

# COMPANY RESEARCH AND ANALYSIS REPORT

## Nippon Computer Dynamics Co., Ltd.

4783

Tokyo Stock Exchange JASDAQ

21-Jan.-2022

FISCO Ltd. Analyst

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FISCO Ltd.

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

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## Summary

### Management philosophy is “contribute to a bright future with unique software technologies”

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 a growth strategy of being a total solution provider under a corporate philosophy of contributing to a bright future through unique software technologies.

#### 1. Strength of total solutions with advanced technology and high quality

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). The Company’s strength lies in its advanced technologies and high-quality services cultivated through an extensive track record of over 50 years, and one-stop service provision to deliver total solutions.

#### 2. Possesses a powerful customer foundation and stable income source driven by stock-type sales

IT-related Business is characterized by a stable income structure with as much as 80% of income from stock-type sales supported by a strong client base and long-term, continuous transactions with major blue-chip companies, including leading insurers, leading energy companies, and leading manufacturers and long-term continuous transactions. The Company is promoting rigorous project management and quality control and enhanced business efficiency and productivity to further enhance profitability. The Parking System Business is currently affected by the impact of the COVID-19 pandemic, though its income is underpinned by stock-type sales from bicycle parking lot usage fee revenue and bicycle parking lot operation and management consignments.

#### 3. 1H FY3/22 earnings exceeded internal targets

In 1H FY3/22 consolidated results, the Company recorded ¥9,248mn in net sales, an increase of 10.4% year on year (YoY), ¥411mn in operating income, compared to a ¥102mn loss in the same period in the previous fiscal year, ¥419mn in ordinary income (compared to a ¥1mn loss in the previous year), and ¥269mn in net income attributable to owners of the parent (compared to a ¥12mn loss). Application of the Accounting Standard for Revenue Recognition only had a slight impact. Sales increased at a double-digit rate YoY, and the Company restored profits at the various levels and exceeded targets in the internal plan. IT-related Business posted steep gains on the acquisition of new projects in the System Development Business, increase in profit margin due to rigorously applying profit management, and full-fledged ramp-up of major outsourcing projects in the Support and Service Business. Parking System Business recovered on easing of the impact of the COVID-19 pandemic.

#### 4. Projecting higher sales and sharp profit increases in FY3/22 that may grow even further

In FY3/22 consolidated guidance, the Company is targeting ¥19,200mn in net sales, an increase of 9.3% YoY, ¥650mn in operating income, up 168.0%, ¥670mn in ordinary income, an increase of 72.3%, and ¥450mn in net income attributable to owners of the parent, an increase of 209.0%. In IT-related Business, it expects only mild impact from the COVID-19 pandemic and steady sales recognition of orders backlog again in 2H. In Parking System Business, it anticipates continued moderate recovery on easing of the COVID-19 impact despite uncertainties persisting. FISCO believes earnings are likely to exceed full-year guidance considering high progress rates in 1H and the tendency of 2H earnings to make strong contributions.

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### 5. Steady progress in the medium-term management plan

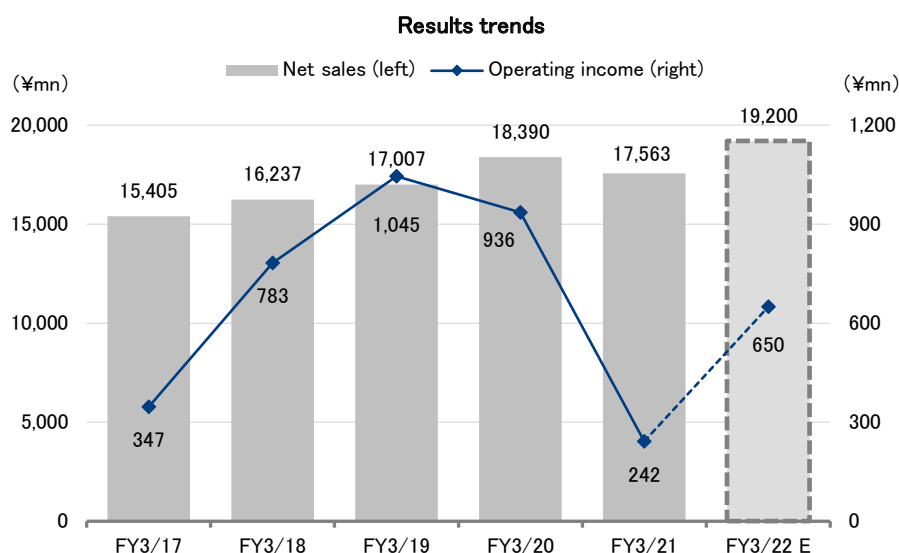
The Vision 2023 medium-term management plan sets goals for FY 3/23, the final fiscal year of the plan, of ¥20bn in net sales and ¥1.2bn in operating income. While overall results weakened in FY3/21, the plan's first fiscal year, due to the heavy impact of the COVID-19 pandemic on the Parking System Business, the Company expects to return to a trend of sales and profit increases in FY3/22. The 1H FY3/22 timing was the halfway point of the plan, and the Company appears to be making steady progress overall. Considering stronger than anticipated advances in IT-related Business due to acquisition of new projects and improved productivity, FISCO believes the FY3/22 results are likely to come fairly close to goals for FY3/23, the final fiscal year.

### 6. Strengthening ESG and SDGs initiatives

The Company is strengthening ESG and SDGs initiatives. Its Board of Directors resolved at a meeting held on October 1, 2021 to establish a Sustainability Promotion Committee to implement activities that promote sustainability across the Group. President and Representative Director Osamu Shimojo commented that "While the COVID-19 pandemic significantly altered the business environment for the Parking System Business, profitability has steadily risen in the IT-related Business. We are not substantially changing our fundamental policies for growth, but intend to further accelerate reinforcement of Group governance to quicken the pace of reform and pursue new areas. We also have interest in the Prime Market over the medium- to long-term." The Company is likely to accelerate growth by aggressively developing business, enhancing corporate governance, and making Group reforms.

