

Scala, Inc.

4845

Tokyo Stock Exchange Prime Market

17-Apr.-2023

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Summary

Co-creation projects being launched for healthcare and social solutions; performance moving toward a next stage of growth

Scala, Inc. <4845> (hereinafter, “the Company”) is a holding company that creates and provides value for making society more abundant and making people’s lives better through DX infrastructure. The Company, through its subsidiaries, engages in the IT/AI/IoT/DX Business, Customer Support Business, HR & Education Business, EC Business, Insurance Business and Incubation & Investment Business. Using M&A to expand its business domain and create synergies as one of its growth strategies, it is promoting proactive business operations to achieve the results target (revenue of ¥500bn in FY6/30) promoted in COMMIT5000, its mid-term management plan. The Company moved its listing to the Tokyo Stock Exchange (TSE) Prime Market in line with the TSE’s transition to new market segments in April 2022.

1. Overview of 1H FY6/23 results

In ongoing businesses* in 1H FY6/23 (July–December 2022), revenue increased 52.7% year on year (YoY) to ¥6,504mn and operating profit totaled ¥140mn (a loss of ¥78mn in the same period of the previous year). Personnel costs went up due to an increase in co-creation development projects and upfront investment in new services also increased, which led operating profit to fall short of the Company’s forecast (¥400mn), but revenue progressed according to plan. Along with double-digit revenue growth in the EC Business and HR & Education Business, EGG CO., LTD. and Nihon Pet Small-amount Short-term Insurance Company, which were made subsidiaries in 4Q FY6/22, also contributed to the revenue increase. At the same time, profits increased thanks to higher profits in the EC Business, HR & Education Business, and IT/AI/IoT/DX Business and to a smaller loss in the Incubation & Investment Business. When based on the non-GAAP indicator that excludes temporary costs, operating profit increased 116.5% YoY to ¥140mn.

* Consolidated subsidiary Scala Works Inc. was classified as discontinued operations as a result of being discontinued and dissolved in 4Q FY6/22. For this reason, year-on-year comparisons of revenue and operating profit are based on ongoing businesses.

2. Outlook for FY6/23

For FY6/23, the Company maintains its initial forecasts which call for revenue to increase 29.8% YoY to ¥13,000mn and operating profit to total ¥1,000mn (a loss of ¥393mn the previous year). Revenue is projected to benefit from a full fiscal year’s contribution from EGG and Nihon Pet Small-amount Short-term Insurance Company as well as expected continued growth in the EC Business and HR & Education Business. In addition, multiple new services are being launched in healthcare, and these are expected to contribute to revenue. With regard to profits, temporary costs recorded in the previous period will not be incurred this period and there is expected to be profit growth from the IT/AI/IoT/DX Business, HR & Education Business and EC Business. However, profits could fall short of forecasts due to increases in personnel costs and upfront investment. In the Insurance Business, the Company is reforming the business structure to strengthen profitability and is aiming to return to the black on a monthly basis in FY6/24.

Summary

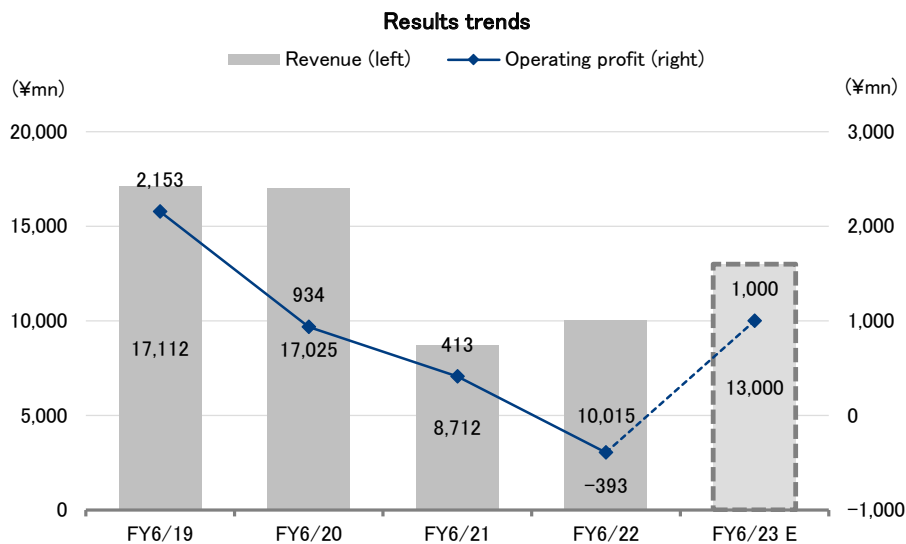
3. Progress of the mid-term management plan

The mid-term management plan COMMIT5000 calls for advancement of the value creation support business, IT/AI/IoT-related business, and social issue-solving business. It targets revenue of ¥500bn and operating profit of ¥50bn in FY6/30 (and revenue of ¥100bn and operating profit of ¥10bn in FY6/25). The plan positions the public-private co-creation and healthcare as particular areas of focus which the Company intends to actively develop. In public-private co-creation, the Company is projecting an increase in new projects through the *Gyaku Propo* (reverse public fundraising proposals)* matching platform. In healthcare, the Company developed the Smart Healthcare Platform for health maintenance and promotion and plans to release it in 2023. It aims to expand the business while developing it out horizontally. Upfront investment over the past one to two years will begin contributing on a full-fledged basis in FY6/24, so the pace of earnings growth is expected to accelerate.

* A co-creation service where companies indicate what social issues are interesting to them and local governments propose ideas and plans for solving issues, and therefore a framework that reverses the conventional process for public offering proposals and bidding.

Key Points

- In 1H FY6/23, revenue increased substantially as a result of M&A and operating profit returned to the black
- For FY6/23, profit may fall short of forecasts due to upfront investment, but the pace of growth is expected to accelerate from FY6/24
- Has planted the seeds for growth toward achieving the mid-term management targets; moving to a new growth stage



Note: FY6/21 results are figures for ongoing businesses excluding SOFTBRAIN and its subsidiaries. The FY6/22 results are figures for the ongoing businesses excluding SOFTBRAIN, its subsidiaries, and Scala Works
 Source: Prepared by FISCO from the Company's financial results

■ Company profile

An IT development and services company that is expanding its business areas through M&A and continuing to grow

1. History

The Company was founded in December 1991 with an initial start as a sales distributor of database systems. It realized significant growth in 1999 by inheriting support services, including customers, for the Model 204* mainframe database management system license from MITSUI KNOWLEDGE INDUSTRY CO., LTD.

* Database management system (DBMS) that was developed by US-based Computer Corporation of America and Sirius Software (now, Rocket Software). Customers were large companies in Japan such as the Bank of Japan <8301> and Tokyo Electric Power Company Holdings, Inc. <9501>. Demand ceased due to changes in the market environment, and the service was ended in the fall of 2016.

In 2000, the Company determined that it needed to change its business structure to continue growing amid the migration of corporate information systems from mainframes to client/servers, and started expanding its business through M&A by utilizing funds obtained from its IPO in 2001. It widely developed its own SaaS/ASP services and steadily increased earnings through its recurring-income earnings model, and as a result, its share listing was designated to the Tokyo Stock Exchange (TSE) 1st Section in 2014.

As measures toward building a value co-creation platform promoted in the mid-term management plan COMMIT5000 starting in 2019, the Company established Scala Partners, Inc. in July of the same year, and then made wholly owned subsidiaries of J-Phoenix Research Inc., which provides management consulting and IR support, in October and Grit Group Holdings Co., Ltd., which provides HR & Education Business, in April 2020. More recently, the Company made subsidiaries of EGG, an IT system developer, in February 2022, followed by Nihon Pet Small-amount Short-term Insurance Company, which offers small-amount short-term insurance, in April 2022.

To conduct more flexible management, the Company switched to a holding company organization in 2004, and in FY6/16, changed its accounting standards to IFRS to disclose its results. The Company moved its listing to the TSE Prime Market in line with the TSE's transition to new market segments in April 2022.

