

Terilogy Co., Ltd.

3356

TSE JASDAQ Standard

7-Aug.-2020

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■ Summary

An IT solutions provider with a strong ability to find “emerging technologies” and “marketable products” and its “market response.” Aiming to secure higher sales for the fourth consecutive fiscal year in FY3/21 despite the coronavirus crisis

1. Company profile and business description

Terilogy Co., Ltd.<3356> (hereafter, also “the Company”) is an IT company that has been providing IP network-related products and cutting-edge products and solutions in the network security field since it was founded in July 1989 (the first year of the Heisei era). Its corporate philosophy is “to respond to the needs of our customers and ensure their full satisfaction,” and in the Heisei era, it expanded its business areas to contribute to the construction and development of an Internet society under the slogan “In collaboration with customer.” Today, in the Reiwa era, the Company is working to provide solutions to meet the demands of the present age such as productivity improvements, work-style reforms, the new way of life under the novel coronavirus disease (COVID-19) and for inbound demand-related under its new slogan “No.1 in Quality.”

From the Company’s corporate history, it can be read that it has quickly ascertained the trends of broadband, mobile, and cybersecurity and expanded its business areas to them with the corporate IP network business as its original business. Also, the Company considers its own strengths to be, 1) its ability to find “emerging technologies” and “marketable products” and its “market response,” 2) wide selection of customer solutions, 3) diverse service provision approaches, 4) technical capabilities rooted in experience, and 5) global response capabilities. In particular, the first strength listed above is used in its partnering strategy, which is a feature of the Company, and this is considered to be the core competence on which all other strengths are based.

The Company is currently developing business activities in four sections by products and services; the Network Section, the Security Section, the Monitoring Section, and the Solutions Services Section. Its features include that it has established a 24-hours a day, 365-days a year maintenance system and an excellent distribution function that combines direct and indirect sales.

2. Third consecutive year of higher sales and profits, as both profitability and financial structure are improving

In the FY3/20 consolidated results, net sales increased 10.7% year on year (YoY) to ¥4,051mn, operating income rose 8.0% to ¥263mn, and ordinary income grew 25.4% to ¥288mn, as both sales and profits increased for the third consecutive fiscal year.

Looking at the financial indicators, the improvement in profitability was added to the equity financing effect, resulting in a significant increase in cash and deposits as well as shareholders’ equity. There was also a large improvement in indicators of financial stability, including the equity ratio and the current ratio. As a result, the non-consolidated retained earnings, which is normally the source of dividends, still is at a high enough level even after paying the FY3/20 year-end dividend.

Summary

3. The Company forecasts higher sales and lower profits for FY3/21 results

For the FY3/21 consolidated results, as conservative projections considering the COVID-19 pandemic, the Company has announced that it expects sales to increase but profits to decline, with net sales rising 3.2% YoY to ¥4,180mn and operating income to decline 24.2% to ¥200mn. The reason that the Company is projecting lower profits despite its forecast for higher sales in each business section is that it has factored in an increase in personnel expenses due to aggressive expansion of headcount, and higher development costs for its own products. Also, the Company is expecting to maintain a period-end dividend of ¥5 per share.

4. Announcement of new medium-term management plan postponed to 2021

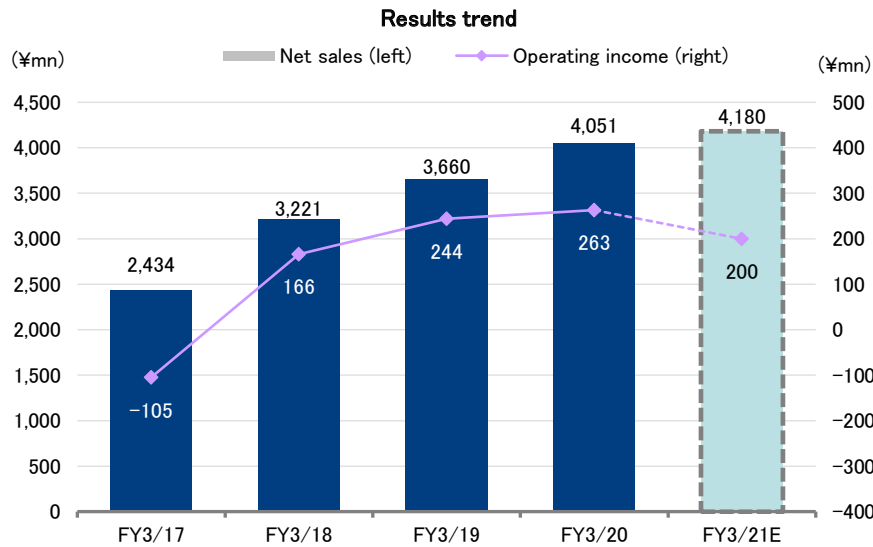
The Company has stated that it will “implement measures for public relations and publicity activities aimed at improving medium- to long-term and sustainable corporate value, while also aiming to maximize corporate value.” Because FY3/20 was the final fiscal year of the previous medium-term management plan, the Company was preparing to announce a new medium-term management plan with FY3/21 as the first year, but this has been postponed due to the COVID-19 pandemic.

The next medium-term management plan will likely be formulated with FY3/22 as its first fiscal year. In the new medium-term management plan, we can expect the Company to present an equity story that combines a detailed action plan to pursue organic growth with an M&A strategy based on a highly-convincing financial strategy.

Key Points

- An IT solutions company that has accumulated a track record in the 30 years since its foundation. The Company is currently conducting business activities through four sections; the Network Section, the Security Section, the Monitoring Section, and the Solutions Services Section
- From the Company’s corporate history, it can be read to have a track record of accurately ascertaining the trends of the times and skillfully changing its business focus areas to reflect them
- Also utilizing its core competence, its ability to find “emerging technologies” and “marketable products” and its “market response,” in its partnering strategy
- In light of the impact of the COVID-19 pandemic, the Company is forecasting higher sales but lower profits in FY3/21
- Expected to present an equity story that combines a specific action plan to progress organic growth with an M&A financial strategy

Summary



Note: Results are non-consolidated up to FY3/17 and consolidated from FY3/18 onwards
 Source: Prepared by FISCO from the Company's securities report and financial results

Company profile

An IT solutions provider that continues to meet the demands of the present age.

Expecting initiatives responding to the new way of life under COVID-19

1. An IT solutions provider that continues to meet the demands of the present age

The Company is an IT company that has been providing IP network-related products and cutting-edge products and solutions in the network security field since its foundation in July 1989. In December 2004, it was newly listed on the JASDAQ Securities Exchange (currently, the Tokyo Stock Exchange (TSE) JASDAQ).

Its corporate philosophy is “to respond to the needs of our customers and ensure their full satisfaction,” and in the Heisei era, it expanded its business areas to contribute to the construction and development of the Internet society under the slogan “In collaboration with customer.” Today, in the Reiwa era, the Company is working to provide solutions to meet the demands of the present age such as productivity improvements, work-style reforms, the new way of life under COVID-19 and for related of inbound demand under its new slogan “No.1 in Quality.”

Company profile

2. Expanded its business areas to broadband, mobile, and security with the corporate IP network business as its original business

Looking at the Company's corporate history, it can be read that it has quickly ascertained the trends and expanded its business areas to them with the corporate IP network business as its original business. These include 1) the rapid shift from Internet communication using telephone lines and ISDN lines to high-speed Internet communication using broadband lines, such as ADSL and FTTH, 2) the arrival of the mobile era against the backdrop of the spread of smartphones, and 3) the increasing importance of cybersecurity in Internet society.

The Company's corporate IP network business began in 1990 when it entered-into a distribution contract with Wellfleet of the US and started to provide routers (telecommunications equipment for relaying two or more different networks, which are one of the main products to build IP networks. Although Wellfleet does not exist today, in 1998 the company was acquired by Nortel (Canada), the world's second largest computer network device company at the time, to compete against Cisco Systems, Inc. <CSCO> of the US founded in 1984, which was the largest company back then. The Company's discovery of Wellfleet in 1990 can be said to be a good example of its ability to find "emerging technologies" and "marketable products." Currently, the Company is a supplier that handles the routers manufactured by Cisco Systems.

