

System Integrator

3826

Tokyo Stock Exchange Standard Market

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

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■ Summary

Sales and profits are both expected to increase in FY2/23 as well primarily attributable to the growth of the Object Browser Business and the ERP/AI Business

System Integrator <3826> (hereafter, also “the Company”) is an independent software developer that develops and sells software and services for improvement of corporate productivity with a slogan of “We consistently create software that creates time rather than consumes time.” The Company operates the Object Browser Business, including the database development support tool SI Object Browser and integrated project management tool SI Object Browser PM (below, OBPM Neo), the E-Commerce Business, and the ERP/AI Business, respectively. Also, the Company actively promotes working style reforms, child-rearing assistance and therefore, has a reputation for being highly respected by employees. In response to the reformation on market segmentation of the Tokyo Stock Exchange (“TSE”), from May 2022, the Company transferred to the Standard Market of the TSE.

1. FY2/22 results

As for the business performance for FY2/22, net sales increased by 13.1% year-on-year (YoY) to ¥4,817mn and ordinary profit increased by 39.0% YoY to ¥588mn, and sales and profits both increased for the first time in two fiscal periods. Although profits decreased in the Object Browser Business due to the shift to the OBPM Neo cloud, amid expansion of the EC market, earnings in the E-Commerce Business grew significantly. Profits also recovered in the ERP/AI Business because the delivery of an unprofitable project that occurred in the previous fiscal period was completed in the current period. For the AISIV-AD (Anomaly Detection) deep-learning anomaly detection system, due to the timing delay of user acceptance testing of a project that was scheduled to be implemented in an actual manufacturing line being shifted to May 2022, sales were postponed accordingly.

2. FY2/23 forecasts

In FY2/23, the Company forecasts net sales to increase by 3.8% YoY to ¥5,000mn and ordinary profit to increase by 2.4% to ¥603mn, respectively. In the E-Commerce Business, a large-scale development project, which was ordered in the previous fiscal period, was cancelled due to circumstances on the customer side. Therefore, the forecasts have been significantly revised, resulting in expected declines in both sales and profits in this business. Nonetheless, this decline will be offset by growth of the Object Browser Business and the ERP/AI Business. Also, steady growth is expected from the increase in the number of contracts for the TOPSIC programming skills evaluation service, and the Company will proactively implement promotional activities of VOICE TICKETS, a customer success support tool, and of IDEA GARDEN, an idea creation platform, both of which were released in fall 2021. Additionally, the Company will newly establish a subsidiary in Vietnam in order to strengthen the development structure and, in the next three years, plans to build a development structure of around 50 people.

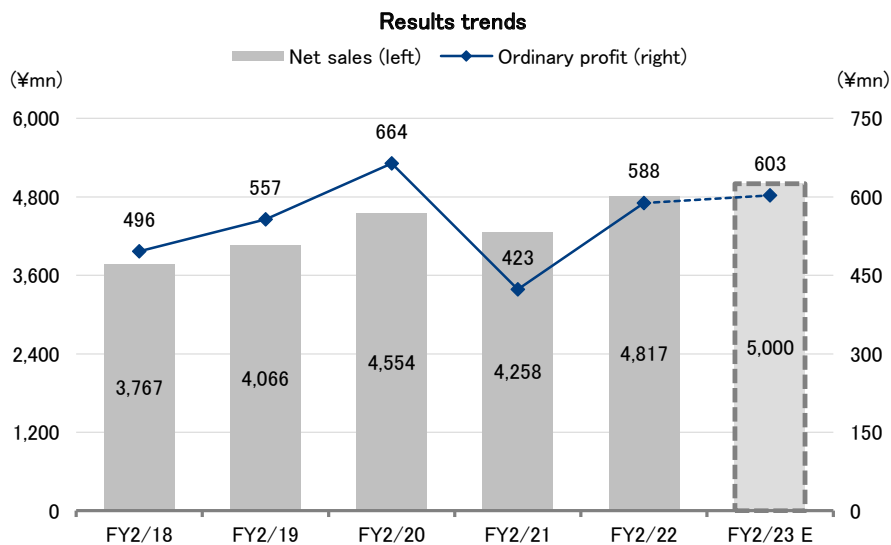
Summary

3. Medium-term business plan

In “SDGs Mind 2021,” a three-year medium-term business plan launched from FY2/22, the Company has been implementing existing businesses expansion, overseas development bases establishment, and new businesses development and monetization, employee skill improvement, and Group-wide streamlining as basic policies. Considering the fact that the uncertainty of global affairs has been influencing the domestic economy, the numerical targets for FY2/24, the final fiscal year of this three-year medium-term business plan, are net sales of ¥5,700mn and ordinary profit of ¥803mn, respectively, which have been downwardly revised to more conservative targets from the initial targets (net sales of ¥6,200mn and ordinary profit of ¥966mn, respectively). Growth will slow down temporarily in FY2/23, but is expected to recover in FY2/24 to double-digit increases in sales and profits.

Key Points

- In FY2/22, sales and profits increased by double digits, primarily attributable to the E-Commerce Business
- In FY2/23, higher sales and profits are expected to be secured, as the decline in earnings in the E-Commerce Business will be offset by the other segments
- As the economic outlook remains unclear, the Company has revised the mid-term numerical targets to more conservative targets



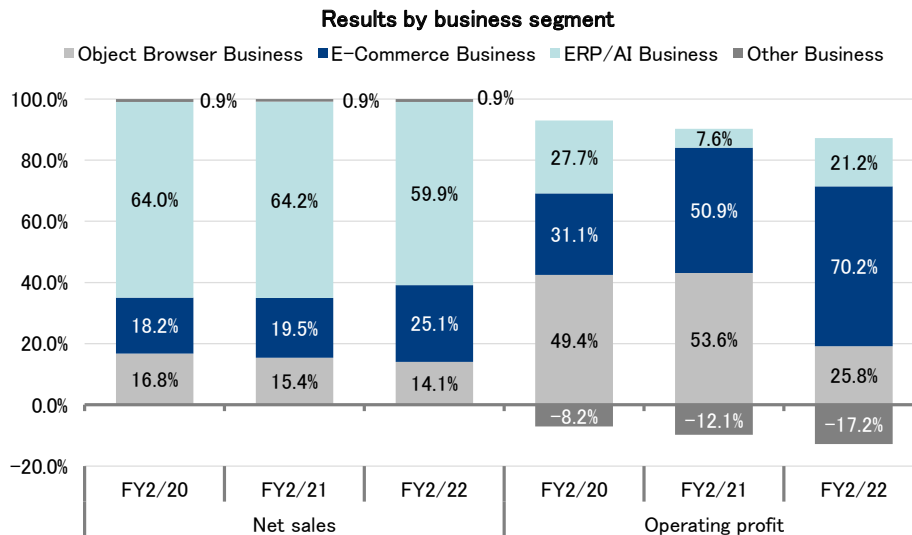
Source: Prepared by FISCO from the Company's financial results

Business overview

An independent software developer that “consistently creates software that creates time rather than consumes time”

Founded in 1995, System Integrator is an independent software developer. In addition to the sales of packaged software developed in-house, the Company also provides maintenance service and cloud services (SaaS). The Company is mainly looking to develop new products that can be offered as a cloud service. Mainstay existing products include database development support tool SI Object Browser and integrated project management tool OBPM Neo, and package software such as SI Web Shopping for constructing EC websites and GRANDIT Web-ERP package. Business segments are Object Browser Business, E-Commerce Business, ERP/AI Business, and Other Business for reporting the results of new businesses.

As for the results by business segment for the most recent three fiscal years, the ERP/AI Business accounted for approximately 60% of total net sales, with the remainder equally divided between the Object Browser Business and the E-Commerce Business. On the contrary, the E-Commerce Business and the Object Browser Business account for most of operating profit. Up to FY2/21, the Object Browser Business provided more than half, but amid the transition to the cloud, its profits fell temporarily in FY2/22, and accordingly, its ratio of total operating profit also declined. The new businesses continue to record losses, because they are still in the upfront investment phase. The detailed explanations of each segment are as follows.



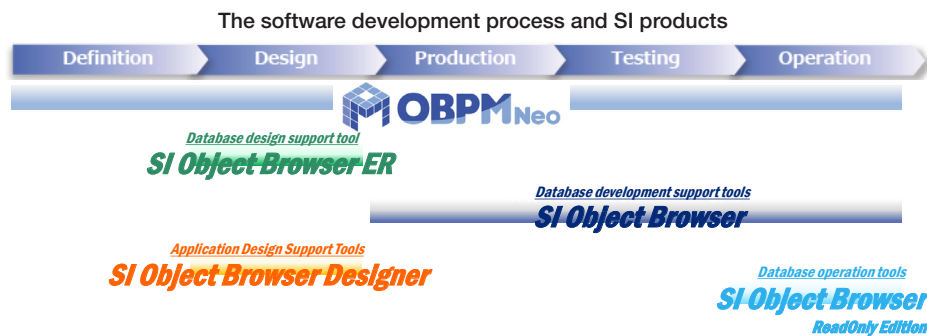
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Business overview

1. Object Browser Business

In the Object Browser Business, the Company is engaged with the development and sales of software products, including the database development support tool SI Object Browser, the database design support tool SI Object Browser ER (hereafter, the Object Browser series), the integrated project management tool OBPM Neo, and the application design tool SI Object Browser Designer (hereafter, OBDZ). The Object Browser series were previously sold only as package sales (license sales + maintenance services), but from February 2021, the Company launched sales of the software as a service (SaaS) (subscription model)*. OBPM, which was previously sold as an on-premises product, was renewed as a SaaS OBPM Neo in March 2021, and sales of its on-premises version have been terminated. OBDZ is also provided as a SaaS.

