

OPTiM Corporation

3694

Tokyo Stock Exchange Prime Market

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■ Index

■ Summary	01
1. Business details	01
2. Results trends	02
3. Growth strategies and topics	02
4. Outlook	03
■ Company overview	04
1. Company overview and history	04
2. Content of business	07
■ Business overview	09
1. Market trends	09
2. Company's business areas	09
3. The Company's strengths	13
4. Intellectual Property Strategy	14
5. Sales channel strategy	14
■ Results trends	15
1. Overview of FY3/23 results	15
2. Financial condition and management indicators	16
■ Growth strategies and topics	17
■ Outlook	20
■ ESG initiatives	21
■ Shareholder return policy	22

■ Summary

FY3/23 was the 23rd consecutive year of revenue increases since the Company's founding. Sales of the X-Tech Services, which is built on OPTiM Cloud IoT OS, grew 135.8% YoY. Many killer DX services are beginning to contribute to results and the Company is expected to balance active investment in growth with securing profits

OPTiM Corporation <3694> ("the Company") is a venture company specializing in AI and IoT technologies which was established by current President and Representative Director Shunji Sugaya and his friends in 2000 when he was a student at Saga University. With "We make the Internet as simple as breathing" as its mission statement, it is aiming to be a leading company in the Fourth Industrial Revolution by making its mainstay Optimal Biz and OPTiM Cloud IoT OS the de facto standards. From the start, it has been developing technologies with a focus on creating never-before-seen services, and owns a number of patents related to these technologies (1,125 pending, 546 registered, as of February 2023). Mr. Sugaya ranked No. 1. for the scale of patent assets held by individuals in the field of information and communications from 1993 to 2020. The Company has major companies from a wide range of industries among its partners, and its technological capabilities and potential have been highly evaluated both internally and externally. In 2014, it was listed on the Tokyo Stock Exchange (TSE) Mothers Market, and upgraded to the TSE 1st Section in 2015. The Company transferred to the Prime Market in conjunction with the reorganization of TSE markets in April 2022.

1. Business details

The Company's main services consist of IoT Platform Services, which provide 87.0% of total net sales (FY3/23). It is divided into Mobile Management Services, which is a longstanding strength of the Company, and X-Tech Services, an area in which it has been actively investing in recent years. In Mobile Management Services, the main focus is Optimal Biz, whose functions include operations management within an organization, and settings for asset management and security policy by managing various devices such as smartphones and tablets on the cloud. Its commercial distribution includes sales by partner companies and OEM supply, and the Company receives license fees according to the number of devices.

Summary

In X-Tech Services, it is engaged in initiatives using the AI/IoT platform OPTiM Cloud IoT OS in various industries and package services like OPTiM AI Camera. As an initiative to utilize OPTiM Cloud IoT OS, the Company is combining IT with different industries in the pursuit of “〇〇 x IT” (“〇〇” stands for the sector) to transform all industries on the model of the Fourth Industrial Revolution. Examples of these initiatives in the agriculture, forestry and fisheries industries include in 2016, when it succeeded with a demonstration experiment for pest control using AI and drones, which was a first for the agriculture field in Japan. In 2018, the Smart Agriculture Alliance, which is led by the Company, started providing smart agricultural services to contracted producers on a nationwide scale, beginning with the full-scale harvesting of crops, including rice and soybeans. In the healthcare field, the Company released Pocket Doctor, Japan’s first remote healthcare consultation service, in 2016 and Online Healthcare Platform in 2020. Recently, the Company’s AI/IoT platform OPTiM Cloud IoT OS has been used in the network support system of the hinotori™ Surgical Robot System, Japan’s first surgical assistance robot system developed by Medicaroid Corporation, a joint venture of Kawasaki Heavy Industries, Ltd. <7012> and SYSMEX CORPORATION <6869>. In the construction industry, it provides OPTiM Geo Scan, the world’s first application for generating high-precision 3D data using a smartphone. Compared to the expensive surveying equipment that was previously used, it offers a considerable slash in costs and dramatic leap forward in ease of operation. In addition to these, the X-Tech Services area features many other killer services.

Since its founding, the Company has constantly provided innovative services and developed new markets with support from abundant technological capabilities founded on an intellectual property strategy and business creation capabilities. It has several services of No. 1 shares in the Japanese market and possesses a business model with strong license income. Additionally, it has been promoting powerful business development with top players in various industries in recent years as a market leader in AI, IoT, and Big Data.

2. Results trends

In the FY3/23 consolidated results, the Company recorded ¥9,277mn in net sales (up 11.6% YoY), ¥1,750mn in operating profit (up 14.0%), ¥1,634mn in ordinary profit (up 10.1%), and ¥962mn in profit attributable to owners of parent (up 2.0%), as it achieved firm profit growth and a 23rd consecutive year of revenue increases since its founding. In net sales, stock-type sales and flow-type sales were both steady. In stock-type sales, which makes up around three-fourths of total sales, licenses increased in a steady manner for both Optimal Biz, the core product in Mobile Management Services, and OPTiM Cloud IoT OS, the core product of X-Tech Services. Regarding areas in which the Company is investing with the aim of realizing killer services built on OPTiM Cloud IoT OS, it advanced new development for and strengthened the functions of OPTiM Geo Scan, a 3D surveying smartphone app for the construction industry, OPTiM Contract, a contract management service that uses AI, Pinpoint Time Spraying, which uses AI to spray pesticide with pinpoint timing in the agricultural sector, OPTiM Digital Marketing, a marketing DX service, and Online Healthcare Platform. Although cost of sales increased 23.3% YoY, SG&A expenses were reduced by 3.9%, resulting in smooth profit growth of 14.0% for operating profit and 10.1% for ordinary profit. Overall, the Company has maintained a certain level of profitability (operating margin of 18.9%) while making ample investments for the future, so it can be seen that trends have been steady.

3. Growth strategies and topics

The Company’s basic strategy is to rapidly improve business results by continuing the smooth growth in Mobile Management Services (focused on Optimal Biz) while realizing huge growth in X-Tech Services, which is consistent with its efforts to date. In X-Tech Services, it is developing multiple industry-specific killer services using OPTiM Cloud IoT OS and other related technologies and its main business areas include agritech, digital health, digital construction, office DX, marketing DX, and video management DX.

Summary

In agritech, the Company has been enhancing its lineup with multiple services, including Agri-Contractor Services (providing complete agricultural operations as a service, including not only hardware like drones, but also piloting systems) that use both the hardware (drones, etc.) and software (AI/IoT-based analysis systems, etc.) it has developed to date, and pinpoint time pesticide application services. Going forward it plans to expand DX for the entire agriculture industry (integrated services including drone-based seeding, weeding, fertilization, and pest control). In digital health, in February 2023 it combined the Company's marketing DX service OPTiM Digital Marketing and Online Healthcare Platform to provide to Tavoris, SOGO MEDICAL CO., LTD.'s official healthcare app. In digital construction, it is further enhancing 3D surveying smartphone app OPTiM Geo Scan as a killer service. In May 2023, it started providing OPTiM Geo Scan Advance, a ground-based laser scanner that can generate high-precision 3D data covering long distances using a smartphone. In office DX, there are high expectations for OPTiM Contract, a contract management service that uses AI, and OPTiM denshichobohozon, which also enables the management of bookkeeping records. In marketing DX, in April 2023 the beta version of Saga City Super App, which enables users to access all services of Saga City from a single app, was released. This app is based on OPTiM Digital Marketing's technology and if it is successful, it will open up development of DX for local governments. The point that all these examples share is that they combine and multiply technologies accumulated by the Company to accelerate the cultivation of new business areas and addition of new functions and services.

