

# COMPANY RESEARCH AND ANALYSIS REPORT

## OPTiM Corporation

3694

Tokyo Stock Exchange First Section

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FISCO Ltd. Analyst

**Hideo Kakuta**



FISCO Ltd.

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

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## Summary

### Driven by license revenue, net sales increased while operating profit grew significantly in 1H FY3/22. On track to achieve sales growth for the 22nd consecutive fiscal year since the Company's founding

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 has been developing 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 are divided into businesses centered on Optimal Biz (Corporate DX), and businesses utilizing OPTiM Cloud IoT OS (Industrial DX). In Corporate DX, the Company proposes digitalization to improve internal operations and work efficiency, and targets all sectors and industries. The Company has a customer base of over 180,000 companies through the provision of Optimal Biz and other services, and the Company utilizes sales partners to offer services with new value, including OPTiM ID+ and OPTiM Contract, in regard to this customer base. Optimal Biz, the Company's flagship device management 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, and has maintained the No. 1 share in the growing domestic Mobile Device Management (MDM) market for 11 years running. This business has a recurring revenue business model, and its stable earnings support the Company's investment in development. In Industrial DX, the Company promotes digitization aimed at business creation targeting individual industries based on OPTiM Cloud IoT OS. The Company enhanced Optimal Biz used in device management and completed OPTiM Cloud IoT OS, a new AI and IoT platform, in 2016. With this, it ramped up "〇〇 x IT (enter the industry name into 〇〇)" 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> ("Komatsu"), started LANDLOG, a new platform for the construction production process, and 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 product lineup of the 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 becoming increasingly widespread due to the Company's success in reducing the hurdles to deployment for customers.

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 posted ¥3,521mn in net sales (+15.4% year-on-year (YoY)) and ¥571mn in operating profit (+75.6%) in 1H FY3/22, as the Company is on track to achieve sales growth for the 22nd straight fiscal year since its founding. The growth in sales was driven by stock-type sales centered on license revenue. Among stock-type sales, in Corporate DX, Optimal Biz performed well, while the lineup was enhanced with the releases of new services such as OPTiM ID+ (cloud authentication infrastructure service) and OPTiM Contract (cloud contract management service using AI). Meanwhile, in Industrial DX, performance was solid, centered on OPTiM Cloud IoT OS. Flow-type sales was also strong, especially in the Agriculture x IT field, which the Company has been working on for several years. In terms of profits, gross profit increased due to strong stock-type sales, and operating profit grew due to the curbing of selling, general, and administrative expenses, while the recording of software assets, which began in the previous fiscal year, also contributed to the increase in profits. The large gaps between operating profit and both ordinary profit as well as profit attributable to owners of parent are due to special one-time factors, and both increased approximately 60% YoY excluding such factors. It could be said that both 1H FY3/22 sales and profits were in line with the Company's forecasts, and the Company's results in 1H FY3/22 were solid.

### 3. Growth strategies and topics

In Corporate DX, 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 aims to leverage sales partners to provide services with new value, such as remote-operation service, authentication security service for IoT, and contract management services, to this customer base. In 2021, the Company launched full-fledged sales of OPTiM ID+ (cloud authentication infrastructure service) and OPTiM Contract (cloud contract management service using AI), and these services were well received by customers for offering convenience as well as advanced security.

In Industrial DX, devices connected to the OPTiM AI and IoT platform and killer services for specific industries are increasing dramatically based on the promotion of the "〇〇 x IT" strategy up to now. Due to this, the Company aims to connect with 45 billion devices worldwide and provide killer services for industries by strengthening device coverage and advancing the development of killer services for industries. Recent initiatives include the full-fledged release of the smartphone 3-D surveying app "OPTiM Geo Scan" in May 2021. This is an app that enables users to acquire high-precision 3-D data by simply scanning surveyed objects such as soil structures with a smartphone or tablet equipped with a LiDAR sensor. Compared to conventional light wave surveying, the surveying time can be shortened up to 60%, while compared with existing 3-D surveying, costs can be reduced more than 80%. Also, this app is helpful for resolving the shortages of labor and engineers. In September 2021, the app was connected to the ScanX service, which is software that processes 3-D point cloud data, which made the service even more convenient.