* The contract term ranges from one year to two years or three years (includes maintenance fees). Upgrades to the latest versions are free. For Oracle only.



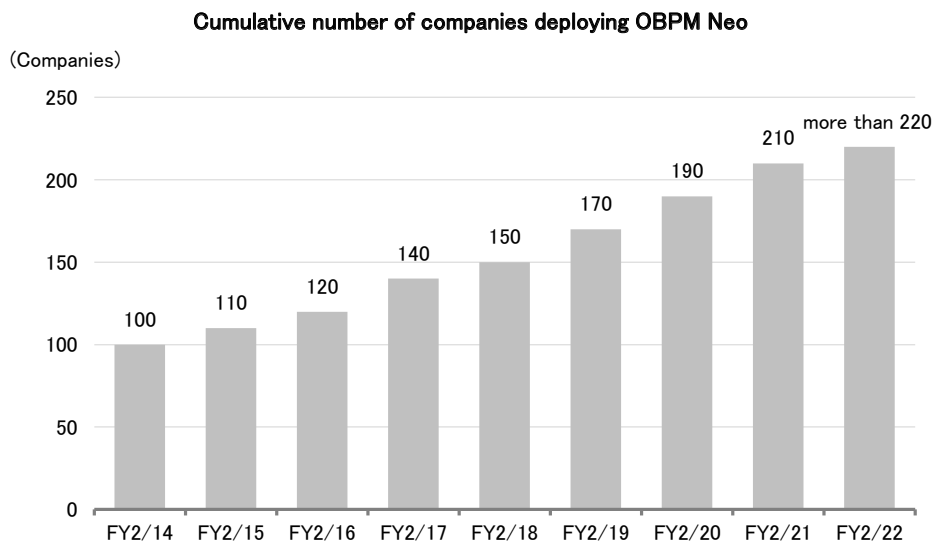
Source: The Company's results supplemental briefing materials

In the percentages of total net sales, the Object Browser series provides slightly more than 40% and OBPM Neo slightly less than 60%. Since the launch of the Object Browser series in 1997, it has a deployment track record of 19,000 companies and 460,000 licenses, and it is the de-facto standard within Japan for its applicability to almost all main data bases. Currently, more than 30% of its net sales are recurring income, such as from maintenance support, and its sales are comparatively stable. With its strong brand value, it has hardly incurred any sales costs, so it is a highly profitable product with more than 80% of gross profit margin. Free software emerged as competitor products, but it was not directly affected by this due to the differences in their functionalities.

Business overview

OBPM Neo prevents the occurrence of unprofitable projects in advance through comprehensive management of the progress of development projects (management of the schedule, costs, personnel, quality, profitability, etc.), and support the productivity improvement of development departments. Domestically, it is the only product compliant with PMBOK*. Since its sales launch in 2008, the number of user companies, mainly mid-sized IT companies, has been steadily increasing, and at the end of February 2022, it had been deployed by more than 220 companies (of which, around 50% of customers use the on-premises version). Major IT companies tend to produce project management tools internally, but in recent years, due to the enhancement of OBPM Neo's name recognition and reputation for its high quality, an increasing number of companies are considering deploying it within their departments. Conversely, many SMEs use commercially available software such as Excel or free software. OBPM Neo, which was launched in March 2021, was developed as a completely online version at a cost of ¥200mn, and it has incurred depreciation costs since FY2/22. Also, as it is a monthly-fee model, initial sales are small with a low profit margin, compared to the on-premises version, but the profit margin is expected to reach the same level as the on-premises version (a gross profit margin of around 70%) in a period of approximately three years due to the accumulation of deployments.

* PMBOK (Project Management Body of Knowledge): A systematic compilation of know-how and methods related to project management. "A Guide to the Project Management Body of Knowledge" was first published in 1987 by the non-profit Project Management Institute (PMI) and has gradually become well known. PMBOK has evolved over time and is now accepted as the industry standard for project management around the world.



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

Business overview

OBDZ is a support tool that enhances productivity and quality of the design process through systemization of basic design and detailed design, which are upstream processes in software development, and promoting of streamlining and standardization. It could be called CAD for the software development field (the Company already obtained a patent). Previously, engineers had to create design documents individually in Excel and Word, so when the specifications or other items were changed, maintenance and change management would become difficult, and development delays could occur due to revisions of mistakes. But OBDZ solves these problems by integrating the management of design documents. Therefore, in terms of how it is used, it can be said to be a product suitable for large-scale, waterfall model* development, including for mission-critical business systems. Since its release in 2013, the Company has repeatedly improved its functionalities, and in June 2019, it conducted a full model change to the new version in web-based technologies and released a greatly improved product whose performance speed is 1.5 times that of the previous version. The number of companies deploying it is still small, but it is being deployed by companies ranging from small- and mid-sized companies through to major IT companies.

* Waterfall model refers to the development methodology of developing systems by moving through a series of processes – basic plan, external design, internal design, program design, programming, and tests. Since this assumes not returning to previous processes, it is similar to a “waterfall” in which water does not return from downstream to upstream.

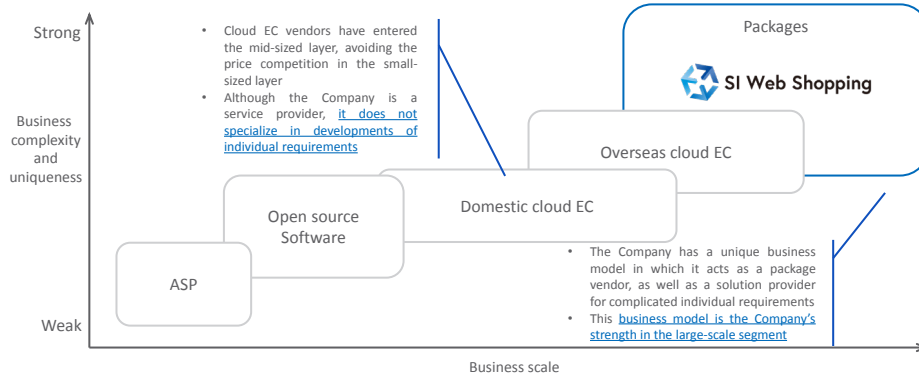
2. E-Commerce Business

The E-Commerce Business mainly develops and sells the Company's mainstay product of SI Web Shopping, which is Japan's first EC sites construction package. A feature of SI Web Shopping is its strength in large-scale EC sites. More specifically, it possesses scalability, being able to process large-volume transactions for sales amounts of several tens of billions of yen; high-level security functionalities; mobile-compliance functionalities, including for its use with smartphones; and is also compliant with multiple languages, such as English and Chinese, while it is also possible to customize it by adding functionalities to meet the needs of other customers, and to connect to existing systems such as ERP. The Company has built EC sites at more than 1,100 companies since the release in 1996 (active sites are just under 10%). It possesses robust development knowhow and advanced technology capabilities as strengths.

Looking at the positions in the EC website-building package industry, if it is limited to large-scale B-to-C businesses, three companies – the Company, ecbeing Corp. (with a building track record for over 1,400 companies), which is a subsidiary of SOFTCREATE HOLDINGS CORP.<3371>, and Commerce21 Corporation (with a building track record for over 300 companies) which is a subsidiary of Estore Corporation <4304> – have basically become an oligopoly. Among them, ecbeing seems to have shifted to focus on mid-sized projects, and accordingly, the Company's market share is on the rise. Also, demand has recently been increasing to add functions for linkage with other operational systems to EC website-building packages, among others things, and the unit price per order has been augmented in scale from several tens of millions of yen to more than ¥100mn.

Business overview

E-Commerce Business' main products perceptual map

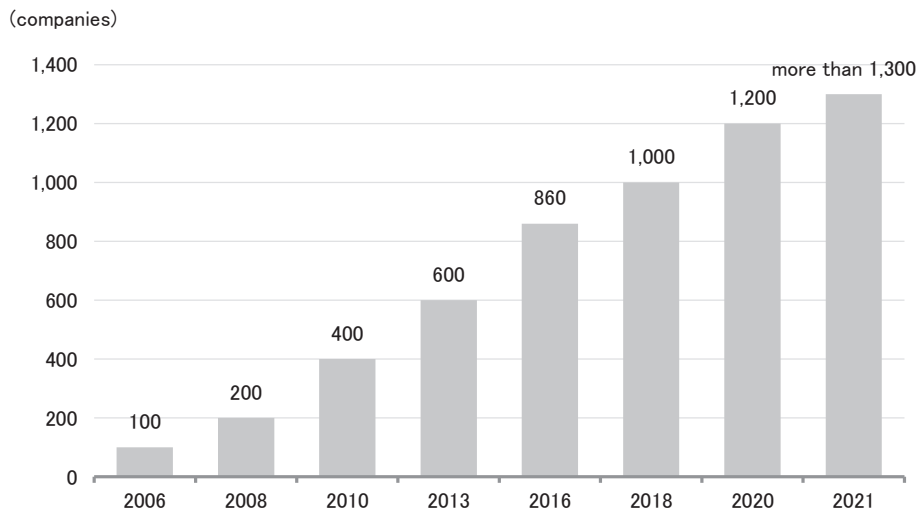


Source: The Company's results briefing materials

3. ERP/AI Business

The ERP/AI Business develops and sells (installs) the GRANDIT Web-ERP package. This software is sold by a consortium of 13 IT companies. Since this consortium was established in 2004, the Company has been involved in planning and developing GRANDIT and has contributed to the market diffusion of this product. The GRANDIT Web-ERP package is targeted to mid-sized companies with several tens of billions of yen in annual sales, but recently deployments for major companies have also started to increase, and it has been sold to more than 1,300 companies by the entire consortium. A distinctive feature of the GRANDIT software is that it is an ERP that is completely based on the web. Therefore, customers can easily upgrade their software without maintenance on the client side. The software can also be used on smart devices. As the software is independent of hardware, it can be used anywhere in the environment where the web operates. Because the technological know-how from each of the 13 companies has been leveraged in the product development of GRANDIT, it offers a highly competitive performance, and as a rare domestic ERP system which covers production management, demand is high. GRANDIT 3.1, the latest version released in June 2020, provides API functionalities as standard, and it continues to evolve daily, including realizing mutual linkage with SFA and other sales support systems.

