COMPANY RESEARCH AND ANALYSIS REPORT

NSW

9739

Tokyo Stock Exchange Prime Market

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Index

Summary

Steady results in FY3/24, the second year of the Company's medium-term management plan. Aiming for the realization of a new digital society and new digital future based on the concepts of "DX First" and "co-creation"

NSW Inc. <9739> (hereafter, also "the Company") is an independent IT solutions provider listed on the Prime Market of the Tokyo Stock Exchange (hereafter, TSE) and an engineering group in which engineers account for nearly 90% of all employees. The Company categorizes businesses into the four segments of Enterprise Solutions, Services Solutions, Embedded Solutions and Device Solutions. Centered on digital technologies such as IoT and AI that utilize the synergies between its businesses, it is working on co-creating customer value through realizing DX.

1. Summary of the FY3/24 results

In the FY3/24 consolidated results, net sales were ¥50,299mn (up 8.9% year on year (YoY)), and operating profit was ¥5,862mn (up 8.8%), setting new record highs and moreover recording increased sales and profits for the 12th consecutive period as the favorable results mean the Company has achieved its medium-term management plan target for net sales of ¥50,000mn a year in advance of schedule. The results exceeded the initial forecasts, with net sales 3.7% higher than the initial forecast, and operating profit 4.7% higher than the initial forecast. The operating profit margin was 11.7%, the same level as the previous year, but excluding a special factor—a lump sum payment associated with achieving sales targets—the actual margin improved to the 12% range. In addition, orders received, which lead to future sales, were solid at ¥50,784mn (up 4.1%). By segment, Enterprise Solutions saw large gains in sales and profits from the contribution of high profitability projects, and this drove the Company to favorable results. In Services Solutions, sales increased from acquiring large projects, but profit declined because certain projects were unprofitable. In Embedded Solutions, sales and profits both rose by a large margin on strong performances in each area, starting with automotive. And, in Device Solutions, sales and profit increased by small margins as semiconductor design, development and evaluations were steady. As a result of the above, the equity ratio was 75.2% (up 1.7 percentage points YoY), greatly exceeding the average of 30.6% in the information and communications industry on the TSE Prime Market in FY3/23, so the Company continues to maintain extremely sound financials. In addition, its ROE of 13.6% and ROA of 14.0% greatly exceed the averages on the same basis of ROE 7.2% and ROA 4.1%, so the Company can be assessed as having high profitability. It raised its target dividend payout ratio to 30% and substantially raised its annual dividend per share to ¥85 (increase of ¥30 YoY), so it can be said that Company is giving adequate consideration to shareholder returns.

2. FY3/25 results forecasts

For the consolidated results in FY3/25, the Company is forecasting net sales of ¥52,000mn (up 3.4% YoY) and operating profit of ¥6,000mn (up 2.3%), and expects new record highs for both net sales and operating profit for the 13th consecutive fiscal year. This forecast is cautious in comparison to the growth rate for results in FY3/24, but this is because the Company has factored in uncertainty in the business environment. By segment, in Enterprise Solutions, net sales are expected to be flat and profit to decline, but it will essentially be flat if the impact of organizational changes is excluded. In Services Solutions, net sales are expected to be good and profit is expected to increase as non-profitable projects are normalized. In Embedded Solutions, net sales and operating profit will generally mark time. Also, in Device Solutions, net sales will increase slightly, but operating profit is expected to decline due to increased costs from expansion at an overseas partner. Based on the above, the Company plans to pay an annual dividend per share of ¥85, the same as for the previous fiscal year. The Company has a strong tendency to initially announce conservative forecasts, so at FISCO we think there is a high likelihood that the Company will achieve its forecasts.

3. Medium-term management plan

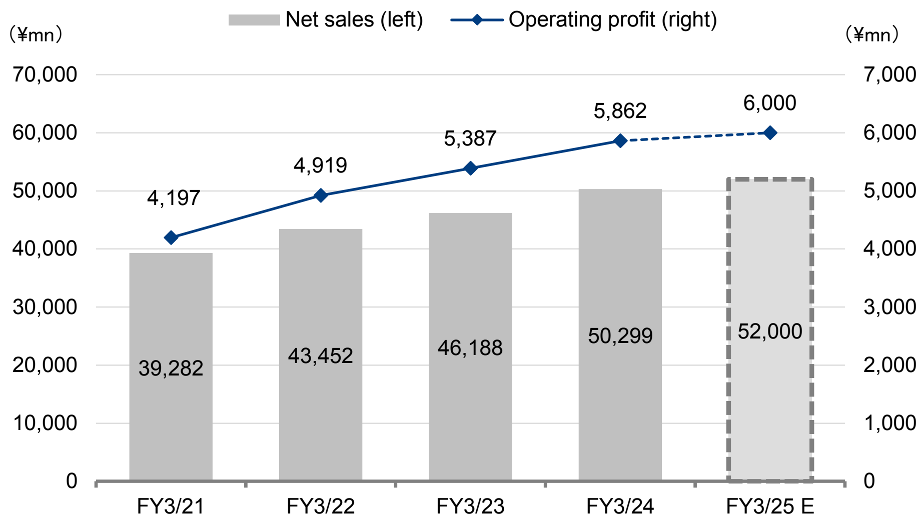
In the medium-term management plan (FY3/23 to FY3/25), its fundamental policy is to achieve the sustainable growth of both society and companies through digital transformation – evolving to become a SIer* that co-creates business with customers through technologies and knowledge, and based on the “DX FIRST” and “co-creation” concepts, it has set the priority strategies of pursuing customer value through realizing DX, strengthening profitability through selection and concentration, and conducting strategic investment for growth in the future. The plan’s results targets include net sales of ¥50,000mn (compound annual growth rate (CAGR) of an increase of 4.8%) and an operating profit margin of 11%. It intends to achieve higher sales and profits by progressing the business policies for the four-business segment structure it has newly started and the measures for “DX FIRST.” Results have been steady up until FY3/24, the second year of the plan, and a succession of new initiatives were started in line with the priority strategies. The Company also focused on sustainability initiatives. Progress on the plan in its last year will be monitored.

* SI is short for System Integration. An SIer is a service business that contracts a client’s system development and/or management, etc.

Key Points

- Independent IT solutions provider; business divided into four segments
- In FY3/24, the Company saw increases in both sales and profit, and achieved its initial forecasts, as well as set new record-high results. The Company increased its dividend significantly, and is forward-looking with respect to shareholder returns
- For FY3/25, the Company is forecasting small increases in both sales and profit and plans a dividend of the same amount as the previous fiscal year. Still, the Company tends to have conservative initial results forecasts
- In the medium-term management plan, has set the priority strategies of pursuing customer value through realizing DX, strengthening profitability through selection and concentration, and conducting strategic investment for growth in the future, and it is aiming for net sales of ¥50,000mn and an operating profit margin of 11% in FY3/25. Net sales and operating profit margin have been steady, exceeding their forecasts through the second year

Results trends



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

Company profile

Aims to create and provide excellent systems to enrich society

1. Company profile

In the Company Group, based on its "Humanware By Systemware" corporate philosophy that expresses its desire to leverage to the greatest possible extent the individuality, sensibility, and creativity of each and every employee to create excellent systems that will enrich society, the Company has set the "NSW Way" as its code of conduct, which involves always seeing ahead of the times, customer-centric business concepts, ideas for utilizing human resources that leverage their potential to the greatest extent, a spirit of self-reliance and a polite, humble and sincere corporate culture, and a corporate vision that contributes to society.

In addition to the Company itself, the Company's Group consists of three wholly-owned consolidated subsidiaries; NSS, Inc. (former NSW Techno Services Co., Ltd.) , which conducts businesses including system development and infrastructure construction; in China, NSW China Co., Ltd. (former NSW China Co., Ltd.), which conducts businesses including embedded development; and NSA, Inc.(former NSW WITH Co., Ltd.), a special subsidiary for the employment of people with disabilities that provides general agency services and support services.