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Company profile

History

Date	Major event
December 1991	Founded Database Communications (now, Scala, Inc.)
January 1999	Formed sales distribution contracts for the Japanese market with US-based Computer Corporation of America and Sirius and started Model 204 support
May 2001	Listed on the Osaka Securities Exchange's NASDAQ Japan market (now, TSE JASDAQ (Standard))
April 2003	Acquired Interscience's patent management software (product name: PatentManager) with the aim of entering the intellectual property system field
October 2003	Acquired Dbecs Co., Ltd. as a subsidiary to enter the CRM field
April 2004	Acquired Vodamedia Inc. as a subsidiary with the aim of entering the IVR (interactive voice response) field
September 2004	Renamed as Fusion Partners Co. in the transition to a holding company structure and established Database Communications (now, Scala Services Inc.) as a new company and transferred its business
June 2006	Merged subsidiaries Vodamedia and Dbecs and changed the company name to Digi-Ana Communications Inc. (now, Scala Communications Inc.)
November 2010	Acquired NewsWatch Inc. as a subsidiary
April 2012	Merged subsidiaries Digi-Ana Communications and NewsWatch (now, Scala Communications Inc.)
May 2014	Listing transferred to the TSE Second Section
December 2014	Shares elevated to the TSE First Section
November 2015	Acquired TriAx Corp. as a subsidiary
January 2016	Renamed subsidiary Database Communications as PAREL, Inc.
July 2016	Acquired SOFTBRAIN Co., Ltd. as a subsidiary
December 2016	Changed trade name to Scala, Inc.
December 2016	Merged the subsidiaries Digi-Ana Communications and TriAx Corp. and changed the trade name to Scala Communications Inc.
August 2017	Acquired plube Co., Ltd. (now, Scala PLAYce, Inc.) as a subsidiary
March 2018	Acquired Leoconnect, Inc. as a subsidiary
October 2018	Acquired Connect Agency Inc. as a subsidiary
November 2018	Established Scala Next, Inc.
December 2018	Established the Scala Next, Inc., Mandalay branch (Myanmar)
July 2019	Established Scala Partners Inc.
October 2019	Made a subsidiary of J-Phoenix Research Inc.
November 2019	Established SCL Capital LLC.
April 2020	Made a subsidiary of Grit Group Holdings Co., Ltd.
June 2020	Invested in MyanCare, a health-tech company in Myanmar that provides remote medical services
August 2020	Established Scala Ace Co., Ltd. as a joint venture with ACE Data Systems Ltd., a major IT company in Myanmar (ownership ratio: 35%)
September 2020	Established Social Studio Inc. as a joint venture with Branding Technology Inc. in order to promote DX to the national and local governments (ownership ratio: 51%)
November 2020	Developed the reverse public offering proposal service called "Gyaku Propo" specializing in SDGs for companies' new business development
March 2021	Excluded SOFTBRAIN Co., Ltd. from the scope of consolidation due to the transfer its shares
June 2021	Established Scala Truva, Inc.
August 2021	Made a subsidiary of readytowork Co., Ltd.
November 2021	Established SOCIALX, INC.
February 2022	Made a subsidiary of EGG CO., LTD.
April 2022	Moved its listing to the TSE Prime Market in line with the TSE's transition to new market segments Acquired Nihon Pet Small-amount Short-term Insurance Company

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

Engaged in six business segments: the IT/AI/IoT/DX Business, Customer Support Business, HR & Education Business, EC Business, Insurance Business, and Incubation & Investment Business

2. Business description

The Company reorganized its business segments into six segments—IT/AI/IoT/DX Business, Customer Support Business, HR & Education Business, EC Business, Insurance Business, and Incubation & Investment Business—and discloses information on them.

On looking at the Group companies responsible for each business segment, the IT/AI/IoT/DX Business is comprised of eight companies, centered on Scala Communications, Inc. Of these, Retool, Inc. plans, develops and sells cloud activity management tools that visualize the various processes in corporate activities, however, its track record of introductions is still small and its effects on results is negligible. Also, Social Studio Inc. was established in September 2020 as a joint venture with Branding Technology Inc. <7067> in order to support the promotion of DX and SDGs to the national and local governments. In addition to above, EGG, which became a subsidiary in February 2022, is a pioneer that developed the first core system accompanying the start of the “Furusato Nozei” taxation system*, and its strengths include its network of many local governments (it has a track record of introducing the system to more than 680 or a third of local governments in Japan).

* System that enables local government workers to simply and accurately manage donor information and thank-you gifts and create various related documents.

Leoconnect, Inc., which became a subsidiary in 2018, is engaged in the Customer Support Business, while four companies in total (the three companies* of Athlete Planning, Inc., which became a subsidiary in 2020, Sports Stories, Inc., and FourHands, Inc., as well as Broncos20 Co., Ltd. which was made a subsidiary by Sports Stories in March 2022) comprise the HR & Education Business. The EC Business is conducted by Scala PLAYce, Inc., which became a subsidiary in 2017, while the Insurance Business is conducted by Nihon Pet Small-amount Short-term Insurance Company, which became a subsidiary in April 2022. Moreover, the Incubation & Investment Business are conducted by Scala Partners, Inc., J-Phoenix Research, Inc., SOCIALX.INC, SCL Capital LLC, and the SCSV-1 Investment Limited Partnership. The Group also includes the Company itself as the holding company.

* These three companies were placed under the umbrella of Grit Group Holdings Co., Ltd. which was made a subsidiary of the Company in April 2020, but currently exists as the Company’s subsidiaries. Grit Group Holdings changed its name to Scala Works Inc. and was then liquidated at the end of June 2022.

Company profile

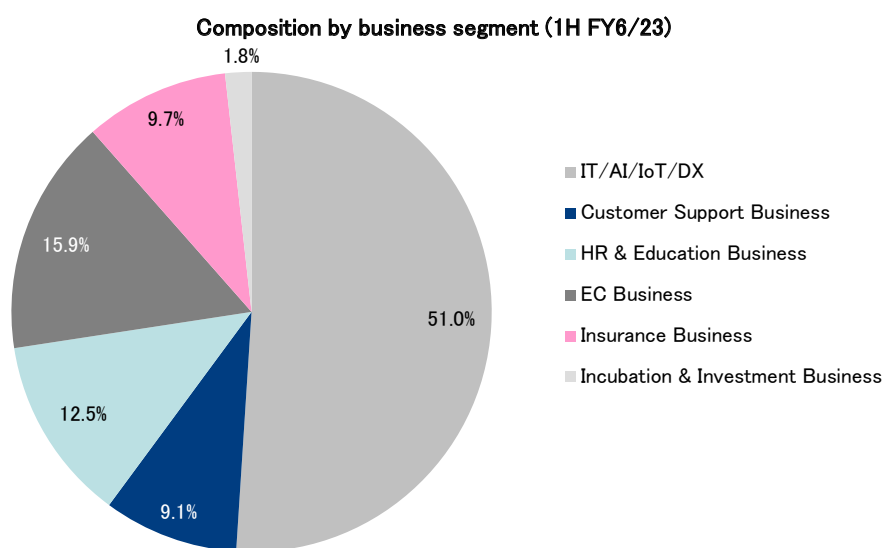
Subsidiaries by business segment and business content

Business segment	Subsidiary	Main business
IT/AI/IoT/DX Business	Scala Communications, Inc.	Provision of SaaS/ASP services
	Scala Service, Inc.	
	Scala Next Inc.	Development of SaaS/ASP services, offshore development
	readytowork Co., Ltd.	
	Connect Agency, Inc.	Cloud-based PBX services
	Retool, Inc.	Planning, development, and sales of cloud activity management tools
	Social Studio Inc.	Promotion of DX and SDGs to the national and local governments (joint venture with Branding Technology, Inc.)
	EKG CO., LTD.	Systems development, maintenance, and network construction
Customer Support Business	Leoconnect, Inc.	Customer support consulting (call center operations, etc.)
HR & Education Business	Athlete Planning, Inc.	HR recruiting (new graduate recruiting, mid-career recruiting) support, etc.
	Sports Stories, Inc.	Exercise education, sports school operation, etc.
	FourHands, Inc.	Infant education, community development support, etc.
	Broncos20 Co., Ltd.	Basketball club team management
EC Business	Scala PLAYce, Inc.	Management of an EC site for the buying and selling of battle-type trading cards
Insurance Business	Nihon Pet Small-amount Short-term Insurance Company	Small-amount short-term insurance
Incubation & Investment Business	Scala, Inc.	Group head office, holding company functions, investment business
	Scala Partners, Inc.	Innovation, incubation, investment
	J-Phoenix Research Inc.	Value creation management support (creation of analyst and integrated reports, fund management support)
	SOCIALX, INC.	Planning and operation of the <i>Gyaku Propo</i> public-private co-creation platform
	SCL Capital LLC	Investment fund management
	SCSV-1 Investment Limited Partnership	Investment fund

Note: As of the end of June 2022

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

Looking at the composition of sales by business segment in 1H FY6/23, the IT/AI/IoT/DX Business provided 51.0%, Customer Support Business 9.1%, HR & Education Business 12.5%, EC Business 15.9%, Insurance Business 9.7%, and Incubation & Investment Business 1.8%, making the IT/AI/IoT/DX Business the mainstay business which accounts for more than half of sales.



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

Company profile

(1) IT/AI/IoT/DX Business

The IT/AI/IoT/DX Business develops and provides various types of IT services, including SaaS/ASP services (i-series), such as inquiries via the Internet and telephone, information searches, and applications, and it is working on increasing profitability and stability through a recurring-income business model. It is also using as a hook its approaches made through easy-to-understand SaaS/ASP services and the Scala Group's other business, and it is advancing initiatives that will lead to orders for new development projects.

