

Nippon Computer Dynamics Co., Ltd.

4783

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

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Summary

Pursuing growth as a total solution provider

Nippon Computer Dynamics <4783> (hereinafter referred to as “the Company”) is a pioneer as an independent system integrator with a history of over 50 years and pursues growth as a total solution provider.

1. Leverages advanced technologies and high-quality services cultivated through an extensive track record of over 50 years

The Company operates in three business areas – IT-related System Development Business (system integration), Support and Service Business (service integration), and Parking System Business for unattended bicycle parking lots utilizing IT solution knowhow (parking solutions). It leverages advanced technologies and high-quality services cultivated through an extensive track record of over 50 years, the latest information technology and robust application knowledge, and one-stop service provision to deliver total solutions.

2. Built a powerful customer base

Another important characteristic is the powerful customer base built by the Company that includes major insurers, leading energy companies, and top manufacturers. In the breakdown of sales in terms of flow-type business and stock-type business, IT-related business (System Development Business and Support and Service Business) generates about 80% of sales from maintenance, operation, and other stock-type business, and Parking System Business has reached about 70% of sales from stock-type business, such as parking site usage fees and parking site management/operation services, excluding impact by the pandemic in FY3/21. The Company has a stable income structure thanks to healthy expansion of stock-type income. It also promotes rigorous project management and quality control and process improvements in companywide business processes aimed at further gains in profitability.

3. Sales and profits declined in FY3/21 due to COVID-19 pandemic impact

In the FY3/21 consolidated results, there were decreases in: net sales of 4.5% year on year (YoY) to ¥17,563mn; operating income of 74.1% to ¥242mn; ordinary income of 59.2% to ¥388mn; and net income attributable to owners of the parent of 77.5% to ¥145mn. While IT-related business grew more than expected on acquisition of new projects and rigorous profitability management, sales and profits declined overall because of heavy pandemic impact on Parking Systems Business. Nevertheless, profits substantially exceeded the existing outlook with support from additional projects in System Development Business in 4Q and less decline in Parking System Business income than anticipated.

4. Projecting higher sales and sharp profit increases in FY3/22

In FY3/22 consolidated guidance, the Company targets ¥19,200mn in net sales (+9.3% YoY), ¥650mn in operating income (+168.0%), ¥670mn in ordinary income (+72.3%), and ¥450mn in net income attributable to owners of the parent (+209.0%). It expects higher sales and sharp profit increases. In IT-related business, it aims to attain stronger sales with help from new projects and further rise in profit margin on improved efficiency. In Parking System Business, it envisions moderate easing of COVID-19 impact and a boost from major project orders in the latter half of the period.

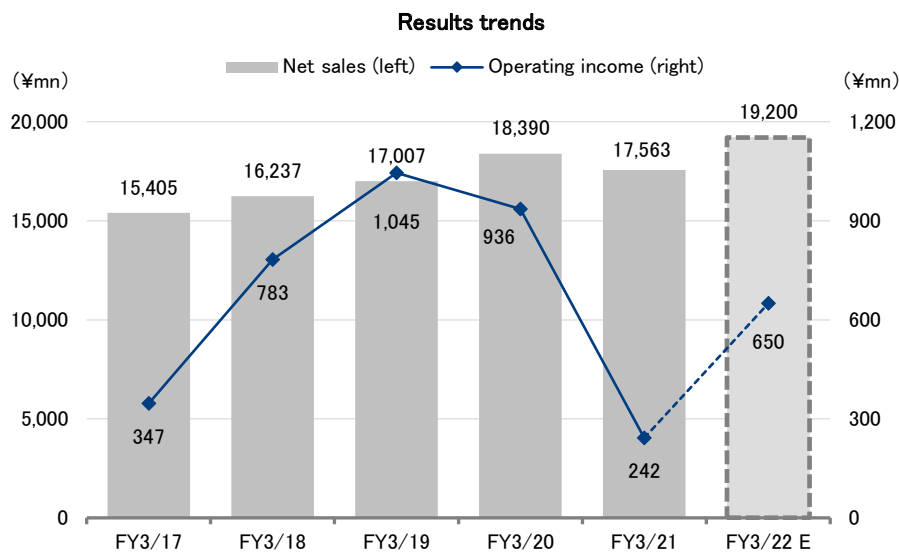
Summary

5. Capable of attaining final fiscal-year goals from the medium-term management plan (FY3/23)

The Vision 2023 medium-term management plan sets goals for the FY3/23, the final fiscal year, of ¥20bn in net sales (System Development Business at ¥8bn, Support and Service Business at ¥5bn, and Parking System Business at ¥7bn), ¥1.2bn in operating income, 6.0% operating margin, and at least 15% ROE. FISCO thinks final fiscal-year goals from the medium-term management plan are attainable, considering the upward trend in profit margin from IT-related business and recovery in the market environment for Parking System Business, and will be looking for ambitious goals and strategy in the next medium-term management plan.

Key Points

- Is building a strong customer base for the three business pillars of the System Development Business, Support and Service Business, and Parking System Business
- Projecting higher sales and sharp profit increases in FY3/22
- Capable of attaining final fiscal-year goals from the medium-term management plan (FY3/23)



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

Company profile

Pioneering independent system integrator with a history of over 50 years

1. Company profile

The Company is a pioneer as an independent system integrator with a history of over 50 years. It pursues growth as a total solution provider with IT-related System Development Business (system integration), Support and Service Business (service integration), and Parking System Business for unattended bicycle parking lots utilizing IT solution knowhow (parking solutions).

As of April 1, 2021, the Company's business bases were its Head Office (Shinagawa Ward, Tokyo), Odaiba Office (Koto Ward, Tokyo), Koto Service Center (Koto Ward, Tokyo), Fukuoka Office (Fukuoka City, Fukuoka Prefecture), Kokura Office (Kitakyushu City, Fukuoka Prefecture), Nagasaki Office (Nagasaki City, Nagasaki Prefecture; including the second MSC (Managed Service Center)), and Goto Office (Goto City, Nagasaki Prefecture).

The Group is comprised of the Company and its subsidiaries, which include NCD Technology CO., Ltd., ZEXIS CORPORATION, NCD CHINA Co., Ltd., YANOSANGYO., Ltd., and NCD PROS., Ltd. (ownership ratio: 67%). NCD Technology conducts system development and support and service IT-related business; ZEXIS conducts system development and support and service IT-related business, mainly for the Panasonic <6752> group; NCD CHINA conducts a system development business in China; YANOSANGYO conducts a parking system business in Kyushu; and NCD PROS conducts a bicycle parking lot management and operations business.

At the end of FY3/21, total assets were ¥10,816mn, net assets were ¥4,165mn, capital stock was ¥438mn, the equity ratio was 38.3%, and the number of issued shares (including treasury shares of 728,932 shares) was 8,800,000 shares.

Introducing the Group companies



Source: From materials provided by the Company

Company profile

2. History

The Company was established in March 1967 when it launched the System Development Business. It then launched the Support and Service Business in October 1995 and the Parking System Business in October 1997. In March 2017, it celebrated the 50th anniversary of its establishment as an independent systems integrator pioneer.

Regarding stock market-related matters, in September 2000, it registered for over-the-counter trading with the Japan Securities Dealers Association (it is currently listed on the Tokyo Stock Exchange (TSE) JASDAQ market following the merger of the exchanges).

In Group companies, the Company established Nihon System Research (now, NCD Technology) in November 2000, established NCD CHINA in April 2005, acquired ZEXIS CORPORATION as a subsidiary in December 2007 (made it a wholly owned subsidiary in August 2008), established NCD PROS in March 2018, and acquired YANOSANGYO as a subsidiary in April 2019.

