

Nippon Computer Dynamics Co., Ltd.

4783

Tokyo Stock Exchange Standard Market

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

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■ Summary

Total solution provider

Nippon Computer Dynamics <4783> (hereinafter referred to as “the Company”) is a pioneer as an independent system integrator with a history of over 50 years and pursues a growth strategy of being a total solution provider. In April 2022, the Company formulated the Group purpose: “Powering the world with passion.” which incorporates the aspiration, “We dream of building a future where everyone can be their fullest selves.” It also partially modified its corporate philosophy to become “Contributing a bright future through unique technologies and services.” The Company plans to change its name to NCD Co., Ltd. as of January 1, 2024.

1. Promotes IT-related Business (System Development Business, Support and Service Business) and Parking System Business

The Company operates in three business areas – IT-related System Development Business (system integration), Support and Service Business (service integration), and Parking System Business for unattended bicycle parking lots utilizing IT solution knowhow (parking solutions). The Company’s strength lies in its advanced technologies and high-quality services cultivated through an extensive track record of over 50 years, and one-stop service provision to deliver total solutions. The IT-related Business has built a robust customer base through long-term continuing transactions with blue-chip companies. It has a stable revenue structure in which stock-type sales, which include maintenance and operations, account for over 70% of revenue. The Company’s Parking System Business boasts among the largest number of electromagnetic lock-type bicycle parking lots in Japan, with stock-type sales (bicycle parking lot usage fee income, bicycle parking lot management and operations, etc.) accounting for over 80%.

2. FY3/23 profits outperformed forecasts by a large margin, with operating income registering a new record high

In FY3/23 consolidated results, net sales increased 11.2% year on year (YoY) to ¥22,853mn, operating income went up 32.5% to ¥1,195mn, ordinary income rose 26.7% to ¥1,212mn, and net income attributable to owners of the parent increased 46.7% to ¥672mn. Profits increased by a large margin, outperforming forecasts, partially owing to the Parking System Business recovering beyond expectations, and net sales and operating income both registered record highs. The System Development Business and Support and Service Business continued to perform well against the backdrop of DX demand, and the Parking System Business saw sales recover, centering on bicycle parking lot usage fee income, as the impact of the COVID-19 pandemic began to subside. Operating income increased by a small margin in the System Development Business due to personnel costs and other upfront investment, but it increased by double-digits in the Support and Service Business thanks to an improved cost ratio and also increased by a large margin in the Parking System Business as a result of increased revenue and various initiatives to raise profitability. So, on a company-wide basis, operating income increased substantially. The operating income margin went up by 0.8 percentage points to 5.2%, and ROE rose by 3.6 percentage points to 14.3%.

Summary

3. In FY3/24, projecting growth from all businesses and a large increase in profit; expecting to substantially increase dividend

For its consolidated results in FY3/24, the Company is forecasting net sales to increase 2.8% YoY to ¥23,500mn, operating income to rise 17.1% to ¥1,400mn, ordinary income to increase 15.5% to ¥1,400mn and net income attributable to owners of the parent to go up 26.4% to ¥850mn, so the Company is expecting major increases in profits. The Company is projecting that growth in all segments will more than offset human capital investment and other expenditures. It will focus on increasing profitability and plans to promote initiatives that include raising productivity and adjusting prices. Moreover, in connection with the start of its new medium-term management plan “Vision 2026,” the Company has set a new target consolidated payout ratio of 30% or higher and plans to increase its dividend significantly. Considering the Company’s strong tendency to make conservative estimates in light of the uncertainty at the start of the fiscal year and that a certain level of increases to added value can be expected from promoting strategies to raise profitability, FISCO believes there is a high likelihood that the Company’s full-year forecasts will be upwardly revised.

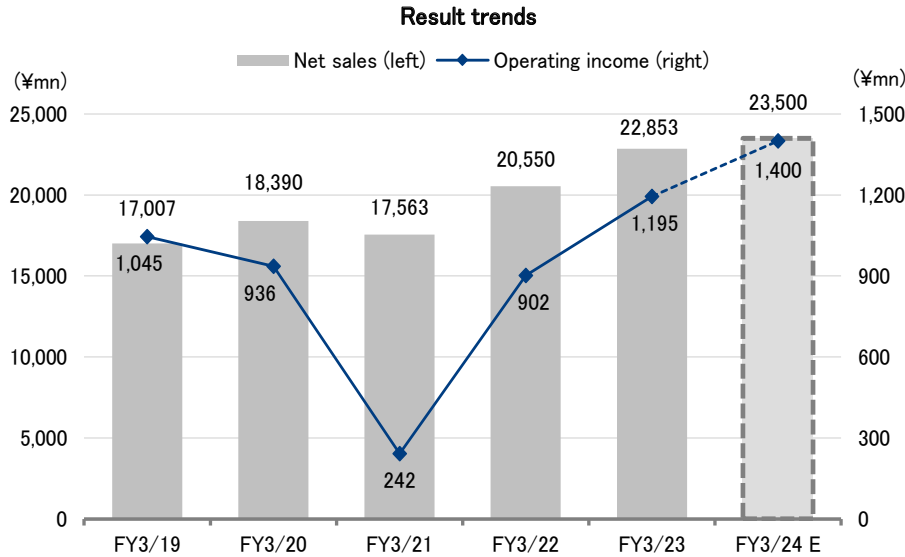
4. Accelerating reforms to raise profit margins

The Company formulated a new medium-term management plan in May 2023, “Vision 2026,” which covers from FY3/24 to FY3/26. It was made by forming a vision for 2032 (the NCD Group vision with 2032 targets of net sales of ¥40.0bn, operating income of ¥4.0bn, and an operating income margin of 10.0%) and backcasting from this vision. The numerical targets for FY3/26, the final year of the plan, are net sales of ¥26,000mn, operating income of ¥1,800mn, an operating income margin of 6.9%, and ROE of 15.0% or higher. According to President and Representative Director Osamu Shimojo, who spoke with enthusiasm, “We will promote various initiatives with a focus on raising profitability and will accelerate reforms and the challenge of new fields toward achievement of our Group vision in 2032 while being conscious of sustainability management. Regarding our policy on shareholder returns as well, we have set a target payout ratio of 30% or higher and will increase our dividend from previous levels. We intend to raise corporate value with the goal of being listed on the Prime Market in the future.” FISCO believes that by accelerating reforms to raise profitability, further profit growth can be expected over the medium to long term.

Key Points

- Three main pillars of the System Development Business, Support and Service Business and Parking System Business
- FY3/23 profits outperformed forecasts by a large margin, with operating income registering a new record high
- In FY3/24, projecting a large increase in profit and to substantially increase its dividend
- Expecting further profit growth over the medium to long term by accelerating reforms to raise profitability

Summary



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

Company profile

Pioneering independent system integrator with a history of over 50 years

1. Company profile

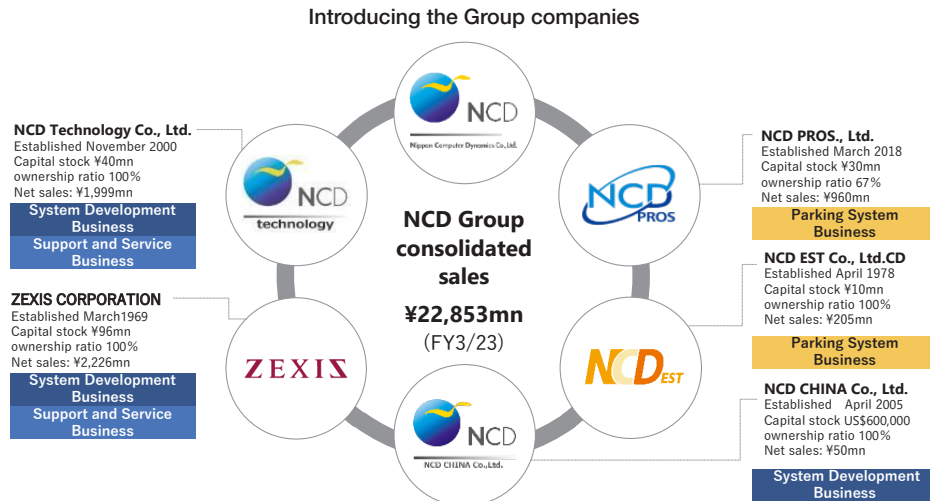
The Company is a pioneer as an independent system integrator with a history of over 50 years. The Company pursues a growth strategy of being a total solution provider and in April 2022, formulated the Group purpose: "Powering the world with passion." which incorporates the aspiration, "We dream of building a future where everyone can be their fullest selves." Moreover, effective January 1, 2024, the Company plans to change its name to NCD Co., Ltd. with a view to unifying the Group to fulfill this purpose, raise brand value and achieve sustained growth.