As a part of this series of initiatives, it is advancing DX that uses IT/AI/IoT (with a strong awareness of transformation in particular), and in order to accelerate the creation of new businesses and new services and to redefine its existing business, it is actively advancing collaborations with partners that are experts in related technologies in various industries. To give an example, for the planning and development of new services to respond to COVID-19 and to advance DX, and for introductions of the main services, it is implementing DX policies focused on regional local governments and the finance industry, conducting demonstration experiments for next-generation digital healthcare services through co-creation with a pharmaceutical company and a non-life insurance company, and advancing initiatives to create services.

Going forward, the Company's strategy is to accelerate growth by participating in many co-creation development projects that will lead to solutions for social issues, while for SaaS/ASP services as well, it is projected that there will be an increase in cases where it provides these services as one development project menu. The fees for SaaS/ASP services are around ¥100,000 per month, but in the case of co-creation projects, fees are more than ¥2mn per month and it becomes a large-scale, recurring-income business. Lead times from the order to the start of service provision are becoming longer, but operating efficiency is improving, so overall profitability is expected to increase as co-creation projects increase.

Description of the IT/AI/IoT/DX Business services

Type	Product name	Description
Information searches	i-search	Internal search engine for websites
	i-ask	FAQ system
Content management	i-catalog	Product site management system
	i-linkcheck	Link check services
	i-linkplus	Service for displaying links to related pages
Content delivery	i-gift	Digital gift service
	Fresheye™	Search portal site
	Corporate news services	News distribution service for corporations
Various types of reception	SaaS-type IVR	24-hour, 365-day automated voice response
	Campaign website construction	Campaign website construction and reception
Inquiry management	i-assist	Web chatbot system
	i-livechat	Web chat system
Data management	PatentManager6	Latest patent management system
	GripManager	Contract operations management system
IoT, big data	Safe driving analysis	Processing and management of big data

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

Company profile

(2) Customer Support Business

The Customer Support Business, which is conducted by Leoconnect, provides consulting services for the management of inbound call centers, from the receipt of inquiries about customer companies' services and products through to the follow-up after responding to inquiries, and its main customers include the HIKARI TSUSHIN <9435> Group and its agencies. The Company is currently working to raise call center productivity by progressively introducing services such as i-livechat, i-assist, and SaaS-type IVR. Also, the Company is working to improve profitability by constructing its own call centers in Okinawa and acquiring customers from outside of the HIKARI TSUSHIN Group.

(3) HR & Education Business

In the HR & Education Business, about 60% of sales come from the HR business and about 40% of sales come from the education business. In the HR business, Athlete Planning provides services including a comprehensive employment support system for physical education students, a job hunt support service specifically for female students, and a second career support service for professional athletes. The source of earnings is from the planning and management of corporate joint briefing meetings to recruit new graduates (including holding events online). This service starts selling exhibition booths to companies in June every year for events scheduled to be held from December to March of the following year.

In the education business, FourHands provides educational services with high added value targeting infants to elementary school students. Its services include the Minna no Hoikuen nursery schools, Universal Kids international combination day care centers and preschool, UK Academy for cultivating an international sensibility among school-children, and Largo KIDS daycare services, such as after-school activities specializing in exercise. Also, Sports Stories provides sports classes, including the Fine'z baseball schools for children, the BEAUT soccer school, the Dunkers basketball schools and Ballschule schools. A feature of these businesses is that they emphasize not only athletic ability, but also growth of noncognitive skills. Broncos20, which was made a subsidiary by Sports Stories in March 2022, manages THE SAITAMA BRONCOS, which belong to the third division of the B.LEAGUE professional basketball league. It has continuously conducted profitable management, and in the future, will focus on acquiring earnings through methods including managing fan club websites and dispatching coaches for club activities in schools.

(4) EC Business

In the EC Business, Scala PLAYce buys and sells trading cards for battle-type games, and operates Card Shop - Yuyu-Tei, a reuse EC site with the functions of a capture site. The site has high name recognition in the gaming industry and is influential to the extent that it is used as a reference indicator for the pricing of used cards, so it is known as the industry's No. 1 EC shop. From FY6/20, it also started purchases from overseas users and purchases made by overseas users are on the rise.

(5) Insurance Business

The Insurance Business is conducted by Nihon Pet Small-amount Short-term Insurance Company, which was made a subsidiary in April 2022. It provides the Inu to Neko no Hoken (Insurance for Dogs and Cats) insurance for pets, and the features of its unique insurance products include a 90% reimbursement rate. For the future, it plans to expand its business from pet insurance into various other insurance areas, such as insurance for individuals and in the financial area. It is also considering developing a service in the future to support the transfer of risks facing companies, local governments and others by data analysis and risk analysis that use AI, developed as an optimal risk transfer technology.

Company profile

(6) Incubation & Investment Business

The Incubation & Investment Business consists of business investment conducted by the Company and regional revitalization-related services in collaboration with local governments. It also includes engagement in value creation management support by J-Phoenix Research, new business development by Scala Partners, and regional revitalization-related services centered on the management of the KomfortaWorkation website to introduce workation facilities. In addition, it includes the *Gyaku Propo* public sector-private sector co-creation platform provided by SOCIALX; investments which is a value co-creation engagement fund managed by SCL Capital; and improvements in value relating to other investments. The companies targeted for investment by the value co-creation engagement fund are listed companies with a market capitalization of up to ¥10.0bn for which ROIC of at least 15% is expected. The amount invested per company is in the ¥100-¥150mn range, and after making an investment, the shares are sold at the stage when the company's enterprise value has reached the expected level. The proceeds from that sale are then used to acquire shares in the next company targeted for investment.

Gyaku Propo is a service private-sector companies, such as large or start-up companies, can use when they want to speedily implement measures, such as ascertaining demand trends and verifying hypotheses, for a new business that solves social issues. In a conventional public offering proposal, a company aiming to win a project produces and submits a project plan to a soliciting local government with a budget, and a third party evaluates and selects a winner. Conversely, in *Gyaku Propo*, a company openly solicits local governments who may want to participate in the theme for solving social issues that the company plans while shouldering the costs itself. Local governments can participate by preparing and submitting proposal documents, such as demonstration experiments, in accordance with the theme. As multiple local governments may be selected, companies can also conduct many demonstration experiments. Budgets for the projects will be paid to selected local governments by companies participating in the public offering in the form of "donations." While SOCIALX receives little revenue directly from *Gyaku Propo*, it has received orders for system development projects utilizing *Gyaku Propo*, and has positioned it as a tool for expanding public-private co-creating projects because it also increases opportunities for receiving orders for projects such as DX support matched local governments.

Aims to extreme social contribution by providing value for "society" and "the lives of individuals" based on DX

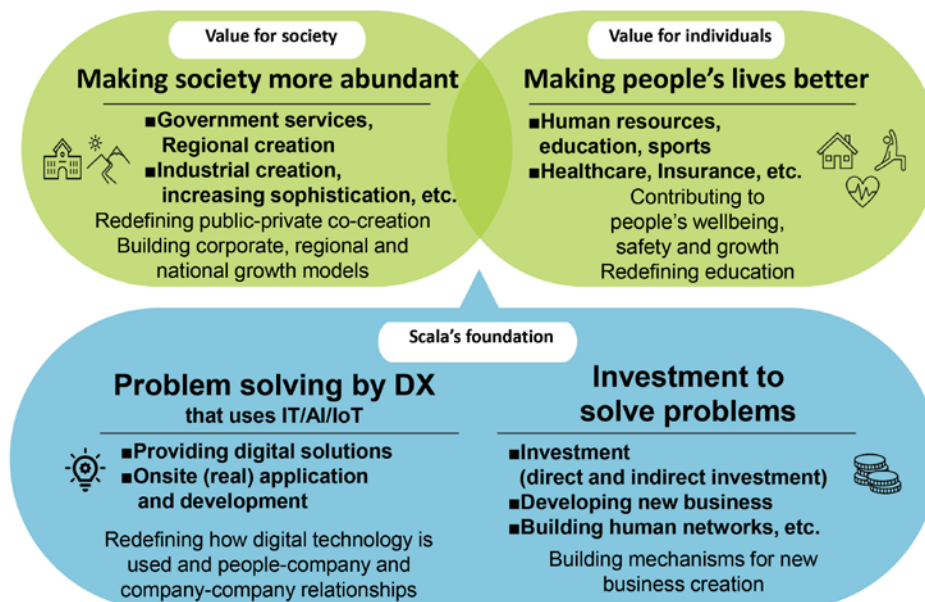
3. Management mission

The Company's management mission is to aim for extreme social contribution by strengthening its three capabilities, which are "the capability to determine real issues" (accurately understanding customer needs in direct sales), "the capability to discover the hidden value of resources" (focusing only on functions that meet needs and developments that create and customize the value of IT resources), and "the capability to maximize value by proposing and executing the optimal combination of issues and resources" (optimization, including of the cloud environment, and dispatching project managers as necessary who will contribute to maximizing the satisfaction of stakeholders), and thereby provide value for "society" and for "the lives of individuals" as a value co-creation platform.