History

Date	Event
March 1967	The Company was established in Ebisu, Shibuya Ward, Tokyo, as a software development company
January 1970	In the Middle and Near East, it succeeded in developing and installing comprehensive systems, becoming the first company in Japan to develop software overseas
September 1976	Deployed the PRIDE system development methodology (developed by US-based MBA) as the first user in Japan
April 1979	Opened the Fukuoka Sales Office as a business site (currently, the Fukuoka Office)
February 1990	Received certification as a "system integrator" from the Ministry of International Trade and Industry (currently, the Ministry of Economy, Trade and Industry)
October 1995	Launched the Support and Service Business
October 1997	Merger of Finetech Systems Co., Ltd., C.A.P Co., Ltd., and Holon Co., Ltd.
October 1997	Launched the Parking System Business
April 1999	Relocated the Head Office to Nishi-Gotanda, Shinagawa Ward, Tokyo
September 2000	Registered for over-the-counter trading with the Japan Securities Dealers Association (it is currently listed on the TSE JASDAQ market following the merger of the exchanges)
November 2000	Established Nihon System Research Co., Ltd. (currently, NCD Technology) (wholly owned subsidiary)
May 2001	Acquired ISO 9001 certification (system development business division, except for the Fukuoka Sales Office)
April 2005	Established NCD CHINA Co., Ltd., a wholly owned subsidiary in the Huayuan Industry Area, Tianjin, China
June 2006	Acquired the Privacy Mark certification
May 2007	Acquired ISO 9001 certification (certification of the Fukuoka Sales Office as a related business office)
December 2007	Acquired ZEXIS CORPORATION as a subsidiary
May 2011	Opened the Nagasaki Sales Office as a business site (currently, the Nagasaki Office)
March 2013	The number of bicycle parking lot management units in the Parking System Business surpassed 300,000 units
November 2015	Opened the Koto Service Center as a business site
March 2017	50th anniversary of the Company's establishment
March 2018	Established NCD PROS., Ltd. (subsidiary with a 67% stake)
April 2019	Acquired YANOSANGYO., Ltd., as a subsidiary
October 2019	Opened the Odaiba Office as a business site
April 2020	Opened the Goto Office (Goto City, Nagasaki Prefecture) as a business site
April 2020	The number of bicycle parking lot management units in the Parking System Business surpassed 500,000 units
April 2021	The number of bicycle parking lot management units in the Parking System Business surpassed 600,000 units

Source: Prepared by FISCO from the Company's homepage and materials

■ Business overview

Promotes IT-related business (System Development Business, Support and Service Business) and Parking System Business

1. Business overview and characteristics/strengths

The Company, as a total solutions provider, is developing and managing three business pillars: the System Development Business (systems integration) and the Support and Service Business (service integration), which are IT-related businesses, and the Parking System Business (parking solutions), which is an unattended bicycle parking lot-related business that it launched through utilizing its expertise in IT solutions.

The Company leverages advanced technologies and high-quality services cultivated through an extensive track record of over 50 years, the latest information technology and robust application knowledge, and one-stop service provision to deliver total solutions. Another important characteristic is the powerful customer base built by the Company that includes major insurers, leading energy companies, and top manufacturers.

2. System Development Business

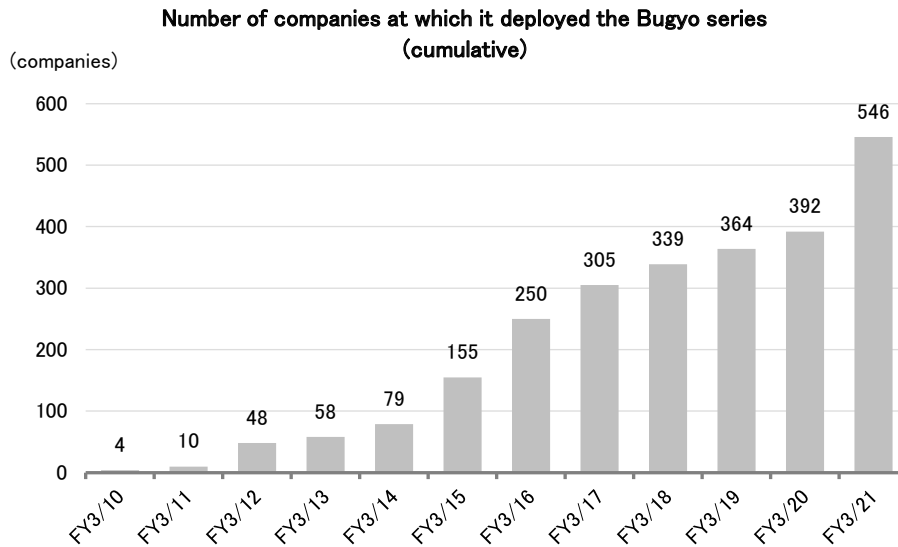
The System Development Business conducts outsourced system integration, which involves undertaking the planning, design, construction, and installation mainly of mission-critical systems. Its services include systems construction solutions, infrastructure construction solutions, and package solutions, primarily for medium-sized companies and major corporate groups.

Based on the expertise it has accumulated from an abundant track record of over 50 years, from constructing large-scale systems to constructing small-scale systems, the Company constructs its own proprietary systems development standard “NS-SD” (NCD Standard System Development) and project management standard “NS-PM” (NCD Standard Project Management) to realize system development that ensures stable quality.

Package solutions are solutions for companies, such as medium-sized companies, that want to install systems in a short period of time at low cost. The Company provides various solutions, including installations, customization, and management support for the package software of its strategic partner companies.

In particular, one of its strengths is systems construction to install the applications of Oracle <ORCL> and the “Bugyo Series,” which is the mission-critical system of OBIC BUSINESS CONSULTANTS CO., LTD. <4733> (hereafter, OBC). For OBC’s “Bugyo Series,” among all of OBC’s partners, the Company has the largest team specializing in installing the “Bugyo Series,” and its total number of corporate installations has reached 546 as of the end of FY3/21. In July 2020, the Company was awarded the “OBC Partner Award 2020” for its sales activities for the “Bugyo Series” in fiscal 2019.

Business overview



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

In the cloud field, the Company's bicycle parking business mission-critical system infrastructure has been adopted for the AWS (Amazon Web Service) of Amazon (Amazon.com <AMZN>), the largest public cloud vendor, and it provides it as an AWS utilization solution while accumulating expertise in construction and operation. It is also a certified partner of Japanese corporation Salesforce.com <CRM>, and it has a track record of many installations of "Salesforce," which is the world's No. 1 cloud CRM platform.

Moreover, the Company also provides linked-package tools developed in-house on a fee basis to "Salesforce" (including task management tool "SMAGAN," form creation tool "Smart Report Meister," and screen creation and data visualization tool "Smappi"), and it offers inventory management tool "Kuramaru," which was also developed in-house.

Another of the Company's features is that it supports the global development of Japanese companies. It provides support for installation of ERP packages such as "mcfame GA," which is the global-compliant ERP of Business Engineering Corporation <4828>, and "Yoyu U8" of UFIDA Software in China, which has the No.1 share for ERP in China.

The Company announced cooperation with K.K. Ashisuto in January 2021. As partners, they jointly provide system lifecycle optimization solutions utilizing the system visualization and impact analysis solution "ChangeMiner" (developed by GTONE CO., LTD.).

