

NCD Co., Ltd.

4783

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■ Index

■ Summary	01
1. FY3/24 finished with major increases in sales and profits, reaching record highs	01
2. Forecast for modest growth in profits for FY3/25, and may grow even further	02
3. Upward revisions to targets in medium-term management plan “Vision 2026”	02
■ Company profile	03
1. Company profile	03
2. History	04
■ Business overview	06
1. Business overview and characteristics/strengths	06
2. System Development Business	06
3. Support and Service Business	07
4. A solid customer base with leading blue-chip customers in IT-related Business; a stock-type sales ratio of over 80%	08
5. Parking System Business	09
6. Performance by segment	11
7. Risk factors, income characteristics, challenges, and countermeasures	12
■ Results trends	13
1. Summary of the FY3/24 consolidated results	13
2. Trends by segment	14
3. Financial condition	16
■ Outlook for the future	16
● Summary of the FY3/25 consolidated results forecasts	16
■ Growth strategy	18
1. Purpose	18
2. Medium-term management plan “Vision 2026”	18
3. Shareholder return policy	20
4. Sustainability management	22
5. Analyst’s point of view	23

■ Summary

Independent system integrator renamed NCD in January 2024. Net sales and profits up sharply in FY3/24, reaching record highs

NCD Co., Ltd. <4783> (formerly, Nippon Computer Dynamics; change of company name effective from January 1, 2024; hereinafter referred to as the “Company”) is a pioneering independent system integrator with a history spanning over 57 years since its foundation in 1967, and the Company promotes its growth strategy of serving as a total solutions provider. The Company is developing and managing three business pillars: the System Development Business (systems integration) and the Support and Service Business (service integration), which together are the IT-related Business, and the Parking System Business (parking solutions), which is an unattended bicycle parking lot-related business that it launched utilizing its expertise in IT solutions. In the IT-related Business, the Company's strength is its ability to provide system development and outsourcing services that ensure stable quality, backed by expertise cultivated through its extensive track record. The IT-related Business has also established a solid customer base through its long-term, ongoing transactions with major blue-chip companies, supporting a stable income structure with a stock-type sales ratio of over 80%. The Parking System Business helps to mitigate Japan's problem of abandoned bicycles and reduce CO₂ emissions. The business is one of the largest operators of electromagnetic lock-type bicycle parking lots in Japan, mainly as the direct manager and operator of self-operated bicycle parking lots or as the designated manager for local governments.

1. FY3/24 finished with major increases in sales and profits, reaching record highs

In FY3/24 consolidated results, the Company recorded major increases in sales and profits, with ¥25,481mn in net sales, an increase of 11.5% year on year (YoY), ¥2,115mn in operating income, an increase of 76.9%, ¥2,140mn in ordinary income, an increase of 76.5%, and ¥1,387mn in net income attributable to owners of the parent, an increase of 106.4%. All business segments reported strong growth, which absorbed M&A-related expenses and higher personnel expenses due to investment in human capital, resulting in record earnings. Segment income increased 49.2% YoY in the System Development Business, lifting the segment income margin 3.6 percentage points, while segment income in the Support and Service Business rose 21.0%, lifting the segment income margin 0.8 of a percentage point. Segment income in the Parking System Business increased 57.1% YoY and the segment income margin rose 5.4 percentage points, taking it above the level before the COVID-19 pandemic. This significant improvement in profitability reflected a better-than-expected recovery in bicycle parking lot usage following the end of COVID-19 mobility restrictions, as well as the results of business process re-engineering (BPR; = operational reforms), which included price revisions and improvements to operational efficiency. As a result, the Company's operating income margin improved 3.1 percentage points YoY to 8.3%.

Summary

2. Forecast for modest growth in profits for FY3/25, and may grow even further

For its consolidated results in FY3/25, the Company is forecasting net sales to increase 9.9% YoY to ¥28,000mn, operating income to rise 4.0% to ¥2,200mn, ordinary income to increase 2.8% to ¥2,200mn, and net income attributable to owners of the parent go up 4.5% to ¥1,450mn. The Company therefore sees both net sales and profits rising YoY, albeit at a modest pace. It expects a strong performance by the IT-related Business and an improvement in profitability in the Parking System Business to offset higher costs from increased investment in human capital and from upfront investment. The Company forecasts segment income will rise 1.7% YoY in the System Development Business, decline 0.2% in the Support and Service Business and increase 25.8% in the Parking System Business. For the IT-related Business, it assumes a sharp increase in net sales driven by order growth, but its profit forecast factors in an uncertain operating outlook and the impact of higher costs. The Company forecasts strong growth in segment income in the Parking System Business, mainly supported by ongoing price revisions and a decline in unprofitable projects. While it forecasts only modest growth in profits, we at FISCO think its outlook is very cautious, given 1) orders in the IT-related Business are likely to remain at a high level on the back of corporate investment in DX, 2) profitability is on an upward trend due to the rollout of the NCD service model, and 3) profitability is likely to improve in the Parking System Business as a result of BPR, including price revisions and gains in operational efficiency. We at FISCO therefore see good prospects for upside to the Company's forecasts.

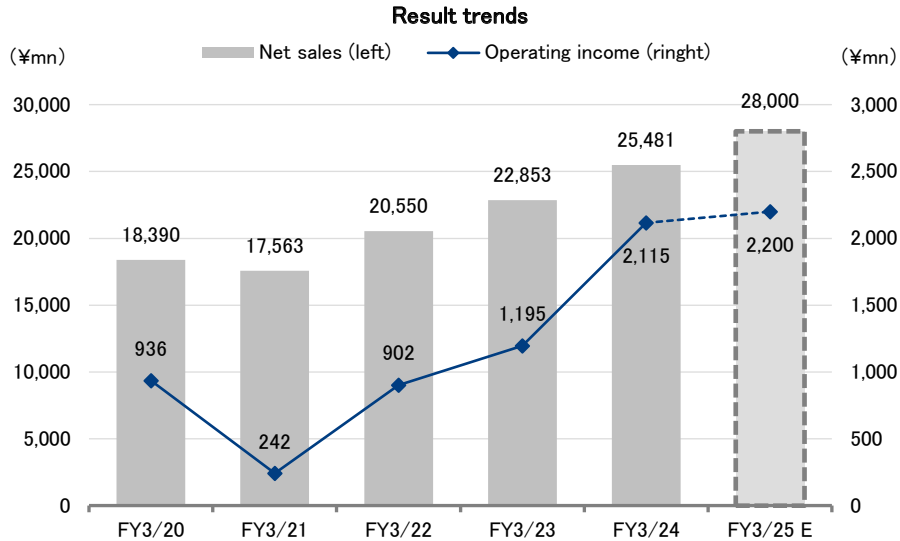
3. Upward revisions to targets in medium-term management plan "Vision 2026"

