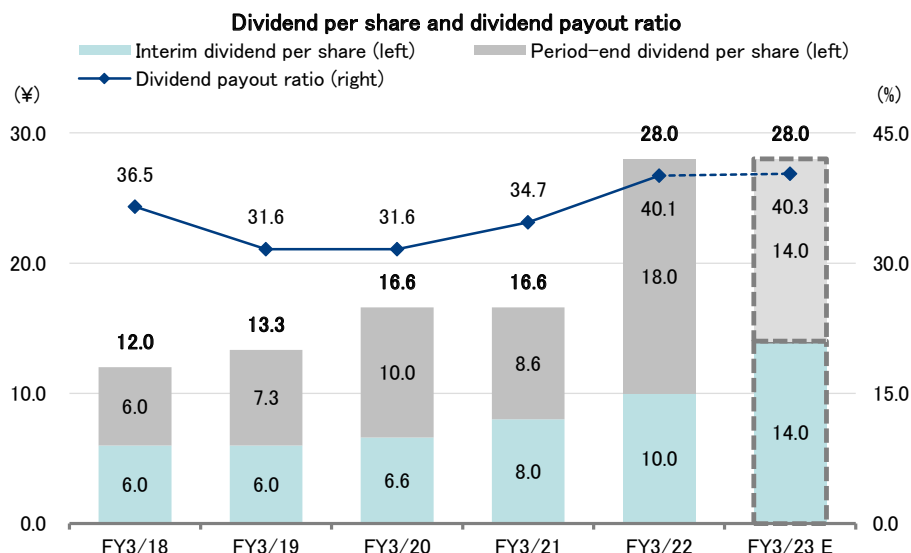
1. Dividend policy

The Company considers returning profits to shareholders to be one of its more important management issues, and its basic policy is to continuously and stably return profits to shareholders after considering supplementing internal reserves as necessary to strengthen the management structure and for business development in the future. In November 2021, the Company changed its dividend policy, shifting from a dividend payout ratio of at least 30% to a consolidated dividend payout ratio of at least 40%. On October 1, 2021, the Company also conducted a 1.5 to 1 stock split in order to lower the amount of each trading unit of its stock and thereby increase the liquidity of its shares, as well as to broaden its investor base. As a result of these changes, the Company increased the FY3/22 year-end dividend per share by ¥11.4 to ¥28.0, resulting in the dividend payout ratio rising to 40.1%. For FY3/23, the Company forecasts an annual dividend of ¥28.0 (interim ¥14.0, year-end ¥14.0), the same as FY3/22, with a dividend payout ratio of 40.3%.

R&D COMPUTER CO., LTD.
3924 Tokyo Stock Exchange Prime Market

19-Aug.-2022
<https://www.rand.co.jp/ir/en-library.php>

Shareholder return policy



Note: Retroactively revised following the 1.5 to 1 stock split conducted on October 1, 2021
Source: Prepared by FISCO from the Company's results briefing materials

2. Shareholder benefits program

The Company conducts a shareholders benefit program for the purpose of increasing the number of shareholders who hold its stock over the medium to long term. It comprehensively revised the dividend policy and the shareholders benefit program, and in November 2021, partially changed the thresholds for awarding points under the shareholders benefits program. Points are awarded to shareholders who hold at least 300 shares at the end of March, with the number of points awarded dependent on the number of shares held and the length of time they have been held. For example, shareholders who hold 300 to 399 shares will be awarded 3,000 points in the first year and 3,300 points in the second year, after which the points will increase by 10% to 3,300 points. Shareholders holding 1,000 or more shares will be awarded 15,000 points in the first year and 16,500 points in the second and subsequent years. So it is a scheme that rewards shareholders the longer they hold their shares. The awarded points can be exchanged for more than 1,000 kinds of products, including food, electrical goods, gifts and travel and experiences, on the R&D COMPUTER Benefits Club website created specifically for the Company's shareholders.