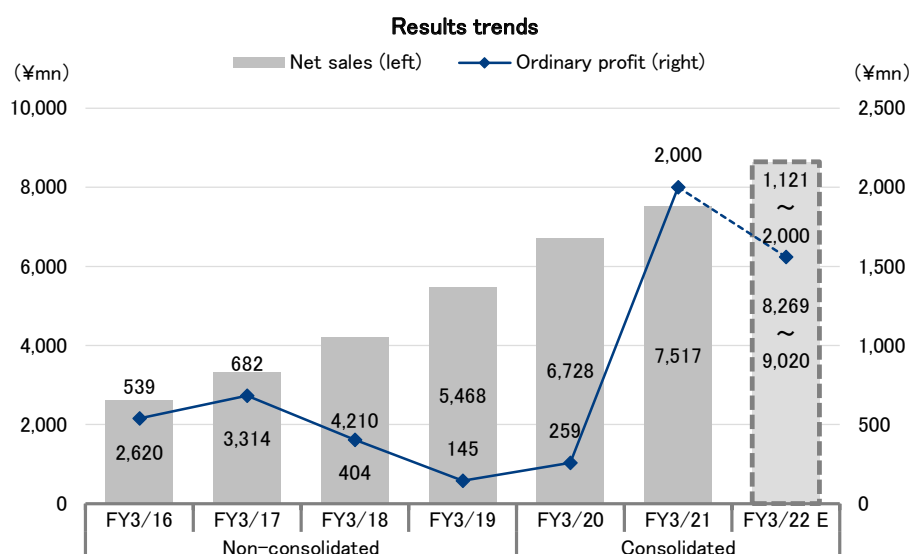
# Summary

## 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 has left its initial forecast of ¥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 unchanged. 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 leading company in the Fourth Industrial Revolution. In net sales, it aims to record all-time high sales in the 22nd consecutive fiscal year since its founding. In addition to existing services, it expects sales of new services from Industrial DX and Corporate DX to ensure sales growth of around 20% (YoY). The progress rate vis-à-vis the full-year forecast (rate of progress against the upper end of range for the full-year forecast) was 39.0%, which was on par with the year-earlier period (40.6%). The Company has a track record of maintaining YoY growth exceeding 20%, and considering the current status of the recovery from the COVID-19 pandemic and companies' enthusiasm for introducing DX, at FISCO we think there is a solid chance that the Company will achieve the upper value of its forecast range. With respect to profits, the Company will advance initiatives in both Corporate DX and Industrial DX, predicated on aggressive investments in growth. The 1H progress rate vis-à-vis the full-year forecast was 28.6%, which exceeded the progress rate in the year-earlier period (18.0%), and additionally, the Company's earnings are weighted towards the 2H, and this trend will further strengthen for each profit line. The Company will continue to record software assets which it started doing in FY3/21, and as a result, we at FISCO think that the Company will be able to achieve its forecasts even while continuing to aggressively invest in growth.

## Key Points

- A venture company in the spotlight that aims to be a leading company in the Fourth Industrial Revolution. Contributes to society through innovation
- Promotes Corporate DX and Industrial DX with its proprietary AI/IoT platform
- Achieved higher sales and a large increase in operating profit in 1H FY3/22. Strong license revenue for main products Optimal Biz and OPTiM Cloud IoT OS
- Continues to introduce services offering new value one after another in Corporate DX, while in Industrial DX, the Company is seeing a dramatic increase in devices connected to its AI/IoT platform and industrial killer services



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

## Company overview

### A venture company attracting attention that aims to have a leading presence in the Fourth Industrial Revolution. Promoting Corporate DX and Industrial DX with its AI/IoT platform

#### 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.

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. The Company has been offering a variety of products and services up until now, but its value of “smartly operating remote devices” has remained consistent even as its fields covered and its technologies change.

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 “○○ x IT (enter the industry name into ○○)” 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 smartphone 3-D 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 “○○ 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.

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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.

