

## UNIRITA Inc.

3800

TSE JASDAQ

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FISCO Ltd.

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

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## Summary

### Steady start with sales and operating income increases in 1H FY3/22, the first fiscal year of the new medium-term management plan; achieved some successes in creation of service-provision-type business and collaboration with other companies

#### 1. Company profile

UNIRITA <3800> (hereafter, also “the Company”) develops, sells, and provides support for packaged software for the operation of IT systems for a broad range of industries, primarily finance and manufacturing, as well as solutions that utilize data. The role of IT is changing from “defensive” (such as to improve operational efficiency and reduce costs) to “offensive” (a means to realize business competitive advantages). In this situation, it is utilizing its strengths in the areas of systems operations and data utilization and working to strengthen its provision of solutions that directly solve the operational problems that companies are tackling in their digital transformation (DX). Recently, the Company has been working on measures including strengthening the services model (converting to a subscription model by shifting existing products to the cloud) and utilizing digital technologies to solve social issues (working style reforms, regional revitalization, and primary industry stimulation).

#### 2. New medium-term management plan

The Company started the new medium-term management plan in FY3/22. With the basic policy of “becoming an IT services company that creates empathy and uniqueness,” it has set the direction of realizing both economic value and societal value through solving societal problems as a business company by conducting business activities that utilize the Group’s management resources and IT solutions capabilities. Also, it changed the segment categories to the Product Services, the Cloud Services, and the Professional Services. In the Product Services, it will transition to a recurring-income business through shifting to a service-provision-type business. Alongside this, in the Cloud Services, which will become the axis of growth, it is looking to expand the market from solving IT problems to solving business problems, and moreover to solving societal problems. Regarding Professional Services, the Company aims to have this business enhance the value of customers from product and cloud services and function as a second growth engine. Numerical targets are ¥12.2bn in net sales and ¥1.37bn in operating income (11.2% operating income margin) in FY3/24.

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

The Company’s 1H FY3/22 results posted net sales and operating income increases with ¥4,967mn in net sales (up 2.7% YoY), and ¥273mn in operating income (up 31.1%). In net sales, Product Services and Cloud Services achieved steady growth amid advances in corporate DX and remote work. In profit-loss, despite expansion of upfront investments in Cloud Services and others areas targeted as growth drivers, operating income increased more than planned due to growth in Product Services, a high-margin business, and improved profitability in Professional Services. In business activities as well, the Company implemented upfront investments aimed at strengthening services and achieved some successes in creation of service-provision-type business and collaboration with other companies.

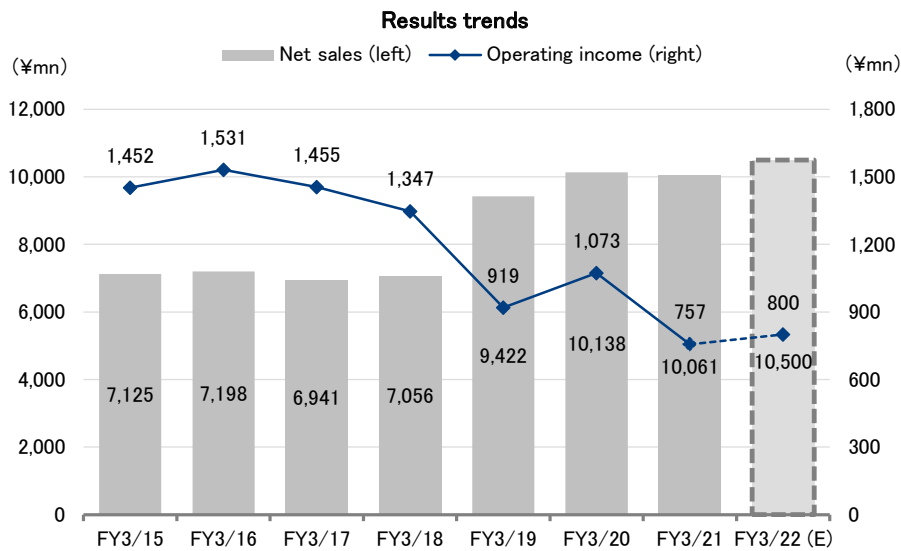
Summary

4. FY3/22 results forecasts

In FY3/22 forecasts, the Company retained period-start targets and expects sales and operating income increases with net sales at ¥10,500mn (up 4.4% YoY) and operating income at ¥800mn (up 5.7%). It anticipates growth in each of the services and especially projects expansion of Cloud Services contributing to higher sales. In profit-loss, an increase in operating income will be secured, including from the effects of the higher sales and the improvement of the profit-loss in the Professional Services. However, the upfront investment, such as in the Cloud Services, will continue, so the operating income margin is forecast to be basically unchanged YoY at 7.6% (7.5% in the previous period). Looking on a medium- to long-term perspective, measures to accelerate growth from FY3/23 onwards will be important. In particular, FISCO wants to focus on progress in individual categories under Cloud Services, which is targeted as a growth driver, and how the Company fares in obtaining growth from the DX trend that has accelerated on the catalyst from the COVID-19 pandemic and solutions to social issues.