In the broadband area, in 1999 the Company started to provide ADSL-connection software, and subsequently it developed hit products with more than 10 million users, which became a bridgehead into a business for major telecommunication companies. Also, in 1999, it concluded a distribution contract with Redback Networks of the US, and through the introduction of broadband access servers and other products, it contributed to building the FTTH networks of various electric power companies. Also, in mobile-related, it realized growth for DNS/DHCP appliances manufactured by Infoblox Inc. of the US (devices to issue an IP address) and in-house developed solutions for monitoring networks have become its core products following the spread of smartphones. The Company was the first in Japan to conclude a distribution contract with Infoblox of the US, which was founded in 1999. Currently, DNS/DHCP appliances manufactured by Infoblox are handled by major companies in Japan and have acquired the position of being the de-facto standard, so this can also be evaluated as indicating the Company's "foresight."

In the Security field, the Company has provided wide-ranging solutions by concluding a domestic (Japan) master reseller contract with TippingPoint of the US, when it was independent in 2004 (it was acquired by Hewlett-Packard of the US in 2010 and acquired by Trend Micro Inc. <4704> in 2015) followed by concluding reseller contracts with OneSpan Inc. <OSPN> (formerly VASCO) in 2007, Lastline of the US in 2012, RedSeal of the US in 2015, Tempered Networks of the US and KELA (Israel) in 2016, and Nozomi Networks of the US in 2018 (domestic (Japan) reseller contract with Tempered Networks), which is enabling it to provide solutions over a wide range.

Company profile

Company history

July 1989	Terilogy Co., Ltd. established in Kanda, Chiyoda-ku, Tokyo. Enterprise networks business launched.
Apr. 1991	Maintenance outsourcing contract signed with Toshiba Engineering Corporation (now Toshiba IT-Services Corporation) and maintenance service business launched.
May 1996	Outsourcing contract signed with Tokyo NTT Data Communication Systems Corporation (now NTT Data Business Systems Corporation) and customer solutions business launched.
Nov. 1999	Distribution contract signed with American company Redback Networks, Inc. and broadband network business launched, encompassing sales of Redback Networks broadband access servers, Ethernet software from American company Network Telesystems, Inc. (now Affinegy, Inc.), and other such products.
Jan. 2003	DNS/DHCP servers distribution contract signed with Infoblox Inc. of the US.
Oct. 2004	Domestic (Japan) master reseller contract signed with American company TippingPoint Inc. (now Trend Micro Incorporated.).
Dec. 2004	Listed on JASDAQ Securities Exchange.
Sep. 2005	Certified under ISO 27001 information security management system (ISMS) standards.
Nov. 2005	Basic agreement on business collaboration signed with UNIADDEX, Ltd. based on capital tie-up agreement.
Dec. 2006	Domestic (Japan) master reseller contract signed with American company NETSCOUT (now NETSCOUT Systems, Inc.).
Feb. 2007	Distribution contract signed with Belgian company VASCO Data Security International, Inc.
Mar. 2007	Certified under ISO 14001 environmental management system (EMS) standards.
Oct. 2008	Distribution contract signed with Singaporean company eG Innovations Pte Ltd.
Apr. 2010	Following merger of JASDAQ Securities Exchange and Osaka Securities Exchange, Terilogy listed on Osaka Securities Exchange JASDAQ.
Aug. 2010	Domestic (Japan) reseller contract signed with American company APCON, Inc.
Feb. 2011	Asia-Pacific distribution contract signed with American company SevOne, Inc.
June 2012	Sales begun of "momentum," a unique probe software product developed in-house at Terilogy.
Sep. 2012	Distribution contract signed with American company Lastline, Inc.
July 2013	Following merger of Osaka Securities Exchange and Tokyo Stock Exchange, Terilogy listed on JASDAQ (Standard).
July 2013	Fullflex ZG master reseller contract signed with Accense Technology, Inc.
July 2015	Sales begun of CloudTriage, a unique, cloud-based operations monitoring service by Terilogy.
Dec. 2015	Distribution contract signed with American company RedSeal, Inc.
Apr. 2016	Distribution contract signed with Taiwanese system integration company SYSCOM.
Oct. 2016	Distribution contract signed with Canadian company Wedge Networks, Inc.
Oct. 2016	Exclusive domestic reseller contract signed with American company Tempered Networks, Inc.
Nov. 2016	Distribution contract signed with Israeli company KELA.
Jan. 2017	Basic agreement on business collaboration signed with NCXX Group Inc. based on capital tie-up agreement.
Jan. 2017	Basic agreement on joint security-product marketing signed with FISCO Ltd.
Jan. 2017	Basic agreement on business collaboration in the area of transaction security with Fisco Cryptocurrency Exchange Inc.
Jan. 2017	Basic agreement on business collaboration in the area of joint product development for blockchain technology applications signed with SJI Ltd (now CAICA Inc.).
Mar. 2017	Wholly owned subsidiary Terilogy Worx Corporation established.
Dec. 2017	Shares required for ICT-business corporation establishment acquired by ITX Corporation, and wholly-owned consolidated subsidiary Terilogy Serviceware Corporation established.
Apr. 2018	Distribution contract signed with American company Nozomi Networks Inc.
July. 2018	Sales begun of EzAvater, Terilogy's unique, ultra-simple robotic process automation (RPA) tool.
Jan. 2019	Business tie-up agreement signed with Israeli company Harel-Hertz Investment House Ltd.
June 2019	Business tie-up with American company Sumo Logic.
July 2019	Consolidated subsidiary Terilogy Worx Corporation concluded distribution contract with American company BitSight.
Aug. 2019	Distribution contract concluded with Israeli company TechSee.
June–Sept. 2019	Distribution contracts for Company-developed RPA tool EzAvater concluded with Panasonic Solution Technologies Co., Ltd., Resona Gate Co., Ltd., Yamazakibuneidou, Inc., Nextage Co., Ltd., islenet Inc., UCHIDA ESCO Co., Ltd. <4699>.
Jan.–Feb. 2020	Distribution contracts for Company-developed RPA tool EzAvater concluded with Toppan Printing CO., LTD. <7911> and Hitachi Systems, Ltd.
Mar. 2020	Consolidated subsidiary Terilogy Serviceware Corporation concluded business tie-up with Towa Engineering Corporation.
Mar. 2020	Distributor contract concluded with Israeli company Radware Ltd.
Apr. 2020	Established joint venture with VIETNAM CYBERSPACE SECURITY TECHNOLOGY JOINT STOCK COMPANY, a subsidiary of Vietnamese telecom provider Hanoi Telecom, based on strategic business tie-up.
May 2020	Consolidated subsidiary Terilogy Serviceware Corporation acquired shares of IGL000 Inc., making it a subsidiary.
June 2020	Distributor contract concluded with Computer Engineering & Consulting Ltd. <9692> for Company-developed RPA tool EzAvater.

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

Company profile

3. Core competence is its ability to find “emerging technologies” and “marketable products” and its “market response”

The Company considers its strengths to be 1) its ability to find “emerging technologies” and “marketable products” and its “market response,” which is the discernment required to find and identify progressive, leading-edge technologies and deploy them in markets in ways adapted specifically to local customers; 2) wide selection of customer solutions, of a diverse selection of security and safety solutions for varying applications, encompassing everything from network infrastructure to communication endpoints; 3) diverse service provision approaches, of a flexible Terilogy-product provision comprising diverse intermixing of products and services, encompassing everything from products utilizing leading-edge technologies through to maintenance services, software products developed in-house, and new services; 4) technical capabilities rooted in experience, of technical strengths and abilities forged, since its founding, through three decades of reliable, customer-tailored service provision; and 5) global response capabilities, of products and services for global markets, including the rapidly growing markets of emerging nations in Asia. Each of these strengths is backed-up by a track record of results, but in particular, the Company’s ability to find “emerging technologies” and “marketable products” and its “market response” would seem to be its core competence on which all of the other strengths are based.

The Company’s ability to find “emerging technologies” and “marketable products” is “after accurately ascertain the trends of the times and incorporating them into its business areas, the ability to find the latest technologies in overseas venture companies and to conclude a distributor contracts and other contracts with them,” and it has no shortage of experience in discovering the latest technologies in overseas venture companies. In addition to Wellfleet and Infoblox, which were introduced as good examples in the previous section, we can also mention TippingPoint (Trend Micro), OneSpan, and Lastline as examples in the security field.