Under its "Vision 2026" medium-term management plan, the Company's initial targets for FY3/26, the plan's final year, were net sales of ¥26,000mn, operating income of ¥1,800mn, an operating income margin of 6.9%, and ROE of 15% or higher. However, targets for net sales and operating income were exceeded in FY3/24, the plan's first year, due to stronger-than-expected sales growth and improved profitability in each business, as well as the consolidation of Japan Computer Services Inc. (JCS). As a result, the Company raised its FY3/26 targets to net sales of ¥30,000mn, operating income of ¥2,400mn, an operating income margin of 8.0%, and ROE of 20% or higher. Representative Director and President Osamu Shimojo was upbeat: "In FY3/24, profitability improved more than we expected, allowing us to achieve the plan's initial final-year targets (except net sales) ahead of schedule. I believe we are now well on track to reach the 2032 targets in our long-term vision, backed by the continued steady rollout of various initiatives to further improve profitability. We also want to step up shareholder returns and strengthen investor relations activities to further increase corporate value." We at FISCO believe that the Company is making excellent progress with its medium-term management plan.

Key Points

- Three main pillars of the System Development Business, Support and Service Business and Parking System Business
- FY3/24 finished with major increases in sales and profits, reaching record highs
- Company cautiously forecasts modest growth in FY3/25 net sales and profits
- Revised up targets in "Vision 2026" medium-term management plan
- Focus on progress achieved under medium-term management plan amid favorable assessment of significant increase in profitability in FY3/24

Summary



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

Company profile

Pioneering independent system integrator

1. Company profile

The Company has been a pioneer as an independent system integrator with a history spanning 57 years since its foundation in 1967. The Company promotes its growth strategy of serving as a total solutions provider underpinned by its Group purpose of “Powering the world with passion,” which incorporates its aspiration, “We dream of building a future where everyone can be their fullest selves.” Moreover, effective January 1, 2024, the Company changed its name to NCD Co., Ltd. from Nippon Computer Dynamics Co., Ltd. and also changed its corporate logo with a view to unifying the Group to fulfill this purpose, raise brand value, and achieve sustained growth.

At the end of FY3/24, total assets were ¥14,899mn, net assets were ¥6,403mn, the equity ratio was 42.6%, and the number of issued shares was 8,800,000 shares (including treasury shares of 619,757 shares). 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 City, Fukuoka Prefecture; Relocated and expanded, May 2024), 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).

Company profile

The Group is comprised of the Company and its subsidiaries, which include NCD Technology Co., Ltd., NCD Solutions Co., Ltd. (formerly, ZEXIS CORPORATION, change of company name effective from January 1, 2024), NCD CHINA Co., Ltd., NCD EST Co., Ltd., NCD Pros Co., Ltd. (ownership ratio: 67%), and made Japan Computer Services, Inc. (JCS) a subsidiary in December 2023. NCD Technology engages in system development and other IT-related Business; NCD Solutions engages in system development and other IT-related Business, mainly for the Panasonic Holdings <6752> Group; NCD CHINA conducts a System Development Business in China; NCD EST conducts a bicycle parking lot business in Kyushu; and NCD PROS conducts a bicycle parking lot management and operations business. JCS engages in IT-related Business including development, operation and maintenance of systems for customers primarily Kao <4452>.

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, then changed the Company name to NCD in January 2024. Regarding stock market-related matters, in September 2000, it registered for over-the-counter trading with the Japan Securities Dealers Association (it is currently 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. (currently, NCD Technology) in November 2000, established NCD CHINA in April 2005, acquired ZEXIS CORPORATION (currently, NCD Solutions) as a subsidiary in December 2007 (made it a wholly owned subsidiary in August 2008), established NCD PROS in March 2018, and acquired Yano Industrial Inc. (currently, NCD EST) as a subsidiary in April 2019, and acquired JCS as a subsidiary in December 2023.

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 (renamed NCD Solutions in January 2024) 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
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"
October 2023	Acquired AWS Solution Provider certification
December 2023	Acquired Japan Computer Services Inc. (JCS) as a subsidiary
January 2024	Changed company name from Nippon Computer Dynamics Co., Ltd. to NCD Co., Ltd.
March 2024	Certified as 2024 Health & Productivity Management Outstanding Organizations (Large Enterprise Category)

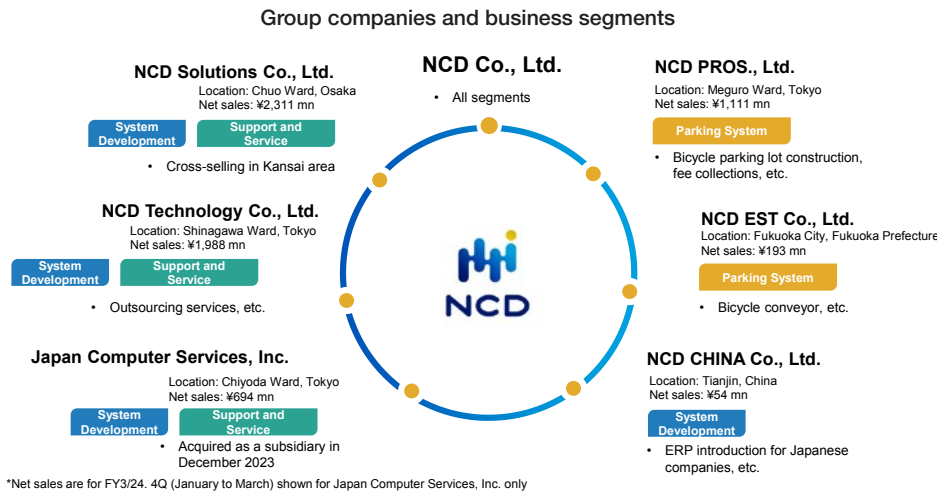
Source: Prepared by FISCO from the Company's website and materials

Business overview

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

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 57 years, the latest information technology and abundant application knowledge, and one-stop service provision to deliver total solutions.