As of the end of FY3/23, the Company's business bases were its Head Office (Shinagawa Ward, Tokyo), Odaiba Office (Koto Ward, Tokyo), Koto Service Center (Koto Ward, Tokyo), Fukuoka Office (Hakata Ward, Fukuoka Prefecture), Kokura Office (Kitakyushu City, Fukuoka Prefecture), Nagasaki Office (Nagasaki City, Nagasaki Prefecture; including the MSC (Managed Service Center)), and Goto Office (Goto City, Nagasaki Prefecture).

The Group is comprised of the Company and its subsidiaries, which include NCD Technology CO., Ltd., ZEXIS CORPORATION, NCD CHINA Co., Ltd., NCD EST Co., Ltd., and NCD PROS., Ltd. (ownership ratio: 67%). NCD Technology conducts support and service in the IT-related Business, such as system development; ZEXIS conducts support and service in the IT-related Business, such as system development, mainly for the Panasonic Holdings <6752> Group; NCD CHINA conducts a System Development Business in China; NCD EST conducts a parking system business in Kyushu; and NCD PROS conducts a bicycle parking lot management and operations business.

Company profile

At the end of FY3/23, total assets were ¥12,387mn, net assets were ¥5,045mn, capital stock was ¥438mn, the equity ratio was 40.4%, and the number of issued shares was 8,800,000 shares (including treasury shares of 728,932 shares).



Source: Reprinted from the Company's results briefing materials

2. History

The Company was established in March 1967 when it launched the System Development Business. It then launched the Support and Service Business in October 1995, and the Parking System Business in October 1997. Regarding stock market-related matters, in September 2000, the Company registered for over-the-counter trading with the Japan Securities Dealers Association (it was subsequently listed on the Tokyo Stock Exchange (TSE) JASDAQ market following the merger of the exchanges). In April 2022, the Company was transferred to the TSE Standard Market following the reorganization of markets on the exchange.

In Group companies, the Company established Nihon System Research Co., Ltd. (now, NCD Technology) in November 2000, established NCD CHINA in April 2005, acquired ZEXIS CORPORATION as a subsidiary in December 2007 (made it a wholly owned subsidiary in August 2008), established NCD PROS in March 2018, and acquired YANOSANGYO., Ltd. (renamed NCD EST in September 2021) as a subsidiary in April 2019.

Company profile

History

Date	Event
March 1967	The Company was established in Ebisu, Shibuya Ward, Tokyo, as a software development company
January 1970	In the Middle and Near East, it succeeded in developing and installing comprehensive systems, becoming the first company in Japan to develop software overseas
September 1976	Deployed the PRIDE system development methodology (developed by US-based MBA) as the first user in Japan
April 1979	Opened the Fukuoka Sales Office as a business site (currently, the Fukuoka Office)
February 1990	Received certification as a "system integrator" from the Ministry of International Trade and Industry (currently, the Ministry of Economy, Trade and Industry)
October 1995	Launched the Support and Service Business
October 1997	Merger of Finetech Systems Co., Ltd., C.A.P Co., Ltd., and Holon Co., Ltd.
October 1997	Launched the Parking System Business
April 1999	Relocated the Head Office to Nishi-Gotanda, Shinagawa Ward, Tokyo
September 2000	Registered for over-the-counter trading with the Japan Security Dealers Association
November 2000	Established Nihon System Research Co., Ltd. (currently, NCD Technology)
December 2004	Listed shares on the JASDAQ market of the Tokyo Stock Exchange
April 2005	Established NCD CHINA Co., Ltd. in the Huayuan Industry Area, Tianjin, China
June 2006	Acquired the Privacy Mark certification
May 2007	Acquired ISO 9001 certification (certification of the Fukuoka Sales Office as a related business office)
December 2007	Acquired ZEXIS CORPORATION as a subsidiary
May 2011	Opened the Nagasaki Sales Office as a business site (currently, the Nagasaki Office)
March 2013	The number of bicycle parking lot management units in the Parking System Business surpassed 300,000 units
November 2015	Opened the Koto Service Center as a business site
March 2017	50th anniversary of the Company's establishment
March 2018	Established NCD PROS., Ltd. (subsidiary with a 67% stake)
April 2019	Acquired YANOSANGYO., Ltd. (renamed NCD EST in September 2021), as a subsidiary
October 2019	Opened the Odaiba Office as a business site
April 2020	Opened the Goto Office (Goto City, Nagasaki Prefecture) as a business site
April 2020	The number of bicycle parking lot management units in the Parking System Business surpassed 500,000 units
April 2021	The number of bicycle parking lot management units in the Parking System Business surpassed 600,000 units
September 2021	Acquired gold authorization as a company with an outstanding approach to health and productivity management
October 2021	Established the Sustainability Promotion Committee
April 2022	Transferred to the Tokyo Stock Exchange Standard Market
April 2022	Formulation of purpose and partial amendment of corporate philosophy
May 2023	Formulated the new mid-term management plan "Vision 2026"
January 2024 (plan)	Plans to change name to NCD Co., Ltd.

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

■ Business overview

Promotes IT-related Business (System Development Business, Support and Service Business) and Parking System Business. The IT-related Business has a robust customer base of blue-chip companies. The System Development Business mainly consists of mission-critical system development and maintenance consignments.

1. Business overview and characteristics/strengths

The Company, as a total solutions provider, is developing and managing three business pillars: the System Development Business (systems integration) and the Support and Service Business (service integration), which are IT-related Businesses, and the Parking System Business (parking solutions), which is an unattended bicycle parking lot-related business that it launched through utilizing its expertise in IT solutions.

The Company leverages advanced technologies and high-quality services cultivated through an extensive track record as an independent company of over 50 years, the latest information technology and abundant application knowledge, and one-stop service provision to deliver total solutions.

2. System Development Business

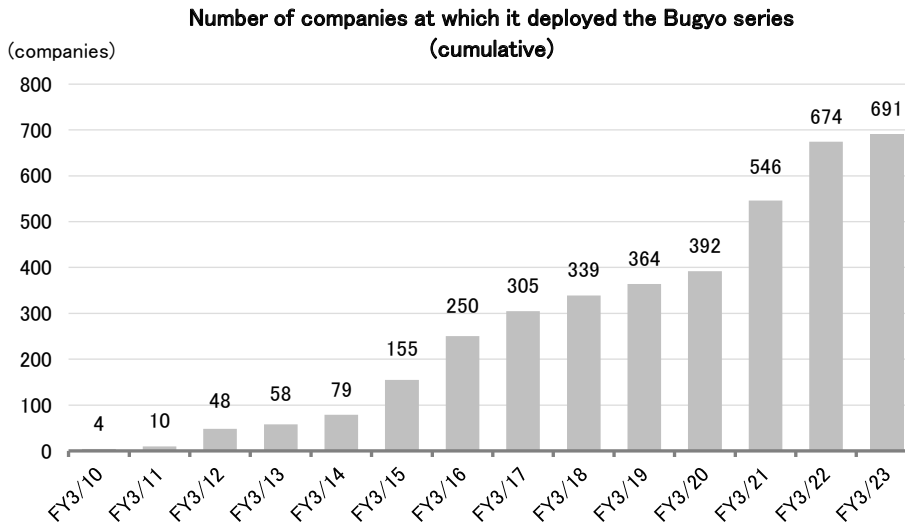
The System Development Business conducts outsourced system integration, which involves undertaking the planning, design, development, construction, installation, maintenance and management mainly of mission-critical systems. Its services include systems construction solutions, infrastructure construction solutions, and package solutions, primarily for medium-sized companies and major corporate groups.

Based on the expertise cultivated through its abundant track record of over 50 years, from constructing large-scale systems to constructing small-scale systems, the Company constructs its own proprietary systems development standard “NS-SD” (NCD Standard System Development) and project management standard “NS-PM” (NCD Standard Project Management) to realize system development that ensures stable quality.

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

One of the Company’s strengths is systems construction to install the applications of Oracle and the “Bugyo Series,” which is the mission-critical system of OBIC BUSINESS CONSULTANTS CO., LTD. <4733>. For OBC’s Bugyo Series, among all of OBC’s partners, the Company has the largest team specializing in installing the Bugyo Series, and its total number of installations reached 691 (not including cancellations) as of March 31, 2023. At OBC Partner Award 2022, the Company received OBC Partner of the Year award in sales results for the 2021-22 season in May 2022.