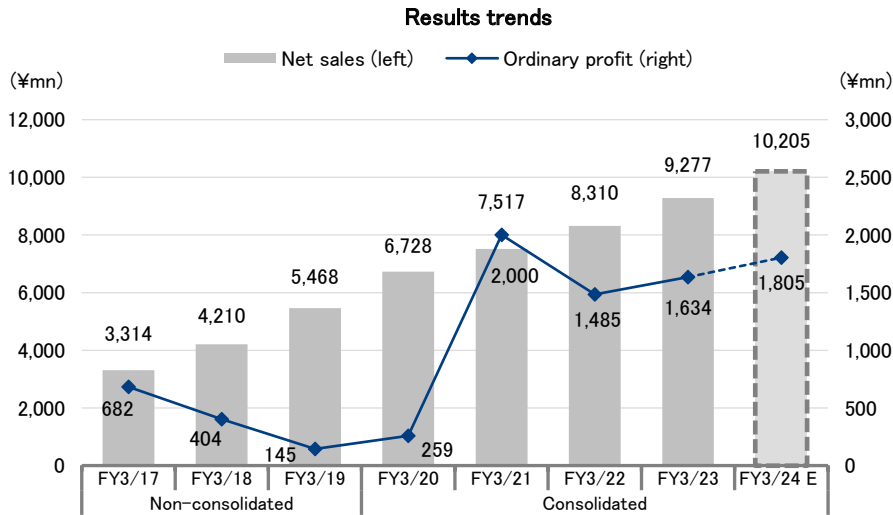
4. Outlook

In its FY3/24 consolidated results forecast, the Company is predicting net sales to increase 10.0% YoY to ¥10,205mn, operating profit to increase 10.8% to ¥1,939mn, ordinary profit to increase 10.4% to ¥1,805mn, and profit attributable to owners of parent to increase 14.9% to ¥1,106mn. The Company is striving for record-high net sales for the 24th consecutive year since its founding, maintaining the same growth rate as the previous term (11.6%). Stock-type sales will account for over 70% of total sales. With the EMM and MDM markets expanding at a solid pace, the Company's mainstay products and services are in an advantageous position, and the increase in stock-type sales is expected to continue in FY3/24. Considering that many of the Company's killer services are beginning to contribute to results, as well as factors such as eagerness to introduce DX at companies, FISCO believes that the FY3/24 net sales forecast (10.0 increase YoY) is the minimum commitment and it is fully possible that actual results will surpass it. Regarding profits, the Company's basic policy is to make active growth investments while maintaining a certain level of profit. The operating margin forecast (19.0%) is lower than the profit margin that the Company's business model is capable of (24.1% in FY3/21), which speaks to the Company's strong commitment to investment. Moreover, the Company has stated its aim to be a leading company in the Fourth Industrial Revolution, and when good investment opportunities arise during the fiscal year (such as M&A), its policy is to make growth investments flexibly and proactively. FISCO believes the Company's profit targets are sufficiently achievable even if it continues to make active growth investments.

Key Points

- Optimal Biz is the de facto standard PC and mobile management service and in X-Tech Services, it has an extensive track record of AI/IoT services for each industry using OPTiM Cloud IoT OS
- FY3/23 was the 23rd consecutive year of revenue increases since the Company's founding. There was growth in X-Tech Services built on OPTiM Cloud IoT OS
- Continuing to make active growth investments to become a central company in the Fourth Industrial Revolution. Multiple killer services are entering growth phases
- Aiming to make FY3/24 the 24th consecutive year of revenue increases since the Company's founding. Many killer DX services are beginning to contribute to results and the Company can be expected to balance active investment in growth with securing profits

Summary



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

Company overview

A venture company attracting attention that aims to have a leading presence in the Fourth Industrial Revolution. Stock-type sales using its domestically produced AI/IoT platform are growing rapidly

1. Company overview and history

The Company is a venture company specializing in AI and IoT technologies which was established by current President and Representative Director Shunji Sugaya and his friends in 2000 when he was a student at Saga University. With “We make the Internet as simple as breathing” as its mission statement, it is aiming to be a leading company in the Fourth Industrial Revolution by making its OPTiM Cloud IoT OS the de facto standard. The Company considers its sole reason for existence to be the creation and realization of innovation, and it is distinguished by making a large number of inventions since its foundation, including achieving 1,125 pending patents and 546 registered patents as of February 2023. Mr. Sugaya ranked No. 1. for the scale of patent assets held by individuals in the field of information and communications from 1993 to 2020. The total number of employees is 398 (as of April 1, 2023), and the majority of these are involved in development or planning and sales.

Although the Company’s main business was initially Internet video advertising services, it concluded a technology-license agreement with Nippon Telegraph and Telephone East Corporation (“NTT East”) in 2006, and used this opportunity of providing automated Internet connection tools that utilize AI to convert to an optimal business (its coined term for a business that aims to make the Internet as simple as breathing and optimize the world of tomorrow). In 2009, it started to provide the Optimal Biz management platform for PCs. The Company has been offering a variety of products and services up until now, but its value of “smartly operating remote devices” has remained consistent even as its fields covered and its technologies change.

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Company overview

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

In 2015, the Company made fully fledged its “OO x IT” initiative to use IT to bring about reforms in industry. It started projects with its partner companies and organizations in fields including construction and agriculture. In the construction industry, four companies, including Komatsu, jointly started LANDLOG, a new platform for the construction production process in 2017. The Company started provision of OPTiM Land Scan (now, OPTiM Geo Scan), a straightforward high-precision smartphone 3D surveying app that can be used by anyone with iPad Pro and is the first of its kind in the world, in 2020. In the agriculture, forestry and fisheries industries, in 2016 the Company succeeded with a demonstration experiment for pest control using drones in the agriculture field. Moreover, in 2018, the Smart Agriculture Alliance, which is led by the Company, grew to a nationwide scale and carried out full-scale harvesting of crops, including rice and soybeans. The Company has also made remarkable headway in the healthcare field, where its AI/IoT platform OPTiM Cloud IoT OS is being used in the network support system of the “hinotoriTM Surgical Robot System,” Japan’s first surgical assistant robot system, developed by Mediaroid.

The Company has major companies from a wide range of industries among its partners, and its technological capabilities and potential have been highly evaluated both internally and externally. The Company is accelerating efforts to expand business through collaboration with major companies, including the establishment of OPTiM Bank Technologies Corp., a joint venture with THE BANK OF SAGA LTD. <8395> aimed at planning and selling solutions that utilize AI and IoT, in 2020 and participation in the establishment of NTT e-Drone Technology Corporation with NTT East and others to promote use of domestic drone services, and establishment of DXGoGo Corporation, a joint venture with KDDI CORPORATION <9433> to assist Corporate DX with product planning that uses AI and IoT, in 2021.

In 2014 the Company was listed on TSE Mothers Market, rising quickly to the First Section in 2015. The Company transferred to the Prime Market in conjunction with the reorganization of TSE markets in April 2022.