Source: The Company's results briefing materials

System Development Business mainly handles development and maintenance consignments for core systems

2. System Development Business

The System Development Business conducts outsourced system integration, which involves undertaking the planning, design, development, construction, testing, installation, maintenance and management mainly of core 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 57 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.

Business overview

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. In particular, one of its strengths is systems construction to install the applications of Oracle <ORCL> and the Bugyo Series, which is the core 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. In May 2024, the Company was recognized for its sales achievements during the 2023-24 season and received the OBC Bugyo Award 2024 Regional Leader Award.

In the cloud computing field, the Company adopted AWS (Amazon Web Services) of Amazon (Amazon.com <AMZN>), the largest public cloud vendor, for the Company's bicycle parking business core system infrastructure, and it accumulates expertise in construction and operation while providing services as a solution using AWS. It is also the certified Japanese partner 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 "SMAGANN," form creation tool "Smart Report Meister," and screen creation and data visualization tool "Smappi"). 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 Series," which has the No.1 share for ERP in China.

In October 2023, the Company acquired AWS Solution Provider certification and concluded an AWS Solution Provider Program (SPP) agreement. Going forward, the Company intends to develop business by taking an approach that entails positioning Amazon Web Services (AWS) as a core component of its package solutions, alongside OBC's Bugyo Series and Panasonic Holdings Group's MAJOR FLOW Z workflow management system.

Support and Service Business primarily conducts outsourcing of maintenance and operations

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, provide comprehensive support to replace the customer's own systems management division. The two MSCs (Managed Services Centers) at Head Office and Nagasaki Office 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 Azure.

Business overview

The Company constructed its own operation standard “NS-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.

A solid customer base with leading blue-chip customers in IT-related Business

4. A solid customer base with leading blue-chip customers in IT-related Business; a stock-type sales ratio of over 80%

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. This business notably entails many long-term, ongoing transactions. 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. 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 83% of total sales (FY3/24), 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.

Main customers of the IT-related Businesses

50 years or more	• Takasago Thermal Engineering Co., Ltd.	• Tokyo Gas Group	• Panasonic Group
30 years or more	• Nippon Life Group • Saibu Gas Group	• MetLife Insurance K.K. • FUJIFILM Group	• SRL, Inc.
20 years or more	• KADOKAWA CORPORATION • Nissui Corporation	• Mitsui O.S.K. Lines • Fukuoka Prefectural Government	• DENTSU Group Inc.
10 years or more	• Tokio Marine & Nichido Fire Insurance Co., Ltd. • Tokyo Tekko Co., Ltd.	• Manulife Life Insurance Company • JA OSAKA DENSAN Ltd.	• ELASTOMIX CO., LTD. • Sony Group Corporation • Kyudenko Corporation • Yakult Honsha Co., Ltd.
Less than 10 years	• FWD Fuji Life Insurance Company • Takumi Otsuka Co., Ltd. • Benesse Corporation	• ORIX Life Insurance Corporation • Japan Freight Railway Company • Mitsubishi Corporation Life Sciences Limited	• JFE Shoji Corporation • Beisia Group Solutions • Mizuho Financial Group, Inc. • LIXIL Group, etc.

*As of April 1, 2024

Source: The Company’s results briefing materials

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.

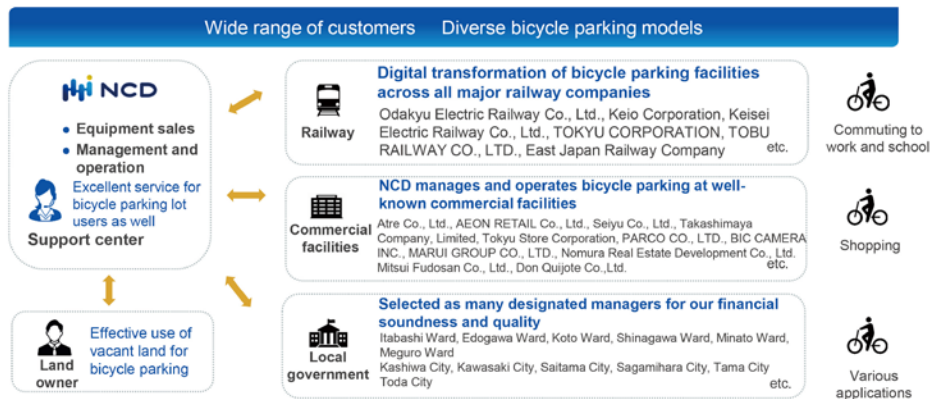
Specifically, the Company operates mainstay time-based unattended bicycle parking lots “EcoStation21” (since 1999), monthly bicycle parking lots “ECOPOOL” (since 2013), and other bicycle parking services primarily near train stations in metropolitan Tokyo and in Kansai, Chubu, Kyushu, and other areas (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. 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 contracting, in which the Company is consigned to manage bicycle parking lots operated by railway companies, local governments, etc. Sales ratios in FY3/24 were 83% stock-type (self-operated bicycle parking lot usage fee income, designated management and consignment, etc.) and 17% flow-type (sales of bicycle parking lot equipment, etc.).