Key Points

- Posted sales and operating income increases in 1H FY3/22 on growth in Product Services and Cloud Services; achieved some successes in creation of service-provision-type business and collaboration with other companies
- Started the new medium-term management plan in FY3/22; divided Cloud Services, which is targeted as a growth driver, into three categories that reflect anticipated market expansion from solving IT problems to solving business problems and also solving societal problems and aims to expand business with strategies for each of the categories
- Retains period-start targets in FY3/22 forecasts and expects full-year sales and operating income increases



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

## ■ Company profile

### Strong in the areas of systems operations and data utilization. An independent developer of proprietary packaged software

#### 1. Business overview

The Company develops, sells, and supports packaged software products for IT system operation and management and data utilization solutions and provides consulting and outsourcing services related to these businesses to a wide range of industries, including finance and manufacturing.

Products for mainframe computers, chiefly for financial institutions and large corporations, have been a stable, highly profitable, source of income since the Company's establishment. The Company achieved steady results growth in the past by contributing to automation and enhanced efficiency in IT systems operation, including job management and report management.

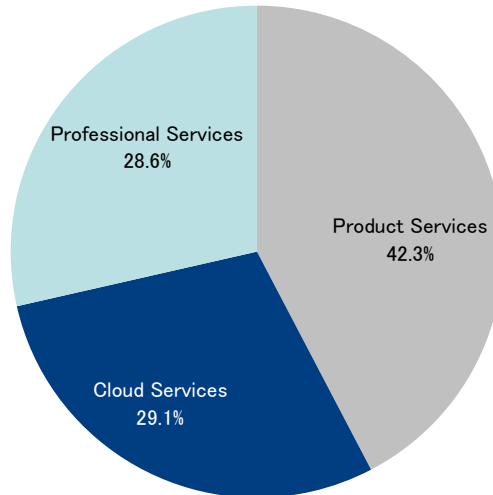
However, in light of changes in its operating environment, such as the shift to open architecture systems, down-sizing, the proliferation of cloud computing, and the use of big data, the Company expanded its domain to fields that directly contribute to raising customers' corporate value (market expansion and enhanced competitiveness, etc.) in addition to the fields that had until then contributed to automation and enhanced efficiency in IT systems operation (productivity improvement, etc.). The Company's strength lies in its business structure that addresses customers' DX needs, on both the sides of "offense" and "defense." Recently, it has been working on measures including strengthening the services model (converting to a subscription model by shifting existing products to the cloud) and utilizing digital technologies to solve social issues (working style reforms, regional revitalization, and primary industry stimulation).

The Company divides its business into the three segments of Product Services, Cloud Services, and Professional Services\*. Sales from Product Services, the main business area since its founding, exceed 40% of total sales and have become a key income source. The Company's policy calls for substantially increasing business in Cloud Services, a growth area.

\* Switched to new business segments in FY3/22.

Company profile

**Breakdown of net sales by business segments (1H FY3/22 results)**



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

An overview of each business is provided below.

**(1) Product Services**

The segment provides products related to system operation (automation, forms) in on-premises-type\*1 and service-provision-type formats. It also handles sales and support for mainframe products (operation and management of mission-critical business systems), the Company's mainstay business since its founding, primarily to financial institutions, insurers, and major manufacturers. Furthermore, the segment provides cloud operation business with wide-ranging support from server operation and management to security measures and troubleshooting response on the cloud infrastructure of business partner I-NET CORP. <9600>\*2. Main products are job management tool A-AUTO (automated business)\*3 and Marutto Form Cloud Service\*4 for comprehensive assistance of form business, and UNIRITA cloud service (cloud operation business).

\*1 This format refers to operation of an information system, including servers and software, using equipment at facilities managed by the user.

\*2 Concluded a capital and business alliance in May 2017.

\*3 "A-AUTO" is a batch processing job management tool that manages the jobs on systems that are operating on different platforms in an integrated manner and that realizes automatic implementation controls.

\*4 This is a service that comprehensively assists customers in cumbersome form output tasks (ranging from form printing and mailing service to digitalization and web distribution).

## Company profile

**(2) Cloud Services**

The segment divides areas for issue-solving with service provision into IT issues (IT-utilization cloud business), business issues (business-promotion cloud business), and social issues (social cloud business) and provides services suited to the characteristics of each of these areas. IT-utilization cloud business offers LMIS (service management platform), Digital Workforce (remote work promotion service), Marutto Data Conversion and Processing Cloud Service (data conversion, processing, and operation maintenance service), and other services to corporate information system departments. Business-promotion cloud business provides DigiSheet (attendance management service for staffing businesses), Rakuraku BOSS (comprehensive solution for work management), Blue Sheep (IoT business work assistance service for medical equipment and other industries), Growwing (customer success ramp-up and growth assistance service), and other services to corporate business departments and management departments. The Company views this business area as a growth opportunity. Social cloud business promotes location-based service\* (bus search, bus location, and approach information service), MANALIZE (operational conditions survey report service), agricultural service (field income and expense management, production management, and other farming technology service), and other services to companies and local governments and public entities.

\* Subsidiary UNITRAND Inc. provides a solution for bus operators that utilizes IoT technology. Besides a bus position search system (route search, operation location information search, etc.), it has developed a system that measures bus passenger volume in real time.

**(3) Professional Services**

The Company supplies services through group companies in a one-stop manner from consulting that leverages strengths in system operation and data management to services for system introduction support, system integration, and outsourcing.

The number of customers (companies that have installed the Company's products) exceeds 1,700 companies, most of which are large corporations. The range of customer industries was wide, with the manufacturing, retail and distribution, and finance and insurance industries accounting for high percentages in terms of the ratio of sales by industry.

