

JBCC Holdings Inc.

9889

Tokyo Stock Exchange First Section

24-Sept.-2019

FISCO Ltd. Analyst

Takayuki Uchiyama



FISCO Ltd.

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

■ Index

■ Summary	01
1. Business overview	01
2. FY3/19 results	01
3. Outlook	01
■ Company profile	03
1. Company profile	03
2. History	03
3. Business description	04
4. Main customers	05
■ Business overview	07
■ The market environment and strengths	13
1. Market environment	13
2. Strength	14
■ Results trends	14
1. FY3/19 results	14
2. Financial condition	16
■ Outlook	17
1. FY3/20 outlook	17
2. Medium- to long-term growth strategy	18
■ Shareholder return policy	19

Summary

In the second year of its medium-term management plan, both sales and profits exceeded the forecasts.

Focusing on the WILD7 growth businesses, aiming to capture the wave of digitization by medium-sized companies and achieve sustainable growth

JBCC HOLDINGS Inc. <9889> (hereafter, also “the Company”) is an independent-solutions provider that has a business history of more than 50 years, and its Group has a track record of supporting the utilization of IT by more than 20,000 companies. The 11 business companies in the Group utilize each of their respective strengths to provide one-stop solutions for IT utilization by customers in a wide range of industries. The Company is working to further improve enterprise value, based on the successful case studies that only the Group is capable of, including the agile development of a core system for a major private preparatory school company and the development of a core data reference system in a very short period of time.

1. Business overview

The Company Group develops its business in two business fields, Information Solutions and Product Development and Manufacturing. In Information Solutions, it provides total B2B support for IT utilization, from consulting through to systems development, construction, operations, and maintenance. In Product Development and Manufacturing, in addition to the Company Group’s proprietary software, it not only develops hardware, but also products that intentionally integrate software and hardware.

2. FY3/19 results

In the FY3/19 results, net sales were ¥58,899mn (down 6.7% year-on-year (YoY), up 2.8% compared to forecast), operating income was ¥2,631mn (up 27.7% YoY, up 7.2% compared to forecast), ordinary income was ¥2,738mn (up 34.6% YoY, up 8.2% compared to forecast), and profit attributable to owners of parent was ¥1,782mn (up 50.2% YoY, up 13.5% compared to forecast). In FY3/18 (June 2017), the Company sold all the shares it held in IGUAZU Corporation, which was responsible for the Distribution business, so sales declined YoY. However, it worked to steadily improve profits, while WILD7, which are the growth businesses it is focusing on, performed strongly. Moreover, there was the addition of special factors, such as updating servers and upgrading to Windows 10, and both sales and profits greatly exceeded their forecasts.

3. Outlook

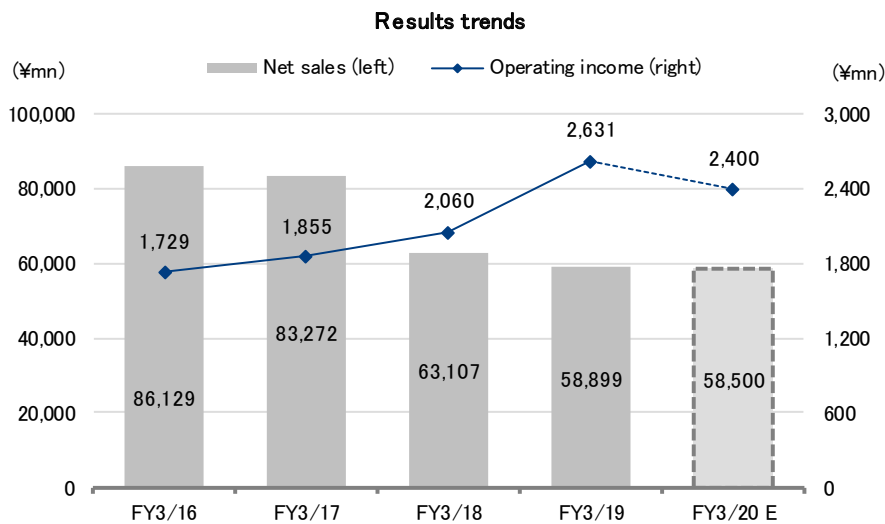
For the FY3/20 consolidated results outlook, in considering that the special demand relating to updating servers and upgrading to Windows 10, which grew greatly in the previous fiscal period, will diminish, the Company is conservatively forecasting net sales of ¥58,500mn (down 0.7% YoY), operating income of ¥2,400mn (down 8.8%), ordinary income of ¥2,450mn (down 10.5%), and profit attributable to owners of parent of ¥1,550mn (down 13.0%). However, there are many positive factors, including a record-high order backlog as of the beginning of the fiscal period (April 2019), a record-high order backlog expected for Q1 FY3/20, and an order for a large-scale system update project, and we shall be paying attention to results in the near future.

Summary

IT investment by medium-sized companies, which are the Company's main customers, is forecast to continue to grow in the future. In this sort of environment, toward achieving the targets in the medium-term management plan Transform2020, which the Company has been working on since FY3/18, it will continue to support its customers' digital transformations. Specifically, in addition to steadily strengthening and expanding the WILD7 growth businesses, it will work to enhance its technological capabilities and to further progress work-style reforms. Moreover, it intends to grow results even more by collaborations not only between Group companies, but also with companies such as tool vendors and mobile phone companies with which it already does business, and by increasing the number of customer contact points, toward achieving the targets of net sales of ¥60,000mn and operating income of ¥2,700mn in FY3/21.