The business is one of the largest operators of electromagnetic lock-type bicycle parking lots in Japan and is widely supported by local governments, railway companies, commercial facilities and other organizations nationwide for its contribution to reducing the number of abandoned bicycles. In its business with local governments, the Company is selected by local governments as the designated manager of bicycle parking lots, supporting the development of urban environments with local governments by setting up and operating parking lots through public-private partnerships. Due to difficulties in accurately ascertaining the number of managed bicycle parking units operated by partner companies in the Kansai and Chubu regions, calculation standards for the number of managed lots and managed units have been changed (the new standards only include lots for which the Company carries out system maintenance and consigned operations). Under the new standards, as of April 1, 2024, the number of NCD managed bicycle parking lots was 1,962 (2,204 under previous standards) and the number of managed units was 544,017 (656,149).

Business overview

Some typical installation case studies 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 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 Holdings, Inc. <3231>, 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. In March 2023, the Company opened a new type of bicycle parking lot in the Sasazuka district of Shibuya Ward in partnership with Sakura Rubber Company Limited <5189>. The new facility offers bicycle sharing services complete with bike-share bicycles from DOCOMO BIKESHARE, INC., as well as electric kick scooters and electric-assisted bicycles from Luup, Inc. Recently, in March 2024, the Company opened a large bicycle parking lot with a total capacity of 925 bicycles and motorcycles at the MEGA Don Quijote Narimasu store (one of the largest new Don Quijote stores in Tokyo in terms of sales floor area).

Business model of the Parking System Business



*As of April 1, 2024 *Designated manager: An organization designated to manage a public facility for a specified period of time
 Source: 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 in December 2019. In December 2023, the Company furthermore began to install payment machines specifically for processing cashless transactions, thereby eliminating the need to handle physical currency. The Company is capable of lowering management costs through reduction of collection and maintenance frequency. 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 actions will contribute to reducing impact on the environment.

Business overview

The Company is implementing BPR to further improve profitability in the Parking System Business, partly due to a temporary decline in earnings in the business caused by the COVID-19 pandemic. As part of the progress on BPR, 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 two-dimensional 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.

IT-related Business remains at high level, Parking System Business recovered to pre-pandemic levels

6. Performance by segment

In FY3/24, the System Development Business accounted for 40.9% of net sales, the Support and Service Business for 30.4%, and the Parking System Business for 28.7%. In terms of ratio of net sales by segment, approximately 70% of net sales are attributable to the IT-related Business (System Development Business, and Support and Service Business) and approximately 30% of net sales are attributable to the Parking System Business, with the exception of the period during which results of the Parking System Business were affected by the COVID-19 pandemic.

Looking at net sales by segment, ratio of net sales by segment, segment income, segment income ratio, and segment income margin for the past six fiscal years (FY3/19 to FY3/24), there has been steady growth in both net sales and segment income in the System Development Business. Net sales in the segment exceeded ¥10bn for the first time in FY3/24. The segment income margin has also remained high (in the low 10% range), reflecting measures such as rigorous project management and quality control. Efforts to improve productivity also lifted the margin further to 14.8% in FY3/24. Net sales and segment income in the Support and Service Business have also been on an upward trend. Segment profitability deteriorated at one point, as seen with a decline in the segment income margin to 4.9% in FY3/20, due to one-time initial costs associated with a new large project. However, the margin recovered to the 10% level in FY3/22 and is steadily rising. In FY3/24, the margin reached 11.0%. The Parking System Business was hit hard by the COVID-19 pandemic in FY3/21, but recovered from FY3/22. In FY3/24, net sales, segment income and the segment income margin all recovered to above levels attained in FY3/19, before COVID-19.

Net sales by segment and composition of net sales

Item	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24
(¥mn, %)						
Net sales						
System Development Business	6,329	7,073	7,405	8,365	9,243	10,421
Support and Service Business	4,611	4,568	5,072	6,099	6,892	7,735
Parking System Business	6,027	6,693	5,060	6,073	6,675	7,297
Consolidated net sales (including others)	17,007	18,390	17,563	20,550	22,853	25,481
Composition of net sales						
System Development Business	37.2	38.4	42.2	40.7	40.5	40.9
Support and Service Business	27.1	24.8	28.9	29.7	30.2	30.4
Parking System Business	35.4	36.4	28.8	29.6	29.3	28.7

Note: Net sales figures constitute net sales to external customers
 Source: Prepared by FISCO from the Company's financial results

Business overview

Segment income and composition of segment income (Before consolidation adjustments)

Item	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24
(¥mn, %)						
Segment income						
System Development Business	726	799	928	1,020	1,033	1,541
Support and Service Business	374	224	481	620	703	851
Parking System Business	883	944	13	451	817	1,284
Before consolidation adjustments	1,921	1,953	1,421	2,096	2,560	3,685
Composition of segment income						
System Development Business	37.8	40.9	65.3	48.7	40.3	41.9
Support and Service Business	19.5	11.5	33.9	29.6	27.5	23.1
Parking System Business	46.0	48.4	1.0	21.5	31.9	34.9

Note: Segment income constitutes income before consolidation adjustments

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

Segment income margin

Item	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24
(¥mn, %)						
Segment income margin						
System Development Business	11.5	11.3	12.5	12.2	11.2	14.8
Support and Service Business	8.1	4.9	9.5	10.2	10.2	11.0
Parking System Business	14.7	14.1	0.3	7.4	12.2	17.6

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

Conducts through project management and quality management

7. Risk factors, income characteristics, challenges, and countermeasures

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 at committee meetings after the order. It promotes efficiency by improving the work process as a companywide initiative. Moreover, the Company aims to furthermore reduce costs by turning to a nearshore approach involving operations in Nagasaki and Fukuoka over the medium to long term. 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. Whereas financial results of the Parking System Business were temporarily affected by the COVID-19 pandemic, bicycle parking lot usage fee income in FY3/24 exceeded the pre-pandemic level due to factors that subsequently included a resurgence in economic activity and the flow of people along with successful outcomes of BPR initiatives undertaken to improve the profitability, including price revisions.

