

# OPTiM Corporation

**3694**

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## Summary

### **Delivered sales increase in a 21st straight year since its founding and all-time high profits in FY3/21 with upbeat mainstay Optimal Biz license, pursuing exponential growth with aggressive investment in two DX areas**

OPTiM Corporation <3694> (“the Company”) is a venture company specializing in AI and IoT technologies which was established by current President and Representative Director Shunji Sugaya and his friends in 2000 when he was a student at Saga University. With “We make the Internet as simple as breathing” as its mission statement, it is aiming to be a leading company in the Fourth Industrial Revolution by making its OPTiM Cloud IoT OS the de facto standard. It has 585 employees (as of April 2021), around 70% of whom are engineers. From the start, it developed technologies with a focus on creating never-before-seen services, and owns a number of patents related to these technologies. The Company has many major companies among its partners, and its technological capabilities and potential have been highly evaluated both internally and externally. In 2014, it was listed on the Tokyo Stock Exchange (TSE) Mothers market, and upgraded to the TSE 1st Section in 2015.

#### 1. Business details

The Company’s operations can be divided into existing business, which is mainly Optimal Biz, and new business, which constitutes businesses and products that use the OPTiM Cloud IoT OS. Optimal Biz, which is the Company’s main service, is an essential service in the fields of security countermeasures and batch settings for companies, such as for smartphones, tablets, PCs, and IT equipment. The Company is maintaining a No.1 share in the growing domestic Mobile Device Management (MDM) market. This business has a recurring-sales business model, and its stable earnings support the Company’s investment in development. The Company enhanced Optimal Biz used in device management and completed OPTiM Cloud IoT OS, a new AI and IoT platform, in 2016. It also ramped up “○○ x IT (enter the industry name into ○○)” initiatives that target industry revolutions utilizing IT. The industry where the results of this have been realized the most is the construction industry. In 2017, four companies, including Komatsu Ltd. <6301>, started LANDLOG, a new platform for the construction production process, and its partner companies and customers continue to increase. In the agriculture, forestry and fisheries industries, in 2016 the Company succeeded with a demonstration experiment for pest control using drones in the agriculture field. In 2018, the Smart Agriculture Alliance, which is led by the Company, grew to a nationwide scale and carried out full-scale harvesting of crops, including rice and soybeans. The line-up of OPTiM AI Camera pre-trained package service is a monthly billing product that enables users to easily utilize AI and IoT, and its use is spreading due to the Company’s success in reducing the hurdles for customers to introduce it. Since its founding, the Company has constantly provided innovative services and developed new markets with support from abundant technological capabilities founded on an intellectual property strategy and business creation capabilities. It has services of No. 1 shares in the Japanese market and possesses a business model with strong license income. Additionally, it has been promoting powerful business development with top players in various industries in recent years as a market leader in AI, IoT, and Big Data.

## Summary

## 2. Results trends

The Company delivered sales increase in a 21st straight year since founding and all-time high profits in FY3/21 at ¥7,517mn in net sales (+11.7% year-on-year (YoY)) and ¥2,000mn in ordinary profit (+671.0%). Furthermore, it positioned FY3/21 as a “the period in which to begin recouping the investment in R&D,” and profits climbed sharply as promised. License sales, which constituted 74.3% of overall sales, fueled sales growth thanks to healthy income from Optimal Biz, Optimal Remote, and other products with increase in managed terminal volume on telework demand and successful acquisition of related support demand amid the COVID-19 pandemic. Main sources of the steep rise in profits were robust momentum in highly profitable license sales and start of booking software assets primarily for OPTiM Cloud IoT OS.

## 3. Growth strategies and topics

The Company focused on R&D activities in the past few years and achieved results in a variety of industries through promotion of “OO x IT” with OPTiM Cloud IoT OS and ramp-up of new services, such as OPTiM AI Camera. While continuing on a path of promoting “OO x IT,” it intends to develop new markets by categorizing digitalization into Industrial DX and Corporate DX categories because of strong advances by two different types of DX driven by the COVID-19 pandemic. As key investments to develop the potential market and related applications, the Company outlined investments in 1) investment for expansion of connected devices and industries through further promotion of “OO x IT,” 2) development of industry killer services, 3) development of new Corporate DX services for a customer base of 180,000 companies, 4) OPTiM Cloud IoT OS, the AI and IoT platform, for realizing these efforts, and 5) talented human resources for realizing these efforts. Despite entering the profit recouping phase in FY3/21, it is not adopting a defensive posture in any way. The Company aims to sustain growth investments even more actively while generating a certain amount of profit. The growth image it envisions is continuation of exponential growth with a second round of even more vibrant investments.