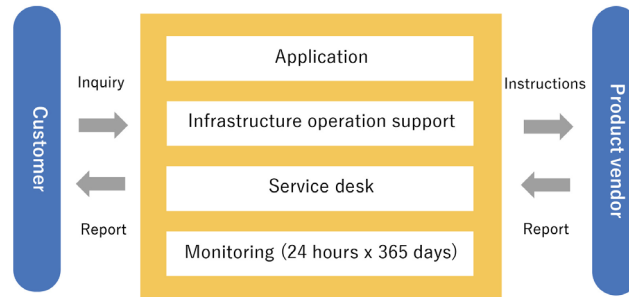
3. Support and Service Business

The Support and Service Business conducts outsourced service integration in the form of services to undertake the maintenance and operation of customers' systems and applications. These services include providing application maintenance and operation solutions, infrastructure maintenance and operation solutions, and business support solutions.

Business overview

When providing outsourced maintenance and operation services, a specialized group of engineers who can handle multiple system failure, such as network systems construction and maintenance and management, provide comprehensive support to replace the customer’s own systems management division. The Tokyo Office and the two Nagasaki MSCs (Managed Services Centers) coordinate to realize one-stop technical support for the maintenance and operation of systems and applications through remote monitoring 24 hours a day, 365 days a year, and a service desk to respond to inquiries. The Company also provides support for introducing cloud services, including Amazon’s AWS and Microsoft’s Azure.

Support & Service Business strengths – NCD Managed Service Center



Source: Reprinted from the Company’s results briefing materials

The Company constructed its own operation standard “ND-OS” (NCD Standard Operation Service), which conforms to ITIL (Information Technology Infrastructure Library) in order to reduce customers’ IT infrastructure operation and management costs. As it conducts remote monitoring through lines connected to customers, a strength is that it is advantageous in terms of costs. In support-service projects for major life insurance companies, it provides a help desk support service and an infrastructure support service, as well as an on-site support service at the customer’s office in which it provides support tailored to each customer.

Through utilizing its strengths, which include expertise accumulated through its abundant track record, its ability to respond quickly, provide services flexibly, and its comprehensive support, the Company’s outsourced systems construction does not stop at maintenance and operation for customers, as a feature of the Company is that it can undertake the maintenance and operation of systems and applications constructed by other companies. In October 2019, it opened the Odaiba Office (Koto Ward, Tokyo) as a new base for the Support and Service Business. In a high security environment, it is strengthening its responses to business continuity plans (BCP), such as at the time of a disaster.

4. Stable income structure in IT-related business from long-term continuous transactions with major blue-chip companies and about 80% in stock-type sales

In IT-related business (System Development Business and Support and Service Business), the Company has built a powerful customer base that includes major insurers, leading energy companies, and top manufacturers and engages in long-term continuous transactions in many cases. While the system development industry has a structure with extensive secondary and tertiary outsourcing to mid-sized companies by major system integrators. In the Company’s case, direct transactions with end users (primary consignment) are at more than 80% of business. This level demonstrates the high level of the Company’s technology capabilities and quality.

Business overview

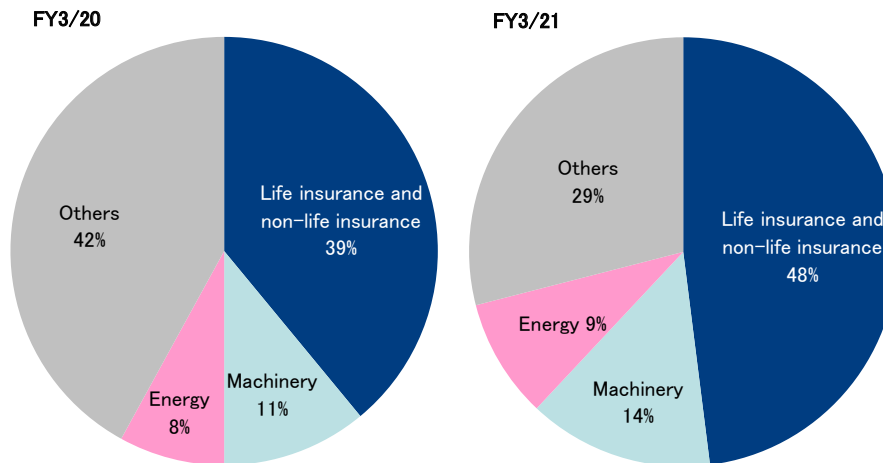
Main customers of the IT-related businesses

Transactions for more than 50 years	Takasago Thermal Engineering Co., Ltd., Tokyo Gas Group, Panasonic Group SRL, Inc., SAIBUGAS Group, Nippon Life Group
Transactions for more than 30 years	FUJIFILM Group, MetLife Insurance K.K.
Transactions for more than 20 years	KADOKAWA CORPORATION, DENTSU Group, Nippon Suisan Kaisha, Ltd., Fukuoka Prefectural Government
Transactions for more than 10 years	JA OSAKA DENSAN Ltd., Kyudenko Corporation, Mitsui O.S.K. Lines, Ltd., Sony Group Tokio Marine & Nichido Fire Insurance Co., Ltd., Tokyo Tekko Co., Ltd., Manulife Life Insurance Company ORIX Life Insurance Corporation, JTB Asset Management Corp.
Recent customers	Takumi Otsuka Co., Ltd., FWD Fuji Life Insurance Company, Limited, Marubeni Nisshin Feed Co., Ltd. Mitsubishi Corporation Life Sciences Limited, Mizuho Financial Group, Inc. Yakult Honsha Co., Ltd., LIXIL Group, etc.

* As of April 1, 2021

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

Composition of net sales

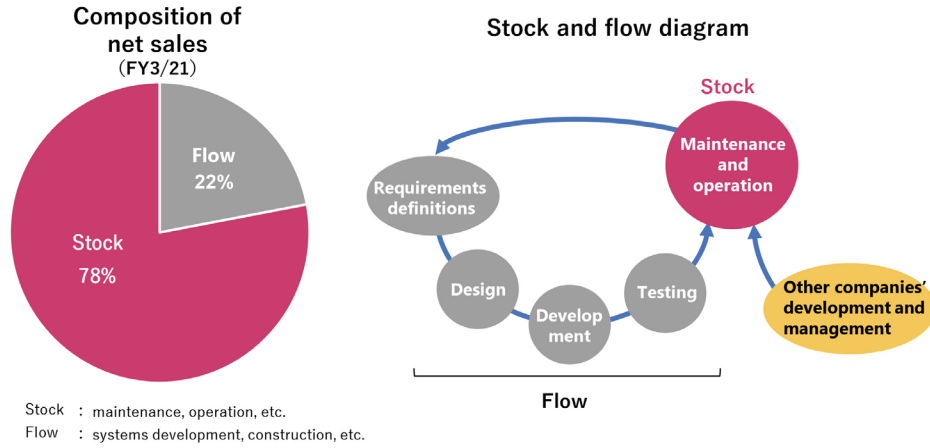


Source: Reprinted from the Company's results briefing materials

Also, as it has many long-term, ongoing transactions with major blue-chip companies, it has an earnings structure in which stock-type sales accumulate, such as for the maintenance and operation of the systems it has developed and constructed. Stock-type sales in IT-related business have reached approximately 80% of total sales (FY3/21), including for the maintenance and operation outsourced to it for the development projects of other companies. The stable income structure stands out too.

Business overview

Composition of net sales based on stock and flow of IT-related businesses and stock and flow diagram



Source: Reprinted from the Company's results briefing materials

5. Parking System Business

The Parking System Business provides comprehensive consulting for bicycle parking lots, mainly the management and operations of electromagnetic lock-type unattended bicycle parking lots, while it also sells systems and devices for bicycle parking lot management and operations. By utilizing IT, this business not only saves labor and improves efficiency for bicycle parking lot management and operations, but also eliminates bicycle parking problems such as bicycles left on streets throughout the country, and helps improve the global environment through measures to ease traffic congestion, effective utilization of land, land and town planning, and reductions in CO₂ (carbon dioxide) emissions, etc.