TippingPoint is a cybersecurity company specializing in IPS (Intrusion Prevention System) that was acquired by Trend Micro in 2015 for approximately US\$0.3bn. However, the Company concluded a domestic (Japan) master reseller contract and accumulated a track record with TippingPoint 11 years before its acquisition, and it continues to have a presence in which it is relied on by Trend Micro. Also, in 2007, the Company became the first in Japan to handle OneSpan’s one-time password technology, which today has been adopted by all of Japan’s megabanks and become an essential part of Internet banking. Moreover, in 2012, the Company started selling the targeted-attack countermeasure cloud services of Lastline of the US, and as is clear from the trend in the number of targeted-attack emails ascertained by the National Police Agency (2014: 1,723 cases→2015: 3,828 cases→2016: 4,046 cases→2017: 6,027 cases→2018: 6,740 cases), in recent years, malware and other targeted attacks have come to be recognized as a major threat. This example would seem to clearly demonstrate the Company’s ability to accurately ascertain the technological trends and cutting-edge technologies that it should precisely focus on as its business areas and its ability to find “emerging technologies” and “marketable products” with “foresight.”

So why do overseas venture companies select the Company as their partners? The reason is the height of its “market response” that it has fine-tuned since its foundation by implementing a management strategy that is supported by its corporate philosophy of prioritizing customers’ needs and levels of satisfaction.

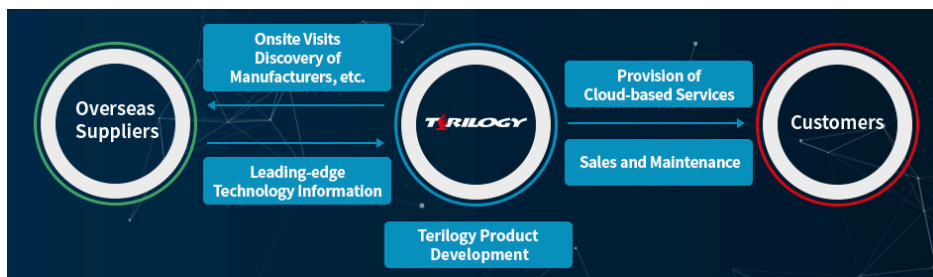
Company profile

The sources of the Company’s “market response” are 1) its ability to combine imported technologies with its proprietary technologies to develop solutions with high levels of customer satisfaction, and 2) its ability to fill-in missing parts by fully utilizing an alliance and M&A strategy. In general, even if venture companies are able to create good technologies and products, in many cases they are inferior to major companies in the value chain for aspects like maintenance and sales. But in the case of the Company, in 1991, two years after it was founded, it concluded a maintenance outsourcing contract with Toshiba IT-Services Corporation (formerly Toshiba Engineering Co., Ltd.). For sales, one of its features is that it has not only established an indirect sales network, including through alliances, but that it has also worked to strengthen its direct sales force, such as by acquiring customer touch points through business and capital alliances and M&A.

The Company has been highly evaluated by influential customers for its active utilization of a partnering strategy for the entire value chain, from product development (combining imported technologies with its proprietary technologies) through to maintenance (in which the Company itself identifies problems and then outsources the actual maintenance work) and sales (using both direct and indirect agency network sales), and it is efficiently building an excellent customer base (more than 300 companies, mainly major companies, and it conducts business directly with around 90% of customers). This has formed the “excellent distribution capabilities in Japan” (a wealth of customer information, a maintenance system that operates 24 hours a day, 365 days a year, and extensive customer contact points through combining direct sales with indirect sales) and it became the deciding factor for the overseas venture companies to choose the Company as their partners in Japan.

In March 2020, the Company signed a distributor agreement with Israeli company Radware, which is one of the global leaders in areas such as network virtual environments and cybersecurity solutions, and is a publicly listed company on the NASDAQ market in the US. A press release from Nihon Radware K.K. stated, “Terilogy has a track record of creating Japanese markets by providing numerous overseas cutting-edge technologies to the Japanese market. Terilogy has achieved stable operation and management of technologies and products that previously had no track record in the Japanese market, and has earned the trust of Japanese customers for many years. Radware expects synergies between the strong solutions proposing and support capabilities provided by Terilogy and the technical capabilities that have allowed Radware to be regarded as an industry leader, and has decided to conclude a distributor contract this time, judging that Radware can provide integrated security solutions to Japanese corporate customers, including main products “Cloud WAF Service,” “Bot Manager” and “Cloud Workload Protection.” We view this as proof that the Company’s ability to find “emerging technologies” and “marketable products” and its “market response” is viewed positively by overseas technology companies.

The Company’s value chain



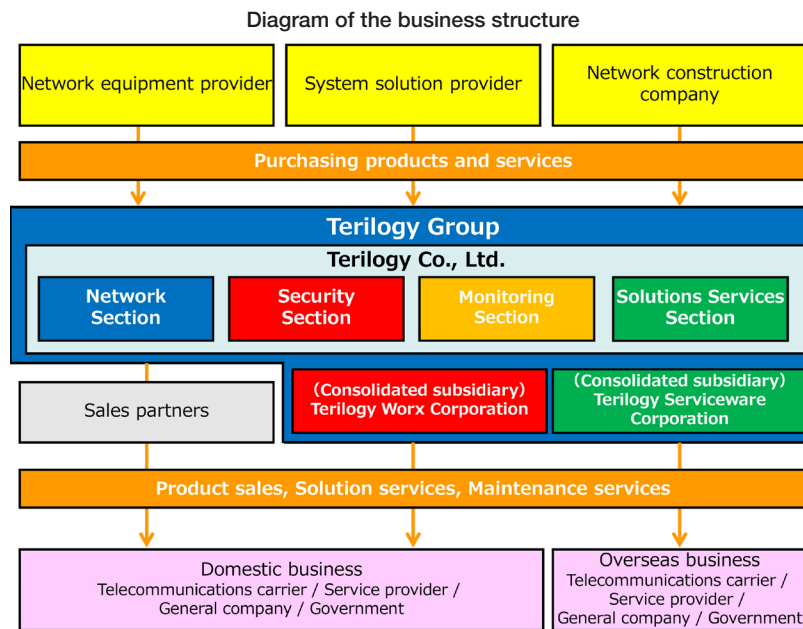
Source: The Company's website

Business description

Engages in business in four sections; the Network Section, the Security Section, the Monitoring Section, and the Solutions Services Section

1. Develops its business in four sections by products and services

The Company does not disclose segment information, but it develops its business activities in four sections according to products and services; the Network Section, the Security Section, the Monitoring Section, and the Solutions Services Section.






Source: The Company's securities report

2. Network Section

In the Network Section in FY3/20, net sales were ¥896mn, which provided 22.1% of total net sales. The main products and services it handles are 1) network products (routers, switches, and wireless LAN, DNS/DHCP), 2) design and build of in-company information and communication systems and infrastructure, and 3) sales of a wide range of network-related products, such as TV conferencing systems, and provision of professional services. The Company takes pride in its ability to provide solutions optimized to meet customer needs because of the track records accumulated in the 30 years since its foundation. In addition, it has a system in place to respond 24 hours a day, 365 days a year for the maintenance work for the networks and incidental devices provided by this section.

Business description

Main products in the Network Section









 <p>Network</p> <p>Alteon ADC-vx Up to a maximum of 28 virtual ADC (vADC) loaded on one dedicated ADC hardware unit. Able to consolidate and integrate multiple ADC</p>	 <p>Network</p> <p>Appliances NonStop/distribution/centralized management for identity-driven networks, such as DNS/DHCP/RUDIUS</p>	 <p>Network</p> <p>Aerohive Fully control-less, cloud-based next-generation WiFi solutions</p>
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Source: The Company's website

3. Security Section

In the Security Section in FY3/20, net sales were ¥1,645mn, which provided 40.6% of total net sales and it is the Company's main business pillar. The main products and services it handles are 1) network security products (firewalls, intrusion detection and prevention countermeasures, information leakage countermeasures, etc.), 2) security authentication infrastructure (identifying service users on a network), and 3) security systems to prevent unauthorized intrusions (one-time password products). In addition, it has a system in place able to respond 24 hours a day, 365 days a year for maintenance work for the security devices and software products provided by this section.