Shareholder benefits program

No. of shares held	No. of points awarded	
	First year	Second and subsequent years
300 to 399 shares	3,000 points	3,300 points
400 to 499 shares	4,000 points	4,400 points
500 to 599 shares	5,000 points	5,500 points
600 to 699 shares	6,000 points	6,600 points
700 to 799 shares	8,000 points	8,800 points
800 to 899 shares	10,000 points	11,000 points
900 to 999 shares	12,000 points	13,200 points
1,000 to 1,999 shares	15,000 points	16,500 points
2,000 or more	20,000 points	22,000 points

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











Sustainability

The Company views employees' health as an important management policy, and is working to maintain and improve health as well as increase productivity. In recognition of these efforts, it was recognized as a 2021 Certified Health & Productivity Management Outstanding Organization (large enterprise category), as a company that has excellent health and productivity management.

In addition, the Company has also issued its diversity promotion declaration. Through this declaration, it is aiming to establish an environment in which the rights of all are respected, there is no discrimination, and each and every person can demonstrate their capabilities. It is also aiming to establish workplace environments in which employees can demonstrate their individual capabilities to the greatest possible extent through enhancing work-life balance and promoting gender equality. It is promoting respect for the diversity of each and every person and reasonable consideration for people with disabilities and people who require support.

In addition, the Company is advancing initiatives with respect to the Sustainable Development Goals (SDGs), and it has newly declared five key goals. The Company has established specific targets for each of the five goals of "Education/technological innovation," "Rewarding work/equality," "Responsibility," "Partnerships," and "Health/equality."

Five key goals

01 Education/ technological innovation	Contribute to the realization of sustainable social infrastructure by providing optimal system solutions from a group of talented engineers.	  
02 Rewarding work/ equality	Aim to respect the human rights and diversity of all people, and establish an environment that allows each person to demonstrate his/her talent to the fullest.	  
03 Responsibility	Aim to be a company trusted by stakeholders through the provision of high-quality, reliable, and safe services.	
04 Partnerships	Contribute to the achievement of the SDGs through the building of long-term cooperative relationships with business partners.	
05 Health/equality	Aim to create a workplace in which every employee can be both mentally and physically healthy and can work vibrantly and enthusiastically.	 

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

Disclaimer

FISCO Ltd. ("FISCO") offer stock price and index information for use under the approval of the Tokyo Stock Exchange, the Osaka Stock Exchange and Nikkei Inc.

This report is provided solely for the purpose of offering information, and is not a solicitation of investment nor any other act or action.

FISCO prepared and published this report based on information which it considered reliable; however, FISCO does not warrant the accuracy, completeness, fitness nor reliability of the contents of this report or the said information.

The issuers' securities, currencies, commodities, securities and other financial instruments mentioned in this report may increase or decrease in value or lose their value due to influence from corporate activities, economic policies, world affairs and other factors. This report does not make any promises regarding any future outcomes. If you use this report or any information mentioned herein, regardless of the purpose therefor, such use shall be made based on your judgment and responsibility, and FISCO shall not be liable for any damage incurred by you as a result of such use, irrespective of the reason.

This report has been prepared at the request of the company subject hereto based on the provision of information by such company through telephone interviews and the like. However, the hypotheses, conclusions and all other contents contained herein are based on analysis by FISCO. The contents of this report are as of the time of the preparation hereof, and are subject to change without notice. FISCO is not obligated to update this report.

The intellectual property rights, including the copyrights to the main text hereof, the data and the like, belong to FISCO, and any revision, reprocessing, reproduction, transmission, distribution or the like of this report and any duplicate hereof without the permission of FISCO is strictly prohibited.

FISCO and its affiliated companies, as well as the directors, officers and employees thereof, may currently or in the future trade or hold the financial instruments or the securities of issuers that are mentioned in this report.

Please use the information in this report upon accepting the above points.

■ For inquiry, please contact: ■

FISCO Ltd.

5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062

Phone: 03-5774-2443 (IR Consulting Business Division)

Email: support@fisco.co.jp