

Scala, Inc.

4845

Tokyo Stock Exchange First Section

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

■ Index

■ Summary	01
1. Overview of total 1H FY6/21 results	01
2. Outlook for FY6/21	02
3. Medium-term management plan and growth initiatives	02
■ Company profile	03
1. History	03
2. Business description	05
3. The Company's strengths	09
■ Results trends	10
1. Overview of total 1H FY6/21 results	10
2. Trends by business segment	12
3. Topics	16
4. Financial condition and business indicators	20
■ Outlook	21
1. Outlook for FY6/21	21
2. Medium-term management plan	23
■ Shareholder return policy	25
■ Information security measure	25

Summary

Started to see the type of growth to achieve the targets in the medium-term management plan

Scala, Inc. <4845> (hereafter, “the Company”) is the holding company of a group of IT services, human resources and education, and consulting companies that is aiming to contribute to society to a great extent through the broad application in social businesses of its core technologies in the fields of IT/AI/IoT/EC in the form of “co-creation” with its partner companies. In FY6/21, it reorganized its business segments into the IT/AI/IoT/DX business, customer support business, human resources and education businesses, EC business, and investment and incubation business. It is actively conducting investment using funds acquired from the gain on the sale of Softbrain Co., Ltd. shares, aiming to achieve the results target (revenue of ¥500bn in FY6/30) set out in COMMIT5000, its medium-term management plan.

1. Overview of total 1H FY6/21 results

In 1H FY6/21 (July to December 2020) in the ongoing businesses*1, revenue increased 17.5% compared to in the same period in the previous fiscal year (year on year (YoY)) to ¥4,285mn, while operating profit decreased 87.8% to ¥25mn. Revenue increased from the addition of ¥657mn from the human resources and education businesses of Grit Group Holdings, Inc.*2, which became a consolidated subsidiary from 4Q in the previous fiscal year. But the main reasons for the decline in operating profit were that earnings in the mainstay IT/AI/IoT/DX business temporarily declined due to the rising awareness of reducing costs in companies in response to the impact of the novel coronavirus pandemic (hereafter, “the coronavirus”), and that the human resources and education businesses recorded an operating loss of ¥131mn, including due to the contraction of human resource recruitment events and a seasonal factor. Revenue and profits increased only in the EC business, rising by double digits due to the active buying and selling of trading cards for a battle-type game as a result of nesting (staying-at-home) demand.

*1 Following the sale of shares of consolidated subsidiary Softbrain in November 2020, the businesses of this company and its subsidiaries were classified as discontinued businesses, and revenue and operating profit show amounts based on ongoing businesses and exclude discontinued businesses.

*2 Grit Group Holdings and its three subsidiaries conduct businesses including a human resource services business, child education business, and foreigner employment support business.

Summary

2. Outlook for FY6/21

For the FY6/21 results based on ongoing businesses, the Company is forecasting revenue from ¥9,000mn to ¥12,000mn and operating profit from ¥100mn to ¥500mn. Comparisons with the results of ongoing businesses in the previous period, excluding the Softbrain Group, have not been disclosed as they are currently being compiled. After excluding the consolidated results of Softbrain from the results in the previous period, revenue is estimated to be around ¥7,500mn and operating profit approximately ¥140mn, so operating profit is expected to be at about the same level as in the previous fiscal year. In 2H FY6/21, the outlook is that results will improve in both the IT/AI/IoT/DX business and the human resources and education businesses, but the Company plans to conduct upfront investment in order to strengthen the business foundation toward achieving the targets in the medium-term management plan. The gain on the sale of Softbrain shares of approximately ¥2.6bn will be reflected in profit as profit from discontinued businesses, and the forecast for profit attributable to owners of parent is expected to be from ¥2,700mn to ¥3,100mn. Furthermore, funds of approximately ¥10.5bn acquired from the gain on the sale of Softbrain shares are scheduled to be allocated to investments toward realizing the medium-term management plan. Regarding investment targets, the strategy is to reinvest in highly profitable projects, utilize the Company's various resources such as providing management support to investees and acquire capital gains as a result of enhanced enterprise value.

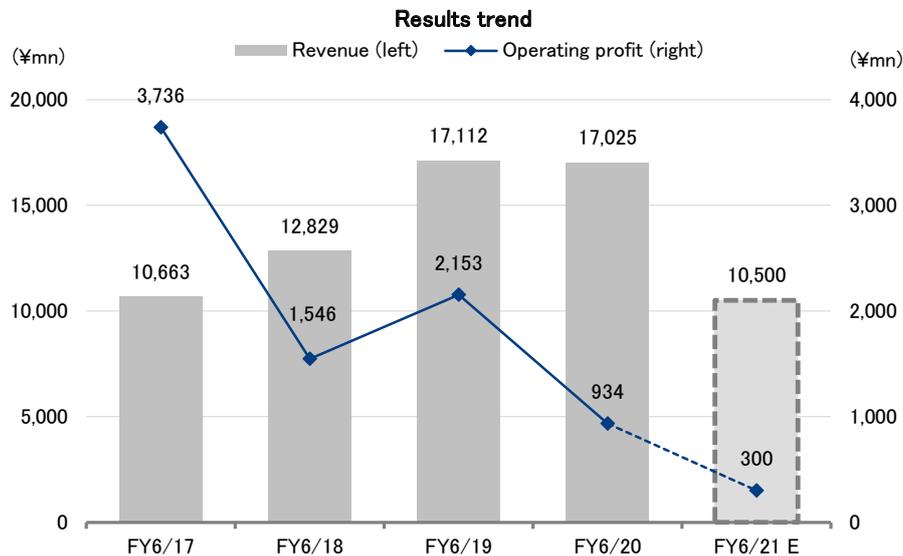
3. Medium-term management plan and growth initiatives

Based on the medium-term management plan COMMIT5000, the Company is progressing three businesses—the value creation support business, IT/AI/IoT/-related business, and social issue-solving business—targeting revenue of ¥500bn and operating profit of ¥50bn in FY6/30. In FY6/21, it is practically creating “models” of new solution services to realize these targets, and its strategy is to horizontally develop these services widely to listed companies and local governments from FY6/22 onwards and thereby accelerate the pace of growth. Several examples of such initiatives have already started to appear, including the burgeoning adoption by financial institutions of a solution that combines the Company's phone and SMS authentication services with xID, the digital ID of xID Inc., with which the Company entered into a business partnership in February 2020. In addition, the Company has started to jointly develop a real estate trust DX platform that utilizes xID with Shinoken Group Co., Ltd., <8909> a major seller of apartments for investment purposes, and plans to horizontally develop this platform. In regional revitalization-related services, the Company released a reverse public offering proposal service that specializes in SDGs jointly with Public dots & Company in November 2020. This service, which uncovers potential DX needs hidden within local governments, seems to have generated a greater number of inquiries from local governments than anticipated. Through the launch of this service, we can expect the Company's network with local governments to widen and for it to have a positive effect on its existing services. Furthermore, Scala Partners, Inc., which conducts a relocation support service in addition to general workation services, plans to develop various solutions in the future, including “educating transformational human resources through solving regional issues.” The focus will be on the pace of growth of these businesses from FY6/22 onwards.

Key Points

- In the 1H FY6/21 results, revenue increased, including from the effects of M&A, but profits declined due to the impact of the coronavirus and increases in upfront investment costs
- The outlook for FY6/21 is for results to improve from 2H due to an influx of new projects
- The Company's medium-term management plan targets revenue of ¥500bn and operating profit of ¥50bn in FY6/30

Summary



Note: Forecasts for the FY6/21 results show median values of disclosed ranges based on ongoing businesses and exclude Softbrain Co., Ltd. and its subsidiaries
 Source: Prepared by FISCO from the Company's financial results

Company profile

With IT/AI/IoT as its core technologies, is integrating its consulting capabilities, including for value creation management support

1. History

The Company was founded in December 1991 with an initial start as a sales distributor of database systems. It realized significant growth in 1999 by inheriting support services, including customers, for the Model 204* mainframe database management system license from Mitsui Knowledge Industry Co., Ltd.