Business overview



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

In the cloud computing field, the Company's bicycle parking business mission-critical system infrastructure has been adopted for the AWS (Amazon Web Services) of Amazon (Amazon.com <AMZN>), the largest public cloud vendor, and it accumulates expertise in construction and operation while providing services as a solution using AWS. It is also the certified Japanese subsidiary of Salesforce.com <CRM>, and it has a track record of many installations of "Salesforce," the world's No. 1 cloud CRM platform.

Moreover, the Company also provides linked-package tools developed in-house on a fee basis to Salesforce (including task management tool "SMAGAN," form creation tool "Smart Report Meister," and screen creation and data visualization tool "Smappi"), and it offers the inventory management tool "Kuramaru," which was also developed in-house.

Another of the Company's features is that it supports the global development of Japanese companies. It provides support for installation of ERP packages such as "mcframe GA," which is the global-compliant ERP of Business Engineering Corporation <4828>, and "Yoyu U8" of UFIDA Software in China, which has the No.1 share for ERP in China.

3. Support and Service Business

The Support and Service Business conducts outsourced service integration in the form of services to undertake the maintenance and operation of customers' systems and applications. These services include providing application maintenance and operation solutions, infrastructure maintenance and operation solutions, and business support solutions.

When providing outsourced maintenance and operation services, a specialized group of engineers who can handle multiple system failure, such as network systems construction and maintenance and operation, provide comprehensive support to replace the customer's own systems management division. The Head Office and the two Nagasaki MSCs (Managed Services Centers) coordinate to run one-stop technical support for the maintenance and operation of systems and applications through remote monitoring 24 hours a day, 365 days a year, and a service desk to respond to inquiries. The Company also provides support for introducing cloud services, including Amazon's AWS and Microsoft's Azure.

We encourage readers to review our complete legal statement on "Disclaimer" page.

Business overview

The Company constructed its own operation standard “ND-OS” (NCD Standard Operation Service), which conforms to ITIL (Information Technology Infrastructure Library) to reduce customers’ IT infrastructure operation and management costs. As it conducts remote monitoring through lines connected to customers, its costs become an advantageous strength. In support-service projects for major life insurance companies, it provides a help desk support service and an infrastructure support service, as well as an on-site support service at the customer’s office.

Through utilizing its strengths, which include expertise cultivated through its abundant track record, its ability to respond quickly, provide services flexibly, and its comprehensive support, the Company’s outsourced systems construction does not stop at maintenance and operation for customers, as a feature of the Company is that it can undertake the maintenance and operation of systems and applications constructed by other companies. In a high security environment, it is strengthening its responses to business continuity plans (BCP), such as at the time of a disaster.

4. A solid customer base with leading blue-chip customers in IT-related Business; stock-type sales ratio of over 70%

In IT-related Business (System Development Business, and Support and Service Business), the Company has built a powerful customer base that includes major insurers, leading energy companies, top manufacturers and blue-chip companies and engages in long-term continuous transactions in many cases. While the system development industry has a structure with extensive secondary and tertiary outsourcing to mid-sized companies by major system integrators. In the Company’s case, direct transactions with end users (primary consignment) are at more than 80% of business. This level demonstrates the high level of the Company’s technology capabilities and quality.

Main customers of the IT-related Businesses

Main customers of the IT-related Businesses	
Transactions for more than 50 years	Takasago Thermal Engineering Co., Ltd., Tokyo Gas Group, Panasonic Group
Transactions for more than 30 years	SRL, Inc., SAIBUGAS Group, Nippon Life Group , FUJIFILM Group, MetLife Insurance K.K.
Transactions for more than 20 years	KADOKAWA CORPORATION, Mitsui O.S.K. Lines, Ltd., DENTSU Group Inc. Nissui Corporation, Fukuoka Prefectural Government
Transactions for more than 10 years	JA OSAKA DENSAN Ltd., Kyudenko Corporation, Sony Group Corporation Tokio Marine & Nichido Fire Insurance Co., Ltd. , Tokyo Tekko Co., Ltd. Manulife Life Insurance Company , Yakult Honsha Co., Ltd.
Recent customers	ELASTOMIX CO., LTD., FWD Fuji Life Insurance Company ORIX Life Insurance Corporation , JTB Asset Management Corp., Takumi Otsuka Co., Ltd. Mitsubishi Corporation Life Sciences Limited, Mizuho Financial Group, Inc. LIXIL Group, etc.

* As of April 1, 2023

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

Also, as it has many long-term, ongoing transactions with major blue-chip companies, it has an earnings structure in which stock-type sales accumulate, such as for the maintenance and operation of the systems it has developed and constructed. Stock-type sales in IT-related Business achieved more than 70% of total sales (FY3/23), including for the maintenance and operation outsourced to it for the development projects of other companies. In this way, the stable income structure is also a feature.

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

5. Parking System Business

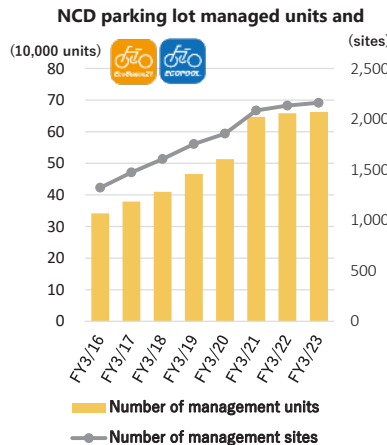
The Parking System Business mainly sells electromagnetic-lock bicycle parking equipment and manages operations of bicycle parking lots. Bicycle parking lots are not only managed and operated in a labor-saving and efficient manner utilizing IT, this business eliminates nationwide problems of abandoned bicycles and other bicycle parking issues while also contributing to easing traffic congestion, effective utilization of land, region and community building, and improvement of the global environment through reduced CO₂ emissions.

The Company aims to solve the problem of abandoned bicycles, and in 1992 proposed a monthly bicycle parking lot management method using a two-dimensional code, a new technology at that time. From this start, it launched the parking system business in 1997, and began establishing NCD bicycle parking lots in 1999. Initially, its sales were mainly of electromagnetic lock-type bicycle parking devices and payment machines, but it then realized unattended bicycle parking lots through remote controls that utilized the IT technologies it had previously developed. Monthly fees had been the mainstream in the bicycle parking lot industry, but the Company pioneered coin-operated bicycle parking lots (unattended bicycle parking lots with spaces rented by the hour), and its business expanded.

Specifically, the Company operates mainstay time-based unattended bicycle parking lots “EcoStation21” (since 1999), monthly bicycle parking lots “ECOPOOL” (since 2013), and other bicycle parking services primarily near train stations in metropolitan Tokyo and in Kansai, Chubu, Kyushu, and other areas (it consigns operation to partner companies in Kansai and Chubu). It covers bicycle parking lots near train stations, at commercial facilities, and at local government-managed facilities.

For its contribution to reducing the number of bicycles left on streets, the Company is widely supported by organizations like local governments, railway companies, and commercial facilities throughout the country, establishing among the largest numbers of electromagnetic lock-type bicycle parking lots in Japan. As of April 1, 2023, it had 2,161 bicycle parking lot management sites and 660,768 management units. Moreover, in transactions with local governments, the local government selects the Company to be its designated manager and facilities are installed and managed through a collaboration of the public and private sectors, and the Company supports urban development together with the local government.

NCD parking lot managed units and locations



Source: Reprinted from the Company's results briefing materials

Business overview

Some typical installation cases include Aoi Street in Shibuya Ward (Shinjuku Station), which became the first bicycle parking lot on a sidewalk, in 2007; Terrace Mall Shonan at Tsujido Station, which is the largest site in the country with 3,000 units, in 2011; Shibuya Stream, a redevelopment project in the Shibuya district in 2018; Akabane Station East Exit in 2019; Minami-machida Grandberry Park in the Tokyu Group redevelopment project in 2019; and Grand Emio TOKOROZAWA in the Seibu Group redevelopment project in 2020. In April 2021, the Company started management and operation service for bicycle parking lots as the designated manager with 22,900 management units and 770 rental bicycles at 15 locations in the vicinity of four train stations in Tokyo's Edogawa Ward (Funabori, Nishi-Kasai, Kasai and Kasai-Rinkai Park stations) as part of an effort to curtail the number of bicycles left around stations.

In April 2022, the Company was selected to be a bicycle parking lot management service provider by four local government bodies (Shinjuku Ward, Itabashi Ward, Shinagawa Ward, Kawasaki City), and started management and operation of a total of 246 bicycle parking lots with spaces for approximately 58,000 units. Furthermore, in collaboration with Nomura Real Estate Development Co., Ltd., the Company opened a 1,244 units bicycle parking lot inside the large-scale commercial facility, KAMEIDO CLOCK. In June 2022, the Company started management and operation bicycle parking lots for a total of 1,820 units inside the Tachikawa City information facility CotoLink.