Trends in the number of companies deploying GRANDIT



Source: Prepared by FISCO from the GRANDIT CORPORATION's materials

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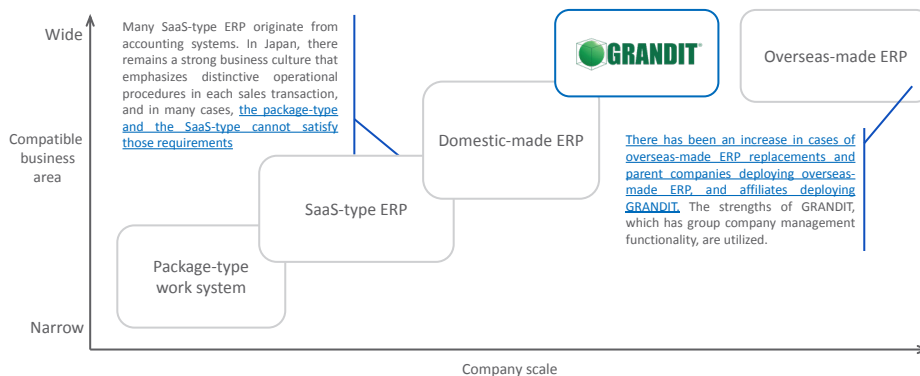
Business overview

The Company has the leading track record of deployments among the members of the consortium, having deployed it into hundreds of companies, and it received the GRANDIT AWARD Prime Partner of the Year, as the leading sales company, six times in the past. Its strengths include its in-house developments, including the “production management add-on module” and the “continuous transaction management add-on module” as an add-on module to supplement GRANDIT’s basic functionalities for the manufacturing industry, and the “project management template (IT template)” that coordinates with OBPM Neo for the software industry, and also that it has development capabilities enabling it to respond with a wide range of solutions. Moreover, its other strengths include that it is able to provide proposals for business automation through combining RPA and AI, and that it can provide integrated services based on the public cloud, such as AWS and Microsoft Azure.

The size of the domestic ERP market has been steadily growing with the widespread trend for digital transformation (DX) of management, which was further accelerated by the COVID-19 pandemic, and the shift from on-premises to the cloud has also gained momentum. SAP <SAP>, which is the largest ERP company, has announced that it will end its support for the maintenance of existing systems in FY2027, and companies, particularly major companies, are shifting from their existing systems to next-generation ERP. In addition, it appears that the trend to switch to other ERP will continue and annual growth of approximately 10% in this market is expected to continue.

ERP vendors are classified by their customer size, and foreign companies such as SAP and Oracle <ORCL> are players for major companies. The Company’s target customers are mainly mid-sized companies, which means that its competing products include GLOVIA by Fujitsu <6702> and OBIC7 by OBIC <4684>. Also, recently, the Company has increasingly received orders from large companies, such as ANA Holdings <9202> and Fujitsu, and accordingly, the prices of ordered projects are getting higher, to approximately ¥300mn to ¥500mn per project. It is difficult to calculate on a generalized basis, since the gross profit margin varies depending on each product configuration and specifications, but on average, the gross margin ranges from 25% to 29%, and the operating profit margin is around the 10% level. However, there is the risk that the profit margin will decrease, and a project will become unprofitable in the event that the project term is prolonged or the renovation work occurs. GRANDIT has been provided as the SaaS-type (subscription model) since March 2019, but its track record is still negligible, because there have been many customized requests for mid-sized and larger development projects. Sales of on-premises type and the IaaS type are still dominant.

ERP Business’ main products perceptual map



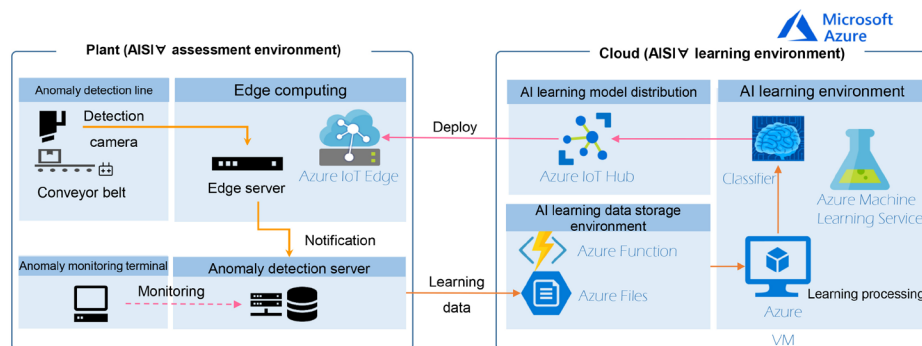
Source: The Company’s results briefing materials

Business overview

Also, as for the AI Business, the Company released the AISI∇-AD, deep-learning anomaly detection system that uses state-of-the-art image recognition technologies, in October 2018. AISI∇-AD is a system that realizes significant labor saving by capitalizing on deep-learning technologies to automate processes which were previously conducted by human visual inspection in manufacturing lines. AISI∇-AD's deep-learning technology creates an AI model that can distinguish between normal and anomalies through a learning environment that uses Microsoft Azure. In the anomaly detection process, using a camera, it photographs the products passing along the manufacturing line and uses an edge computer to make judgements at a high speed and in real time. The object of detection and the required precision differ from customer to customer, so it is necessary to develop an AI model for each individual project and to set specifications while implementing proof of concept (PoC). The initial costs to implement PoC are approximately ¥4mn.

Deploying AISI∇-AD in an actual manufacturing line requires a license fee of ¥4.8mn and development costs (from requirement definitions through to implementation support, and training) of ¥10mn, as well as approximately ¥4mn for hardware devices, and standard development and implementation term ranges from four to six months. In many cases, the customers of the Company's ERP products are in the manufacturing industry, and its strategy is to progress customer acquisition by capitalizing on the expertise and network it has accumulated through ERP deployments.

Image of AISI∇-Anomaly Detection in use



Source: The Company's results briefing materials

4. Other Business

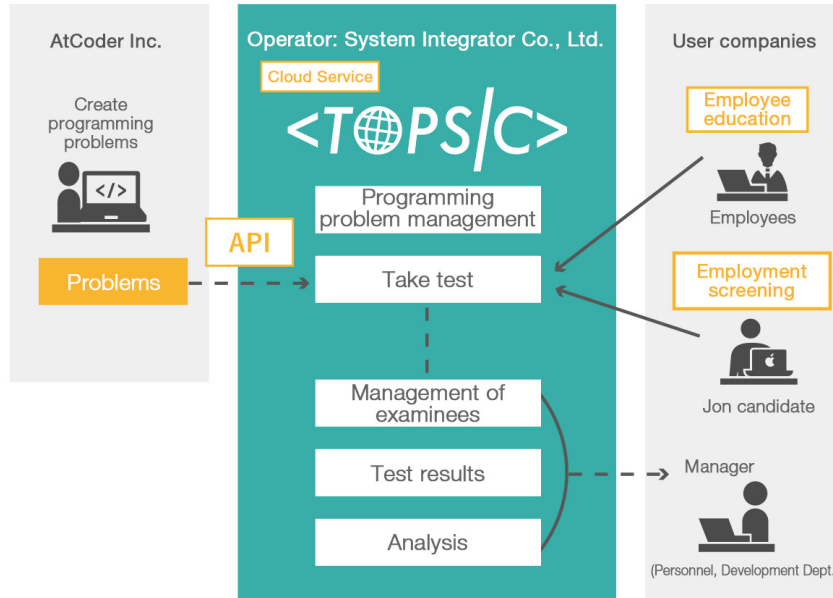
Other Business includes the three new services, such as TOPSIC, and VOICE TICKETS and IDEA GARDEN released in fall 2021.

(1) TOPSIC

The Company launched the TOPSIC programming skills evaluation service in January 2018. It started from TOPSIC-PG, a service that checks examinees' skill level by issuing problems and evaluating the ability of the algorithm, a common skill that does not rely on a programming language, in an online format with a combination of six difficulty stages. In February 2021, the Company released TOPSIC-SQL as a skill check service for SQL, which is a database-related language frequently used in operating systems. It is expected to be used as a tool in the screening process for the hiring of engineers, in the educational training of employees, and in the skill check process for selecting outsourcing companies. Also, since it supports multiple languages, its advantages include that it is applicable to foreign engineer hiring and offshore companies' selection.