The Company's business base is located to the west of Tokyo, but it has customers throughout the country, including government offices and public organizations, and also many major companies, such as in the manufacturing and distribution industries. When it was first established, an overwhelmingly large percentage of transactions were with the NEC Corporation <6701> Group, but alongside the expansion of the customer base, this percentage has fallen to 11.4% of net sales in FY3/24, and the scope of customers for transactions has widened yearly. The Chinese subsidiary mainly covers Japanese companies that are entering the local Chinese market. Additionally, it opened the Taiwan office (representative office) in April 2018, and this office seeks to recruit customers and conducts local surveys in the Taiwanese market, a global site for semiconductor production, assembly, and testing.

The Company Group is an engineering group with a total of 2,428 employees and nearly 90% of its workforce comprises of engineers as of the end of FY3/24. Mr. Shoji Tada has served as the President and Representative Director since April 2013.

2. History

The Company started in 1966 as an independent software house, with a software development business and an outsourced computing business. Subsequently, in 1968 it started an operation management services business, and in 1978, a development business for firmware and logic circuits. Alongside the evolution of IT technologies, its business areas have expanded, including that it started a systems integration business in 1990, a data center business in 1998, a cloud service business in 2009, and an IoT/M2M business in 2013.

During this period, the Company changed its name to NIPPON SYSTEMWARE CO., LTD., in 1982. It began the over-the-counter trading of its shares in 1996 and opened the Yamanashi IT Center in August 1998 with the funds obtained from the market. It was listed on the TSE 2nd Section in April 1999, its listing was upgraded to the TSE 1st Section in March 2000, and it celebrated the 50th anniversary of its establishment in FY3/16. In April 2022, its listing was changed to the Prime Market following the TSE's reorganization of market categories. Moreover, toward taking a leap forward to a new stage, it changed its company name to NSW in August 2022. Similarly, in January 2023, it changed the names of the three consolidated subsidiaries.

History

August 1966	Established the Business Computing Center in Minato Ward, Tokyo. Commenced software development and outsourced computing activities
October 1968	Commenced operation management service activities
December 1975	Acquired own building (present site of Head Office)
February 1976	Became a member of Japan Software Industrial Association (now Japan Information Technology Service Industry Association)
June 1978	Commenced development activities related to firmware and logic circuits
June 1980	Launched a business for the sale of office computers and office-automation equipment
March 1982	Changed the company name to NIPPON SYSTEMWARE CO., LTD.
March 1986	Established the Osaka Branch (now the Osaka Office) in Osaka City. Strengthened regional development.
September 1986	Started construction of the new Head Office building
February 1990	Started the systems integration business
August 1990	Established Nippon Technowave Co., Ltd., as a wholly owned subsidiary
April 1996	Stock registered as over-the-counter with the Securities Dealers Association of Japan
October 1997	Obtained ISO 9001 certification, an international assurance of quality
August 1998	Established the Yamanashi IT Center. Launched the datacenter business
April 1999	The Company is listed on the TSE 2nd Section.
March 2000	The Company is designated to the TSE 1st Section.
July 2002	The outsourcing business to manage and control customers' information systems achieved the requirements to be certified in the ISMS (Information Security Management Systems) assessment scheme.
September 2002	Established NSW SALES CO., LTD.
February 2005	Obtained ISO 14001 certification, an international environmental management standard
March 2007	Obtained ISO/IEC27001, an international standard for Information Security Management Systems
April 2007	Certified by the Ministry of Health, Labour and Welfare as a corporation promoting measures to support the development of the next generation
October 2007	Obtained ISO/IEC20000, an international standard for IT service management systems
September 2009	Launched the Cloud service business
October 2009	Established NSW WITH CO., LTD. (currently a wholly-owned consolidated subsidiary)
April 2010	Established NSW China Co., Ltd. (currently, a wholly-owned consolidated subsidiary)
May 2013	Launched the IoT/M2M business
July 2013	Changed the name of NIPPON TECHNOWAVE CO., LTD., to NSW TECHNOSERVICES CO., LTD., after the merger with NSW SALES CO., LTD.
January 2018	Acquired all the shares of NIHON SOFTWARE ENGINEERING Co., Ltd., and made it a subsidiary
April 2018	Established the Taiwan Office in Taiwan.
April 2020	Absorbed NIHON SOFTWARE ENGINEERING Co., Ltd.
August 2021	Acquired all the shares of Kohwa System Corporation and made it a subsidiary (currently, a wholly-owned consolidated subsidiary)
April 2022	Absorption merger of Kohwa System Corporation Listing changed to the TSE Prime Market following the TSE's market reorganization
August 2022	Changed name to NSW, Inc.
January 2023	Changed the names of the three consolidated companies (NSW TECHNOSERVICES Co., Ltd. → NSS, Inc.; NSW China Co., Ltd. → NSW China Co., Ltd.; NSW WITH Co., Ltd. → NSA, Inc.). (The company name of NSW China Co., Ltd. was changed in Chinese, while its English name was unchanged.)

Source: Prepared by FISCO from the Company's website

Business overview

While leveraging the Company's features to the greatest possible extent, aims for further development in the four business areas and the DX-related business

1. The Company's features

The Company conducts four solutions businesses – Enterprise Solutions, Services Solutions, Embedded Solutions, and Device Solutions and it is aiming to expand DX-related business that leverages the technological synergies from these businesses. Its major strength is that it has technologies and expertise for both software and for hardware.

The Company's strengths include its accumulated industry and business expertise and systems-construction capabilities that it has cultivated in the Enterprise Solutions business in various industrial fields; service coordination capabilities and a foundation to provide infrastructure and platforms such as cloud environments in the Services Solutions business; product development capabilities, including for embedded software and LSI* design and image processing technologies, in the Embedded Solutions and the Device Solutions business. The Company's major strength is that it has a core structure that enables it to support the DX sought by customers, centered on digital technology such as IoT and AI that leverages those synergies, and its policy is to utilize all these strengths for growth in the future.

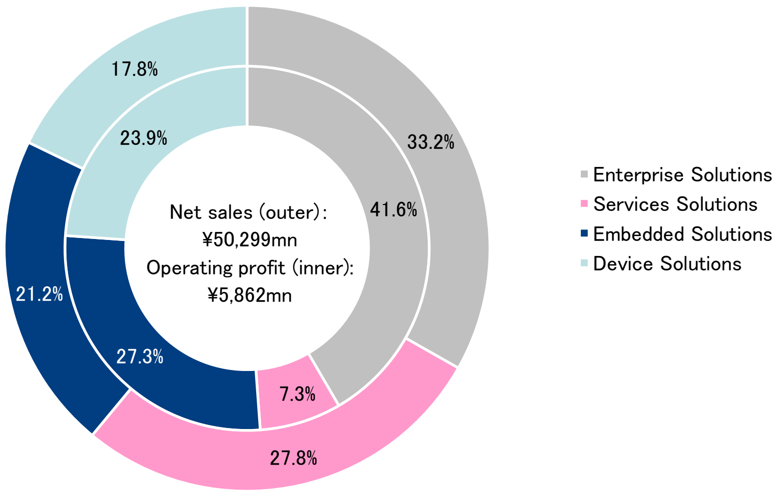
* Abbreviation of Large-Scale Integration. It refers to a large-scale integrated circuit that incorporates many electronic components, such as transistors, diodes, resistors, and capacitors, into one semiconductor chip.

2. Business description

In order to strengthen and expand each business and also with an eye to business development in the future, in FY3/23 the Company reorganized its business promotion structure. Specifically, it changed from the former three business segments to four segments. Also, the name of the former IT Solutions was changed to Enterprise Solutions, while Product Solutions was divided into Embedded Solutions and Device Solutions. Both the category and name of Services Solutions remained unchanged.

Looking at net sales and operating profit by segment in FY3/24, the Enterprise Solutions business provided 33.2% of net sales and 41.6% of operating profit; these figures are 27.8% and 7.3% for the Services Solutions business, 21.2% and 27.3% for the Embedded Solutions business, and 17.8% and 23.9% for the Device Solutions business, respectively. It is considered that the reasons why the Embedded Solutions business and the Device Solutions business provide comparatively high profit margins is that the technological barriers to enter these businesses are high and there are few independent companies of the same size as the Company conducting these businesses. Also, in the Enterprise Solutions business, various initiatives, including improving profitability and limiting unprofitable projects, are proving successful and the profit margin has improved significantly in recent years. Conversely, the reason for the comparably low profit margin in the Services Solutions business is that it became an independent segment starting from FY3/20 and the business is currently undertaking efforts to bolster its structure and upfront investment for developing new services.