■ Results trends

Net sales and profits both rose sharply in FY3/24, reaching record highs. The IT-related Business continued to perform well and the Parking System Business recovered to levels prevailing before the COVID-19 pandemic

1. Summary of the FY3/24 consolidated results

In FY3/24 consolidated results, the Company recorded major increases in sales and profits, with ¥25,481mn in net sales, an increase of 11.5% YoY, ¥2,115mn in operating income, an increase of 76.9%, ¥2,140mn in ordinary income, an increase of 76.5%, and ¥1,387mn in net income attributable to owners of the parent, an increase of 106.4%. Growth in net sales and profits significantly exceeded the Company's previous forecasts, which were raised sharply on February 9, 2024. All business segments reported strong growth, which absorbed M&A-related expenses and higher personnel expenses due to investment in human capital investment, resulting in record earnings. Orders were strong in the IT-related Business (System Development Business, and Support and Service Business), which included expansion in app development, maintenance and operation for insurance company clients. Growth in near-shoring services using regional sites (Fukuoka and Nagasaki) and the consolidation of JCS (P/L consolidation from FY3/24 4Q) also contributed. In the Parking System Business, usage of bicycle parking lots recovered more than expected after the lifting of COVID-19 mobility restrictions, while price revisions and improvements to operational efficiency also contributed to segment earnings. The Company's gross profit increased 34.4% YoY and the gross profit margin rose 3.5 percentage points to 20.3%. SG&A expenses increased 15.2% and the SG&A expense ratio rose 0.4 of a percentage point to 12.0%. As a result, the Company's operating income margin improved 3.1 percentage points YoY to 8.3%. Under extraordinary loss, impairment losses declined ¥90mn and there was no loss on transfer to retirement benefit plan after the booking of a loss of ¥85mn in the previous fiscal year.

Results trends

Summary of the FY3/24 consolidated results

	FY3/23		FY3/24		YoY		Vs forecasts		
	Amount	%	Amount	%	Change	% change	Previous forecasts	Attainment amount	Attainment rate
Net sales	22,853	100.0%	25,481	100.0%	2,628	11.5%	25,000	481	101.9%
Gross profit	3,840	16.8%	5,162	20.3%	1,322	34.4%	-	-	-
SG&A expenses	2,644	11.6%	3,047	12.0%	402	15.2%	-	-	-
Operating income	1,195	5.2%	2,115	8.3%	919	76.9%	2,100	15	100.7%
Ordinary income	1,212	5.3%	2,140	8.4%	927	76.5%	2,100	40	101.9%
Net income attributable to owners of the parent	672	2.9%	1,387	5.4%	715	106.4%	1,350	37	102.8%
Net sales by segment									
System Development Business	9,243	40.4%	10,421	40.9%	1,177	12.7%	-	-	-
Support and Service Business	6,892	30.2%	7,735	30.4%	843	12.2%	-	-	-
Parking System Business	6,675	29.2%	7,297	28.6%	622	9.3%	-	-	-
Other	41	0.2%	26	0.1%	-15	-35.9%	-	-	-
Segment income									
System Development Business	1,033	11.2%	1,541	14.8%	508	49.2%	-	-	-
Support and Service Business	703	10.2%	851	11.0%	147	21.0%	-	-	-
Parking System Business	817	12.2%	1,284	17.6%	467	57.1%	-	-	-
Other	6	14.9%	7	29.1%	1	25.1%	-	-	-
Adjustments for corporate expenses, etc.	-1,364	-	-1,570	-	-	-	-	-	-

Note 1: Net sales by segment constitute net sales to external customers. Segment income constitutes income before consolidation adjustments

Note 2: Percentages with respect to net sales constitute a segment's net sales as a percentage of total consolidated net sales. Percentages with respect to income constitute a segment's income as a percentage of the segment's net sales

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

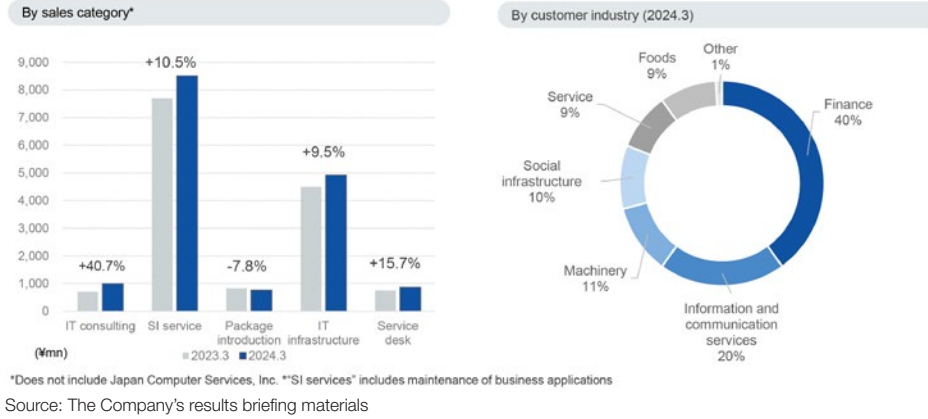
2. Trends by segment

Looking at trends by segment (net sales constitute net sales to external customers; segment income constitutes segment income before consolidation adjustments), in IT-related Businesses, the System Development Business recorded ¥10,421mn in net sales, an increase of 12.7% YoY, and ¥1,541mn in segment income, an increase of 49.2% YoY. The Support and Service Business recorded ¥7,735mn in net sales, an increase of 12.2% YoY, and ¥851mn in segment income, an increase of 21.0% YoY. The consolidation of JCS lifted net sales by ¥694mn. The segment income margin rose 3.6 percentage points to 14.8% in the System Development Business and 0.8 of a percentage point to 11.0% in the Support and Service Business. Both segments recorded strong growth in net sales and profits, with profitability also improving. By business category (excluding JCS), there was strong growth in net sales of 10.5% YoY in SI service and 9.5% in IT infrastructure. Net sales rose 40.7% in IT consulting, declined 7.8% in package introduction, and increased 15.7% in the service desk category. By client industry, finance accounted for 40% of net sales, information and communication services 20%, machinery 11%, social infrastructure 10%, services 9%, food 9%, and others for 1%.