Business overview

TOPSIC service



Source: The Company's website

There are two kinds of fee-charging plans, which are the pay-for-usage system (billing per the frequency of use) and the fixed-fee system (billing per the number of people). In the pay-for-usage system, the standard plan (for general companies) is an annual basic fee of ¥38,000 plus a fee per exam taken of ¥19,000. In the fixed-fee system, the standard plan is an annual basic fee of ¥300,000, plus additional annual usage fees per the number of persons using it (offered for schools at 10% of the standard plan). The competitor to this programming skills evaluation service is “track” by Givery Inc. The main differences from TOPSIC are that it has a broader range that covers everything from the upstream design area to the programming area, and furthermore, it is equipped not only with test functionalities, but also with learning functionalities. Therefore, its service fee is slightly higher than that of the Company’s service. The Company’s service is considered to be more convenient in simple checks of the engineers’ programming skills. Also, paiza by Paiza Inc., which provides job seeking and job changing services linked to skill checks, had approximately 500,000 registered members at the end of March 2022 and can be deemed to be one competitor, in spite of their different business model.

Alongside the improvement in the name awareness of TOPSIC, since 2018, the Company has been holding PG Battle, a tournament in which companies and schools compete against each other in programming battles using TOPSIC. One team is comprised of 3 people, and they write 4 programs in 90 minutes to solve the submitted problems and then submit their solutions online, and the teams compete on the basis of their total scores and the times required for the 3 team members. In the first tournament, a total of 260 teams of both companies and schools, and 780 people participated. In the fourth tournament held in October 2021, 423 teams and 1,269 people participated.

Business overview

(2) VOICE TICKETS

The Company launched sales of VOICE TICKETS, a customer success support tool, in October 2021. It is a tool to collect, accumulate, and manage the feedback from end users (hereafter, users) who use services provided on the internet. Users can post requests for and criticisms of products by clicking on the VOICE TICKETS icon or the link on the service's screen, while the service providers can manage these posts by classifying them based on the level of progress. By accumulating and managing feedback from users, the service providers can take measures to improve products and services and to reduce contract cancellation rates.

Before it released VOICE TICKETS, the Company verified its effectiveness by actually utilizing it for its own services, such as for OBPM Neo, and it started external sales after accumulating a certain amount of feedback from users. The target customers are not only SaaS service providers, but also Internet service providers who offer a wide range of products and services. The annual fees range from ¥600,000, ¥1.2mn, to ¥3.6mn depending on the number of Voices* collected.

* The real feedback of users is collected as "Raw Voices" and among them, those selected by business enterprise are registered as Voices.

(3) IDEA GARDEN

The Company launched sales of IDEA GARDEN, an idea creation platform, in November 2021. It provides a framework in which each employee can create ideas for new businesses and new products, and these ideas are shared, accumulated and managed within the company and then completed in the form of a plan. It is a tool to realize the goal of "utilizing employees' ideas for company management," and it can be applicable to all type of industries. The annual usage fees range from ¥600,000, ¥1.2mn, to ¥3.6mn depending on the number of ideas that can registered and the number of gardens (the number of idea-management boards). A free trial version can be used for one month.

Results trends

In FY2/22, the E-Commerce Business significantly contributed to the overall results, and sales and profits increased by double digits

1. Overview of FY2/22 results

In the FY2/22 results, net sales increased by 13.1% YoY to ¥4,817mn, operating profit increased by 40.9% YoY to ¥587mn, ordinary profit increased by 39.0% to ¥588mn, and net profit increased by 33.4% to ¥391mn, and sales and profits increased for the first time in two fiscal periods. Although profits decreased for OBPM Neo cloud software, this was offset by the sales increase in the E-Commerce Business and the profit margin recovery in the ERP Business. Compared to the initial forecasts at the beginning of the current fiscal period, net sales were basically in line with the forecast, but each profit was less than forecast because profit margin recovery in the ERP Business was less than expected.

Results trends

FY2/22 results

(¥mn)

	FY2/21		Company forecasts	FY2/22			
	Result	% of sales		Result	% of sales	YoY	Vs. forecast
Net sales	4,258	-	4,850	4,817	-	13.1%	-0.7%
Gross profit	1,409	33.1%	-	1,684	35.0%	19.5%	-
SG&A expenses	993	23.3%	-	1,097	22.8%	10.5%	-
Operating profit	416	9.8%	630	587	12.2%	40.9%	-6.8%
Ordinary profit	423	10.0%	636	588	12.2%	39.0%	-7.4%
Net profit	293	6.9%	445	391	8.1%	33.4%	-12.1%

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

The gross profit margin increased by 1.9 percentage points (pp) YoY to 35.0%. This was due to profit recovery from the effects of an order loss derived from an unprofitable project occurred in the previous fiscal period (recording of a provision for loss on order received of ¥231mn). Excluding this factor, it fell by 3.5pp. The profit margin of OBPM Neo cloud software temporarily declined, while in the ERP Business, focusing on human resource development, young engineers were actively appointed to large-scale projects. As a result of these factors, profitability declined after excluding the provision for loss on order received.

SG&A expenses increased by 10.5% YoY. This was due primarily to increased R&D expenses (up from ¥23mn in the previous fiscal period to ¥62mn), and other increased expenses such as recruitment and education, in spite of the slight decrease of personnel expenses. However, the SG&A expenses ratio declined 0.5pp because of higher sales. As a result, the operating profit margin rose by 2.4pp to 12.2%. In terms of extraordinary losses, impairment loss of ¥35mn was recorded, but this was due to a devaluation of software assets following a review of the sales plan in conjunction with the development of additional functionalities for OBDZ.

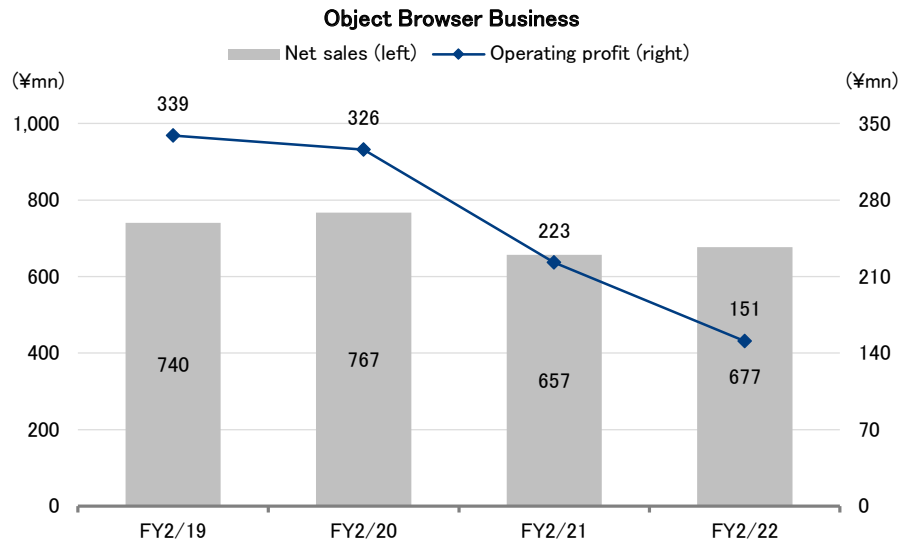
The E-Commerce Business grew significantly, while profits increased in the ERP/AI Business following the delivery of an unprofitable project

2. Results by business segment

(1) Object Browser Business

In the Object Browser Business, net sales increased by 3.1% YoY to ¥677mn, but operating profit decreased by 32.1% to ¥151mn. This temporary dull growth rate of OBPM Neo sales was due to a shift to cloud software, but offset by the demand recovery of the Object Browser series, for which demand had been diminished as a result of the negative impact of COVID-19, leading net sales to increase for the first time in two fiscal periods. Nonetheless, profits decreased for the third consecutive fiscal period because depreciation costs increased by ¥37mn YoY following the launch of the OBPM Neo service, and maintenance service costs increased as well.

Results trends



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

The Object Browser series, which are used across a wide range of industries and well-positioned as reliable tools to improve the productivity of software development, are a stable source of revenue for the Company. The Company has continued its efforts to enhance their convenience, including releasing SI Object Browser for Oracle 21.2 and SI Object Browser ER 22, which are compliant with the new version of Oracle Database, in January 2022.

The Company launched sales of the SaaS-type OBPM Neo, integrated project management tool, in March 2021. It has been deployed not only in the IT industry, but also in the manufacturing and engineering industries, and the Company added 10 new customers during current fiscal period, resulting in more than 220 customers. In addition, because the existing customers are switching their systems from the previous on-premises type to the SaaS type when they renew their contracts, the Company's sales and profits are negatively influenced, temporarily, in the short term, but this influence.

The Company launched sales of the application design tool OBDZ as a cloud service in June 2019 and has been focusing its efforts to increase its sales as tool that can significantly improve the productivity of design work. So far it has been deployed by approximately 70 companies, below the initial sales target, so the Company revised the sales target and at the same time recognized impairment loss on software assets. Going forward, the Company has been developing additional functionalities toward customers acquisition and plans to release updated version in the 2H of FY2/23.