Main products in the Security Section

 <p>Security</p> <p>Lastline Protection from the latest threats in customers' public cloud environments (cloud infrastructure and cloud email) and in on-premises environments.</p>	 <p>Security</p> <p>Trend Micro TippingPoint Has the leading track record for intrusion prevention systems as in-line type and network-type IPS appliances</p>	 <p>Security</p> <p>One Span (Former Vasco Data Security) Secure user authentication that is more secure than fixed passwords by using a hard-software token to automatically generate a disposable, one-time password</p>	 <p>Security</p> <p>KERA A consulting service that detects and collects information that threatens companies interacting with the Darknet, and then provides analysis results.</p>
 <p>Security</p> <p>Nozomi Networks Provides asset management, real-time monitoring, abnormality detection, and vulnerability judgments for Industrial Control Systems (ICS)</p>	 <p>Security</p> <p>REDSEAL Realizes proactive security by automatically generating an access map and attaching the results of a scan of the access map's vulnerabilities.</p>	 <p>Security</p> <p>Tempered Networks Easily realize secure networks – Secure Networking Made Simple –</p>	 <p>Security</p> <p>Cloud WAF Service Provides the industry's best Web app security with a positive security model based on machine learning technologies.</p>

Source: The Company's website

Business description

4. Monitoring Section

In the Monitoring Section in FY3/20, net sales were ¥663mn, which provided 16.4% of total net sales, while a feature of this section is the handling of the Company’s own-brand products. The main products and services it handles are 1) packet analysis using an in-house developed product (momentum), 2) cloud-based monitoring services (CloudTriage), and 3) network operation, management, and monitoring devices. In addition, it has a system in place able to respond 24 hours a day, 365 days a year for the maintenance work for the in-house developed products (momentum), and network operation, management, and monitoring devices and software products provided by this section.

The Company’s own brands are “momentum,” (network packet capture products developed completely in-house), which constitutes the core of the Monitoring Section, and “CloudTriage” (IT systems operation monitoring cloud services managed under its own brand), which use a monthly billing model and forms part of the support business section. In “momentum,” data (packets) exchanged on a network are collected in a storage device and analyzed and made visible in order to validate service quality, specify locations of defects, and provide support measures. It is, so to speak, a drive recorder-like solution on a network, and the Company has successfully acquired important customers, such as major mobile communication carriers. Also, “CloudTriage” measures the operation conditions of IT systems from the user’s viewpoint, and in the event of a decline in performance, like a delay in remote access, it specifies the cause. It is provided inexpensively as a monthly billing cloud service.

Main products in the Monitoring Section

<p>CloudTriage</p> <p>Operation & management CloudTriage RCA</p> <p>Skillfully identifies bottlenecks in the user’s system and presents improvement points.</p>	<p>momentum</p> <p>Operation & management momentum</p> <p>High performance capture ring software that enables high-speed packet capture and packet storage.</p>	<p>eG Enterprise</p> <p>Operation & management eG Enterprise</p> <p>Conducts real-time monitoring of IT infrastructure, makes visible performance, analyzes the causes of problems, and automates specified tasks</p>	<p>SevOne</p> <p>Operation & management SevOne</p> <p>A high-speed network performance management tool that collects and monitors every kind of data and enables application identification</p>
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Source: The Company’s website

5. Solutions Services Section

In the Solutions Services Section in FY3/20, net sales were ¥845mn, which provided 20.9% of total net sales. The main products and services it handles are 1) an in-house developed software Robotic Process Automation (RPA) tool (EzAvater), 2) a multi-lingual real-time video interpretation service (Mieru-Tsuyaku), 3) a cloud-based, managed VPN service (MORA VPN Zero-Con), 4) a Web conference service (MORA Video Conference), 5) a corporate Internet connection service (MORA Hikari), and 6) a high-speed mobile data communication service (MORA Mobile).

Main products in the Solutions Services Section

<p>EzAvater</p> <p>Operation & management RPA EzAvater</p> <p>An RPA tool developed in-house for customers who want to build robots and automate routine tasks.</p>	<p>Mieru-Tsuyaku</p> <p>Network A multi-lingual video interpretation service</p> <p>A video interpretation service useable with 10 languages, including English, Chinese, and Vietnamese, and sign language (Japanese sign language) by connecting to an interpretation operator.</p>	<p>MORAVPN Zero-Con</p> <p>Security Inter-site VPN services</p> <p>One stop managed a simple connection, low-cost VPN service that ensured a location change for customers at the time of installation or during connection failure.</p>	<p>MORAVIDEO CONFERENCE</p> <p>Network MORA Video Conference A fully pay-as-you-go WEB conference (TV conference) service</p> <p>A Web conference service that the Company has provided for more than 10 years that realizes a worry-free, simple connection with a stable operating rate of 99.9%</p>
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Source: The Company’s website

Business description

The core of this section is formed by Terilogy Serviceware Corporation (changed corporate name from ITX Corporation's corporate ICT services business that was acquired from the Nojima Corporation <7419> Group in December 2017), and in its M&A strategy, the Company is acquiring new business domains and a customer base of medium-sized and SME customers, which it has had few of in the past. The point to focus on for this is the lineup of new products matched to medium-sized and SME customer groups, such as the RPA tool (EzAvater) which is attracting attention toward realizing work-style reforms and improved work efficiency, and the multi-lingual, real-time video interpretation service (Mieru-Tsuyaku), which can be used to respond to inbound demand.

The features of "EzAvater" include it is extremely easy (robots for everyone = intuitive operations to enable the creation of scenarios to automate routine tasks), it makes delays unlikely (the robots work at the speed of the system, and it creates templates for exception processing and realizes stable operations), it does not matter what app is used (through the adoption of image recognition technology, work can be automated regardless of the app, as long as it is operating on Windows) and it can start small (can be introduced starting from a single PC). Due to these features, "EzAvater" overcomes many of the weaknesses of RPA tools, such as that if there is no specialist IT department, it is difficult to create the robots and the introduction costs and maintenance burden are large. This software made it possible for a utilization method that creates robots that reflect the needs of work sites in each department and to have them carry out daily management tasks. For sales of "EzAvater," the Company is actively utilizing a partnering strategy (it has introduced the Gold Partner system) with the aim of spreading its use among a wide range of user groups, and during 2019 the Company concluded distributor contracts in rapid succession with NCXX Solutions Inc., Panasonic Solution Technologies Co., Resona Gate Co., Ltd., Yamazakibunaidou, Inc., Nextage Co., Ltd., isinet Inc., and UCHIDA ESCO Co., Ltd. <4699>. Since the start of 2020, the Company has concluded distributor contracts with Toppan Printing Co., Ltd. <7911>, Hitachi Systems, Ltd., and Computer Engineering & Consulting Ltd. <9692>.

■ Results trends

In FY3/20, sales and profits increased for the third consecutive fiscal year.

The financial structure has significantly improved even accounting for the outflow of cash accompanying the resumption of dividends

1. FY3/20 results in which sales and profits increased for third consecutive fiscal year

In the FY3/20 consolidated results, net sales increased 10.7% YoY to ¥4,051mn, operating income rose 8.0% to ¥263mn, ordinary income grew 25.4% to ¥288mn, and net income attributable to owners of parent climbed 3.5% to ¥214mn. Given the fact that sales and profits effectively increased in FY3/18 when the Company switched to disclosing consolidated results, this marked the third consecutive fiscal year that both sales and profits increased. Both net sales and operating income fell short of the initial forecasts (98.1% and 94.2% of the initial forecasts, respectively), but ordinary income exceeded the initial forecast by 10.8%, while net income attributable to owners of parent exceeded the initial forecast by 19.3%. The large increase in ordinary income compared to the increase in operating income is largely due to foreign exchange gains and losses, and the small growth rate in net income attributable to owners of parent is due to the decline in gain on sales of investment securities.