Net sales and operating profit by segment (FY3/24)



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

The Enterprise Solutions business provides operations-related solutions. Utilizing the business expertise cultivated over many years, such as for the manufacturing, distribution, finance and insurance industries, and for government offices, the Company provides optimized solutions for its customers, from consulting through to systems design, development, maintenance, and operations.

Services Solutions provides IT services and IoT & AI services. IT services are a variety of services that support customers' systems, from servers and network designs that maximize systems' performance and the construction of secure environments, through to highly reliable management and monitoring by urban- and suburban-type data centers. Also, the IoT & AI services utilize their strength of enabling total coordination, from devices through to the cloud, and based on the Toami IoT cloud platform, support customers' creation of new business value, from collecting data through to its analysis and utilization.

Embedded Solutions develops embedded systems and provides edge device solutions. In embedded systems development, the Company responds to demand for product diversification, increased efficiency and improved design quality and for smart products by using the embedded technologies it has cultivated for app, middleware and driver development as a result of developing a wide range of products for the automotive and industrial sectors, amongst others. In addition, in edge device solutions, it proposes optimal IoT environments to customers that keep down costs from small starts through its abundant design and development capabilities that enables it to respond in-house, for from embedded apps through to LSI, and through alliances with various sensor and device vendors.

Device Solutions develops LSI and FPGA (integrated circuits in which the purchasers and designers can set the configuration after manufacturing). It provides solutions according to requirements, including for high-level designs, logic designs and verification, logical synthesis, layout designs, manufacturing, and testing. It is responding for lower-power consumption designs and advanced processes in various fields, such as for image processing and communication controls.

The business field that holds significant expectations to become a new pillar of earnings by combining its expertise in the above-described four segments is the DX-related business that focuses on digital technologies such as IoT and AI. Currently, the Company conducts the business while including it in the revenue of the existing segments. Centering on Toami, an IoT cloud platform that began selling in May 2013, a major strength of the Company is having the capability to accommodate everything from development and analysis services necessary for IoT to embedded apps, starting with wireless and sensor technology, to LSI design. The Company's Toami has a track record of introductions into more than 100 companies in total, mainly for the realization of IoT-accessible products. The number of alliance partners has also grown to more than 30 companies and it provides it in more than 30 countries worldwide. Inquires for related services, such as for an analysis service to effectively utilize the data collected through IoT, are also strong. Toami is being utilized by companies including Panasonic Holdings Corporation <6752>, Nipron Co., Ltd., EXEO Group, Inc. <1951>, Tohoku Energy Service Co, Inc., Watanabe Electric Industry Co., Ltd., Renesas Electronics Corporation <6723>, NEC Networks & System Integration Corporation <1973>, RION Co., Ltd. <6823>, and Japan Radio Co., Ltd.

Results trends

In FY3/24, results set new record highs

1. Summary of the FY3/24 results

The Japanese economy in FY3/24 was marked by a gradual recovery in business conditions against the backdrop of improved personal consumption and employment conditions and solid corporate earnings. At the same time, the yen weakened to historic lows due to continued monetary tightening worldwide, plus there was stagnation in China's economy, unclear situations Ukraine and the Middle East, weakness in the consumer mindset due to rising prices, the end of negative interest rates and the other impacts of fiscal policy—there were many concerns putting downward pressure on the economy and it was necessary to carefully monitor trends. Amid this, in the information services industry, based on the keywords of "robots" and "automation" business process efficiency was improved, labor-savings conducted, competition strengthened, and steady investment related to digital and AI conducted to create next-generation businesses. Under such conditions, the Company ambitiously engaged in the second year of its medium-term management plan.

As a result, in the Company's FY3/24 consolidated results, net sales were ¥50,299mn (up 8.9% YoY), operating profit was ¥5,862mn (up 8.8%), ordinary profit was ¥5,940mn (up 9.2%), and profit attributable to owners of parent was ¥4,287mn (up 4.8%). This was the twelfth consecutive year of higher sales and profit, as record-high results were set. The Company achieved the target of its medium-term management plan of net sales of ¥50,000mn, which it put heavy emphasis on as the marker of a major corporation, a year in advance, so the Company's results were good. In addition, compared to period-start forecasts, net sales were 3.7% higher, operating profit 4.7%, ordinary profit 5.1%, and profit attributable owners of parent 8.5%. The operating profit margin, which had been impacted by unprofitable projects, was 11.7% (unchanged from last year) However, on an actual basis, after adjusting for a lump sum payment made to employees for achieving the sales target, it was 12.1% (up 0.4pp). In addition, profit attributable to owners of parent exhibited a high percentage increase compared to initial plans because gains on the sale of land and investment securities were recorded as extraordinary income. Supported by the strongly rooted demand in the IT industry as a whole, orders received, which lead to sales gains in the future, were solid at ¥50,784mn (up 4.1%). The Group can be said to have a broad range of customers and is continuing to grow in a stable manner despite the operating environment.

FY3/24 consolidated results

(¥mn)

	FY3/23		FY3/24			YoY		Vs. forecast	
	Results	% of net sales	Initial forecast	Results	% of net sales	Increase (decrease)	% change	Increase (decrease)	% change
Net sales	46,188	100.0%	48,500	50,299	100.0%	4,111	8.9%	1,799	3.7%
Cost of sales	36,785	79.6%	-	40,287	80.1%	3,502	9.5%	-	-
Gross profit	9,403	20.4%	-	10,012	19.9%	609	6.5%	-	-
SG&A expenses	4,015	8.7%	-	4,149	8.2%	134	3.3%	-	-
Operating profit	5,387	11.7%	5,600	5,862	11.7%	475	8.8%	262	4.7%
Ordinary profit	5,442	11.8%	5,650	5,940	11.8%	498	9.2%	290	5.1%
Profit attributable to owners of parent	4,090	8.9%	3,950	4,287	8.5%	197	4.8%	337	8.5%

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

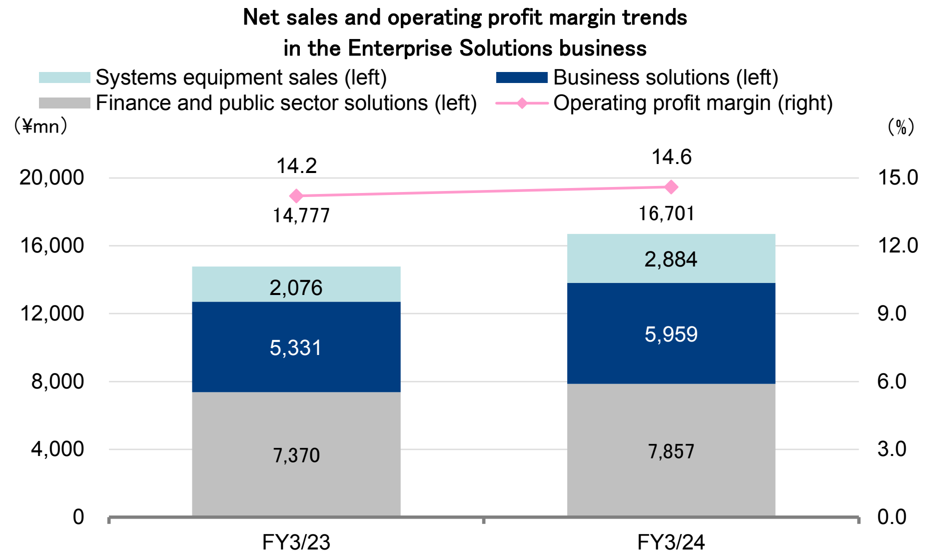
Strong performance in both Enterprise Solutions and Embedded Solutions

2. Overview by segment

(1) Enterprise Solutions business

In the Enterprise Solutions business, net sales were ¥16,701mn (up 13.0% YoY), operating profit was ¥2,438mn (up 16.2%), and the operating profit margin was 14.6% (up 0.4pp), making it the driving force behind the Company's good results. Regarding net sales, along with increases in development for the retail industry and sales of system devices, sales increased from a good performance by system development for the financial industry. As for operating profit, gross profit increased on the increase in sales, and the Company continued to reduce SG&A expenses and high profitability projects contributed. Profit rose as a result of these factors. Compared to forecasts, net sales were 5.0% higher and operating profit significantly exceeded the forecast by 21.3%. In addition, orders received were solid at ¥16,745 (up 3.4%).