In terms of sales channels, previously the Company provided its products and services mainly through direct sales, but recently it has been working to strengthen its ability to provide solutions through collaborations (promotion of a collaboration model) with its partner companies (sales agencies). The number of partner companies has exceeded 100. It is also focusing on online marketing and is establishing a framework to acquire projects from online marketing. The importance of online marketing is increasing due to the impact of COVID-19.

The Company had the following ten main consolidated subsidiaries. BSP Solutions Inc. runs a systems operations consulting business. BSP (Shanghai) Inc. is the base for sales in China. Aspex Inc. handles SaaS products for human resources outsourcing attendance management. Bitis, Inc. offers BCP development, administration and maintenance support. Data Research Institute handles a data management consulting business. UNITRAND Inc. offers IT solution services for mobile equipment. UNIRITA PLUS Inc. strengthens sales to customers in western Japan while collaborating with partners. Mugen Corp. conducts the system integration business and develops and sells its own packaged software. Business Application Co., Ltd develops and sells an operations management system targeted at the human resources service industry. UNIRITA SR Inc. provides system operation agency services and technical support services.

## 2. Corporate characteristics

UNIRITA's corporate philosophy is "Using IT flexibly, we aim to contribute to the development of society and the creation of a better future."

UNIRITA has the following three characteristics.

### (1) An independent developer of proprietary packaged software

A strength of UNIRITA's products in its flagship systems operations and for mainframe businesses is that they enable smooth system operation regardless of the scale of a computer, or restrictions on its manufacturer or other factors. There is a stark contrast with competing manufacturer-based products, which do not allow the replacement of the hardware component with other maker's products, clearly hindering customer's flexible system development. Also, as the Company's value proposition in its core businesses is the aggregate of how much the Company can contribute to the automation or improved efficiency of an IT system's operation, the track record and know-how the Company has accumulated by focusing in this area are reflected in the precision and superior performance of its goods and services and in the precision of its proposals. Amidst many trends (by other vendors) to rely on agents to install systems, the fact that UNIRITA provides its products directly, chiefly to financial institutions and large corporations, and that its products are often adopted as replacements during system updates is arguably proof of this. The Company has been outsourced to operate the SysAdmin's Group, the largest network of system managers in Japan, boasting more than 17,000 members and 275 endorsing companies, showing its presence as a driving force in this field. Going forward, to meet customers' changing needs the Company plans to build even stronger ties with customers by switching from the conventional method of product sales to a services model (subscription) that combines cloud utilization and system operation.

### (2) Stable income from the Mainframe Business being invested in new growth areas

The majority of income comes from Product Services, and the Mainframe Business within this segment exceeds 50% margin and has supported the Company's earnings as a stable income source. It can be said that this profitability is made possible not only by customer confidence in the Company's products and services, but also by high customer switching costs (costs arising from systems replacement). Sales in the Mainframe Business have been shrinking because of external factors, such as the development of open-architecture systems, but it is expected that it will play the role of a cash cow for the time by profiting as a remaining player and from the continued firm demand and enabling the income from the business to be diverted into investments in new growth areas (Cloud Services, etc.), which we feel is a significant advantage for the Company.

### (3) Achieving a structure that can support both offense and defense aspects of customers' businesses

In past business structure reforms, the Company broadened the scope of service provision from the previous information system departments to business departments and management departments and reinforced business areas to extend from contributing to automation and improved efficiency in IT system operation to areas that create corporate value. The ability to propose DX services for revamping customer business models on a total basis through its establishment of operations capable of assisting "offensive" and "defensive" aspects of customer businesses, should help form advantages as well.



## ■ Business trends

### Realized sales and operating profit increases in 1H FY3/22, steady growth in Product Services and Cloud Services

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

The Company's 1H FY3/22 results posted net sales and operating income increases with ¥4,967mn in net sales (up 2.7% YoY), ¥273mn in operating income (up 31.1%), ¥376mn in ordinary income (up 20.3%), and ¥232mn in profit attributable to owners of parent (down 31.6%). Compared to period-start forecasts, while net sales were roughly on track with the plan, profits exceeded the plan.

In net sales, while Product Services and Cloud Services achieved steady growth, overall sales showed only mild growth because of sluggishness in the system integration business and outsourcing business that emphasize profitability in Professional Services.

In profit-loss, despite expansion of upfront investments in Cloud Services and others areas targeted as growth drivers (service reinforcement, advertising and promotional costs, etc.), operating income increased more than planned due to growth in Product Services, a high-margin business, and improved income in Professional Services. Profit attributable to owners of parent declined due to non-recurrence of gain on sales of investment securities (¥193mn) booked in the previous fiscal year.

There were no major changes in the financial condition. Total assets decreased by 0.7% from the end of the previous fiscal year to ¥14,767mn, while shareholders' equity rose 0.4% to ¥11,324mn due to the accumulation of internal reserves. The equity ratio rose to 76.7% (vs. 75.9% at end-FY3/21). Also, cash and deposits of ¥8,470mn were secured, so the current ratio was maintained at the high level of 303.5% and there are no concerns about the Company's financial stability.