Customers for Parking System Business

Major customers for Parking System Business		
Local governments	Arakawa Ward, Ota Ward, Katsushika Ward, Kita Ward, Shibuya Ward, Shinjuku Ward, Suginami Ward, Setagaya Ward, Taito Ward, Chuo Ward, Toshima Ward, Nakano Ward, Nerima Ward, Asaka City, Ichikawa City, Kawaguchi City, Komae City, Narashino City, Fuchu City, Yokohama City, Wako City, Fukuoka City, etc. (Selected as the designated manager in the following cases) Itabashi Ward, Edogawa Ward, Koto Ward, Shinagawa Ward, Minato Ward, Meguro Ward, Kashiwa City, Kawasaki City, Saitama City, Sagami-hara City, Tachikawa City, Tama City, Toda City, Kyoto City, Nagoya City	<ul style="list-style-type: none"> • Positive assessment of financial soundness and management and operation quality • Provide services in Kansai, Chubu, Kyushu, etc.
Commercial facilities, etc.	Atre Co., Ltd., AEON RETAIL Co., Ltd., Ito Yokado Co., Ltd., Daimaru Matsuzakaya Department Stores Co., Ltd., Comodi-iida Co., Ltd., XYMAX Corporation, Sumitomo Realty & Development Co., Ltd., Seiyu Co., Ltd. The Daiei, Inc., TIMES24 Co., Ltd., Takashimaya Company, Limited, Tokyu Store Corporation, TOKYU LAND CORPORATION, TOSHIN DEVELOPMENT CO., LTD., Nomura Real Estate Development Co., Ltd., PARCO CO., LTD., BIC CAMERA INC., MARUI GROUP CO., LTD., Mitsui Fudosan Co., Ltd., Isetan Mitsukoshi Holdings Ltd., Yodobashi Camera Co., Ltd., etc.	<ul style="list-style-type: none"> • Provide proposals that add IT technologies, such as cashless payments
Railway operators	Odakyu Electric Railway Co., Ltd., Keio Corporation, Keisei Electric Railway Co., Ltd., Keiiky Corporation, SAGAMI RAILWAY Co., Ltd., Metropolitan Intercity Railway Company, SEIBU RAILWAY Co., Ltd., Chichibu Railway Co., Ltd., TOKYU CORPORATION, TOBU RAILWAY CO., LTD., East Japan Railway Company, etc.	<ul style="list-style-type: none"> • Covers the main railway operators
Other organizations, etc.	Kawasaki City Traffic Safety Association, Kita Ward Silver Human Resources Center, Sagami-hara City Machimidori Public Company, Setagaya Ward Silver Human Resources Center, Nerima Ward Environment Machizukuri Public Company, Mitaka Town Management Inc. YOKOHAMA TRAFFIC SAFETY ASSOCIATION	<ul style="list-style-type: none"> • Contributions to local society via collaboration with various organizations

* As of April 1, 2023

* Designated manager: Organization designated for a fixed period to manage public facilities
 Source: Prepared by FISCO from the Company's results briefing materials

To improve user convenience and reduce operations and management costs, the Company launched a cashless bicycle parking lot payment service (contact-free payment machine) in November 2019 at some facilities. The Company is capable of lowering management costs through reduction of collection and maintenance frequency. It plans to expand rollout of contactless payment due to positive response as a measure that prevents COVID-19 infections. In February 2022, the Company started introducing "Amazon Locker," dedicated lockers for received luggage, at its bicycle parking lots as a service for users. By reducing redeliveries, these will contribute to curbing CO₂ emissions.

Business overview

The sales categories are equipment sales, management and operations, and others. The management and operations category consists of self-operated bicycle parking lots, which are managed and operated by the Company based on contracts with private-sector companies that own commercial facilities, etc., designated management, in which the Company conducts management and operations as the manager designated by the local government, and consignment, in which the Company is consigned to manage bicycle parking lots operated by railway companies, local governments, etc. Sales ratios in FY3/23 were 89% stock-type (bicycle parking lot usage fee income, bicycle parking lot management and operation, etc.) and 11% flow-type (sales of bicycle parking lot equipment).

As part of the progress on Business Process Re-engineering (BPR) to improve the profitability of the Parking System Business, a re-design of the operation process and personnel formation has seen the continued introduction of a chat bot inquiry service. In promoting a shift to in-house handling of construction and peripheral operations by strengthening the role of Group subsidiaries, bicycle parking equipment installation work and peripheral work are concentrated in NCD PROS, and fee-collection operations are also moving in-house, centered on designated management venues. For rationalization of the usage fee structure (price revisions) and expansion of cashless payments, the Company is promoting price revisions and deployment of QR code settlement primarily at self-operated bicycle parking lots. In developing new sales channels such as developers and architectural offices, the Company has received orders for redevelopment projects by strengthening collaboration with developers. We at FISCO believe the Company is generally making steady progress.

Conducts thorough project management and quality management

6. Risks and income characteristics

The general risk in IT-related Business (System Development Business and Support and Service Business) is possible sales and profit fluctuation due to major project or other business orders and individual project profitability. To curtail risk related to profitability, the Company conducts rigorous project and quality management to prevent losses and sustain profitability, such as checking profit margin at the estimate stage in the orders committee and carefully assessing project progress and quality control conditions after the order. It promotes efficiency by improving the work process as a Companywide initiative. The Company is boosting stock-type sales through expansion of maintenance and operation service consignments following development work in System Development Business and build-up of continuous consignments in Support and Service Business and has a stable income structure mainly in stock-type business.

The Parking System Business mainly generates stock-type sales from bicycle parking lot usage fee income and bicycle parking lot management and operation consignments through accumulation of managed lots and managed unit volume, and there has been a declining percentage of flow sales from equipment sales, which is affected by order fluctuations related to bidding and other business recruitment activities. Under the impact of the COVID-19 pandemic, the business suffered a major blow as bicycle parking lot usage fee income declined with a decline in bicycle parking lot users and projects and negotiations were delayed due to railway operators reining in capital investment. However, as the pandemic began to subside, the number of bicycle parking lot users began to recover, and partly owing to rate revisions at some self-operated bicycle parking lots, bicycle parking lot usage fee income in FY3/23 exceeded the level in FY3/20 before the pandemic.

Business overview

As a seasonal factor, System Development Business exhibits a pattern of stronger income in 2Q (Jul-Sep) and 4Q (Jan-Mar) in accordance with the implementation timing of customers' corporate IT investment budgets and acceptance inspection timing. Excluding cases of temporary impact by large deals or unprofitable deals, 2Q and 4Q generally have higher shares of overall income from a quarterly perspective and 2H (Oct-Mar) is stronger at the half-year level. Nevertheless, since stock-type sales are expanding, quarterly results have been evening out and thereby diminishing the extent of seasonal impact.

7. IT-related Business remains at high level, Parking System Business showing signs of recovery

Looking at segment sales and breakdown trends (including other sales) over the past six years (FY3/18-/23), the breakdown until FY3/20 was IT-related Business (System Development Business, Support and Service Business) at just over 60% and Parking System Business at just over 30%. In FY3/21 and FY3/22, meanwhile, Parking System Business sales decreased and the share of sales also weakened because of the impact of the COVID-19 pandemic. At the same time, net sales from the IT-related Business have been growing steadily, and the IT-related Business now accounts for over 70% of the total, with the Parking System Business accounting for just under 30%. Sales composition in FY3/23 was 70.7% for the IT-related Business (System Development Business was 40.5% and the Support and Service Business 30.2%) and 29.2% for the Parking System Business.

Net sales and composition of total net sales by segment

	(¥mn, %)					
Item	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23
Net sales						
System Development Business	5,738	6,329	7,073	7,405	8,368	9,243
Support and Service Business	4,524	4,611	4,568	5,072	6,099	6,892
Parking System Business	5,948	6,027	6,693	5,060	6,073	6,675
Consolidated net sales (including others)	16,237	17,007	18,390	17,563	20,550	22,853
Composition of net sales						
System Development Business	35.3	37.2	38.4	42.2	40.7	40.5
Support and Service Business	27.9	27.1	24.8	28.9	29.7	30.2
Parking System Business	36.6	35.4	36.4	28.8	29.5	29.3

Source: Prepared by FISCO from the Company's Securities Report and quarterly reports

Looking at operating income and its composition of net sales by segment (before adjustment for Companywide expenses other expenses) over the past six years (FY3/18-23), operating income in the IT-related Business has been expanding in conjunction with the expansion of net sales. Operating income in the Parking System Business was hit by the impact of the COVID-19 pandemic in FY3/21 and FY3/22. For operating income in FY3/23, the margin of increase was small in the System Development Business due to personnel costs and other upfront investment, but income grew steadily in the Support and Service Business and increased by a large margin in the Parking System Business as the impact of the COVID-19 pandemic lessened.