Results trends

Simplified income statement

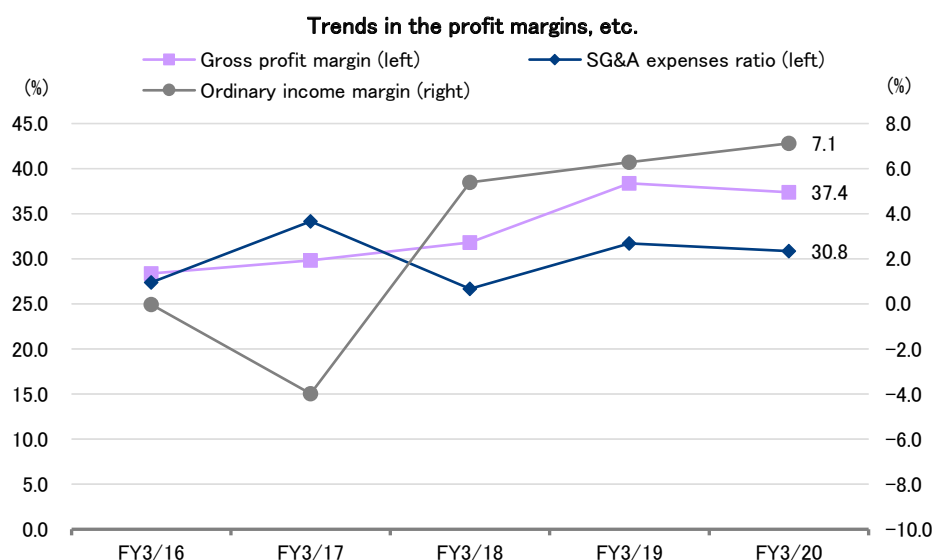
	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20
Net sales	2,804	2,639	2,434	3,221	3,660	4,051
YoY	9.5%	-5.9%	-7.7%	-	13.6%	10.7%
Cost of sales	2,226	1,890	1,709	2,197	2,256	2,537
YoY	19.2%	-15.1%	-9.6%	-	2.7%	12.5%
Gross profit	577	748	725	1,024	1,403	1,513
YoY	-16.6%	29.7%	-3.0%	-	37.0%	7.8%
SG&A expenses	789	721	831	858	1,159	1,249
YoY	-3.0%	-8.6%	15.2%	-	35.0%	7.8%
Operating income	-212	26	-105	166	244	263
YoY	-	-	-	-	47.0%	8.0%
Ordinary income	-207	-0	-97	173	229	288
YoY	-	-	-	-	32.3%	25.4%
Net income	-211	-19	-99	154	207	214
YoY	-	-	-	-	34.6%	3.5%

Note: Results are non-consolidated up to FY3/17 and consolidated from FY3/18 onwards

From FY3/18, net income attributable to owners of parent

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

The gross profit margin has improved greatly, from 20.6% (non-consolidated) in FY3/15 to 37.4% in FY3/20 (a 0.9 percentage point YoY decline), and has remained at a high level. This confirms the effect of the improvement in the product mix due to the launch of the Company's own highly-profitable products and services. The FY3/20 SG&A expense ratio was 30.8% (0.9 percentage point YoY decline), which is higher than the 26.6% in FY3/18, which was the lowest level in the past 10 years (including non-consolidated results), but the ordinary profit ratio in FY3/20 was 7.1% (up 0.8 percentage point YoY), which was equal to FY3/04, which was the highest level since the Company's listing on the stock market. It can be said that the Company's earnings capability has improved significantly while it has been dealing with upfront investment costs such as the cost of developing its own products.



Note: Results are non-consolidated up to FY3/17 and consolidated from FY3/18 onwards

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

Terilogy Co., Ltd. | **7-Aug.-2020**
 3356 TSE JASDAQ Standard | <https://www.terilogy.com/english>

Results trends

At the end of FY3/20, total assets were ¥4,203mn (up ¥1,008mn YoY) and net assets were up ¥828mn YoY at ¥2,269mn. Notable changes compared to the end of FY3/19 on the assets side include the ¥831mn increase in cash and deposits and the ¥129mn increase in notes and accounts receivable – trade. Notable changes on the liabilities side include the ¥207mn increase in accounts payable – trade, and a ¥137mn decline in interest-bearing debt.

Based on the financial results report, ROE declined 7.2 percentage points YoY to 11.6%, but this was alongside the increase in shareholders' equity and is not a problem. In fact, ROA (Return on Assets) rose by 0.5 pp to 7.8%, which is its highest value in the last 10 years (including non-consolidated results), and overall, the profitability of assets continues to improve.

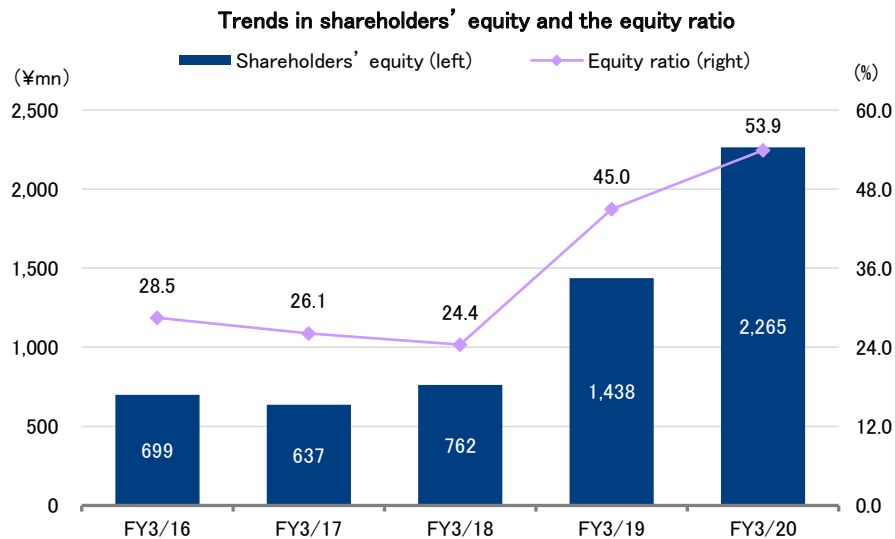
Simplified balance sheet

	End of FY3/15	End of FY3/16	End of FY3/17	End of FY3/18	End of FY3/19	End of FY3/20	Change
	(¥mn)						
Current assets	2,614	2,019	2,063	2,288	2,355	3,404	1,049
Cash and deposits	1,578	1,007	1,098	972	1,064	1,895	831
Notes and accounts receivable - trade	516	524	493	863	742	871	129
Inventory assets	45	64	24	35	56	102	45
Non-current assets	438	435	375	834	839	798	-41
Property, plant and equipment	121	108	93	131	148	147	-1
Intangible assets	76	87	63	381	353	339	-13
Investments and other assets	240	239	218	321	337	311	-25
Total assets	3,052	2,455	2,439	3,123	3,194	4,203	1,008
Current liabilities	2,219	1,676	1,752	2,312	1,314	1,626	312
Accounts payable - trade	388	106	315	252	243	451	207
Short-term borrowings	1,107	928	750	1,177	137	130	-7
Non-current liabilities	109	78	49	48	439	307	-131
Long-term borrowings	-	-	-	-	386	256	-130
Lease obligations	98	67	35	9	11	7	-4
Total liabilities	2,329	1,755	1,802	2,361	1,753	1,934	180
Interest-bearing debt	1,107	928	750	1,177	524	386	-137
Total net assets	723	699	637	762	1,441	2,269	828

Note: Results are non-consolidated up to FY3/17 and consolidated from FY3/18 onwards

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

Results trends



Note: Results are non-consolidated up to FY3/17 and consolidated from FY3/18 onwards
 Source: Prepared by FISCO from the Company's securities report

At the end of FY3/20, cash and cash equivalents were ¥1,500mn. Net cash provided by operating activities was ¥484mn, mainly due to net income before taxes of ¥290mn, while net cash used in investing activities was ¥24mn, which was not a major change versus the previous year. Meanwhile, net cash provided by financial activities was ¥464mn overall. This was due to ¥612mn in revenue from the issuance of shares accompanying the exercise of share acquisition rights, despite the ¥137mn outflow due to the repayment of long-term borrowings.