### 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 that may grow even further
- Established the Sustainability Promotion Committee and strengthened ESG and SDGs initiatives



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

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## Company profile

### Pioneering independent system integrator with a history of over 50 years

#### 1. Company profile

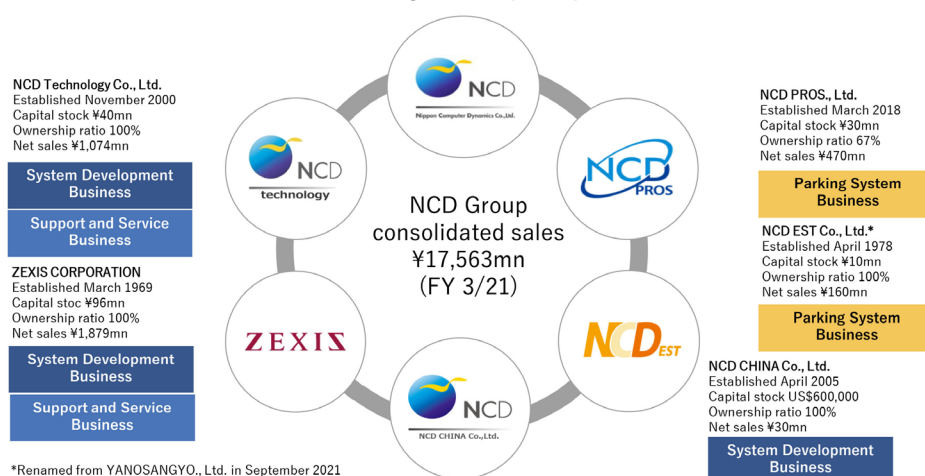
The Company is a pioneer as an independent system integrator with a history of over 50 years. Under a corporate philosophy of contributing to a bright future through unique software technologies, the Company pursues growth as a total solution provider with IT-related System Development Business (system integration), Support and Service Business (service integration), and Parking System Business for unattended bicycle parking lots utilizing IT solution knowhow (parking solutions).

As of October 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., NCD EST Co., Ltd. (renamed from YANOSANGYO., Ltd. in September 2021), and NCD PROS., Ltd. (ownership ratio: 67%). NCD Technology conducts system development and support and service in the IT-related business; ZEXIS conducts system development and support and service in the IT-related business, mainly for the Panasonic <6752> Group; NCD CHINA conducts a system development business in China; NCD EST conducts a parking system business in Kyushu; and NCD PROS conducts a bicycle parking lot management and operations business. East Ambition Co., Ltd., a fee-based employment agency, was excluded from the scope of consolidation on June 29, 2021 following the transfer of all of its shares.

At the end of 1H FY3/22, total assets were ¥10,651mn, net assets were ¥4,371mn, capital stock was ¥438mn, the equity ratio was 40.7%, and the number of issued shares (including treasury shares of 728,932 shares) was 8,800,000 shares.

#### Introducing the Group companies



Source: From company explanatory materials presented to individual investors

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## 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. The Company is a pioneer among independent system integrators and celebrated the 50th anniversary of its establishment in March 2017.

Regarding stock market-related matters, in September 2000, the Company 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 (renamed NCD EST in September 2021) 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)
May 2001	Acquired ISO 9001 certification (system development business division, except for the Fukuoka Sales Office)
April 2005	Established NCD CHINA Co., Ltd. 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. (renamed NCD EST in September 2021), 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
September 2021	Acquired gold authorization as a company with an outstanding approach to health and productivity management
October 2021	Established the Sustainability Promotion Committee

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

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## 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 as an independent company 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 solid customer base the Company built and includes major insurers, leading energy companies, and top manufacturers.

### **System Development Business mainly handles development and maintenance consignments for mission-critical business systems**

#### **2. System Development Business**

The System Development Business conducts outsourced system integration, which involves undertaking the planning, design, development, construction, installation, maintenance and management 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 cultivated through a rich 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.

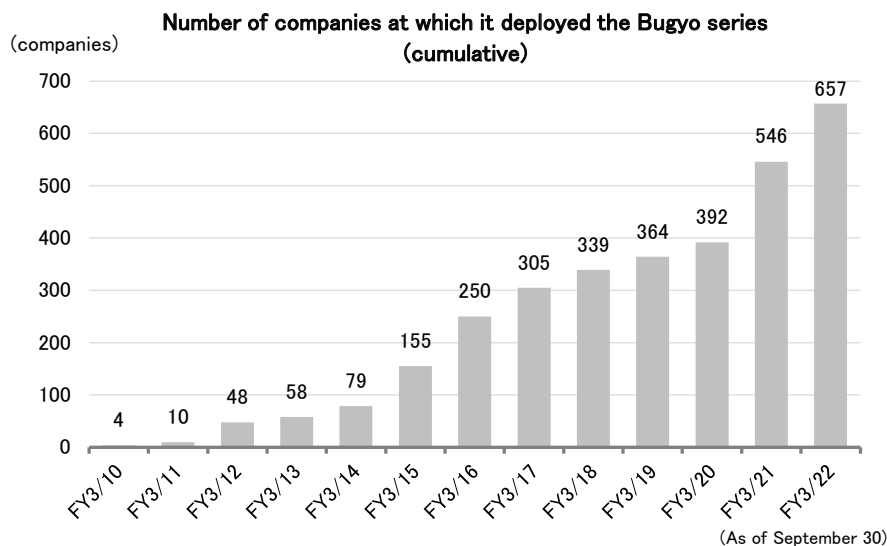
Package solutions are solutions for companies, such as medium-sized companies, that want to install systems in a short period of time at low cost. The Company provides various solutions, including installation, customization, and management support for the package software of its strategic partner companies.

One of the Company’s strengths is systems construction to install the applications of Oracle and the “Bugyo Series,” which is the mission-critical system of OBIC BUSINESS CONSULTANTS CO., LTD. <4733>. 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 reached 657 as of the end of 1H FY3/22. The Company received the regional excellence award in Bugyo Series sales results in the Tokyo district for the 2020-21 season at the OBC Partner Award 2021 event in October 2021.

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#### Business overview



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

In the cloud computing field, the Company's bicycle parking business mission-critical system infrastructure has been adopted for the AWS (Amazon Web Services) of Amazon (Amazon.com <AMZN>), the largest public cloud vendor, and it accumulates expertise in construction and operation while providing services to other companies as an AWS solution. It is also the certified Japanese subsidiary of Salesforce.com <CRM>, and it has a track record of many installations of "Salesforce," 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 the 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 "mcframe 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.

## Support and Service Business primarily conducts outsourcing of maintenance and operations

### 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.



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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 Head Office and the two Nagasaki MSCs (Managed Services Centers) coordinate to run 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.

The Company constructed its own operation standard "ND-OS" (NCD Standard Operation Service), which conforms to ITIL (Information Technology Infrastructure Library) to reduce customers' IT infrastructure operation and management costs. As it conducts remote monitoring through lines connected to customers, its costs become an advantageous strength. 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.

Through utilizing its strengths, which include expertise cultivated 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 a high security environment, it is strengthening its responses to business continuity plans (BCP), such as at the time of a disaster.

## Possesses a solid customer base with leading blue-chip customers in IT-related Business

### 4. Possesses a solid customer base with leading blue-chip customers in IT-related Business

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, top manufacturers and blue-chip companies 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.