The Group maximizes the value derived from its ability to solve problems based on DX by using IT/AI/IoT, including through direct business investment, indirect investment through funds, and building human networks, and it is providing services that eliminate the issues facing society and that make people's lives better. It is accumulating trust from society and individuals through this track record of initiatives and thereby creating competitive advantages, and it is aiming to circulate value and to achieve dramatic growth.

Company profile

Providing value for society and for the lives of individuals based on DX



Source: The Company's results briefing materials

Results trends

In 1H FY6/23, revenue increased substantially as a result of M&A and operating profit returned to the black

1. Overview of 1H FY6/23 results

In the 1H FY6/23 consolidated results (ongoing business basis), revenue increased 52.7% YoY to ¥6,504mn, operating profit amounted to ¥140mn (compared with loss of ¥78mn in the same period of the previous fiscal year), profit before tax amounted to ¥120mn (compared with loss of ¥87mn a year earlier), and profit attributable to owners of parent amounted to ¥90mn (loss of ¥72mn a year earlier).

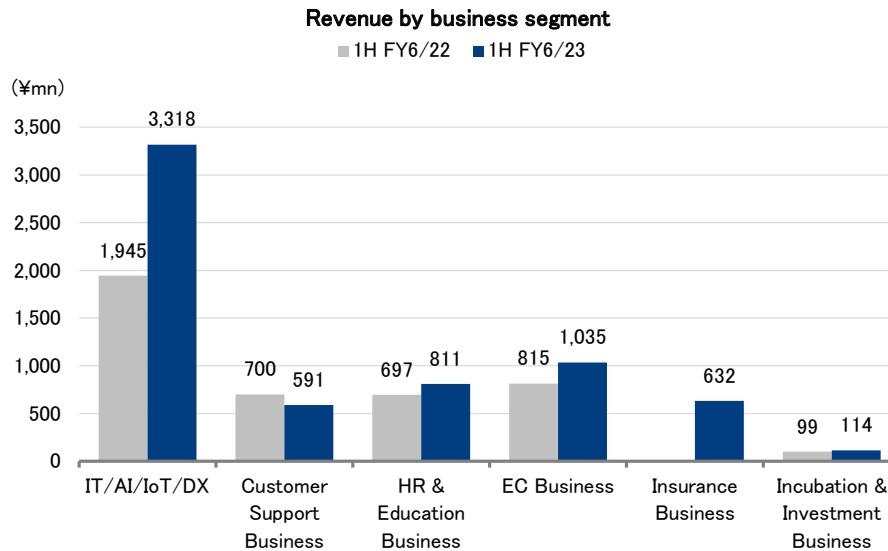
1H FY6/23 results (consolidated, IFRS, ongoing businesses)

	1H FY6/22		Company forecast	1H FY6/23			
	Results	vs. revenue		Results	vs. revenue	YoY	vs. forecast
Revenue	4,259	-	6,500	6,504	-	52.7%	0.1%
Cost of sales	2,375	55.8%	-	3,940	60.6%	65.9%	-
SG&A expenses	1,890	44.4%	-	2,426	37.3%	28.4%	-
Other income/expenses	-2	-0.1%	-	3	0.1%	-	-
Operating profit	-78	-1.8%	400	140	2.2%	-	-65.0%
Profit before tax	-87	-2.1%	385	120	1.9%	-	-68.6%
Profit from discontinued operations	-1	0.0%	-	-0	-0.0%	-	-
Profit attributable to owners of parent	-72	-1.7%	255	90	1.4%	-	-64.5%

Note: Other income/expenses includes gain/loss on securities related to investment business
 Source: Prepared by FISCO from the Company's financial results

Results trends

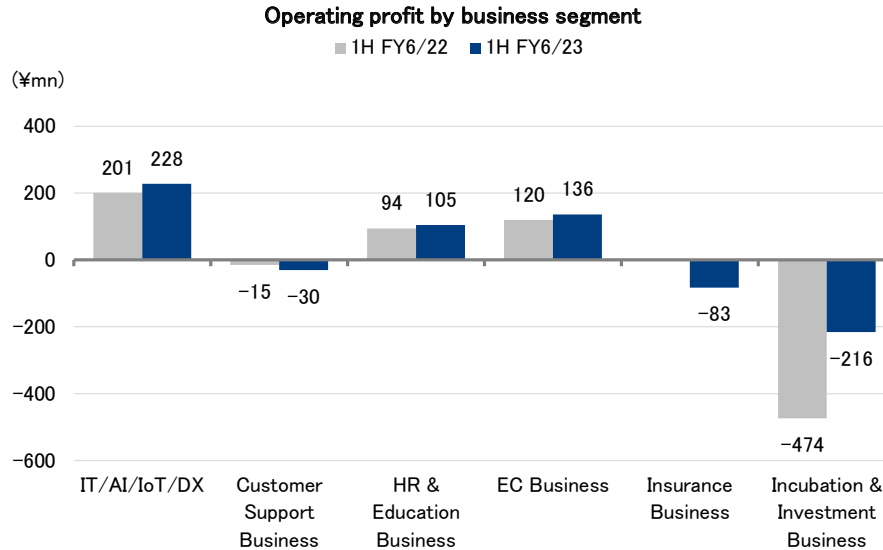
Revenue reached the Company's forecast as revenue declined only in the Customer Support Business and increased in the IT/AI/IoT/DX Business and other businesses. A majority of the revenue increase in the IT/AI/IoT/DX Business was the contribution of EGG, which was added in 4Q FY6/22, but revenue also increased on an existing business basis. The insurance business of Nihon Pet Small-amount Short-term Insurance Company was also added in 4Q FY6/22, so there was an increase in revenue of nearly ¥2.0bn that resulted from M&A.



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

Regarding operating profit, the loss in the Incubation & Investment Business, including temporary costs, contracted and profit in the IT/AI/IoT/DX Business, HR & Education Business and EC Business increased, which offset losses in the Customer Support Business and Insurance Business. A majority of the increase in the IT/AI/IoT/DX Business was from the contribution of EGG, and on an existing business basis, operating profit remained level. While operating profit was ¥260mn below the Company's forecast of ¥400mn, this was mainly the result of personnel costs and outsourcing costs increasing due to an increase in system co-creation development projects in the IT/AI/IoT/DX Business, an increase in upfront investment in new services in the HR & Education Business and Incubation & Investment Business, and an increase in business structure reform costs for the medium- to long-term growth of the Insurance Business. Operating profit on a non-GAAP basis, which excludes temporary costs like gain/loss on securities related to investment business, M&A-related costs and head office relocation costs for a subsidiary, increased 116.5% YoY to ¥140mn.

Results trends



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

Double-digit growth in revenue and profits in IT/AI/IoT/DX Business, HR & Education Business and EC Business

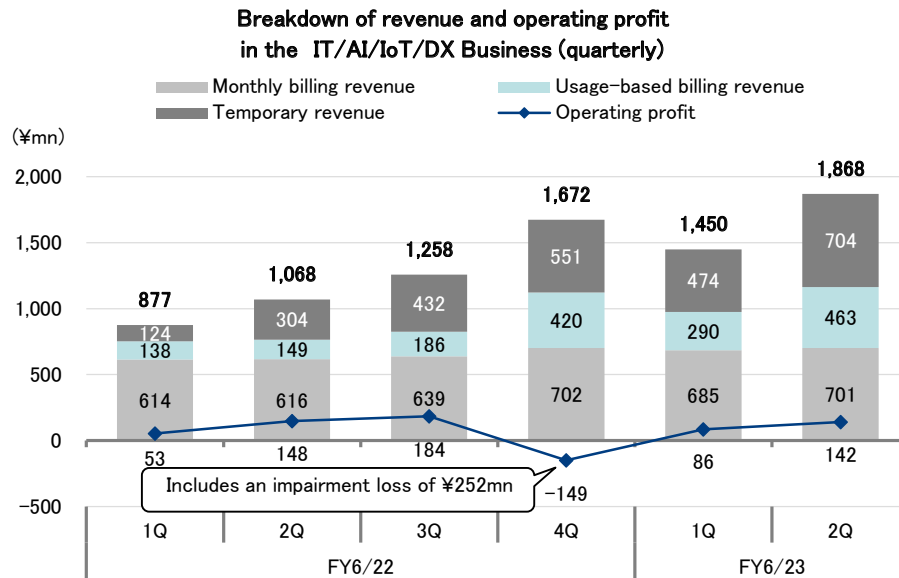
2. Trends by business segment

(1) IT/AI/IoT/DX Business

In the IT/AI/IoT/DX Business, revenue increased 70.6% YoY to ¥3,318mn, and operating profit increased 12.9% to ¥228mn. Based on the non-GAAP indicator, operating profit before the allocation of Company-wide costs increased 11.3% YoY to ¥556mn.