Simplified cash flow statement

	(¥mn)					
	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20
Net cash provided by (used in) operating activities (a)	150	-223	291	-55	374	484
Net cash provided by (used in) investing activities (b)	-49	-4	-0	-440	-55	-24
Net cash provided by (used in) financing activities	146	-231	-219	391	-218	464
Free cash flow (a) + (b)	100	-228	291	-495	318	459
Cash and cash equivalents at end of period	934	445	535	462	569	1,500

Note: Results are non-consolidated up to FY3/17 and consolidated from FY3/18 onwards
 Source: Prepared by FISCO from the Company's securities report and financial results

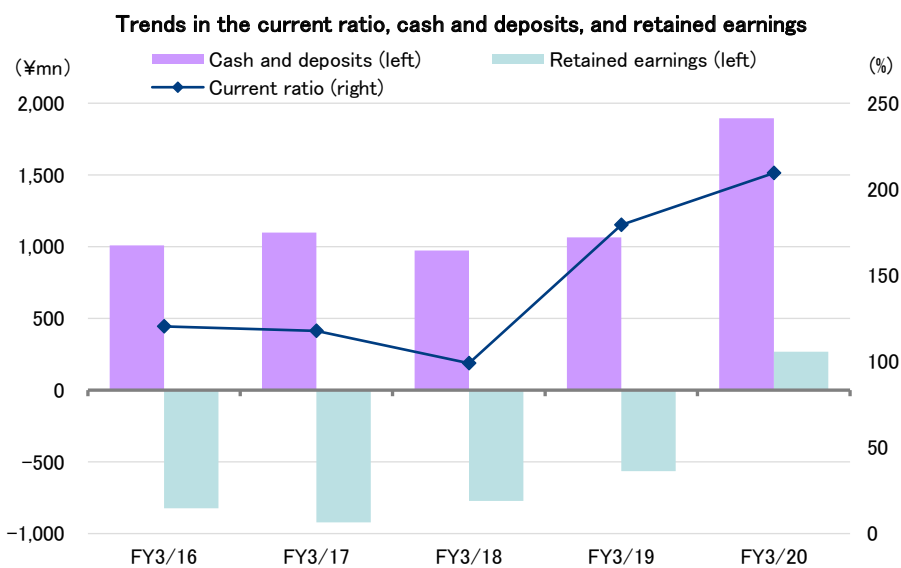
2. The financial structure has significantly improved even accounting for the outflow of cash accompanying the resumption of dividends

What is noteworthy about the FY3/20 results is the enhanced soundness of the financial structure. Looking at the key indicators of financial soundness, the equity ratio rose 8.9 percentage points YoY to 53.9%, a significant increase from 24.4% at the end of FY3/18, while the current ratio was 209.4% (versus 179.2% at the end of FY3/19), surpassing the 200% mark which indicates a sufficient level of ability to make payments. This is the result of the equity financing utilizing the Company's treasury shares in addition to the recovery in performance for the third consecutive fiscal year.

Results trends

Taking a closer look, in FY3/20 the Company made progress on reducing non-current assets and accumulating current assets, and cash and deposits were ¥1,895mn, accounting for 45.1% of total assets. In addition, shareholders' equity increased to ¥2,265mn, and retained earnings were ¥267mn, largely due to a transfer from capital surplus, and shifted from a negative level a year earlier (minus ¥565mn) to positive territory.

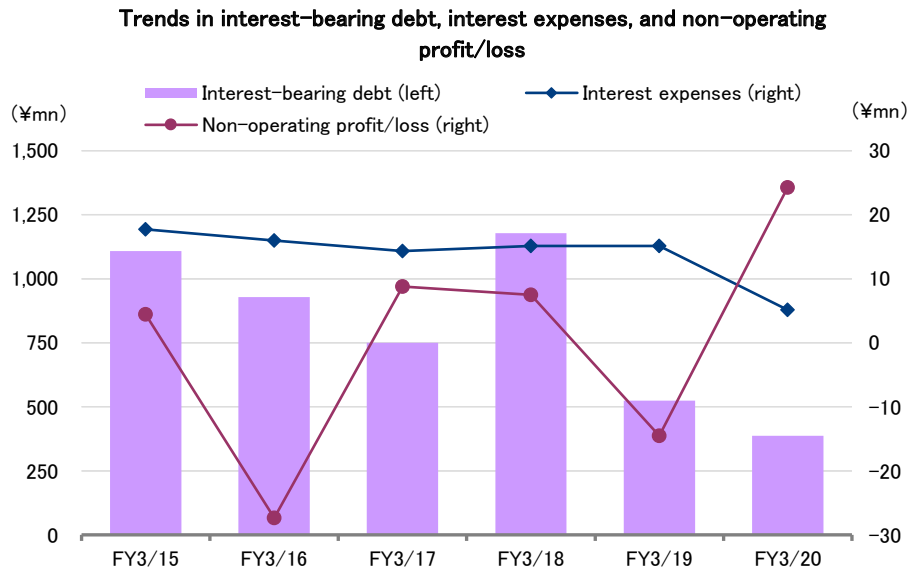
The Company needs just over ¥82mn to cover the dividend of ¥5 per share, and non-consolidated retained earnings, which is the normal source of dividend payments, stood at ¥156mn at the end of FY3/20 (compared to minus ¥617mn at the end of FY3/19), indicating that the Company has approximately two years' worth of the source of dividend payments.



Note: Results are non-consolidated up to FY3/17 and consolidated from FY3/18 onwards
 Source: Prepared by FISCO from the Company's securities report and financial results

Also, the greater soundness of the financial structure has led to an improvement in non-operating profit/loss. In the case of the Company, which handles imported goods as its mainstay products, the impact of foreign exchange profit/loss on non-operating revenue cannot be completely eliminated. However, in FY3/20, interest income was 3.2 times the level in FY3/19, and interest expenses were down 63.1% YoY, as the effects of reducing interest-bearing debt became apparent, which played a role in improving the non-operating profit/loss.

Results trends



Note: Results are non-consolidated up to FY3/17 and consolidated from FY3/18 onwards
 Source: Prepared by FISCO from the Company's securities report and financial results

■ Outlook

Four consecutive fiscal years of higher sales and profits set as a must-reach target despite the coronavirus crisis. The path to surpassing net sales of ¥5bn by acquiring new products is becoming more solid

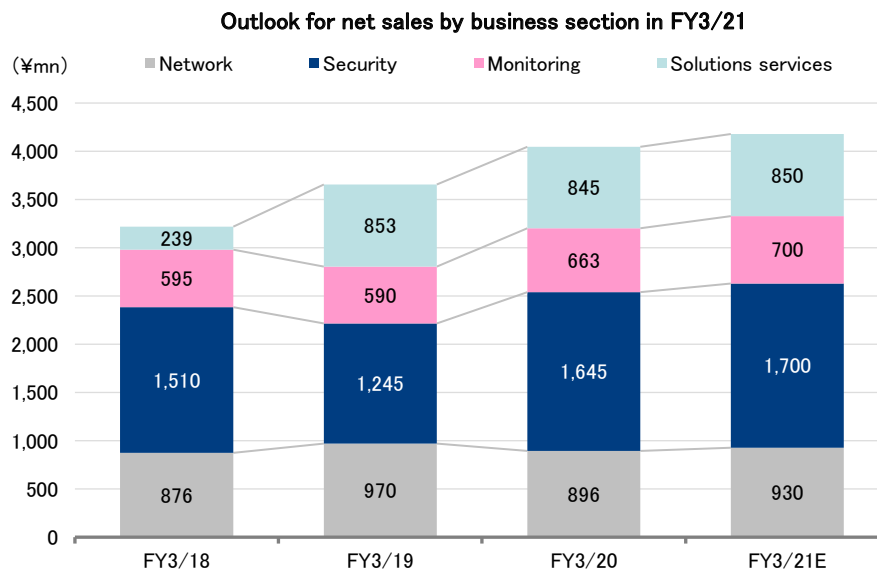
1. Company's announced projections for FY3/21 results are must-reach targets

For the FY3/21 consolidated results, the Company has announced that it projects sales to increase but profits to decline. Specifically, the Company is forecasting net sales to rise 3.2% YoY to ¥4,180mn, operating income to decline 24.2% to ¥200mn, ordinary income to fall 30.6% to ¥200mn, and net income attributable to owners of parent to decrease 34.8% to ¥140mn. The Company is projecting lower profits despite its forecast for higher sales due to the fact that it has factored in an increase in personnel expenses due to aggressive expansion of headcount, and higher development costs for its own products. Also, the Company is planning to pay a period-end dividend of ¥5 per share based on its shareholder return policy of targeting a dividend payout ratio of 50% or above.