* Developed by US-based Computer Corporation of America and Sirius Software (now, Rocket Software). Major customers were large companies in Japan such as the Bank of Japan <8301> and Tokyo Electric Power Company Holdings, Inc. <9501>. Demand for it ceased due to changes in the market environment, and the service was ended in the fall of 2016.

Company profile

In 2000, the Company determined that it needed to change its business structure to continue growing amid the migration of corporate information systems from mainframes to distributed processing (client/servers), and it started expanding its business through M&A utilizing funds obtained from its IPO in 2001. It began with the purchase of PatentManager, a patent management software business from Interscience Co., Ltd. in 2003, and then acquired Dbecs Co., Ltd. with the aim of entering the CRM field, Vodamedia Inc. with the goal of entering the IVR (interactive voice response) field, the news distribution service provider NewsWatch Inc., the website developer TriAx Corp., and other firms in the internet domain as subsidiaries one after another. The Company is steadily expanding its IT/AI/IoT/DX business (formerly the SaaS/ASP* business), which is a business model with recurring income, as its core operations and bolstering its recruitment of system engineers to enhance its own service development capabilities.

* A service that provides customers the functions of application software via a network.

The Company made subsidiaries of plube Co., Ltd. (ownership ratio: 100.0%, currently Scala PLAYce, Inc.), an EC website management company, in August 2017 in order to enter the EC business; Leoconnect, Inc. (ownership ratio: 66.0%), which provides customer support consulting for the brands and products of the HIKARI TSUSHIN <9435> Group, in March 2018; and Connect Agency, Inc. (ownership ratio: 51.0%), which provides a cloud PBX service to companies and call centers making outbound calls for such customers as the HIKARI TSUSHIN Group, in October 2018. Also, in December 2018, as part of the preparations toward strengthening development capabilities and deploying the overseas business, subsidiary Scala Next Inc. established a Mandalay branch in Myanmar to act as a base for offshore development and has started to recruit local engineers.

As measures toward building a value co-creation platform under medium-term management plan COMMIT5000 starting in 2019, the Company established Scala Partners, Inc. in July of the same year, and then made wholly owned subsidiaries of J-Phoenix Research Inc., which provides management consulting and IR support, in October of the same year and Grit Group Holdings, which provides human resources and educational businesses, in April 2020. The Company is also intensifying efforts toward growth, such as by actively making capital and business alliances. In November 2020, the Company sold its shares in Softbrain, a major sales support software group that was made a subsidiary in July 2016, to an investment fund, and removed from the scope of consolidation.

To conduct more flexible management, the Company switched to a holding company organization in 2004, and in FY6/16, it changed its accounting standards to IFRS to disclose its results.

Company profile

History

Date	Major event
December 1991	Founded Database Communications (now, Scala, Inc.)
January 1999	Formed sales distribution contracts for the Japanese market with US-based Computer Corporation of America and Sirius and started Model 204 support
May 2001	Listed on the Osaka Securities Exchange's NASDAQ Japan market (now, TSE JASDAQ (Standard))
April 2003	Acquired Interscience's patent management software (product name: PatentManager) with the aim of entering the intellectual property system field
October 2003	Acquired Dbecs Co., Ltd. as a subsidiary to enter the CRM field
April 2004	Acquired Vodamedia Inc. as a subsidiary with the aim of entering the IVR (interactive voice response) field
September 2004	Renamed as Fusion Partners Co. in the transition to a holding company structure and established Database Communications (now, Scala Services Inc.) as a new company and transferred its business
June 2006	Merged subsidiaries Vodamedia and Dbecs and changed the company name to Digi-Ana Communications Inc. (now, Scala Communications Inc.)
November 2010	Acquired NewsWatch Inc. as a subsidiary
April 2012	Merged subsidiaries Digi-Ana Communications and NewsWatch (now, Scala Communications Inc.)
May 2014	Listing transferred to the TSE Second Section
December 2014	Shares elevated to the TSE First Section
November 2015	Acquired TriAx Corp. as a subsidiary
January 2016	Renamed subsidiary Database Communications as PAREL, Inc.
July 2016	Acquired Softbrain Co., Ltd. as a subsidiary
December 2016	Changed trade name to Scala, Inc.
December 2016	Merged the subsidiaries Digi-Ana Communications and TriAx Corp. and changed the trade name to Scala Communications Inc.
August 2017	Acquired plube Co., Ltd. as a subsidiary
March 2018	Acquired Leoconnect, Inc. as a subsidiary
October 2018	Acquired Connect Agency Inc. as a subsidiary
November 2018	Established Scala Next, Inc.
December 2018	Established the Scala Next, Inc., Mandalay branch (Myanmar)
July 2019	Established Scala Partners Inc.
October 2019	Made a subsidiary of J-Phoenix Research Inc.
November 2019	Established SCL Capital LLC.
April 2020	Made a subsidiary of Grit Group Holdings, Inc.
June 2020	Invested in MyanCare, a health-tech company in Myanmar that provides remote medical services
August 2020	Established Scala Ace Co., Ltd. as a joint venture with ACE Data Systems Ltd., a major IT company in Myanmar (ownership ratio: 35%)
September 2020	Established Social Studio Inc. as a joint venture with Branding Technology Inc. in order to promote DX to the national and local governments (ownership ratio: 51%)
November 2020	Developed the reverse public offering proposal service specializing in SDGs for companies' new business development

Source: Prepared by FISCO from the Company's website

In FY6/21, reorganized the business segments into five segments: the IT/AI/IoT/DX business, customer support business, human resources and education businesses, EC business, and investment and incubation business

2. Business description

Following the removal of the Softbrain Group from the scope of consolidation, the Company reorganized the business segments into the IT/AI/IoT/DX business (formerly the SaaS/ASP business), customer support business, human resources and education businesses, EC business, and investment and incubation business in FY6/21.

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Company profile

On looking at the Group companies responsible for each business segment, the IT/AI/IoT/DX business is comprised of six companies, centered on Scala Communications, Inc. Of these, Retool, Inc. is a subsidiary of Grit Group Holdings that develops and sells cloud management tools that visualize the various processes in corporate activities, however, its track record of introductions is still small and its effects on results is negligible. Also, Social Studio Inc. is a subsidiary established in September 2020 as a joint venture with Branding Technology Inc. <7067> in order to support the promotion of DX to the national and local governments.

Other than the above, Leoconnect conducts the customer support business, while the human resources and education businesses are comprised of Grit Group Holdings and its three subsidiaries. The EC business is conducted by Scala PLAYce, while the investment and incubation business is conducted by J-Phoenix Research, Scala Partners, SCL Capital LLC, and the SCSV-1 Investment Limited Partnership. The Group also includes the Company itself as the holding company.