From the idea of “wanting to change towns and the future through IT and bicycles,” in 1992, the Company proposed a monthly bicycle parking lot management method using a two-dimensional code, which was a new technology at that time. From this start, it launched the parking system business in 1997, and began establishing NCD bicycle parking lots in 1999. Initially, its sales were mainly of electromagnetic lock-type bicycle parking devices and payment machines, but it then realized unattended bicycle parking lots through remote controls that utilized the IT technologies it had previously developed. Monthly fees are the mainstream in the bicycle parking lot industry, but the Company pioneered coin-operated bicycle parking lots (unattended bicycle parking lots with spaces rented by the hour), and its business is expanding.

Specifically, the Company operates mainstay time-based unattended bicycle parking lots “EcoStation21” (since 1999), monthly bicycle parking site “ECOPOOL” (since 2013), and other bicycle parking services primarily near train stations in metropolitan Tokyo and in Kansai, Chubu, Kyushu, and other areas (it consigns operation to partner companies in Kansai and Chubu). It covers bicycle parking lots near train stations, at commercial facilities, and at local government-managed facilities.

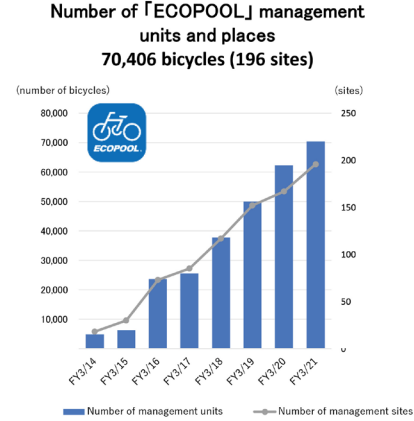
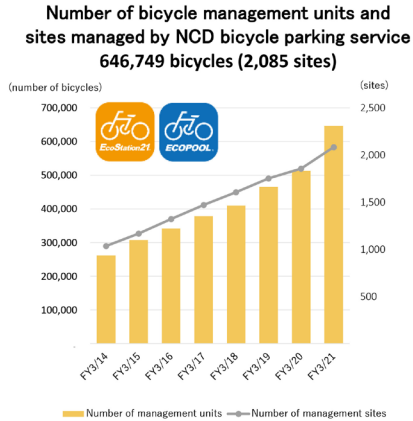
For its contribution to reducing the number of bicycles left on streets, the Company is widely supported by organizations like local governments, railway companies, and commercial facilities throughout the country, and within Japan, it has established the largest number of electromagnetic lock-type bicycle parking lots. As of April 1, 2021, it had 2,085 bicycle parking lot management sites (up 234 sites YoY) and 646,749 management units (up 133,503 units) (including “ECOPOOL”), achieving the target of 500,000 units it set in “Vision2020” as of April 2020, the previous medium-term management plan and poised to continue expanding. Recently, “ECOPOOL” has also been growing significantly.

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

Business overview

NCD bicycle parking lot deployment results

• Exceeded 600,000 management unit nationwide with unit increases in Edogawa Ward, Osaka City, and Kobe City



※As of April 1, 2021

Source: The Company's materials

Broad customer segments and diverse bicycle parking lot model in the Parking System Business

Customers for Parking System Business		
Local governments	Itabashi Ward, Ota Ward, Katsushika Ward, Shibuya Ward, Shinjuku Ward, Suginami Ward, Setagaya Ward, Taito Ward, Chuo Ward, Toshima Ward, Nakano Ward, Nerima Ward, Bunkyo Ward, Asaka City, Ichikawa City, Kawaguchi City, Komae City, Narashino City, Fuchu City, Yokohama City, Wako City, Fukuoka City, etc. (Selected as the designated manager in the following cases) Arakawa Ward, Edogawa Ward, Kita Ward, Koto Ward, Shinagawa Ward, Minato Ward, Meguro Ward, Kashiwa City, Kawasaki City, Saitama City, Sagami-hara City, Tachikawa City, Tama City, Toda City, Nagoya City, Kyoto City	<ul style="list-style-type: none"> Positive assessment of financial soundness and management and operation quality Provide services in Kansai, Chubu, Kyushu, etc.
Commercial facilities, etc.	atré, AEON RETAIL, Ito Yokado, Daimaru Matsuzakaya, Comodi-iida, Sumitomo Realty & Development Co., Ltd., SEIYU, daiei, TIMES24 Co., Ltd., Takashimaya, Tokyu Store, TOKYU LAND CORPORATION, Nomura Real Estate Development Co., Ltd., PARCO, BicCamera, Marui Co., Ltd., Mitsui Fudosan, MITSUKOSHI ISETAN, Yodobashi Camera, etc.	<ul style="list-style-type: none"> Provide proposals that add IT technologies, such as cashless payments
Railway operators	Odakyu Electric Railway Co., Ltd., Keio Corporation, Keisei Electric Railway Co., Ltd., Keikyu Corporation, SAGAMI RAILWAY Co., Ltd., SEIBU RAILWAY Co., Ltd., TOKYU CORPORATION, TOBU RAILWAY CO., LTD., East Japan Railway Company, Hanshin Electric Railway Co., Ltd., Hankyu Corporation, Keihan Electric Railway Co., Ltd.*, etc.	<ul style="list-style-type: none"> Covers the main railway operators
Other organizations, etc.	Kawasaki City Traffic Safety Association, Sagami-hara City Machimidori Public Company, Setagaya City Silver Human Resources Center, Nerima City Environment Machizukuri Public Company, Mitaka Town Management Organization, YOKOHAMA TRAFFIC SAFETY ASSOCIATION	<ul style="list-style-type: none"> Contributions to local society via collaboration with various organizations

* As of April 1, 2021

Designated manager: Organization designated for a fixed period to manage public facilities

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

Some typical installation case studies include Aoi Street in Shibuya Ward (Shinjuku Station), which became the first bicycle parking lot on a sidewalk, in 2007; Terrace Mall Shonan at Tsujido Station, which is the largest site in the country with 3,000 units, in 2011; Shibuya Stream, a redevelopment project in the Shibuya district in 2018; Akabane Station East Exit in 2019 (Akabane Station was ranked worst for the problem of bicycles left around stations in Tokyo in 2018); Minami-machida Grandberry Park in the Tokyu Group redevelopment project in 2019; and Grand Emio TOKOROZAWA in the Seibu Group redevelopment project in 2020.

Business overview

In transactions with local governments, the local government selects the Company to be its designated manager and facilities are installed and managed through a collaboration of the public and private sectors, and the Company supports urban development together with the local government. In August 2017, while it began managing the bicycle parking lots in Tachikawa City, Tokyo as a designated administrator, it started bicycle rentals as part of an independent business. In April 2021, the Company started management and operation service for bicycle parking lots as the designated manager with 22,900 management units and 770 rental bicycles at 15 locations in the vicinity of four train stations in Tokyo's Edogawa Ward (Funabori Station, Nishi-Kasai Station, Kasai Station, Kasai Rinkai Park Station) as part of an effort to curtail the number of bicycles left around stations.

To improve user convenience and reduce operations and management costs, the Company launched a cashless bicycle parking lot payment service (contact-free payment machine) in November 2019 at some facilities. The Company is capable of lowering management costs through reduction of collection and maintenance frequency. It plans to expand rollout of touchless payment due to positive response as a measure that prevents COVID-19 infections. The Company operates the bicycle shop STYLE-B (Shinagawa City, Tokyo) as a venue that proposes lifestyles utilizing bicycles.