The large improvements in profitability were driven by several factors – expansion in business domains, including system development projects for new products at insurance companies and core system renewal projects at manufacturing companies; large project orders for next-generation material management systems and distribution systems at energy companies; participation in projects to build management information analysis systems at manufacturing companies; expansion in the cloud-related business domain at insurance companies; growth in the operation of core systems at regional sites (Fukuoka and Nagasaki) for insurance companies; and orders for helpdesk and PC kitting services at distribution companies. Profitability improved sharply, buoyed by the growth in net sales and by transition to the NCD service model for application maintenance services.

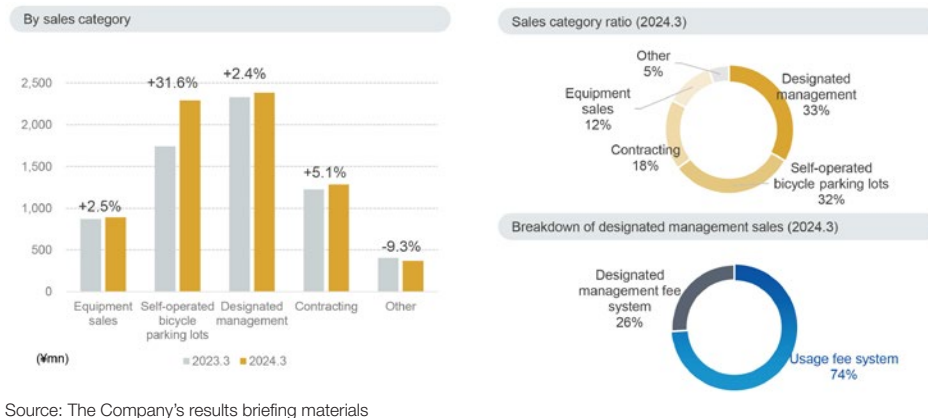
Results trends

Breakdown of consolidated net sales (IT-related Business)



The Parking System Business recorded net sales of ¥7,297mn, an increase of 9.3% YoY, and segment income of ¥1,284mn, up 57.1% YoY. The segment income margin rose 5.4 percentage points YoY to 17.6%, exceeding the level before the COVID-19 pandemic (14.7% in FY3/19). By business category, net sales from self-operated bicycle parking lots, which is stock-type sales, rose a strong 31.6% YoY, while net sales from designated management was also firm, up 2.4% YoY. Equipment sales rose 2.5% YoY and contracting increased 5.1%, but other sales declined 9.3%. By category, designated management accounted for 33% of net sales (of which, 74% usage fee system, 26% designated management fee system), self-operated bicycle parking lots 32%, contracting 18%, equipment sales 12%, and other 5%. This significant improvement in profitability reflected a better-than-expected recovery in bicycle parking lot usage following the end of COVID-19 mobility restrictions, as well as the results of business BPR, which included price revisions and improvements to operational efficiency.

Breakdown of consolidated net sales (Parking System Business)



Results trends

3. Financial condition

Looking at the Company's financial condition, at the end of FY3/24, total assets increased ¥2,511mn versus the end of FY3/23 to ¥14,899mn. Cash and deposits increased ¥1,999mn YoY, accounts receivable - trade rose ¥213mn and deferred tax assets increased ¥213mn. Total liabilities increased ¥1,153mn to ¥8,495mn. Lease liabilities declined ¥397mn, but income taxes payable increased ¥411mn, liabilities for retirement benefits increased ¥236mn, provision for bonuses rose ¥165mn, and provision for directors' retirement benefits increased ¥159mn. Interest-bearing debt (long- and short-term loans) increased ¥101mn YoY to ¥908mn. Total net assets rose ¥1,358mn YoY to ¥6,403mn, of which mainly retained earnings increased ¥1,165mn YoY. As a result, the equity ratio rose 2.2 percentage points to 42.6%. There are no particular matters of concern regarding the status of cash flows. Accordingly, FISCO deems that the Company's financial position remains favorable.

Financial statements and cash flow statement (simplified)

Item	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24	Change
(¥mn)						
Total assets	11,617	10,816	11,890	12,387	14,899	2,511
(Current assets)	6,644	6,768	7,949	8,579	11,044	2,465
(Non-current assets)	4,972	4,047	3,941	3,808	3,854	46
Total liabilities	7,704	6,651	7,422	7,342	8,495	1,153
(Current liabilities)	4,311	3,976	4,721	4,885	5,791	905
(Non-current liabilities)	3,392	2,674	2,701	2,456	2,704	247
Total net assets	3,913	4,165	4,468	5,045	6,403	1,358
(Shareholders' equity)	3,924	4,057	4,406	4,966	6,236	1,270
Equity ratio (%)	33.5	38.3	37.3	40.4	42.6	2.2pt

Item	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24
Cash flows from operating activities	376	218	1,918	568	2,574
Cash flows from investing activities	-164	142	-48	-171	-99
Cash flows from financing activities	-370	-61	-779	-413	-508
Cash and cash equivalents at end of period	2,420	2,721	3,814	3,799	5,767

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

Outlook for the future

Forecast for modest growth in profits for FY3/25, and may grow even further

● Summary of the FY3/25 consolidated results forecasts

For its consolidated results in FY3/25, the Company is forecasting net sales to increase 9.9% YoY to ¥28,000mn, operating income to rise 4.0% to ¥2,200mn, ordinary income to increase 2.8% to ¥2,200mn, and net income attributable to owners of the parent go up 4.5% to ¥1,450mn. The Company therefore sees both sales and profits rising YoY, albeit at a modest pace. It expects a strong performance by the IT-related Business and an improvement in profitability in the Parking System Business to absorb higher costs from increased investment in human capital and from upfront investment.