## 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
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 Started DRONE CONNECT β-version, a drone pilot sharing service 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
2019	Established OPTiM AGRI MICHINOKU Co., Ltd., Japan's first smart agriculture regional trading company, with Michinoku Bank 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 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

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## Company overview

Year	Major event
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 Established OPTiM Bank Technologies Corp. as a joint venture with the Bank of Saga 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 iPhone Pro to make high-precision smartphone 3-D surveys 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
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 Formally launched OPTiM Geo Scan, an app that allows anyone to use an iPhone Pro or iPad Pro to easily make high-precision smartphone 3-D surveys Announced and formally launched OPTiM Contract, which uses AI to reduce contract management costs and risks Announced and formally launched OPTiM ID+, a cloud authentication platform service MDM/PC management service Optimal Biz achieved No. 1 share in MDM market for 11th straight year based on the result of a research report from Deloitte Tohmatsu MIC Research Institute Launched a "pinpoint time spraying" service as a new lineup for pinpoint spraying series OPTiM's AI solutions acquired the No. 1 market share in 8 categories

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

## 2. Content of business

The Company's services can be divided into Corporate DX and Industrial DX

Corporate DX proposes digitalization to improve internal operations and work efficiency, and targets all sectors and industries. The Company has a customer base of over 180,000 companies through the provision of Optimal Biz and other services, and the Company utilizes sales partners to offer services with new value, including OPTiM ID+ and OPTiM Contract (details on both discussed below) to this customer base. The business model is mainly license revenue (stock-type sales).

In Industrial DX, the Company promotes digitization aimed at business creation targeting individual industries based on OPTiM Cloud IoT OS. In "OO x IT," initiatives in construction, medical, agriculture and robotics have come first, and many services have already been established, including OPTiM Geo Scan in the construction field and an agriculture DX service in the agriculture field. The business model is primarily license sales (stock-type sales), while there is also customization revenue specific to each industry and company (flow-type sales).

### Business description

	Corporate DX	Industrial DX
Customer	Covers all sectors and industries. Existing client base of approximately 180,000 companies	Covers individual industries. Particular progress being made in agriculture, construction, medical, robotics
Purpose	Digitalization to improve internal operations and efficiency	Digitization for business creation
Main software/platforms	Optimal Biz	OPTiM Cloud IoT OS
Examples of new value proposition	Optimal Remote IoT, OPTiM ID+, OPTiM Digital Marketing, OPTiM Contract, etc.	Construction: OPTiM Geo Scan Medical: MINS Agriculture: Agriculture DX service Robots: Robot DX service All industries: AI Camera
Business model	Mainly license revenue (stock-type sales)	License revenue (stock-type sales) + customization revenue (flow-type sales)

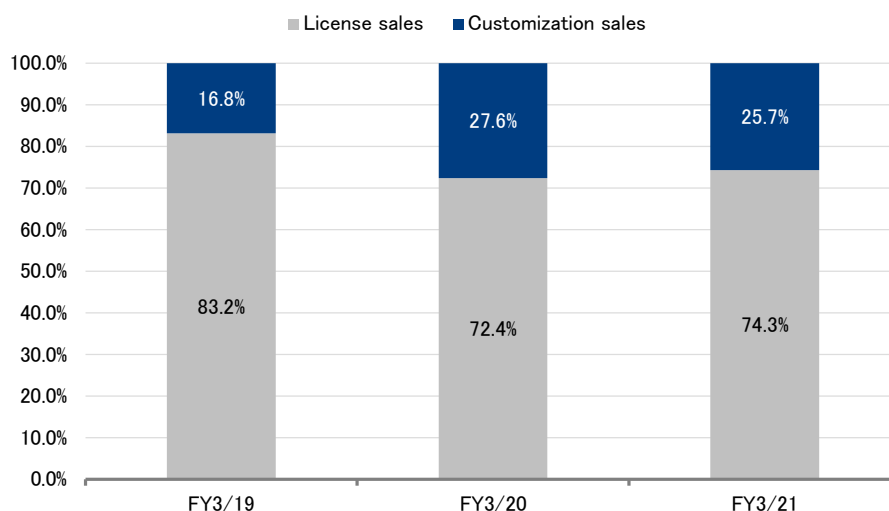
Source: Prepared by FISCO from the Company's materials

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



# Company overview

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 will drive 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 market that the Company targets is a massive market that is growing, with the potential to be an estimated ¥160 trillion (45 billion devices x ¥300/month).

\* 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 (Corporate DX)

Optimal Biz is the Company's mainstay Corporate DX service that was launched in 2009. It is classified as a corporate MDM tool and is 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 share secured in the market\*1 for 11 consecutive years and deployments at more than 180,000 companies\*2. 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.