Business overview

Operating income margin by segment (Before consolidation adjustments)

Item	(¥mn, %)					
	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23
Operating income						
System Development Business	549	726	799	928	1,020	1,033
Support and Service Business	267	374	224	481	620	703
Parking System Business	925	883	944	13	451	817
Before consolidation adjustments	1,655	1,921	1,953	1,421	2,096	2,554
Composition of operating income						
System Development Business	33.2	37.8	40.9	65.3	48.7	40.5
Support and Service Business	16.1	19.5	11.5	33.9	29.6	27.5
Parking System Business	55.9	46.0	48.4	1.0	21.5	32.0

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

In segment operating income margin trends in the past six years (FY3/18-23), System Development Business has been stable at a level generally above 10% due to the result of rigorous project management, quality management, and other measures. Support and Service Business margin weakens (FY3/18 and FY3/20) when it incurs one-time costs from large new consignments, including replacement consignments from other company projects, and then tends to improve significantly after exhaustion of one-time costs and stabilization of operations (FY3/19, FY3/21, and FY3/22).

Parking System Business held at a high operating income margin of about 15% until FY3/20, but this dropped sharply in FY3/21 and FY3/22 due to decreased sales because of the COVID-19 impact. In FY3/23, the operating income margin improved substantially. Although equipment sales were slow to recover, bicycle parking lot usage fee income recovered thanks to the diminished impact of COVID-19, rates being revised at certain self-operated bicycle parking lots and other measures bearing fruit, including efforts to reduce management and operation costs.

Operating income margin by segment

Item	(%)					
	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23
Operating income margin						
System Development Business	9.6	11.5	11.3	12.5	12.2	11.2
Support and Service Business	5.9	8.1	4.9	9.5	10.2	10.2
Parking System Business	15.6	14.7	14.1	0.3	7.4	12.2

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

Results trends

FY3/23 finished with major increases in sales and profits, exceeding plans. The IT-related Business continued to perform well and the Parking System Business is trending upward.

1. Summary of the FY3/23 consolidated results

In FY3/23 consolidated results, the Company recorded major increases in sales and profits, with ¥22,853mn in net sales, an increase of 11.2% year on year (YoY), ¥1,195mn in operating income, an increase of 32.5%, ¥1,212mn in ordinary income, an increase of 26.7%, and ¥672mn in net income attributable to owners of the parent, an increase of 46.7%. Owing in part to a recovery in the Parking System Business that went beyond expectations, profits increased substantially, outperforming forecasts (revised on March 1, 2023 to net sales of ¥23,000mn, operating income of ¥1,100mn, ordinary income of ¥1,130mn and net income attributable to owners of the parent of ¥600mn). Both net sales and operating income set record highs.

Summary of the FY3/23 consolidated results

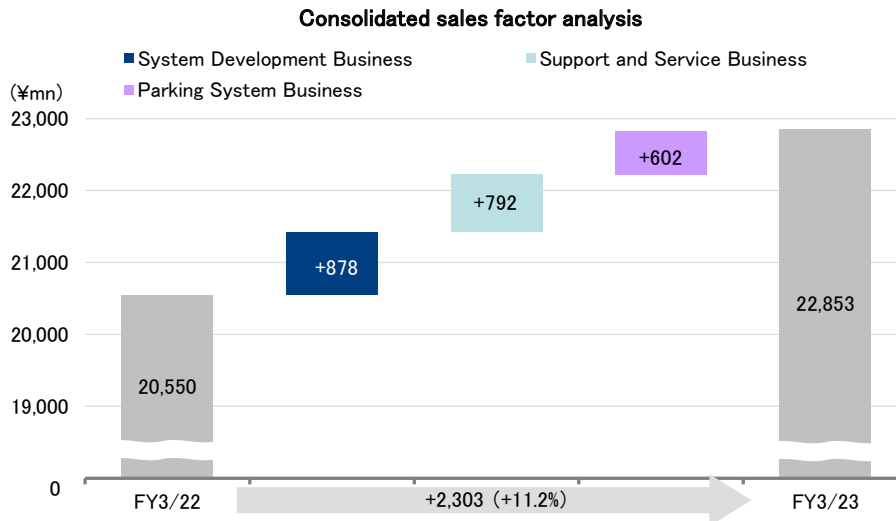
	FY3/22	FY3/23	Change	Plan	Achievement rate
					(¥mn)
Net sales	20,550	22,853	11.2%	23,000	99.4%
Gross profit	3,257	3,840	17.9%	-	-
Gross profit margin	15.9%	16.8%	0.9pt	-	-
SG&A expenses	2,354	2,644	12.3%	-	-
SG&A expenses rate	11.5%	11.6%	0.1pt	-	-
Operating income	902	1,195	32.5%	1,100	108.7%
Operating income margin	4.4%	5.2%	0.8pt	-	-
Ordinary income	956	1,212	26.7%	1,130	107.3%
Net income and loss attributable to owners of the parent	458	672	46.7%	600	112.1%
ROE= Return on Equity	10.7%	14.3%	3.6pt	-	-
Net sales by segment					
System Development Business	8,365	9,243	10.5%	-	-
Support and Service Business	6,099	6,892	13.0%	-	-
Parking System Business	6,073	6,675	9.9%	-	-
Operating income by segment (before consolidation adjustments)					
System Development Business	1,020	1,033	1.2%	-	-
Support and Service Business	620	703	13.5%	-	-
Parking System Business	451	817	81.1%	-	-

Note: Forecasts are the revised forecasts dated March 1, 2023

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

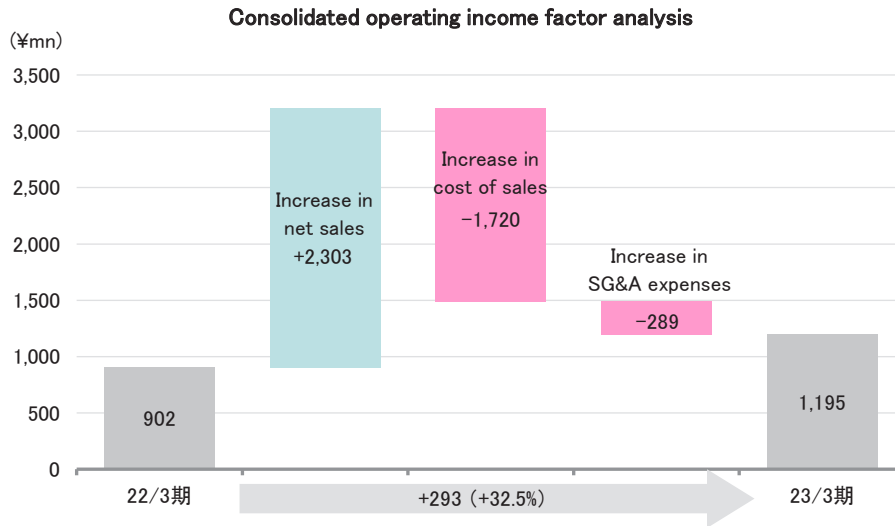
Results trends

From a net sales aspect, the IT-related Business (System Development Business, Support and Service Business) continued to perform strongly against a backdrop of demand for DX, and in the Parking System Business, net sales showed a recovery trend centered on increased bicycle parking lot usage fee income accompanying easing of restrictions on activities due to the abating influence of the COVID pandemic. Operating income increased by a small margin in the System Development Business due to personnel costs and other upfront investment, but it increased by double-digits in the Support and Service Business thanks to an improved cost ratio and also increased by a large margin in the Parking System Business as a result of increased revenue and various initiatives to raise profitability. So, on a company-wide basis, operating income increased substantially. Gross profit increased by 17.9% and the gross profit margin increased by 0.9 percentage points to 16.8%. SG&A expenses increased by 12.3% due in part to investment in human capital, and the SG&A expenses margin edged up by 0.1 percentage points to 11.6%. As a result, the operating income margin went up by 0.8 percentage points to 5.2%. In extraordinary losses, impairment loss declined ¥79mn (recorded ¥215mn in FY3/22 and ¥136mn in FY3/23), but a loss on transition to a retirement plan of ¥85mn was posted. Return on equity (ROE) increased 3.6 percentage points to 14.3%.