History

Year	Major event
2000	Founded OPTiM Corporation
2001	Established Tokyo Office
2006	Started providing an e-mail/router auto-setup tool, “Optimal Setup”
2007	Started providing a screensharing product for PC, “Optimal Remote”
2008	Increased capital through third-party allocation (NTT East)
2009	Made business alliance with NIPPON TELEGRAPH AND TELEPHONE CORPORATION to promote Home ICT Started providing a PC management platform, “Optimal Biz”
2010	Started providing the world’s first remote support product for Android devices, “Optimal Remote Mobile”
2011	Started providing a mobile device management platform, “Optimal Biz for Mobile” Acquired a patent for device identification technology, “Tiger”
2012	Recognized and took 9th place in the “Ranking of Patent Asset Scale in Information Communication Industry, 2011–2012”
2013	Started providing “Unlimited Software powered by OPTiM”
2014	Listed on Tokyo Stock Exchange’s Mothers market Achieved three straight years of No.1 MDM service share in Japan by “Optimal Biz” Started sales of “Unlimited Tablet powered by OPTiM”, the world’s first comprehensive tablet service Acquired the 1st place of Emerging Market Company Ranking of Patent Asset Scale in the Information Communication Industry issued by Patent Result Co., Ltd. Announced “Optimal Remote for Lollipop,” realizing global first remote support of every Android™ smartphone and tablet in the world

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Company overview

Year	Major event
2015	<p>Announced "Remote Experience Sharing," OPTiM's remote technology strategy for the IoT/wearables era</p> <p>Formed a business alliance with Komatsu for Remote Technology, with its first collaboration involving "Optimal Second Sight," a Visual Remote Support service, in which it provides its Smart Construction ICT solutions to construction sites</p> <p>Announced "SkySight," the world's first Big Data analysis platform that supports drones</p> <p>Concluded a three-party agreement for IT Agriculture with Saga University and Saga Prefectural Government</p> <p>Strengthened Capital Alliance with Fuji Xerox</p> <p>Jointly developed "Pocket Doctor," a remote healthcare assistance service</p> <p>Moved to the First Section of the Tokyo Stock Exchange</p>
2016	<p>Pocket Doctor won the Grand Prize in the Japan Healthcare Business Contest 2016 held by the Ministry of Economy, Trade and Industry</p> <p>Announced a new version of OPTiM Cloud IoT OS, an OS optimized for the AI and IoT age</p> <p>Saga University's Faculty of Agriculture, Saga Prefecture's Agriculture, Forestry and Fisheries Department, and OPTiM Corporation were the first in the world to successfully conduct a demonstration experiment to utilize a drone equipped with pest-killing functions in order to conduct pesticide-free pest control at night</p> <p>OPTiM Corporation and Microsoft entered-into a technology alliance in the AI and IoT fields</p>
2017	<p>Concluded a comprehensive partnership agreement with Saga Prefecture to promote the utilization of AI and IoT toward realizing the Fourth Industrial Revolution</p> <p>Four companies, including Komatsu, decided on the joint planning and management of LANDLOG, a new platform that connects to the construction production process as a whole</p> <p>Relocated head office to within a national university (Saga University), the first listed company to do so in Japan</p> <p>Made a subsidiary of Telepathy Global Co., Ltd., which has development capabilities for IoT hardware</p> <p>Started the Smart Agriculture Alliance to utilize AI, IoT, and Big Data to realize "Fun, Cool and Profitable Agriculture"</p>
2018	<p>Won the Intellectual Property Achievement Award, which recognizes companies that have contributed to the development of the intellectual property rights system</p> <p>The Company and MonotaRo opened the MonotaRo AI Store</p> <p>Opened SMART AGRI, an IT and agriculture future media</p> <p>Announced AGRI EARTH, an AI, IoT, and robot platform for the agriculture, forestry and fisheries, distribution processing, and food industries</p> <p>Started DRONE CONNECT β -version, a drone pilot sharing service</p> <p>Announced two new products: OPTiM AI Camera, which has a pre-trained model application menu for more than 300 models, and OPTiM AI Prediction, a prediction service based on quantitative data analyses</p> <p>Announced it holds the basic patent relating to a technology for pinpoint pesticide spraying and fertilization</p>
2019	<p>Established OPTiM AGRI MICHINOKU Co., Ltd., Japan's first smart agriculture regional trading company, with Michinoku Bank</p> <p>Concluded a basic agreement for a business alliance with Sysmex in the field of "cutting edge healthcare x AI and IoT"</p> <p>The number of organizations participating in the Smart Agriculture Alliance exceeded 1,000</p> <p>Obtained approval for second-class medical equipment manufacturing and sales business</p> <p>Opened OPTiM KOBE as a new base in Kobe City</p> <p>Kawasaki Heavy Industries and OPTiM Corporation entered-into a business alliance to utilize AI and IoT in the fields of precision machinery and robots</p> <p>Entered-into a business alliance with VNPT, Vietnam's state-run major communications group, in the fields of AI services and smart agriculture</p>
2020	<p>Provision of OPTiM services at no charge as assistance in dealing with the COVID-19 outbreak</p> <p>Announced Optimal Biz Telework that harnesses AI to enhance work management, motivation, physical well-being, and productivity in telework</p> <p>System Corporation and OPTiM Corporation jointly established D'PULA Medical Solutions Corporation to plan, develop, and operate a medical AI and IoT open platform and digital transformation solutions</p> <p>Established OPTiM Bank Technologies Corp. as a joint venture with the Bank of Saga</p> <p>For the first time in the world, started providing, free of charge, OPTiM Land Scan (now, OPTiM Geo Scan) β-version, which is an app that anyone can easily use with an iPhone Pro to make high-precision smartphone 3D surveys</p> <p>For the first time in Japan in the agriculture field, conducted a demonstration experiment for a non-assisted non-visual flight using a fixed-wing drone to realize Level 3 of the Aerial Industrial Revolution</p> <p>Established the DX Fund with the Bank of Saga</p>
2021	<p>Participates in the establishment of NTT e-Drone Technology Corporation to promote use of domestic drone services</p> <p>Establishes DXGoGo, a joint venture with KDDI to assist corporate DX with product planning that uses AI and IoT</p> <p>Formally launched OPTiM Geo Scan, an app that allows anyone to use an iPhone Pro or iPad Pro to easily make high-precision smartphone 3-D surveys</p> <p>Announced and formally launched OPTiM Contract, which uses AI to reduce contract management costs and risks</p> <p>Announced and formally launched OPTiM ID+, a cloud authentication platform service</p> <p>Launched a "pinpoint time spraying" service as a new lineup for pinpoint spraying series</p> <p>OPTiM's AI solutions acquired the No. 1 market share in 8 categories</p> <p>Patent for "AI analysis and management system," received the Minister of Education, Culture, Sports, Science and Technology Award at the 2021 Kyushu Regional Invention Awards</p>
2022	<p>Announced "OPTiM Geo Point" app that enables anyone to conduct global navigation satellite system (GNSS) surveying and pile driving using a smartphone</p> <p>Transitioned to the Prime Market following the reorganization of TSE market categories</p> <p>OPTiM Geo Scan compatible with Ministry of Land, Infrastructure, Transport and Tourism's Guidelines for Work Progress Management</p> <p>Started providing "OPTiM Asset"</p> <p>MDM/PC management service Optimal Biz achieved No. 1 share in MDM market for 12th straight year based on the result of a research report from Deloitte Tohmatsu MIC Research Institute</p> <p>Entered-into a business alliance with Gyunavi, in the fields of DX services for the restaurant industry</p>
2023	<p>Combined the Company's marketing DX service OPTiM Digital Marketing and Online Healthcare Platform to provide to Tayoris, SOGO MEDICAL CO., LTD.'s official healthcare app</p> <p>Started provision of OPTiM Geo Scan Advance, which enables the easy generation of high-precision 3D data covering long distances using a smartphone</p>

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

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Company overview

2. Content of business

The Company's main services consist of IoT Platform Services, which provide 87.0% of total net sales (FY3/23). It is divided into Mobile Management Services, which is a longstanding strength of the Company, and X-Tech Services, an area in which it has been actively investing in recent years. In Mobile Management Services, the main focus is Optimal Biz, whose functions include operations management within an organization, and settings for asset management and security policy by managing various devices such as smartphones and tablets on the cloud. Its commercial distribution includes sales by partner companies and OEM supply, and the Company receives license fees according to the number of devices. In X-Tech Services, it is engaged in initiatives using the AI/IoT platform OPTiM Cloud IoT OS in various industries and package services like OPTiM AI Camera.

Remote Management Services provide 7.5% of total net sales (FY3/23). Among them, Optimal Second Sight, which is a remote work support service, not only supports work in the field, it has also been adopted as support equipment for disaster countermeasures to facilitate smooth relief activities and to ascertain conditions in the field during a disaster. Its core technologies are remote screen sharing and remote operations. The Company receives license fees according to the number of devices at customer companies that have installed it.