Outlook for the future

Summary of the FY3/25 consolidated results forecasts

	FY3/24		FY3/25		YoY	
	Amount	%	Amount	%	Change	% change
Net sales	25,481	100.0%	28,000	100.0%	2,518	9.9%
Gross profit	5,162	20.3%	-	-	-	-
SG&A expenses	3,047	12.0%	-	-	-	-
Operating income	2,115	8.3%	2,200	7.9%	84	4.0%
Ordinary income	2,140	8.4%	2,200	7.9%	59	2.8%
Net income attributable to owner of the parent	1,387	5.4%	1,450	5.2%	62	4.5%
Net sales by segment						
System Development Business	10,421	40.9%	11,650	41.6%	1,228	11.8%
Support and Service Business	7,735	30.4%	9,150	32.7%	1,414	18.3%
Parking System Business	7,297	28.6%	7,200	25.7%	-97	-1.3%
Segment income						
System Development Business	1,541	14.8%	1,568	13.5%	26	1.7%
Support and Service Business	851	11.0%	849	9.3%	-2	-0.2%
Parking System Business	1,284	17.6%	1,616	22.4%	331	25.8%
Adjustments for corporate expenses, etc.	-1,570	-	-	-	-	-

Note 1: Net sales by segment constitute net sales to external customers. Segment income constitutes income before consolidation adjustments

Note 2: Percentages with respect to net sales constitute a segment's net sales as a percentage of total consolidated net sales. Percentages with respect to income constitute a segment's income as a percentage of the segment's net sales

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

Segment forecasts are as follows (net sales constitute net sales to external customers; segment income constitutes income before consolidation adjustments). In the System Development Business, the Company is forecasting net sales to increase 11.8% YoY to ¥11,650mn and segment income to go up 1.7% to ¥1,568mn. In the Support and Service Business, it is forecasting net sales to increase 18.3% YoY to ¥9,150mn and segment income to decrease 0.2% to ¥849mn. In the Parking System Business, it is projecting net sales to decrease 1.3% to ¥7,200mn and segment income to increase 25.8% to ¥1,616mn. For the IT-related Business, it assumes a sharp increase in sales driven by order growth, but its profit forecast factors in an uncertain operating outlook and the impact of higher costs. In the Parking System Business, it expects net sales to decline slightly due its policy of withdrawing from unprofitable designated managed bicycle parking lots for local governments, but it forecasts strong growth in profits on continued price revisions and a reduction in unprofitable projects.

Regarding its priority strategies, in the IT-related Business, the Company will evolve the NCD service model by expanding its service menu, promote full IT outsourcing by expanding the 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, it will continue to revise pricing, primarily for self-operated bicycle parking lots, improve the profitability of designated management bicycle parking lots by reviewing its local government strategy, realize data-driven management using the data platform established through BPR, and improve advertising and marketing aimed at general contractors and developers. In the corporate strategy division, it plans to step up materiality initiatives to fully embed them in management, reinforce human resource management capabilities, such as securing and training human resources, and further enhance the Group's governance structure.

While the Company forecasts only modest growth in profits due to higher costs from increased investment in human capital and from upfront investment, we at FISCO think its outlook is very cautious, given 1) orders in the IT-related Business are likely to remain at a high level on the back of corporate investment in DX, 2) profitability is on an upward trend due to the rollout of the NCD service model, and 3) profitability is likely to improve in the Parking System Business as a result of BPR, including price revisions and gains in operational efficiency. We at FISCO therefore see good prospects for upside to the Company's forecasts.

Growth strategy

Purpose of “Powering the world with passion.”

1. Purpose

In order to accelerate its growth strategy of being a total solution provider, 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. Moreover, the Company changed its name to NCD effective from January 1, 2024, underpinned by its commitment to unifying the Group going forward toward fulfilling its purpose, raising brand value, and achieving sustained growth, while upholding the Company’s founding spirit.

Targets revised up in “Vision 2026” medium-term management plan

2. 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%.

Then, the basic policies for “Vision 2026,” the medium-term management plan for FY3/24 to FY3/26 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.

Growth strategy

Under its “Vision 2026” medium-term management plan, the Company’s initial targets for FY3/26, the plan’s final year, were net sales of ¥26,000mn, operating income of ¥1,800mn, an operating income margin of 6.9%, and ROE of 15% or higher. However, all targets except net sales were exceeded in FY3/24, the plan’s first year, due to stronger-than-expected sales growth and improved profitability in each business, as well as the consolidation of JCS. As a result, the Company raised its FY3/26 targets to net sales of ¥30,000mn, operating income of ¥2,400mn, an operating income margin of 8.0%, and ROE of 20% or higher. The Company also raised its forecasts for each business segment. It now forecasts net sales of ¥12,500mn and segment income of ¥1,700mn for the System Development Business, net sales of ¥9,800mn and segment income of ¥1,000mn for the Support and Service Business, and net sales of ¥7,700mn and segment income of ¥1,750mn for the Parking System Business.

Revised medium-term management plan

	(¥mn, %)			
	FY3/26 targets		Change	
	Previous plan	Revised plan	Change	% change
Net sales	26,000	30,000	4,000	15.4
Operating income	1,800	2,400	600	33.3
Operating income margin	6.9	8.0	-	1.1pt
ROE	15% or more	20% or more	-	5.0pt
Net sales by segment				
System Development Business	11,000	12,500	1,500	13.6
Support and Service Business	8,000	9,800	1,800	22.5
Parking System Business	7,000	7,700	700	10.0
Segment income				
System Development Business	1,500	1,700	200	13.3
Support and Service Business	900	1,000	100	11.1
Parking System Business	1,150	1,750	600	52.2
Segment income margin				
System Development Business	13.6	13.6	-	0.0pt
Support and Service Business	11.3	10.2	-	-1.1pt
Parking System Business	16.4	22.7	-	6.3pt

Note: Net sales by segment constitute net sales to external customers. Segment income constitutes income before consolidation adjustments
 Source: Prepared by FISCO from the Company’s results briefing materials and financial results

As a key 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 BPR 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 establish 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 holding gatherings to select among presentations of business ideas upon embarking on its “co-do project” program for soliciting 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.