Conducts thorough project management and quality management

6. Risks and income characteristics

The main risk in IT-related business (System Development Business and Support and Service Business) is possible sales and profit fluctuation due to major project or other business orders and individual project profitability.

To curtail risk related to profitability of individual projects, besides in deals accepted as orders, despite low profitability, for policy or strategic reasons, the Company normally conducts rigorous project and quality management in order to prevent losses and sustain profitability, such as checking profit margin at the estimate stage in the orders committee and carefully assessing project progress and quality control conditions after the order at monthly review meetings. Additionally, it promotes efficiency by making improvements to the work process as a companywide initiative.

The Company is boosting stock-type sales through expansion of maintenance and operation service consignments following development work in System Development Business and build-up of continuous consignments in Support and Service Business (IT-related business had about 80% of sales from stock-type business in FY3/21) and already has a stable income structure mainly in stock-type business.

Parking System Business generates about 70% of sales from stock-type business (FY3/20), such as usage fee income and bicycle parking lot management and operation income. Despite steep decline in usage fee income in FY3/21 on hefty setback in user volume as people refrained from going out amid the pandemic, this business has a stable income structure (besides temporary pandemic impact) because it does not rely on flow-type income from equipment sales that encounter orders fluctuation and receives stock-type income as usage fees driven by accumulation of managed sites and parking management units.

Business overview

As a seasonal factor, System Development Business exhibits a pattern of stronger income in 2Q (Jul-Sep) and 4Q (Jan-Mar) in accordance with the implementation timing of corporate IT investment budgets and inspection timing. Excluding cases of temporary impact by large deals or unprofitable deals, 2Q and 4Q generally have higher shares of overall income from a quarterly perspective and 2H (Oct-Mar) is stronger at the half-year level. Nevertheless, since stock-type sales are expanding, quarterly results have been evening out and thereby diminishing the extent of seasonal impact.

Upward trend in profitability for System Development Business

7. Profitability ratio of the IT-related businesses is improving

In segment sales and sales composition over the past five fiscal years (FY3/17-21), excluding one-time heavy setback in Parking System Business due to COVID-19 impact (decline in usage fee income as people refrained from going out and postponement of installations and business opportunities) in FY3/21, segment shares are roughly IT-related business (System Development Business and Support and Service Business) at just over 60% and Parking System Business at just over 30%.

Net sales and composition of total net sales by segment

Item	FY3/17					FY3/18					FY3/19					FY3/20					FY3/21				
(¥mn, %)																									
Net sales																									
System Development Business	5,672					5,738					6,329					7,073					7,405				
Support and Service Business	4,308					4,524					4,611					4,568					5,072				
Parking System Business	5,392					5,948					6,027					6,693					5,060				
Consolidated net sales (including others)	15,405					16,237					17,007					18,390					17,563				
Composition of net sales																									
System Development Business	36.8					35.3					37.2					38.4					42.2				
Support and Service Business	28.0					27.9					27.1					24.8					28.9				
Parking System Business	35.0					36.6					35.4					36.4					28.8				

Source: Prepared by FISCO from the Company's financial results and quarterly securities report

In segment operating income and composition of operating income (before consolidation adjustments) over the past five fiscal years (FY3/17-21), even excluding the one-time setback in Parking System Business due to COVID-19 impact in FY3/21, the IT-related business (System Development Business and Support and Service Business) ratio has been moving upward.

Operating income and composition of operating income by segment (before consolidation adjustments)

Item	FY3/17					FY3/18					FY3/19					FY3/20					FY3/21				
(¥mn, %)																									
Operating income																									
System Development Business	389					549					726					799					928				
Support and Service Business	127					267					374					224					481				
Parking System Business	744					925					883					944					13				
Total before consolidation adjustments (including others)	1,246					1,655					1,921					1,953					1,421				
Composition of operating income																									
System Development Business	31.2					33.2					37.8					40.9					65.3				
Support and Service Business	10.2					16.1					19.5					11.5					33.9				
Parking System Business	59.8					55.9					46.0					48.4					1.0				

Source: Prepared by FISCO from the Company's financial results and quarterly securities report

Business overview

In segment operating income margin results in the past five years (FY3/17-21), System Development Business margin is trending upward thanks to success in rigorous project management and quality control and other measures. Support and Service Business margin weakened in years with temporary costs (FY3/17 and FY3/20) related to large projects in new consignments (including switched consignments from other company projects) but rose significantly in FY3/21. Parking System Business margin is holding at a high level in the 10% range excluding the one-time setback from COVID-19 impact in FY3/21.

Operating income margin by segment

Item	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21
(%)					
Operating income margin					
System Development Business	6.9	9.6	11.5	11.3	12.5
Support and Service Business	3.0	5.9	8.1	4.9	9.5
Parking System Business	13.8	15.6	14.7	14.1	0.3

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

Results trends

Sales and profits declined on COVID-19 pandemic impact in FY3/21

1. Summary of the FY3/21 consolidated results

In the FY3/21 consolidated results, there were decreases in: net sales of 4.5% year on year (YoY) to ¥17,563mn; operating income of 74.1% to ¥242mn; ordinary income of 59.2% to ¥388mn; and net income attributable to owners of the parent of 77.5% to ¥145mn.

Summary of the FY3/21 consolidated results

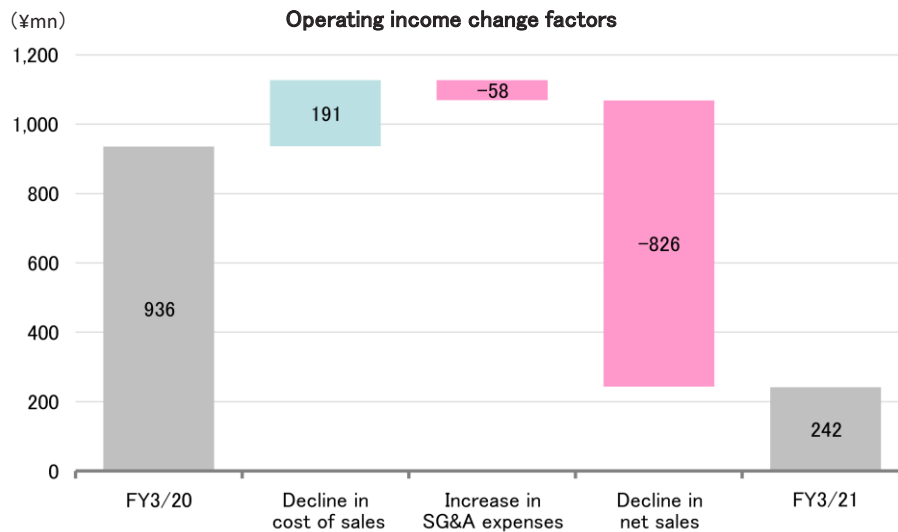
	FY3/20	FY3/21	Change	Existing outlook
(¥mn)				
Net sales	18,390	17,563	-4.5%	17,600
Gross profit	3,143	2,507	-20.2%	-
SG&A expenses	2,206	2,265	2.7%	-
Operating income	936	242	-74.1%	50
Ordinary income	953	388	-59.2%	200
Net income attributable to owners of the parent	648	145	-77.5%	80
Net sales by segment				
System Development Business	7,073	7,405	4.7%	-
Support and Service Business	4,568	5,072	11.0%	-
Parking System Business	6,693	5,060	-24.4%	-
Others	54	23	-	-
Operating income by segment				
System Development Business	799	928	16.3%	-
Support and Service Business	224	481	115.0%	-
Parking System Business	944	13	-98.5%	-
Others	-14	-3	-	-
Adjustment value	-1,016	-1,179	-	-

Note: Existing outlook shows revised values from February 1, 2021

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

Results trends

While IT-related business (System Development Business and Support and Service Business) grew more than expected on acquisition of new projects and rigorous profitability management, sales and profits declined overall because of heavy pandemic impact on Parking Systems Business. Gross profit dropped 20.2% on decline in sales, and gross profit margin was down 2.8 percentage points to 14.3%. SG&A expenses increased 2.7% on additions to personnel in the administrative division and, and the SG&A expenses ratio climbed 0.9 percentage points to 12.9%. In non-operating income, the Company booked ¥134mn in employment adjustment subsidies and other subsidies income. In extraordinary losses, it booked ¥116mn in impairment losses.