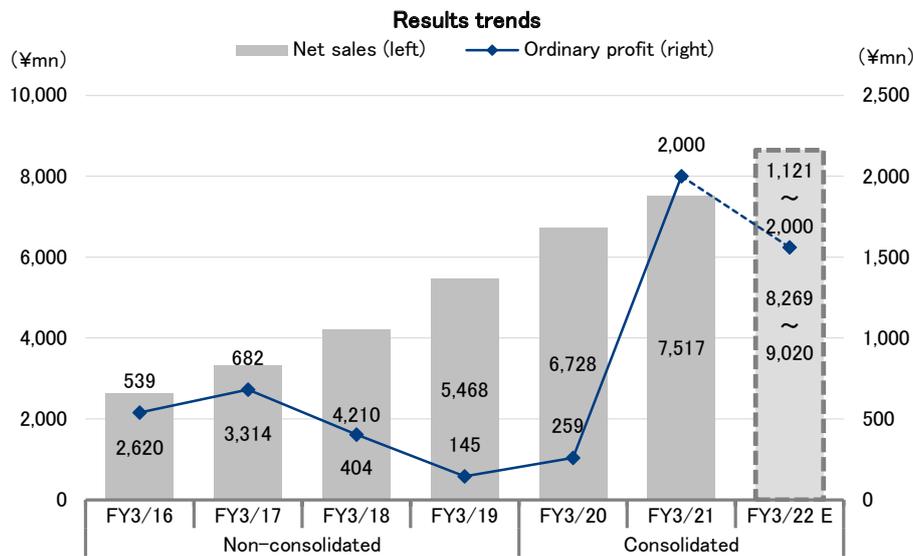
## 4. Outlook

In FY3/22 consolidated results guidance, the Company presented sales and profit ranges because of uncertainty about progress in customized projects for new business rollouts due to COVID-19 impact. It forecasts ¥8,269mn (+10.0% YoY) to ¥9,020mn (+20.0%) in net sales and ¥1,121mn (-38.0%) to ¥2,000mn (+10.6%) in operating profit. The Company started recouping past investments in FY3/21. However, it plans to continue aggressive R&D investments targeting development of the potential market worth ¥160tn with the goal of being a central company in the Fourth Industrial Revolution. In net sales, it aims to book all-time high sales in a 22nd consecutive year since its founding. With existing services plus sales from Industrial DX and Corporate DX as new services, it believes roughly 20% sales growth (YoY) is feasible. The range format in disclosure (10.0% to 20.0% gains), meanwhile, factors in possible impact on sales if the COVID-19 situation stalls progress in customized projects for new business deployments. In earnings, it assumes aggressive investments in growth and intends to pursue opportunities in Corporate DX with rapidly growing needs driven by the COVID-19 pandemic and Industrial DX with emergence of “OO x IT” killer services. In particular, it plans to quickly implement investments in Corporate DX because of high urgency.

Summary

Key Points

- Holds No.1 shares in the MDM market and AI solutions market (five divisions); has an extensive track record in construction, agriculture, healthcare, and other industries using OPTiM Cloud IoT OS, an AI and IoT platform
- Delivered sales increase in a 21st straight year since its founding and all-time high profits in FY3/21 with upbeat mainstay Optimal Biz license aided by telework demand in the COVID-19 pandemic
- Pursuing exponential growth with aggressive investment in two DX areas – Industrial DX and Corporate DX
- Targets a 22nd straight year of sales increase since its founding and 13-22% operating profit margin in FY3/22 on the assumption of continued aggressive growth investments



Note: As the FY3/22 results forecasts were disclosed as ranges, the median values are shown.  
 Source: Prepared by FISCO from the Company's financial results

## Company overview

### A venture company attracting attention as a pioneer in AI and IoT platforms and aiming to have a central presence in the Fourth Industrial Revolution

#### 1. Company overview and history

The Company is a venture company specializing in AI and IoT technologies which was established by current President and Representative Director Shunji Sugaya and his friends in 2000 when he was a student at Saga University. With “We make the Internet as simple as breathing” as its mission statement, it is aiming to be a leading company in the Fourth Industrial Revolution by making its OPTiM Cloud IoT OS the de facto standard. It has 585 employees (as of April 2021), around 70% of whom are engineers.

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#### Company overview

Although the Company's main business was initially Internet video advertising services, it concluded a technology-license agreement with Nippon Telegraph and Telephone East Corporation ("NTT East") <9432> in 2006, and used this opportunity of providing automated Internet connection tools that utilize AI to convert to an optimal business (its coined term for a business that aims to make the Internet as simple as breathing and optimize the world of tomorrow). In 2009, it started to provide the Optimal Biz management platform for PCs.

From around 2011, to respond to the trend to shift from PCs to mobile throughout the world, the Company developed a management platform compatible with multiple devices, including smartphones and other devices. It is currently promoting OPTiM Cloud IoT OS, which expands and evolves this platform, to make it the de facto standard. From 2013, it entered into the area of unlimited-usage services for software and content, and broadened the scope of its business model.

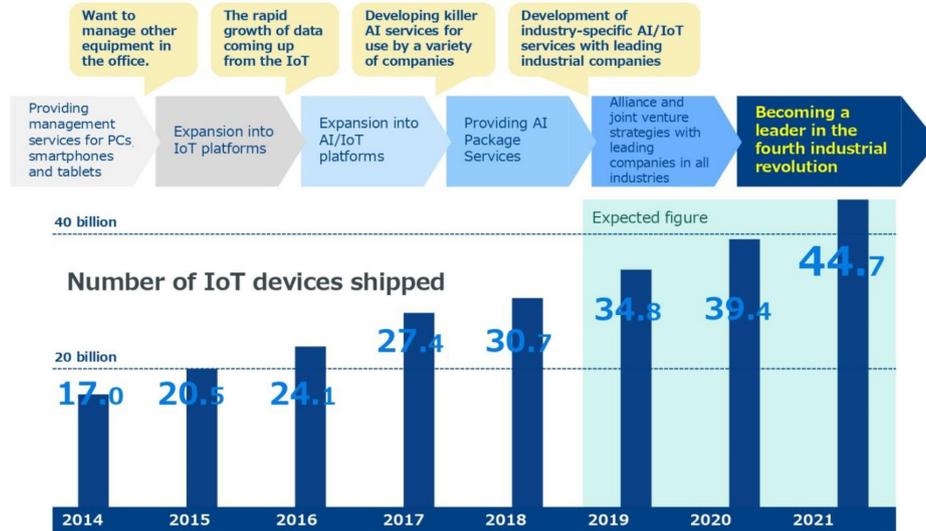
In 2015, the Company made fully fledged its "OO x IT (enter the industry name into OO)" initiative to use IT to bring about reforms in industry. It started projects with its partner companies and organizations in fields including construction and agriculture. The industry where the results have been realized the most is the construction industry. In 2017, four companies, including Komatsu, started LANDLOG, a new platform for the construction production process, and its partner companies and customers are continuing to increase. The Company started provision of OPTiM Land Scan (now, OPTiM Geo Scan), a world-first straightforward high-precision 3D surveying app that can be used by anyone with iPad Pro, in 2020. In the agriculture, forestry and fisheries industries, in 2016 the Company succeeded with a demonstration experiment for pest control using drones in the agriculture field. In 2018, the Smart Agriculture Alliance, which is led by the Company, grew to a nationwide scale and carried out full-scale harvesting of crops, including rice and soybeans. In addition, it has started the "OO x IT" initiative in various other industries, including healthcare, electric power utility, police, retail, finance and transportation. Further, the OPTiM AI Camera (including Mobile and Enterprise) pre-trained package service is a monthly billing product that enables users to easily utilize AI and IoT, and its use is spreading due to the Company's success in reducing the hurdles for customers to introduce it.

In 2014, the Company was listed on the TSE Mothers market, and then in 2015, its listing was rapidly upgraded to the TSE 1st Section. It has many major companies as partners and its technological capabilities and potential have been highly evaluated both internally and externally.