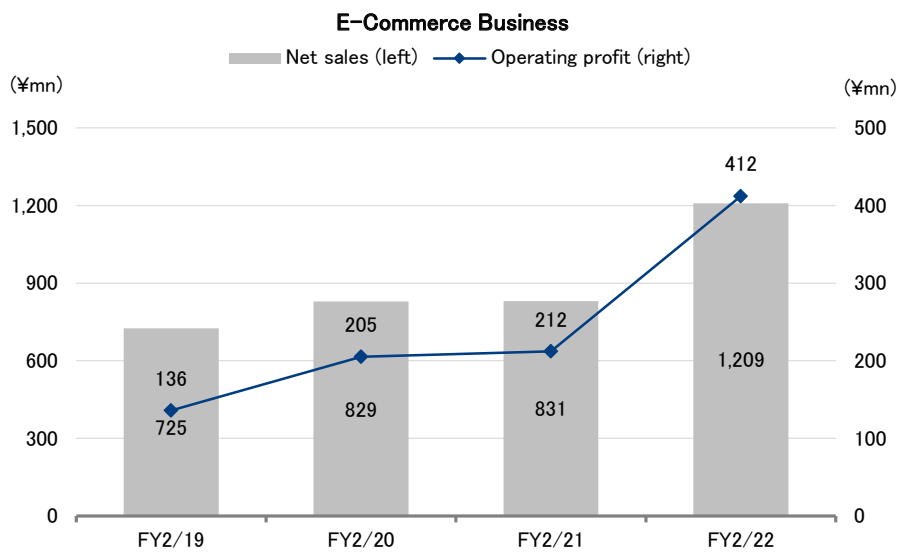
(2) E-Commerce Business

In the E-Commerce Business, net sales increased by 45.5% YoY to ¥1,209mn and operating profit increased by 94.4% to ¥412mn, recording its highest figures ever before. With the expansion of the EC market, large companies have been intensified their investment to renew their EC sites, and consecutive orders for large-scale replacement projects led to the tremendous increase in sales. Profits increased not only by the higher sales and but also by the enhanced development efficiency. As a result, the operating profit margin increased significantly, from 25.5% in the previous fiscal period to 34.1%, recording a new high.

Results trends

Scaling to the next height, the Company has continuously been conducting development in order to strengthen product competitiveness. In September 2021, the Company released SI Web Shopping V12.11, which features significantly strengthened security functionalities, adding other functionalities to improve the management and development efficiency of EC businesses. In addition, in March 2022, the Company released the latest version of SI Web Shopping V12.12 that is compliant with the storage method for eligible invoices, etc. (an invoice system *).

* Invoice system: A system that enable a consumption-tax deduction to be obtained by issuing and storing invoices that satisfy the prescribed description requirements by using the storage method for eligible invoices, etc., which will start in October 2023.

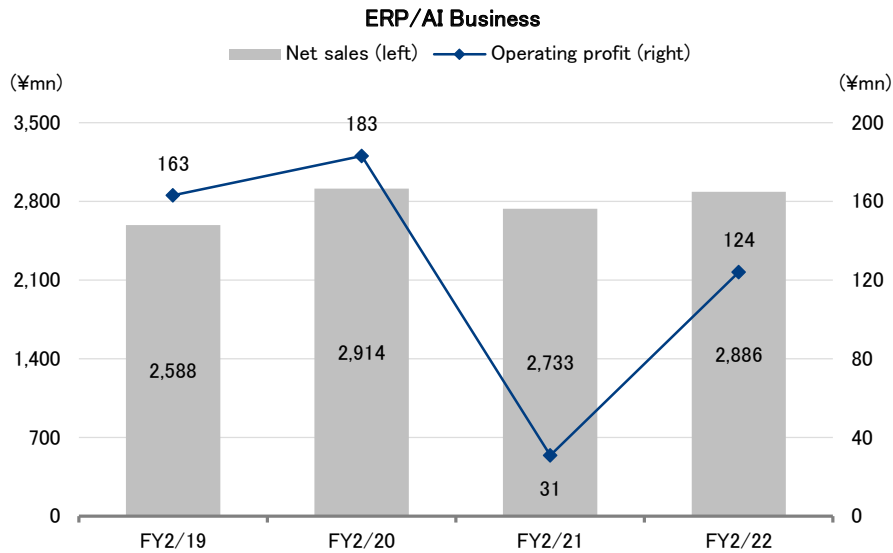


Source: Prepared by FISCO from the Company's financial results

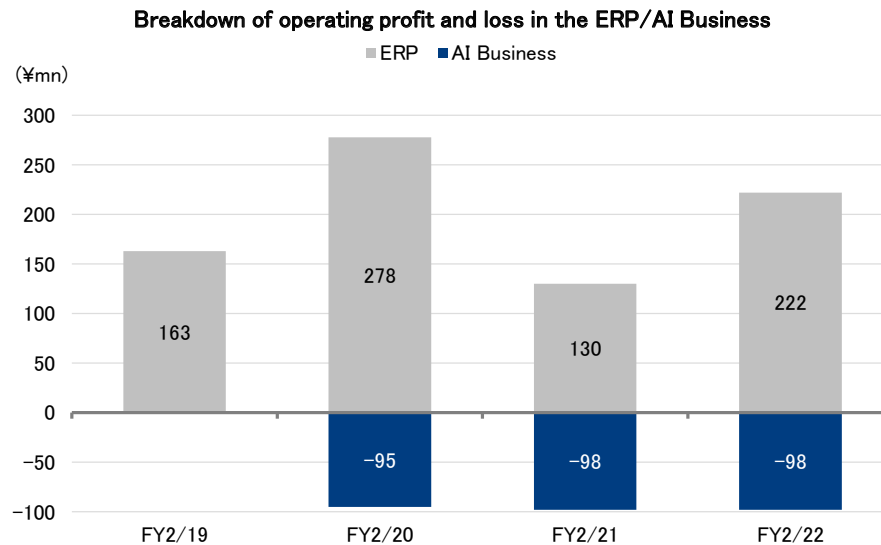
(3) ERP/AI Business

In the ERP/AI Business, net sales increased by 5.6% YoY to ¥2,886mn and operating profit increased by 291.1% to ¥124mn. Within this segment, in the ERP Business, net sales increased by 5.2% to ¥2,867mn and operating profit increased by 70.0% to ¥222mn. The ERP market has been continuously growing even during the COVID-19 pandemic, and accordingly, the Company's sales steadily increased, mainly for the customers in the manufacturing industry. Profits increased due to the completion of a delivery of an unprofitable project that occurred in the previous fiscal period, offset by active appointment of young engineers to large-scale projects. As a result of these factors, profitability declined after excluding the provision for loss on order received.

Results trends



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



Note: FY12/19 values are the totals for the ERP Business and the AI Business
 Source: Prepared by FISCO from the Company's results briefing materials

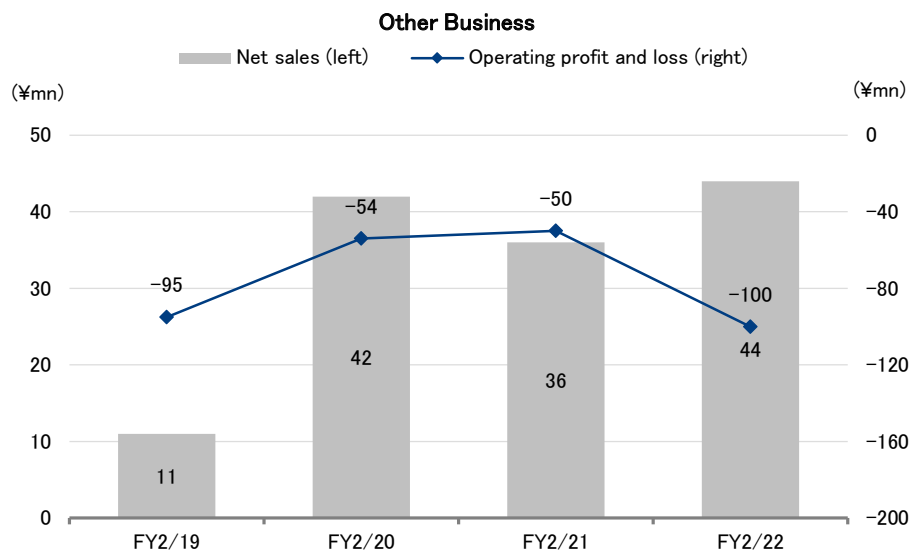
In the AI Business, net sales increased by 117.5% YoY to ¥18mn and the operating loss was ¥98mn (a loss of ¥98mn in the previous fiscal period). The Company launched sales of AISIV-AD in 2018 in order to automate and save labor in factories' visual inspection processes. The Company has been receiving a lot of inquiries from many potential clients (the verification objects include transportation-equipment parts, PET bottle caps, electrical-equipment materials, film products and more) and while repeating PoC, it has been accumulating expertise and working to strengthen the product and to enhance its solution capabilities. The increase in net sales is due primarily to the increased orders for PoC projects, while the timing delay of user acceptance testing caused the sale postponement of a film maker's manufacturing line, which had been incorporated into the initial plan (expected to be recognized in May 2022). The Company has been simultaneously conducting approximately 10 PoC projects, and among them, aiming to acquire orders for development projects for manufacturing lines.

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

Results trends

(4) Other Business

In the Other Business, net sales increased by 21.1% YoY to ¥44mn and the operating loss was ¥100mn (a loss of ¥50mn in the previous fiscal period). For the TOPSIC programming skills evaluation service, in February 2021, the Company launched TOPSIC-SQL, a skills evaluation service for the SQL database language, and it has continuously worked to enhance its functionalities. As a result, the number of customers steadily grew and accordingly, sales increased as well. In contrast, the main reason for deterioration of the operating loss, down ¥50mn from the previous fiscal period, was the development costs for VOICE TICKETS and IDEA GARDEN that were launched in fall 2021. The track record of both VOICE TICKETS and IDEA GARDEN is still few in number.



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

Has an excellent financial position with debt-free management

3. Financial position and management indicators

Total assets at the end of FY2/22 amounted to ¥3,580mn, up ¥82mn from the end of the previous fiscal year. In current assets, the main factors for this increase were ¥157mn increases of cash and deposits and ¥250mn increases of accounts receivable – trade, offset by a ¥159mn decrease of work in process. In non-current assets, following the relocation of the Tokyo Sales Office, property, plant and equipment increased by ¥11mn, but there were ¥104mn decreases of software (including software in progress), a ¥37mn decrease of investment securities, and a ¥54mn decrease of deferred tax assets, respectively.