The Company's announced projections are conservative, considering the impact of the COVID-19, and do not factor in the accumulation of revenue from the Radware business described below. Inside the Company, the announced figures are seen as "must-reach" targets, and even higher internal targets have been set. These targets aim to achieve double-digit sales growth and avoid a decline in profits for the fourth straight fiscal year. Looking at the April 2020 results, it appears that business got off to a solid start in FY3/21. Despite the fact that the Company did more hiring of new graduates than usual as an upfront investment, operating expenses (net sales-operating income) were 7% lower than the budgeted amount due to the effects of introducing remote work and telework, while the volume of sales activity actually increased. It seems that telecommuting continued through mid-June.

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Outlook



Source: Prepared by FISCO from the Company's materials

Looking at trends in quarterly net sales by business section. The Company is projecting net sales to increase in all business sections in FY3/21, despite the fact that net sales declined YoY in FY3/20 4Q in each business section except for the Security Section.

First of all, in the Security Section, network security projects and cyberthreat intelligence services are performing well in response to increased cyberattacks and cases of unauthorized access. The Network Section, which had been on a downward trend in sales since FY3/20 2Q due to the effect of large projects running their course, is expected to see an increase in sales, mainly due to recurrence of replacement demand for DHCP/DNS appliances made by Infoblox (US). In the Monitoring Section, the Company expects sales of “momentum,” the Company’s own product/service to continue to increase, based on successful efforts to receive orders focusing on the monitoring field.

The Solutions Services Section, where the mainstay product is “Mieru-Tsuyaku,” a multi-language, real-time video interpretation service, will be hurt by the major drop in foreign tourists to Japan due to the COVID-19 pandemic. However, the Company is still aiming for an increase in sales based on a number of initiatives, including drumming up demand for “Mieru-Tsuyaku” among foreigners living in Japan, bolstering the lineup of remote meeting services such as “Zoom,” and expanding the distributor network for “EzAvater,” an RPA tool developed by the Company.

Outlook

Trends in quarterly net sales by business section



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

2. Watching the Company's response to market changes amid the COVID-19

The Company outlines its key initiatives in FY3/21 as "responding to changes in the market due to the COVID-19 pandemic" and "the extra business strategy with a view to achieving net sales of ¥5bn." As concrete measures for the first initiative, the Company will focus on 1) cybersecurity measures targeting daily life and economic activities; 2) countermeasures against the rampant COVID-19; and 3) support for foreign language interpretation for foreigners residing in Japan concerning measures to deal with the COVID-19s.

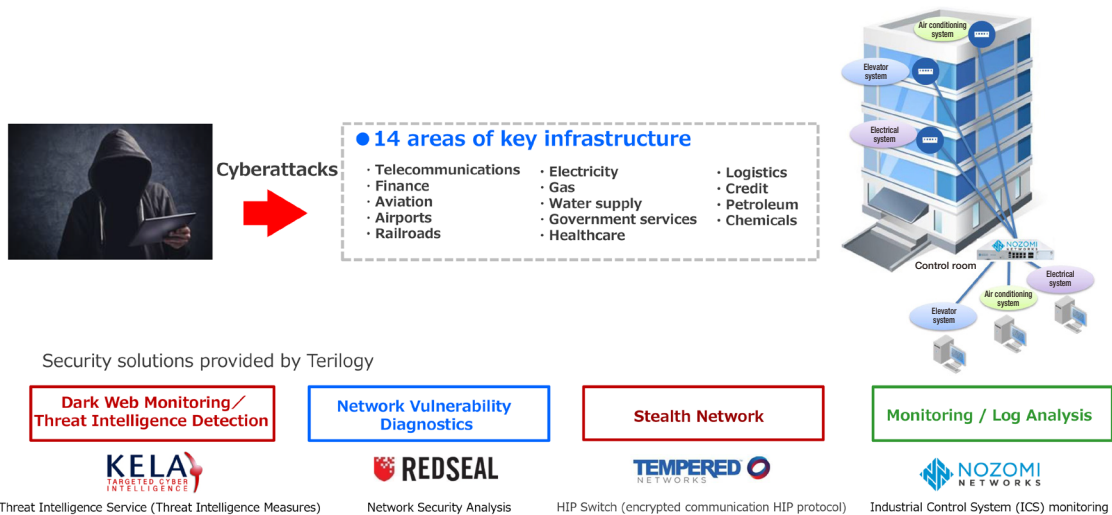
Outlook

In the Security Section, in addition to network security to counter cyberattacks and unauthorized access (network security analysis by RedSeal (US)), the Company has added cyber-intelligence services that collect and analyze malicious information such as that exchanged between cybercrime groups and to provide the intelligence on cyberthreats to contracting companies (Israeli company KELA's threat monitoring solutions that have a track record in preventing terrorism at the 2012 London Olympics and Paralympic Games), cybersecurity measures for factories and office buildings where IoT use has progressed (cyber-defense products manufactured by Tempered Networks (US) that protect the safety of companies' communications between sites), and industrial control systems (ICS) manufactured by Nozomi Networks (US) that quickly detect cyberthreats and abnormal processes in industrial control systems, such as in social infrastructure and in factories, to its service lineup.

The "new way of life" as announced by the Ministry of Health, Labour and Welfare includes examples of new work styles such as telecommuting, working in rotations, staggered starting times, open office spaces, online meetings, online business card exchanging, and holding in-person meetings in well-ventilated places with participants wearing masks. Indeed, companies must have robust online environments and tools in order to continue doing business these days. This current trend provides a clear tailwind for the Company, which provides network infrastructure-building, cybersecurity, network monitoring, and various other IT solutions.

Looking at the Company's service lineup, in terms of cybersecurity measures targeting daily life and economic activities, we believe that there will be significant business opportunities, including for 1) Continuation and extension of measures to bolster efforts targeting cyber-terrorism due to the postponement of the Tokyo Olympics and Paralympics; and 2) Response to threats such as cyberattacks/unauthorized access which will increase due to the progress in the shift to online by society as a whole.

Cybersecurity measures for daily life and economic activities



Source: The Company's results briefing materials

With respect to countermeasures against the rampant COVID-19, the Company is deploying value-added services using "Zoom," which is well-known among the general public and is used for online meetings as well as other events, including online drinking parties and the like. Specifically, by linking "Zoom" with "SumoLogic," a log management/analysis service, the Company is providing a service that enables customers to manage the usage status of online meetings, business negotiations, classes, and events etc., in ways that are optimal for the individual needs of users. The Company is also providing a remote service that enables interpretation among participants by linking the Company's "Mieru-Tsuyaku" to "Zoom" meetings or business talks with overseas offices or customers.

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Outlook

Various situations in which Zoom is used

 <p>Multi-site meetings Connects meetings to other meetings being held elsewhere. Helps reduce travel time and costs.</p>	 <p>Team meetings Members access meetings from where they are, thereby allowing timely information sharing without securing a meeting room.</p>	 <p>Telework Zoom provides smooth and safe communication even at low bandwidths, allowing for deep communication regardless of location.</p>
 <p>Inside sales Meetings with clients are also held remotely. Audio and video communications are a matter of course, but can also be used as a screen-sharing tool.</p>	 <p>Remote interpretation service Enables interpretation among participants by having an interpretation operator join calls with overseas offices or with overseas business partners.</p>	 <p>Online seminars You can send real-time information to up to 10,000 terminals. People can attend the lecture while staying where they are, so it is possible to hold lectures with a minimum time constraints for listeners.</p>

Source: The Company's results briefing materials

With respect to foreign language interpretation support for foreigners residing in Japan concerning measures to deal with the COVID-19, demand for the Company's multi-language real-time video interpreting service (Mieru-Tsuyaku) has been increasing. As the number of foreign residents in Japan increased for the seventh consecutive year, especially for people from Asian countries, local governments, medical institutions, and financial institutions have been needing to address the multi-nationalization of the services they provide, but the need to provide support about dealing with the COVID-19 to foreigners living in Japan has made such needs even more acute.

"Mieru-Tsuyaku" is a video interpretation service that is usable anytime, anywhere, and with one touch, by using a tablet or smartphone, with a call operator providing support, such as for customer service. It provides an interpretation service for English, Chinese, Korean, Thai, Russian, Portuguese, Spanish, Vietnamese, French, Tagalog, Indonesian, Nepalese, Hindi, and Japanese sign language for a flat rate (¥15,000 per month in the light plan, usable from 10am to 9pm, and ¥25,000 per month in the standard plan, usable 24 hours a day). The Company also offers a medical interpreting option (only in English, Chinese, and Korean, ¥35,000 per month).