Subsidiaries by business segment and business content

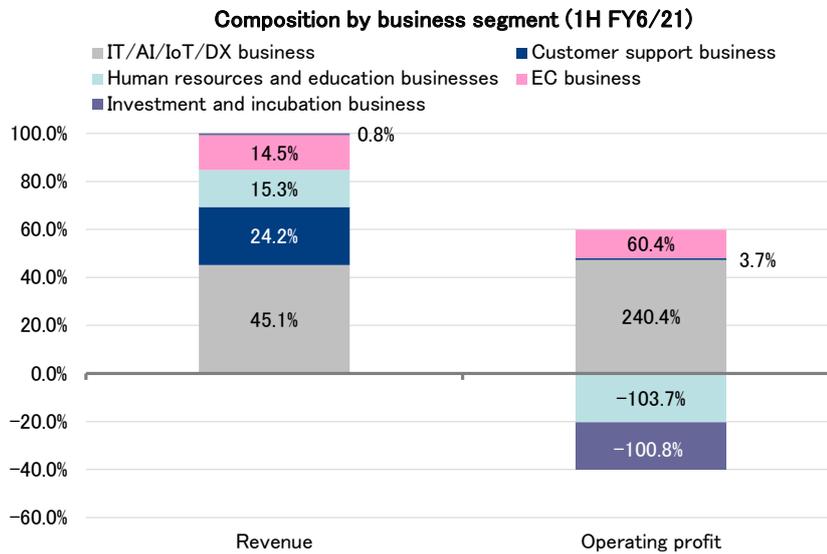
Business segment	Subsidiary	Ownership ratio (%)	Main business
IT/AI/IoT/DX business	Scala Communications, Inc.	100.0	Provision of SaaS/ASP services
	Scala Service, Inc.	100.0	
	Scala Next Inc.	100.0	Development of SaaS/ASP services, offshore development
	Connect Agency, Inc.	51.0	Cloud-based PBX services
	Retool, Inc.	100.0	Planning, development, and sales of cloud activity management tools
	Social Studio Inc.	51.0	Promotion of DX to the national and local governments (joint venture with Branding Technology Inc.)
Customer support business	Leoconnect, Inc.	66.0	Customer support consulting (call center operations, etc.)
Human resources and education businesses	Grit Group Holdings, Inc.	100.0	Human resource recruitment, infant education, fitness education, support for the recruitment of overseas human resources, etc.
	Athlete Planning, Inc.	100.0	
	Sports Stories, Inc.	100.0	
	FourHands, Inc.	100.0	
EC business	Scala PLAYce, Inc.	100.0	Management of an EC site for the buying and selling of battle-type trading cards
Investment and incubation business	Scala, Inc.	-	Group head office, holding company functions, investment business
	Scala Partners, Inc.	100.0	Innovation, incubation, investment
	J-Phoenix Research Inc.	100.0	Value creation management support (creation of analyst and integrated reports, fund management support)
	SCL Capital LLC	100.0	Investment fund management
	SCSV-1 Investment Limited Partnership	71.4	Investment fund

Note: As of the end of December 2020

Source: Prepared by FISCO from the companies' securities reports, results briefing materials, and business briefing materials

Looking at the composition of sales by business segment in 1H FY6/21, the IT/AI/IoT/DX business provided 45.1%, customer support business 24.2%, human resources and education businesses 15.3%, EC business 14.5%, and investment and incubation business 0.8%. Also, in terms of the composition of segment profit, the IT/AI/IoT/DX, customer support, and EC businesses each recorded profits, with the IT/AI/IoT/DX business as the main pillar of earnings.

Company profile



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

(1) IT/AI/IoT/DX business

The main services in the IT/AI/IoT/DX business include various types of ASP services such as i-search, a search service that uses companies' websites, and i-ask, an FAQ service. They also include IVR, an interactive voice response system, and a news distribution service. The i-search service was launched in 2007, and it currently holds the leading market share at around 15% with more than 400 customers, particularly large enterprises. More than 10 companies have entered this market, but the Company's service has been highly evaluated by customers for its convenience, including that users can be accurately guided to the target page using thumbnails displayed in search results. The average usage fee per month is ¥100,000 to ¥150,000.

The Company launched the i-ask service around 2008 which is used by about 200 companies, mainly in the financial and insurance industries. This service lets users resolve issues on their own by listing frequently asked questions and related answers on corporate sites. It helps to lower costs by reducing inquiries to call centers and can improve customer satisfaction. The Company holds a roughly 15% market share, ranked second after OKWAVE, Inc. <3808>. The average usage fee per month is ¥200,000 to ¥300,000.

IVR is a system for voice-based automated responses at corporate phone help desks, and the Company's service stands out for being provided in the SaaS format. Companies previously incurred large investment costs for IVR, including the need to install a PBX (private branch exchange) system. However, the SaaS format enables them to access the service inexpensively and use it during limited periods, such as campaigns. Therefore, IVR is steadily introduced by many companies as a service that is highly convenient.

Other than these businesses, various other services are offered, including a news distribution service for corporations and a service for the planning, development, production, maintenance, and management of websites according to customer needs, and thus the Company features a rich service lineup and does not rely on a specific service. They also include services such as the cloud PBX service provided by Connect Agency and the Retool cloud activity management tool provided by Retool.

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Company profile

It also develops systems and provides services related to IoT and big data as customized development projects. Examples of this are Smiling Road, a safe-driving assistance service (for corporations)*1 sold by Sompo Japan Insurance Inc., and Portable Smiling Road, a smartphone app (for individuals)*2. In these services, big data, such as driving-related data sent from the users' dashboard cameras, is received by the server of Scala Communications and is operated and managed by the web system developed by the Company.

*1 A service that contributes to the promotion of continuous safe driving and accident prevention. It does so by using a website or smartphone app to provide various functions to facilitate safe driving, for example, processing of driving data collected from dashboard cameras utilizing IoT technologies, providing safe driving analysis for drivers and administrators, granting points to drivers rated highly in the driving evaluation system, and enabling them to apply for prizes.

*2 A service that provides "peace of mind" functions such as reporting accidents with the single push of a button in the event that the driver has an accident, "safety" functions useful for accident prevention such as driving analysis and provision of information in real time, and "comfortability" functions such as GPS, all using a smartphone app.

Description of the IT/AI/IoT/DX business services

Type	Product name	Description
Information searches	i-search	Internal search engine for websites
	i-ask	FAQ system
	i-catalog	Product site management system
Content management	i-linkcheck	Link-loss detection system
	i-flow	Progress management and approval system
	Hosting services	Hosting services
Content delivery	i-print	Web page printing system
	i-linkplus	Service for displaying links to related pages
	i-gift	Digital gift service
	Fresheye	Search portal site
Various types of reception	Corporate news	Monitoring important business information
	SaaS-type IVR	24-hour, 365-day automated voice response
	i-shopnavi	Store reservation support system
Inquiry management	Campaign website construction	Campaign website construction and reception
	i-assist	Web chatbot system
Member management	i-livechat	Web chat system
	i-point	Point systems compatible with EC sites
Data management	PatentManager6	Latest patent management system
	GripManager	Contract operations management system
IoT, big data	Safe driving analysis	Processing and management of big data

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

(2) Customer support business

The customer support business conducted by Leoconnect provides consulting operations for the management of inbound call centers (24 bases nationwide), ranging from receiving inquiries about customer companies' services and products to follow-up after the response, and its main customers include the HIKARI TSUSHIN Group and its agencies. In addition to launching technologies such as i-livechat, i-assist, and IVR at each call center, the Company is aiming to improve call center productivity by introducing C7, a new core system jointly developed with Scala Communications that reflects customer needs (launched in November 2019), while expanding the business by acquiring customers outside of the HIKARI TSUSHIN Group.

(3) Human resources and education businesses

The human resources and education businesses are conducted by Grit Group Holdings and its three subsidiaries, and for sales, 65% are provided by the human resources business and 35% by the education business.

Company profile

In the human resources business, Athlete Planning, Inc. provides services including a comprehensive employment support system for physical education students, a job hunt support service specifically for female students, a second career support service for professional athletes, and an overseas human resource recruitment service focused on the nursing care field. Currently, the source of earnings is the planning and management of corporate joint briefing meetings to recruit new graduates. This service starts selling exhibition booths to companies in June every year for events scheduled to be held from December to March of the following year, presenting a seasonal factor for results with earnings concentrated in 3Q.