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Business trends

Summary of the 1H FY3/22 results

	1H FY3/21		1H FY3/22		Change		(¥mn)		
	Results	% of sales	Results	% of sales	Change	Change (%)	1H FY3/22		Achievement ratio
							Initial forecast	% of sales	
Net sales	4,836		4,967		130	2.7%	5,000		99.3%
Product Services	1,942	40.2%	2,102	42.3%	160	8.2%	-	-	-
Cloud Services	1,388	28.7%	1,445	29.1%	57	4.1%	-	-	-
Professional Services	1,505	31.1%	1,418	28.6%	-86	-5.7%	-	-	-
Cost of sales	2,140	44.3%	2,043	41.1%	-96	-4.5%	-	-	-
SG&A expenses	2,486	51.4%	2,649	53.3%	162	6.5%	-	-	-
Operating income	208	4.3%	273	5.5%	65	31.1%	240	4.8%	114.1%
Product Services	399	20.6%	555	26.4%	156	39.1%	-	-	-
Cloud Services	-95	-	-167	-	-72	-	-	-	-
Professional Services	22	1.5%	50	3.6%	28	129.7%	-	-	-
Adjusted value	-117	-	-164	-	-47	-	-	-	-
Ordinary income	313	6.5%	376	7.6%	63	20.3%	330	6.6%	114.2%
Profit attributable to owners of parent	339	7.0%	232	4.7%	-107	-31.6%	220	4.4%	105.6%

	End of FY3/21	End of 1H FY3/22	Change	
			Change	Change (%)
Total assets	14,865	14,767	-98	-0.7%
Shareholders' equity	11,279	11,324	45	0.4%
Equity ratio	75.9%	76.7%	0.8pt	-

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

Results by business are as set out below.

### (1) Product Services

Net sales increased 8.2% YoY to ¥2,102mn, and segment profit increased 39.1% YoY to ¥ 555mn with steady segment expansion. Mainframe Business performed well, including a boost from a major project order. The automation business successfully captured demand to transfer on-premises products to cloud business, and the forms business was able to launch a service for a new user in the Marutto Form Cloud Service, an outsourcing service. In UNIRITA cloud service, the cloud operation business, the Company had success with a cloud lift\* proposal for a customer system and received an order for a large-scale operation consignment from a major customer. This success contributed to development of prospective customers.

\* This is method of transferring corporate information systems to the cloud. It moves the existing system without changes to the cloud.

### (2) Cloud Services

Net sales increased 4.1% YoY to ¥1,445mn and segment loss at ¥167mn (compared to a loss of ¥95mn in the previous period), increasing sales, but also increasing the loss due to the impact of upfront investment. In IT-utilization cloud business, LMIS, Digital Workforce, Waha! Transformer, and other core services were upbeat amid DX advances and remote work inroads. The business-promotion cloud business captured robust cloud demand from the staffing industry and achieved growth in mainstay DigiSheet, The Staff-V, and other staffing and personnel management services. Additionally, the social cloud business was successful in B2G strategy for transportation IoT service (collaboration with local government entities, etc.) and posted robust growth (albeit on a small scale). In profit-loss, meanwhile, the segment had a loss due to actively making upfront investments to establish operations for strengthening service and to develop new markets, though it was roughly within the plan range.

## Business trends

**(3) Professional Services**

Net sales decreased 5.7% YoY to ¥1,418mn and segment profit increased 129.7% to ¥50mn, so although sales decreased, profit increased and a segment gain was recorded. The consulting business booked steady system management consulting project and data management project orders in response to demand for transformation from information system departments promoting DX. Meanwhile, in system integration business, which aims to strengthen income, solution business targeting market development of business with medium-sized and smaller companies stalled and outsourcing business struggled in acquisition of new customers. In profit-loss, however, segment profit increased due to growth in consulting business with high added value and improved profitability in system integration business (with contribution from a lump-sum contract deal).

**2. 1H FY3/22 overview**

In an overview of 1H FY3/22 results based on the points covered above, besides steady growth in Product Services and Cloud Services, in terms of business activities, as will be outlined below, the Company achieved a certain level of success conducting investments aimed at strengthening services in addition to creating service-provision-type business and collaborating with other companies. It can be said that the Company had an upbeat start toward realizing goals in the new medium-term management plan.

## Main activity results

### **A certain level of successes in creation of service-provision-type business and collaboration with other companies**

**1. Creation of service-provision-type business**

In Product Services (forms business), the Company started provision of Marutto Form Cloud Service, which comprehensively assists customers in cumbersome form output tasks (ranging from form printing and mailing service to digitalization and web distribution), and has seen a steady rise in companies deploying the service. It delivers an outsourcing service that addresses issue-solving needs in form tasks. This can be given as an example of the direction the Company is headed in regarding to advancing the service-provision-type business.

Main activity results

**2. Collaboration with other companies**

The Company is pursuing service development and provision based on collaboration with other companies that have strengths in industry based on the concept of open innovation to solve customer issues that are becoming increasingly diverse and complicated. In October 2021, it began delivery of “process-oriented agile solutions” (business-promotion cloud business) through collaboration with Canon IT Solutions Inc. The service assists in visualization of the customer’s own operational process and in-house agile development\*<sup>1</sup> and is capable of contributing to improved customer work efficiency. By combining their strengths and customer bases, the two companies intend to collaborate in a variety of areas with the aim of creating new value that solves customer and societal issues. Furthermore, in IT-utilization cloud business, the Company is working on expanding the UNIRITA cloud service line-up with capital and business partner I-NET CORP. Digital Workforce\*<sup>2</sup>, the industry’s first remote work foundation that is equipped with security features, is promoting numerous collaborations with cloud services of other companies.