\*1 Deloitte Tohmatsu MIC Research Institute's "Collaboration and Mobile Management Software Market Outlook – FY2021 Edition" MDM shipped ID volume (including SaaS, ASP), multiple other research reports.

\*2 According to the Company's compilation as of June 25, 2019.

### (2) Optimal Remote (Corporate DX)

Optimal Remote is a solution for Corporate DX 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.

### (3) Optimal Second Sight (Industrial DX)

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.

#### (4) OPTiM AI Camera (Industrial DX)

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 mobile device. 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.

#### (5) “〇〇 x IT” (Industrial DX)

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.

##### 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. 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 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 smartphone or tablet equipped with a LiDAR sensor, under the joint development with Matsuo Construction Co., Ltd., Kyushu’s largest general construction firm. 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 surveys and they can be easily carried out by a single person, helping to eliminate the problem of shortages of labor 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. In addition, the Company has started the "pinpoint time spraying" service which aims to offer the maximum prevention effect with the minimum amount of pesticides used by combining the reproduction forecasting technology and pest outbreak prediction technology it has developed over the years with drone prevention and extermination expertise. The Company is proactively advancing initiatives that contribute to cost reductions for producers as well as a safe and secure food life for consumers, along with a lower environmental impact.

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. As an example with rice, in 2020 the Company succeeded in developing pinpoint spraying/fertilization technology, and in 2021 the Company successfully used drones to sow seed rice directly into paddy fields, and carried out rice production in six prefectures utilizing the latest technologies to produce rice with a secured process (reduced pesticides) as well as make the process less labor-intensive than before. This rice is being sold online on the Company's "SMART AGRI FOOD" (nicknamed Sma-Choku (Smart Direct)) online store as well as on sites such as Amazon and Rakuten marketplace as "Smart Rice 2022" (FY2021 new rice, nine types).

## c) Medical 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 Medicaroid Intelligent Network System (MINS) jointly with Medicaroid 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 the surgical assistance robot system for Japan's first surgical assistance robot "hinotori" developed by Medicaroid, 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.

The results of the Company's initiatives in individual industries are clearly emerging as its AI solutions market shares. According to a market survey for FY2020 conducted by Deloitte Tohmatsu 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" segment, "the healthcare" segment, "the sales trend segment for users with less than 300 employees" segment, the "measurements, observations, and search vendor share" segment, and the "application segment"). Of these, "measurements, observations, and search vendor share" includes camera solutions, and OPTiM AI Camera is the corresponding product.

### 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 domestic 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 can be summarized in six points: 1) robust technology innovation capabilities, 2) advanced technology capabilities, 3) service planning, development, and operation capabilities, 4) strong license income, 5) plentiful customer base, and 6) business creation capabilities.

#### The Company's strengths

Characteristics (strengths)	Content
1 Robust technology innovation capabilities	Inventiveness to create from 0 to 1. Regarding technological ideas, the Company proactively secures intellectual property rights (The first venture company to receive the Intellectual Property Achievement Award from the Japan Patent Office. The Company's President ranked No. 1* for the scale of patent assets held by individuals in the field of information and communications)
2 Advanced technological capabilities	Realizes new concepts with advanced technological capabilities in AI, IoT, Cloud, Security, and Robotics
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	Robust license revenue based on SaaS/subscription model (a model that allows customers to receive a service for a certain period of time by paying a fee). These services include Optimal Biz, a mobile device management SaaS service that has had the No. 1 market share in Japan for 11 straight years, along with other services. The average cancellation rate is approximately 0.5%.
5 Plentiful customer base	A cumulative customer base of roughly 180,000 companies that it has acquired over the years through direct sales as well as large partners.
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 November 2021)

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

### 4. Intellectual Property Strategy

Since its establishment, the Company has developed technologies while keeping in mind creating services never seen in the world before, and it has adopted a strategy of acquiring and holding intellectual properties. One example of this is its outstanding device identification technology called Tiger, which it patented in Japan and the United States in 2011, that dramatically improves the accuracy of identifying devices. Also, the patent for pinpoint pesticide spraying technology obtained in 2018 received the Minister of Education, Culture, Sports, Science and Technology Award at the 2018 Kyushu Regional Invention Awards. Most recently, the patent for AI analysis and management system for contracts obtained in 2018 received the Minister of Education, Culture, Sports, Science and Technology Award at the 2021 Kyushu Regional Invention Awards. Additionally, the Company's President Shunji Sugaya is ranked No. 1 for individual patent asset scale in the field of information and communications (1993 through 2020). These intellectual properties not only create walls preventing others from entering new business fields, but also allows major companies to feel secure in establishing partnerships and alliances with the Company.