Breaking down net sales, business solutions net sales were ¥5,959mn (up 11.8% YoY). The trend was steady thanks to providing a proprietary package to the manufacturing and logistics industries. The margin of growth was large thanks to accommodating new stores for existing major distributor customers, including POS systems for the retail industry, and to the start of infrastructure projects. In addition, sales of solutions for the financial industry and public sector were ¥7,857mn (up 6.6% YoY). Card settlement operations for the financial and insurance industries are growing substantially, and for government agencies and groups, sales were firm from taking in systems related to the public sector and social insurance field. Moreover, net sales from system devices grew by a large margin to ¥2,884mn (up 39.0%). In particular, device sales increased substantially in connection with accommodating new stores of customers in the retail industry.

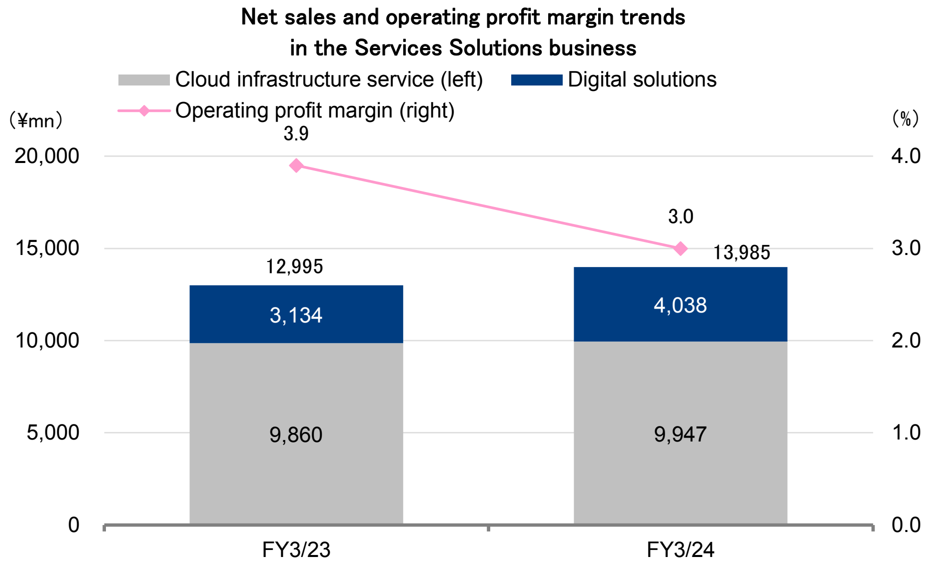


Source: Prepared by FISCO from the Company's results briefing materials

(2) Services Solutions business

In the Services Solutions business, net sales were ¥13,985mn (up 7.6% YoY), operating profit was ¥425mn (down 16.5%), and the operating profit margin was 3.0% (down 0.9pp). Regarding net sales, sales increased thanks to acquiring large projects in the Web development field. As for operating profit, it declined because a portion of the large-scale projects were not profitable. Compared to forecasts, net sales exceeded it by 4.4% as projects steadily accumulated. However, operating profit was 45.5% short due to unprofitable projects. This segment became an independent segment starting from FY3/20, and the operating profit margin was lower than other segments due to the impact of efforts to strengthen the structure targeting business expansion along with upfront investments to develop new services. It seems that it will take a little more time for the business to get on track and contribute to the overall performance of the Company. Meanwhile, orders received was at ¥14,103mn (up 2.1%).

Looking at a breakdown of net sales, net of sales of the cloud infrastructure service were ¥9,947mn (up 0.9%). Cloud construction-related business increased centering on public clouds in conjunction with firm demand for cloud use. In infrastructure and other services, the data management field performed well and continues to expand. Net sales of digital solutions were ¥4,038mn (up 28.8% YoY). Regarding IoT and AI, trends were steady as a result of deeply cultivating customers in the IoT field as the Company focused on stabilizing the business. Further, in Web and EC, segment profit declined as a result of some unprofitable projects at existing customers.



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

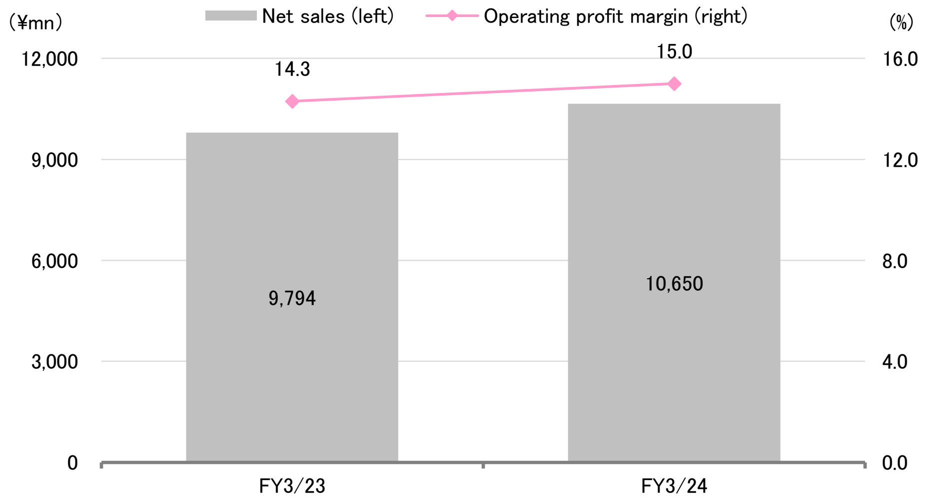
(3) Embedded Solutions business

Net sales were ¥10,650mn (up 8.7% YoY), operating profit was ¥1,598mn (up 13.8%), and the operating profit margin was 15.0% (up 0.7pp). Net sales exceeded ¥10.0bn and the profit margin maintained a high level. Net sales were buoyant in the automotive, mobile, and facility device fields. Profit increased due to the increase in gross profit that increased with increased sales. Net sales were 5.5% higher than the initial forecast, while operating profit was 11.8% higher than the initial forecast. Productivity improved due to the efforts to develop more business with existing customers. The Company continues to maintain a high profit margin. As noted above, this is thought to be because the technological barriers to enter this business are high and there are very few independent companies of the same size as the Company engaging in this business. Orders received was solid at ¥10,894mn (up 11.6%).

Looking at a breakdown of net sales, in automotive, one of the Company's areas of specialty, increased SDV* demand led to increased projects and expansion in corresponding areas, contributing to the sales increase. In mobile, there were increases in development for carriers and finance-related app development. In facility devices, broadcasting facilities related and the energy field maintained a strong performance. In communications, network device development related performed well, but with 5G development subsiding, sales were flat.

* Abbreviation of software defined vehicle. A vehicle that can have its performance raised by changing the software to increase value and functions.