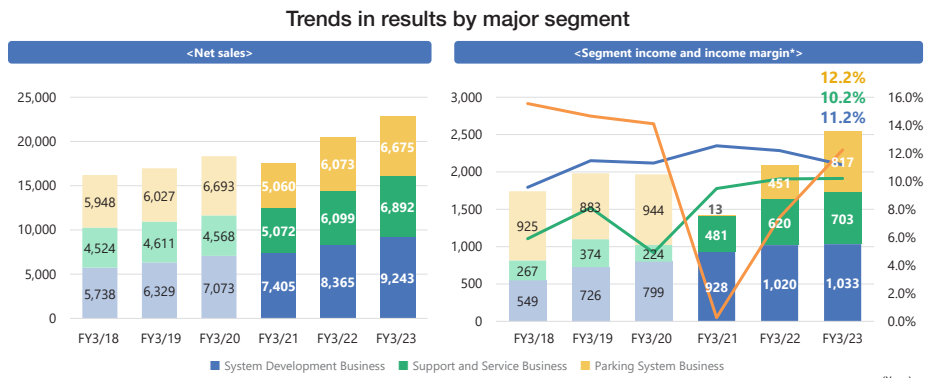
Source: Prepared by FISCO from the Company's results briefing materials

Results trends



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

2. Trends by segment

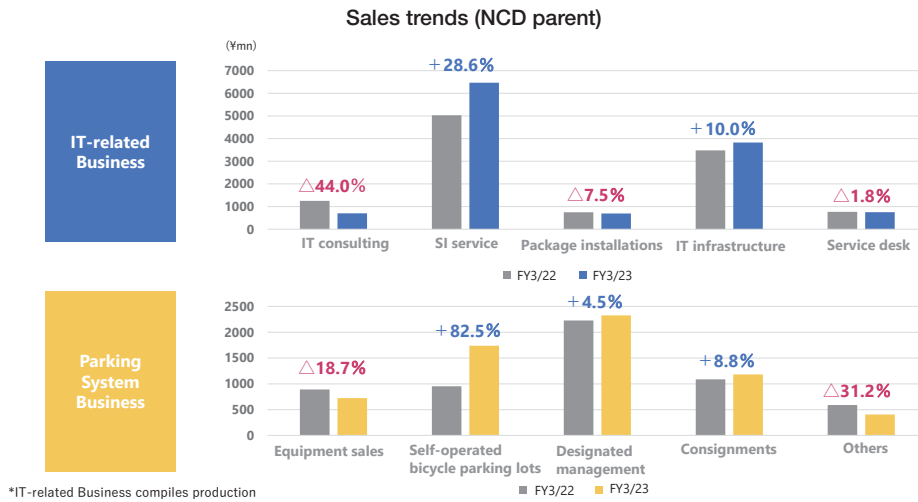


*Segment income: Income before allocation of adjustments (general and administrative expenses related to the parent company)

(¥mn)

Source: Reprinted from the Company's results briefing materials

Results trends



Source: Reprinted from the Company's results briefing materials

Looking at trends by segment, in the IT-related Business, net sales from the System Development Business increased 10.5% YoY to ¥9,243mn and operating income (adjustment for Companywide expenses other expenses) increased 1.2% to ¥1,033mn, while net sales from the Support and Service Business went up 13.0% to ¥6,892mn and operating income rose 13.5% to ¥703mn. In the System Development business, profit was limited to a small increase due to investments in human capital and other factors, but transactions with insurance companies, a major customer, expanded, and accounting shared services and workflow deployment projects, etc. were firm. In the Support and Service Business, there was expansion in the business domain for outsourcing projects related to information system division processes (system operation for the Nissui <1332> Group) and also new orders were received for cloud-related projects, which led to double-digit growth in both sales and profits.

Looking at net sales by business category, mainstay SI services increased by 28.6% and IT infrastructure went up 10.0%, so sales were buoyant. The Company promoted account plans (proposal-based sales for existing customers targeting domains where orders have not been received) against a backdrop of a high level of DX demand by customers. As a result, in the System Development Business, the Company acquired system development projects related to new products at insurance companies, and in the Support and Service Business, it received an order for remote operation services for IT infrastructure for a major energy company.

In the Parking System Business, net sales increased 9.9% YoY to ¥6,675mn and operating income rose 81.1% to ¥817mn. Looking at a breakdown of sales, equipment sales decreased by 18.7%, but self-operated bicycle parking lots increased by 82.5%, designated management went up by 4.5% and consignments went up by 8.8%. While equipment sales have been slow to recover, railway usage improved as the impact of the COVID-19 pandemic lessened, and bicycle parking lot usage fee income surpassed the level in FY3/20 before the pandemic thanks in part to rate revisions at some self-operated bicycle parking lots. In an effort to expand its customer base, the Company began transactions with Chichibu Railway Co., Ltd. and opened "ECOPOOL" monthly bicycle parking lots, which do not require management by station attendants, at seven stations on local lines. Operating income increased by a substantial margin because of the increase in revenue and also owing in part to the effects of measures to cut management and operation costs, which included moving outsourced processes in-house.

Good financial position

3. Financial condition

Looking at the Company's financial condition, at the end of FY3/23, total assets increased ¥496mn versus the end of FY3/22 to ¥12,387mn. Accounts receivable - trade increased ¥592mn. Total liabilities decreased ¥80mn to ¥7,342mn. Income taxes payable decreased ¥248mn, lease obligations decreased ¥181mn, provision for bonuses increased ¥208mn, and provision for stock remuneration increased ¥125mn. Total net assets increased ¥576mn YoY to ¥5,045mn. Retained earnings increased ¥559mn. As a result, the equity ratio rose 3.1 percentage points to 40.4%. There are no particular matters for concern, and we judge the Company to be in a good financial position.

Financial statements and cash flow statement (simplified)

Item							(¥mn)
	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23	Change
Total assets	11,070	11,048	11,617	10,816	11,890	12,387	496
(Current assets)	6,343	6,455	6,644	6,768	7,949	8,579	629
(Non-current assets)	4,727	4,593	4,972	4,047	3,941	3,808	-132
Total liabilities	7,981	7,595	7,704	6,651	7,422	7,342	-80
(Current liabilities)	4,043	4,291	4,311	3,976	4,721	4,885	164
(Non-current liabilities)	3,937	3,304	3,392	2,674	2,701	2,456	-244
Total net assets	3,089	3,453	3,913	4,165	4,468	5,045	576
(Shareholders' equity)	2,891	3,387	3,924	4,057	4,406	4,966	559
(Capital stock)	438	438	438	438	438	438	0
Equity ratio (%)	27.8	31.1	33.5	38.3	37.3	40.4	3.1pt

Item	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23
Cash flows from operating activities	791	416	376	218	1,918	568
Cash flows from investing activities	-554	-219	-164	142	-48	-171
Cash flows from financing activities	-271	-312	-370	-61	-779	-413
Cash and cash equivalents at end of period	2,700	2,579	2,420	2,721	3,814	3,799

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

Outlook for the future

Forecast for significant growth in profits remains unchanged for FY3/24, and may grow even further

● Summary of the FY3/24 consolidated results forecast

The Company forecast for FY3/24 consolidated results projects significant growth in profits, with increases in net sales of 2.8% YoY to ¥23,500mn, operating income of 17.1% to ¥1,400mn, ordinary income of 15.5% to ¥1,400mn, and net income attributable to owners of the parent of 26.4% to ¥850mn. The Company is projecting that growth in all segments will more than offset human capital investment and other expenditures. It will focus on increasing profitability and plans to promote initiatives that include raising productivity and adjusting prices.

Outlook for the future

Summary of the FY3/24 consolidated results forecasts

	(¥mn)		
	FY3/23	FY3/24 forecasts	% change
Net sales	22,853	23,500	2.8%
Operating income	1,195	1,400	17.1%
Operating income margin (%)	5.2	6.0	0.8pt
Ordinary income	1,212	1,400	15.5%
Net income attributable to owner of the parent	672	850	26.4%
EPS (¥)	83.31	105.31	-
Dividend (¥)	20	32	-
Net sales by segment			
System Development Business	9,243	9,650	4.4%
Support and Service Business	6,892	7,150	3.7%
Parking System Business	6,675	6,700	0.4%
Operating income by segment (before consolidation adjustments)			
System Development Business	1,033	1,250	21.0%
Support and Service Business	703	803	14.2%
Parking System Business	817	920	12.5%
Operating income margin by segment (%)			
System Development Business	11.2	13.0	1.8pt
Support and Service Business	10.2	11.3	1.1pt
Parking System Business	12.2	13.7	1.5pt

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

Segment forecasts are as follows. In the System Development Business, the Company is forecasting net sales to increase 4.4% YoY to ¥9,650mn and operating income (adjustment for Companywide expenses other expenses) to go up 21.0% to ¥1,250mn. In the Support and Service Business, it is forecasting net sales to increase 3.7% YoY to ¥7,150mn and operating income to rise 14.2% to ¥803mn. In the Parking System Business, it is projecting net sales to edge up 0.4% to ¥6,700mn and operating income to increase 12.5% to ¥920mn.