Support Services contribute 1.2% of total net sales (FY3/23). Sales are trending downward alongside the slowdown in the growth of the PC market. The Company provides Optimal Diagnosis & Repair, which automatically detects and repairs problems on devices like smartphones and tablets on networks, and Optimal Setup, which makes it possible to automatically set up routers, and it receives customization fees for functions added at the time of installations and license fees.

Other Services are at 4.3% of total net sales (FY3/23). This segment delivers unlimited-usage services for software and content, including Unlimited Software for individuals, Unlimited Business Software for corporations, and Unlimited Tablet for reading popular magazines, and mainly utilizes a fixed monthly fee model.

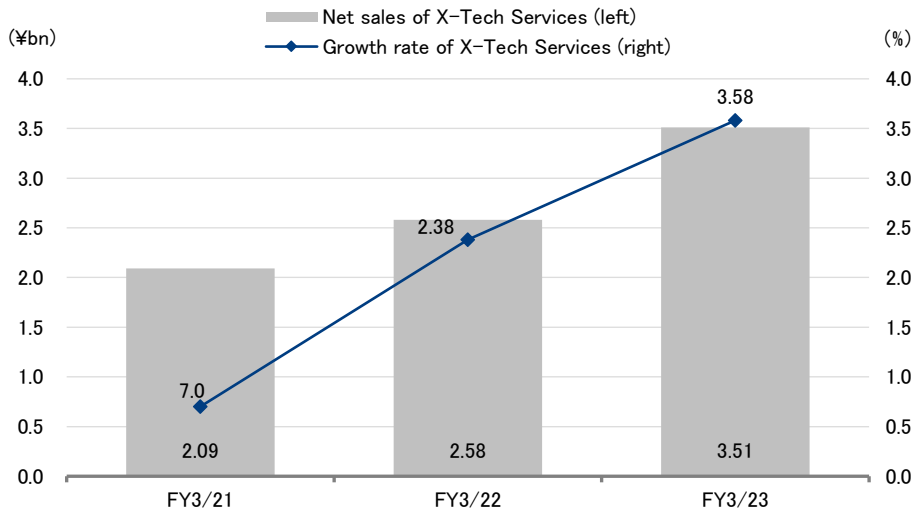
Business content and results by segment

Reporting segment	Classification in results briefing materials	Business description	Sales breakdown (FY3/23)
IoT Platform Services	Mobile Management Services	Main service is Optimal Biz used to manage smartphones, tablets, and other devices on the cloud, manage operations within organizations and assets, and conduct security policy settings.	87.0%
	X-Tech Services	Develops applications and services for solving issues in specific industries, such as construction, agriculture, and healthcare, using the AI/IoT platform OPTiM Cloud IoT OS.	
Remote Management Services		Optimal Second Sight, a remote task assistance service in remote management service, is gaining acceptance for not only frontline task assistance, but also as equipment that aids smooth relief efforts and confirmation of frontline conditions during a disaster.	7.5%
Support Services	Other Services	Provides Optimal Diagnosis & Repair, which automatically detects and repairs problems on devices such as smartphones and tablets on networks, and Optimal Setup, which makes it possible to automatically setup routers.	1.2%
Other Services		This business delivers the unlimited-usage services for software and content, including Unlimited Software and Unlimited Tablet.	4.3%
Total			100.0%

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

Company overview

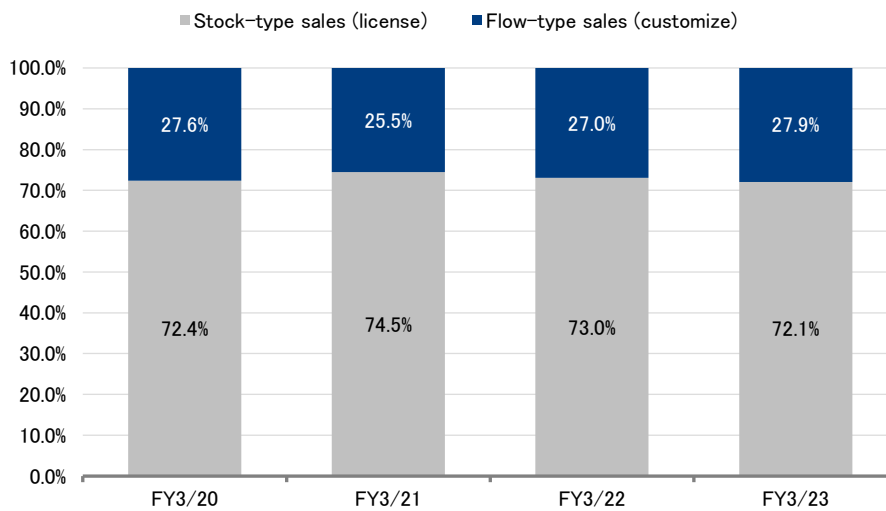
Net sales and growth rate of X-Tech Services



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

Net sales composition consists of stock-type sales and flow-type sales with a breakdown in stock-type sales and flow-type sales of about 3:1. The Company's basic strategy is to maximize stock-type sales, which offer stable revenues, so it is prioritizing the establishment of its own products and services. Therefore, although it is engaging in customized development (flow-type sales) that will lead to stock-type sales in the future, the priority given to other types of customized development is falling.

Breakdown of stock-type sales and flow-type sales



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

Business overview

Optimal Biz is the de facto standard PC and mobile management service. In X-Tech Services, it has an extensive track record of AI/IoT services for each industry using OPTiM Cloud IoT OS

1. Market trends

The Company's growth is supported by the development of the Fourth Industrial Revolution*1. In recent years, the use of IoT (Internet of Things), which includes network cameras, sensors, and wearable devices in addition to PCs and mobile devices, has been rapidly spreading. Forecasts indicate that IoT device installations could reach 41.6bn units in 2025. Alongside this, the volume of data created will increase explosively, and it is estimated that by 2025, the volume of data created by IoT devices in the world will reach 79.4tn GB (approximately four times the volume in 2020). The accelerating increase in Big Data will drive the use of AI to guide users to the useful information within. It can be said that one of the Company's strengths is its provision of solutions that hold the key to advancing the Fourth Industrial Revolution. These include Optimal Biz that manages IoT devices and the OPTiM Cloud IoT OS platform to use IoT and AI. The market that the Company targets is a massive market that is growing, with an estimated potential of ¥160tn (45 billion devices x ¥300/month*2).

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

*2 "45 billion devices" is the estimated number of IoT devices shipped. "¥300/month" is the average monthly unit price of Optima Biz.

2. Company's business areas

(1) Mobile management service, Optimal Biz

Optimal Biz is the Company's mainstay service that was launched in 2009. It is classified as a corporate MDM tool and is capable of easily managing mobile devices, such as smartphones, tablets, PCs, and IT equipment, and implementing security measures, from a browser. The Company provides this service through numerous sales partners, including KDDI, NTT East, FUJIFILM Holdings Corporation <4901>, Panasonic Holdings Corporation <6752>, RICOH COMPANY, LTD. <7752>, and OTSUKA CORPORATION <4768>, and on an OEM basis as a service of sales partners and receives license fees based on the number of devices (¥300/month as the standard price per single-device end user). The domestic MDM market is growing at a steady rate of over 10% annually, and the Company has solidified a position as the de facto standard with a top share secured in the market*1 for 12 consecutive years and deployments at more than 180,000 companies*2. In addition, the average cancellation rate was significantly lower than the industry average at approximately 0.5%, highlighting the high level of customer satisfaction. Since the start of the COVID-19 pandemic, telework has been increasingly utilized regardless of company sector or size, and the number of licenses has steadily increased with mounting needs related to management and security measures for computers and smartphones used for work. In fields peripheral to Optimal Biz, there are new services like OPTiM Contract, OPTiM ID+ and OPTiM Asset, and convenience increases when they are utilized in combination.