#### Main customers of the IT-related businesses

Transactions for more than 50 years	Takasago Thermal Engineering Co., Ltd., Tokyo Gas Group, Panasonic Group
Transactions for more than 30 years	SRL, Inc., SAIBUGAS Group, Nippon Life Group, 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, Yakult Honsha Co., Ltd.
Recent customers	PT. ELASTOMIX INDONESIA, FWD Fuji Life Insurance Company, ORIX Life Insurance Corporation, JTB Asset Management Corp, Takumi Otsuka Co., Ltd. Mitsubishi Corporation Life Sciences Limited, Mizuho Financial Group, Inc., LIXIL Group, etc.

\* As of October 1, 2021

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

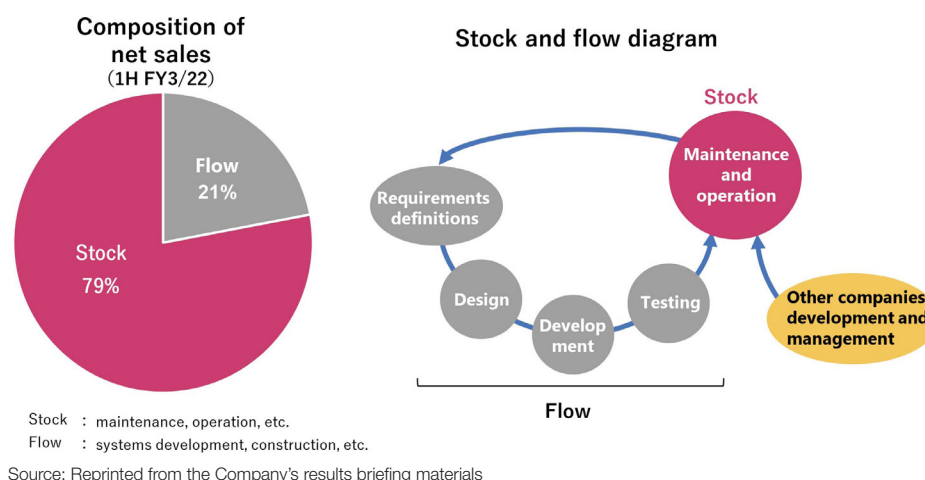
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# Business overview

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 (1H FY3/22), including for the maintenance and operation outsourced to it for the development projects of other companies. In this way, the stable income structure is also a feature.

## Business model of IT-related businesses



## Parking System Business mainly manages and operates electromagnetic-lock parking lots

### 5. Parking System Business

The Parking System Business mainly sells electromagnetic-lock bicycle parking equipment and manages and operates bicycle parking lots. Bicycle parking lots are not only managed and operated in a labor-saving and efficient manner utilizing IT, this business eliminates nationwide problems of abandoned bicycles and other bicycle parking issues while also contributing to easing traffic congestion, effective utilization of land, region and community building, and improvement of the global environment through reduced CO<sub>2</sub> emissions.

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 had been 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 expanded.

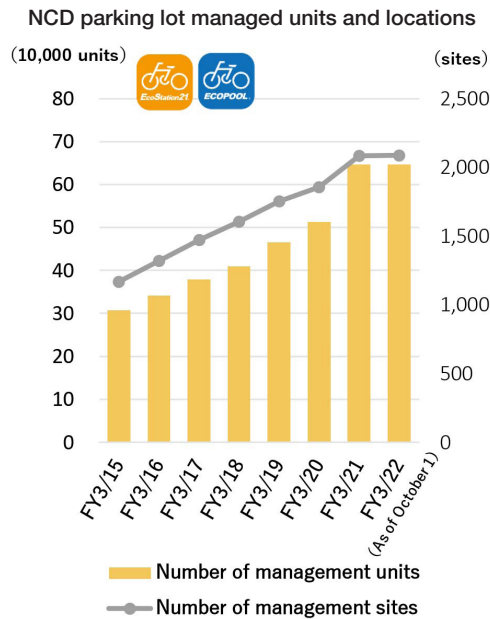
Specifically, the Company operates mainstay time-based unattended bicycle parking lots “EcoStation21” (since 1999), monthly bicycle parking lots “ECOPOOL” (since 2013), and other bicycle parking services primarily near train stations in metropolitan Tokyo and in Kansai, Chubu, Kyushu, and other areas (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.

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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, establishing among the largest numbers of electromagnetic lock-type bicycle parking lots in Japan. As of October 1, 2021, it had 2,088 bicycle parking lot management sites and 647,091 management units, achieving the target set in “Vision 2020,” its previous medium-term management plan, of 500,000 units by April 2020. As of April 2021, it had surpassed 600,000 units.



Source: Reprinted from the Company's results briefing materials

Some typical installation cases 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; Minami-machida Grandberry Park in the Tokyu Group redevelopment project in 2019; and Grand Emio TOKOROZAWA in the Seibu Group redevelopment project in 2020. 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, Nishi-Kasai, Kasai and Kasai-Rinkai Park stations) as part of an effort to curtail the number of bicycles left around stations. Since April 2021, the Company has handled new installations at Bunkyo Garden and Green Garden for the Kasuga and Korakuen Station redevelopment project and Sagami Railway's Tennocho Station YBP Exit (Yokohama Business Park Exit) ticket gate.

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## Business overview

### Broad customer segments and diverse bicycle parking lot model

Customers for Parking System Business		
<b>Local governments</b>	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"> <li>• Positive assessment of financial soundness and management and operation quality</li> <li>• Provide services in Kansai, Chubu, Kyushu, etc.</li> </ul>
<b>Commercial facilities, etc.</b>	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"> <li>• Provide proposals that add IT technologies, such as cashless payments</li> </ul>
<b>Railway operators</b>	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"> <li>• Covers the main railway operators</li> </ul>
<b>Other organizations, etc.</b>	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"> <li>• Contributions to local society via collaboration with various organizations</li> </ul>

\* As of October 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

Sales categories are equipment sales, management and operation, and others. Furthermore, management and operation has three sub-categories of self-operated bicycle parking lots (lots managed and operated under the Company's EcoStation21 brand based on contracts with private-sector companies), designated management (bicycle parking lot management and operation based on selection of a designated lot manager by a local government entity), and consignment (consigned management of a bicycle parking lot operated by a railway company, local government entity, or others). The Company also operates the STYLE-B bicycle shop (Shinagawa Ward, Tokyo), a multi-functional facility that proposes lifestyles using bicycles.

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 contactless payment due to positive response as a measure that prevents COVID-19 infections.

## Conducts thorough project management and quality management

### 6. Risks and income characteristics

The general 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, the Company normally conducts rigorous project and quality management 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, except in deals accepted as orders for policy or strategic reasons, despite low profitability. Additionally, it promotes efficiency by improving the work process as a Companywide initiative.

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## Business overview

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 1H FY3/22) and has a stable income structure mainly in stock-type business.