Looking by type of revenue, revenue from monthly billing increased 12.7% YoY to ¥1,386mn, revenue from usage-based billing rose 162.4% to ¥753mn, and temporary revenue, such as from contracted development projects, increased 175.2% to ¥1,178mn. In each case, the increases were from the addition of sales related to EGG's "Furusato Nozei" taxation system. EGG was contracted for a project to promote the use of the My Number Card in Yonago City, Tottori Prefecture in September 2022, and this was in part responsible for the solid performance. In existing businesses, revenue from Connect Agency's cloud-based PBX services decreased, but this was offset by increased revenue from mainstay i-series services.

Results trends



Recent co-creation projects are as follows.

a) Development of Smart Healthcare Platform

Scala Communications, Otsuka Pharmaceutical Co., Ltd. and Sompo Japan Insurance Inc. are developing the Smart Healthcare Platform in the healthcare area. The platform targets customers who purchase foods for specified health uses sold by Otsuka Pharmaceutical and is intended to help maintain and promote health through improved lifestyle habits by having users record their consumption, personal lifestyle practices (sleep time, exercise time, etc.), and physical status (weight, etc.) in a smartphone app currently under development. Demonstration experiments have already begun, and its release is planned going forward. The Company is conducting app development and operation and will record monthly usage fees as sales. Otsuka Pharmaceutical will provide the tool and Sompo Japan Insurance will handle sales.

b) Commenced provision of eG Plus service

In January 2023, the Company began providing a livestock DX service, eG Plus, which is a system for utilizing dairy cow genome test data to help increase the efficiency of dairy farm management. Using a smartphone app jointly developed with Elite Genomics Co., Ltd., which has the top share of the dairy cow genome testing market in Japan, test result data obtained from Igenity® Dashboard*, which is provided by Neogen, the largest genome testing company in the U.S., can be searched and displayed in Japanese.

* Dedicated genome analysis software that allows users to view and analyze genome testing results. Provides not only lists of individual results but also the ability to view distributions of herd performance and health traits as well as annual changes.

Results trends

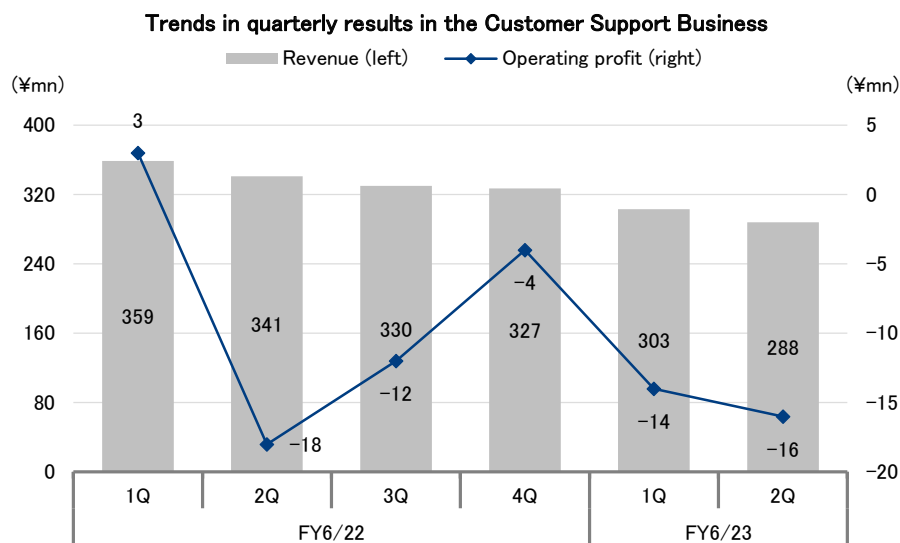
c) Commenced provision of U-Medical Support

In January 2023, the Company began providing a livestock DX service called U-Medical Support, a comprehensive medical treatment support tool with functions for remote treatment, electronic medical records and instructions. It was jointly developed with desamis Co., Ltd., which develops and provides U-motion®*1, a cow behavior monitoring system, and Mitsui Sumitomo Insurance Company, Limited. When changes in a cow's health condition are grasped through U-motion®, it is normally the case that an onsite visit from a veterinarian is requested, but there have also been cases of the veterinarian's treatment being delayed and the cow's condition deteriorating. Using U-motion® in combination with U-Medical Support, which has a remote medical treatment function, not only enables such risk to be mitigated but also helps reduce the workload of veterinarians. There are around 1.37mn dairy cows in Japan, and U-motion® is used for around 100,000 of them, so, through desamis, the Company intends to increase sales of U-Medical Support and eG Plus. With U-Medical Support, a fixed proportion of monthly usage fees*2 paid by veterinarians is recorded as the Company's sales, so the contribution to results immediately after its launch has been minimal, but the service is expected to contribute as a stable source of revenue as the number of facilities using it increases and through horizontal development.

*1 A service that grasps a cow's health condition in real time by recording its primary actions, including rumination, movement, lying down and standing up, 24 hours a day, 365 days a year through a sensor attached to its neck.
 *2 Monthly fees are ¥20,000 per account and ¥50,000 per business establishment, but dairy farmers can use the service for free. It is possible that rates will change as functions are added. Incidentally, Japan has around 4,000 veterinary facilities involved in treating livestock.

(2) Customer Support Business

In the Customer Support Business, revenue decreased 15.6% YoY to ¥591mn, the operating loss was ¥30mn (a loss of ¥15mn in the same period of the previous year), and the operating loss before allocation of Company-wide costs based on the non-GAAP indicator was ¥26mn (a loss of ¥13mn). A factor in the revenue decline was the activities of a major project being suspended to comply with amendments to the Telecommunications Business Act. Along with new project acquisitions falling short of plans, the pace of transfers to the Okinawa call center slowed, and partially for these reasons, Company forecasts were not met.

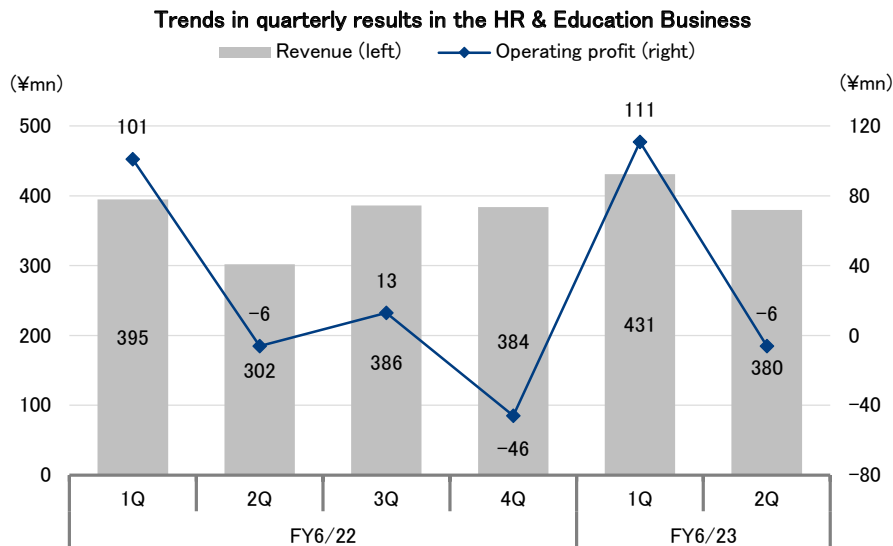


Source: Prepared by FISCO from the Company's results briefing materials

Results trends

(3) HR & Education Business

In the HR & Education Business, revenue increased 16.3% YoY to ¥811mn, operating profit rose 11.4% to ¥105mn, and operating profit before allocation of Company-wide costs based on the non-GAAP indicator increased 3.5% to ¥134mn.