Growth strategy

The Company has set out a number of specific initiatives to realize management that takes into account the cost of capital and the share price: 1) increase profitability (by raising the added-value of existing businesses and creating new businesses to further improve profit margins and grow profits), 2) optimally allocate capital (deliver stable and continuous shareholder returns and invest in growth, such as human capital investment), 3) step up sustainability initiatives and improve the disclosure of non-financial information (further promote sustainability management and publish integrated reports), and 4) reinforce IR and PR activities (improve information disclosure, expand dialogue with shareholders and other investors, and strengthen branding, such as updating the corporate logo). Representative Director and President Osamu Shimojo was upbeat: “In FY3/24, profitability improved by more than we expected, allowing us to achieve the plan’s initial final-year targets (except net sales) ahead of schedule. I believe we are now well on track to reach the 2032 targets in the long-term vision, backed by the continued steady implementation of various initiatives to further improve profitability. We also want to improve shareholder returns and step up investor relations activities to further increase corporate value.” FISCO’s view is that the Company is making excellent progress with its medium-term management plan.

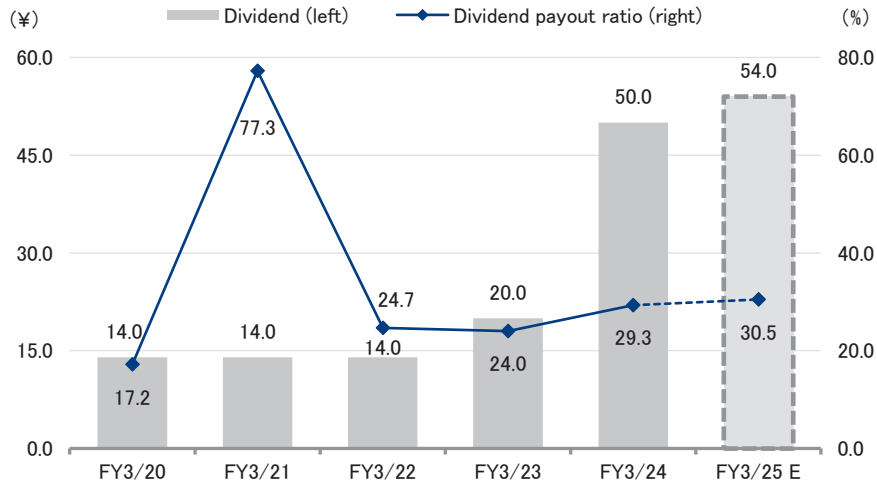
Targeting a consolidated payout ratio of 30% or higher for shareholder returns

3. Shareholder return policy

Regarding profit allocation, the Company has set a target consolidated payout ratio of 30% or higher starting in FY3/24 accompanying the start of its “Vision 2026” medium-term management plan. In line with this basic policy, the Company will pay an annual dividend for FY3/24 of ¥50.00 per share (interim dividend ¥16.00, year-end dividend ¥34.00), which is an increase of ¥30.00 compared with FY3/23. The forecast dividend payout ratio is 29.3%. For FY3/25, it forecasts a dividend of ¥54.00 per share (interim dividend ¥27.00, year-end dividend ¥27.00), an increase of ¥4.00 from FY3/24. The forecast dividend payout ratio is 30.5%. 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 gift cards depending on the number of shares they hold and the continuous period of time they have held them. We at FISCO see the possibility of further improvements in shareholder returns as earnings continue to grow.

Growth strategy

Dividend and dividend payout ratio



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

Shareholder benefits program

Shares held	Continuous holding period	
	Less than 3 years	3 years or more
1,000 shares or more but less than 3,000 shares	Worth ¥2,000	Worth ¥3,000
3,000 shares or more but less than 5,000 shares	Worth ¥3,000	Worth ¥5,000
5,000 shares or more	Worth ¥5,000	Worth ¥7,000



Source: The Company's results briefing materials

Promoting sustainability management

4. Sustainability management

With respect to sustainability management, the Company established the Sustainability Promotion Committee in October 2021 and has outlined a policy of strengthening its sustainability management practices under its “Vision 2026” medium-term management plan. 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.” In addition, the Company established sustainable procurement guidelines in August 2023.

With respect to “contribute to realizing carbon neutrality,” the Company will promote DX and provide high added-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, balance ease of work and job satisfaction 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 Company also has plans to create more job opportunities through its regional offices. Specifically, it aims to increase the total number of regional employees at its Fukuoka, Nagasaki and other offices, including employees working at business partners, from 322 at March 31, 2024 to 400 at March 31, 2026.

The parking system business eliminates bicycle parking problems such as bicycles left on streets throughout the country, and helps improve the global environment through measures to ease traffic congestion, effective utilization of land, land and town planning, and reductions in CO₂ (carbon dioxide) emissions, etc. 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). The Company concluded official supplier agreements with the professional road cycling team SAITAMA DReVe in April 2022, and with VC FUKUOKA in April 2023. 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 enterprises. In March 2024, the Company received certification as a 2024 Health & Productivity Management Outstanding Organizations (Large Enterprise Category) under the Ministry of Economy, Trade and Industry’s recognition program. In addition, the Company’s target for female managing directors/executive officers is to increase from the current one to at least 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.

Focus on progress achieved under medium-term management plan amid favorable assessment of significant increase in profitability in FY3/24

5. Analyst's point of view

In terms of performance trends, the Parking System Business was impacted by the COVID-19 pandemic, but earnings bottomed in FY3/21 and started recovering from FY3/22. Profitability also improved sharply in FY3/24, supporting record-high earnings and prompting the Company to upgrade the targets in its medium-term management plan. In addition to the improving business environment, we think this shows the Company is starting to reap the benefits of its steady efforts to improve profitability (expanding the business domain of the IT-related Business, growing stock-type sales, evolving the NCD service model and implementing BPR in the Parking System Business, etc.). We view this as positive. We also welcome the improvements to its shareholder return policy. As the Company accelerates reforms aimed at improving profit margins, we see potential for further growth in profits over the medium and long term. We will continue to focus on progress with its strategies to improve profitability, based on its medium-term management plan and long-term Group vision.



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