\*<sup>1</sup> This is one of the system and software development techniques that proceeds in development work by repeatedly deploying and testing systems in small units, rather than using large units. It is referred to as agile because of the shorter development period than with traditional development methods.

\*<sup>2</sup> The product has single sign-on and ID management features and excels in enhancement of work efficiency and robust security.

**3. Progress in social cloud business**

Regarding contributions to revitalizing regional areas, the Company is collaborating with local governments and other administrative bodies and companies to solve issues confronting bus operations that are a secondary mode of transportation in local areas. Initiatives aim to realize compact cities and revitalize regional areas by visualizing public transportation, enhancing user convenience (eliminating worries), collecting and analyzing data, and optimizing transportation networks. The three-party verification test with Komatsu City (Ishikawa Prefecture) and Hino Motors <7205> that started in January 2021 is engaged in the bus industry’s first-ever model case development effort to realize a compact city and submit proposals to improve bus management based on collection and analysis of bus operating data and passenger data. In May 2021, the Company also began provision of a service for measuring and estimating CO<sub>2</sub> concentration in buses as a collaborative effort with I-NET CORP. In the agricultural service (farming x IT) initiative, meanwhile, the Company started free provision of the beta version of Vege Palette\*, a service that aims to improve farming business income in June 2021. It intends to apply feedback from users in development of the official version.

\* This is a farming management assistance cloud service that manages task scheduling management using a template to ascertain conditions through remote sensing and manage growth conditions, then makes data using task information to enable production of manuals for facility cultivation farmers.

**4. Investment results**

The Company budgets a total of ¥2.9bn in investments in the medium-term management plan (over three years). In 1H FY3/22, it invested a total of ¥440mn with ¥110mn in Product Services and ¥330mn in Cloud Services. In Product Services, it allocated funds to conversion of the forms product to a service as well as adding features and developing new products. In Cloud Services, it invested in adding features to services and developing a system to manage subscription sales and service usage conditions in IT-utilization cloud business and business-promotion cloud business and developing new services in social cloud business.

## Business outlook

### Retains period-start targets in FY3/22 forecasts and expects full-year sales and operating income increases; results will continue to be driven by the growth of the Cloud Services

#### 1. FY3/22 results forecasts

In FY3/22 forecasts, the Company retained period-start targets and expects net sales and operating income increases at the full-year level with net sales at ¥10,500mn (up 4.4% YoY), operating income at ¥800mn (up 5.7%), ordinary income at ¥900mn (up 1.5%), and profit attributable to owners of parent at ¥600mn (down 28.6%).

In net sales, it anticipates growth of each of Product Services, Cloud Services, and Professional Services, and especially projects expansion of Cloud Services contributing to higher sales.

In profit-loss, an increase in operating income will be secured from the effects of the higher sales and the improvement to profit-loss in the Professional Services. However, the upfront investment, including in the Cloud Services, will continue, so the operating income margin is forecast to be basically unchanged YoY at 7.6% (7.5% in the previous period). As in 1H FY3/22, the Company projects lower net profit YoY due to an absence of gain on sales of investment securities of ¥519mn recorded under extraordinary income in the previous fiscal year.

#### Forecast for FY3/22

	FY3/21		FY3/22		Change	
	Results	% of sales	Forecast	% of sales	Change	Change (%)
<b>Net sales</b>	10,061		10,500		438	4.4%
Product Services	4,100	40.8%	4,150	39.5%	50	1.2%
Cloud Services	3,000	29.8%	3,250	31.0%	250	8.3%
Professional Services	2,900	28.8%	3,100	29.5%	200	6.9%
<b>Operating income</b>	757	7.5%	800	7.6%	42	5.7%
Product Services	1,070	26.1%	1,090	26.3%	20	1.9%
Cloud Services	-120	-	-160	-	-40	-
Professional Services	100	3.4%	220	7.1%	120	120.0%
<b>Ordinary income</b>	887	8.8%	900	8.6%	12	1.5%
<b>Profit attributable to owners of parent</b>	840	8.3%	600	5.7%	-240	-28.6%

Note: FY3/21 segment information (new segments) are approximate calculations

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

#### 2. FISCO's view

Considering 1H results and external factors (such as the DX shift trend) and internal factors (such as progress with various measures), FISCO thinks the Company is sufficiently capable of achieving its targets. In FY3/22, the first fiscal year of the medium-term management plan, the key point is the extent to which the Company succeeds in revamping the business model and building new services toward accelerated growth from FY3/23. FISCO hence intend to focus on efforts to strengthen the business foundation, including upfront investments mainly seeking to bolster services and develop markets, reinforcement of solutions and the customer base through collaboration with other companies, and progress in monetization of the social issues area (social cloud business) with large potential from a long-term perspective.

## ■ Medium-term management plan

### Has started the new medium-term management plan. Aims to accelerate growth by solving problems from IT to business and even societal problems

#### 1. Basic policy

The Company started the new medium-term management plan in FY3/22. With the basic policy of “becoming an IT services company that creates empathy and uniqueness,” the Company has set the direction of realizing both economic value and societal value through solving societal problems as a business company by conducting business activities that utilize the Group’s management resources and IT solutions capabilities. In particular, based on the three core technologies of data management, services management and process management that it strengthened through the business structural reforms in the previous medium-term management plan, it is aiming to grow through providing DX services in order to reform customers’ business models.