Key Points

- In FY3/19, the second year of its medium-term management plan, both sales and profits exceeded the announced forecasts.
- Forecasts conservative results for FY3/20, and performed well in Q1 with many positive factors
- Targeting further results growth through combination proposals for the WILD7 growth business fields



Note: Does not include the Distribution business from FY3/18 Q2 onwards
Source: Prepared by FISCO from the Company's financial results

■ Company profile

A long-established IT solutions provider with more than 50 years of business history and a track record of introductions in more than 20,000 companies

1. Company profile

The Company, which was established in 1964, is a pure holding company for independent IT solutions providers, while the Group has a track record of supporting IT utilization by more than 20,000 companies. The 11 business companies within the Group each utilize their respective strengths to provide one-stop solutions for IT utilization by their customers from a wide range of industries. The Group has a strong relationship with IBM Japan, Ltd., including that it has leading shares for hardware and software product transactions with IBM Japan as a partner company, and five companies in the Group have the technological capabilities to be designated “premier level,” which is IBM Japan’s highest level of business partner. With the aim of promoting a shift from products to services in its business portfolio, the Company sold all the shares it held in IGUAZU, which carried out the Distribution business, at the end of June 2017, and now has two business fields, Information Solutions and Product Development and Manufacturing.

2. History

The Company was founded in 1964 as Japan Business Computer Corporation (JBCC) and it has a history of more than 50 years. Its history is divided into three large phases. In the initial phase, it developed, manufactured, and sold original products, including JBC System-1 Kanji, Japan’s first office computer able to process kanji, and C-200, Japan’s first network distributed processing system, and it worked to establish its own brand. Continuing to the second phase from 1983, it aimed to strengthen its business foundation, including by establishing a capital and business alliance with IBM Japan. Then in 1999, it was listed on the Tokyo Stock Exchange (TSE) Second Section, and in 2000, its listing was upgraded to the TSE First Section. In the third phase from 2006, toward achieving further growth, as the pure holding company JBCC HOLDINGS Inc., it clarified the individuality and characteristics of each business company and transitioned to a system that provides solutions and services with high added value through collaborations. After that also, with the increasing diversification and sophistication of needs for IT utilization, it moved through to today by optimizing systems within the Group by strengthening its “service capabilities,” “product development capabilities,” and “partner strategies,” “expanding globally” and other measures.

Company profile

History

*Initial phase (extract)	
1964	Japan Business Computer Corporation founded. Developed and marketed "TOSBAC-1100D," which set a precedent for microcomputers.
1978	Developed and started marketing Japan's first office computer with a kanji processing system, "JBC System-1 KANJI"
1982	Introduced corporate identity and adopted the new brand name "JBCC." Developed and marketed a decision support system, "JUSMATE Series."
1983	Established a marketing alliance with IBM Japan, Ltd., and started marketing of "IBM Multi-station 5550." Developed and marketed Japan's first network distributed processing system, "C-200."
* Second phase (extract)	
1983	Established a capital and business partnership with IBM Japan, Ltd.
1988	Started marketing of IBM AS/400.
1990	Registered its shares as over-the-counter stock.
1999	Opened an operations center (SMAC). Listed on the Second Section of the Tokyo Stock Exchange.
2000	Listed on the First Section of the Tokyo Stock Exchange.
2004	Obtained ISO140001 (Yokohama office). Founded JBCC Healthcare Consortium (JBHC).
* Third phase	
2006	JBCC Holdings Inc. was started as a pure holding company.
2008	Started globalization by establishing a business base in Dalian, China.
2009	Opened Cloud Integration Center ("CLIC" verification center).
2011	Open a BtoB EC website "Suppliesbank.com" specialized in printer supplies.
2014	Celebrated 50th year since foundation.
2015	Founded a consortium named "ORENO (My) Cloud Club" to provide the most suitable cloud services to customers.
2016	Changed company structure to have an Audit and Supervisory Committee from a Board of Company Auditors.
2017	Transferred all the shares of IGUAZU Corporation to a fund.

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

3. Business description

The Company has two business fields, Information Solutions and Product Development and Manufacturing.

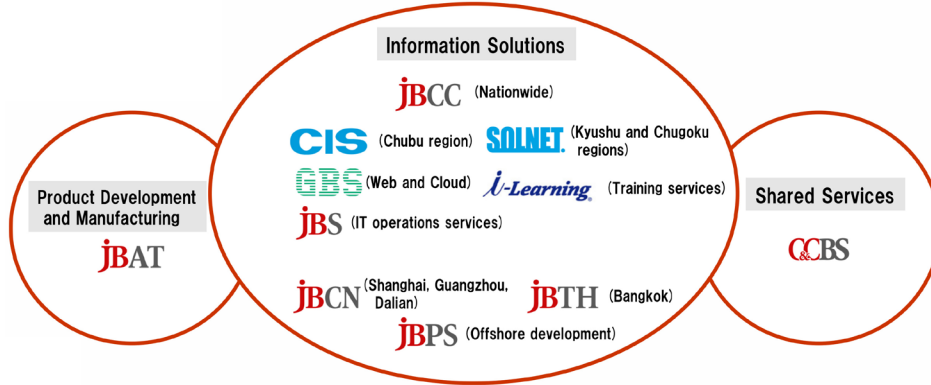
In Information Solutions, it provides total services for IT utilization (consulting, applications development, systems development, operations, maintenance, monitoring, outsourcing, etc.) to medium-sized companies, its main customers.

In Product Development and Manufacturing, it develops and provides solutions that only the Group is capable of to support aspects such as decision-making, information sharing, and printing. In addition, it integrates hardware and software to develop and manufacture products that are optimized to meet customers' requirements.

In Shared Services, the aim is to avoid redundant work by staff within the Group and to realize highly efficient operations, and it brings together various tasks, such as personnel and general affairs, accounting and finance, information systems, and operation services (support and management), thereby supporting each Group company.