Regarding its priority strategies, in the IT-related Business, the Company will evolve the NCD service model by enhancing its service menu, promote full IT outsourcing by expanding application of managed services, and promote the training of high-level IT personnel by strengthening mid-career hiring and promoting re-skilling, etc. In the Parking System Business, the Company plans to review business processes, revise rates primarily at self-operated bicycle parking lots, expand the functions of ECOPOOL monthly bicycle parking lots, deploy next-generation bicycle parking lot services, improve profitability by reviewing its local government strategy, and strengthen the functions of its corporate strategy division, etc. In addition, in the corporate division, it will strengthen materiality initiatives and fully incorporate them into management, strengthen human resources management, starting with securing and training personnel, and bolster its compliance and risk management systems for the Group overall, etc.

Moreover, in connection with the start of its new medium-term management plan "Vision 2026," the Company has set a new target consolidated payout ratio of 30% or higher and plans to increase its dividend significantly. Considering the Company's strong tendency to make conservative estimates in light of the uncertainty at the start of the fiscal year and that a certain level of increases to added value can be expected from promoting strategies to raise profitability, FISCO believes there is a high likelihood that the Company's full-year forecasts will be upwardly revised.

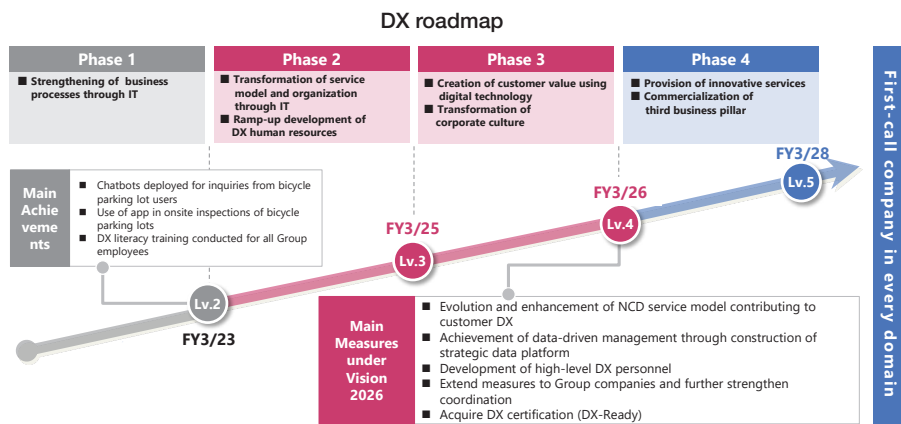
Growth strategy

Purpose of “Powering the world with passion.” New medium-term management plan targeting ROE of 15% or higher in FY3/26.

1. Purpose

In order to accelerate its growth strategy of being a total solution provider, in April 2022, the Company formulated the Group purpose: “Powering the world with passion.” which incorporates the aspiration, “We dream of building a future where everyone can be their fullest selves.” It also modified its corporate philosophy to become “Contributing a bright future through unique technologies and services.”

Furthermore, the Company has articulated the DX Vision: “In the NCD Group, we are committed to contributing to the transformation of our customers’ businesses and the development of society, aiming to achieve sustainable growth for our entire Group by having employees approach their work with vibrancy and enthusiasm. To achieve this, each member of the Group draws on their knowledge and wisdom to transform their awareness and take up the challenge of creating digital technologies and services with new concepts.” With this, the Company has declared its commitment to ramping up DX promotion. A new DX promotion department was established in April 2022 and a roadmap was formulated.



*Levels represent (Lv.) the “DX Promotion Indices” of the Ministry of Economy, Trade and Industry

Source: Reprinted from the Company’s results briefing materials

2. NCD Group vision and the new medium-term management plan “Vision 2026”

In May 2023, the Company formulated a vision for itself in 2032 (NCD Group vision) for sustainable growth and to increase corporate value, and established three basic policies: “Work to transform into a company with higher profitability and translate this into the sustainable growth of the NCD Group,” “Build a third business pillar by taking on the challenge of new business domains,” and “Strive to be a ‘well-being company’ such that working at the NCD Group brings happiness and the potential for growth.” The Company’s targets for 2032 are net sales of ¥40.0bn, operating income of ¥4.0bn and an operating income margin of 10.0%.

Growth strategy

Then, the Company formulated “Vision 2026,” the new medium-term management plan for FY3/24 to FY3/26, back cast from its vision. The basic policies are: Further pursue NCD value by raising the added-value of existing businesses and creating new businesses (further strengthen coordination between the IT-related Business and Parking System Business and pursue new businesses to build a third business pillar by systemizing new business creation), Strengthen the management base to increase corporate value (promote sustainability management, strengthen initiatives for human capital management to maximize human resources value, and contribute to business transformation and sustainable growth through DX promotion), and Rebuild an optimal Group business system (pursue an organizational structure that maximizes business synergies). In terms of direction, the Company will shore up existing businesses and make investments from a long-term perspective, which will include improving profitability that is lower than the industry average, strengthening coordination between business departments, strengthening initiatives for new business domains, increasing added-value in existing businesses, securing and training human resources, and strengthening initiatives for rewarding work. It plans to tie these initiatives to efforts to achieve the targets of its next medium-term management plan (FY3/27 to FY3/29) and its Group vision for 2032.

“Vision 2026” numerical targets

■ Financial targets* (FY3/26)

Consolidated Group		Major segments		
		System development	Support and Service	Parking System
Net sales	¥26.0bn	¥11.0bn	¥8.0bn	¥7.0bn
Operating income	¥1.8bn	¥1.5bn	¥0.9bn	¥1.15bn
Operating income margin	6.9 %	13.6 %	11.3 %	16.4 %
ROE	At least 15%			

*Segment income: Income before allocation of adjustments (general and administrative expenses related to the parent company)

■ Investment targets* (FY3/24-FY3/26)

Total investment over three years	¥1.8bn
● Human capital investment	¥0.7bn
● Investment related to R&D and new businesses	¥0.6bn
● Other investments	¥0.5bn

*Excludes investment in bicycle parking lot facilities in the Parking System Business

■ Shareholder return policy

Consolidated dividend payout ratio	At least 30%
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The Company regards returning profits to shareholders as one of the most important priorities of management and will pay a stable, continuing dividend based on a target payout ratio of 30% or higher while comprehensively considering such factors as consolidated results and the level of internal reserves needed for future business development.

Source: Reprinted from the Company's results briefing materials

In the final year of plan, which is FY3/26, the Company is targeting net sales of ¥26,000mn, operating income of ¥1,800mn, an operating income margin of 6.9%, and ROE of 15.0% or higher. Excluding capital investment in bicycle parking lots related to the Parking System Business, it is planning total investments across the three years of ¥1.8bn (¥700mn in human capital, ¥600mn related to R&D and new businesses, and ¥500mn in other areas). Its policy on shareholder returns is to target a payout ratio of 30% or higher on a consolidated basis.

Its numerical targets by segment are as follows. For the System Development Business, it is targeting net sales of ¥11.0bn, operating income (before consolidation adjustments) of ¥1.5bn, and an operating income margin of 13.6%. In the Support and Service Business, it is targeting net sales of ¥8.0bn, operating income of ¥0.9bn and an operating income margin of 11.3%. And in the Parking System Business, it is aiming for net sales of ¥7.0bn, operating income of ¥1.15bn, and an operating income margin of 16.4%.

Growth strategy

In the IT-related Business, the Company will work to transform to a high added-value service model and establish a unique position as a full IT outsourcer. To this end, it will strengthen the services it provides, its customer base and systems and work to further expand its outsourcing business. In the Parking System Business, the Company will work to establish a strong position as a leading company and apply the strengths and expertise it has cultivated in the bicycle parking lot business to new business domains. It will stabilize its revenue base by carrying out a structural reform project and create businesses with high added value through promoting proposal-based businesses and providing new services. In the corporate division, the Company plans to promote sustainability management, human capital management and a more advanced governance system in order to achieve the levels of governance required of companies listed on the Prime Market.

With regard to new business creation, the Company will conduct multifaceted initiatives that include starting a program to solicit business ideas as a part of its strategy. In addition, with regard to sustainability management, the Company began KPI monitoring while incorporating materiality into each division's policies. Going forward, the Company intends to strengthen initiatives for enhancing non-financial information. In the area of human capital management, the basic concept of its HR strategy is to focus on autonomous career formation and reforms to the organizational culture through dialogue. It plans to work to reform HR management for the development of both personnel and the organization.