Net sales and operating profit margin trends in the Embedded Solutions business

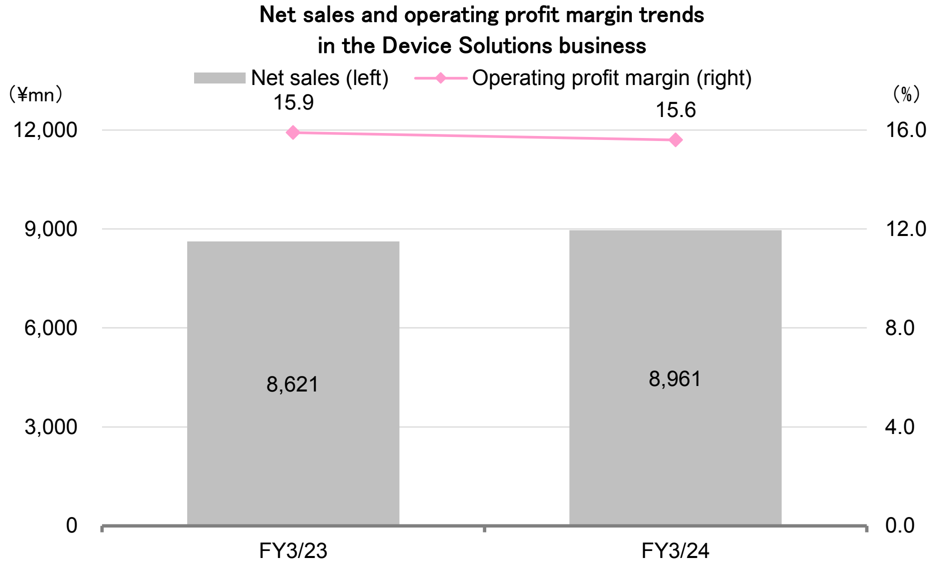


Source: Prepared by FISCO from the Company's results briefing materials

(4) Device Solutions business

In the Device Solutions business, net sales were ¥8,961mn (up 3.9% YoY), operating profit was ¥1,400mn (up 1.9%), and the operating profit margin was 15.6% (down 0.3pp). As for net sales, revenue increased on solid trends in semiconductor design, development and evaluation. Regarding profit, gross profit increased on the increases in sales, which absorbed cost increases related to overseas resource utilization as profit increased. Compared to forecasts, net sales were short by 1.5%, but operating profit exceeded the forecast by 1.5% and the profit margin was 15.6% (up 0.5pp from the forecast). Similarly, in Embedded Solutions, productivity improved as a result of efforts to win more business from existing customers, and the operating profit margin rose. In addition, the technological barriers to enter this business are high and there are very few independent companies of the same size as the Company engaging in this business, so the Company continued to maintain a high profit margin. The Company is stronger in specialty fields than general fields, but its customers are in solidified fields, so results are grown by deeply cultivating relationships with major customers. Orders received were ¥9,040mn (up 0.2%), remaining flat with the previous year, and the Company plans to watch trends related to semiconductors going forward.

Looking at the breakdown of net sales, it was affected by a lull in projects at some existing customers, but the main businesses firmly increased centering on semiconductor design development and evaluation., However, the semiconductor field is particularly highly specialized, and there is a chronic labor shortage in the industry as a whole. The Company is fully committed to utilizing overseas resources and coordinating partnerships primarily in Southeast Asia, starting with Vietnam. It is forming alliances in Taiwan as well, working to acquire projects from overseas companies and develop new customers.



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

Extremely financially sound and profitable

3. Financial condition and management indicators

At the end of FY3/24, total assets increased ¥3,475mn on the end of the previous period to ¥44,138mn. This was mainly due to increases in cash and deposits, notes and accounts receivable-trade, and contract assets, and investment securities. Total liabilities increased ¥180mn to ¥10,964mn, with the main items being increases in accrued consumption taxes and accrued expenses, while there was a decrease in income taxes payable. Total net assets increased ¥3,295mn to ¥33,174mn in conjunction with the booking of profit attributable to owners of parent.

As a result of the above, the current ratio (current assets/current liabilities) rose 40.0pp on the end of the previous fiscal year to 424.6%, and the Company's short-term solvency is extremely high. Also, the fixed ratio (fixed assets/equity capital) declined 3.5pp to 29.9%. The procurement of fixed assets (such as equipment investment) is fully covered by shareholders' equity with no repayment deadlines, and the Company continues to practice debt-free management. The equity ratio rose 1.7pp to 75.2%, and is still much higher than the average of the telecommunications industry companies on the TSE Prime Market average of 30.6% at the end of March 2023, so the Company can be evaluated as being highly financially sound. Also, ROE is 13.6% and ROA is 14.0%, which greatly exceeded the 7.2% and 4.1% that are the respective averages of the telecommunications industry companies on the TSE Prime Market, so it can be said that its profitability is also extremely high.

Consolidated balance sheets and management indicators

(¥mn)

	FY3/23	FY3/24	Increase (decrease)
Current assets	30,669	34,218	3,549
Cash and deposits	15,352	18,812	3,460
Notes and accounts receivable-trade and electronically recorded monetary claims - operating	12,689	13,091	402
Work in process	1,278	647	-631
Fixed assets	9,993	9,920	-73
Property, plant and equipment	6,205	5,735	-470
Intangible assets	301	322	21
Investments and other assets	3,486	3,862	376
Total assets	40,663	44,138	3,475
Current liabilities	7,974	8,058	84
Noncurrent liabilities	2,809	2,906	97
Total liabilities	10,784	10,964	180
(Interest-bearing debt)	0	0	0
Total net assets	29,878	33,174	3,295
Stability			
Current ratio (current assets / current liabilities)	384.6%	424.6%	40.0pt
Fixed ratio (fixed assets / equity capital)	33.4%	29.9%	-3.5pt
Equity ratio	73.5%	75.2%	1.7pt
Profitability			
ROE (return on equity)	14.5%	13.6%	-0.9pt
ROA (return on assets)	14.0%	14.0%	0.0pt

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

At the end of FY3/24, the balance of cash and cash equivalents decreased ¥4,540mn from the end of the previous fiscal year to ¥10,812mn. This was due to payments into time deposits and other factors.

Looking at the cash flow conditions, net cash provided by operating activities was ¥5,051mn (a decrease in income of ¥3,053mn YoY). This was mainly due to the increase in non-cash items such as depreciation and decrease in inventories, in addition to the decrease in income taxes paid against the recording of profit before income taxes. Conversely, net cash used in investing activities was ¥8,703mn (an increase in expenditure of ¥7,692mn). This was mainly due to proceeds from sales of property, plant and equipment as an increasing factor and payments into time deposits and purchase of investment securities as a decreasing factor. Net cash used in financing activities was ¥894mn (an increase in expenditure of ¥75mn), which was mainly due to dividends paid.

Consolidated cash flow statements

(¥mn)

	FY3/23	FY3/24	Increase (decrease)
Cash flow from operating activities	1,998	5,051	3,053
Cash flow from investing activities	-1,010	-8,703	-7,692
Cash flow from financing activities	-818	-894	-75
Cash and cash equivalents at the end of the fiscal period	15,352	10,812	-4,540

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

Outlook

Outlook for FY3/25, the final year of the medium-term management plan, is for record high net sales and operating profit, despite a conservative forecast

● FY3/25 results forecasts

In the information services industry in FY3/25, DX is further accelerating with the evolution of AI and investment is being made to strengthen security against cyber attacks, which get more sophisticated by the day, so firm demand is expected, but with surging prices caused by the weak yen, intensified competition caused by foreign-affiliated IT companies making aggressive investment in Japan, and the difficulty in securing labor with the population aging and birthrate declining, the outlook going forward has a number of negative factors. Under such conditions, the Group has entered the final year of its medium-term management plan and intends to incorporate new technologies like AI, in which it has been accumulating know-how for many years, move forward on more progressive development projects, and work to realize a sustainable society.

Based on the above, for the FY3/25 consolidated results, the Company is forecasting net sales of ¥52,000mn (up 3.4% YoY), operating profit of ¥6,000mn (up 2.3%), ordinary profit of ¥6,050mn (up 1.8%), and profit attributable to owners of parent of ¥4,175mn (down 2.6%). Net sales and operating profit are expected to increase for the 13th consecutive fiscal year. These are cautious forecasts compared to last year's results and growth rates, but they incorporate the uncertainty in the management environment. For this reason, the operating profit margin is expected to drop by 0.2pp to 11.5%. In addition, the decline in net profit is in reaction to last year's extraordinary income (gain on sale of land) dropping off. However, the Company has traditionally strongly tended to announce conservative forecasts initially, so FISCO believes there is a high likelihood that these forecasts for the full year of FY3/25 are achieved.

Looking by segment, in Enterprise Solutions, the Company is forecasting net sales to increase 0.6% YoY to ¥16,800mn, operating profit to decline 9.0% to ¥2,220mn, and for an operating profit margin of 13.2% (down 1.4pp). However, the decline in profit is associated with organizational restructuring to transfer some operations to Services Solutions, and on an actual basis, profit is expected to mark time. Services Solutions is expecting to see net sales of ¥15,300mn (up 9.4% YoY), operating profit of ¥1,010mn (up 137.6%), so both higher sales and higher profit are expected. The operating profit margin is expected to be 6.6% (up 3.6pp). Orders are good, so sales are expected to increase, and the Company will recover from the impact of unprofitable projects the previous term and return to normal conditions, so it is planning a major increase in profit by boosting capacity utilization. However, there are many upfront investment factors for new service development, so the profit margin is expected to continue to be low compared to the other segments. In Embedded Solutions, the Company is projecting net sales of ¥10,700mn (up 0.5% YoY), operating profit of ¥1,520mn (down 4.9%), and an operating profit margin of 14.2% (down 0.8pp), so generally flat with the previous year. In Device Solutions, the Company is projecting net sales of ¥9,200mn (up 2.7%), operating profit of ¥1,250mn (down 10.7%), and an operating profit margin of 13.6% (down 2.0pp). In both segments, an order backlog will steadily be converted to sales and by increasing productivity, the Company plans to maintain a high profit margin. In Device Solutions, as a measures to address the shortage of personnel in the highly specialized semiconductor field, the Company intends to utilize overseas resources, primarily in Southeast Asia, and expand partnerships with the aim of acquiring projects from overseas companies and developing new customers. However, SG&A expenses will be incurred for partner development and it will take some time to improve efficiency, so a decline in profit is expected.