#### 2. Important strategies

##### (1) Creation of service provision-type businesses

For products (automation, forms, and mainframes), the Company is focusing on the systems operation area and is building a structure to continuously provide high value-added services to customers that support the social infrastructure. It is also utilizing its strength of in-house developed products in order to respond to needs for both ownership-type (on-premises-type) and use-type (on-cloud-type), and it is creating service-provision-type businesses.

##### (2) Expansion of the Cloud Services business through strategies for each category

The Company has in sight expanding the market from solving IT problems to solving business problems, and moreover to solving societal problems. It has divided cloud services, which utilize its strengths, into three categories: 1) IT-utilization cloud (support for IT utilization and rationalization), 2) business-promotion cloud (provision of services indispensable for business growth / creating shared platforms by industry and business format), and 3) social cloud (growing the data science business / establishing societal-problem-solving-type businesses). It is realizing growth through creating unique cloud services for each category and adopting a subscription model.

##### (3) Reorganization of group functions that address the various business segments

The Group’s business segments have been reorganized into the following three segments. The aims are to promote the businesses and to solve societal problems under a business structure that is adapted to the speed of environmental changes and the diversifying markets.

##### a) Product Services

This segment focuses on the systems operation area and as the medium-term earnings foundation, it will be the source of resources to support the Group’s investment in growth. In particular, it will create resources for new business development by deepening the previously cultivated strengths, enhancing the ability to respond to customer needs in a DX environment, and pursuing business efficiency.

Medium-term management plan

**b) Cloud Services**

The Company is building a business model that develops in new markets by expanding from the IT-problems-solving area, which constituted a high ratio of this business up to the present time, to the business-problems-solving and societal-problems-solving areas. To establish a business that will be a business pillar in the future, it is aiming to concentrate resources and realize growth as the foundation of earnings.

**c) Professional Services**

Through its strengths and expertise in the three management areas of data, processes, and services, this segment will play the role of increasing the value of customers' product and cloud services and will function as the second growth engine. The Company is establishing a structure to provide a one-stop service, from consulting through to services for introduction support, systems integration and outsourcing.

**(4) Strengthening the management foundation toward improving corporate value**

The Company's policy is to further develop the "Measures for workstyle reforms," "Cultivating a culture of taking-on challenges," and "Permeating the CREDO\*1" that it progressed in the previous medium-term management plan, which will lead to the realization of CSV management\*2. In particular, it is working on various measures to "cultivate the worthwhileness of working," and to "promote workstyle reforms," at the same time aiming to build a structure to improve corporate value based on highly effective corporate governance.

\*1 The Company's principle. Its CREDO is "Based on the 'unique ideas,' and 'altruistic spirit' from which our company's name is derived and through our three strengths, taking on the challenges of providing value to society and of conducting ceaseless reforms, and growing together with society and with employees."

\*2 Abbreviation of Creating Shared Value, which is a concept advocated by Professor Michael E. Porter in the Harvard Business Review. It means that by working on societal needs and problems, companies create societal value, and as a result, they also create economic value.

**3. Numerical targets**

The numerical targets for FY3/24, the plan's final fiscal year, are net sales of ¥12.2bn (three-year average annual growth rate of 6.6%), operating income of ¥1.37bn (operating income margin of 11.2%), net profit of ¥1bn, ROE of 8.4%, DOE of 4.5%, and a dividend per share of ¥70. Also, for the investment plan, the Company intends to invest ¥2.9bn in total over 3 years, of which, approximately 60% will be for R&D, and the investment amount for the development of the Cloud Services, which are a growth field, will continue to be large. The numerical targets in each business are as follow.

**a) Product Services**

The targets are net sales of ¥4.2bn (average growth rate of 0.8%) and segment profit of ¥1.12bn (segment profit margin of 26.7%). Although the growth of net sales will be moderate, the percentage of total net sales provided by recurring revenues will be raised from 67% to 73%, including by promoting the service-provision-type businesses, while the high profit margin will also be maintained.

**b) Cloud Services**

The targets are net sales of ¥4.2bn (average growth rate of 11.9%) and segment profit of ¥0.31bn (segment profit margin of 7.4%). Net sales will grow in each of the three categories of IT-utilization cloud, business-promotion cloud, and social cloud, while in particular, the growth of business-promotion cloud will drive growth during the plan's period. In profit-loss also, the aim is to improve the profit margin in stages by increasing sales, even while incurring upfront costs.

Medium-term management plan

**c) Professional Services**

The targets are net sales of ¥3.8bn (average growth rate of 9.4%) and segment profit of ¥0.34bn (segment profit margin of 8.9%). Through collaborations with the Product and Cloud Services and providing a one-stop service, from consulting through to systems construction and outsourcing, the aim is to grow this business by contributing to customers' implementation of DX. In profit-loss also, the profit margin will be raised by improving added value that makes use of consulting relating to data utilization and other services.