The service is currently being offered to foreign nationals residing in Japan by the customers noted below. Local government customers include Shinagawa City Hall, Iizuka City Hall, Fussa City Hall, Miyakojima City Hall, Tsukuba City Hall, and Yomitan Village. Financial institution customers include Bank of Yokohama, Ltd. (all branches), while medical institution customers include the providers of medical service for the crew of the large cruise ship docked off the Port of Nagasaki (provided free of charge). Among drugstores, customers include Tomod's, OHGA Pharmacy (Fukuoka Prefecture), and Cocokara Fine <3098>. Preparations for a second and third wave of COVID-19 will likely be needed, so demand for the service should increase even more.

3. Acceleration of the partner strategy anticipating net sales to surpass ¥5bn

In the "extra business strategy with a view to achieving net sales of ¥5bn," the Company will continue to pursue 1) Business growth through the M&A and business alliance strategy; 2) Acceleration of collaboration in the inbound solution business; and 3) Additional market introductions of products and services based on strengthening the cutting-edge technology sourcing tie-up strategy (US, Israel, etc.).

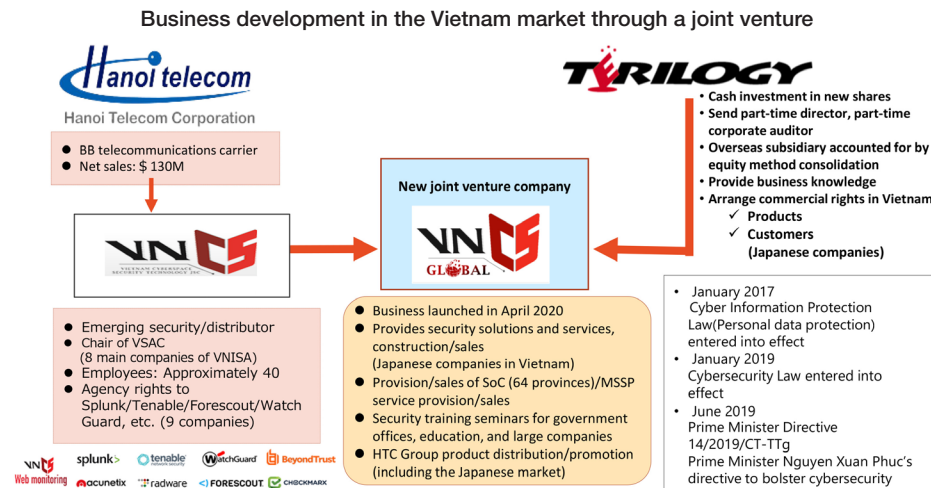
The Radware business based on a strategic distributor contract plays a central role in the effort to achieve business growth through the M&A and business alliance strategy. The main products in this business are: 1) DDoS fighting equipment and services that autonomously protect against Dos/DDoS attacks, which are also called "service stop attacks;" 2) Load balancer (a product that distributes the load on a server allowing it to operate stably), which boasts a large track record in the Japanese market; 3) Multi-homing equipment, which is the de facto standard for line load balancing; 4) Cloud WAF service that achieves the highest level of web application security in the industry; 5) Bot manager that protects all channels, such as web applications, mobile applications, and API from automated threats (Bots); and 6) Cloud Workload Protection service that comprehensively protects cloud assets. Products 2) and 3) are network related, while the rest are security related.

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Outlook

The Company became the primary distributor of Radware in Japan following the conclusion of a distributor contract in March 2020, and it seems that the handover from the company that was previously in that position was smooth. Due to good customer acquisitions, it is highly probable that the Company will achieve annual sales of about ¥600mn (including maintenance contracts) within a few years. In addition, due to the fact that the previous primary distributor mainly handled network-related products, the Company (which can distinguish the products from existing products in the security-related field) might be able to grow the business scale even larger through cross-selling and up-selling.

Another focus of business growth through the M&A and business alliance strategy is the entry into the Vietnamese market, where economic growth is remarkable. Specifically, in April 2020, the Company established a joint venture in Vietnam (VNCS Global Solution Technology, the Company holds a 20% stake) based on a strategic business alliance with VIETNAM CYBERSPACE SECURITY TECHNOLOGY JOINT STOCK COMPANY, a security-related equipment distributor and a subsidiary of Hanoi Telecom, a Vietnamese telecommunications carrier. Although the contribution to business results will be minor in the near term, it will be important to keep an eye on this business going forward, as it will result in the expansion of usage of “Mieru-Tsuyaku” and enhancement of its functions.



Source: The Company's results briefing materials

In acceleration of collaboration in the inbound solution business, the Company aims to build a value chain fully covering pre-travel, on-travel, and post-travel, in the inbound domain. One specific move was entering the inbound media business leveraging the conversion of IGLOOO Inc. into a subsidiary through the Company's subsidiary Terilogy Serviceware Corporation.

IGLOOO Inc. is a company that provides pre-travel and post-travel services, producing content and promoting overseas travel, centered on the operation of “VOYAPON,” an online media for travel to Japan for people in Europe, the US, and Australia. Up until now, the Company has been providing the multi-lingual real-time video interpreting service “Mieru-Tsuyaku” in the “on-travel” domain for foreign tourists visiting Japan. IGLOOO's services are highly complementary and synergistic with the Company, which has established itself as being in the top position in the industry.

Even with the COVID-19 pandemic, it seems certain that the national policy aimed at making Japan a popular destination for tourism will be restarted in some way, so the Company's decision to make an offensive move during this difficult time deserves praise.

Outlook

Inbound business strategy by building a value chain covering pre-travel, on-travel, and post-travel

- Purpose
- Build a value chain for the inbound business
 - ✓ Cover the business situations for pre-Travel, on-Travel, and post-Travel
 - ✓ Acquire local government accounts
 - ✓ Cover the key sightseeing spots that make Japan a popular destination for tourism as markets
 - ✓ Can up-sell "Mieru-Tsuyaku" to IGLOO customers
- Turn the project to take in the Japan Tourism Agency's inbound subsidy/budget into an opportunity to plan jointly with local governments and commercialize
 - ✓ Local governments related to the ¥3.7bn supplementary budget for FY2020
 - ✓ Tie-up promotions such as regional revitalization projects with commercial tourism and tourism promotion departments etc. in local governments related to the ¥3.7bn supplementary budget for FY2020



Source: The Company's results briefing materials

With respect to "Additional market introductions of products and services based on strengthening the cutting-edge technology sourcing tie-up strategy (US, Israel, etc.)," the target domains include analysis/management of application/data machine logs, internal fraud management, 5G solution AR (augmented reality), and handling diversification of cutting-edge CTI (threat intelligence). The Company's ability to find "emerging technologies" and "marketable products" should prove to be valuable.

4. The new medium-term management plan is expected to be announced in May 2021

In May 2018, the Company announced a medium-term management plan themed "Toward Terilogy in Three Years' Time." In it, it sets the targets for the medium-term management plan's final fiscal year of FY3/20; net sales ¥5bn and resuming dividend payments. This would be achieved through the growth strategy, whose main pillars are 1) business expansion through M&A and alliances, 2) providing product and services installed with the latest technologies, 3) a value mix with the products of other companies, with its own products as the core products, and 4) taking on the challenge of conducting an inbound-demand business and implementing measures to contribute to society. Although the Company did not achieve net sales of ¥5bn, that target included expanding the business through M&A and alliances. The Company did achieve an increase in sales and profits for the third consecutive fiscal year and did resume paying a dividend in FY3/20. We believe these achievements are worthy of a certain amount of praise.

In a December 2019 press release, the Company stated that it will "Implement measures for public relations and publicity activities aimed at improving medium- to long-term and sustainable corporate value, while also aiming to maximize corporate value." The Company was preparing to announce a new medium-term management plan in May 2020, but abandoned that plan when the COVID-19 pandemic hit. On the condition that the pandemic is under control by then, there is a high likelihood that the Company will announce its new medium-term management plan in May 2021. We expect the Company to present an equity story that combines a detailed action plan to pursue organic growth with an M&A and alliance strategy based on a highly-convincing financial strategy.



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