Total liabilities at the end of FY2/22 amounted to ¥866mn, down ¥200mn from the end of the previous fiscal year. The main factors for this decrease include a ¥75mn increase of advance payments, which was offset by a ¥231mn decrease of the provision for loss on order received and a ¥55mn decrease of income taxes payable. Total net assets amounted to ¥2,714mn, up ¥283mn from the end of the previous fiscal year. Retained earnings increased by ¥302mn with net profit of ¥391mn offset by dividend payments of ¥88mn.

Results trends

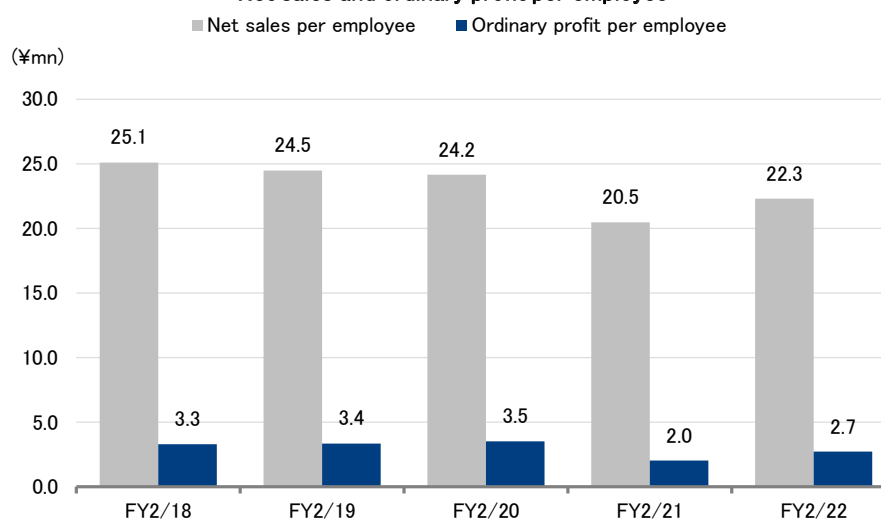
Looking at the management indicators, the equity ratio rose from 69.5% at the end of the previous fiscal period to 75.8%. The Company can be determined to be highly financially sound, with its continuous practice of debt-free management and accumulation of record high cash and deposits. For the indicators of profitability, both ROE and the operating profit margin increased from FY2/21, when they decreased due to the effects of COVID-19, and both recovered to a level above 10%. For the indicators of productivity, net sales and ordinary profit per employee both increased YoY, although their levels are still low compared to before pre-COVID-19. One reason for this is thought to be that in the last few years, the Company has launched several new businesses, including OBDZ, TOPSIC, and AISIV-AD, and therefore upfront investments negatively affect those indicators.

Balance sheet and management indicators

	(¥mn)				
	FY2/19	FY2/20	FY2/21	FY2/22	Change
Current assets	2,094	2,589	2,544	2,801	257
(Cash and deposits)	1,319	1,296	1,473	1,631	157
(Work in process)	49	134	329	169	-159
Non-current assets	672	698	953	778	-174
Total assets	2,766	3,288	3,498	3,580	82
Total liabilities	734	1,024	1,066	866	-200
(Provision for loss on order received)	6	0	231	-	-231
(Interest-bearing debt)	-	-	-	-	-
Total net assets	2,031	2,264	2,431	2,714	283
(Retained earnings)	1,255	1,536	1,686	1,988	302
[Management indicators]					
(Stability)					
Current ratio	285.0%	255.7%	238.5%	325.5%	87.1pt
Equity ratio	73.4%	68.9%	69.5%	75.8%	6.2pt
(Profitability)					
ROE	32.2%	21.3%	12.5%	16.6%	4.1pt
Operating profit margin	13.4%	14.5%	9.8%	12.2%	2.4pt

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

Net sales and ordinary profit per employee



Note: The number of employees is calculated as [end of previous fiscal period + end of current period] ÷ 2
 Source: Prepared by FISCO from the Company's financial results and results briefing materials

■ Outlook

In FY2/23 higher sales and profits are expected to be secured, as the decline in earnings in the E-Commerce Business will be offset by the other segments

1. Forecasts for FY2/23

The forecast for the FY2/23 results is for the higher sales and profits to continue, with net sales to increase by 3.8% YoY to ¥5,000mn, operating profit to increase by 2.2% to ¥600mn, ordinary profit to increase by 2.4% to ¥603mn, and net profit to increase by 8.9% to ¥426mn. In 1H, results are forecast to decline temporarily, with net sales decreasing 14.7% YoY to ¥2,100mn and operating profit decreasing 66.4% to ¥110mn. This is because in the E-Commerce Business, a large-scale development project that was ordered in the previous fiscal period has been cancelled due to circumstances at the customer side and because in the ERP Business, the user acceptance testing of development projects will mainly occur in 2H.

Forecasts for FY2/23

	FY2/22		FY2/23			
	Full-year result	YoY	1H forecast	FY2/23		
				YoY	Full-year forecast	YoY
Net sales	4,817	13.1%	2,100	-14.7%	5,000	3.8%
Operating profit	587	40.9%	110	-66.4%	600	2.2%
Ordinary profit	588	39.0%	112	-66.0%	603	2.4%
Net profit	391	33.4%	78	-62.2%	426	8.9%
Earnings per share (¥)	35.50		7.08		38.66	

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

In terms of the business environment, demand continues to be strong in both the E-Commerce Business and the ERP Business, but other factors, such as concern for slowdown in personal consumption due to rising prices, as well as concerns about economic downturn caused by the volatile overseas situation incurred by the affair in Ukraine and China's zero COVID-19 policies, are coming to the forefront. In this situation, the Company has formulated a steady plan that incorporates the risk that demand for IT investment, especially in the manufacturing industry, may cool down in the future.

In order to strengthen its development capacities, the Company has announced that it will newly establish a subsidiary in Vietnam, in order to strengthen its development structure. In recruitment at the headquarters, the Company hired around 10 Vietnamese nationals who have been engaged in ERP development and other services at its headquarters, and selecting from them, it will dispatch 3 or 4 Vietnamese nationals to the Vietnamese subsidiary. Simultaneously recruiting locally, the Company plans to build a development structure of around 10 people within one year and around 50 people within three years. Demand for ERP development is strong, but since it has become difficult to recruit mid-career engineers and to find partner companies, the Company cannot help but decline orders due to a lack of development resources. In order to solve this problem and seize opportunities, the Company decided to establish a base in Vietnam. The operations of the Vietnamese subsidiary will strengthen development capabilities and also be expected to reduce the outsourcing ratio*. Although it seems that its effect on the FY2/23 results will be negligible, it is expected to contribute to the increase in earnings in the ERP Business from FY2/24 onwards.

* The ratio of outsourcing costs to sales costs has been around 50% in recent years.

Outlook

In addition, in April 2022, the Company recruited 20 new graduates, the highest number ever, and the number of employees as of April 1 increased by 20 YoY to 247 employees (including executives). It seems the Company also plans to recruit approximately 20 new graduates in spring 2023, and under circumstances in which it is difficult to recruit mid-career engineers, the Company's human resource policy is to strengthen the recruitment and training of new-graduate employees. The percentage of engineer employees is slightly less than 80%.

2. Outlook by business segment

Outlook by business segment

(¥mn)

	FY2/20 Result	FY2/21 Result	FY2/22 Result	FY2/23		YoY
				1H forecast	Full-year forecast	
Net sales	4,554	4,258	4,817	2,100	5,000	3.8%
Object Browser Business	767	657	677	360	770	13.7%
E-Commerce Business	829	831	1,209	490	1,170	-3.2%
ERP/AI Business	2,914	2,733	2,886	1,219	2,975	3.1%
Other Business	42	36	44	31	85	90.6%
Operating profit and loss	661	416	587	110	600	2.2%
Object Browser Business	326	223	151	74	183	20.8%
E-Commerce Business	205	212	412	94	275	-33.3%
ERP/AI Business	183	31	124	-4	228	83.9%
Other Business	-54	-50	-100	-54	-86	-
Operating profit margin	14.5%	9.8%	12.2%	5.2%	12.0%	-0.2pt
Object Browser Business	42.6%	34.0%	22.4%	20.6%	23.8%	1.4pt
E-Commerce Business	24.8%	25.5%	34.1%	19.2%	23.5%	-10.6pt
ERP/AI Business	6.3%	1.2%	4.3%	-	7.7%	3.4pt
Other Business	-	-	-	-	-	-

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

(1) Object Browser Business

In the Object Browser Business, the forecasts are for higher sales and profits, with a 13.7% increase of net sales YoY to ¥770mn and a 20.8% increase of operating profit to ¥183mn. Sales of the Object Browser series are expected to be at the same level YoY, so the outlook is that almost all of the incremental sales will be derived from efforts to acquire new customers of OBPM Neo and reduce the number of contract terminations. The Company's new customers acquisition target is set to be 30 projects.

As measures for new customer acquisition, the Company has been expanding its customer targets not just to the IT industry, but also to the manufacturing, engineering, and other industries, and moreover, by implementing systems which enable customers to implement and utilize them in a more agile manner, the Company will enhance productivity in its sales process. To seize various opportunities for OBPM Neo's applicability, such as for new product development in the manufacturing industry and for design and construction processes in engineering companies, respectively, the Company will explore new routes for customer acquisition, including by holding seminars. Also, while the number of contract cancellations is already at a low level, the Company will further decrease it by enhancement and strengthening of functionalities strongly requested by customers.