**New medium-term management plan**

	FY3/21 Results	FY3/22 Forecast	FY3/23 Plan	FY3/24 Plan	(¥bn) Average growth rate
Net sales	10.06	10.50	11.30	12.20	6.6%
Product Services	4.10	4.15	-	4.20	0.8%
Cloud Services	3.00	3.25	-	4.20	11.9%
Professional Services	2.90	3.10	-	3.80	9.4%
Operating income	0.75	0.80	1.07	1.37	22.2%
Product Services	1.07	1.09	-	1.12	1.5%
Cloud Services	-0.12	-0.16	-	0.31	-
Professional Services	0.10	0.22	-	0.34	50.4%
Operating income margin	7.5%	7.6%	9.5%	11.2%	-
Product Services	26.1%	26.3%	-	26.7%	-
Cloud Services	-	-	-	7.4%	-
Professional Services	3.4%	7.1%	-	8.9%	-
Profit attributable to owners of parent	0.84	0.60	-	1.00	6.0%
ROE	7.5%	5.3%	6.9%	8.4%	-
DOE	4.5%	4.5%	4.5%	4.5%	-
Dividend per share (¥)	66	67	68	70	-

Note: FY3/21 segment information (new segments) are approximate calculations.  
 Source: Prepared by FISCO from the Company's results briefing materials

## Corporate history and business performance

### Management integration with Beacon IT in April 2015. Made a new start as UNIRITA

#### 1. Corporate history

The Company was established as Three B, Inc. in 1982 in Tokyo's Chuo Ward as a subsidiary of Business Consultant, Inc., a provider of programs for HR and organizational development. Business Consultant was the origin for Software AG of Far East, which changed its name to Beacon IT in August 1996. Software AG of Far East had been selling A-AUTO software for automating the scheduling of complicated computer systems jobs and enhancing the efficiency of IT systems administration in Japan, with Three B, Inc. being set up to sell this software in the U.S.

Subsequently, in 1987, Three B, Inc. changed its name to BSP. The turning point for BSP was when it took over the systems operations business of Software AG of Far East in 1993 and commenced full-scale operations as a specialist in systems administration package software. After that it steadily strengthened its operational platform, while benefiting from increased investment in IT systems, and it built a track record chiefly in core mainframe systems, mainly for financial institutions and large corporations.



Corporate history and business performance

In 2001, the Company established BSP Solutions Inc. and commenced full-scale consulting and solutions business. In 2006, it listed on the JASDAQ Securities Exchange, currently TSE JASDAQ.

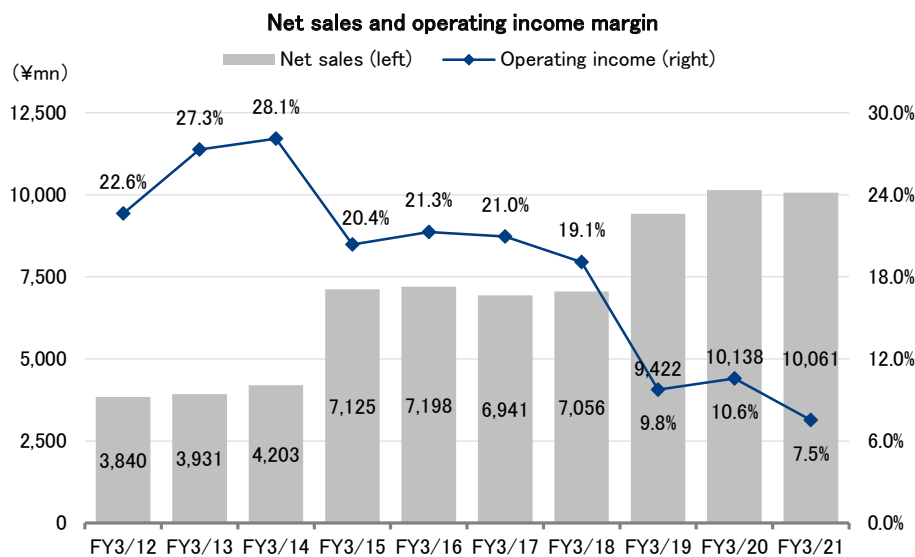
Following the consolidation of Beacon IT (registered company name: Beacon Information Technology Inc.) in January 2014, it started capturing demand in growth fields, such as data utilization, and also embarked on business reforms.

With the absorption-type merger of consolidated subsidiary Beacon IT in April 2015, the Company changed its name to UNIRITA, Inc. The new company name embodies the concept of aspiring to contribute to the development of customers and society with “unique ideas” to create value and an “altruistic spirit” (“rita” being the Japanese word for altruism).

2. Past business performance

Looking back on the Company’s past business performance, from FY3/12 to FY3/14, in the context of the shift to open-type systems, the increase in net sales in the Systems Operations Business (currently the Production Business and one part of the Solutions Business) drove the Company’s growth. However, it conducted business structural reforms after its business scope greatly expanded following the consolidation of Beacon IT in FY3/15, and in this situation, it can be said that its net sales growth became sluggish. However, as the acquisition of Mugen Corp, which conducts the System Integration Business, contributed to the expansion of its business scope in FY3/19, the mainstay Cloud Business has grown steadily since FY3/20.

From a profitability perspective, despite there still being a high degree of reliance on the Mainframe Business for income, the Company’s operating income margin trended upward with improving profitability in the Product Business and reached a high level of 28.1% in FY3/14. However, this margin has declined since FY3/15 due to upfront expenditure in line with its structural business reforms and other factors. Notwithstanding, the Company maintained it at levels around 20%. However, since FY3/19, the operating income margin has trended lowly due to the upfront investment in growth fields, such as the Cloud Business and new businesses, with an eye to the future. Going forward, the most important points to focus on would be to what extent can the growth of the Cloud Business cover the impact of the contraction of the Mainframe Business, and what path will the Company take to recover the profit margin to the same level as in the past (first, to around 20%).