According to Representative Director and President Osamu Shimojo, who spoke with enthusiasm, "We will promote various initiatives with a focus on raising profitability and will accelerate reforms and the challenge of new fields toward achievement of our Group Vision in 2032 while being conscious of sustainability management. Regarding our policy on shareholder returns as well, we have set a target payout ratio of 30% or higher and will increase our dividend from previous levels. We fully believe we will be able to achieve our targets for FY3/26 and intend to raise corporate value with the goal of being listed on the Prime Market in the future." FISCO believes that by accelerating reforms to raise profitability, further profit growth can be expected over the medium to long term.

Shareholder return policy

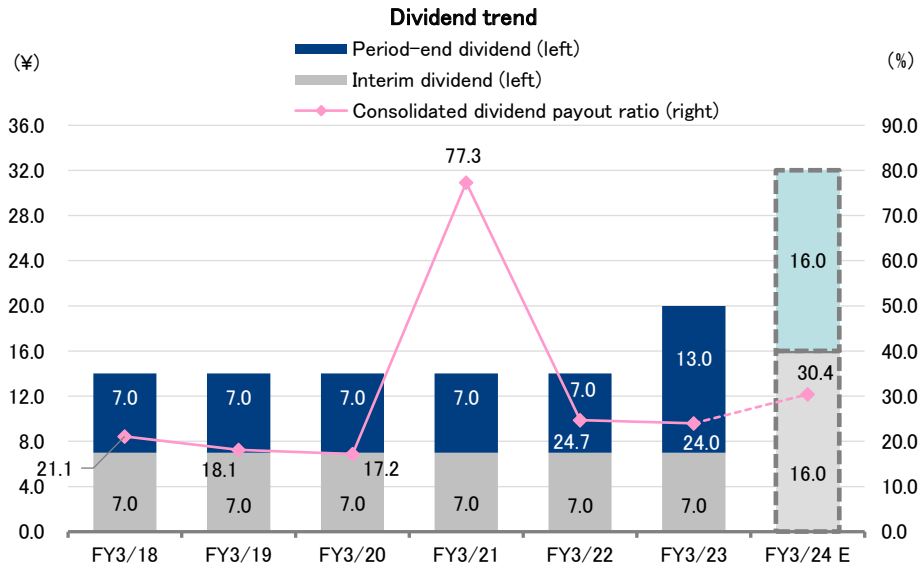
Targeting a consolidated payout ratio of 30% or higher

1. Targeting a consolidated payout ratio of 30% or higher

Regarding profit allocation, the Company will pay a stable, continuing dividend while comprehensively considering such factors as consolidated results and the level of internal reserves needed for future business development. Under this basic policy, for FY3/23, it paid a per-share dividend of ¥20.00 (¥7.00 at the end of the first half and ¥13.00 at the end of the fiscal year), an increase of ¥6.00 from the previous fiscal year. The dividend payout ratio is 24.0%.

With the start of its new medium-term management plan, "Vision 2026," the Company has set a target consolidated payout ratio of 30% or higher starting in FY3/24. Based on this policy, in FY3/24, it plans to increase its per-share dividend by ¥12.00 YoY to ¥32.00 (¥16.00 at the 1H-end and ¥16.00 at year-end). This would be a payout ratio of 30.4%.

Shareholder return policy



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

2. Shareholder benefits program

The Company also implements a shareholder benefits program as part of its measures to return profits to shareholders. Shareholders holding at least 1,000 shares (10 units) on September 30 of each year are eligible for the program. They receive a gift (QUO card) depending on the number of shares they hold and the continuous period of time they have held them.

Shareholder benefits program

Gift: QUO card

Number of shares held	Continuous period of time held	
	Less than 3 years	3 years or more
1,000 to 2,999 shares	Worth ¥2,000	Worth ¥3,000
3,000 to 4,999 shares	Worth ¥3,000	Worth ¥5,000
5,000 shares or more	Worth ¥5,000	Worth ¥7,000

<Conditions for the continuous holding>

•With the last day in September in each year as the record date, shareholders who are confirmed as being registered in the registry of shareholders on this date are eligible for the program.

•As for the determination of continuous holdings, shareholders holding shares for “three years or more” are the ones who are registered consecutively seven times “with the same shareholder number” in the registry of shareholders in each fiscal half (the end of March and the end of September in each year).

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

■ ESG and SDGs initiatives

● Promoting sustainability management

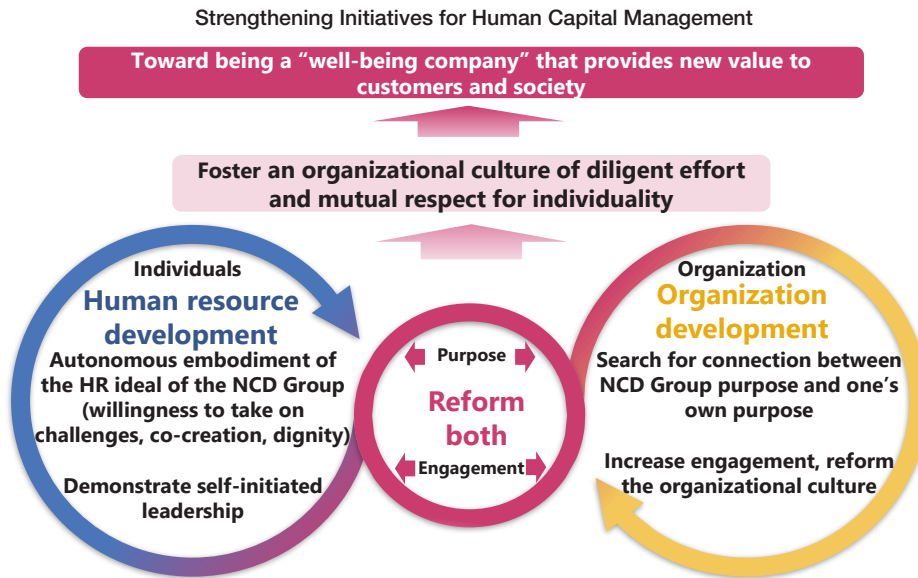
The Company established the Sustainability Promotion Committee in October 2021 and in its “Vision 2026” medium-term management plan formulated in May 2023 as well it has a policy of strengthening sustainability management. The Company advocates the materiality themes of “contribute to realizing carbon neutrality,” “create a safe, secure and prosperous society,” “be a society where diverse human resources can play an active role” and “gain society’s trust.”

With respect to “contribute to realizing carbon neutrality,” the Company will promote DX and provide high add-value bicycle parking lot services. To “create a safe, secure and prosperous society,” it intends to provide resilient social infrastructure and contribute to regional revitalization. To “be a society where diverse human resources can play an active role,” it will promote diversity and inclusion, create a pleasant workplace that provides rewarding work and train the next generation of leaders. And, to “gain society’s trust,” the Company plans to increase the sophistication of its governance system, promote compliance, and conduct appropriate risk management.

The Parking System Business contributes to resolution of abandoned bicycles, easing of traffic congestion, effective utilization of land, region and community building, and improvement of the global environment through reduced CO₂ emissions. It is also implementing bicycle utilization promotion plans in various regions based on the Bicycle Use Promotion Act (enacted in May 2017 for the purpose of comprehensive and systematic promotion of bicycle usage). In April 2022, the Company concluded an official supplier agreement with the professional road cycling team SAITAMA DReVe. The Company also plans to contribute to local communities.

The basic concept of the Company’s HR strategy is to focus on autonomous career formation and reforms to the organizational culture through dialogue. Based on this concept, it is promoting health and productivity management, maintaining a pleasant workplace, work style reforms, career support, in-house ventures, diversity and inclusion, and increasing engagement. The Company instituted a new personnel system integrated at the Group level in April 2021 and in September 2021 it received Gold Certification as an excellent health company in the healthy company declaration program administered by the Kenko Kigyo Sengen Tokyo Suishin Kyogikai, a council of organizations formed to promote health initiatives among small- and medium-sized enterprises in Tokyo. The Company’s target for female managing directors/executive officers is one by FY3/27 and two by FY3/31. Generally, female directors tend to be outside directors, but the Company plans to promote women internally to the position of managing director/executive officer. It will work to comply with the Corporate Governance Code, revised in June 2021, through such measures as disclosing a skill matrix for directors and participating in the platform for the electronic exercise of voting rights.

ESG and SDGs initiatives



Source: Reprinted from the Company's results briefing materials



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