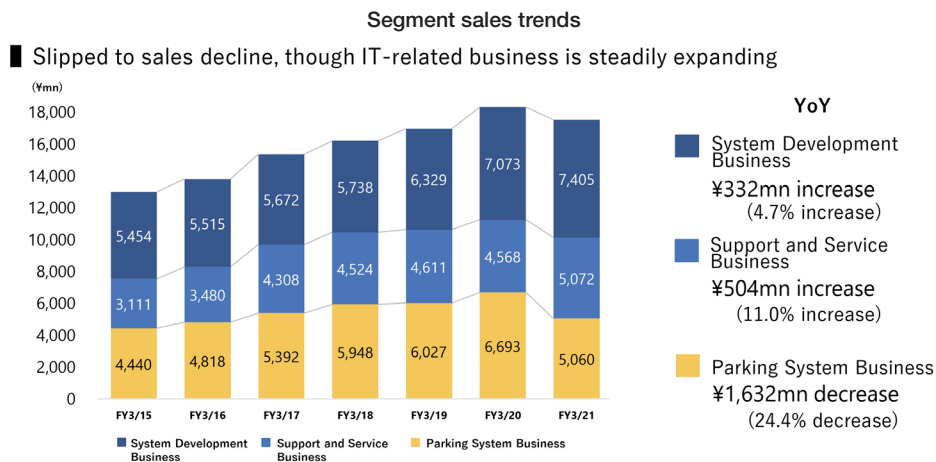


Source: Prepared by FISCO from the Company's results briefing materials

Compared to the existing outlook (lowered values from February 1, 2021), sales slightly missed but profits significantly overshot with support from additional projects in System Development Business in 4Q and less decline in Parking System Business income than anticipated. Companywide cost cutbacks contributed too.

2. Trends by segment

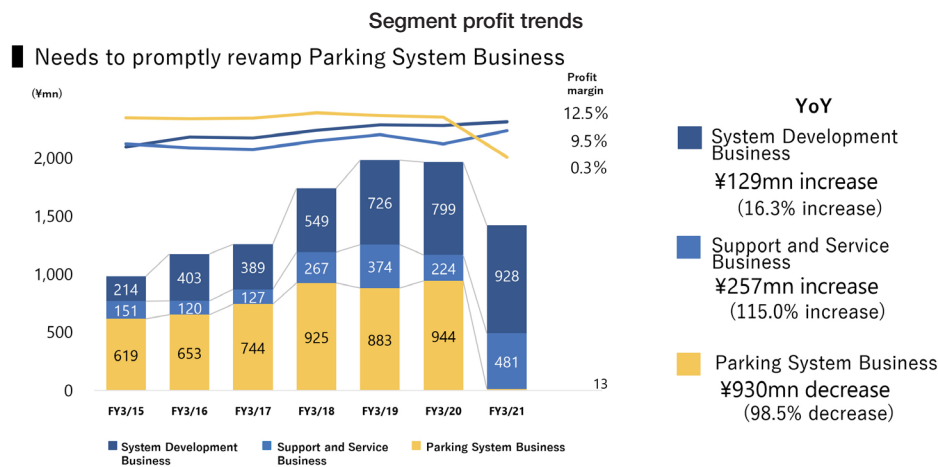
The results trends by segment are as follows.



Source: Reprinted from the Company's results briefing materials

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Results trends



Source: Reprinted from the Company's results briefing materials

In the System Development Business, net sales increased 4.7% YoY to ¥7,405mn and operating income rose 16.3% to ¥928mn. The Company achieved healthy progress in acquiring projects in new areas through promotion of an account plan for existing customers (proposal sales that target areas where orders previously have not been received from existing customers). It also advanced in installations of accounting shared service (such as installing OBC's Bugyo accounts product) against a backdrop of rising needs to improve business efficiency. Additional projects received at period-end contributed too. Operating margin improved by 1.2 percentage points on benefits from rigorous project and quality management.

In the Support and Service Business, net sales increased 11.0% YoY to ¥5,072mn and operating income grew 115.0% to ¥481mn. Profits climbed significantly on continuous orders from major customers and acquisition of new projects as well as recovery in profitability on transferred orders from other companies that had low margin in the previous fiscal year due to temporary increase in outsourcing costs and labor costs.

In the Parking System Business, net sales decreased 24.4% YoY to ¥5,060mn and operating income decreased 98.5% to ¥13mn. Sales and profits declined sharply because of heavy impact by the COVID-19 pandemic. Usage fee income dropped significantly because of steep decline in the number of bicycle parking users as people refrained from going out. In equipment sales, the Company incurred suspensions and delays of some bicycle parking lots located at train stations and commercial facilities. Despite measures to lower fixed costs, such as optimizing collection and maintenance frequency and handling outsourced tasks internally, savings were not enough to offset decline in gross profit due to weaker sales. Sales declines for time-based bicycle parking fees at the quarterly level were about 50% in 1Q, 22% in 2Q, 10% in 3Q, and 15% in 4Q. Decline margin narrowed from the bottom level in 1Q.

Equity ratio rose and the financial condition improved

3. Financial condition

Looking at the financial condition, at the end of FY3/21, total assets decreased ¥801mn compared to the end of the previous fiscal year to ¥10,816mn. Cash and deposit value increased, while lease receivables and investments in leases declined. Total liabilities dropped by ¥1,053mn to ¥6,651mn mainly on declines in lease obligations, provision for bonuses, and income taxes payable. Net asset value rose by ¥251mn to ¥4,165mn. The equity ratio improved by 4.8 percentage points to 38.3%. Financial position strengthened on healthy increase in net assets and a higher equity ratio.