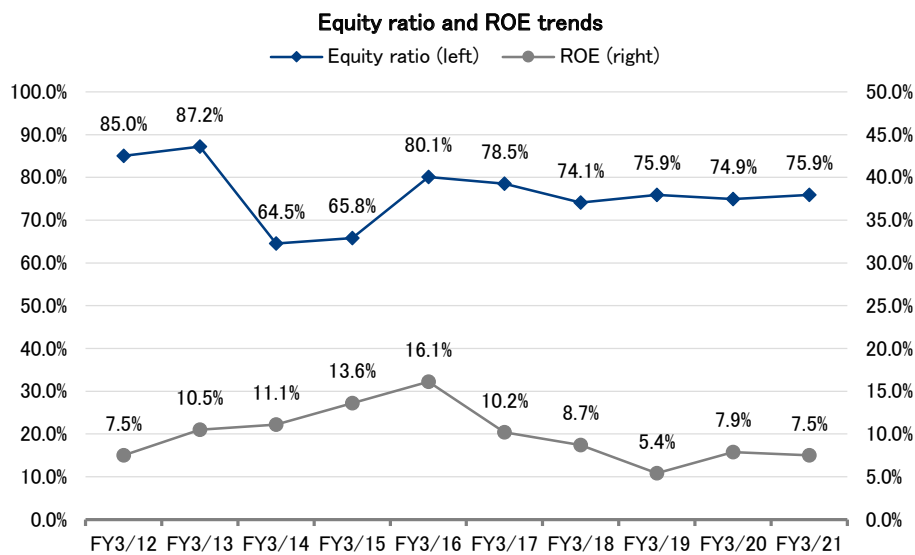


Source: Prepared by FISCO from the Company’s financial results

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Corporate history and business performance

From a financial perspective, the Company’s equity ratio, which represents the stability of the financial foundation, suffered a one-off decline in FY3/14 as a result of the consolidation of Beacon IT, in FY3/16, in line with its absorption-type merger with Beacon IT (change in ownership interest of parent), the ratio rose to 80.1%. In addition, the current ratio, which indicates the ability to pay in the short term, has been trending at a high level (289.8% at the end of FY3/21), reflecting the abundant cash and deposits balance, and it can be said that the Company’s financial base is extremely stable and that this is supporting its upfront investment for growth in the future. On the other hand, ROE, which indicates capital efficiency, had also been trending at a double-digit level, but recently it fell below 10% due to the changes to the business portfolio and the impact of the upfront investment.



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

## Shareholder returns

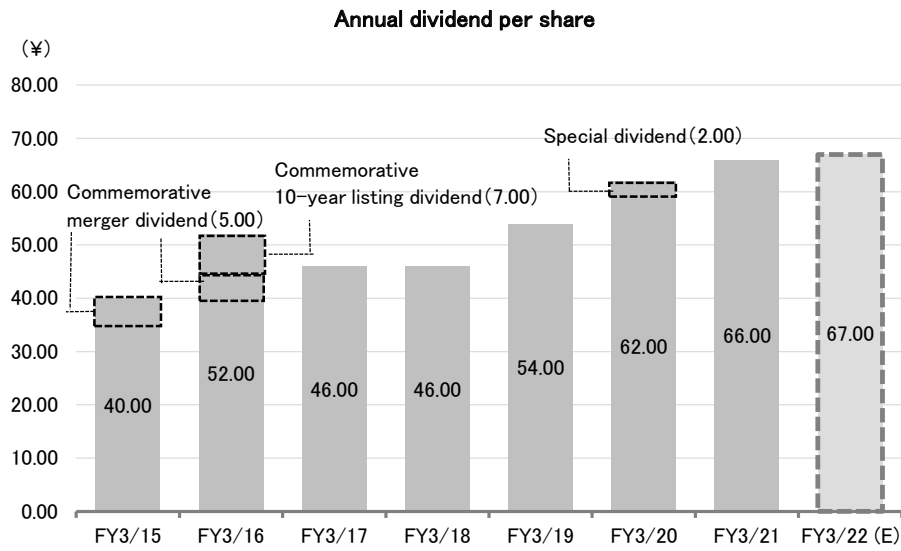
### Policy is to aim to maintain and increase stable dividends. For FY3/22, forecasting an annual dividend of ¥67, an increase of ¥1 YoY

In FY3/19, the Company has changed its dividend policy, and instead of using the consolidated dividend payout ratio as the standard as it did previously, it uses dividend on equity (DOE) as the standard. The aim of this is to stably and sustainably maintain and increase dividends without being affected by fluctuations in profit and loss during a fiscal year, such as due to upfront investment.

For the FY3/22 dividend, it forecasts a ¥67 annual dividend (¥33 interim, ¥34 period-end), an increase of ¥1 YoY and fourth straight dividend hike if it attains this level. Therefore, it can be highly evaluated on the point of stably and continuously increasing the dividend.

Shareholder returns

In November 2021, the Company implemented a share buyback (purchasing 145,000 shares for total acquisition cost, ¥266,220,000) and retired shares (retiring 500,000 shares that accounted for 5.88% of total outstanding share prior to the retirement) with aims of lifting shareholder return and improving capital efficiency.



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



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