The Company is accelerating efforts to expand business through collaboration with major companies, including the establishment of OPTiM Bank Technologies Corp., a joint venture with THE BANK OF SAGA LTD. aimed at planning and selling solutions that utilize AI and IoT, in 2020 and participation in the establishment of NTT e-Drone Technology Corporation with NTT East and others to promote use of domestic drone services, and establishment of DXGoGo, a joint venture with KDDI <9433> to assist corporate DX with product planning that uses AI and IoT, in 2021.

Company overview

The Company's history, from PC and mobile management to AI/IoT platform builder



Source: Ministry of Internal Affairs and Communications 2019 White Paper on Information and Communications, Information and Communications White Paper, Part 1, Section 2, Trends in ICT Supporting the Digital Economy, and (2) Rapid Spread of IoT Devices, Figure 1-2-1-3: Trends and Forecasts for the Number of IoT Devices in the World. - [https://www.soumu.go.jp/shohotsusisokoku/whitepaper/ja/rd1/html/rd1\\_12120.html](https://www.soumu.go.jp/shohotsusisokoku/whitepaper/ja/rd1/html/rd1_12120.html)

Source: The Company's results briefing materials

History

Year	Major event
2000	Founded OPTiM Corporation
2001	Established Tokyo Office
2006	Started providing an e-mail/router auto-setup tool, "Optimal Setup"
2007	Started providing a screensharing product for PC, "Optimal Remote"
2008	Increased capital through third-party allocation (NTT East)
2009	Made business alliance with NIPPON TELEGRAPH AND TELEPHONE CORPORATION to promote Home ICT Started providing a PC management platform, "Optimal Biz"
2010	Started providing the world's first remote support product for Android devices, "Optimal Remote Mobile"
2011	Started providing a mobile device management platform, "Optimal Biz for Mobile" Acquired a patent for device identification technology, "Tiger"
2012	Recognized and took 9th place in the "Ranking of Patent Asset Scale in Information Communication Industry, 2011-2012"
2013	Started providing "Unlimited Software powered by OPTiM"
2014	Listed on Tokyo Stock Exchange's Mothers market Achieved three straight years of No.1 MDM service share in Japan by "Optimal Biz" Started sales of "Unlimited Tablet powered by OPTiM", the world's first comprehensive tablet service Acquired the 1st place of Emerging Market Company Ranking of Patent Asset Scale in the Information Communication Industry issued by Patent Result Co., Ltd. Announced "Optimal Remote for Lollipop," realizing global first remote support of every Android™ smartphone and tablet in the world
2015	Announced "Remote Experience Sharing," OPTiM's remote technology strategy for the IoT/wearables era Formed a business alliance with Komatsu for Remote Technology, with its first collaboration involving "Optimal Second Sight," a Visual Remote Support service, in which it provides its Smart Construction ICT solutions to construction sites Announced "SkySight," the world's first Big Data analysis platform that supports drones Concluded a three-party agreement for IT Agriculture with Saga University and Saga Prefectural Government Strengthened Capital Alliance with Fuji Xerox Jointly developed "Pocket Doctor," a remote medical and health assistance service Moved to the First Section of the Tokyo Stock Exchange
2016	Pocket Doctor won the Grand Prize in the Japan Healthcare Business Contest 2016 held by the Ministry of Economy, Trade and Industry Announced a new version of OPTiM Cloud IoT OS, an OS optimized for the AI and IoT age Saga University's Faculty of Agriculture, Saga Prefecture's Agriculture, Forestry and Fisheries Department, and OPTiM Corporation were the first in the world to successfully conduct a demonstration experiment to utilize a drone equipped with pest-killing functions in order to conduct pesticide-free pest control at night OPTiM Corporation and Microsoft entered-into a technology alliance in the AI and IoT fields

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Company overview

Year	Major event
2017	Concluded a comprehensive partnership agreement with Saga Prefecture to promote the utilization of AI and IoT toward realizing the Fourth Industrial Revolution Four companies, including Komatsu, decided on the joint planning and management of LANDLOG, a new platform that connects to the construction production process as a whole Relocated head office to within a national university (Saga University), the first listed company to do so in Japan Made a subsidiary of Telepathy Global Co., Ltd., which has development capabilities for IoT hardware Started the Smart Agriculture Alliance to utilize AI, IoT, and Big Data to realize "Fun, Cool and Profitable Agriculture"
2018	Won the Intellectual Property Achievement Award, which recognizes companies that have contributed to the development of the intellectual property rights system The Company and MonotaRo opened the MonotaRo AI Store Opened SMART AGRI, an IT and agriculture future media Announced AGRI EARTH, an AI, IoT, and robot platform for the agriculture, forestry and fisheries, distribution processing, and food industries Announced two new products: OPTiM AI Camera, which has a pre-trained model application menu for more than 300 models, and OPTiM AI Prediction, a prediction service based on quantitative data analyses Announced it holds the basic patent relating to a technology for pinpoint pesticide spraying and fertilization Started DRONE CONNECT $\beta$ -version, a drone pilot sharing service
2019	Concluded a basic agreement for a business alliance with Sysmex in the field of "cutting edge healthcare x AI and IoT" The number of organizations participating in the Smart Agriculture Alliance exceeded 1,000 Obtained approval for second-class healthcare equipment manufacturing and sales business Established OPTiM AGRI MICHINOKU Co., Ltd., Japan's first smart agriculture regional trading company, with Michinoku Bank Opened OPTiM KOBE as a new base in Kobe City Kawasaki Heavy Industries and OPTiM Corporation entered-into a business alliance to utilize AI and IoT in the fields of precision machinery and robots Entered-into a business alliance with VNPT, Vietnam's state-run major communications group, in the fields of AI services and smart agriculture
2020	Provision of OPTiM services at no charge as assistance in dealing with the COVID-19 outbreak Announced Optimal Biz Telework that harnesses AI to enhance work management, motivation, physical well-being, and productivity in telework Sysmex Corporation and OPTiM Corporation jointly established D'PULA Medical Solutions Corporation to plan, develop, and operate a medical AI and IoT open platform and digital transformation solutions For the first time in the world, started providing, free of charge, OPTiM Land Scan (now, OPTiM Geo Scan) $\beta$ -version, which is an app that anyone can easily use with an iPad Pro to make highly accurate 3D measurements For the first time in Japan in the agriculture field, conducted a demonstration experiment for a non-assisted non-visual flight using a fixed-wing drone to realize Level 3 of the Aerial Industrial Revolution Established the DX Fund with the Bank of Saga Established OPTiM Bank Technologies Corp. as a joint venture with the Bank of Saga
2021	Participates in the establishment of NTT e-Drone Technology Corporation to promote use of domestic drone services Establishes DXGoGo, a joint venture with KDDI to assist corporate DX with product planning that uses AI and IoT

Source: Prepared by FISCO Inc. from the Company's web page and releases

## 2. Content of business

The Company's main services consist of IoT Platform Services, which provide 81.6% of total net sales (FY3/21). Their main focus is Optimal Biz, whose functions include operations management within an organization, and settings for asset management and security policy by managing various devices such as smartphones and tablets on the cloud. Its commercial distribution includes sales by partner companies and OEM supply, and the Company receives license fees according to the number of devices. Industry-specific initiatives utilizing OPTiM Cloud IoT OS, an AI and IoT platform, and OPTiM AI Camera come under this service.