Results trends

Main financial indicators

Item	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21
Net sales	15,405	16,237	17,007	18,390	17,563
Cost of sales	13,277	13,552	13,926	15,246	15,055
Gross profit	2,127	2,684	3,081	3,143	2,507
Gross profit margin (%)	13.8	16.5	18.1	17.1	14.3
SG&A expenses	1,780	1,901	2,036	2,206	2,265
SG&A expenses rate (%)	11.6	11.7	12.0	12.0	12.9
Operating income	347	783	1,045	936	242
Operating income margin (%)	2.3	4.8	6.1	5.1	1.4
Non-operating income	26	46	66	51	175
Non-operating expenses	40	22	22	34	29
Ordinary income	333	807	1,089	953	388
Ordinary income margin (%)	2.2	5.0	6.4	5.2	2.2
Extraordinary income	-	-	-	92	14
Extraordinary loss	4	23	131	43	137
Income before income taxes	329	784	958	1,002	265
Total income taxes	79	258	340	349	112
Net income attributable to owners of the parent	249	526	615	648	145
Rate of net income attributable to owners of the parent (%)	1.6	3.2	3.6	3.5	0.8
Comprehensive income	417	631	483	571	264
Total assets	10,851	11,070	11,048	11,617	10,816
(Current assets)	6,541	6,343	6,455	6,644	6,768
(Non-current assets)	4,310	4,727	4,593	4,972	4,047
Total liabilities	8,300	7,981	7,595	7,704	6,651
(Current liabilities)	3,951	4,043	4,291	4,311	3,976
(Non-current liabilities)	4,349	3,937	3,304	3,392	2,674
Total net assets	2,550	3,089	3,453	3,913	4,165
(Shareholders' equity)	2,468	2,891	3,387	3,924	4,057
(Capital stock)	438	438	438	438	438
Total number of issued shares at the end of period, excluding treasury shares	7,941,416	7,941,368	7,941,368	7,941,368	8,071,068
Earnings per share (¥)	30.00	66.31	77.45	81.62	18.11
Book-value assets per share (¥)	321.20	387.80	433.34	490.66	512.95
Dividend per share (¥)	12.00	14.00	14.00	14.00	14.00
Equity ratio (%)	23.5	27.8	31.1	33.5	38.3
Return on equity (%)	9.8	18.7	18.9	17.7	3.6
Cash flows from operating activities	782	791	416	376	218
Cash flows from investing activities	-72	-554	-219	-164	142
Cash flows from financing activities	-227	-271	-312	-370	-61
Cash and cash equivalents at end of period	2,734	2,700	2,579	2,420	2,721

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

■ Outlook for the future

Expecting higher sales and sharply profit increase in FY3/22

1. Summary of the FY3/22 full-year consolidated results forecast

The Company forecasts FY3/22 full-year consolidated results of increases in net sales increase 9.3% YoY to ¥19,200mn, operating income of 168.0% to ¥650mn, ordinary income of 72.3% to ¥670mn, and net income attributable to owners of the parent of 209.0% to ¥450mn.

The Company forecasts higher sales and a steep rise in profits. It expects growth in IT-related business (System Development Business and Support and Service Business) against a backdrop of accelerated promotion of DX (Digital Transformation) initiatives at customer companies and moderate easing of COVID-19 impact in Parking System Business in the latter half of the fiscal year.

Summary of the FY3/22 full-year consolidated results forecasts

	FY3/21	FY3/22 forecasts	% change
Net sales	17,563	19,200	9.3%
Operating income	242	650	168.0%
Ordinary income	388	670	72.3%
Net income attributable to owner of the parent	145	450	209.0%
Earnings per share (¥)	18.11	55.99	-
Dividend per share (¥)	14.00	14.00	-

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

2. Trends by segment

In Support and Service Business (IT-related business), the Company expects contribution from ramp-up of system operations for the Nippon Suisan Kaisha <1332> Group booked as a new consignment in FY3/21.

Furthermore, as efforts to address accelerate DX initiatives at customer companies, the Company aims to expand the customer base with large companies and insurers as the domain, enhance the service model that leverages synergies with group subsidiaries and regional sites, and acquire new technologies and resources by strengthening the partner strategy. It aims to further boost margin through expansion of sales scale and advances in efficiency.

In Parking System Business, the Company anticipates lingering impact from the COVID-19 pandemic in the first half of the year but expects easing at a moderate pace and contributions from major project orders in the latter half.

The Company plans to develop new sales channels (large buildings and condo buildings), such as property developers and architectural offices. It is also considering attractive M&A opportunities because of a growing trend of weeding out in the industry. In costs, it aims to reduce fixed expenses and convert to leaner income operations through BPR (Business Process Re-Engineering). Specifically, it intends to redesign business processes and personnel formations, strengthen the roles of group subsidiaries, promote in-house handling of installations and other related tasks, streamline the usage fee structure (including price hikes), and expand cashless payments.

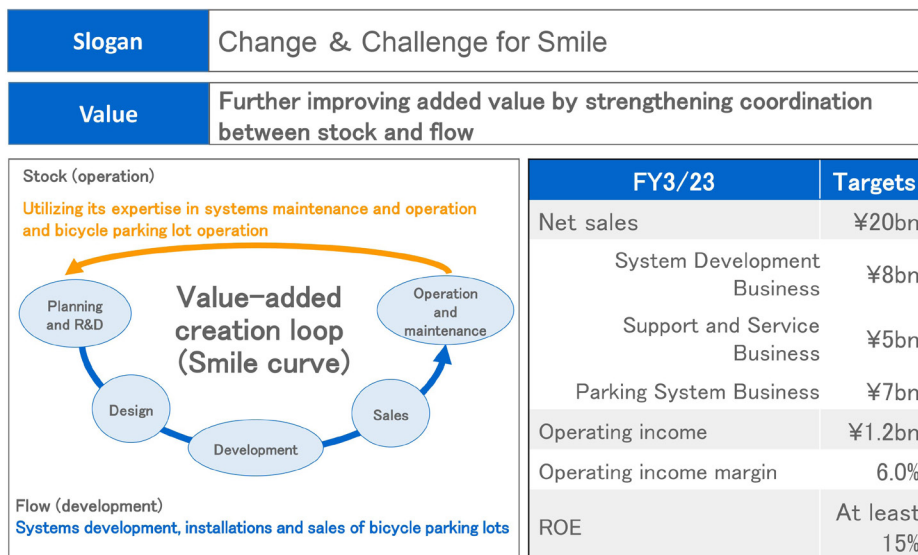
Growth strategy

Aiming to further improve added value

1. Summary of the medium-term management plan

In “Vision 2023” (FY3/21 to FY3/23), the medium-term management plan formulated in May 2020, the targets for FY3/23 are net sales of ¥20bn (¥8bn in the System Development Business, ¥5bn in the Support and Service Business, and ¥7bn in the Parking System Business), operating income of ¥1.2bn, an operating income margin of 6.0%, and ROE of at least 15%.

Medium-term management plan “Vision 2023”



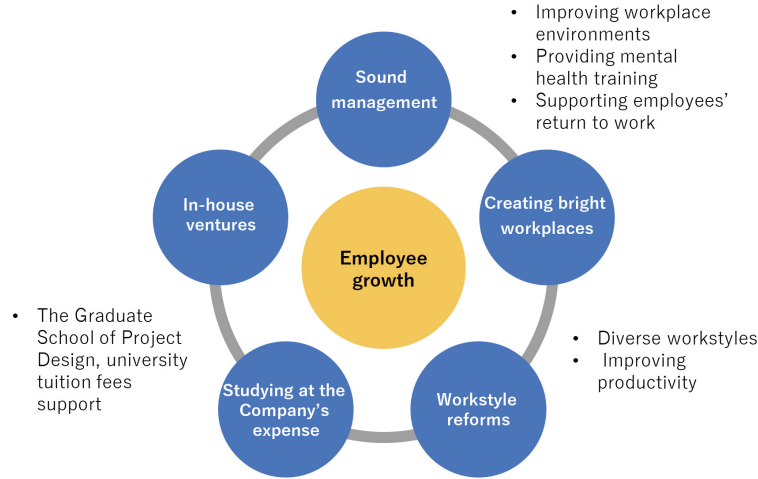
Source: Prepared by FISCO from the Company's briefing materials

As its basic policy, the Company is aiming to further improve added value by strengthening coordination between stock (operation) and flow (development). In both areas of applications and infrastructure, it will construct standard service models for operation and development and strengthen the two-way, value-added creation loop between stock and flow. Moreover, by strengthening coordination between the IT-related businesses and Parking System Business, it will create and expand new business domains, while advancing the establishment of the optimal Group formation by strengthening planning and management functions and governance on a company-wide level that goes beyond business divisions and reevaluating division of functions.