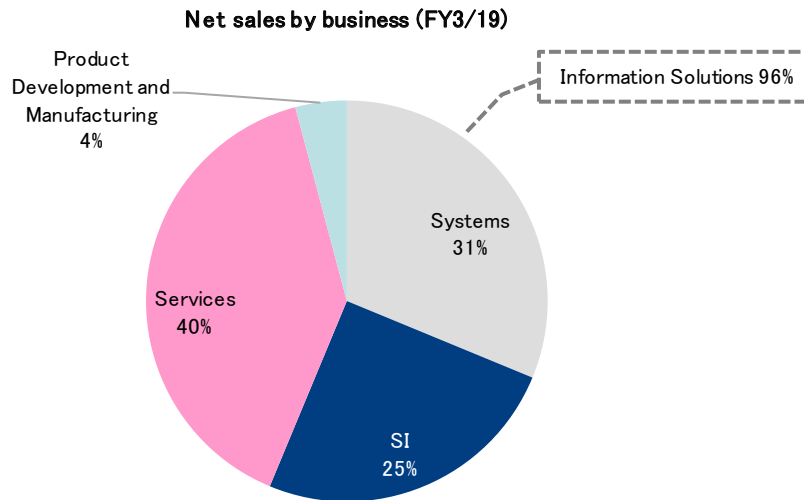
Company profile

JBCC HOLDINGS Group structure



Source: The Company's results briefing materials

In the percentages of total net sales by business in FY3/19, Information Solutions provided 96% and Product Development and Manufacturing 4%. Looking at the breakdown for Information Solutions, systems provided 31.2%, SI 25.0%, and services 39.6%.



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

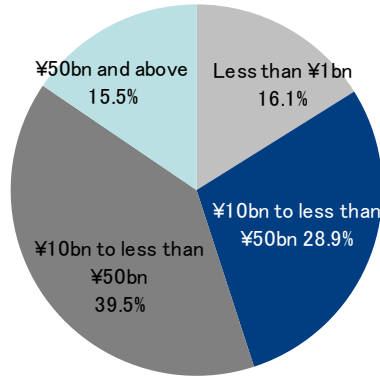
4. Main customers

Looking at the customers in FY3/19 of JBCC Corporation, which is the Company Group's core business company, about 80% of customer companies had fewer than 500 employees, and around 80% had annual sales of less than ¥50bn, so medium-sized companies are the Group's main customers. Also, looking at the industries it covers, it provides solutions to companies in a diverse range of industries, including manufacturing, wholesale and retail, eating and drinking establishments, and services, from which we can understand the strength of its problem-solving abilities and the breadth of the solutions it proposes.

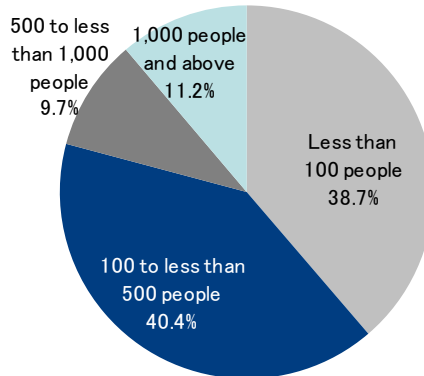
Company profile

JBCC's customer categories (FY3/19)

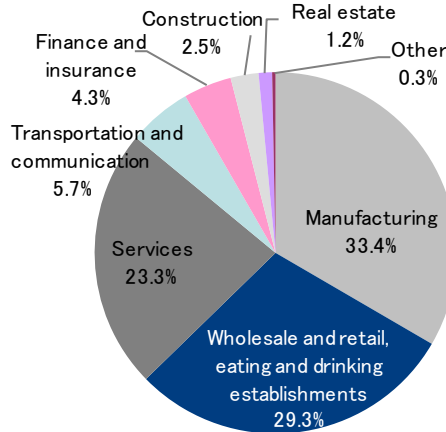
Percentages of customer numbers by annual sales (FY3/19)



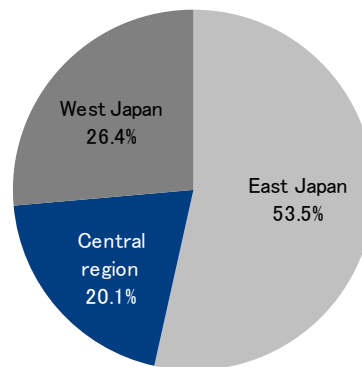
Percentages of customer numbers by number of employees (FY3/19)



Percentages of customer numbers by industry (FY3/19)



Percentages of customer numbers by region (FY3/19)



Source: created by FISCO from the Data Book

■ Business overview

Aiming to reform the business structure and is focusing on the WILD7 growth fields

From FY3/15 to FY3/17, the Group implemented the Innovate2016 medium-term management plan. Under the plan, the Company worked to improve productivity by establishing the foundation for growth such as shifting to Cloud services, and reforming the awareness of employees by developing human resources and changing the system to evaluate them. It is also aimed to reform the awareness of employees and strove to improve productivity. Based on the results of these efforts and in order to strengthen its response to its customers' digital transformations*, it is working on the new medium-term management plan Transform2020 in the 4 fiscal years from FY3/18 to FY3/21.

* Digital transformation: transforming (changing, converting) everything with digital technology as the starting point, or by fully utilizing it. Based on the premise of digital technology, it entails fully reconsidering the ways of thinking on existing businesses and organizations, the ways of progressing work, the ways of gathering information and learning, and the ways of living.

On implementing the measures in Transform2020, at the end of June 2017 the Company sold all of its shares in IGUAZU with the aims of concentrating management resources and improving profits. Then, in the Group's business lifecycle by field, it named the fields that are expected to grow in the future as WILD7 and it is now focusing on them.