Remote Management Services provide 10.5% of total net sales (FY3/21). Among them, Optimal Second Sight, which is a remote work support service, not only supports work in the field, it has also been adopted as support equipment for disaster countermeasures to facilitate smooth relief activities and to ascertain conditions in the field during a disaster. Its core technologies are remote screen sharing and remote operations. The Company receives license fees according to the number of devices at customer companies that have installed it.

Company overview

Support Services contribute 1.7% of total net sales (FY3/21). Sales are trending downward alongside the slowdown in the growth of the PC market. The Company provides Optimal Diagnosis & Repair, which automatically detects and repairs problems on devices like smartphones and tablets on networks, and Optimal Setup, which makes it possible to automatically set up routers, and it receives customization fees for functions added at the time of installations and license fees.

Other Services are at 6.1% of total net sales (FY3/21). This segment delivers unlimited-usage services for software and content, including Unlimited Software for individuals and Unlimited Tablet for reading popular magazines, and mainly utilizes a fixed monthly fee model.

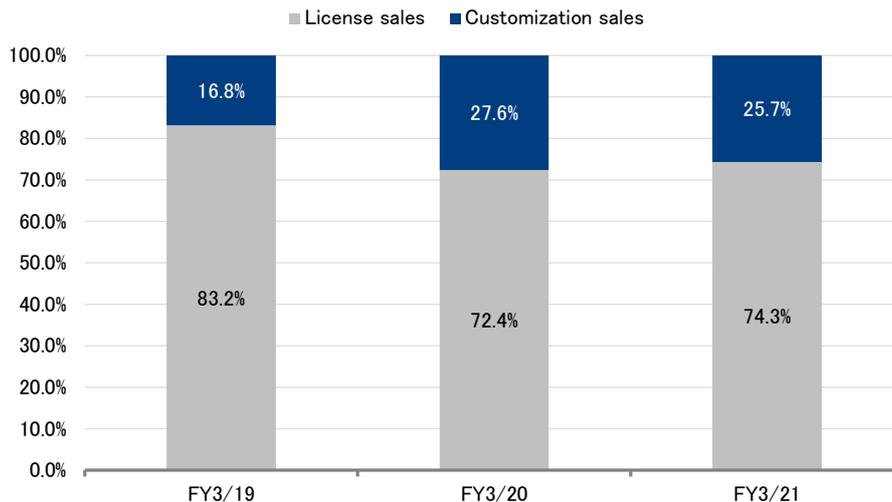
Business content and sales breakdown by services

	Business description	Sales breakdown (FY3/21)
IoT Platform Services	Main service is Optimal Biz used to manage smartphones, tablets, and other devices on the cloud, manage operations within organizations and assets, and conduct security policy settings. In OPTiM Cloud IoT OS (AI and IoT platform) business, OPTiM AI Camera, a service used to resolve unique issues in various industries with AI image analysis technology, deployments are increasing.	81.6%
Remote Management Services	Optimal Second Sight, a remote task assistance service in remote management service, is gaining acceptance for not only frontline task assistance, but also as equipment that aids smooth relief efforts and confirmation of frontline conditions during a disaster.	10.5%
Support Services	Provides Optimal Diagnosis & Repair, which automatically detects and repairs problems on devices such as smartphones and tablets on networks, and Optimal Setup, which makes it possible to automatically setup routers.	1.7%
Other Services	This business delivers the unlimited-usage services for software and content, including Unlimited Software and Unlimited Tablet.	6.1%

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

Net Sales composition consists of recurring license sales and one-time fee customization sales with a breakdown in license sales and customization sales of 7:3 to 8:2.

Breakdown of license sales and customization sales



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

## Business overview

### Has an extensive track record in construction, agriculture, healthcare, and other industries, using OPTiM Cloud IoT OS, an AI and IoT platform

#### 1. Market trends

The Company's growth is supported by the development of the Fourth Industrial Revolution\*. In recent years, the use of IoT (Internet of Things), which includes network cameras, sensors, and wearable devices in addition to PCs and mobile devices, has been rapidly spreading. Forecasts indicate that IoT device installations could reach 41.6bn units in 2025, according to the Company. Alongside this, the volume of data created will increase explosively, and it is estimated that by 2025, the volume of data created by IoT devices in the world will have reached 79.4tn GB (approximately 4 times the volume in 2020). The accelerating increase in Big Data is being supported by the use of AI to guide users to the useful information within. It can be said that one of the Company's strengths is its provision of solutions that hold the key to advancing the Fourth Industrial Revolution. These include Optimal Biz that manages IoT devices and the OPTiM Cloud IoT OS platform to use IoT and AI.

\* The major changes to the industrial structure and the creation of new economic value through the development of information communication technologies, including IoT, AI, and Big Data.

#### 2. Company's business areas

##### (1) Optimal Biz

Optimal Biz is a corporate MDM tool capable of easily managing mobile devices, such as smartphones, tablets, PCs, and IT equipment, and implementing security measures, from a browser. The Company provides it through numerous sales partners, including KDDI, NTT East, FUJIFILM Holdings <4901>, Panasonic <6752>, RICOH JAPAN <7752>, and OTSUKA <4768>, and on an OEM basis as a service of sales partners and receives license fees based on the number of devices (¥300/month as the standard price per single-device end user). The domestic MDM market is growing at a steady rate of over 10% annually, and the Company has solidified a position as the de facto standard with a top 42.3% share in the market\*<sup>1</sup> and deployments at more than 180,000 companies\*<sup>2</sup>. An example is East Japan Railway <9020> (JR East). This company utilizes 37,000 tablet devices in frontline operations, including station personnel, train personnel, railway maintenance, electric facilities, civil work, and construction, and Optimal Biz supports management of the massive number of devices. JR East favorably assesses fulfillment of rigorous security conditions, cost advantages, and rapid and detailed support. In FY3/21, the Company started provision of Optimal Biz Telework, a service that realizes communication support, business support, and productivity enhancement support in a telework environment to obtain telework demand driven by COVID-19 pandemic measures and address further expansion of license sales.