The Parking System Business mainly generates stock-type sales from bicycle parking lot usage fees revenue and bicycle parking lot operation and management consignments through accumulation of managed lots and managed unit volume, and there has been a declining percentage of flow sales from equipment sales, which is affected by order fluctuations related to bidding and other business recruitment activities. In FY3/21, however, the number of bicycle parking users dropped sharply due to the impact of practices related to the COVID-19 pandemic, such as refraining from going out, and usage fee income decreased steeply. Equipment sales also faced setbacks from postponed investment projects at railway companies and retail facilities with diminished earnings. Demand is moderately recovering, but it might still take some time to restore pre-pandemic levels depending on conditions.

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 customers' corporate IT investment budgets and acceptance 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

Looking at segment sales and breakdown trends over the past five years (FY3/17-/21) and 1H FY3/22, the breakdown until FY3/20 was IT-related Business (System Development Business, Support and Service Business) at just over 60% and Parking System Business at just over 30%. In FY3/21 and 1H FY3/22, meanwhile, Parking System Business sales decreased and the share of sales also weakened because of the impact of the COVID-19 pandemic (decline in bicycle parking lot usage fee revenue amid refraining from going out and postponements of projects and business deals),

#### Net sales and composition of total net sales by segment

	(¥mn, %)					
Item	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21	1H FY3/22 total
<b>Net sales</b>						
System Development Business	5,672	5,738	6,329	7,073	7,405	3,775
Support and Service Business	4,308	4,524	4,611	4,568	5,072	2,773
Parking System Business	5,392	5,948	6,027	6,693	5,060	2,697
Consolidated net sales (including others)	15,405	16,237	17,007	18,390	17,563	9,248
<b>Composition of net sales</b>						
System Development Business	36.8	35.3	37.2	38.4	42.2	40.8
Support and Service Business	28.0	27.9	27.1	24.8	28.9	30.0
Parking System Business	35.0	36.6	35.4	36.4	28.8	29.2

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

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Business overview

In segment operating income and composition of operating income (before consolidation adjustments) over the past five fiscal years (FY3/17-21) and 1H FY3/22, even excluding the setback in Parking System Business due to COVID-19 impact in FY3/21 and 1H FY 3/22, 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)**

	(¥mn, %)					
Item	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21	1H FY3/22 total
<b>Operating income</b>						
System Development Business	389	549	726	799	928	519
Support and Service Business	127	267	374	224	481	337
Parking System Business	744	925	883	944	13	126
Total before consolidation adjustments (including others)	1,246	1,655	1,921	1,953	1,421	983
<b>Composition of operating income</b>						
System Development Business	31.2	33.2	37.8	40.9	65.3	52.8
Support and Service Business	10.2	16.1	19.5	11.5	33.9	34.3
Parking System Business	59.8	55.9	46.0	48.4	1.0	12.9

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

In segment operating margin trends in the past five years (FY3/17-21) and 1H FY3/22, System Development Business margin moved upward due to the results of rigorous project management and quality management, and other measures. Support and Service Business margin weakens (FY3/17 and FY3/20) when it incurs one-time costs from large new consignments, including replacement consignments from other company projects, and then improves significantly after exhaustion of one-time costs and stabilization of operations (FY3/19, FY3/21, and 1H FY3/22).

Parking System Business held at a high operating margin in the mid-ten% range until FY3/20, but dropped sharply in FY3/21 and 1H FY3/22 due to decreased sales because of the COVID-19 impact. Given the prospect of the COVID-19 pandemic impact continuing for the time being, the Company is implementing measures to lower management and operating costs, revise rates, and bring peripheral work in-house.

**Operating income margin by segment**

	(%)					
Item	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21	1H FY3/22 total
<b>Operating income margin</b>						
System Development Business	6.9	9.6	11.5	11.3	12.5	13.8
Support and Service Business	3.0	5.9	8.1	4.9	9.5	12.2
Parking System Business	13.8	15.6	14.7	14.1	0.3	4.7

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

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## Results trends

### 1H FY3/22 profits exceeded plan targets

#### 1. Summary of the 1H FY3/22 consolidated results

In 1H FY3/22 consolidated results, the Company recorded ¥9,248mn in net sales, an increase of 10.4% YoY, ¥411mn in operating income compared to a ¥102mn loss in the same period in the previous fiscal year, ¥419mn in ordinary income, compared to a ¥1mn loss YoY, and ¥269mn in net income attributable to owners of the parent, compared to a ¥12mn loss. The Company started applying the Accounting Standard for Revenue Recognition at the beginning of 1Q, and this factor lowered net sales by ¥68mn, COGS by ¥62mn, and operating income, ordinary income, and net income attributable to owners of the parent by ¥5mn each. Application of the Accounting Standard for Revenue Recognition only slightly affects income values.

#### Summary of the 1H FY3/22 consolidated results

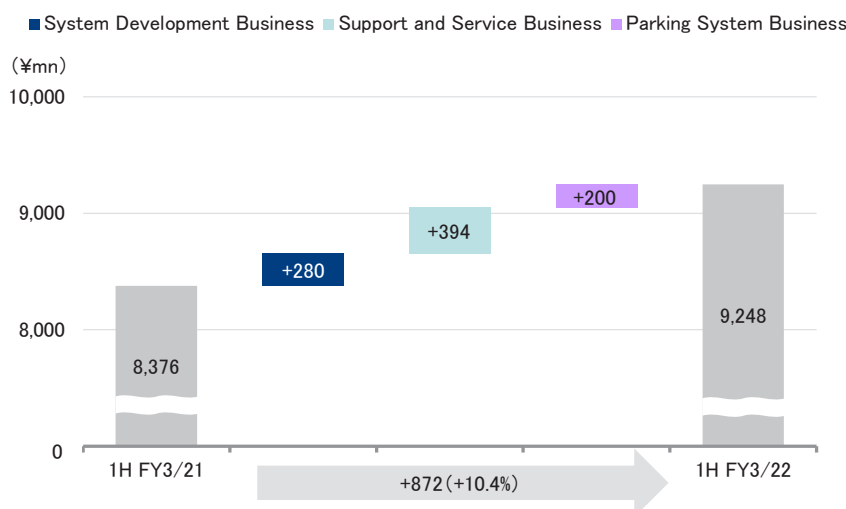
	1H FY3/21 total	1H FY3/22 total	Change (¥mn)
Net sales	8,376	9,248	10.4%
Gross profit	1,074	1,532	42.7%
SG&A expenses	1,177	1,121	-4.7%
Operating income and loss	-102	411	-
Ordinary income and loss	-1	419	-
Net income and loss attributable to owners of the parent	-12	269	-
Net sales by segment			
System Development Business	3,495	3,775	8.0%
Support and Service Business	2,379	2,773	16.6%
Parking System Business	2,497	2,697	8.0%
Operating income by segment (before consolidation adjustments)			
System Development Business	384	519	35.3%
Support and Service Business	165	337	104.0%
Parking System Business	-30	126	-

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

Sales increased at a double-digit rate YoY, and the Company restored profits at the various levels and achieved targets under the internal plan. IT-related Business (System Development Business and Support and Service Business) posted steep gains on the acquisition of new projects in the System Development Business, increase in profit margin thanks to rigorously applying profit management, and full-fledged ramp-up of major outsourcing projects in the Support and Service Business. Parking System Business recovered on easing of the COVID-19 impact YoY, though the pressure from the pandemic continuing. Gross profit increases 42.7%, on the effect of sales expansion and improved productivity despite increases in outsourcing and personnel expenses accompanying an increase in sales, and gross margin increased by 3.8 percentage points to 16.6%. SG&A expenses dropped 4.7%, and the SG&A expenses ratio decreased 2.0 percentage points to 12.1%. Consulting costs decreased because of investments in personnel system reforms in the previous year.