For these seven fields, in Transform2020's final fiscal year, the Group is aiming to increase sales by 2.2 times and gross profit by 2.6 times.

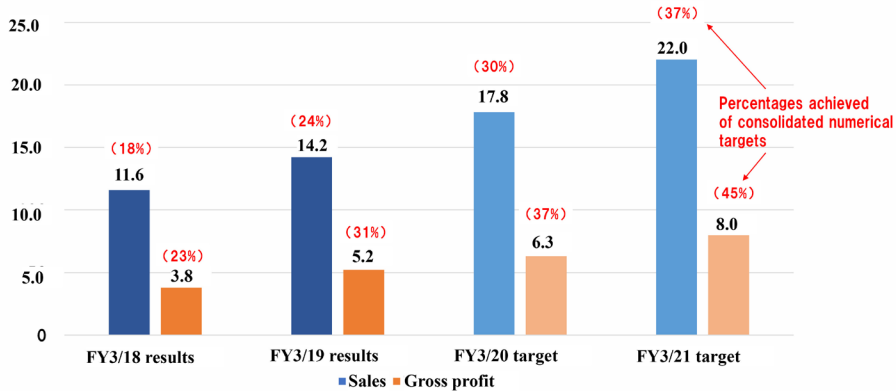
Business overview

WILD7-centered business fields



Source: The Company's results briefing materials

Progress made in and numerical targets for the Wild7 priority business fields (¥bn)

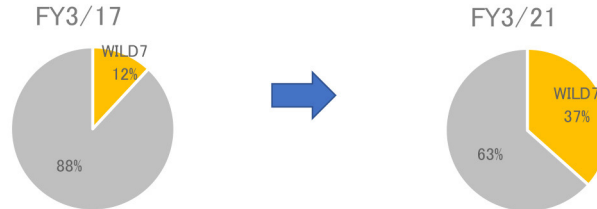


Source: The Company's results briefing materials

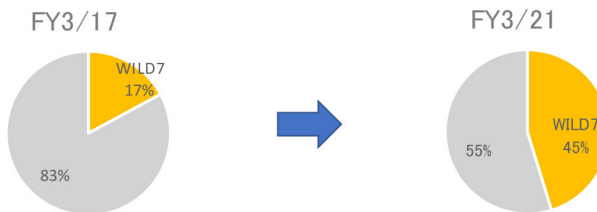
Business overview

Business structural reforms

Percentage of net sales



Percentage of gross profit



Source: Company material

Below, the WILD7 businesses are explained.

(1) Cloud services

Under the general name of ORENO (My) Cloud, the Company is operating and providing various solutions in a Cloud environment. It also established the consortium ORENO (My) Cloud Club in October 2015 to provide optimal Cloud services for customers. One of the features unique to the Company is that it is able to provide customers with optimal Cloud services by coordinating its solutions with solutions specialized in industry and operations and solutions of partner companies that have knowledge of Cloud security on the Ecosystem. It also promotes the utilization of core systems on the Cloud.

The Group leverages its comprehensive capabilities to support the growth of companies moving ahead on various types of digitalization, including through operations and business centered on the cloud, working styles and other means.

(2) Security

On the one hand, the utilization of the Cloud and mobile devices are progressing and needs are rising for convenience in companies' systems operations and creation of environments that are easy to work in. But the other hand, the security domain is expanding and the required measures are diversifying, and the reality is that it is getting harder for customers to respond to this situation by themselves. At the Company's management center SMAC (Solution Management and Access Center), it monitors customers' IT environments 24 hours a day and 365 days a year, and it also works to enhance SOC* functions and to strengthen security technologies, while its specialist engineers support customers' safe and secure systems operations.

| * SOC: security operations center |

Business overview

The Company Group provides operations monitoring services under the brand of OPTi Secure, and it also offers a variety of security services based on the five steps that form the basis for security measures (identification, defense, detection, response, and recovery). This enables it to provide the optimal combination of security measures as a service for each customer. As well as monitoring and operations services, the Company's strengths include that it is able to understand customers' server environments and network environments and reduce the work load on customers, and it is highly capable of analyzing and responding to logs from its track record with many customers. In addition, it plans to grow results by aiming to conduct reforms, from simple security product sales and construction through to operations services, and by advancing the creation of stock businesses.

(3) New SI (new systems development)

The Company Group is combining new technologies and various Cloud services and advancing measures to develop systems that can respond rapidly and flexibly to customers' requests. Based on actually operating systems, it is advancing developments in a short cycle while discussing and confirming with customers. It is also coordinating with tools for upstream process management and automatic program generation to realize quality improvements and speedy development.

The Group's track record in ultra-high-speed development includes the upgrade of a major private preparatory school company's core system. It completed service-in in just one and a half years, compared to the proposed project of another company that would have taken four years. In addition to further refining the Company's proprietary JBCC Agile Development that it used for this, it intends to actively progress developments in Cloud native. (Please refer to the next diagram.)

In addition to the fact that it already has a plentiful customer base and track record, the Company plans to grow results by utilizing its competitive advantages over other companies, including that it is unlikely to be dragged into price competition, while also ascertaining the operations at these customers and maintaining relations of trust.