OPTiM Corporation  
3694 Tokyo Stock Exchange First Section

25-Jan.-2022  
<https://www.optim.com/investors>

Business overview

Patent image



図1: 本発明による契約書解析の処理内容

図2 本発明の実施例: 契約に関するリスク表示

Source: The Company's results briefing materials

## Results trends

**Recorded increase in sales and significant increase in operating profit in 1H FY3/22. License revenue was strong for mainstay products Optimal Biz and OPTiM Cloud IoT OS**

### 1. Overview of the 1H FY3/22 results

The Company delivered sales increase in a 22nd straight fiscal year since founding and all-time high profits in 1H FY3/22 at ¥3,521mn in net sales (+15.4% YoY), ¥571mn in operating profit (+75.6%), ¥516mn in ordinary profit (+0.4%), and ¥319mn in profit attributable to owners of parent (-0.5%). It can be said that the Company is on a steady track toward a sales increase for the 22nd consecutive year since its founding.

Stock-type sales, mainly from license income, fueled sales growth. Among stock-type sales, in Corporate DX, Optimal Biz performed well, while the lineup was enhanced with the releases of new services such as OPTiM ID+ (cloud authentication infrastructure service) and OPTiM Contract (cloud contract management service using AI). These services can be paired with Optimal Biz, and are receiving attention as services that improve convenience for customers. Meanwhile, in Industrial DX, performance was solid, centered on OPTiM Cloud IoT OS. Flow-type sales were also strong, especially in the Agriculture x IT field, which the Company has been working on for several years. The Company's sales structure is heavily weighted toward 2H due to the fact that stock-type sales are the mainstay of the Company's sales and that the acceptance inspection period for flow-type sales tends to be concentrated in 2H.

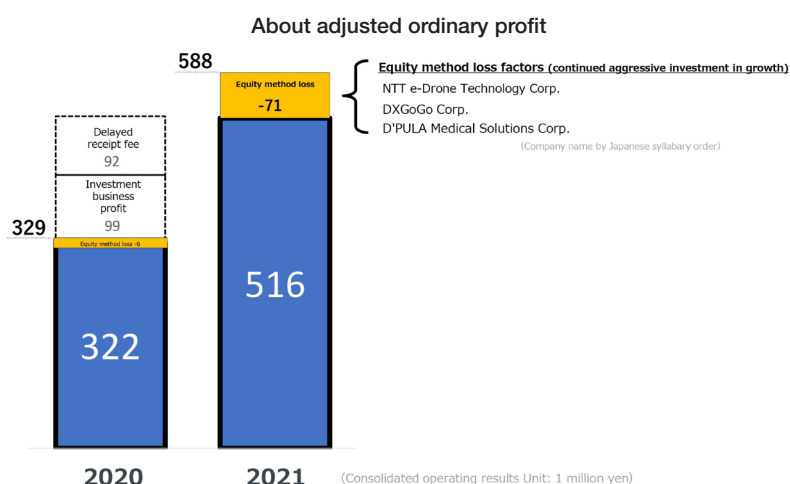
# Results trends

In terms of profits, gross profit increased due to strong stock-type sales, and operating profit grew due to the curbing of selling, general, and administrative expenses, while the recording of software assets, which began in the previous fiscal year, also contributed to the increase in profits. The large gap between operating profit and ordinary profit was due to the fact that the three joint ventures established between FY3/21 and FY3/22 (NTT e-Drone Technology, DXGoGo, and D'PULA Medical Solutions) are in the up-front investment phase, and they are incurring up-front expenses. The decline in profit attributable to owners of parent was caused by the fact that in the previous fiscal year, there were postings of non-operating income as a special factor, including commissions income (approximately ¥92mn) due to the delay in the finalization of government subsidies, etc., and a gain on investments in investment partnerships (approximately ¥99 mn). Each of these are one-time special factors, and results increased approximately 60% YoY excluding such factors. Therefore, it can be said that both 1H FY3/22 sales and profits were in line with the Company's forecasts, and the Company's results in 1H FY3/22 were solid.