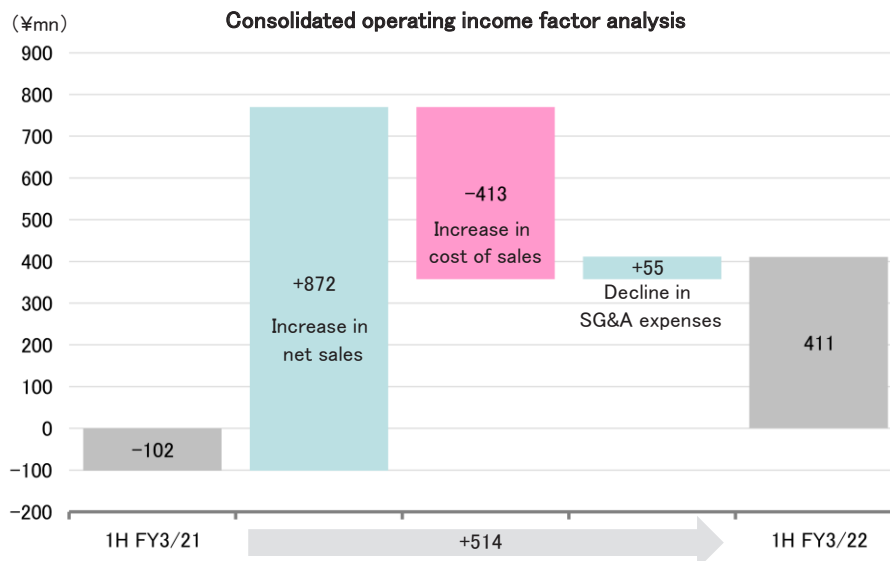
## Results trends

## Consolidated sales factor analysis



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

## Consolidated operating income factor analysis



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

## Steep gains in IT-related business

## 2. Trends by segment

The following explanation reviews segment trends (before adjustment of general management costs related to the parent company and other companywide costs for operating income). Looking at 1H trends in the past five years, the Company continued upbeat momentum in IT-related Business in sales and delivered a V-shaped recovery in operating income including restoration of profit in Parking System Business in 1H FY3/22.

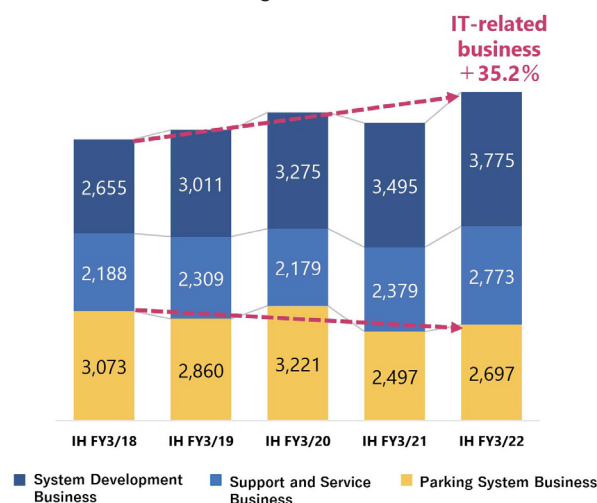


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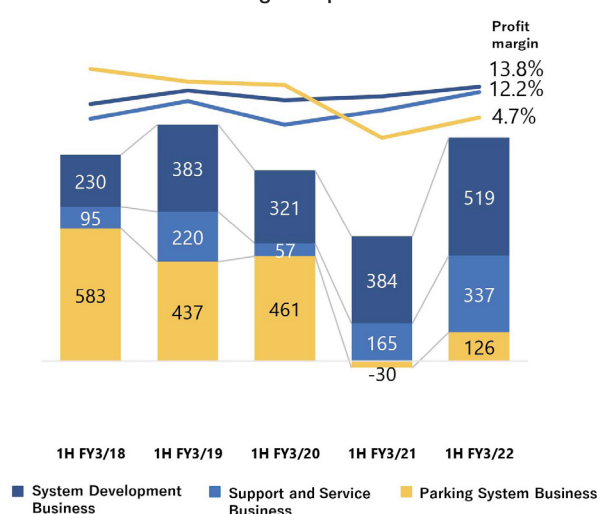
# Results trends

## Segment sales



Source: Reprinted from the Company's results briefing materials

## Segment profit



Source: Reprinted from the Company's results briefing materials

System Development Business posted ¥3,775mn in net sales (+8.0% YoY) and ¥519mn in operating income (+35.3%). In sales, this business steadily acquired new projects due to promoting account plans (proposal sales to existing customers targeting areas not yet covered in orders) to existing customers, particularly insurers. Installations of accounting shared services (such as OBC's "Kanjo Bugyo") were also upbeat against a backdrop of heightened demand for improved work efficiency. Examples of acquired projects include application maintenance work for a major food company (the customer favorably assessed an ERP installation at an overseas site, and this led to acquiring maintenance work at the Japanese headquarters through cross-selling efforts), a workflow system installation at a major correspondence course company, and an ERP cloud system installation at a major chemical manufacturer. Operating margin rose 2.8 percentage points with cost-related profitability enhancements aided by thorough project management and quality management and improved work efficiency.