*1 Deloitte Tohmatsu MIC Research Institute's "Collaboration and Mobile Management Software Market Outlook – FY2022 Edition" MDM shipped ID volume (including SaaS, ASP), multiple other research reports.

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

Business overview

Optimal Biz Track Record

Optimal Biz — Expanding Mobile Possibilities —
 Mobile Management SaaS

Domestic MDM Market
No. 1
 for **12 consecutive years**

Optimal Biz solves a wide range of issues in business use of smartphones and tablets

- Measures against loss, theft, and information leaks
- Efficient device usage
- Asset management Device monitoring
- Security settings

Overwhelming success with more than **180,000 companies**
June 25, 2019, our total

Average churn rate about **0.5%**
* Calculated by us based on the monthly average results of major partners. Aggregation period (Apr. 2021 – Mar. 2022)

Source: The Company's results briefing materials

(2) X-Tech Services

The Company will utilize OPTiM Cloud IoT OS, a platform for platformers, to combine IT (AI, IoT, etc.) with various industries, and through “● x IT” it will reinvent all industries on the model of the Fourth Industrial Revolution. This initiative is starting with demonstration experiments and has been developing into official businesses and services for specific client companies and industries. Initial industries are “Digital construction” “Agritech” and “Digital health” and these efforts have already ramped up businesses in many cases.

a) Digital construction

Construction is one of the most advanced areas in utilizing AI and IoT. The Company provides OPTiM Cloud IoT OS for LANDLOG, a construction and civil engineering platform for EARTHBRAIN Ltd., a joint venture led by Komatsu and aims to realize frontline operations of the future with safety and high productivity. The platform collects data from all types of “things” used in the construction production process (facilitating management and analysis of excavators, dump trucks, drones, and other equipment), and, under suitable authority management, various providers supply that data to many users who support construction sites. The Company established Landlog Marketing Corporation, which promotes construction DX and ICT (information communications technology) projects in 2020 and conducts sales of smart construction retrofit kits* and marketing of DX solutions for the construction industry.

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

OPTiM Geo Scan is an application drawing the industry attention. High-precision 3D data can be acquired simply by scanning the earth structure or other survey object with a smartphone or tablet device equipped with a LiDAR sensor. Even at small-scale worksites where the use of drones or laser scanners would be difficult, the app demonstrates its superiority, and, compared to conventional electro-optical surveying, the time required can be reduced by up to 60%. The app makes surveying easy to perform by one person and eliminates the need for specialized knowledge, so it can also help address shortages in engineers and other personnel. Developed ahead of other companies worldwide, it was launched in 2021, and since then, the Company has developed various options and peripheral devices to further improve its convenience.

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

Business overview

b) Agritech

In the Agriculture field, the Company has comprehensively developed an AI, IoT, and Robotics technology platform (agriculture DX service), including the world's first "pinpoint agricultural chemical spraying technology," and supports labor savings and higher income in agricultural operations. Other services developed by the Company (besides pinpoint agricultural chemical spraying) include "sowing technology" using drones, "Agri Field Manager," a service for conducting image and sensor analysis of fields using AI and data obtained from IoT devices, and a "wide-area field management system" utilizing glider-type drones. These technologies support cutting-edge smart farming. In addition, the Company has started the "pinpoint time spraying" service which aims to offer the maximum prevention effect with the minimum amount of pesticides used by combining the reproduction forecasting technology and pest outbreak prediction technology it has developed over the years with drone prevention. The Company is proactively advancing initiatives that contribute to cost reductions for producers as well as a safe and secure food life for consumers, along with a lower environmental impact.

The Company has also implemented innovative business-model initiatives to expand use of smart agriculture and realize enjoyable, stylish, and profitable farming. One example is Smart Agri Food. In this initiative, the Company provides cutting-edge technology to producers at no charge and has them produce crops with high added value. It then purchases all of the output, handles branding and sales and shares revenue with producers. Rice is sold online on the Company's "SMART AGRICULTURE FOOD" (nicknamed SUMA-CHOKU (Smart Direct)) online store as well as on sites such as Amazon and Rakuten marketplace as "Smart Rice 2023" (FY2022 new rice, consisting of 10 types from seven prefectures).

c) Digital health

The Company combines IoT and AI technologies in the healthcare field as well and strives to resolve various issues in medicine. One example is "Pocket Doctor," the first remote healthcare consultation service in Japan using smartphones and tablets, announced in 2016 that received the Grand Prize in the Japan Healthcare Business Contest 2016 sponsored by METI. The Company started OEM supply of the "Online Healthcare Platform," which facilitates straightforward and quick development of online healthcare systems, in 2020. It also jointly developed the Mediaroid Intelligent Network System (MINS) jointly with Mediaroid Corporation in the same year. MINS is a network support system platform designed to assist the surgical assistance robot system for Japan's first surgical assistance robot "hinotori™ Surgical Robot System" developed by Mediaroid, assist safe and efficient utilization of surgical rooms, and assist in transfer and inheritance of surgical techniques. It is an open platform on which information including the various sensors installed in hinotori™, endoscopic videos, and videos of the entire operating room, is collected, analyzed, and provided in real time. It was developed based on the Company's OPTiM Cloud IoT OS. The "hinotori™ Surgical Robot System" and "MINS" are already being installed at several hospitals, where they are used in total resection operations to treat prostate cancer at hospitals such as the International Clinical Cancer Research Center at Kobe University Hospital and Musashino Tokushukai Hospital.

d) Marketing DX

Development in this field is based on the CRM tools of YURASCORE Corporation, a subsidiary acquired through an M&A in 2020. Since the COVID-19 pandemic, the digitalization of customer service has accelerated. The Company develops cloud services and smartphone apps that digitalize customer service at companies and organizations and make marketing activities better and more efficient. Examples include tools for the restaurant industry aimed at boosting customer orders and carrying out sales activities when customers are not present, tools for communication between local governments and citizens, and user tools for large-scale stadiums.

Business overview

e) Office DX

The Company provides various AI solutions for office operations regardless of industry or type of business. Its representative service is OPTiM Contract, an AI contract management service that uses AI technology to facilitate tasks such as document searches and the management of termination dates. OPTiM denshichobohozon, is an AI transaction information (records) management service that uses AI to make the keeping of transaction information, such as invoices, receipts, and purchase orders, more efficient. The storage of this information is a requirement of the Electronic Bookkeeping Law, for which the grace period will end in December 2023. The office DX field includes demand from large companies to small and medium enterprises, regardless of industry or type of business, and the market is estimated to be worth over ¥400bn.

f) Video management DX

The Company released OPTiM AI Camera, a strategic product, and derivative services in 2018 and aims to become the de facto standard in video analysis using AI. OPTiM AI Camera is a service that conducts image analysis on the cloud utilizing existing surveillance cameras. It can be easily deployed because the service does not require deployment of specialized hardware for image analysis. OPTiM AI Camera Enterprise is a service that supports fields such as marketing, security, and operational efficiency by collecting data from various types of cameras installed in different industries and for different purposes in stores, facilities, and other locations and analyzing the images using learned models. It is capable of delivering rapid and advanced AI image analysis through installation of OPTiM Edge and other specialty hardware and analyzing images acquired with network cameras. Furthermore, it can address a wide range of needs with an unlimited-use pack that covers core functions, optional features that are specialized by industry, and professional plans that assist in development of image analysis solutions tailored to individual customers. Recently, there are increasing cases of use in various sectors, and the Company has disclosed some of the applications, which include increasing the sophistication and efficiency of dam wall inspections, visualizing traffic conditions in parking garages via vehicle sensors, and assessing the number of people staying at tourist spots (to prevent the spread of infections).