For OBDZ, the Company has been developing additional functionalities that have been strongly requested by customers, with an eye to release it during FY2/23, and it plans to implement full-fledged sales activities after this release. However, if the customer base does not expand by functionality enhancement, the managerial decision of a withdrawal from this project may emerge.

Outlook

(2) E-Commerce Business

In the E-Commerce Business, the Company forecasts decreased sales and profits, with a 3.2% decrease of net sales YoY to ¥1,170mn and a 33.3% decrease of operating profit to ¥275mn. The cancellation of a large-scale development project worth over ¥1bn ordered in the previous fiscal period, due to circumstances at the customer side, will have a significant impact. This project started in the previous fiscal period from an upstream phase (requirement definitions) and more than ¥200mn of sales were recorded, with a delivery scheduled in several installments from FY2/23 onwards. The story behind this cancellation is unclear, but it seems that there were factors such as a change of EC business strategy on the customer side. The project may be restarted in the future, but it has not been incorporated into the FY2/23 sales forecast. Also, the profit margin is forecast to decline from 34.1% in the previous fiscal period to 23.5%, because the loss of sales of this highly profitable project will have a significant impact.

As new initiatives, the Company will move ahead with customer acquisitions of mid-sized and larger B-to-B EC businesses. So far, the Company has targeted large-sized B-to-C EC businesses, but the B-to-B EC market has grown rapidly in the last few years, and it determined that its development capabilities could also be utilized for customers with strong customization needs. The Company plans to implement promotion activities, while collaborating with other companies' solutions. If the Company succeeds in opening up the B-to-B market, the sales growth potential can be expected to increase even more.

(3) ERP/AI Business

In the ERP/AI Business, the Company forecasts a 3.1% increase of net sales YoY to ¥2,975mn and an 83.9% increase of operating profit to ¥228mn. Within this segment, in the ERP Business, the Company forecasts a 1.1% increase of net sales to ¥2,900mn and a 17.9% increase of operating profit to ¥262mn, respectively. Although demand continues to be strong, net sales are expected to increase only slightly due to the lack of development resources. Profits will increase mainly through improved productivity. Many projects started in April and May 2022, and so the timing of user acceptance testing is concentrated in 2H. Therefore, sales and profits are forecast to decline in 1H.

In the ERP Business, following the launch of a business model for GRANDIT SaaS in the previous fiscal period, an industry specific-type cloud ERP service, the Company plans to expand the customer targets, including SMEs, by sequentially releasing models for the targeted industries, such as the construction and engineering industries.

Conversely, the outlook for the AI Business is a 295.1% increase of net sales YoY to ¥75mn and an operating loss of ¥34mn (a loss of ¥98mn in the previous fiscal period). Due to the start of deployments of the AISI V-AD system for manufacturing lines in May 2022, net sales in 1H will be ¥39mn, while one project is scheduled to be deployed in 2H. The Company has been simultaneously advancing approximately 10 PoC projects, and these factors will also contribute to the incremental sales.

The first application project is for an industrial film manufacturing company's production line. This is a high-precision automated inspection system, such as to detect scratches and taints on film on high-speed lines, through the use of cameras, AI, edge computers, and other technologies. The deployment of this system is expected to significantly save labor in the inspection process. With this project as a success case study, the Company's strategic policy is to conduct horizontal development for the film industry in parallel with providing deployment proposals for other manufacturing industries. However, the precision required from the anomaly detection system using AI differs depending on the customer, and moreover, its implementation effects do not achieve the initial target, and so, still, it is unclear whether or not deployments to manufacturing lines will smoothly increase in the future. Therefore, the Company has postponed the previous schedule by one year to nurture this business into a profitable one, to FY2/25, meaning three years to achieve.

Outlook

(4) Other Business

In Other Business, the Company forecasts a 90.6% increase of net sales YoY to ¥85mn and an operating loss of ¥86mn (a loss of ¥100mn in the previous fiscal period). Breaking down net sales, sales of TOPSIC will be approximately ¥60mn, and sales of both VOICE TICKETS and IDEA GARDEN will be approximately ¥10mn. Also, development costs of ¥50mn are planned, the same as in the previous fiscal period.

The Company continues to work to increase sales of TOPSIC, positioning it as a tool for recruitment, education and raising the skills of engineers. Also, for VOICE TICKETS, the Company has been conducting outbound sales promotion targeting SaaS businesses. If it can be confirmed that deployments of VOICE TICKETS have the effect of reducing cancellation rates due to improved service quality, the number of businesses deploying it is expected to increase. Conversely, for IDEA GARDEN, in order to enlarge target customers, the Company's policy is to hold seminars and to expand content on its website in order to acquire potential customers.

As the economic outlook remains uncertain, the Company has revised its mid-term results targets to more conservative targets

3. Medium-term business plan

The Company has announced "SDGs Mind 2021," its new medium-term business plan, beginning from FY2/22. The reason for including SDGs in the plan's name is that the Company's two philosophies are consistent with the concept behind the SDGs. The first philosophy is that "We consistently create software that creates time rather than consumes times," while the second philosophy, as the meaning for the Company's existence, is "We aim to not merely survive, but to continuously provide value to society."

For the numerical targets, as previously mentioned, the unstable global situation has started to erode the Japanese economy, and IT investment in the manufacturing industry, a core customer of the ERP Business, may cool down temporarily, and there are concerns about the impact of the slowdown in domestic consumption on the E-Commerce Business. Therefore, the Company has revised the numerical targets for FY2/23 and onwards to more conservative targets. Specifically, for the medium-term plan's final fiscal year of FY2/24, the Company has lowered the targets, with net sales lowered from ¥6,200mn to ¥5,700mn, and ordinary profit from ¥966mn to ¥803mn. However, the YoY growth rates are expected to be accelerated in FY2/24 with double-digit increases in sales and profits.

Results target of medium-term business plan

	FY2/21 Result	FY2/22		FY2/23		FY2/24		CAGR
		Target	Result	Initial targets	Revised targets	Initial targets	Revised targets	
Net sales	4,258	4,850	4,817	5,500	5,000	6,200	5,700	110.2%
Ordinary profit	423	636	588	776	603	966	803	123.8%
Ordinary profit margin	10.0%	13.1%	12.2%	14.1%	12.1%	15.6%	14.1%	

Note: The initial targets are those announced in April 2021. The revised targets are those announced in April 2022.

CAGR is the three-year compound annual growth rate from FY2/21 to FY2/24

Source: Prepared by FISCO from the Company's release

Outlook

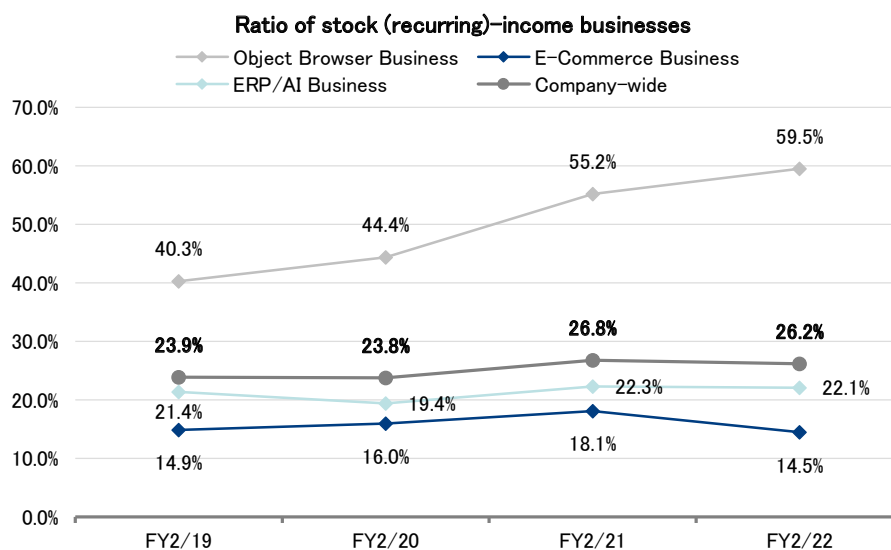
By business segment, sales and profits are expected to increase in every business segment in FY2/24, including in the E-Commerce Business whose results will fall temporarily in FY2/23. The ordinary profit margin is also expected to increase, mainly in the Object Browser Business in which the adverse effects of OBPM Neo cloud software will subside. At FISCO, we think that the keys to achieving the management targets are augmentation of development resources and eradication of unprofitable projects, and we consider that the Company will be able to achieve its targets if it can conquer these issues.

As the priority measures to achieve the numerical targets, the Company is working on the following five measures.

(1) Existing businesses

In the existing businesses, the Company is aiming for double-digit annual sales growth by an increase in customer numbers through brand power enhancement and new businesses monetization. As an example of this new business monetization, in the ERP Business, by connecting its GRANDIT with Asprova, a production scheduling product provided by other company, the Company has been strengthening its ability to provide solutions, leading to incremental orders. In an environment where supply chain risk has been worsened due to the shortage of semiconductors and the tenacious effects of the COVID-19 pandemic, the importance of creating an optimized production is more imminent than ever before, so orders of GRANDIT combined with Asprova are expected to increase.

Also, in order to build a stable income foundation, the Company is reallocating the sales ratio toward more stock (recurring)-income sales, such as SaaS services. In FY2/22, the ratio of sales from stock (recurring)-income account for 26.2%, down slightly from 26.8% in the previous fiscal period. But this was mainly due to the major growth of sales in the E-Commerce Business, which has a high percentage of flow income (non-recurring-income). Breaking down the whole income by business segment, the Object Browser Business increased its income ratio from 55.2% in the previous fiscal period to 59.5% due to the growth of OBPM Neo. Conversely, income ratio declined in the E-Commerce Business, from 18.1% in the previous fiscal period to 14.5%, and in the ERP/AI Business, from 22.3% in the previous fiscal period to 22.1%, respectively. The main reason for these decreases was the increase in new deployment projects. The Company's strategic policy is to provide the new products through a subscription model, including for the industry-specialized-type cloud ERP service, so the ratio of total sales from stock (recurring)-income sales is expected to increase from a mid-term perspective.