Source: The Company's results briefing materials

Business overview

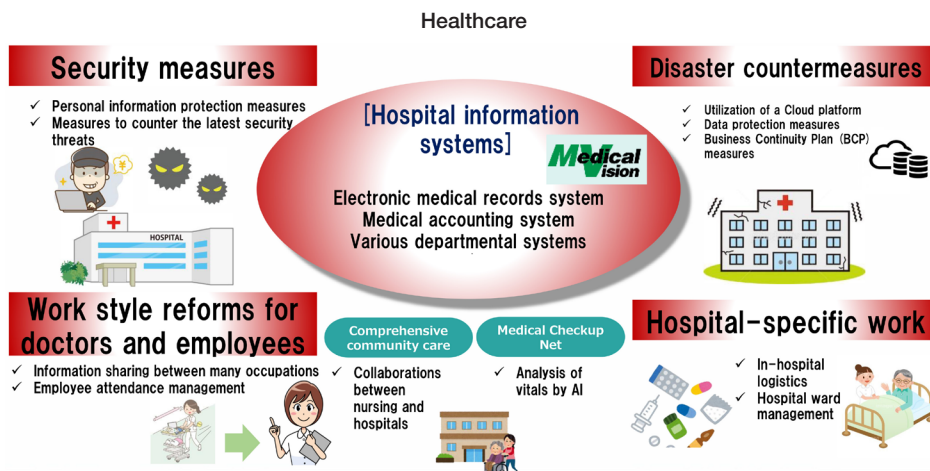
(4) JB software (original solutions)

The Company is bringing together hardware and software development technologies to develop and provide its Group's proprietary solutions. It reflects the voices of customers to continuously strengthen and improve functions, and it works together with customers to provide them with products and services that are tailored to their needs. Also, it is working on Cloud-based advanced technologies including IoT, AI (Artificial Intelligence) and robots, and it is also actively progressing measures in consideration of utilizing them for new-technology businesses. The products and services it provides include the Qanat2.0 series that improves the efficiency of the linkage between internal and external systems and realizes the effective use of information, the WebReport 2.0 smart tool that supports decision-making by analyzing the large amount of data that accumulates in a company, and also R-PiCS, a production management system.

(5) Healthcare

In 2010, the Company entered into a business alliance with Kameda Healthcare Informatics Corp., which specializes in medical information, including electronic medical records, and it began the fully fledged development of solutions that connects patients to communities and to hospitals. Kameda Healthcare Informatics, which is strong in electronic medical records, works together with JBCC Corporation, which is able to provide products and IT services including IT infrastructure as a comprehensive solution, and they are coordinating with various companies that are partners of the JBCC Healthcare Consortium. This is enabling it to develop various solutions toward realizing "community integrated care systems" not just for the core product of electronic medical records, but also for various other products and services, from prevention through to nursing.

As the best partner to hospitals, the Company provides services centered on its Medical Vision, which is based on the concepts of "improving services for patients," "strengthening hospital management," and "providing open systems." It responds to needs specific to the healthcare field for personal information protection, the latest security measures, and work style reforms for doctors and employees, such as for information sharing and attendance management. In addition, it provides comprehensive support and services, from infrastructure construction, including servers and security equipment, through to operations and maintenance.



Source: The Company's results briefing materials

Business overview

(6) 3D business

Due to the improvements to the technologies and their accuracy and the diversification of materials that can be used for modelling, the fields in which 3D printers are utilized are expanding, from the previous use of by R&D facilities for the purposes of verification and prototyping, to production machinery to create the final product. At JB Service, the Company Group is not only selling and maintaining 3D printers, it is also utilizing the expertise it has acquired over many years to provide total services, focused on 3D printers. It is utilizing its strength of being able to provide support through a one-stop service, from the selection of the optimal machinery model through to support for its introduction, operations and maintenance, the construction of systems utilizing 3D data, the provision of new solutions, the education and development of engineers, and agency molding services. In addition, it is promoting multi-vendor* maintenance through its advanced technological capabilities and thereby aiming to grow results.

* Multi-vendor: handles the products not only of a single manufacturer, but of multiple manufacturers.

(7) Human resources development

i-Learning Co., Ltd., provides human resource development services. As a company that supports the development of the next generation of human resources, it promotes high-quality training solutions tailored to customers' needs, from the training of new employees through to management training, and IT training from upstream through to downstream.

Its strengths include that it can provide an abundance of training services in various fields, from planning through to development and implementation, and from individual skills training through to comprehensive capabilities development, including for human resources development training, sales training, IT training, PM training, and IBM product training.

Recently, in addition to business skills, employees are required to have digital skills. So this company is also promoting its digital business school and offering micro-learning*, in which students can learn according to their own schedules.

* Micro-learning: a learning method in which digital teaching materials are provided frequently so that the student can learn even in a short period of time.

Based on the experience it has accumulated over 30 years of providing human resources development services and the knowledge on requirements obtained from many customers, since May 2019 as a Cloud service, the Company has been providing Growth Square, which is a comprehensive human resources platform effective not only for those responsible for training, but also general employees. It is aiming to shift to become a company that provides comprehensive human resources development services.

Among these seven business fields, the Company will further progress activities for four fields in particular: Cloud services, security, New SI, and JB software. These four business fields are closely related and combining services, such as providing a security proposal at the same time as proposing Cloud services, could lead to an increase in orders. The proposal case study described below encompasses three fields, Cloud, New SI, and JB software, and it was completed in the extremely short period of around one month. It is expected that the number of these "combination proposals," such as for this sort of open core data reference system, will further increase in the future.

Business overview

Case study of a combination proposal

[Customer case study] Simple use of IBM office computers' core data

Customer overview

- A commercial-use foods trading company
- [IT systems] a core system on customer and project information, inventory information, etc.