The results of the Company's initiatives in individual industries are clearly emerging as its AI solutions market shares. According to a market survey for FY2021 conducted by Deloitte Tohmatsu MIC Research Institute, the Company acquired top market shares for AI solutions in eight categories (in FY2020 SaaS market trends for net sales trends by provision format, "SaaS net sales (FY2019-2021)," "SaaS user charge net sales (FY2019-2021)," and "SaaS related service net sales (FY2019-2021)," in net sales trends by industry, "agriculture, forestry and fisheries industries net sales (FY2019-2021)" and "healthcare net sales (FY2019-2021)," in net sales trend by employee numbers, "net sales for users with less than 300 employees (FY2019-2021);" and in net sales trend by application, "maintenance and inspection sales (FY2019-2021)" and "diagnostic support net sales (FY2019-2021)").

(3) Other Services**a) Optimal Remote**

Optimal Remote is a service utilized in customer support and other scenes. It significantly reduces support time previously spent on oral explanations through use of screen sharing with customer devices and remote control and resolves issues in about 60% of the time spent for support. It also speeds up and shortens the overall support process by achieving much faster speeds than products from other companies in screen transfer and remote-control responses. License volume is steadily increasing with increased demand for remote support in the COVID-19 environment. An example is application in smartphone support, which was difficult to provide in store activities. Moreover, the Company is also developing a web-based screen sharing service "Optimal Remote Web" and a tool for device managers called "Optimal Remote IoT," which enables centralized remote operation from a web browser.

Business overview

b) Optimal Second Sight

Optimal Second Sight is a remote work assistance service that shares video from frontline locations using cameras on smart glasses, smartphones, and tablets, and supports frontline activities using various assistance functions. License volume increased for this service too thanks to obtaining COVID-19-related demand. The service truly meets the needs of the new normal by confirming conditions and facilitating support from a distant location for tasks that had previously relied on on-site confirmation amid a decrease in movement among locations.

3. The Company's strengths

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

The Company's strengths

Characteristics (strengths)	Content
1. Robust technology innovation capabilities	Inventiveness to create from 0 to 1. Regarding technological ideas, the Company proactively secures intellectual property rights (The first venture company to receive the Intellectual Property Achievement Award from the Japan Patent Office. The Company's President ranked No. 1* for the scale of patent assets held by individuals in the field of information and communications)
2. Advanced technological capabilities	Realizes new concepts with advanced technological capabilities in AI, IoT, Cloud, Security, and Robotics
3. Service planning, development, and operation capabilities	Possesses planning capability to take products realizing new ideas and generalizing them as package services. Has the ability to plan, design, develop and operate with functions, price and service models that match customers' needs
4. Strong license income	Robust license revenue based on SaaS/subscription model (a model that allows customers to receive a service for a certain period of time by paying a fee). These services include Optimal Biz, an MDM and PC management service that has had the No. 1 MDM market share in Japan for 12 straight years, along with other services. The average cancellation rate is approximately 0.5%
5. Plentiful customer base	A cumulative customer base of more than 180,000 companies that it has acquired over the years through direct sales as well as large partners
6. Business creation capabilities	Commercializes new products or services with many partners, including industry leading companies, telecommunications carriers, and printer manufacturers, or vastly expands business through business creation capabilities

* Survey by Patent Result Co., Ltd. (as of the end of November 2021)
 Source: Prepared by FISCO from the Company's results briefing materials

Business overview

4. Intellectual Property Strategy

Since its establishment, the Company has developed technologies while keeping in mind creating services never seen in the world before, and it has adopted a strategy of acquiring and holding intellectual properties. One example of this is its outstanding device identification technology called Tiger, which it patented in Japan and the United States in 2011, that dramatically improves the accuracy of identifying devices. Also, the patent for pinpoint pesticide spraying technology obtained in 2018 received the Minister of Education, Culture, Sports, Science and Technology Award at the 2019 Kyushu Regional Invention Awards, and the patent for AI analysis and management system for contracts obtained in 2018 received the Minister of Education, Culture, Sports, Science and Technology Award at the 2021 Kyushu Regional Invention Awards. Additionally, the Company holds the intellectual property for each of its killer services. For example, the basis for OPTiM Cloud IoT OS is a patent for the automatic selection of optimal AI or API based on predefined conditions (registration number: JP6404529), the basis for OPTiM Geo Scan is a program that simply realizes high-precision 3D surveys through automatic coupling of positional information and 3D point cloud data (registration number: JP7009021), and the basis for OPTiM Digital Marketing is a program that analyzes camera images using AI and provides coupons with discount rates based on seat vacancy rates (registration number: JP6246446). The Company's President Shunji Sugaya is ranked No. 1 for individual patent asset scale in the field of information and communications (1993 through 2020). As of the end of FY3/23, the Company had 1,125 pending patents and 546 registered patents. These intellectual properties not only create walls preventing others from entering new business fields, but also allows major companies to feel secure in establishing partnerships and alliances with the Company.

Typical Examples of Commercialization from R&D

Each business is protected by a number of patents held by the Group, which enhances the stability and growth of the business.

<p>Mobile Management</p> <p>Analyze packets sent from network devices such as PCs and various IoT devices to identify devices connected to the network.</p> <p>Patent No. JP6554569 Registration date: November 4, 2011 Application date: May 29, 2008</p> <p>Optimal Biz</p>	<p>Platform</p> <p>Computer system, API providing method and program (automatically selects the best AI (Artificial Intelligence) and APIs based on predefined conditions)</p> <p>Patent No. JP6404529 Registration date: September 21, 2018 Application date: November 17, 2016</p> <p>OPTiM Cloud IoT OS</p>	<p>Office DX</p> <p>Container image delivery system, container image delivery method and program (related to application running infrastructure that uses container technology as a means of application delivery)</p> <p>Patent No. JP6238491 Registration date: October 20, 2017 Application date: July 21, 2016</p> <p>OPTiM Store</p>	<p>Office DX</p> <p>Contract management system, contract management method, and contract management program (AI and systems to analyze and manage contracts)</p> <p>Patent No. JP6238492 Registration date: February 16, 2018 Application date: August 31, 2016</p> <p>OPTiM Contract</p>	<p>Marketing DX</p> <p>Computer system, vacancy detection method and program (Analyzes camera images by AI and provides coupons with discount rates based on seat vacancy rates)</p> <p>Patent No. JP6246446 Registration date: November 24, 2017 Application date: December 21, 2016</p> <p>OPTiM Digital Marketing</p>
<p>Agritech</p> <p>Wireless aircraft, location information output method, and program for wireless aircraft (Basic patent on pinpoint pesticide application and fertilizer technology)</p> <p>Patent No. JP6320292 Registration date: April 20, 2018 Application date: June 29, 2015</p> <p>Agri Field Manager</p>	<p>Agritech</p> <p>Computer system, harvest timing prediction method and program (Crop harvest timing and yield prediction system)</p> <p>Patent No. JP6980223 Registration date: December 24, 2021 Application date: July 31, 2019</p> <p>Agri House Manager</p>	<p>Video Management DX</p> <p>Computer system, transfer fraud prevention method and program (ATM monitoring system to prevent bank transfer fraud)</p> <p>Patent No. JP6981704 Registration date: October 12, 2021 Application date: June 28, 2019</p> <p>OPTiM AI Camera</p>	<p>Digital Construction</p> <p>Measurement equipment, method and program (Simply realizes high-precision 3D surveys through automatic coupling of positional information and 3D point cloud data)</p> <p>Patent No. JP7030021 Registration date: January 14, 2022 Application date: October 11, 2018</p> <p>OPTiM Geo Scan</p>	<p>Other</p> <p>Remote operation support system, remote operation support method, and program (Sensitive information masking technology)</p> <p>Patent No. JP6258922 Foreign registration: USA Registration date: December 16, 2017 Application date: March 30, 2017</p> <p>Optimal Remote</p>

Source: The Company's results briefing materials

5. Sales channel strategy

The Company has a solid base in terms of its sales channels. Its cumulative base of 180,000 service user companies has been developed primarily by partner companies. These include companies such as major telecommunications carriers, multifunction printer manufacturers, ISPs, system integrators, and mobile phone sales companies, all of which have large numbers of corporate customers, forming a nationwide sales network. In particular, the Company has established joint ventures with the KDDI Group and the NTT Group, creating strong connections.