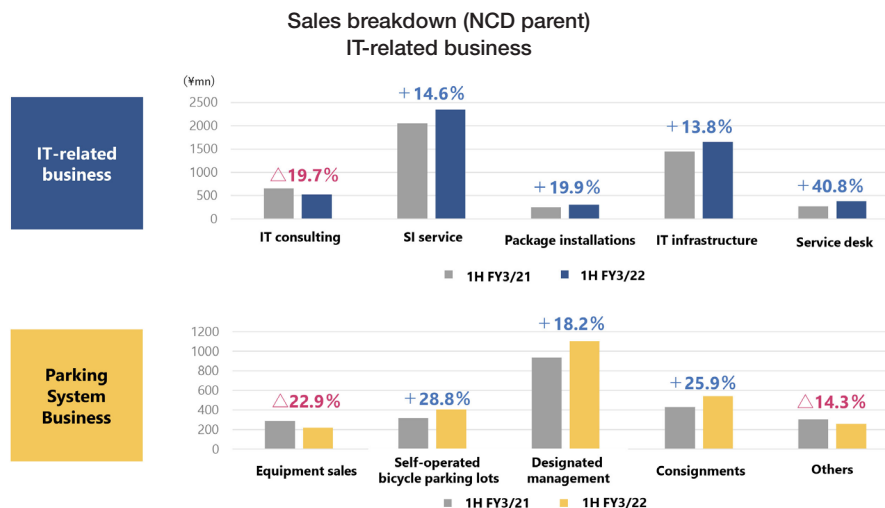
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## Results trends

Support and Service Business booked ¥2,773mn in net sales, an increase of 16.6% YoY, and ¥337mn in operating income, up 104.0% YoY. This business ramped up operation of a work outsourcing project for an information systems division received as a new consignment in the previous fiscal year (system operations for the Nippon Suisan Kaisha <1332> Group (Nissui Group)). It also successfully broadened service areas for existing customers. Some examples of acquired projects include a new field (infrastructure) accompanying an overhaul of the mission-critical system at an existing customer, major air-conditioning facilities company, and a long-term contract for infrastructure operation and services with a major life insurer. Operating margin increased by 5.3 percentage points.

Parking System Business recorded ¥2,697mn in net sales, an increase of 8.0% YoY, and ¥126mn in operating income, compared to a ¥30mn loss in the previous fiscal year. While results have not returned to pre-pandemic levels, office and student commuter traffic improved as pandemic impact eased versus the previous fiscal year and this lifted bicycle parking lot usage fee revenue. Operating margin increased by 5.9 percentage points due to contributions from fixed cost reduction measures, such as optimization of fee collection and maintenance frequency and bringing outsourced work in-house.

Following is a comparison of sales in 1H FY3/21 and 1H FY3/22 (nonconsolidated basis) with IT-related Business sales categories as “IT consulting,” “SI services,” “Package installations,” “IT infrastructure,” and “Service desk” and Parking System Business sales categories as “Equipment sales,” “Self-operated parking lots,” “Designated management,” “Consignments,” and “Others.” In IT-related Business, mainstay SI services and IT infrastructure achieved steady gains. In Parking System Business, equipment sales were sluggish due to continued postponement of some bicycle parking lot openings at train stations and retail facilities, but bicycle parking lot usage fee revenue recovered on improved office and student commuter traffic on train services.



Source: Reprinted from the Company's results briefing materials

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Results trends

## Equity ratio rose and the financial condition improved

### 3. Financial condition

Looking at the financial conditions, at the end of 1H FY3/22, total assets decreased ¥165mn versus the end of FY3/21 to ¥10,651mn. Cash and deposit value increased, while accounts receivables declined. Total liabilities dropped by ¥371mn to ¥6,279mn mainly on declines in loans. Net asset value rose by ¥206mn to ¥4,371mn. The equity ratio improved by 2.4 percentage points to 40.7%. Financial position strengthened on steady increase in net assets and a higher equity ratio. The Company does not face significant issues in financial soundness.

#### Financial statements

	(¥mn)					
Item	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21	1H FY3/22
Net sales	15,405	16,237	17,007	18,390	17,563	9,248
Cost of sales	13,277	13,552	13,926	15,246	15,055	7,715
Gross profit	2,127	2,684	3,081	3,143	2,507	1,532
Gross profit margin (%)	13.8	16.5	18.1	17.1	14.3	16.6
SG&A expenses	1,780	1,901	2,036	2,206	2,265	1,121
SG&A expenses rate (%)	11.6	11.7	12.0	12.0	12.9	12.1
Operating income	347	783	1,045	936	242	411
Operating income margin (%)	2.3	4.8	6.1	5.1	1.4	4.4
Non-operating income	26	46	66	51	175	24
Non-operating expenses	40	22	22	34	29	15
Ordinary income	333	807	1,089	953	388	419
Ordinary income margin (%)	2.2	5	6.4	5.2	2.2	4.5
Extraordinary income	-	-	-	92	14	1
Extraordinary loss	4	23	131	43	137	-
Income before income taxes	329	784	958	1,002	265	421
Total income taxes	79	258	340	349	112	145
Net income attributable to owners of the parent	249	526	615	648	145	269
Rate of net income attributable to owners of the parent (%)	1.6	3.2	3.6	3.5	0.8	2.9
Comprehensive income	417	631	483	571	264	259
Total assets	10,851	11,070	11,048	11,617	10,816	10,651
(Current assets)	6,541	6,343	6,455	6,644	6,768	6,705
(Non-current assets)	4,310	4,727	4,593	4,972	4,047	3,945
Total liabilities	8,300	7,981	7,595	7,704	6,651	6,279
(Current liabilities)	3,951	4,043	4,291	4,311	3,976	3,588
(Non-current liabilities)	4,349	3,937	3,304	3,392	2,674	2,691
Total net assets	2,550	3,089	3,453	3,913	4,165	4,371
(Shareholders' equity)	2,468	2,891	3,387	3,924	4,057	4,274
(Capital stock)	438	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	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	7.00
Equity ratio (%)	23.5	27.8	31.1	33.5	38.3	40.7
Return on equity (%)	9.8	18.7	18.9	17.7	3.6	-
Cash flows from operating activities	782	791	416	376	218	1,027
Cash flows from investing activities	-72	-554	-219	-164	142	-28
Cash flows from financing activities	-227	-271	-312	-370	-61	-547
Cash and cash equivalents at end of period	2,734	2,700	2,579	2,420	2,721	3,174

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

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## ■ Outlook for the future

### Expecting sales increase and sharp rise in profits in FY3/22, that may grow even further

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

The Company forecast for FY3/22 full-year consolidated results remains unchanged from the initial forecast of increases in net sales of 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.

#### 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	55.75	-
Dividend per share (¥)	14.00	14.00	-

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

The Company forecasts higher sales and a sharp rise in profits. It expects steady sales recognition of an orders backlog in IT-related business (System Development Business and Support and Service Business) again in 2H amid only a mild impact from the COVID-19 pandemic and accelerated promotion of DX initiatives at customer companies. In Parking System Business, despite uncertainties, the Company anticipates continued moderate recovery on easing of COVID-19 pandemic impact.

Progress rates toward full-year guidance in 1H results were sales at 48.2%, operating income at 63.3%, ordinary income at 62.6%, and net income attributable to owners of the parent at 60.0%. Earnings progress was at a high level. FISCO expects there is a high likelihood the Company will exceed FY3/22 guidance considering the tendency to book a higher percentage of profits in 2H.