In the education business, FourHands, Inc. provides educational services with high added value targeting infants to elementary school students. Its services include the Minna no Hoikuen nursery schools, Universal Kids international combination day care centers and kindergartens, UK Academy for cultivating an international sensibility among schoolchildren, and Largo KIDS day services, such as after-school activities specializing in exercise. Also, Sports Stories, Inc. provides sports classes, including the Fine'z baseball schools for children, the BEAUT soccer school and the Dunkers and Ballschule basketball schools. A feature of these businesses is that they emphasize not only athletic ability, but also emotional growth.

(4) EC business

In the EC business, Scala PLAYce buys and sells trading cards for battle-type games, and operates Card Shop Yuyutei, a reuse EC site with the functions of a capture site. The site has high name recognition in the gaming industry and is influential to the extent that it is used as a reference indicator for the pricing of used cards, and so it is known as the industry's No. 1 EC shop. Many of the purchases on the site are made by overseas users, and starting in FY6/20, users will be able to purchase from overseas users as well.

(5) Investment and incubation business

The investment and incubation business consists of business investment conducted by the Company and regional revitalization-related services in collaboration with local governments. It also includes engagement in value creation management support by J-Phoenix Research, new business development by Scala Partners, and regional revitalization-related services centered on the management of the KomfortaWorkation website to introduce workation facilities. Furthermore, it involves the SCSV-1 Investment Limited Partnership, the value co-creation engagement fund operated by SCL Capital LLC, and improving the value related to its investments, engagements, etc.

Aims to differentiate itself from competitors by increasing convenience through developments from the customer's perspective and providing a rich service lineup

3. The Company's strengths

One of the Company's strengths in the IT/AI/IoT/DX business is that it develops services from the customer's perspective. It handles most of its business as direct sales and 80% of revenue is from direct salesforces. It improves service functions and develops new services by listening closely to customer needs and feeding this information back to its development team, and its development policy is to meet 100% of customer requests. The Company developed its core i-search and i-ask services thanks to this approach of meeting customer requests and its services are characterized specially by their ease of use, and this has also enabled it to make smooth progress in expanding sales to new customers.

Company profile

Another strength is that the extensive lineup of services developed in this manner differentiates it from its competitors. The ability to propose multiple services in packages enables the Company to satisfy diverse customer needs, and this cross-selling helps to raise the average price per customer, boost customer satisfaction, and prevent cancellations. The Company has done business with over 1,000 companies, including 400 listed companies.

The features of the IT/AI/IoT/DX business are that monthly billing revenue accounts for approximately 70% of revenue and its recurring income business model, in which monthly revenue is accumulated in accordance with the number of service contracts. The Company's basic policy is to avoid usage-based billing as much as possible and to provide services only from fixed monthly billing (With usage-based billing included, this business accounts for nearly 80% of net sales). Also, the main services are maintaining high gross profit margins at around 80% (the margin is lower for the news distribution service, at around 70%, because of the costs of purchasing content). A reason for this is that the Company initially develops services customized to customer needs, and then develops them horizontally as general services, which enables it to keep development costs down as a result.

In the Company, these strengths are ascertained as three capabilities: "the capability to determine real issues" (accurately understanding customer needs in direct sales), "the capability to discover the hidden value of resources" (focusing only on functions that meet needs and developments that create and customize the value of IT resources), and "the capability to maximize value by proposing and executing the optimal combination of issues and resources" (optimization, including of the cloud environment, and dispatching project managers as necessary who will contribute to maximizing the satisfaction of stakeholders). Its strategy is to further strengthen these three capabilities, and as the value co-creation platform, to realize high growth through developing businesses over a wide range of fields including not only companies but local governments and overseas markets as well.

■ Results trends

In the 1H FY6/21 results, revenue increased, including from the effects of M&A, but profits declined due to the impact of the coronavirus and increases in upfront investment costs

1. Overview of total 1H FY6/21 results

In the 1H FY6/21 consolidated results, revenue increased but profits decreased, with revenue rising 17.5% YoY to ¥4,285mn, operating profit declining 87.8% to ¥25mn, profit before tax falling 96.2% to ¥7mn, and profit attributable to owners of parent decreasing 45.9% to ¥137mn. Following the sale of Softbrain's shares in November 2020 and its removal from the scope of consolidation, the group's businesses were classified as discontinued businesses, and revenue, operating profit, and profit before tax are compared to the same period in the previous fiscal year based on ongoing businesses and exclude discontinued businesses. Profit from discontinued businesses was ¥278mn in 1H FY6/21, compared to ¥375mn in the same period in the previous fiscal year.

Results trends

1H FY6/21 consolidated results

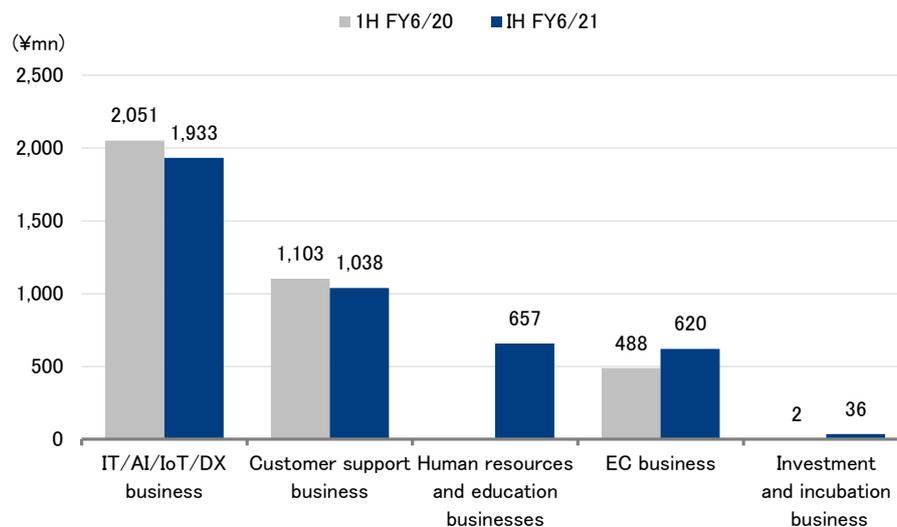
	1H FY6/20		1H FY6/21		YoY
	Results	vs. revenue	Results	vs. revenue	
Revenue	3,646	-	4,285	-	17.5%
Operating profit	209	5.7%	25	0.6%	-87.8%
Profit before tax	197	5.4%	7	0.2%	-96.2%
Profit from discontinued businesses	375	10.3%	278	6.5%	-25.7%
Profit attributable to owners of parent	255	7.0%	137	3.2%	-45.9%

* Following the sale of shares of consolidated subsidiary Softbrain in November 2020, Softbrain and its subsidiaries were classified as discontinued businesses, and revenue, operating profit and profit before tax show amounts based on ongoing businesses and exclude discontinued businesses.

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

Revenue increased as a result of recording ¥657mn from the human resources and education businesses of Grit Group Holdings, which became a consolidated subsidiary in 4Q in the previous fiscal year, and growth in the EC business covered declines in revenue in the IT/AI/IoT/DX and customer support businesses.