## 1H FY3/22 consolidated results (consolidated)

	1H FY3/21		1H FY3/22		YoY
	Results	Vs. net sales	Results	Vs. net sales	
Net sales	3,051	100.0%	3,521	100.0%	15.4%
Cost of sales	1,145	37.5%	1,525	43.3%	33.2%
Gross profit	1,905	62.5%	1,996	56.7%	4.8%
SG&A expenses	1,579	51.8%	1,424	40.4%	-9.9%
Operating profit (loss)	325	10.7%	571	16.2%	75.6%
Ordinary profit (loss)	514	16.9%	516	14.7%	0.4%
Profit (loss) attributable to owners of parent	321	10.5%	319	9.1%	-0.5%

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



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

## Almost completely debt-free with an equity ratio of 78.4%. Heading for further improvements in financial soundness with entry into the phase of recouping investments

### 2. Financial condition and management indicators

Total assets were ¥5,844mn at the end of 1H FY3/22 (down ¥404mn vs. the end of FY3/21). Of this amount, current assets declined ¥984mn to ¥2,530mn, with the main factors being the ¥651mn decline in notes and accounts receivable-trade and contract assets, and a ¥305mn decline in cash and deposits. Non-current assets increased by ¥579mn to ¥3,313mn, with the main factors being the ¥498mn increase in intangible assets, as well as the recording of software assets. The balance of cash and deposits was ¥1,147mn.

Total liabilities decreased by ¥720mn compared to the end of FY3/21 to ¥1,172mn. Current liabilities declined ¥663mn to ¥1,167mn, mainly due to a ¥357mn decline in income taxes payable and a ¥261mn decline in notes and accounts payable-trade. Non-current liabilities decreased by ¥56mn, and the balance was ¥5mn. The Company has almost no interest-bearing debt and is close to debt-free operation. Total net assets increased ¥315mn to ¥4,671mn, mainly because retained earnings rose ¥319mn.

In the management indicators of stability, the current ratio was 216.8%, while the equity ratio was 78.4%. Therefore, the Company's financial stability is extremely high.

#### Consolidated balance sheets and management indicators

	(¥mn)		
	End of FY3/21	End of 1H FY3/22	Change
Current assets	3,515	2,530	-984
Cash and deposits	1,453	1,147	-305
(Notes and accounts receivable-trade and contract assets)	1,807	1,155	-651
Non-current assets	2,733	3,313	579
(Intangible assets)	819	1,318	498
Total assets	6,248	5,844	-404
Current liabilities	1,831	1,167	-663
Non-current liabilities	61	5	-56
Total liabilities	1,893	1,172	-720
Total net assets	4,355	4,671	315
Total liabilities and net assets	6,248	5,844	-404
<Stability>			
Current ratio (current assets ÷ current liabilities)	192.0%	216.8%	-
Equity ratio (shareholders' equity ÷ total assets)	68.2%	78.4%	-

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



## Growth strategies and topics

**In Corporate DX, the Company released highly convenient products for cloud authentication infrastructure and AI-based contract management. In Industrial DX, the Company is innovating operations in various industries**

The Company focused on R&D activities in the past few years and achieved results in a variety of industries through promotion of “〇〇 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 “〇〇 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. The Company targets a massive market. The Company estimates the potential global market size of Industrial DX and Corporate DX at roughly ¥160tn and ¥9tn just in Japan (estimated from Japan’s 5.8% share of global GDP in 2019). Assuming a market share on par with Optimal Biz (40%), this amounts to ¥3.6tn, and it is clear that the Company is pursuing the development of a large market.