FY3/25 consolidated results outlook

(¥mn)

	FY3/23		FY3/24		YoY	
	Results	% of sales	Results	% of sales	Increase (decrease)	% change
Net sales	50,299	100.0%	52,000	100.0%	1,701	3.4%
Operating profit	5,862	11.7%	6,000	11.5%	138	2.3%
Ordinary profit	5,940	11.8%	6,050	11.6%	110	1.8%
Profit attributable to owners of parent	4,287	8.5%	4,175	8.0%	-112	-2.6%

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

Medium- to long-term growth strategy

Aiming to achieve the sustainable growth of both society and companies through digital transformation

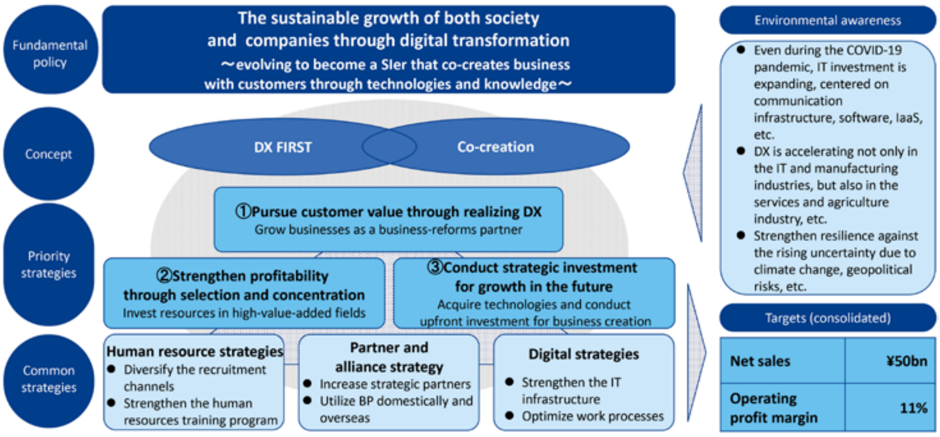
1. Overview of medium-term management plan

The Company is currently carrying out a medium-term management plan to run for three years from April 2022 through March 2025, which it is currently undertaking. For the business environment that served as the assumption for the forecasts, the Company expects the domestic IT market to grow steadily based on the rising needs for digitalization and business reforms spurred by COVID-19. In particular, in terms of company size, DX will accelerate not only in major companies but also in medium-sized companies and SMEs, and for industries, it will accelerate not only in the manufacturing industry, but also in a wide range of other fields including the services and agriculture industries. In the future also, DX is expected to drive market growth, and the Company's businesses as well are expected to have business environments that will enable them to grow even more, centered on DX. In addition, in order to respond to a society in which uncertainty is rising, such as due to climate change and geopolitical risks, the Company has established contributing to social issues, including sustainability, as an important theme.

In the medium-term management plan, based on the fundamental policy of achieving the sustainable growth of both society and companies through digital transformation – evolving to become a SIer that co-creates business with customers through technologies and knowledge, the Company intends to expand its business area from the area of being a partner providing DX technologies to customers to a partner that promotes company reforms together with customers and to accelerate business growth and reforms, while it also intends to work toward the realization of a sustainable society. In order to realize this fundamental policy, the Company aims to combine its customers' business transformations, alliance partners and digital technology with the knowledge it possesses about devices, embedded technology, cloud and infrastructure technology, industries, and operations and promotes the concepts of "DX FIRST" and "co-creation" (meaning companies collaborating with their various stakeholders to create new value together).

The specific priority strategies toward achieving the goals in the medium-term management plan are pursuing customer value through realizing DX, strengthening profitability through selection and concentration, and conducting strategic investment for growth in the future. Also, the common strategies that will serve as the foundation on which to progress the priority strategies are a human resources strategy, a partner and alliance strategy, and a digital strategy.

Overview of the medium-term management plan



Source: The Company's results briefing materials

2. Initiatives for priority strategies and common strategies

(1) Pursue customer value through realizing DX

The Company is aiming for business expansion as a business-reforms partner, and in the digital area for which there are major expectations for growth, it is creating a business that works together with customers to realize their business reforms. A DX movement is advancing in customer companies, and in this situation, the Company is being required to not only provide solutions and technologies, but also to play the role of being partner that progresses and realizes reforms together with the customer. Therefore, it is further strengthening and deepening its digital technologies, starting with the IoT and AI services it has worked on up to the present time, while it also intends to expand the areas it responds to and to work on the co-creation of customer value through realizing DX.

(2) Strengthen profitability through selection and concentration

The Company plans to strengthen its business foundation by concentrating its resources into highly profitable fields. Customers' needs for IT services are diversifying and becoming more sophisticated, and in addition to utilizing IT in order to increase work efficiency, needs are changing to strategic IT investment to increase a company's competitiveness. In order to respond accurately to these sorts of changes in the business environment and to further solidify its business foundation, the Company is further expanding and developing the technologies and expertise it has cultivated up to the present time and further growing its strengths. At the same time, it plans to concentrate its resources into fields that are expected to grow in the future and that are highly profitable and to work on establishing a new stable earnings foundation toward the next stage of growth.

(3) Conduct strategic investment for growth in the future

The Company is acquiring technologies and conducting upfront investment in order to create new solutions and services. Toward creating new solutions and service, it intends to actively invest in strategies such as acquiring new technologies and accumulating knowledge, securing and training human resources with the vitality to continuously compete for new value creation, and conducting M&A and forming alliances with other companies for business expansion in the future and to strengthen its business foundation. With respect to securing human resources, in response to the shortage of engineers in Japan, the Company is securing foreign nationals as human resources, centered on Southeast Asia. Moreover, in order to bolster the ability to respond for the semiconductor business, the Company began operating an ODC (outsourcing system/software development work to overseas companies/institutions) with a Vietnamese partner company, and this has already yielded results.

(4) Initiatives for common strategies

Under the partner alliance strategy, the Company intends to enhance strategic partners and utilize BP domestically and overseas. It will work to expand overseas sites and usage examples to strengthen its responsiveness to the semiconductor business. In promoting utilization of overseas resources, the Company is expanding ODC through its partner in Vietnam and is hiring overseas staff stationed locally and in Japan in the Group. Further, under its human resources strategy, it intends to strengthen hiring activities in Japan. For both new graduates and mid-career hires, the Company plans to strengthen hiring activities. Compared to the end of the previous medium-term management plan, which ended at the end of March 2022, as of the end of September 2023, the number of people hired had increased by approximately 1.3 times.

Within the above priority strategies, the main activity results from the previous fiscal year and measures to be focused on going forward are as follows.