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

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Outlook

(2) Overseas development

For overseas business, as previously mentioned, the Company plans to establish a development subsidiary in Vietnam in order to strengthen its development structure. As labor costs for engineers are inexpensive in Vietnam, it is expected to contribute to cost competitiveness. However, in addition to local companies, many foreign IT companies have already entered the Vietnamese market, and the key will be success of local recruitment as planned. On the other hand, the Company will launch its overseas sales only after the Vietnamese subsidiary gets on track, with an eye to provide products and services such as OBPM Neo.

(3) New businesses

For the AISI \forall -AD AI business, its practical application on production lines will start in FY2/23, and going forward, the Company plans to increase the number of deployments while accumulating PoC. Conversely, for TOPSIC, VOICE TICKETS, and IDEA GARDEN, the Company's strategy is to acquire potential customers and to increase the number of contracts while continuously strengthening functionalities and enhancing content on its website.

The Company's five new businesses, including OBDZ, have not yet reached the profitable phase, and there is an awareness that simultaneously developing them all would cause overcapacity issue in terms of management resources. Henceforth, while closely monitoring the progress of each business, the Company may decide to withdraw if it judges that it cannot be expected to become profitable business.

(4) Raise the skill level of employees

In the last few years, in the ERP Business and the E-Commerce Business, among which projects have become larger and more complicated, the Company is facing the critical challenge of raising the skill level of its engineers to enhance its ability to deal with orders and to enhance profitability. The Company intends to focus on engineer training and education, including recent graduates, and simultaneously, on nurturing projects managers as well.

(5) A leading "streamlined company" in Asia

The Company has been developing and providing a wide variety of tools that contribute to the productivity improvement of engineers, while in-house as well, it has been working to improve productivity by organizing Company-wide operational reformation working groups. From a long-term perspective, the Company is aiming to become a leading company in Asia in terms of "a company where people want to work."

Shareholder return policy and SDGs initiatives

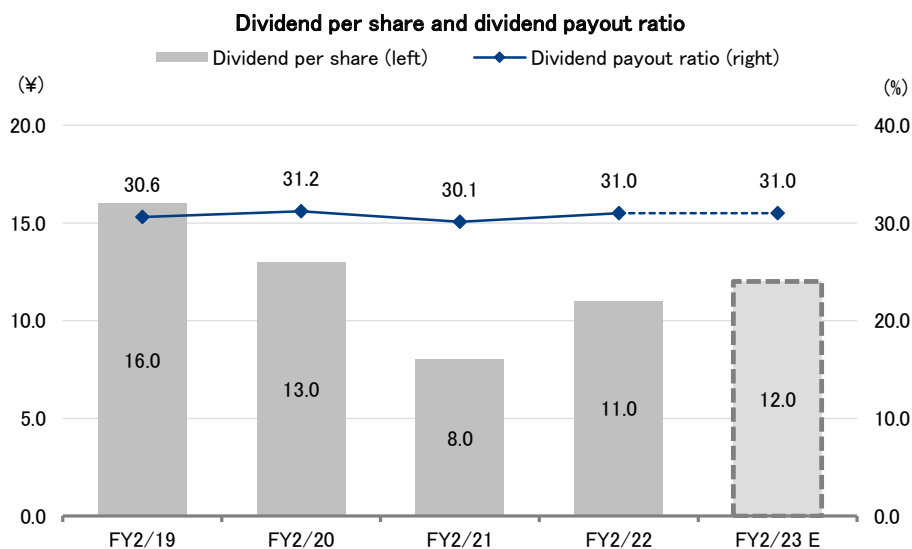
Standard dividend payout ratio is 30% based on performance and a gift of Koshihikari rice through shareholder rewards program

1. Shareholder return policy

The Company actively works to return profits to shareholders in order to enhance its corporate value. The Company's dividend policy is to link the dividend to performance results, with a standard dividend payout ratio of 30%. In FY2/22, it increased the dividend per share by ¥3.0 YoY to ¥11.0 (dividend payout ratio, 31.0%), while for FY2/23 as well, the Company plans to increase the dividend by ¥1.0 to ¥12.0 (dividend payout ratio, 31.0%). If the dividend payout ratio falls below 30%, we can expect the Company to increase the dividend even higher.

In addition, from April 25, 2022, the Company implemented treasury share buybacks, and by May 11, it had acquired 100,000 shares with a total acquisition value of approximately ¥47mn.

The Company has also introduced a shareholder rewards program with the objective of cultivating stable shareholders who hold their shares for the mid-to long-term. The program is for shareholders who hold at least 200 shares and who are listed under the same shareholder number in the shareholder ledger at the end of August and end of February in each year. The Company rewards newly harvested Koshihikari rice grown in Niigata, using reduced levels of fertilizers and agrochemicals. Shareholders holding from 200 to 999 shares receive a 1kg bag, those holding 1,000 to 3,999 receive a 2kg bag, those holding 4,000 to 15,999 receive a 5kg bag, and those holding 16,000 shares or more receive a 10kg bag, with the gift being delivered each fall after the harvest.



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

Highly evaluated as a company actively working on SDGs

2. SDGs initiatives








In FY2/22, the Company newly launched the SDGs Working Group in order to promote its SDGs initiatives, and it is collecting, arranging, and systemizing the opinions of every employee on what the Company can contribute. Through providing products and services, such as in the ERP Business and the Object Browser Business, the Company has been improving work efficiency and creating comfortable work environments for employees. In addition, by providing the TOPSIC service, the Company has been contributing to the skill improvement of engineers both domestically and overseas. Also, toward the enhancement of employees' work environments, the Company has been actively taking various measures to promote diversity, including building a system to enable women to work more easily, and recruiting people with disabilities and from overseas. In addition, in 2007, the Company introduced a work-from-home system for employees needing childcare or nursing care, and it recommends male employees to take childcare leave and work from home for childcare. The percentage of employees who return to work after taking childcare leave is high at 93%. Also, in FY2/22, the percentage of employees taking paid leave improved to 78.0% (65.2% in the previous fiscal period), and the number of non-statutory average overtime hours also improved to 6.3 hours per month (7.1 hours per month in the previous fiscal period). The employee retention rate fell slightly to 91.6% (93.1% in the previous fiscal period) but was still maintained at a high level compared to the industry average, which can be said to reflect the Company's efforts to provide comfortable work environments.

In terms of recent initiatives, in August 2021 for EC businesses whose purpose includes the SDGs achievements, the Company launched the SDGs Support Program in which it provides licenses at a special price for its SI Web Shopping website. Also, since September 2021, as an initiative to support children's cafeterias in Saitama Prefecture, the Company has created websites free-of-charge for 11 children's cafeterias (as of May 2022).

The Company has been highly reputed for these initiatives and in 2012, it was awarded with the gold certification as "a company practicing diverse workstyles" from Saitama Prefecture and in 2021, it was registered as a "Saitama Prefecture SDGs Partner." In 2017, the Company was certified by the Ministry of Health, Labour and Welfare as a "company realizing both work and nursing care (Tomonin)" and then in 2019 as a "company supporting parenting (Platinum Kurumin)." Also in 2017, the Company was selected as one of the "100 Teleworking Pioneers" by the Ministry of Internal Affairs and Communications, as a company that is actively promoting teleworking. The Company's teleworking utilization rate is 100%, and even during the COVID-19 pandemic, no particular negative impact on productivity has been reported. These initiatives by the Company have also been highly evaluated by students and others, and even within the IT industry where the labor shortage has become a serious issue, the Company is able to recruit excellent human resources comparatively smoothly.

Shareholder return policy and SDGs initiatives

Initiatives for SDGs

Global targets	Value provided to society by the Company's products	The Company's initiatives
	Products, such as ERP, OBPM Neo, and development-support tools, contribute to society by helping people live healthy lives through shortening working hours and eliminating overtime	Creates environments that are easy to work in and realized 6.3 hours per month for the number of non-statutory overtime working hours, an annual rate of taking paid leave of 78.0%, and an employee retention rate of 91.6%
	Contribute to improving the skills of engineers domestically and overseas through the TOPSIC service	Enhanced a high-quality education system based on its education policy
	ERP, OBPM Neo, and other products contribute to reducing energy consumption by shortening working hours and eliminating overtime	Enhanced the childcare support system, and realized a rate of taking childcare leave of 100% and a return-to-work rate of 93%. Has been certified as "Platinum Kurumin" and "Tomonin" as a company that supports childcare and nursing care. Moreover, it has been highly praised for its activities for female employees and acquired the "Ogino Ginko Award"
	Abnormality detection system using AI frees people from conducting visual inspection work that is not suitable for humans	Realized a reduction in working hours and saving energy that is consumed during the night and on holidays
	Replaces work previously done manually with AI, thereby contributing to DX	Ranked at the top of the "Ranking of listed companies that are pleasant to work at for a long time" and achieved both worthiness of work and economic growth. Promoted teleworking from an early stage, including being selected as a "Teleworking Pioneer" in 2017
		Uses its own innovative products in-house and is a model company that practices top-class streamlining in Japan
		Prioritizes diversity and in addition to female employees, it actively recruits people with disabilities and from overseas

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



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