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

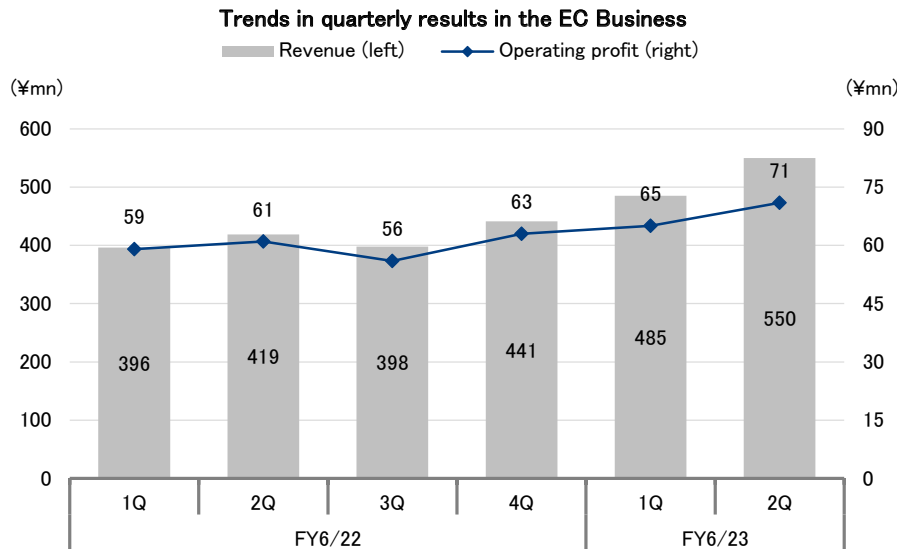
In recruitment support services, companies participating in job fairs trended at a high level owing to the resumption of economic activity post-pandemic and greater interest in recruiting activities against a backdrop of worker shortages, and revenue increased 7.5% YoY to ¥460mn, continuing its upward trend. Regarding the number of new graduates registering as job seekers, female students increased steadily, but the number of students joining athletic clubs decreased due to the pandemic, and against this backdrop, student athlete numbers were stagnant.

In daycare and education services, revenue increased 30.2% YoY to ¥350mn through the contribution of Broncos20, which was made a subsidiary in March 2022. Broncos20's basketball schools performed well. Sales from daycare services were equivalent to the same period of the previous year. However, Universal Kids Shinagawa (directly managed) and Universal Kids Bangkok (program provision only, under another company's management) opened preliminarily in September 2022 ahead of their official opening with the new school year in April 2023, and these schools are expected to contribute to revenue starting in 4Q FY6/23.

(4) EC Business

In the EC Business, revenue increased 26.9% YoY to ¥1,035mn, operating profit rose 13.8% to ¥136mn, and operating profit before the allocation of Company-wide costs based on the non-GAAP indicator increased 19.2% to ¥168mn, as both revenue and profits continued to increase by double-digits, setting new record highs. Digital marketing initiatives, including SEO, paid dividends, and membership in the Card Shop – Yuyu-Tei e-commerce website increased from 188,000 members at the end of the previous year to 215,000 members. Purchasing activity by overseas members was also stimulated by continued yen depreciation.

Results trends



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

(5) Insurance Business

In the Insurance Business, revenue was ¥632mn, the operating loss was ¥83mn and the operating loss before allocation of Company-wide costs based on the non-GAAP indicator was ¥65mn. With the pet-related industry continuing to expand against the backdrop of stay-at-home demand and remote work becoming widespread, the Company has positioned FY6/23 as a recovery period and is carrying out various measures to strengthen profitability.

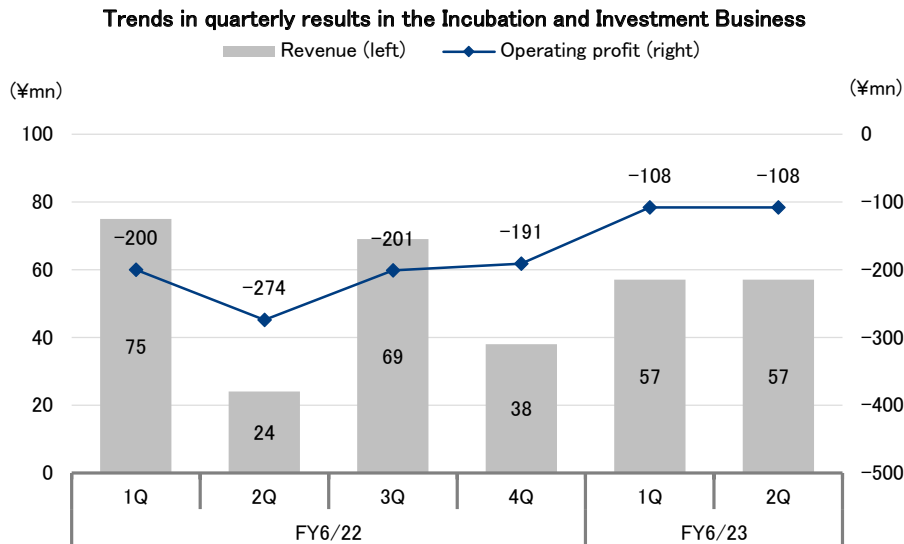
As measures to increase revenue, the Company invested in marketing to acquire new contracts, including SEO measures and online advertising, and is working to expand its sales channels. At the same time, it is working to reform its cost structure by reviewing agencies with poor sales efficiency and streamlining operations as well as to reduce the insurance loss ratio (claims paid divided by premium income). Of these measures, in reviewing agencies, the Company is making adjustments those agencies, including pet shops, clinics and insurance agencies, that have low policy renewal rates. This process will end in FY6/23, and from FY6/24 the Company is expecting an increase in the number of insurance policies as a result of improvements to the policy renewal rate. Regarding the insurance loss ratio, it will work to reduce the ratio by strengthening its checking function through insurance-related organizations.

(6) Incubation and Investment Business

In the Incubation & Investment Business, revenue grew 15.2% YoY to ¥114mn, the operating loss was ¥216mn (a loss of ¥474mn the same period of the previous year), and the operating loss before allocation of Company-wide costs based on the non-GAAP indicator was ¥89mn (a loss of ¥164mn). *Gyaku Propo* matching numbers steadily increased, and there was growth in the workation service*. In addition, the M&A advisory service and practical support-type M&A promotion service made modest contributions to the increase in revenue. Regarding profits, the Company continued to post a loss due to development costs for growth and upfront costs like personnel costs, but investment costs have leveled off and the loss amount contracted.

* A service to provide experiences that connect regions and people through preferred worksites and new work, which mainly entails managing the KomfortaWorkation website that introduces workation facilities.

Results trends



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

With regard to *Gyaku Propo*, matches were made in the QUICK Corp. project*1 with eight municipal governments (Yamagata City, Yokohama City, Kosai City, Toyota City, Kaga City, Koryo Town, Ikoma City and Hirakata City) and in the Oita Trinita (Oita football club) project*2 with Koryo Town in Nara Prefecture, as social solution projects through public-private co-creation continue to make progress. With new offers continuing and increased name recognition making a contribution, the number of matches continues to increase. In November 2022, Toyota City, Aichi Prefecture and SOCIALX entered into an agreement on public-private co-creation related to DX/CX promotion (for a period lasting from November 2022 to March 2023). Utilizing the *Gyaku Propo* Concierge*3 function, DX promotion through public-private partnership is being accelerated, and this will be tied to improving citizen services.

*1 A project to promote the use of open data for solutions to social issues. QUICK conducts work to format open data possessed by municipalities to make it easy to use for private-sector companies. Compared to other projects, there were many local governments with this theme as an issue and many that applied and participated.

*2 In this project, discussions are being held on co-creating new social value with the local government through the combination of professional sports and social solutions, and new initiatives will be conducted for solving real issues faced by the city's government. Initiatives include providing training programs for health maintenance, rehabilitation and preventative nursing care and holding events.

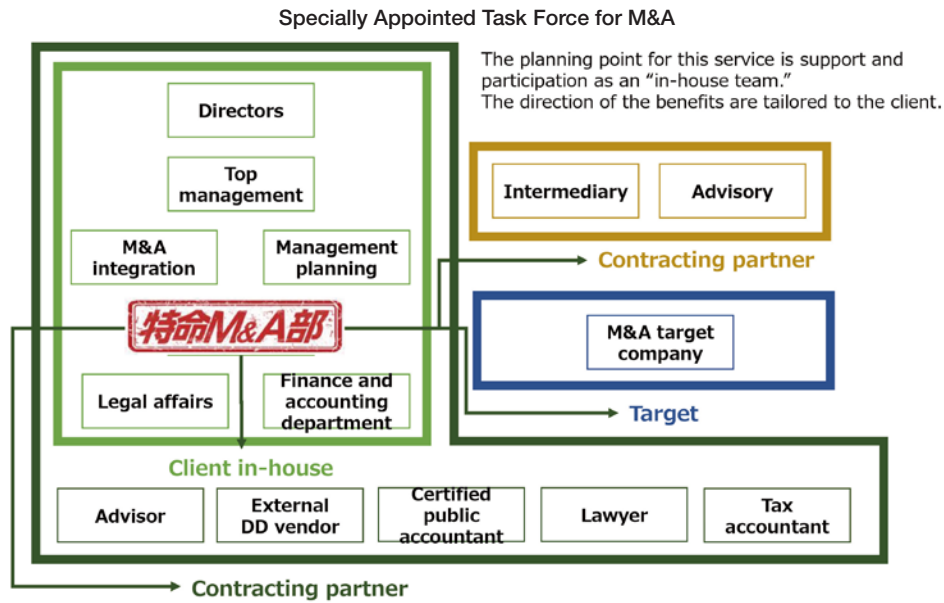
*3 A service that supports active partnerships with companies to solve issues by making a "concierge" available for consultations on the full range of concerns local governments may have related to public-private partnerships. The service makes it unnecessary to establish an internal public-private partnership department, potentially reducing costs by up to 1/20 to 1/50.