### Targeting a further rise in the profit margin

#### 2. Segment trends and measures in 2H

IT-related Business (total values for System Development Business and Support and Service Business) is pursuing expansion of the customer base of large companies and insurers as its domain, further advances in the services model that leverages synergies with Group subsidiaries and regional sites, and acquisition of new technologies and resources by strengthening partner strategy in response to accelerated promotion of DX initiatives at customer companies. The Company also aims to raise the profit margin by expanding the scale of sales and further advancing efficiency. In Support and Service Business, the Company expects to move into full swing in system management for the Nissui Group received as a new consignment in the previous fiscal year to drive profit growth.

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#### Outlook for the future

In Parking System Business, bicycle parking lot usage fee revenue has been recovering since October following the lifting of the declaration of the state of emergency. On the cost front, the Company aims to promote conversion to a lean income structure, such as reducing fixed costs through business process re-engineering (BPR) with the COVID-19 pandemic as a catalyst. Specifically, it is redesigning business processes and employee formations, promoting an in-house shift for installations and other related business by strengthening the role of Group subsidiaries, and promoting streamlining of the usage fee structure (fee revision by locations) and expansion of cashless payments. The Company's in-house shift for installations and other related business is moving in the direction of consolidation at NCD PROS by 2H or FY3/23.

In sales activities, the Company is promoting an increase in the percentage of self-operated bicycle parking lots with substantial flexibility in setting rates, acquisition of projects with high added value, and moving ahead with developers and architecture offices on development of new sales channels (large buildings and apartment buildings). Furthermore, competitors are withdrawing from bicycle parking lots at retail facilities, and the Company is approaching this trend as an opportunity to expand market share. In 2H, a large-scale project related to local government (covers from installation to management and operation) is likely to hold a bidding process. If the Company secures the project, it may have a significant impact on results in FY3/22 or FY3/23.

## 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%.

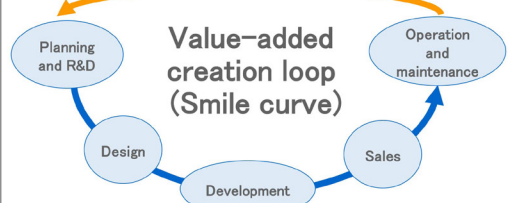
As priority measures, aimed at further enhancement of added value through closer collaboration between stock (management business) and flow (development business), the Company intends to promote provision of new value through solidification and advancement of the NCD service model, creation and expansion of a business domain that harnesses NCD's characteristics (enhanced collaboration between IT-related Business and Parking System Business), reinforcement of companywide planning and management functions that transcend business divisions and Group governance, and optimization of the Group formation with revisions to function sharing.

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Growth strategy

### Medium-term management plan Vision 2023

<b>Slogan</b>	Change & Challenge for Smile																
<b>Value</b>	Further improving added value by strengthening coordination between stock and flow																
<p>Stock (operation) Utilizing its expertise in systems maintenance and operation and bicycle parking lot operation</p>  <p>Flow (development) Systems development, installations and sales of bicycle parking lots</p>	<table> <tr> <th>FY3/23</th><th>Targets</th></tr> <tr> <td>Net sales</td><td>¥20bn</td></tr> <tr> <td>System Development Business</td><td>¥8bn</td></tr> <tr> <td>Support and Service Business</td><td>¥5bn</td></tr> <tr> <td>Parking System Business</td><td>¥7bn</td></tr> <tr> <td>Operating income</td><td>¥1.2bn</td></tr> <tr> <td>Operating income margin</td><td>6.0%</td></tr> <tr> <td>ROE</td><td>At least 15%</td></tr> </table>	FY3/23	Targets	Net sales	¥20bn	System Development Business	¥8bn	Support and Service Business	¥5bn	Parking System Business	¥7bn	Operating income	¥1.2bn	Operating income margin	6.0%	ROE	At least 15%
FY3/23	Targets																
Net sales	¥20bn																
System Development Business	¥8bn																
Support and Service Business	¥5bn																
Parking System Business	¥7bn																
Operating income	¥1.2bn																
Operating income margin	6.0%																
ROE	At least 15%																

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

## Steady progress with the medium-term management plan

### 2. Progress on the medium-term management plan

As priority measures, the Company is strengthening cross-selling among segments in solidification and advancement of the NCD service model and setting up a Nissui business department at subsidiary NCD Technology and shifting bicycle parking lot peripheral work from the Parking System Business to in-house operations (concentration at subsidiary NCD PROS) in optimization of Group formation. It is ramping up sustainability initiatives as explained below in reinforcement of Group governance.

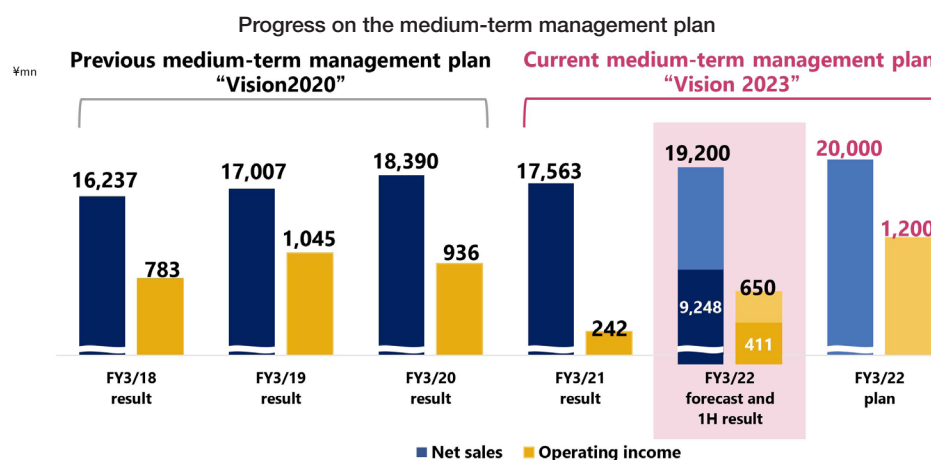
In FY3/21, the first fiscal year of the medium-term management plan, total sales and operating income declined due to the significant impact of the COVID-19 pandemic on the Parking System Business, which had been a stable income source. However, the Company expects to recover to a trend for increases in sales and profits in FY3/22. Having passed the halfway point as of 1H FY3/22, the Company appears to be making steady progress in the plan on an overall basis.

Considering stronger advances in IT-related Business than anticipated due to acquisition of new projects and improved productivity, FISCO believes the FY3/22 results should come fairly close to goals for FY3/23, the final fiscal year of the plan. The Company's business opportunities are likely to expand further with drivers from the DX trend and switch to outsourcing of system maintenance and management by large corporate groups.