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Results trends

FY3/23 was the 23rd consecutive year of revenue increases since the Company's founding. There was growth in X-Tech Services built on OPTiM Cloud IoT OS

1. Overview of FY3/23 results

In FY3/23, the Company recorded ¥9,277mn in net sales (up 11.6% YoY), ¥1,750mn in operating profit (up 14.0%), ¥1,634mn in ordinary profit (up 10.1%), and ¥962mn in profit attributable to owners of parent (up 2.0%), as it achieved firm profit growth and a 23rd consecutive year of revenue increases since its founding.

FY3/23 consolidated results

	FY3/22		FY3/23		
	Results	Vs. net sales	Results	Vs. net sales	YoY
Net sales	8,310	100.0%	9,277	100.0%	11.6%
Cost of sales	3,728	44.9%	4,598	49.6%	23.3%
Gross profit	4,581	55.1%	4,679	50.4%	2.1%
SG&A expenses	3,047	36.7%	2,929	31.6%	-3.9%
Operating profit	1,534	18.5%	1,750	18.9%	14.0%
Ordinary profit	1,485	17.9%	1,634	17.6%	10.1%
Profit attributable to owners of parent	943	11.4%	962	10.4%	2.0%

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

In net sales, stock-type sales and flow-type sales were both steady. In stock-type sales, which makes up around three-fourths of total sales, licenses increased in a steady manner for both Optimal Biz, the core product in Mobile Management Services, and OPTiM Cloud IoT OS, the core product of X-Tech Services. Regarding Optimal Biz, demand grew as the period of living with COVID-19 popularized the use of telework as a new work style, resulting in needs related to management and security measures for computers and smartphones used for work. Regarding areas in which the Company is investing with the aim of realizing killer services built on OPTiM Cloud IoT OS, it advanced new development for and strengthened the functions of OPTiM Geo Scan, a 3D surveying smartphone app for the construction industry, OPTiM Contract, a contract management service that uses AI, Pinpoint Time Spraying, which sprays pesticide with pinpoint timing in the agricultural sector, OPTiM Digital Marketing, a marketing DX service, and Online Healthcare Platform.

Regarding profits, the percentage of flow-type sales increased slightly YoY, and even though the cost of sales ratio increased by 4.7 percentage points due to an increase in amortization of software, and cost of sales increased 23.3% YoY, but the SG&A expense ratio was limited to a decrease of 3.9%. As a result, operating profit edged up by 14.0%, and ordinary profit grew steadily by 10.1%. Additionally, the main reasons behind why growth in profit attributable to owners of parent was limited to 2.0% were loss on valuation of investment securities and income taxes – current. Overall, the Company has maintained a certain level of profitability (operating margin of 18.9%) while making ample investments for the future, so trends have been steady in this regard.

Maintaining a highly safe financial foundation and high profitability

2. Financial condition and management indicators

Total assets at the end of FY3/23 increased by ¥831mn from the end of the previous year to ¥8,219mn. Current assets increased ¥216mn to ¥3,748mn. This was mainly attributable to notes and accounts receivable - trade and contract assets decreased by ¥176mn while cash and deposits increasing by ¥461mn. Fixed assets increased by ¥615mn to ¥4,470mn due in part to intangible assets increasing by ¥748mn as a result of an increase in software. The balance of cash and deposits at term-end increased ¥461mn to ¥1,440mn.

Total liabilities declined by ¥108mn from the end of the previous term to ¥2,030mn. This was mainly attributable to current liabilities declining ¥109mn due to factors including a decrease of ¥200mn in short-term borrowings. Non-current liabilities were largely unchanged, increasing by ¥0mn to ¥139mn. Total net assets increased ¥940mn to ¥6,189mn due in part to an increase of ¥962mn in retained surplus from recording profit attributable to owners of parent.

Regarding management indicators for stability, the current ratio was 198.2%, while the equity ratio was 74.2%. Therefore, the Company's financial stability is extremely high. Regarding management indicators for profitability, ROE was 17.1%, ROA was 21.0%, and ROS was 18.9%. These are all being maintained at high levels, and the figures demonstrate the robustness of the Company's business model and its management efficiency.

Consolidated balance sheets and management indicators

	(¥mn)		
	End of FY3/22	End of FY3/23	Change
Current assets	3,532	3,748	216
(Cash and deposits)	979	1,440	461
(Notes and accounts receivable-trade and contract assets)	2,277	2,101	-176
Non-current assets	3,855	4,470	615
(Intangible assets)	1,660	2,409	748
Total assets	7,387	8,219	831
Current liabilities	2,000	1,891	-109
(Short-term borrowings)	514	314	-200
Non-current liabilities	138	139	0
Total liabilities	2,138	2,030	-108
Total net assets	5,248	6,189	940
Total liabilities and net assets	7,387	8,219	831
<Stability>			
Current ratio (current assets ÷ current liabilities)	176.6%	198.2%	-
Equity ratio (shareholders' equity ÷ total assets)	69.8%	74.2%	-
< Profitability >			
ROE (net profit ÷ equity)	20.0%	17.1%	-
ROA (ordinary profit ÷ total assets)	21.8%	21.0%	-
ROS (operating profit ÷ net sales)	18.5%	18.9%	-

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

Growth strategies and topics

Continuing to make active growth investments to become a central company in the Fourth Industrial Revolution. Multiple killer services are entering growth phases

◆ Projection of medium- to long-term sales growth

Over the past years, the Company has focused on R&D activities and achieved results in a variety of industries by launching new services based on Optimal Biz and OPTiM Cloud IoT OS. In the medium- to long-term, the Company aims to rapidly improve business results by continuing the smooth growth in Mobile Management Services (Optimal Biz) while realizing huge growth in X-Tech Services. In X-Tech Services, it is developing multiple industry-specific killer services using on OPTiM Cloud IoT OS and other related technologies and its main business areas include agritech, digital health, digital construction, office DX, marketing DX, and video management DX.



◆ Progress of main X-Tech services and newest examples

< Agritech >

In the agricultural sector, numerous demonstrations have been conducted involving pinpoint agricultural chemical spraying technology using drones, Agri Field Manager, a service for analysis of fertilization and seed dissemination using drones and fields using AI and data collected from IoT devices, Agri House Manager, a greenhouse management service, Agri Assistant, a farming support service, and a large field management system that uses glider-type drones. As a result, the above devices and services have come to be recognized as essential AI agricultural tools for conducting smart farming, and it has become possible to collect service usage fees as compensation. The Company has been enhancing its lineup with multiple services, including Agri-Contractor Services that use both the hardware (drones, etc.) and software (AI/IoT-based analysis systems, etc.) it has developed to date, and pinpoint time pesticide application services. Going forward it plans to expand DX for the entire agriculture industry (integrated services including drone-based seeding, weeding, fertilization, and pest control).

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Growth strategies and topics

<Digital health>

In the healthcare sector, the Company has successfully developed a system for surgery robots. As discussed above, the Company is jointly developing the MINS, a network support system for the hinotori™ Surgical Robot System, which is a robotic surgery support system. The system's first application was in urology, and it has also been approved for digestive system surgery and gynecology applications, so it has fully entered a period of widespread uptake. Additionally, in February 2023, it combined the Company's marketing DX service OPTiM Digital Marketing and Online Healthcare Platform to provide to Tayoris, SOGO MEDICAL CO., LTD.'s official healthcare app. As SOGO MEDICAL's official app, Tayoris is being used in dispensing pharmacies across Japan, including at SOGO PHARMACY, which has about 740 stores (as of February 2023). Under the concepts of reliable expertise, pleasing peace of mind, and convenience that fits more closely with lifestyles, it provides an integrated range of services including a prescription record function, an online medication guidance function, a medication alarm function, and a function for managing vital signs.