Regarding the Specially Appointed Task Force for M&A*, a practical support-type M&A promotion service started in July 2022, the Company entered into a strategic partnership with Mirai Works Inc. <6563> in October 2022. The various professional HR resources needed for M&A operations will be secured through the network of Mirai Works and tied to further service expansion. For customers of the Specially Appointed Task Force for M&A, the Company will not only support M&A but also work to maximize earnings by making proposals for other services that lead to the creation of value.

* Utilizing know-how from M&A projects the Company has engaged in to date, this service for companies that do not have resources for M&A execution offers support for practical operations on a hands-on basis as an internal team within the client company for every stage of the M&A process, from strategy formulation to sourcing, negotiating terms with the other party, due diligence, and post-merger integration (PMI) after execution.

We encourage readers to review our complete legal statement on "Disclaimer" page.

Results trends



Net cash declined moderately due to upfront investment and shareholder returns, but financial soundness is being maintained

3. Financial condition and business indicators

Looking at the financial condition at the end of 1H FY6/23, total assets were down ¥596mn compared to the end of the previous fiscal year to ¥20,220mn. In current assets, there were increases in trade and other receivables of ¥271mn and reinsurance assets of ¥156mn, but cash and cash equivalents decreased by ¥951mn. In non-current assets, other financial assets increased ¥120mn, and there were decreases in right-of-use assets of ¥141mn, intangible assets of ¥49mn and property, plant and equipment of ¥34mn, respectively.

Total liabilities decreased ¥293mn from the end of the previous period to ¥11,516mn. Interest-bearing debt decreased ¥124mn, and lease liabilities decreased ¥160mn. Total equity declined ¥302mn to ¥8,703mn. While the Company recorded profit attributable to owners of parent of ¥90mn, the decrease was the result of outlays of ¥310mn for dividend payments and ¥125mn to acquire treasury shares, among other factors.

Looking at management indicators, the ratio of equity attributable to owners of parent declined slightly from 41.7% at the end of the previous year to 41.5%, while the interest-bearing debt ratio increased from 80.0% to 81.4%. Factors were making upfront investment for future growth while also actively conducting shareholder returns, including through the acquisition of treasury shares. Net cash (cash and cash equivalent minus interest-bearing debt) declined from ¥2,674mn at the end of the previous year to ¥1,846mn, but it continues to be positive, and it can be judged that financial soundness is being maintained.

Results trends

Consolidated statement of financial position (IFRS)

	(¥mn)				
	FY6/20	FY6/21	FY6/22	1H FY6/23	Change
Current assets	11,780	12,991	12,030	11,554	-475
(Cash and cash equivalents)	7,822	9,809	9,625	8,673	-951
(Trade and other receivables)	3,456	1,412	1,614	1,885	271
Non-current assets	13,132	7,338	8,786	8,665	-120
(Goodwill)	7,086	1,949	2,356	2,356	0
Total assets	24,912	20,330	20,816	20,220	-596
Total liabilities	14,569	9,859	11,810	11,516	-293
(Interest-bearing debt)	8,632	5,973	6,951	6,826	-124
Total equity	10,343	10,470	9,006	8,703	-302
(Equity attributable to owners of parent)	7,402	10,162	8,687	8,385	-301
(Non-controlling interests)	2,940	308	318	317	0
Indicators					
(Stability)					
Equity attributable to owners of parent ratio	29.7%	50.0%	41.7%	41.5%	-0.2pt
Interest-bearing debt ratio	116.6%	58.8%	80.0%	81.4%	1.4pt

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

Outlook

Profits in FY6/23 could fall short of forecasts due to upfront investment, but growth is expected to accelerate from FY6/24

1. Outlook for FY6/23

In its outlook for FY6/23 consolidated results, the Company maintains its initial forecasts which call for revenue to increase 29.8% YoY to ¥13,000mn, an operating profit of ¥1000mn (a loss of ¥393mn the previous year), profit before tax of ¥970mn (a loss of ¥411mn) and profit attributable to owners of parent of ¥650mn (a loss of ¥523mn). Regarding progress ratios as of 1H, revenue is trending according to plan at 50.0%, but operating profit is at 14.0% due to increases in personnel costs related to new projects, development costs for new services, and business restructuring costs for the Insurance Business. Without contributions from large projects in 2H, FISCO believes it is possible that the forecast will not be met. However, these costs are positioned as upfront investment costs for future earnings expansion, so profit growth is expected to accelerate from FY6/24 when the investments begin to generate returns.

FY6/23 consolidated results forecast (IFRS)

	FY6/22		FY6/23		Change		1H progress ratio
	Results	vs. revenue	Company forecast	vs. revenue	Amount	Ratio	
Revenue	10,015	-	13,000	-	2,984	29.8%	50.0%
Operating profit	-393	-3.9%	1,000	7.7%	1,393	-	14.0%
Profit before tax	-411	-4.1%	970	7.5%	1,381	-	12.5%
Profit attributable to owners of parent	-523	-5.2%	650	5.0%	1,173	-	13.9%
Basic earnings per share (¥)	-29.66		38.56				

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

Outlook

Results forecast by business segment

	FY6/22		FY6/23 forecast		1H progress ratio	
	Revenue	Operating profit	Revenue	Operating profit	Revenue	Operating profit
IT/AI/IoT/DX Business	4,875	236	6,100	900	54.4%	25.3%
Customer Support Business	1,357	-31	1,450	0	40.8%	-
HR & Education Business	1,468	61	1,650	180	49.2%	58.7%
EC Business	1,654	239	1,900	270	54.5%	50.6%
Insurance Business	452	-28	1,350	-140	46.9%	59.4%
Incubation & Investment Business	206	-866	550	-210	20.9%	103.0%

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

(1) IT/AI/IoT/DX Business

In the IT/AI/IoT/DX Business, the forecasts are for revenue to increase 25.1% YoY to ¥6,100mn and operating profit to rise 281.1% to ¥900mn. The 1H progress ratios are 54.4% for revenue and 25.3% for operating profit. Revenue is trending according to plan owing to the full-year contribution of EGG's results as well as to recording multiple co-creation projects in healthcare and social solutions and steady growth in ASP services, including the i-series. For profits, however, the hurdle is fairly high.

Some recent topics are as follows. Joining with Nexway Co., Ltd. and TACT INC., EGG conducted a demonstration experiment with three municipalities (Sanjo City, Niigata Prefecture and Kusatsu Town and Showa Village, Gunma Prefecture) for a 24-hour, 365-day telephone reception system for local governments utilizing an interactive voice response service (AI Call). The system is intended to improve communication between local governments and donors when they apply for the Furusato Nozei taxation system's "One Stop Special Exception"* as well as to reduce the workload of municipal employees and increase satisfaction with the service among Furusato Nozei users. In the demonstration experiment, EGG's Furusato Nozei system was combined with the one-stop direct mail service and SMS service of Nexway and AI Call for local governments provided by TACT to respond to the inquiries of users 24 hours a day. Going forward, the system will be developed out to automate administrative processes like resident response, and in this way local government DX will continue to be promoted.

* A system that allows Furusato Nozei donations to be deducted without filing an income tax return when salary earners, etc. who are not required to file a tax return participate in the Furusato Nozei program.

In healthcare, along with the Smart Healthcare Platform, EGG is involved in a frailty* early detection system. This cloud service provides early detection of frailty when simple questions are answered using a computer or smartphone. Amid the advancement of a super-aging society, the service supports preventative nursing care for the extension of healthy life expectancy and reduction of social security expenses for local governments. The system was put into operation in Nishihara Town, Okinawa Prefecture in May 2022, and a demonstration experiment was conducted in Motomiya City, Fukushima Prefecture starting in July 2022, as inquiries from local governments have been increasing. The contracting parties are local governments, so budgetary constraints are a factor, but if introducing the service proves to have clear benefits, there is a good possibility of the system becoming widespread in municipalities with large elderly populations.

* A status between human health and a need for care, with declines in physical and/or cognitive functions.