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Growth strategy



Source: Reprinted from the Company's results briefing materials

## Shareholder return policy

### Returns profits to shareholders appropriately, based on a stable dividend

#### 1. Returns profits to shareholders appropriately, based on stable dividends

The Company's basic policy for returning profits to shareholders is to work to retain earnings to strengthen its corporate structure and actively develop its businesses, but at the same time, to maintain stable dividends 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.

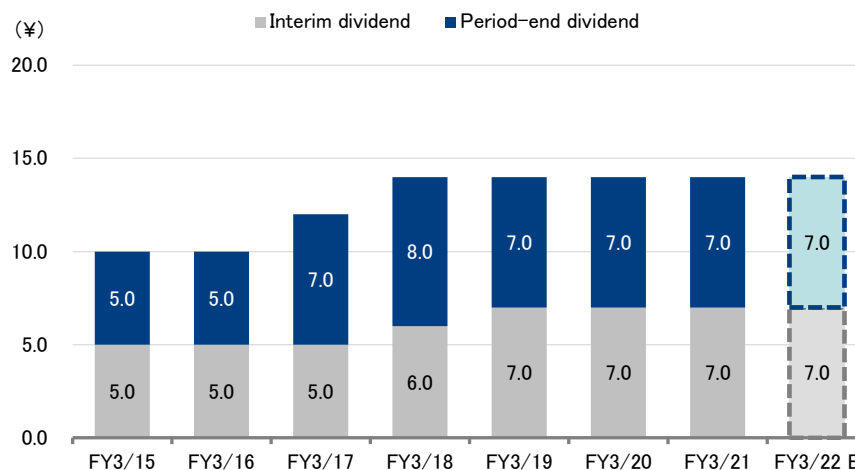
In accordance with the basic policy, the Company forecasts a ¥14 dividend (an interim dividend of ¥7 at period-end dividend of ¥7) in FY3/22, the same as in FY3/21. The forecast dividend payment ratio is 25.1%. The Company appears to be reviewing an increase of the dividend payout ratio goal in the next medium-term management plan.

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# Shareholder return policy

## Dividend trend



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

## 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



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## ESG and SDGs initiatives

### Established a Sustainability Promotion Committee

#### 1. Established a Sustainability Promotion Committee

The Company is strengthening ESG and SDGs initiatives and advocates materiality themes of “contribute to realizing carbon neutrality,” “create a safe, secure and prosperous society,” “be a society where diverse human resources can play an active role,” and “gain society’s trust.” The Parking System Business contributes to resolution of abandoned bicycles, easing of traffic congestion, effective utilization of land, region and community building, and improvement of the global environment through reduced CO<sub>2</sub> emissions. It is also implementing bicycle utilization promotion plans in various regions based on the Bicycle Use Promotion Act (enacted in May 2017 for the purpose of comprehensive and systematic promotion of bicycle usage).

Additionally, the Company’s Board of Directors resolved at a meeting held on October 1, 2021, to establish a Sustainability Promotion Committee to implement activities that promote sustainability across the Group, based on the Company’s sustainability basic policy. The Committee is chaired by President and Representative Director Osamu Shimojo, and its members are full-time directors, division managers, and other people appointed by the chair. It is to meet at least twice a year.

Materiality (left) and Sustainability Promotion Committee operations diagram (right)



Source: Reprinted from the Company's results briefing materials

Nippon Computer Dynamics Co., Ltd.  
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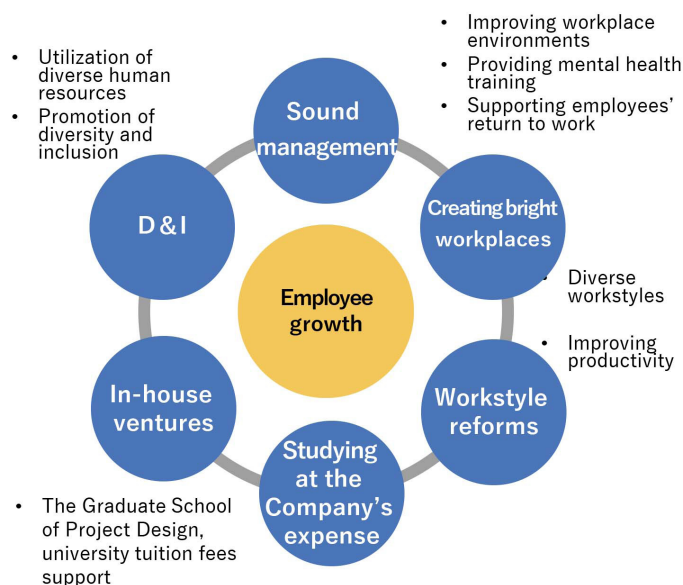
ESG and SDGs initiatives

## Promotion of health and productivity management

### 2. Promotion of health and productivity management and human resources strategy

As a human resources strategy, the Company promotes health and productivity management, creation of a bright workplaces, workstyle reforms, career assistance, in-house ventures, and D&I (Diversity&Inclusion). It rolled out a new personnel program uniformly throughout the Group in April 2021. The Company acquired gold authorization as a company with an outstanding approach to health and productivity management in the healthy company declaration under the outstanding health management company certification program operated by the healthy company declaration Tokyo promotion council in September 2021.

**Cultivate a workplace environment that enables employees to harness their individuality and possibilities**



Source: Reprinted from the Company's results briefing materials

## Acceleration of growth by reinforcing corporate governance

### 3. Acceleration of growth by reinforcing corporate governance

The Company is moving forward on its response to the revised Corporate Governance Code from June 2021 aimed at strengthening corporate governance.

#### Response to the revised Corporate Governance Code in June 2021

Selection of a new market category	Application to the Standard Market
Percentage of independent external directors	Sustaining roughly 1/2
Percentage of women in management positions	Goals are 20% in FY3/27 and 25% in FY3/31
Number of women full-time directors/executive officers	Goals are one in FY3/27 and two in FY3/31

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

## ESG and SDGs initiatives

The Tokyo Stock Exchange plans to switch to new market categories on April 4, 2022. The result of a primary assessment of suitability for listing maintenance criteria in the new categories confirmed suitability for the Standard Market. The Company's Board of Directors resolved to apply for a listing on the Standard Market at a meeting held on September 1, 2021.

Goals for the number of women full-time directors/executive officers are one in FY3/27 and two in FY3/31. While women directors often hold outside director positions, the Company wants to recruit the full-time directors/executive officers from women within the organization.

President and Representative Director Osamu Shimojo commented that "While the COVID-19 pandemic significantly altered the business environment for the Parking System Business, profitability has steadily risen in IT-related Business. We are not substantially changing our fundamental policies for growth, but intend to further accelerate reinforcement of Group governance to quicken the pace of reform and pursue new areas. We also have interest in the Prime Market over the medium- to long-term." The Company is likely to accelerate growth by aggressively developing business, enhancing corporate governance, and making Group reforms.

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