### Introducing services offering new value one after another

#### 1. Corporate DX

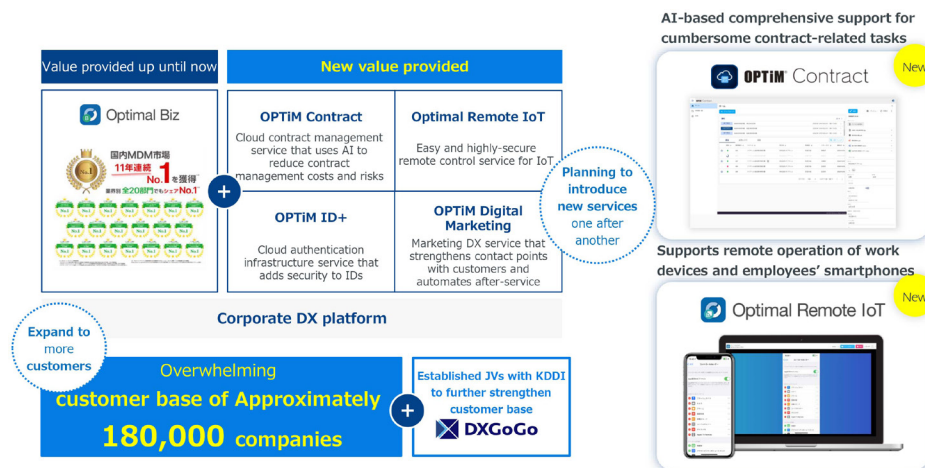
Corporate DX refers to digitalization for internal work improvement and better efficiency targeting all business types and industries. Demand for promotion of remote work, enhanced work efficiency, and cost savings through digitalization of office work is rapidly expanding in the COVID-19 pandemic environment.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

In September 2021, the Company launched sales of OPTiM ID+, a new cloud authentication infrastructure service that allows users to integrate cloud services log ins and strengthen ID security. Specific features of this service include “single sign-on” which allows users to log on to multiple cloud services with a single ID and password, as well as ID management, audit logs, access restrictions, multi-factor authentication, and user information linkage. It can also be used in conjunction with other services offered by the Company, such as Optimal Biz, as well as in conjunction with systems offered by other companies, including back office support cloud ERP jobcan, and remote access service moconavi.

Additionally, in June 2021, the Company launched sales of OPTiM Contract, an AI-based contract management service. This service allows users to efficiently manage contracts, including classification/ registration, searches and inquiries/notifications, user file authority management, and other tasks. The service is on the OPTiM Cloud IoT OS platform, which allows users to manage contracts in a safe and secure environment. These functions are based on the patent for AI analysis and management system for contracts which won the Minister of Education, Culture, Sports, Science, and Technology Award at the 2021 Kyushu Regional Invention Awards.

## Growth strategies and topics

### Development of new services in Corporate DX



Source: Company materials

## Dramatic increase in the number of devices connected to AI/IoT platform and killer services for industry

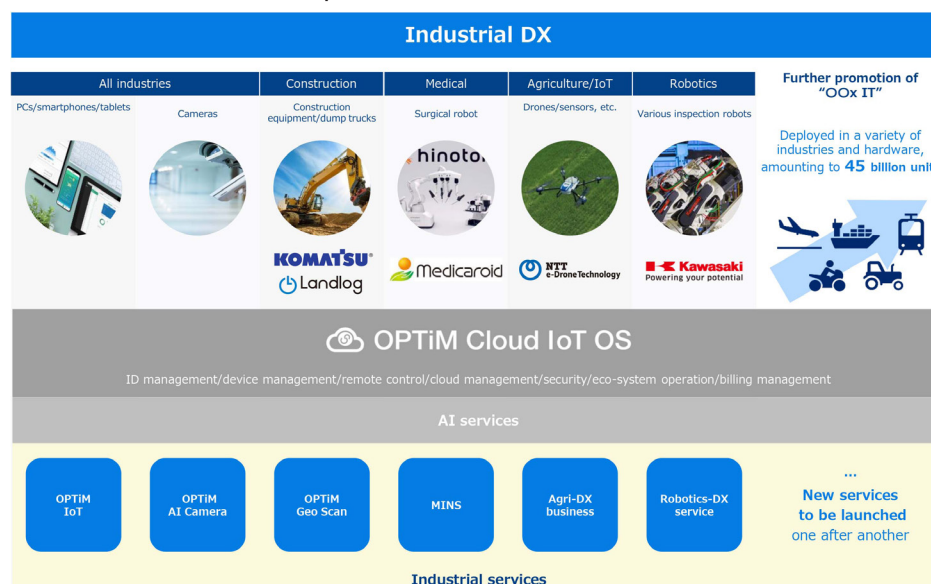
### 2. Industrial DX

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 the “○○ x IT” strategy up to now, the Company aims to connect with 45 billion devices worldwide and provide killer services for industries by strengthening device coverage and advancing the development of killer services for industries.