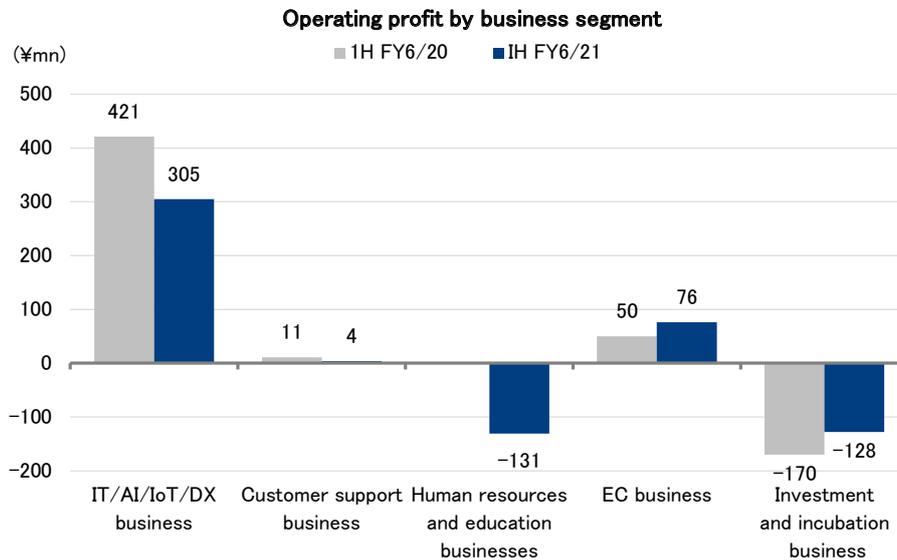
Revenue by business segment



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

Conversely, for operating profit, although profits increased in the EC business, they declined in the IT/AI/IoT/DX and customer support businesses, and the recording of a loss of ¥131mn in the human resources and education businesses also had a major impact. Generally, the Company is conducting investment toward building a growth foundation for the future, and increases in upfront investment costs were also a factor in reducing profits. Furthermore, a reason behind recording a loss in the results for the human resources and education businesses is that earnings are concentrated in 3Q due to a seasonal factor.

Results trends



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

Revenue and profits increased by double digits in the EC business, but they declined in the mainstay IT/AI/IoT/DX business due to the impact of the coronavirus

2. Trends by business segment

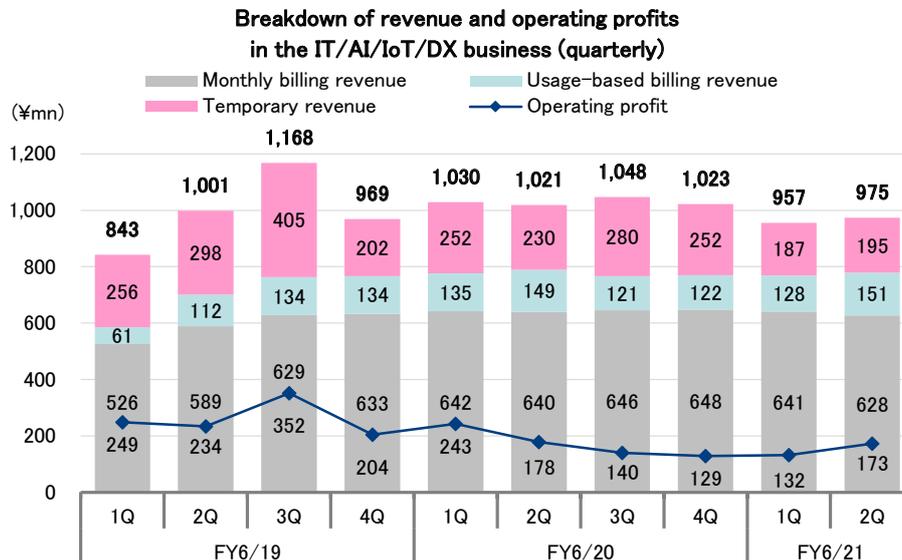
(1) IT/AI/IoT/DX business

Revenue and profits decreased in the IT/AI/IoT/DX business, with revenue declining 5.8% YoY to ¥1,933mn and operating profit falling 27.5% to ¥305mn. Due to the coronavirus, companies reduced costs and contracted operations at contact centers and suspended and postponed marketing campaigns, which led to cancellations of some related services. As a result, revenue from monthly billing, which is recurring income, fell slightly by 1% YoY. Revenue from usage-based billing also slumped, down 2%. In addition, revenue from system development projects, which is recorded in temporary revenue, declined 21% due to postponements of project plans.

However, major companies continued to newly introduce mainstay services such as i-ask, i-assist, and i-livechat. Moreover, the individual authentication service using the xID smartphone app, which was launched as a new service, has been expanded as a solution service by combining it with the Company's phone (cloud-based PBX service) and SMS authentication services. Furthermore, the Company is progressing development of a real estate trust DX platform using the same technologies through its business partnership with Shinoken Group which was conducted in October 2020, and this business is expected to grow in the future (details below).

For profits, in addition to the decline in revenue, factors decreasing profits were that the Company is conducting upfront investment with a view to active business development in the future (to secure human resources in order to launch new businesses, to transfer the head office, including branding for Group companies, etc.).

Results trends



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

Main new customers for IT/AI/IoT/DX business services (Total for 1H FY6/21)

Type	Product	Description	Customers
Information searches	i-search	Internal search engine for websites	Tokio Marine Nichido Anshin Life Insurance Co., Ltd., Meiji Yasuda Asset Management Company Ltd., Sunstar Inc.
Content management	i-ask	FAQ system	ROHTO Pharmaceutical Co., Ltd., MEGMILK SNOW BRAND Co., Ltd., SANYO DENKI CO., LTD., DIAMOND, Inc., JAPAN POST BANK Co., Ltd., Joshin Denki Co., Ltd., TOSHIBA LIFESTYLE PRODUCTS & SERVICES CORPORATION
Inquiries management	i-assist	Web chatbot system	NIHON L'ORÉAL K.K.
	i-livechat	Web chat system	Chubu Electric Power Miraiz Company, Incorporated

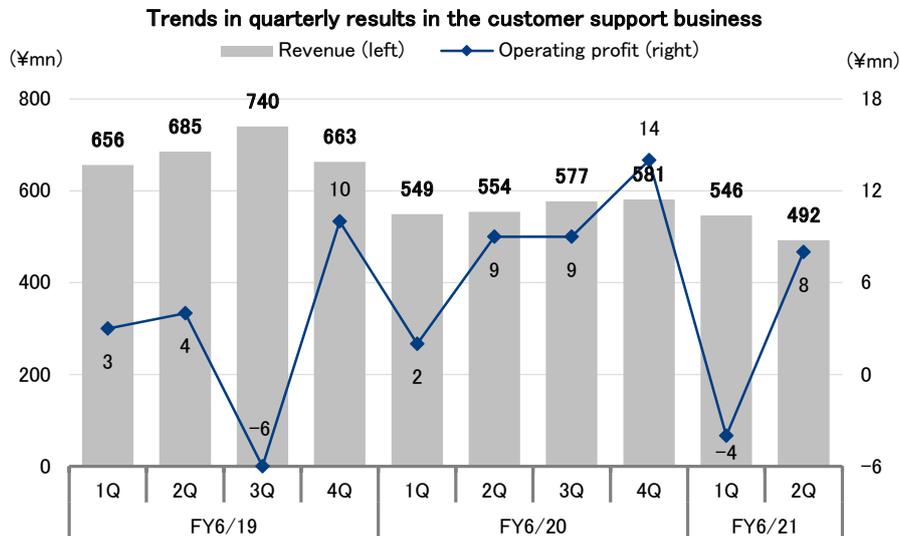
Source: Prepared by FISCO from the Company's results briefing materials and the companies' press releases

(2) Customer support business

In the customer support business, revenue decreased 6.0% YoY to ¥1,038mn and operating profit declined 61.1% to ¥4mn. The factors causing revenue and profit to fall were that during the coronavirus pandemic, launches of call center projects declined for sales of new products of companies in the HIKARI TSUSHIN Group and acquisitions of new customers slumped.

As the strategy to expand this business, the Company intends to acquire new customers by strengthening the functions of C7, a core system specialized for small-scale outbound call centers, linking it to Connect Agency's IP-PBX and making it capable of handling large-scale outbound call centers. In addition, it is aiming to strengthen profitability by incorporating the highly price-competitive BPO service for people with disabilities developed by its capital and business partner VALT JAPAN CO., LTD. into its call center management operations.