The Tayoris healthcare app



Source: The Company's press releases

<Digital construction>

For the construction and civil engineering sector, the Company is enhancing OPTiM Geo Scan, a 3D surveying app, as a killer service. OPTiM Geo Scan is an application that can generate high-precision 3D data as required at civil engineering worksites by scanning the object being surveyed, such as an earth structure, with a smartphone or tablet device. Compared to conventional electro-optical surveying, the time involved is reduced by up to roughly 60%. In March 2022, OPTiM Geo Scan became the first application in Japan to conform with the requirements in the work progress control guidelines for 3D surveying technology revised by the Ministry of Land, Infrastructure, Transport and Tourism. From surveying at the start of projects to surveying while work is in progress to structural surveying for project inspections at worksites of all sizes, the service can be used in an integrated manner throughout the construction process, from project planning and design to the start of construction, and through to final inspections. Moreover, progress is also being made on strengthening peripheral functions. The Company has improved convenience by releasing free options such as OPTiM Geo Point, an app for GNSS surveying and pile driving, and OPTiM Geo Design, a plotting app. In May 2023, it started providing OPTiM Geo Scan Advance, a ground-based laser scanner that can generate high-precision 3D data covering long distances using a smartphone. It has already become custom for iPhones and iPads to be equipped with LiDAR sensors, but these have a maximum range of five meters, so there are times where this makes surveying difficult. However, the use of the Company's proprietary ground-based laser scanner enables surveying to be carried out over long distances and in difficult to access areas.

Growth strategies and topics

<Office DX>

One example of a service that is performing well is OPTiM Contract, an AI-based contract management service. It allows users to efficiently manage contracts, including classification, registration, searches and inquiries, notifications, user file authority management, and other tasks. The service earned strong approval from users for its improved searchability using AI and automatic termination date notification, among other features. The service is on the OPTiM Cloud IoT OS platform, which allows users to manage contracts in a safe and secure environment. These functions are based on the patent for AI analysis and management system for contracts which won the Minister of Education, Culture, Sports, Science, and Technology Award at the 2021 Kyushu Regional Invention Awards. Measuring results from before and after use, it was found that the service reduces work time by approximately 90% and costs by around 65% (both figures based on research by the Company), so the results are overwhelming, and this high level of cost effectiveness gives it a competitive advantage. It is also advancing the introduction of OPTiM denshichobohozon, a service developed in anticipation of the enactment of the Electronic Bookkeeping Law in January 2024. This service uses AI for the management of not only contracts, but also bookkeeping records. The realization of differentiation through image recognition and AI analysis remains one of the Company's strengths.

<Marketing DX>

OPTiM Digital Marketing was developed based on the cloud CRM service of YURASCOPE Corporation, which was made a subsidiary in 2020. It optimizes the various activities related to strengthening customer contact processes for clients in the retail and service industries. This includes customer information management, website content management, e-commerce site construction and operation, and efficient email magazine distribution. Users have given the service high ratings for helping to attract customers and promote purchases by distributing content aligned with customer preferences and attributes at the optimal times and for enabling the integrated management and analysis of customer data. Going forward, the Company will have an enterprise version that is aligned with the detailed needs of client companies and large-scale system operations and an SMB package version with industry-specific templates for small- to medium-scale companies in retail, medicine, construction services and other sectors, and markets these versions to its customer base of over 180,000 companies. In April 2023 the Company released the beta version of Saga City Super App, which enables users to access all services of Saga City from a single app. This app is based on OPTiM Digital Marketing's technology and if it is successful, it will open up development of DX for local governments.

The point that all these examples share is that they combine and multiply technologies accumulated by the Company to accelerate the cultivation of new business areas and addition of new functions and services.

■ Outlook

Aiming to make FY3/24 the 24th consecutive year of revenue increases since the Company's founding. Many killer DX services are beginning to contribute to results and the Company can be expected to balance active investment in growth with securing profits

In FY3/24 consolidated results, the Company is forecasting ¥10,205mn (up 10.0% YoY) in net sales, ¥1,939mn (up 10.8%) in operating profit, ¥1,805mn (up 10.4%) in ordinary profit, and ¥1,106mn (up 14.9%) in profit attributable to owners of parent. The Company started recouping past investments in FY3/21. However, it plans to continue aggressive R&D investments targeting development of the potential market worth ¥160tn and to steadily grow revenues and profit, with the goal of being a leading company in the Fourth Industrial Revolution.

FY3/24 consolidated results outlook

	(¥mn)				
	FY3/23		FY3/24		
	Results	Vs. net sales	Forecast	Vs. net sales	YoY
Net sales	9,277	100.0%	10,205	100.0%	10.0%
Operating profit	1,750	18.9%	1,939	19.0%	10.8%
Ordinary profit	1,634	17.6%	1,805	17.7%	10.4%
Profit attributable to owners of parent	962	10.4%	1,106	10.8%	14.9%

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

The Company is striving for record-high net sales for the 24th consecutive year since its founding, maintaining the same growth rate as the previous term (11.6%). Stock-type sales account for at more than 70% of the Company's total sales. With the EMM and MDM markets expanding at a solid pace, the Company's mainstay products and services are in an advantageous position, and the increase in stock-type sales is expected to continue in FY3/24 as well. Regarding services currently being rolled out, the Company's policy is to make active investment and strengthen sales after selecting high-priority "killer services" and to raise stock-type sales in support of future stable growth.

With regard to profit, the Company's policy is to conduct aggressive growth investments while retaining a certain level of profit. The operating margin forecast (19.0%) is lower than the profit margin of 24.1% (FY3/21) representing the actual capability of the Company's business model, which speaks to the Company's strong commitment to investment. Moreover, the Company has stated its aim to be a leading company in the Fourth Industrial Revolution, and when good investment opportunities arise during the fiscal year (such as M&A), the Company's policy is to make growth investments flexibly and proactively. FISCO believes the Company's profit targets are sufficiently achievable even if it continues to make active growth investments.

■ ESG initiatives

Contributing to society through innovation since its founding

Even since before the term ESG (Environment, Social, Governance) attracted attention, the Company focused on ESG initiatives through its business while always thinking about having a positive influence on society. The Company's Management Philosophy is "Try hard to create universal technology/services/business models that influence people all over the world in a good way," and the Company is truly contributing to society through innovation. The Company also takes diversity, relationships with local communities, and governance into consideration in its management and operations. Some examples are described below.

(1) Environment

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

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

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

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

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

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

(2) Social

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

Spurred by the COVID-19 pandemic, many companies have shifted work formats to telework and are also requiring ways of working that are not focused on physical space or time. The Company provides multiple services for realizing diverse work styles in order to address this current need in society. At the same time, the Company generally requires employees to be at the office three days a week. Reaffirming the importance of face-to-face communication, the Tokyo head office, which relocated for expansion in April 2022, has taken measures to promote the sharing of information and communication among employees, such as establishing a bar-counter area within the company.

ESG initiatives

b) Healthcare x IT: Online healthcare services

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

(3) Governance**a) Establishment of Nomination, Remuneration, and Special Committees**

The "Nomination Committee" and "Remuneration Committee" have been established as advisory bodies voluntarily by the Board of Directors for the purpose of strengthening fairness, transparency, and objectivity by ensuring opportunities for appropriate involvement and advice from outside board directors when considering important matters such as selection and dismissal of board directors and remuneration. Both committees are composed of at least three members who are board directors, and the majority of them are selected from independent outside directors. In addition, the Company has established the Special Committee to enhance the Company's corporate governance by strengthening fairness, transparency, and objectivity with respect to important transactions, etc., that conflict with the interests of controlling shareholders and minority shareholders. The Committee consists of two independent outside board directors.

■ Shareholder return policy

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

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



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