Customer issues

- When the 500 sales associates have business meetings outside the Company, they couldn't immediately confirm project information and inventory information
- Information was confirmed by telephone, which placed a burden on employees working in the office

The JB Group's proposal

- Utilize Cloud-based data from outside the Company
- Simple searches using smartphones and AI chatbots

Value for the customer

- Prompt proposal
- Closing speed
- Reduction of inquiries
- Work efficiency
- Simple with LINE
- Easy installation



Source: The Company's results briefing materials

The market environment and strengths

ICT demand is growing for work style reforms and regional revitalization

1. Market environment

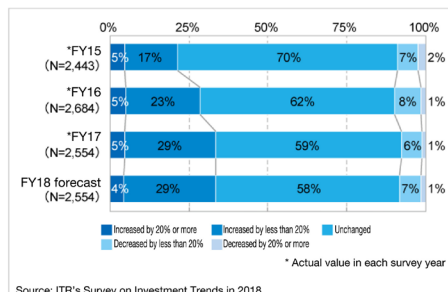
According to the Survey of IT Investment Trends conducted by ITR Corporation, a research company, more than 30% of companies increased their IT budgets in FY2018 (April 2018 to March 2019). This upward trend is continuing in FY2019 (April 2019 to March 2020) as well, and a positive trend is expected.

The IT budgets of companies conducting IT investment within Japan will continue to trend upward in FY18 also.

Companies' IT budgets are continuing to increase in FY18

Change over time in the increase/decrease trend of IT budgets

- More than 30% of companies increased their IT budgets in FY17
- In FY18, although the rate of increase will decline slightly, it will continue to increase

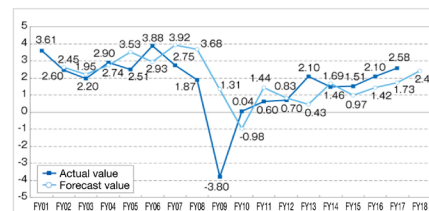


Source: ITR's Survey on Investment Trends in 2018

Source: The Company's results briefing materials

Change over time of the IT investment increase / decrease index

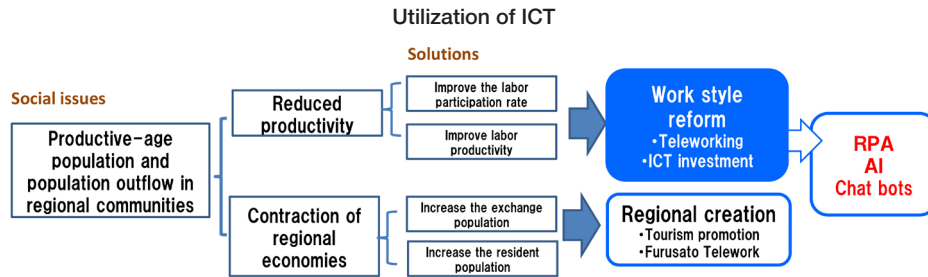
- When indexing changes in IT investment, the value in FY17 rose higher than in the previous year and was the highest in the past 10 years.



Source: ITR's Survey on Investment Trends in 2018

The market environment and strengths

On the other hand, the contraction of the economy alongside the decline in the productive-age population is a problem, and it is especially noticeable in regional communities. Going forward, it is considered that ICT will be greatly utilized for work style reform and in regional revitalization, which will be necessary in order to solve this problem.



Note: RPA: Robotics Process Automation technology to automate the simple, indirect work of white-collar workers
Chat bots: automated conversation programs that utilize artificial intelligence
Source: The Company's results briefing materials

2. Strength

The Company's strengths in its business history of more than 50 years include its track record of supporting the IT utilization of more than 20,000 companies, the expertise and solutions it has acquired from this experience, and also the relations that it has built with many customers and partner companies during this time.

By having relations of trust with customers, competition with other companies is unlikely to occur, so it can also avoid getting dragged into price competition. With its strong understanding of customers, it is able to respond over a short period of time and over a wide range of areas through preparing skills and mechanisms capable of high-speed development and providing an abundance of solutions, including those of partner companies. In addition to this sort of stable customer base, it is considered that the Company's strengths include that it can combine its highly profitable development mechanism with an extremely detailed service structure and is thereby able to provide total support and services.

In addition, another strength is that by enhancing its lineup of services, the Company is further progressing collaborations with customers that have many customers, such as mobile phone companies and tool vendors with which it already has collaborative relations, which is leading to more efficient sales activities.

Results trends

In the second year of its medium-term management plan Transform2020, achieved the FY3/20 announced forecasts for net sales and operating income one year ahead of schedule

1. FY3/19 results

In FY3/19, which is the second year of the four-year medium-term management plan Transform2020, based on the basic management policies of "changing the business structure," "clarifying the fields to focus on," and "conducting new initiatives," the Company worked to further improve profitability, including by expanding the WILD7 businesses, the seven growth business, and supporting its customers' digital transformations.

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

Results trends

In the FY3/19 results, net sales were ¥58,899mn (down 6.7% year-on-year (YoY), up 2.8% compared to forecast), operating income was ¥2,631mn (up 27.7% YoY, up 7.2% compared to forecast), ordinary income was ¥2,738mn (up 34.6% YoY, up 8.2% compared to forecast), and profit attributable to owners of parent was ¥1,782mn (up 50.2% YoY, up 13.5% compared to forecast). In FY3/18 (June 2017), the Company sold all the shares it held in IGUAZU Corporation, so sales declined YoY. However, it worked to steadily improve profitability, while the fields it is focusing on performed strongly, so profits increased.

FY3/19 results

	FY3/18		Forecast	Result	FY3/19		
	Result	Ratio to net sales			Ratio to net sales	YoY	vs. forecast
Net sales	63,107	100.0%	57,300	58,899	100.0%	-6.7%	2.8%
Cost of sales	46,906	74.3%	-	41,927	71.2%	-	-
SG&A expenses	14,140	22.4%	-	14,340	24.3%	-	-
Operating income	2,060	3.3%	2,455	2,631	4.5%	27.7%	7.2%
Ordinary income	2,034	3.2%	2,530	2,738	4.6%	34.6%	8.2%
Profit attributable to owners of parent	1,186	1.9%	1,570	1,782	3.0%	50.2%	13.5%

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

The conditions in each business field are described below.