In efforts to improve productivity, premised on the importance of providing a workplace environment in which employees can utilize their individuality and potential, the Company intends to develop an organization that encourages changes in organizational and individual behavior and realize a workplace that enables human resources to grow and enjoy work.

Growth strategy

Building workplace environments in which employees can demonstrate their individuality and potential

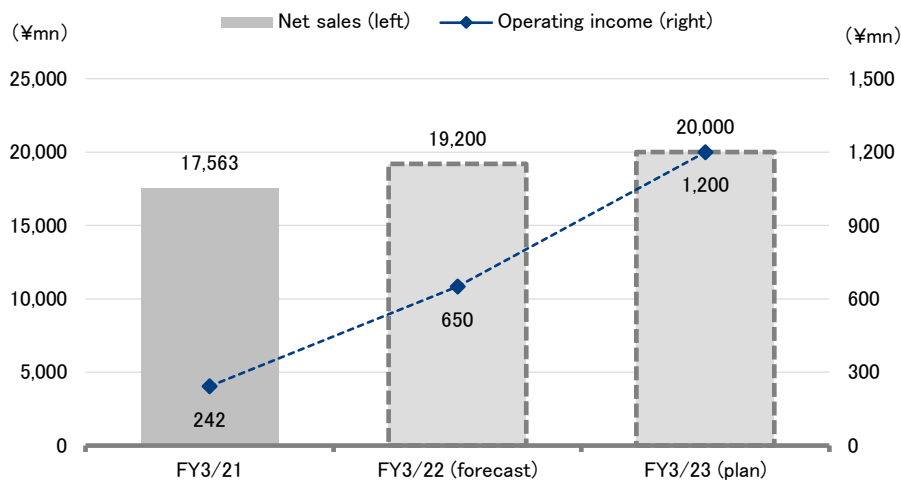


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2. Capable of attaining final fiscal-year goals from the medium-term management plan (FY3/23)

In FY3/21, the first fiscal year of the medium-term management plan, results weakened because of heavy impact from the COVID-19 pandemic on Parking System Business that had been a stable income source. However, the Company expects alleviation of COVID-19 impact and moderate recovery in the market environment for Parking System Business in FY3/22. It also anticipates fixed cost savings from BPR efforts. In IT-related business, corporate IT investments are vibrant thanks to the DX trend, and promoting of outsourcing for system maintenance and operations by large corporate groups and initiatives to consolidate vendors receiving orders by large corporate groups are likely to expand the Company's business opportunities.

Medium-term management plan "Vision 2023"



Source: Reprinted from the Company's results briefing materials

Growth strategy

President and Representative Director Osamu Shimojo commented that “Even though COVID-19 impact significantly altered the business environment, our basic policy has not changed and we intend to embrace this challenge as an opportunity and boldly implement reforms and pursues new areas. We aim to achieve goals from the medium-term management plan and improve shareholder return by enhancing profitability.” FISCO thinks final fiscal-year goals from the medium-term management plan are attainable, considering the upward trend in profit margin from IT-related business and recovery in the market environment for Parking System Business, and will be looking for ambitious goals and strategy in the next medium-term management plan.

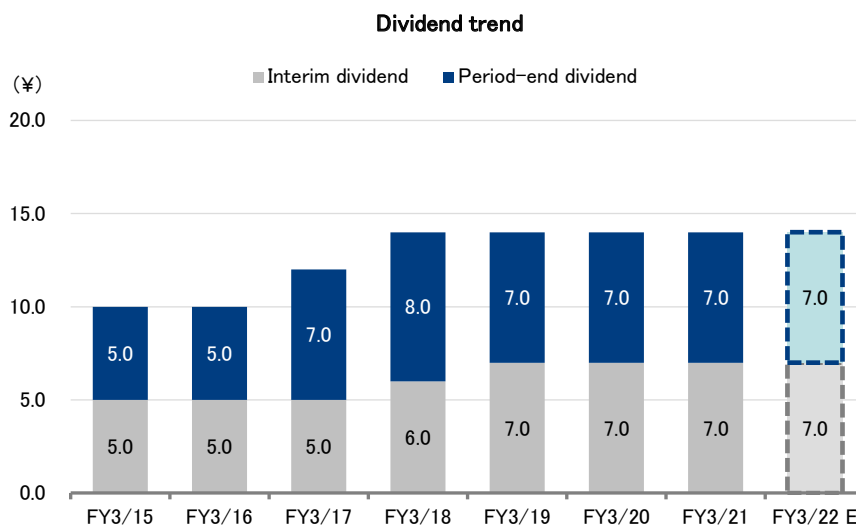
Shareholder return policy

Returns profits to shareholders appropriately, based on a stable dividend

1. Returns profits to shareholders appropriately, based on a stable dividend

The Company’s basic policy for returning profits to shareholders is to work to retain earnings in order to strengthen its corporate structure and actively develop its businesses, but at the same time, to maintain a stable dividend comprehensively considering factors such as the dividend payout ratio and dividend yield. It does not set a target for the dividend payout ratio, but going forward, it intends to return profits to shareholders appropriately while continuing to further strengthen its management foundation and to actively develop its businesses.

In accordance with the basic policy, the Company paid a ¥14 annual dividend in FY3/21 (¥7 at end-2Q, ¥7 at period-end), just as in FY3/20. This worked out to a 77.3% dividend payout rate. In the FY3/22 dividend outlook, the Company targets ¥14 (¥7 at end-2Q, ¥7 at period-end), the same level as FY3/21, with the estimated payout rate at 25.0%.



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

Shareholder return policy

2. Shareholder benefits program

The Company also implements a shareholder benefits program as part of its measures to return profits to shareholders. Shareholders holding at least 1,000 shares (10 units) on September 30 of each year are eligible for the program. They receive a gift (QUO card) depending on the number of shares they hold and the continuous period of time they have held them.

Shareholder benefits program

Gift: QUO card

Number of shares held	Continuous period of time held	
	Less than 3 years	3 years or more
1,000 to 2,999 shares	Worth ¥2,000	Worth ¥3,000
3,000 to 4,999 shares	Worth ¥3,000	Worth ¥5,000
5,000 shares or more	Worth ¥5,000	Worth ¥7,000

<Conditions for the continuous holding>

•With the last day in September in each year as the record date, shareholders who are confirmed as being registered in the registry of shareholders on this date are eligible for the program.

•As for the determination of continuous holdings, shareholders holding shares for “three years or more” are the ones who are registered consecutively seven times “with the same shareholder number” in the registry of shareholders in each fiscal half (the end of March and the end of September in each year).

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

SDGs initiatives

1. Sustainability basic policy

In SDGs initiatives, the Company formulated the sustainability basic policy and aims to solve societal issues through its business and contribute to realizing a sustainable society while improving enterprise value.

2. The Parking System Business is contributing to improving the global environment

The Parking System Business eliminates bicycle parking problems such as bicycles left on streets throughout the country, and helps improve the global environment through measures to ease traffic congestion, effective utilization of land, land and town planning, and reductions in CO₂ (carbon dioxide) emissions, etc. Various regions are moving forward with bicycle utilization promotion plans based on the Act on Promotion of Use of Bicycles (enforced in May 2017 in order to promote the use of bicycles in a comprehensive and planned manner).

The Company promotes regional contributions and regional revitalization support as well. It opened the Goto Office (Goto City, Nagasaki Prefecture) with the aim of creating employment in the local area in April 2020. It received a letter of appreciation for contributing to the Kashiwa City Silver Human Resources Center over many years via the bicycle parking business in September 2020.

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