Outlook

(2) Customer Support Business

In the Customer Support Business, the forecasts are for revenue to increase 6.8% YoY to ¥1,450mn and operating profit of ¥0mn (a loss of ¥31mn in the previous period). The 1H progress ratio for revenue is 40.8%. The Company intends to increase sales personnel and acquire new projects and will also conduct sales activities in Tokyo. It plans to increase the number of call center seats in Okinawa to increase the in-house production rate and also boost business efficiency through the introduction of RPA tools with a view to returning to profitability starting in FY6/24.

(3) HR & Education Business

In the HR & Education Business, the forecasts are for revenue to increase 12.4% YoY to ¥1,650mn and operating profit to increase 191.7% to ¥180mn. The 1H progress ratios are 49.2% for revenue and 58.7% for operating profit. In recruitment support services, the number of events related to new graduate recruitment is increasing, and the Company is considering launching a new business to strengthen the area of referrals for mid-career-hire human resources. In daycare and education services, the Company will focus on attracting customers to daycare centers scheduled to open in April 2023.

Some recent topics are as follows. Scala Partners, Inc. invested in UPBOND CORPORATION*1 in November 2022 with a view to starting a new NFT business in the Web3 field. For its first initiative, targeting members of the Saitama Broncos fan club, the Company is planning to develop and operate an NFT service that allows for participation in sports team operations (a service that provides various benefits with the purchase of NFTs) and a fantasy sports*2 service that utilizes NFTs. A trial is being carried out in FY6/23 with the intention of launching the services in the fall of 2023 when the B.League starts its season. The Company is also looking at utilizing know-how in NFT service operation gained in the area of sports to horizontally deploy services to other fields in the future, such as social solution-type businesses.

*1 Develops and sells the UPBOND wallet service and supports business creation using Web3 with the general aim of incorporating Web3 technologies into society.

*2 A simulation game in which participants create fantasy teams by selecting actual existing players and then compete with each other on points from individual games and throughout the season.

(4) EC Business

In the EC Business, the forecasts are for double-digit increases to continue, with revenue to rise 14.8% YoY to ¥1,900mn and operating profit to increase 12.9% to ¥270mn. The 1H progress ratios are 54.5% for revenue and 50.6% for operating profit, so progress has been steady. In terms of new initiatives that will lead to orders, the Company is developing a password-less login solution that is enhanced with strong security and an app for Android devices, and these are scheduled to be released before the end of FY6/23. Through these initiatives, the Company is aiming to increase the number of members from 188,000 people at the end of FY6/22 to 250,000 people at the end of FY6/23 and 400,000 people at the end of FY6/25.

The Company is also considering opening physical stores targeting business scale expansion. Because physical stores will be able to purchase trading cards directly from manufacturers, which will enhance product lineups, the Company forecasts an increase in the distribution total on EC websites. For the future, the Company is also looking into the possibility of producing card games related to the Group's educational content.

(5) Insurance Business

In the Insurance Business, the forecasts are for revenue to increase 198.4% YoY to ¥1,350mn and an operating loss of ¥140mn (a loss of ¥28mn in the previous period). With adjustments to agencies having an impact, the 1H progress ratio is 46.9%. As previously been mentioned, the Company is positioning FY6/23 as a recovery period and is executing various measures to strengthen profitability. It is aiming to return to the black on a monthly basis in FY6/24.

Outlook

(6) Incubation & Investment Business

In the Incubation & Investment Business, the forecasts are for revenue to increase 166.1% YoY to ¥550mn and an operating loss of ¥210mn (a loss of ¥866mn in the previous period). The 1H progress ratio for revenue is 20.9%, but the Company will work to achieve its forecast through the development of new services. Contributions are expected from the revenue of *Gyaku Propo* and the newly launched services derived from *Gyaku Propo* (Concierge, Tour, and Learning), as well as from M&A-related services and the workation service. In profits, the loss will continue, but upfront costs will decline and the temporary costs will end, so the amount of the loss is forecast to contract.

Has planted the seeds for growth toward achieving the mid-term management targets; moving to a new growth stage

2. Progress of the mid-term management plan

In the Company's COMMIT5000 mid-term management plan running up to 2030 which it announced in August 2019, the basic policy is to utilize the Company's strengths, which are its three capabilities of "ability to determine real issues" (the value creation support business), "ability to discover the hidden value of resources," (the IT/AI/IoT-related business), and "ability to maximize value by proposing and executing the optimal combination of issues and resources," (the social issue-solving business), and the strategy is to aim for mid- to long-term growth while linking these capabilities together. In terms of numerical targets, the Company projects revenue of ¥100bn and operating profit of ¥10bn for FY6/25, while it projects revenue of ¥500bn and operating profit of ¥50bn in FY6/30.

The Company's aim is to grow and deepen existing businesses through its growth model of working with joint-development partners to build "models" for "value creation management support + DX support" and then horizontally developing this model. In addition, the Company's strategy is to accelerate growth by proactively advancing M&A as well as new business and service development. In addition, growth factors will be the acquisitions of capital gains from the investment fund and the accumulation of recurring-type income from building IT systems for the companies it invests in and the provision of various services.

In particular, the Company is positioning the provision of services to local governments lagging behind in DX as a growth field. It plans to expand the scale of the business while building networks through *Gyaku Propo* and promoting an alliance strategy. The Company has deployed the digital ID solutions using My Number Card that it is advancing jointly with xID Inc. to help make government services more sophisticated, introduced workation and other initiatives to help revitalize regional areas and encourage population inflows to them, and conducted initiatives to apply DX to various government services, starting with the Furusato Nozei taxation system.

New initiatives include livestock DX services (eG Plus and U-Medical Support), which were launched in January 2023, and the development of the Smart Healthcare Platform, which the Company plans to release in FY6/23. Of these, the Smart Healthcare Platform builds mechanisms for health maintenance and promotion by collecting personal health records (PHR), so it is widely applicable and the scale of the business is expected to be expanded through horizontal development.

Outlook

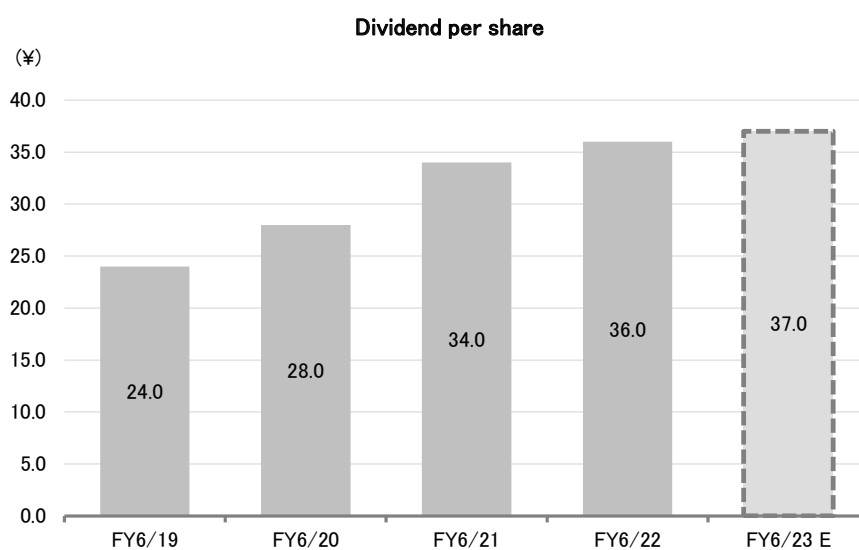
Due in part of the impact of COVID-19, although the progress made up to 1H FY6/23 was slower than initially planned, the Company has begun laying the groundwork for new socially significant businesses. Starting in FY6/24, it will move forward with further cultivation and horizontal development, and in areas with insufficient resources, it will work to efficiently expand the business while incorporating an alliance strategy. The Company will continue to consider M&A as well. It is reviewing business priorities as necessary and is aiming to achieve the targets in the mid-term management plan by expanding the new business areas and by rapid management decision making on selection and concentration.

Shareholder return policy

Proactive about returns to shareholders, and planning to pay higher dividends for the 14th consecutive period in FY6/23

The Company's basic shareholder return policy is to stably and continuously pay dividends while also securing the internal reserves necessary to strengthen its financial structure and to develop its businesses in the future, and it aims to continually increase dividends under this policy. The Company is planning a per-share dividend for FY6/23 of ¥37.0 (payout ratio of 96.0%), an increase of ¥1.0 YoY. This would be the 14th consecutive year it has increased its dividend. In the medium term, its policy is to increase profits and seemingly to keep the dividend payout ratio at a level below 50%, while continuing to increase the dividend.

The Company has also been acquiring treasury shares in order to improve capital efficiency and so that it can implement a flexible capital policy in response to its business environment. Recently, from May to August 2022, it acquired 400,000 shares (2.26% of the total number of issued shares (excluding treasury shares)) for around ¥300mn.



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



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