(1) Information Solutions

Within the Information Solutions field, in the services business, operations services grew, including security and help desk services. For Cloud, results were solid, including from the effects of the collaborations with business partners in AI-related services and a large-scale project. For systems development, results trended at the same level as in the previous fiscal year, including from the service-in of a large-scale project. In particular, the measures for New SI (new systems development), such as ultra-high-speed development and Cloud native development, exceeded those of the previous year. For systems, special demand relating to updating servers and upgrading to Windows 10 grew, and for the next-generation platform, the Company focused on a high-value-added business, which contributed to the profit margin.

As a result of the above, net sales were ¥56,463mn (up 4.8% YoY) and gross profit was ¥15,443mn (up 8.4%).

(2) Product Development and Manufacturing.

In the Product Development and Manufacturing field, for JB software, performance grew for the Qanat2.0 series that improves the efficiency of the linkage between internal and external systems and realizes the effective use of information and for WebReport 2.0 smart, a tool that supports decision-making by analyzing the large amount of data that accumulates in a company. The introductions and development of the R-PiCS production management system trended at around the same levels as in the previous year, while the replacement business grew alongside the version upgrades. For hardware, demand contracted throughout the year for the mainstay impact printers, but the Company conducted measures to expand sales through progressing collaborations with business partners and replacement activities for customers, while also continuing to work to reduce costs. As a result, it was able to secure profits.

As a result of the above, net sales were ¥2,436mn (down 2.1% YoY) and gross profit was ¥1,529mn (up 22.1%).

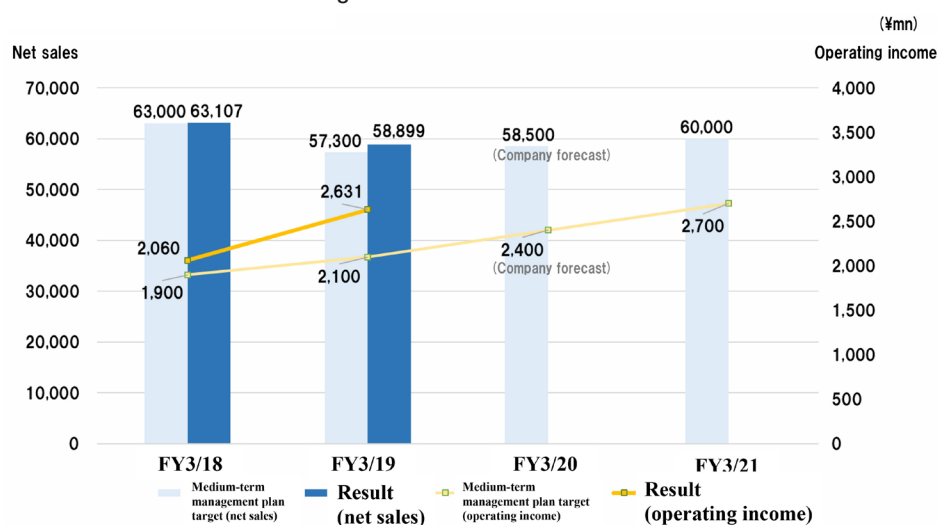
Results trends

FY3/19 results trends by business

	FY3/18 Result	FY3/19	
		Result	YoY
Net sales	63,107	58,899	-6.7%
Information Solutions	53,861	56,463	4.8%
Distribution	6,758	-	-
Product Development and Manufacturing	2,488	2,436	-2.1%
Operating income	2,060	2,631	27.7%
Information Solutions	3,299	3,885	17.8%
Distribution	-94	-	-
Product Development and Manufacturing	56	60	7.1%
Adjustment	-1,200	-1,314	-

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

In terms of the current state of progress, compared to the targets in the medium-term management plan Transform2020, the Company has achieved the net sales and operating income targets one year ahead of schedule. While it can be said that results grew in FY3/19 due to special factors, we can see that they are trending favorably.

Progress made for Transform 2020


Source: The Company's results briefing materials

2. Financial condition

At the end of FY3/19, total assets were ¥33,600mn (up ¥2,700mn on the end of the previous fiscal year). This was mainly due to increases in notes and accounts receivable of ¥969mn, goods and products of ¥746mn, and cash and deposits of ¥416mn.

Total liabilities were ¥17,846mn (up ¥1,832mn on the end of the previous fiscal year). This was mainly from the increases in notes and accounts payable of ¥507mn, accrued expenses of ¥712mn, and income tax payable of ¥357mn.

Results trends

Total net assets were ¥15,753mn (up ¥868mn on the end of the previous fiscal year), with the main factors being an increase of ¥1,782mn from the recording of profit attributable to owners of parent, but decreases of ¥509mn from the acquisition of treasury shares and ¥603mn from dividend payments.

Consolidated Balance Sheet and Key Management Indicators

	FY3/18	FY3/19	Change
	(¥mn)		
Current assets	21,150	23,597	2,447
(Cash and deposits)	7,232	7,648	416
Non-current assets	9,748	10,003	255
Total assets	30,899	33,600	2,700
Current liabilities	11,519	13,394	1,875
Non-current liabilities	4,494	4,452	-42
Interest-bearing debt	0	0	0
Total liabilities	16,014	17,846	1,832
Total assets	14,884	15,753	868
(Stability)			
Current ratio	183.6%	176.2%	-7.4pt
Equity ratio	48.1%	46.8%	-1.3pt

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

■ Outlook

In FY3/20, sales and profits are set to increase YoY, and following the strong results in Q1, we will be focusing on results in the near future

1. FY3/20 outlook

On July 30th, the Company upwardly revised the forecasts for FY3/20 to net sales of ¥62,000mn (up 5.3% YoY), operating income of ¥2,900mn (up 10.2%), ordinary income of ¥2,950mn (up 7.7%), and profit attributable to owners of parent of ¥1,850mn (up 3.8%). This was because orders are trending favorably, including for large-scale projects for ultra-high-speed developments and work improvement applications development projects, and also due to the business expansion from the efforts to propose Cloud-based security at the same time as proposing IT infrastructure and other services, and from the systems sales related to the upgrade of Windows 10.