\*<sup>1</sup> MIC Research Institute's "Collaboration and Mobile Management Software Market Outlook – FY2019 Version" SaaS/ASP-type MDM shipped ID volume; multiple other research reports

\*<sup>2</sup> According to the Company's compilation as of June 25, 2019

## Business overview

**(2) Optimal Remote and Optimal Second Sight**

Optimal Remote is a solution utilized in customer support and other scenes. It significantly reduces support time previously spent on oral explanations through use of screen sharing with customer devices and remote control and resolves issues in about 60% of the time spent for support. It also speeds up and shortens the overall support process by achieving much faster speeds than products from other companies in screen transfer and remote-control responses. License volume steadily increased during FY3/21 on increased demand for remote support in the COVID-19 environment. An example is application in smartphone support that faced difficulty in store activities.

Meanwhile, Optimal Second Sight is a remote work assistance service that shares video from frontline locations using cameras on smart glasses, smartphones, and tablets, and supports frontline activities using various assistance functions. License volume increased for this service too thanks to obtaining pandemic-related demand. The service truly meets new normal needs by confirming conditions and facilitating support from a distant location for tasks that had previously relied on on-site confirmation amid restrictions on movement among locations.

**(3) OPTiM AI Camera**

The Company released OPTiM AI Camera, a strategic product, and derivative services in 2018 and aims to become the de facto standard in video analysis using AI. OPTiM AI Camera is a service that conducts image analysis on the cloud utilizing existing surveillance cameras. It can be easily deployed because the service does not require deployment of specialized hardware for image analysis. OPTiM AI Camera Enterprise is a service that assists in marketing, security, work efficiency, and other areas by collecting data from various types of cameras installed for specific industries and uses in stores, facilities, and other locations and conducting image analysis using learned models. It is capable of delivering rapid and advanced AI image analysis through installation of OPTiM Edge and other specialty hardware and analyzing images acquired with network cameras. Furthermore, it can address a wide range of needs with an unlimited-use pack that covers core functions, optional features that are specialized by industry, and professional plans that assist in development of image analysis solutions tailored to individual customers. OPTiM AI Camera Mobile, the third service, supports analysis of video at desired locations just by installing a specialized app in a smartphone or tablet and setting up the device. This is a revolutionary service because it handles analysis of video taken by the device camera without requiring any external equipment, such as surveillance cameras or analysis devices. It conducts analysis of customer attributes (age, gender), number of people, and other details mainly for retailers and restaurants and offers attractive pricing too at ¥1,950 a month per function. The Company also started sales of “With Corona Solutions” that aim to support efforts to prevent the COVID-19 pandemic at restaurants, retailers, buildings, and other facilities using AI image analysis technology of OPTiM AI Camera in 2020.

**(4) “〇〇 x IT”**

The “〇〇 x IT” initiative, which seeks to reinvent all industries as Fourth Industrial Revolution-style industries by utilizing OPTiM Cloud IoT OS, a platform for platform builders, and combining industries and IT (AI, IoT, etc.), starts with verification tests and develops official businesses and services for specific corporate clients. Initial industries are “Construction x IT,” “Agriculture x IT,” and “Healthcare x IT,” and these efforts have already ramped up businesses in some cases.

## Business overview

**a) Construction x IT**

Construction x IT is one of the most advanced areas in utilizing AI and IoT. The Company provides OPTiM Cloud IoT OS for LANDLOG, a new construction and civil engineering platform led by Komatsu, and aims to realize frontline operations of the future with safety and high productivity. The platform collects data from all types of “things” used in the construction production process (facilitating management and analysis of excavators, dump trucks, drones, and other equipment), and numerous providers supply apps within the framework that suitably manages data authority (currently 55 companies provide apps on the LANDLOG platform). Many frontline construction companies can utilize the data. The Company established Landlog Marketing Corporation, which promotes construction DX and ICT (information communications technology) projects in 2020 and started sales of smart construction retrofit kits\* and marketing of DX solutions for construction projects.

\* These kits support ICT-driven advanced functionality in familiar hydraulic shovels that are already being used with an “add-on” of the latest digital equipment.

Another initiative is the joint development with Matsuo Construction Co., Ltd., Kyushu’s largest general construction firm and world-leading development and provision of OPTiM Geo Scan, an application that can acquire high-precision 3D data simply by scanning soil structures or other survey objects with a tablet that has a LiDAR sensor. It envisions use at smaller project sites that are not suited to drones, laser scanners, or other devices. OPTiM Geo Scan is capable of reducing surveying time by as much as 60% compared to traditional light wave surveying. Also, specialist knowledge is not necessary for the measurements and they can be easily carried out by a single person, helping to eliminate the problem of shortages of workers and engineers.

**b) Agriculture x IT**

In the Agriculture x IT area, the Company has comprehensively an AI, IoT, and Robotics technology platform (agriculture DX service), including the world’s first pinpoint agricultural chemical spraying technology, and supports labor savings and higher income in agricultural operations. Other services developed by the Company (besides pinpoint agricultural chemical spraying) include sowing technology using drones and image and sensor analysis of fields using AI and IoT (Agri Field Manager), and a wide-area field management system utilizing a glider-type drone. These technologies support cutting-edge smart farming.

The Company has also implemented innovative business-model initiatives to expand use of smart agriculture and realize enjoyable, stylish, and profitable farming. One example is Smart Agri Food. In this initiative, the Company provides cutting-edge technology to producers at no charge and has them produce crops with high added value. It then purchases all of the output, handles branding and sales and shares revenue with producers. In a rice example, it produced seven types of “Smart Rice” utilizing pinpoint spraying and fertilizing technology in 2020 and has enjoyed healthy sales of these products over the internet.