Initiatives in Industrial DX include the full-fledged release of OPTiM Geo Scan in May 2021. This is an app that enables users to acquire high-precision 3D data by simply scanning surveyed objects such as soil structures with a smartphone or tablet equipped with a LiDAR sensor. This app is expected to be used in small project sites where it is difficult to use drones and laser scanners, or other equipment. Compared to conventional light wave surveying, the surveying time can be shortened up to 60%, while compared with existing 3-D surveys (drones, laser scanners, etc.), costs can be reduced more than 80%. Also, this app is helpful because the user does not need any expertise to do a survey, and one person can easily do a survey on their own, which is helpful for resolving the shortage of labor and engineers. In September 2021, the app was connected to the ScanX service, a software that processes 3-D point cloud data, which made the service even more convenient.

### Growth strategies and topics

#### Development of new services in Industrial DX



Source: Company materials

## Outlook

### Expecting 22nd straight fiscal year of sales increases since the Company's founding and ¥2,000mn (upper limit of range) in ordinary profit in FY3/22

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 has left its initial forecasts from the beginning of the fiscal year unchanged, and is forecasting ¥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 leading company in the Fourth Industrial Revolution.

## Outlook

The Company is aiming to achieve record high sales for the 22nd consecutive fiscal 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. The progress rate vis-à-vis the Company's full-year forecast (rate of progress with respect to the upper limit of the full-year forecast range) was 39.0%, which was on par with the previous year (40.6%). Considering the Company's track record of sales growth at over 20% (+22.3% in FY3/20, +29.9% in FY3/19, and +27.0% in FY3/18), and given the current status of the recovery from the COVID-19 pandemic and the enthusiasm among companies for deploying DX, we at FISCO think there is a strong likelihood that the Company will achieve sales at the upper limit of the range (+20.0% YoY).

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 "〇〇 x IT" killer services. The 1H progress rate vis-à-vis the full-year forecast (rate of progress with respect to the upper limit of the full-year forecast range) was 28.6%, which exceeded the progress rate in the year-earlier period (18.0%), and additionally, the Company's earnings are weighted towards the 2H, and this trend is even stronger for each profit line. The Company will continue to record software assets which it started doing in FY3/21, and as a result, we at FISCO think that the Company's profit forecasts are feasible, even while continuing to aggressively invest in growth.

## FY3/22 results outlook

(¥mn)

	FY3/21		FY3/22		YoY	1H progress rate
	Results	Vs. net sales	Forecast	Vs. net sales		
Net sales	7,517	100.0%	8,269 ~ 9,020	100.0%	10.0 ~ 20.0%	39.0%
Operating profit	1,808	24.1%	1,121 ~ 2,000	13.6 ~ 22.2%	-38.0 ~ 10.6%	28.6%
Ordinary profit	2,000	26.6%	1,121 ~ 2,000	13.6 ~ 22.2%	-43.9 ~ 0.0%	25.8%
Profit attributable to owners of parent	1,237	16.5%	695 ~ 1,240	8.4 ~ 13.7%	-43.8 ~ 0.2%	25.8%

Note: 1H progress rates are the progress rates vis-à-vis the upper limits of the FY3/22 forecast ranges  
Source: Prepared by FISCO from the Company's financial results

## ESG initiatives

### Contributing to society through innovation since its founding

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. The Company's Management Philosophy is "Try hard to create universal technology/services/business models that influence people all over the world in a good way," and the Company is actually contributing to society through innovation. The Company also takes diversity, relationships with local communities, and governance into consideration in its management and operations. Some examples are described below.

# ESG initiatives

## (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.

### 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) Medical × IT: online medical care services

The Company is addressing the issues of regional differences in medical care, 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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■ For inquiry, please contact: ■

FISCO Ltd.

5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062

Phone: 03-5774-2443 (IR Consulting Business Division)

Email: [support@fisco.co.jp](mailto:support@fisco.co.jp)