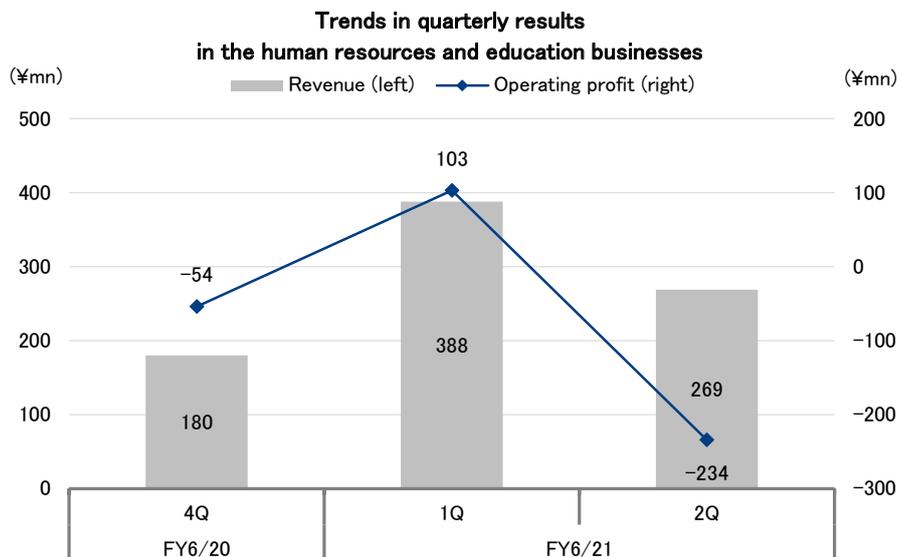
Results trends



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

(3) Human resources and education businesses

In the human resources and education businesses, revenue was ¥657mn and operating loss was ¥131mn. The education business was impacted by the fact that for some services, overnight camps could not be held due to the coronavirus, but overall results trended solidly. However, the human resources business was forced to struggle as sales prices for event booths to exhibiting companies declined due to some joint briefing sessions shifting to being held online.

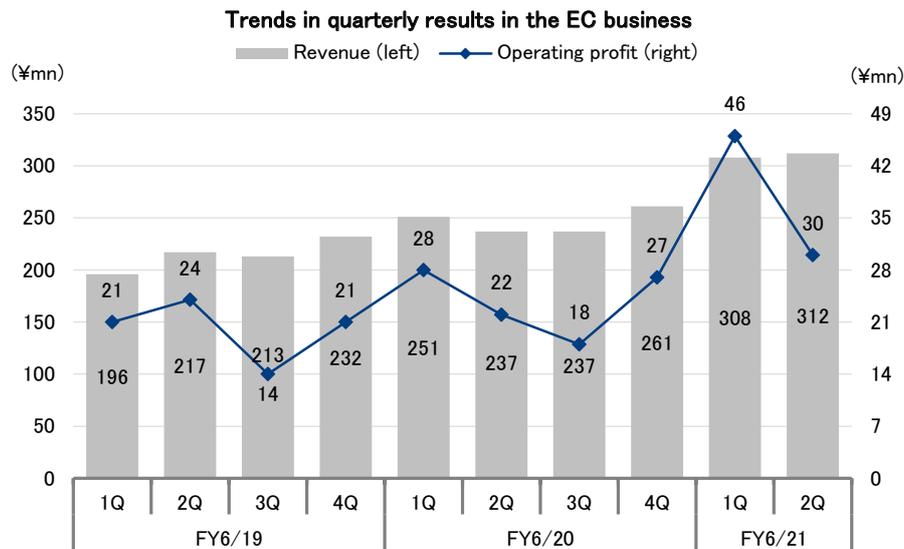


Source: Prepared by FISCO from the Company's results briefing materials

Results trends

(4) EC business

Results were strong in the EC business, with revenue increasing 27.1% to ¥620mn YoY and operating profit growing 52.9% to ¥76mn. Factors behind the major increases in revenue and profits were continuous improvements to the user interface of the EC site, its optimization for smartphones and other mobile devices, and increased demand for online trading due to the coronavirus. Regarding profits, in addition to the effects of the higher sales, an AI image processing system for automating card identification and pricing was introduced, contributing to the efficiency of back-end operations and improvements in profitability.



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

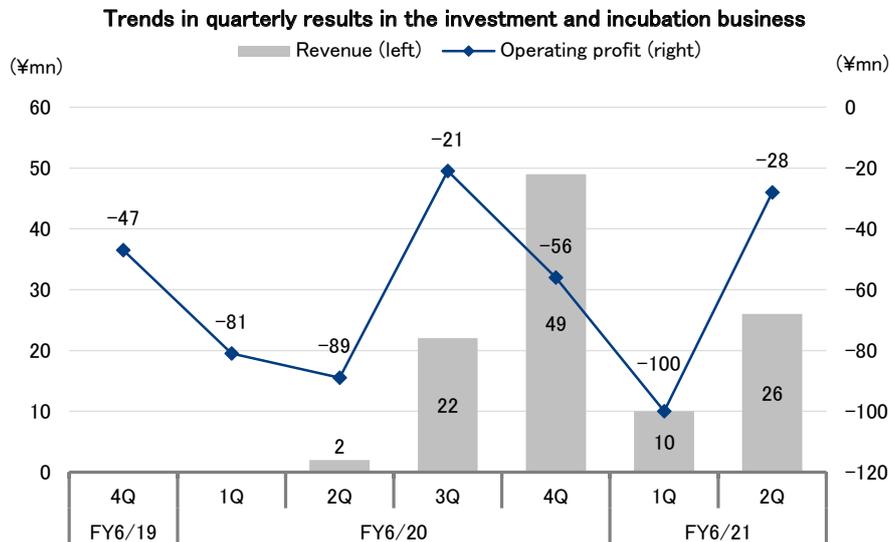
(5) Investment and incubation business

In the investment and incubation business, revenue increased from ¥2mn YoY to ¥36mn, while operating loss contracted from ¥170mn to ¥128mn.

Revenue grew alongside steady increases in sales for value creation management support and DX support projects by J-Phoenix Research, and Scala Partners' workation service* also contributed. In addition, as the first investment project of the SCSV-1 Investment Limited Partnership, in December 2020 it invested in ARCHITECTS STUDIO JAPAN INC. <6085> (hereafter, ASJ; total investment amount ¥98mn, number of shares acquired 108,000 shares, percentage of voting rights 6.2%, ¥913 per share). ASJ utilizes Japan's largest network of architects to build a platform that connects architects to construction companies and to provide services to realize homes, commercial facilities, and other buildings that customers want. J-Phoenix Research is providing ASJ with value co-creation-type management support, including to promote DX, and IR strategy support. At the same time, it is working to improve its enterprise value, such as by building a DX platform for optimal matching, providing online marketing tools, and jointly developing CRM solutions that utilize IT for architects, construction stores, construction material manufacturers, and owners of facilities.

* A service to provide experiences that connect regions and people through excellent worksites and new work, and it mainly entails managing the KomfortaWorkation website that introduces workation facilities.

Results trends



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

Started to create “model” services to realize the medium-term management targets

3. Topics

To realize the targets in the medium-term management plan announced in 2019, the Company began working on creating “model” services to serve as the growth engine in FY6/21, and will accelerate growth by horizontally expanding the completed “models” from FY6/22 onwards. Progress regarding initiatives for services expected to grow in the future is detailed below.

(1) Digital ID solutions

Use of xID, the digital ID app developed by the Company’s capital and business partner xID and linked to the My Number Card, is expected to increase. xID is already being used by Kaga City, Ishikawa Prefecture, as a digital application platform, and this app is attracting the most attention as a digital ID service, including that it has started to be used to authenticate individuals for digital contract, crowdfunding, and other services.