Business overview

**c) Healthcare x IT**

The Company combines IoT and AI technologies in the healthcare area too and strives to resolve various issues in medicine. One example is “Pocket Doctor,” a remote medical consultation service, announced in 2016 that received the Grand Prize in the Japan Healthcare Business Contest 2016 sponsored by METI. The Company started OEM supply of the “Online Healthcare Platform,” which facilitates straightforward and quick development of online medical systems, in 2020. It also jointly developed the Mediaroid Intelligent Network System (MINS) jointly with Mediaroid Corporation, a joint venture of Kawasaki Heavy Industries <7012> and Sysmex <6869>, in the same year. MINS is a network support system platform designed to assist operation of the “hinotori™ surgical robot system,” surgical assistance robot system for Japan’s first surgical assistance robot “hinotori” developed by Mediaroid, assist safe and efficient utilization of surgical rooms, and assist in transfer and inheritance of surgical techniques. It is an open platform on which information including the various sensors installed in hinotori, endoscopic videos, and videos of the entire operating room, is collected, analyzed, and provided in real time. It was developed based on the Company’s OPTiM Cloud IoT OS.

**3. The Company’s strengths**

The Company has constantly provided innovative services and developed new markets with support from abundant technological capabilities founded on an intellectual property strategy and business creation capabilities. It has services of No. 1 shares in the Japanese market and built a business model with extensive license income. Additionally, it has been promoting powerful business development with top players in various industries in recent years as a market leader in AI, IoT, and Big Data. The Company’s strengths are 1) robust technology innovation capabilities, 2) advanced technology capabilities, 3) service planning, development, and operation capabilities, 4) strong license income, 5) consulting capabilities, and 6) business creation capabilities.

**The Company’s strengths**

Characteristics (strengths)	Content
1 Robust technology innovation capabilities	Development of functions, products, services, and business models based on patents realized first in Japan and in the world. (The Company’s President Sugaya ranked first for the scale of patents assets held by individuals in the field of data communications*.)
2 Advanced technological capabilities	Realizes new concepts with advanced technological capabilities in AI, IoT, Cloud Security, and Robotics areas acquired through R&D investments in next-generation IT technology
3 Service planning, development, and operation capabilities	Possesses planning capability to take products realizing new ideas and generalizing them as package services. Has the ability to plan, design, develop and operate with functions, price and service models that match customers’ needs
4 Strong license income	Generates strong license income from a subscription business model led by Optimal Biz, an MDM service with the top market share in Japan, and Optimal Remote, which has the largest number of users in Japan
5 Consulting capabilities	Possesses high-level consulting capabilities to understand partner companies’ market environments, and to innovate and create new services that leverage its technology together with partner companies
6 Business creation capabilities	Commercializes new products or services with many partners, including industry leading companies, telecommunications carriers and printer manufacturers, or vastly expands business through business creation capabilities

\* Survey by Patent Result (as of the end of January 2015)  
 Source: Prepared by FISCO from the Company’s results briefing materials

According to a market survey for FY2020 conducted by MIC Research Institute, the Company acquired top market shares for AI solutions in five categories (sales trends by industry in the “agriculture, forestry and fisheries industries,” “the healthcare” segment, “the sales trend segment for users with less than 300 employees” for users with less than 300 employees, and the “measurements, observations, and search vendor share” segment, of the trend in the measurements, observations, and search market). Of these, “measurements, observations, and search vendor share” includes camera solutions, and OPTiM AI Camera is the corresponding product.

## Results trends

### Delivered sales increase in a 21st straight year since its founding and all-time high profits in FY3/21 with upbeat mainstay Optimal Biz license aided by telework demand in the COVID-19 pandemic environment

#### 1. Overview of the FY3/21 results

The Company delivered sales increase in a 21st straight year since founding and all-time high profits in FY3/21 at ¥7,517mn in net sales (+11.7% YoY), ¥1,808mn in operating profit (+603.8%), ¥2,000mn in ordinary profit (+671.0%), and ¥1,237mn in profit attributable to owners of parent (+955.8%). Furthermore, it positioned FY3/21 as a “period to start recouping R&D investments” and profits climbed sharply as promised.

Recurring sales, mainly from license sales, fueled sales growth. The Company achieved a roughly 120% YoY increase in recurring sales mainly from Optimal Biz, Optimal Remote, OPTiM AI Camera and other AI services, OPTiM Cloud IoT OS, and service licenses for individual industries thanks to a rise in managed terminal volume driven by DX service inroads and telework demand in the COVID-19 pandemic environment and acquisition of related support demand and contactless and congestion avoidance needs. Meanwhile, delays occurred in some new license customization\* projects due to COVID-19 impact. Net sales hence rose 11.7% YoY to ¥7,517mn.

\* License customization: This refers to a customized development using the Company's R&D portion as a license. This development will lead to the issuance of licenses in the future.

Ordinary profit was ¥2,000mn, the bottom end of the plan range (¥2,000mn-¥2,300mn). Main sources of the steep profit increase were an upbeat trend in highly profitable license sales and the start of booking software assets led by OPTiM Cloud IoT OS. Software asset booking can be estimated from the increase in intangible assets (+¥790mn YoY) and contributed substantially to profits.

#### FY3/21 consolidated results

	FY3/20		FY3/21		
	Results	Vs. net sales	Results	Vs. net sales	YoY
Net sales	6,728	100.0%	7,517	100.0%	11.7%
Cost of sales	2,623	39.0%	2,943	39.1%	12.2%
Gross profit	4,105	61.0%	4,574	60.9%	11.4%
SG&A expenses	3,848	57.2%	2,766	36.8%	-28.1%
Operating profit (loss)	256	3.8%	1,808	24.1%	603.8%
Ordinary profit (loss)	259	3.9%	2,000	26.6%	671.0%
Profit (loss) attributable to owners of parent	117	1.7%	1,237	16.5%	955.8%

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

Results trends

## Equity ratio is 68.2% and headed for further improvement in financial soundness with entry into the phase of recouping investments

### 2. Financial condition and management indicators

Total assets were ¥6,248mn at the end of FY3/21 (+¥1,644mn YoY). Out of this amount, current assets were up ¥568mn to ¥3,515mn, with the main factors being increase of ¥189mn in cash and deposits and ¥254mn in notes and accounts receivable-trade. Non-current assets expanded by ¥1,076mn to ¥2,733mn with the main factors being the ¥790mn increase in intangible assets (led by booking of software assets). The balance of cash and deposits was ¥1,453mn.