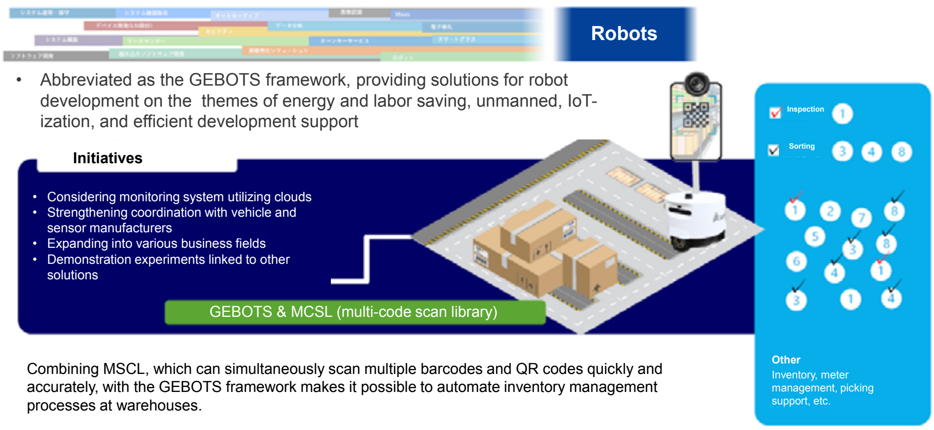
First is initiatives for smart products. HOSHIZAKI CORPORATION <6465>, a comprehensive manufacturer of food service equipment, adopted an IoT board embedded in Azure Sphere developed by the Company for its Hoshizaki Connect Wi-Fi, a new product that the company provides. Through the service, information is collected from the customer's microcontroller and data is sent to a cloud via Wi-Fi. It utilizes Microsoft's Azure Sphere, which has all the functions necessary for an IoT edge, to make it possible to realize a secure environment at a low cost. The IoT board embedded in Azure Sphere is used to IoT-ize various products in manufacturing and other industries. The Company has provided an IoT platform since 2013, and in recent years, environment construction using Microsoft Azure has been increasing. By utilizing an IoT board embedded in Azure Sphere, it makes it possible to provide an IoT platform with security ensured from devices to clouds. The benefits of embedding Azure Sphere are 1) it is possible to IoT-ize many products at a low cost, 2) the latest program can be applied constantly through OTA (wireless communications), and 3) it is highly versatile and can accommodate many products. Going forward, the Company will continue to promote the functional utilization of various cloud services, further strengthen vender alliances, and promote the smart project business in conjunction with this, and work to acquire projects through integrated manufacturing and sales and providing services closely aligned with the customer.

Smart product (IoT) initiatives

Source: The Company's results briefing materials

The second initiative is a development framework for general-purpose robots. This is abbreviated as the GEBOTS framework, and the Company intends to provide robot development solutions on the themes of energy and labor savings, unmanned, IoT-ization, and efficient development support. As for specific actual examples, by combining the GEBOTS framework with a multi-code scan library (MCSL), which can quickly and accurately scan multiple barcodes and QR codes, it becomes possible to automate inventory management processes at warehouses. With technology cultivated by the Company through its experience in the automotive industry, it provides a software framework that solves issues facing costumers in various industries, including agriculture and livestock, the shipping industry, and railway industry. As for its characteristics, it is a control software framework that adds necessary functions related to autonomous driving and ADAS for existing traveling devices, provides self-positioning and peripheral information sensing using RTK-GNSS, LiDAR, cameras, and various sensors, can be connected with various devices through various sensors and customized interface SW modules for traveling devices, it can be integrated with proprietary functions like image recognition, AI and IoT by turning it into a scalable SW module, it can run in coordination with dynamic management systems, and it can provide linked API for coordinating with the customer's applications. The Company plans to consider monitoring systems utilizing clouds, strengthen coordination with vehicle and sensor manufacturers, expand into various business fields, run coordinated demonstration experiments with other solutions, and engage in other related initiatives.

General-purpose robot development framework initiatives



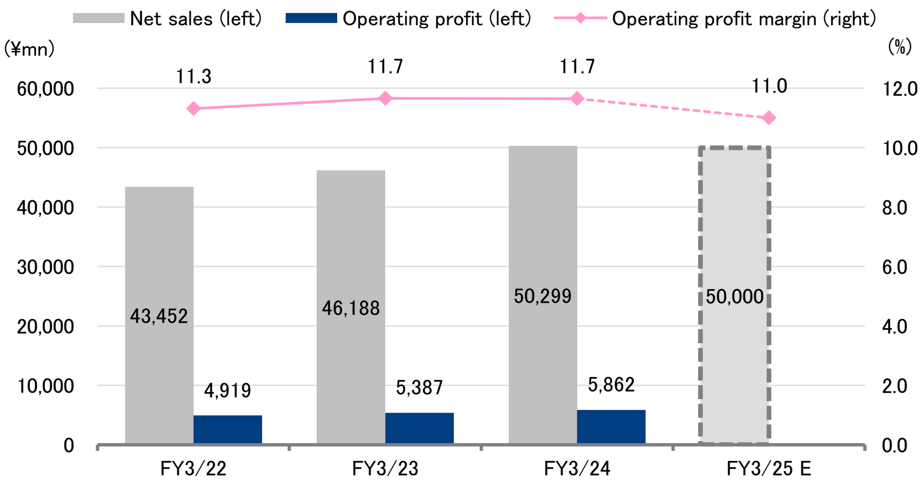
Source: The Company's results briefing materials

Further, with regard to achievements in other activities, the Company is involved in topographical analysis using satellite data. The initiative aims to utilize data for disaster prevention and civil engineering projects by making it possible to conduct analysis of uniform precision over a short time period using satellite data and AI instead of relying on the experiential knowledge of civil engineers and judgments made from tacit knowledge as has been done to date. In addition, for innovative optical and wireless network (IOWN) initiatives, utilizing network design and construction, communications protocol, monitoring control, virtualization technology and automation technology, with a multi-orchestration function as the hub, the Company is promoting the concept of using multiple resources on different layers for integrated management of the design, linkage, management, and operation of optimally integrated networks. In initiatives for modernization, the Company will promote joint testing and research with Scalar as a COBOL modernization solution. Moreover, in initiatives using RealWear with generative AI, a question is submitted orally using RealWear, smart glasses for industrial use, and generative AI produces an answer in text and diagrams based on what it has learned from procedural manuals and other data. Even at noisy worksites, a robust noise cancelling features allows questions to be accurately submitted to the AI system. Going forward, the Company is considering use of generative AI in processes and development in a secure environment.

3. Plans by results targets and segment

By advancing the above priority strategies, in FY3/25, the plan's final year, the Company is aiming for net sales of ¥50,000mn (up 15.1% versus FY3/22, CAGR of 4.8%), and an operating profit margin of 11%. Under the four-segment structure it started in FY3/23, it expects to achieve higher sales and profits through continuing to increase sales and maintain the operating profit margin at about the same level as in FY3/22. These are considered conservative forecasts showing the absolute minimum goals that the Company is aiming for in three years. In fact, the Company has already reached its goals for net sales and operating profit as of FY3/24, the second year of the plan, and is projecting that targets will be met in FY3/25 as well, the last year of the plan. Its progress this term will be monitored.

Medium-term management plan targets



Source: Prepared by FISCO from the Company's results briefing materials and medium-term management plan materials

The business plans for each segment aiming towards achieving the medium-term management plan and their progress status are described below.

(1) Enterprise Solutions

The Company will utilize its expertise in various industries to advance DX applications. It plans to promote services for ESL, defective product detection, customer services, deliveries, and e-commerce sales linkage for the distribution industry; ERP*, digital production support, distribution reforms, and AI drawings for the manufacturing industry; AI deliveries, image identification, robotics, and SCM for wholesalers for the logistics industry; cloud shift and modernization for the finance industry; and responding to digital government policies for the public sector. Through these measures, in FY3/25 it is targeting net sales of ¥17,000mn (up 14.1% compared to FY3/22) and an operating profit margin of 13% (13.2% in FY3/22). In FY3/24, the second year of the medium-term management plan, net sales and the profit margin both greatly exceeded the plan, and the plan is expected to be achieved in FY3/25 as well.

* Abbreviation of Enterprise Resource Planning. Systems that centralize companies' management resources and utilize them for management decision making in real time.

(2) Services Solutions

The Company will strengthen approaches to customers' DX departments and support the promotion of DX, and also progress measures including expanding the areas it can respond to in the business model reforms business, strengthening its response to cloud native, and expanding its data management areas. Through these measures, in FY3/25 it is targeting net sales of ¥14,000mn (up 18.1% compared to FY3/22) and an operating profit margin of 7% (4.4% in FY3/22). The costs used to strengthen structures and the unprofitable projects will cease to have an impact, so the outlook going forward is for profits to improve, while the operating profit margin is also expected to rise. In FY3/24, profit increased, but the profit margin did not meet its forecast. Improving profit by eliminating unprofitable projects is an issue. In forecasts for FY3/25, net sales will meet the target, but the operating profit margin may have a difficult time.