FY3/20 results forecast

	FY3/19	FY3/20	
	Result	Forecast value	YoY
Net sales	58,899	62,000	5.3%
Operating income	2,631	2,900	10.2%
Ordinary income	2,738	2,950	7.7%
Profit attributable to owners of parent	1,782	1,850	3.8%

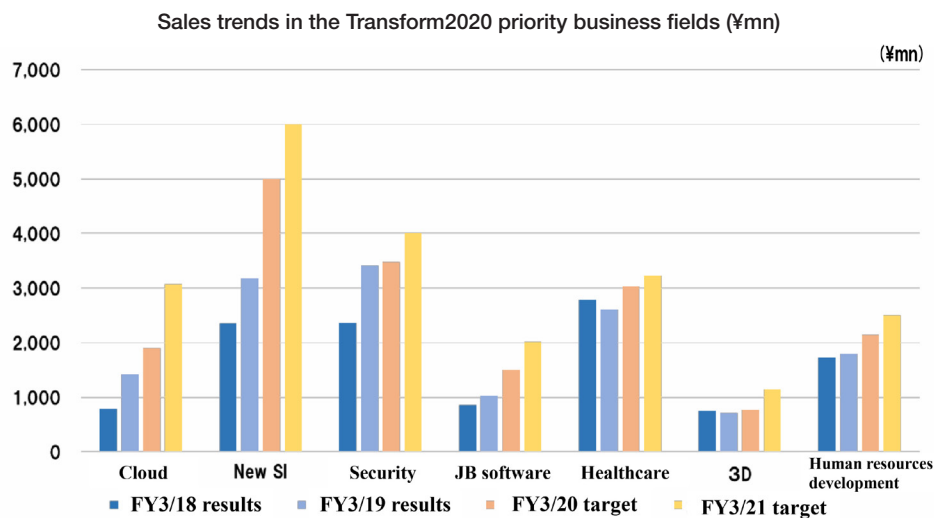
Source: Prepared by FISCO from the Company's results briefing materials

Aiming to further grow results from combination proposals for the WILD7 growth fields

2. Medium- to long-term growth strategy

From FY3/19 onwards also, the economy is expected to continue its moderate recovery, and IT investment by medium-sized companies, which are the Company's main customers, is forecast to further improve. The Company is supporting its customers' digital transformations and strengthening and expanding the WILD7 growth businesses toward achieving the targets. In Transform2020, by focusing on highly profitable businesses, it is aiming to grow from net sales of ¥83,272mn and profit attributable to owners of parent of ¥1,269mn in FY3/17, to net sales of ¥60,000mn and profit attributable to owners of parent of ¥1,800mn in FY3/21.

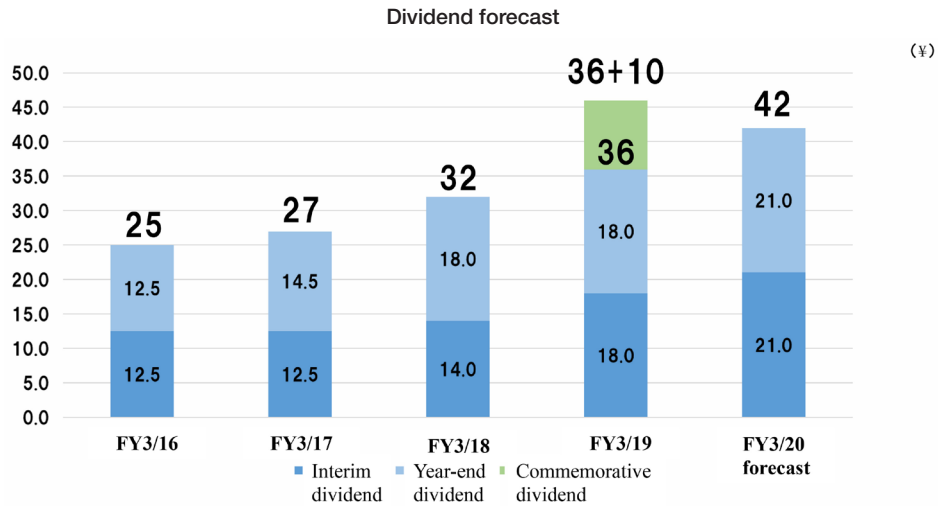
In Transform2020, the Company is focusing on the WILD7 business fields as a priority. Among them, for the four fields with particularly high affinity (Cloud, New SI, security, and JB software), it is aiming to achieve the targets by increasing sales through actively providing combination proposals.



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

Shareholder return policy

For the FY3/19 dividend, the Company added a commemorative dividend of ¥10 to express its gratitude to shareholders in advance of the 20th anniversary of its listing in October 2019, for an annual dividend of ¥46. For FY3/20, it is forecasting an annual dividend of ¥42.





Disclaimer

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

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

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

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

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

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

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

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

■ For inquiry, please contact: ■

FISCO Ltd.

5-11-9 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062

Phone: 03-5774-2443 (Financial information Dept.)

Email: support@fisco.co.jp