Since 2020, the Company has been conducting proposal activities, mainly for financial institutions, for an individual authentication service linked to xID. Already, the adoption of xID has been verified by a major life insurance company as a function for confirming individuals when receiving online applications. In addition, an increasing number of regional banks are considering introducing the service linked to xID as a function for verifying individuals when receiving applications to open bank accounts. Moreover, it has been decided to adopt its password-free login function when accessing membership registrations of CO-DO*, which is the public-private co-creation platform to be provided to local governments that the Company is currently developing.

* A communication platform to connect companies and local governments in order to promote DX by local governments that was jointly developed with Public dots & Company, with which the Company entered into a business partnership in September 2020. Based on the idea that co-creation between the public and private sectors is essential for local governments’ DX, they developed CO-DO for the optimal matching of solutions and as a venue for communication, and it will support the DX of local governments by receiving their individual development projects. The aim is to release it during FY6/21.

Results trends

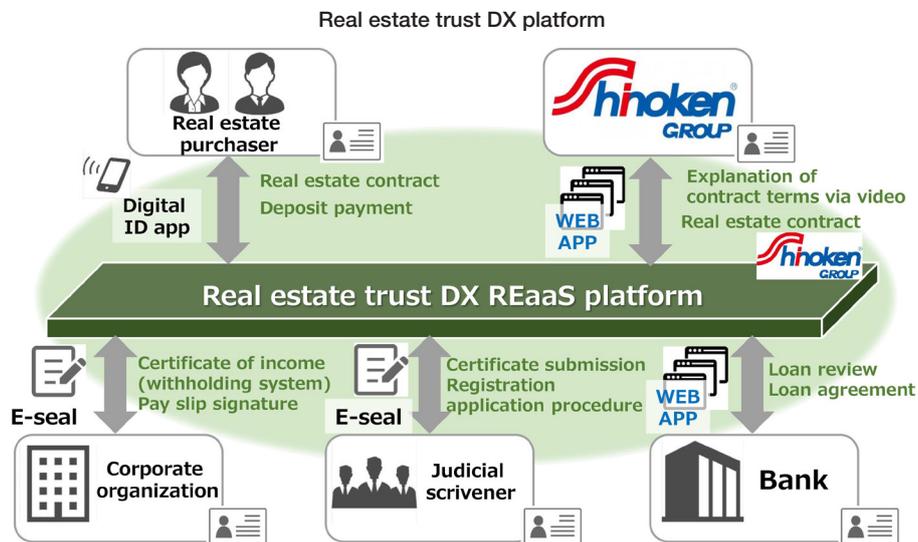
The Company is also releasing a new service through combining phone (IP-PBX) and SMS authentication functions with xID, with the intention of meeting the various needs of customers. The targets for this new service are a basic monthly fee per project of around ¥500,000* and approximately 50 orders in the next two years, which converts to annual sales of around ¥300mn.

* Approximately 50% of the basic monthly fee will be the xID usage fee. In addition, usage-based fees will be generated once a certain level of monthly transactions is exceeded, while temporary sales of ¥1mn to ¥1.5mn will be recorded at the time of a new introduction.

(2) Real estate trust DX service

The Company concluded a business partnership agreement with Shinoken Group in October 2020. It has announced that they are progressing the joint research and development of a real estate trust DX platform utilizing digital ID for real estate transactions and living support services.

Through utilizing digital ID solutions such as xID, this platform is an initiative to improve business efficiency and customer satisfaction through the digitalization of each aspect, from real estate contracts and applications for loans from financial institutions to ID verification in various types of living support services. Development of the platform is planned to progress in phases, and they are targeting a release of the first phase around March 2021 with Shinoken Group as the initial users. After that, the plan is to advance external sales while enhancing the platform's functions, and sales on a scale of several hundreds of millions of yen are expected in the future. In this project, introductions to business-partner banks of a service linked to xID are expected through a DX conversion project with Shinoken Group. The banks can expect to be able to speed up project management for credit operations by introducing this service.

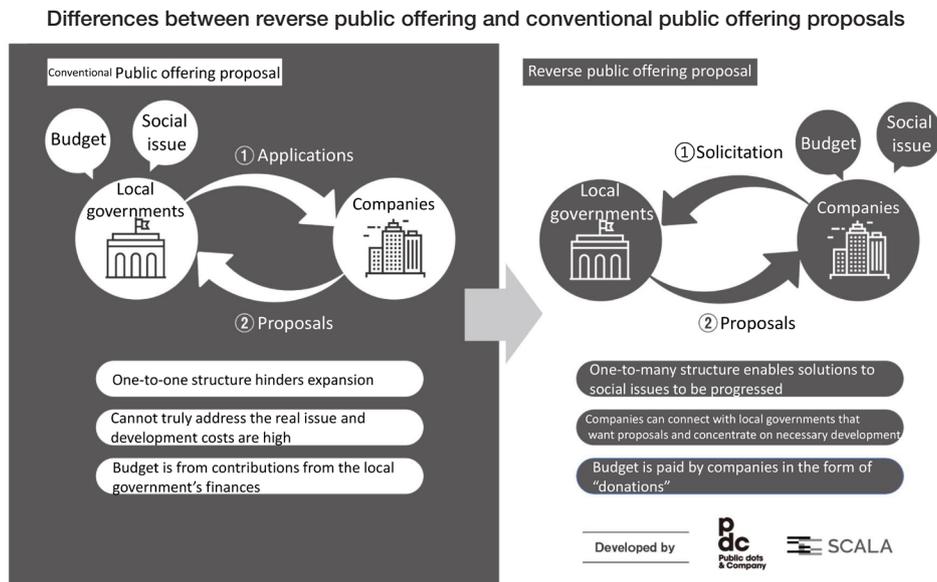


Source: Reprinted from the Company's press release

Results trends

(3) Reverse public offering proposals

As a measure to support the DX of local governments, in November 2020, the Company, jointly with Public dots & Company, developed and launched the reverse public offering proposal service specializing in SDGs, the first such service in Japan. A reverse public offering proposal is a service private-sector companies, such as large or start-up companies, can use when they want to speedily implement measures, such as ascertaining demand trends and verifying hypotheses, for a new business that solves social issues. In a conventional public offering proposal, a company aiming to win a project submits business plans to a soliciting local government with a budget, and a third party evaluates and selects a winner. Conversely, in a reverse public offering proposal, companies openly solicit local governments who want to participate in the themes for solving social issues they propose. Local governments that can participate prepare and submit proposal documents, such as demonstration experiments, in accordance with the theme. As multiple local governments may be selected, companies can also conduct many demonstration experiments. Budgets for the projects will be paid to selected local governments by companies participating in the public offering in the form of “donations.”



Source: Reprinted from the Company's press release

As the first reverse public offering proposal project, five local governments entered an open call for participants for a project on the theme of “Realizing a safer transportation environment and society” brought forth by E.design Insurance Co., Ltd. After considering the options, it was announced that Kobe City and Hino Town, Shiga Prefecture, had been selected. Going forward, Kobe City will progress a project on the theme of “Building a framework to disseminate information toward eliminating traffic congestion at Kikuseidai, Mt. Mayasan,” and Hino Town on the theme of “Promoting the safe use of bicycles through safety classrooms and cycling events.” E.design Insurance has said it has used the reverse public offering proposal in order to progress specific initiatives to “realize a safer traffic environment and society” together with local governments as part of its CSR initiatives.