Total liabilities had increased by ¥327mn to ¥1,893mn compared to the end of previous fiscal year. Current liabilities increased by ¥327mn, mainly due to increases of income taxes payable and notes and accounts payable-trade. Non-current liabilities were unchanged at a low level (¥61mn). The Company has almost no interest-bearing debt and is close to debt-free operation. Total net assets increased ¥1,316mn to ¥4,355mn, mainly because retained earnings rose ¥1,237mn.

In the management indicators of stability (at the end of FY3/21), the current ratio was 192.0%, while the equity ratio was also high at 68.2%. Therefore, the Company's financial stability is extremely high.

#### Consolidated balance sheets and management indicators

	End of FY3/20	End of FY3/21	Change
	(¥mn)		
<b>Current assets</b>	2,947	3,515	568
Cash and deposits	1,263	1,453	189
Notes and accounts receivable-trade	1,552	1,807	254
<b>Non-current assets</b>	1,657	2,733	1,076
(Intangible assets)	29	819	790
<b>Total assets</b>	4,604	6,248	1,644
<b>Current liabilities</b>	1,503	1,831	327
<b>Non-current liabilities</b>	61	61	0
<b>Total liabilities</b>	1,565	1,893	327
<b>Total net assets</b>	3,039	4,355	1,316
<b>Total liabilities and net assets</b>	4,604	6,248	1,644
<b>&lt;Stability&gt;</b>			
Current ratio (current assets ÷ current liabilities)	196.1%	192.0%	-
Equity ratio (shareholders' equity ÷ total assets)	64.5%	68.2%	-

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

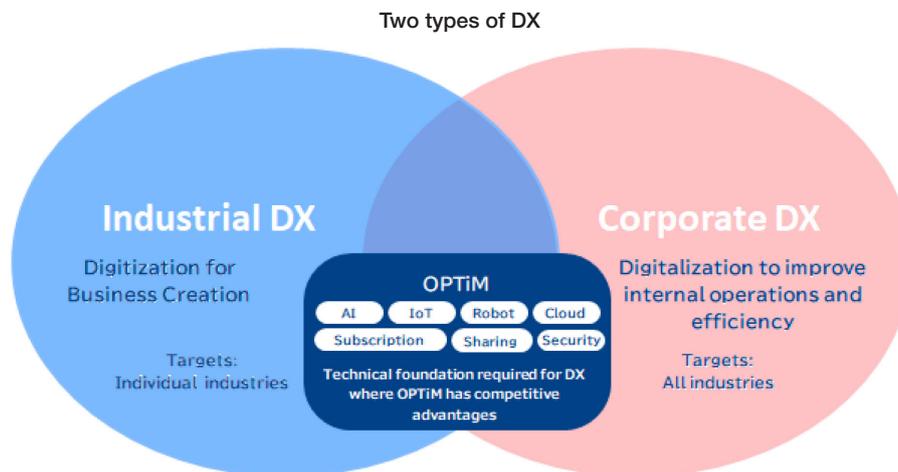
## Growth strategies and topics

### Pursuing exponential growth with aggressive investment in two DX areas – Industrial DX and Corporate DX

The Company focused on R&D activities in the past few years and achieved results in a variety of industries through promotion of “OO x IT” with OPTiM Cloud IoT OS and ramp-up of new services, such as OPTiM AI Camera. While continuing on a path of promoting “OO x IT,” it intends to develop new markets by categorizing digitalization into Industrial DX and Corporate DX categories because of strong advances by two different types of DX driven by the COVID-19 pandemic.

Industrial DX refers to digitalization for creation of businesses that target specific industries. Since devices connected to the OPTiM AI and IoT platform and killer services for specific industries are increasing dramatically from promotion of “OO x IT strategy” up to now, the Company aims to connect with 45 billion devices worldwide and provide industrial killer services by strengthening device coverage and promoting development of industrial killer services.

Corporate DX refers to digitalization for internal work improvement and better efficiency targeting all business types and industries. Demand for promotion of remote work, enhanced work efficiency, and cost savings through digitalization of office work is rapidly expanding in the COVID-19 pandemic environment. The Company has a customer base of over 180,000 companies cumulatively through provision of Optimal Biz and other products and hopes to leverage sales partners to provide services with new value, such to IoT remote-operation service, authentication security service, and contract management service, to this customer base.

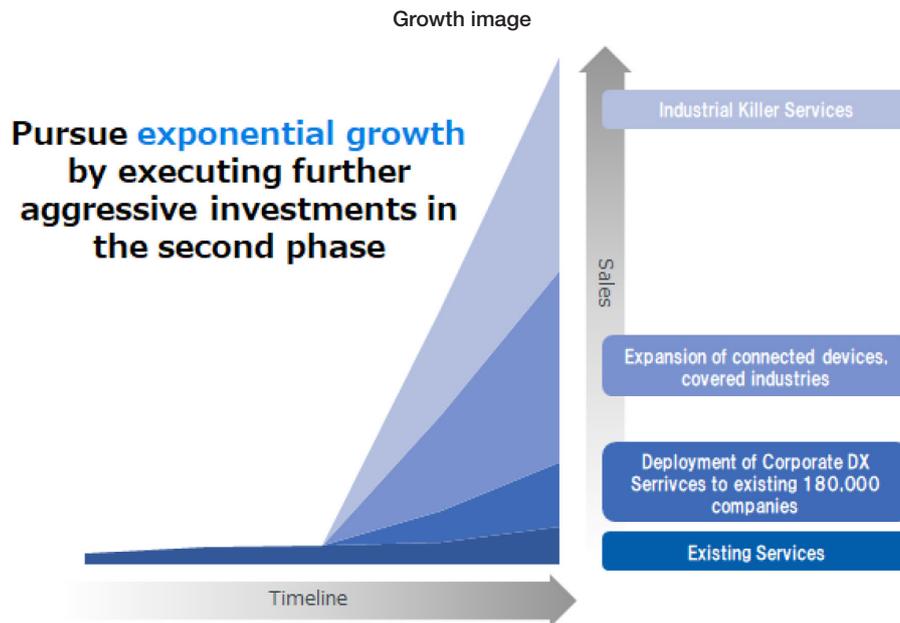


Source: The Company's results briefing materials

The Company addresses a massive market. It estimates Industrial DX and Corporate DX market potential at roughly ¥160tn globally and ¥9tn just in Japan (estimated from 5.8% of global GDP in 2019). Assuming a market share on par with Optimal Biz (40%), it amounts to ¥3.6tn. The Company is clearly pursuing development of a major market.