(3) Embedded Solutions

The Company's plans include creating services that utilize its existing embedded technologies, progressing initiatives for the edge computing field, and strengthening efforts and expanding the businesses for growth fields such as automated driving and 5G/6G. Through these measures, in FY3/25 it is targeting net sales of ¥10,000mn (up 13.5% compared to FY3/22) and an operating profit margin of 13.5% (13.8% in FY3/22). In FY3/24, net sales and the profit margin exceeded forecasts and targets are expected to be achieved in FY3/25 as well.

(4) Device Solutions

The Company's plans include expanding design services that are based on LSI development technologies, conducting development for the cloud design service businesses, and progressing the business with Deep Learning as the core. Through these measures, in FY3/25 it is targeting net sales of ¥9,000mn (up 14.0% compared to FY3/22) and an operating profit margin of 14.5% (15.3% in FY3/22). Although the operating profit margin is forecast to decline, the profit margin is expected to be maintained at a high level. In FY3/24, the profit margin exceeded the forecast. In FY3/25, net sales is expected to meet the target, but the profit margin may struggle.

4. Initiatives for sustainability

The Company has been working on resolving the various social issues that change alongside the times through its business activities that are based on its corporate philosophy of "Humanware By Systemware." In the medium-term management plan as well, it is aiming to both grow as a company and to solve social issues, and its policy is to progress sustainability management (the realization of a sustainable society), including for ESG.

As its initiatives for the environment, in April 2013 the Company announced its environment policy in which it aims to reduce the environmental burden by providing solutions to increase efficiency and to save labor, while it is also working on other initiatives such as energy saving and resource-saving activities in offices. In relation to social issues, the Company is progressing diversity. Since its establishment, it values "humanware," which means aspects such as individuality, sensibility, and creativity, and it places importance on the diversity, personality, and individuality of its employees. It also works to build environments that are safe and comfortable to work in and has implemented various measures to support a work-life balance for employees and to establish various systems (establishing a flex-time system and other work-related systems, a system for the use of expired paid leave, and a re-employment system for employees who left the Company due to childbirth or other reasons). The Company has focused on corporate governance in the past and acknowledges quick and suitable decisions and enhancing management transparency toward shareholders and investors as important corporate issues. It hence appropriately revises systems as needed, such as adjusting the number of directors on the board, adopting an executive director system, and selecting outside directors. The Company also sustained efforts to reflect shareholder and investor opinions in management through ongoing disclosure and IR activities.

As for new initiatives, after the General Meeting of Shareholders in June 2024, the Company is expected to elect one female director, and it plans to achieve a 30% or higher ratio of female executives ahead of its target date of 2030. At a meeting of the Board of Directors on April 2024, a Nomination and Remuneration Committee was established, and the Company will reinforce the fairness of procedures related to director nomination and remuneration and strengthen the transparency and objectivity of the decision-making process as it works to enhance corporate governance. Moreover, regarding investment securities, the Company reduced them from ¥158mn on a book value basis in FY3/23 to ¥1mn in FY3/24. While working to effectively cancel cross-shareholdings, it acquired new investment securities worth ¥757mn for strategic investment.

Regarding sustainability initiatives, the Company's Yamanashi IT Center in April 2023 was registered as a Yamanashi SDGs Promotion Company. The SDGs are targets for sustainable development through environmental improvement, and the distinction shows that the Company is actively engaged in the SDGs. Moreover, solar panels were established on the center's premises and are scheduled to go into operation in mid-October 2024. They should cover around 20%-30% of the power used by the data center, and in times of emergency plans call for the panels to be able to provide a portion of its renewable electricity to local residents.

In recent years, there has been a global trend of focusing on Environment, Social, and Governance (ESG) investment, which involves selecting the issues of companies that prioritize initiatives toward ESG for investment, and in Japan as well, it seems there is plenty of room for growth in this area. In this sense, at FISCO, we think it is highly likely that attention will be focused on the Company, which is actively working on environmental and social contribution activities.

Shareholder returns policy

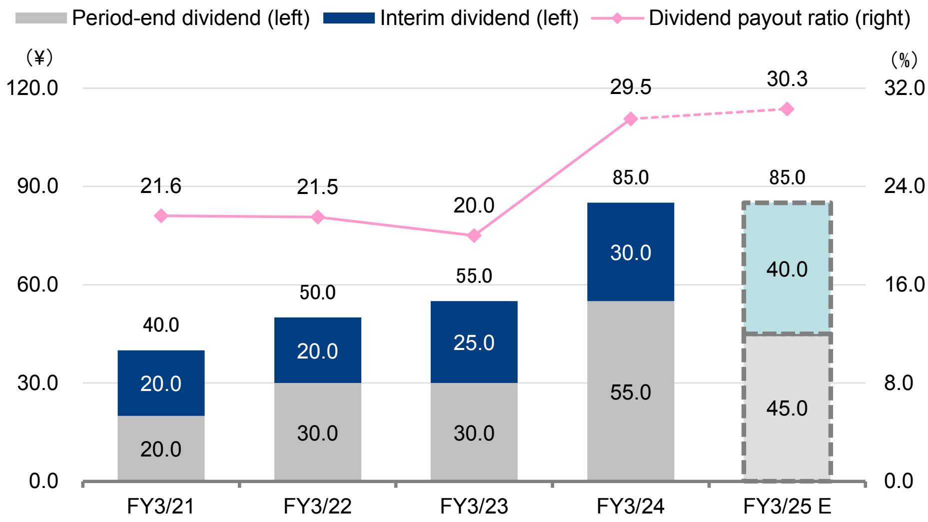
In FY3/24, the Company achieved its net sales target of ¥50.0bn by a wide margin and will significantly increase the dividend. Going forward, the Company plans to continue to pay a stable, continuing dividend depending on its financial position and results with a target payout ratio of 30% for the time being

The Company positions returning profit to shareholders as an important management issue, and has a basic policy of paying a stable, continuing dividend. The basic policy is to decide on a dividend amount after comprehensively considering results for that term and its financial situation while enhancing internal reserves.

In FY3/24, consolidated net sales exceeded ¥50.0bn, the Company's target under its medium-term management plan, and it determined that it has established a management foundation of a certain strength as a company listed on the Prime Market. To clarify the stance of the Company toward shareholder returns, it raised its payout ratio from the previous 20% to 30%. That is to say, it planned at the beginning of the term to pay a per-share annual dividend for FY3/24 of ¥55 (¥25 interim, ¥30 year-end), the same as the previous year, but it raised the amount by a large margin, to an ¥85 annual dividend (¥30 interim, ¥55 year-end), upping the payout ratio to 29.5%.

The average payout ratio of companies on the Prime Market in the information and communications category is high at 58.3%, but this is because net income has fallen greatly compared to FY3/21, whereas the decline in the total dividend has been kept to a small margin. At the same time, the Company has traditionally paid a dividend based on a stable payout ratio. With sales and profit results on the rise, the Company continues to be flexible in increasing its dividend. Going forward, it plans to continue paying a stable and continuing dividend based on its financial position and results with a target payout ratio for the time being of 30%. However, for this term as well, the dividend forecast is based on the Company's typically conservative results forecasts, so depending on final results, FISCO believes that the Company could increase its dividend. As a company on the TSE Prime Market, the Company plans to continue working to strengthen governance and enhance information provision and to work for sustained growth and to further raise corporate value.

Trends in the dividend and dividend payout ratio



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

Information security policy

Implements measures based on the Information Security Basic Policy

The Company defined the Information Security Basic Policy in April 2009 to ensure the confidentiality, completeness, and availability of the information assets that it holds and maintains in the course of conducting its businesses, and to satisfy the trust placed in it by society. It is working to construct, maintain and improve a more advanced information security management system.

In conducting its businesses, the Company Group handles a lot of customer data, so it pays close attention to data management. In particular, its data centers, which accept systems and other assets from many customers, have acquired ISMS (Information Security Management Systems) certification and conduct highly reliable and safe operations. In addition, they are continuously implementing a range of measures such as PC encryption, unauthorized access monitoring, e-learning education for employees, and training for targeted attacks. The policy is to continue to further strengthen measures to prevent data from leaking out in the event of an unauthorized access.

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