Growth strategies and topics

As key investments to develop the potential market and related applications, the Company outlined investments in 1) expansion of connected devices and industries through further promotion of “OO x IT,” 2) development of industry killer services, 3) development of new Corporate DX services for a customer base of 180,000 companies, 4) OPTiM Cloud IoT OS, the AI and IoT platform, for realizing these efforts, and 5) talented human resources for realizing these efforts. Despite entering the profit-recovery phase in FY3/21, it is not adopting a defensive posture in any way. The Company aims to sustain growth investments even more actively while generating a certain amount of profit. The growth image it envisions is continuation of exponential growth with a second round of even more vibrant investments.



Source: The Company's results briefing materials

## ■ Outlook

### Targets a 22nd straight year of sales increase since its founding and 13-22% operating margin in FY3/22 on the assumption of continued aggressive growth investments

In FY3/22 consolidated results guidance, the Company presented sales and profit ranges because of uncertainty about progress in customized projects for new business rollouts due to COVID-19 impact. Specifically, it forecasts ¥8,269mn (+10.0% YoY) to ¥9,020mn (+20.0%) in net sales, ¥1,121mn (-38.0%) to ¥2,000mn (+10.6%) in operating profit, ¥1,121mn (-43.9%) to ¥2,000mn (+0.0%) in ordinary profit, and ¥695mn (-43.8%) to ¥1,240mn (+0.2%) in profit attributable to owners of parent. The Company started recouping past investments in FY3/21. However, it plans to continue aggressive R&D investments targeting development of the potential market worth ¥160tn with the goal of being a central company in the Fourth Industrial Revolution.

### Outlook

The Company is aiming to achieve record high sales for the 22nd consecutive year since its foundation. With existing services plus sales from Industrial DX and Corporate DX as new services, it believes roughly 20% sales growth (YoY) is feasible. The range format in disclosure (10.0% to 20.0% gains), meanwhile, factors in possible impact on sales if the COVID-19 situation stalls progress in customized projects for new business deployments. Considering the Company's track record of sales growth at over 20% (+23.0% in FY3/20, +29.9% in FY3/19, and +27.0% in FY3/18), we think it is possible for sales to exceed the upper limit of the range if Japan moves past the COVID-19 pandemic on vaccination progress and other measures and the economy recovers.

In earnings, it assumes aggressive investments in growth and intends to pursue opportunities in Corporate DX with rapidly growing needs driven by the COVID-19 pandemic and Industrial DX with emergence of "OO x IT" killer services. In particular, it plans to quickly implement investments in Corporate DX because of high urgency. Nevertheless, FISCO believes the earnings outlook is feasible, even with continued aggressive growth investments, because of the large percentage of license sales in the Company's business model and the prospect of continued booking of software assets that started in FY3/21.

### FY3/22 results outlook

	FY3/21		FY3/22		
	Results	Vs. net sales	Forecast	Vs. net sales	YoY
Net sales	7,517	100.0%	8,269~9,020	100.0%	10.0~20.0%
Operating profit	1,808	24.1%	1,121~2,000	13.6~22.2%	-38.0~10.6%
Ordinary profit	2,000	26.6%	1,121~2,000	13.6~22.2%	-43.9~0.0%
Profit attributable to owners of parent	1,237	16.5%	695~1,240	8.4~13.7%	-43.8~0.2%

(¥mn)

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

## ESG initiatives

Even since before the term ESG (Environment, Social, Governance) attracted attention, the Company focused on ESG initiatives through its business while always thinking about having a positive influence on society. Some examples of these initiatives are described below.

### (1) Environment

#### a) Reduction of agricultural chemicals and fertilizers by as much as 99% through pinpoint chemical and fertilizer spraying

Image analysis of crops is performed by AI and unnecessary pesticides are not sprayed, achieving cultivation with reduced amounts of pesticide.

#### b) Establishment of a cultivation technology framework capable of responding to climate change (warming) utilizing digital technology

By digitalizing weather, water level, cultivation history, pests, and growth data, the Company developed a system that recommends a cultivation method corresponding to environment and growth conditions. It also enhanced pest prediction technology using AI. It facilitates sustainable cultivation by assisting measures for issues such as crop damage from warmer temperatures caused by climate change and northward migration of pests.

ESG initiatives

**c) Provision of ForestScope, a resource volume survey service using drones**

The Company provides ForestScope service that estimates the number of trees and timber volume by aerially photographing forests with drones and analyzing images. Utilization of this service simplifies surveys of forest resource volume and reduces the number of steps required by surveys of resource volume. Resource volume surveys provide valuable data for forest conservation and contribute to planned forest management that involves tree cutting for conservation, cyclical resource usage, and carbon neutrality.

**(2) Social**

**a) Provision of services that support diverse workstyles (Optimal Biz, Optimal Biz Telework, Optimal Remote, and Optimal Second Sight)**

With the COVID-19 pandemic as a catalyst, many companies have shifted to a telework (work-from-home) format and need to accommodate work that is not constrained by physical location or time. The Company offers multiple services to realize various types of work, thereby addressing these social conditions.

**b) Healthcare × IT: online healthcare services**

The Company is addressing the issues of regional differences in healthcare, work and child care, and loss of opportunity for hospital visits due to physical conditions, etc. by enabling continuous medical consultations through remote consultations on a smartphone or tablet. This will lead to preventative healthcare and reduce the numbers of patients with lifestyle-related diseases and nursing carers. For doctors also, it will reduce the time spent on home visits and the economic burden of such visits.

**(3) Governance**

**a) Establishment of “Management Advisory Committee” comprised of experts in each field**

The Company invites leading experts in the fields of agriculture, construction, and healthcare as committee members (executive advisors). Not only are they involved in various industrial fields based on their knowledge backed by their experience, but they also provide valuable advice on how to strengthen corporate governance to maximize corporate value and ensure the transparency and soundness of management.

## ■ Shareholder return policy

### Putting priority on investing in the future, has not decided the dividend outlook

The Company puts priority on investing in growth and has not decided the dividend outlook at this point. As a venture company in Japan with rare technological capabilities and imagination, a medium- to long-term perspective will be necessary for investment.

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