Results trends

The second and third phases of the project will be announced in the future, and the plan is to open a service web-site in April 2021. The Company will receive matching fees from the companies using the reverse public offering proposal service, and will take on system development if an IT system is needed for a project's demonstration experiment. The Company has been receiving inquiries from many local governments as a result of launching the service, and it can be positively evaluated for its ability to build a network for expanding the business of local governments in the future. In fact, it seems that even if they do not end up using this service, local governments are still consulting with the Company on other IT services. Regarding such IT services for local governments, it is difficult to breach the fortress of the major Sler companies, but it is thought there is still plenty of room to acquire customers through this sort of proposal for new services.

(4) Workation services

Scala Partners, which conducts a business to support people who are relocating house, offers services to general workation users through managing KomfortaWorkation, its website to introduce facilities to meet workation demand. In addition, it is launching a series of services in cooperation with business partnerships focusing on regional revitalization, including solution services and job transition support services to help resolve problems facing companies during the coronavirus pandemic such as “educating transformational human resources through solving regional issues.” Going forward also, it plans to actively progress new initiatives, including developing and providing services through business partnerships and other means that will enable people to “work anywhere,” “live anywhere,” and “study anywhere.”

Examples of business partnerships for workation services

	Partner	Content of partnership	Partnership period
“Study anywhere”	Class Japan Gakuen Co., Ltd.	Provision of online education services so that elementary, junior high school students can study anywhere	January 2021
	Spice Up Japan Inc.	Based on the cooperation of regional facilities with which it partners for KomfortaWorkation, the online provision of “transformational mindset education and training,” a human resource development training program. It is a training program in which participants work on solving issues and creating new businesses in collaboration with regional companies and the employees who work at them.	January 2021
“Live anywhere”	MarketEnterprise Co., Ltd.	For the members of Komforta, the provision of the Oikura service, which is a reuse platform managed by MarketEnterprise. Leads to the solving of problems for arranging unnecessary items that occur when relocating house.	November 2020
“Work anywhere”	Mirai Works Inc.	For the members of Komforta, the provision of a job transition support service for regional companies	January 2021
	Adecco Co., Ltd.	Through Scala Partners' relocation support network of local governments nationwide and collaborations with relocation concierge services, the provision of relocation support and work referrals at the destination for Adecco dispatch employees who want to move to a regional location. Moreover, for the members of Komforta, through the provision of job search information that utilizes Adecco's network of bases nationwide and support for local job searches, supports the job search activities of people moving to or wanting to move to regional locations.	September 2020

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

Plans to actively invest the funds from the sale of Softbrain shares

4. Financial condition and business indicators

Looking at the financial condition at the end of 1H FY6/21, total assets were down ¥286mn compared to the end of the previous fiscal year to ¥24,626mn. In current assets, mainly due to the classification of Softbrain as a discontinued business, cash and cash equivalents decreased ¥4,455mn and trade and other receivables declined ¥2,002mn, while ¥13,705mn was recorded as assets held for sale. In non-current assets, Softbrain-related goodwill decreased ¥5,136mn, while right-of-use assets declined ¥892mn and intangible assets fell ¥1,074mn.

Total liabilities were down ¥274mn compared to the end of the previous fiscal period to ¥14,295mn. Mainly due to classifying Softbrain as a discontinued business, trade and other payables decreased ¥1,594mn. Furthermore, lease liabilities fell ¥941mn and interest-bearing debt declined ¥357mn, while ¥2,967mn was recorded as liabilities directly associated with assets held for sale. Total equity declined ¥12mn to ¥10,331mn. This was because although profit attributable to owners of parent of ¥137mn and profit attributable to non-controlling interests of ¥120mn were recorded, dividend payments were ¥245mn.

Looking at management indicators, the ratio of equity attributable to owners of parent was unchanged compared to the end of the previous fiscal year at 29.7%, while the interest-bearing debt ratio fell 3.4 percentage points to 113.2%, so basically there were no major changes compared to the end of the previous fiscal year. Net interest-bearing debt (cash and cash equivalents – interest-bearing debt) deteriorated significantly due to the classification of Softbrain as a discontinued business. But due to the addition in 2H of funds of approximately ¥10.5bn from the gain on the sale of Softbrain shares, the forecast is for net interest-bearing debt to improve greatly by the end of FY6/21. The Company plans to utilize the funds acquired from the sale of shares for new investment and to allocate some of it to repay borrowings.

Consolidated statement of financial position (IFRS)

	FY6/18	FY6/19	FY6/20	1H FY6/21	Change
	(¥mn)				
Current assets	8,120	10,165	11,780	18,950	7,169
(Cash and cash equivalents)	4,950	6,393	7,822	3,367	-4,455
(Assets held for sale)	-	-	-	13,705	13,705
Non-current assets	8,112	8,529	13,132	5,676	-7,455
(Goodwill)	5,787	6,192	7,086	1,949	-5,136
Total assets	16,233	18,694	24,912	24,626	-286
Total liabilities	7,587	9,086	14,569	14,295	-274
(Interest-bearing debt)	4,793	5,978	8,632	8,275	-357
(Liabilities directly associated with assets held for sale)	-	-	-	2,967	2,967
Total equity	8,645	9,608	10,343	10,331	-12
(attributable to non-controlling interests)	2,196	2,597	2,940	3,022	82
Indicators					
(Stability)					
Ownership ratio attributable to owners of parent	39.7%	37.5%	29.7%	29.7%	-0.0pt
Interest-bearing debt ratio	74.3%	85.3%	116.6%	113.2%	-3.4pt

* Assets and liabilities following Softbrain's classification as a discontinued business
 Source: Prepared by FISCO from the Company's financial results

■ Outlook

The outlook for FY6/21 is for results to improve from 2H due to an influx of new projects

1. Outlook for FY6/21

For the FY6/21 results based on ongoing businesses, the Company is forecasting revenue from ¥9,000mn to ¥12,000mn, both operating profit and profit before tax from ¥100mn to ¥500mn, and profit attributable to owners of parent from ¥2,700 to ¥3,100mn. Comparisons with the results of ongoing businesses in the previous period, excluding the Softbrain Group, have not been disclosed as they are currently being compiled. After excluding the consolidated results of Softbrain from the previous period, the approximate estimates are revenue of ¥7,500mn and operating profit of around ¥140mn, so operating profit is expected to be around the same level as in the previous fiscal year. In 1H, revenue was ¥4,285mn and operating profit was ¥25mn, however results will improve in 2H despite these low levels. The Company's policy is to continue to prioritize measures to build a growth foundation toward achieving the targets in the medium-term management plan, and it plans to actively invest, including in human resources and development. The gain on the sale of Softbrain's shares of approximately ¥2.6bn will be reflected in profit as profit from discontinued businesses.

The outlook for 2H FY6/21 and the policy for initiatives is described below.

(1) Will accelerate investment in highly profitable projects through the sale of Softbrain shares

The Company plans to actively utilize funds of approximately ¥10.5bn acquired from the sale of Softbrain's shares in such ways as allocating them for reinvestment in the investment and incubation business and M&A. It has already narrowed down the investment candidates to several companies, mainly carried out by J-Phoenix Research, and is progressing negotiations for specific investments (having already invested in one company). By providing value creation management support, AI/IoT consulting, and DX support and implementation, it aims to elevate these companies to a stage of high earnings growth, while maximizing their enterprise value (market capitalization). Among the major consulting companies, there are many companies providing services from the planning of management strategies through to the building of information systems, but a factor that differentiates the Company is that there are hardly any companies that provide a one-stop service, from investing through to IR consulting services.

The Company is forecasting annual sales per company from ¥100mn to ¥200mn by providing consulting services and various SaaS/ASP services through DX. The investments will be carried out through the SCSV-1 Investment Limited Partnership, which was formed in March 2020. The companies targeted for investment are listed companies with a market capitalization of up to ¥10bn and with an expected return on invested capital (ROIC) of at least 15%. The Company plans to invest in a maximum of around five companies in FY6/21, and to invest from ¥100mn to ¥150mn per company. As a post-investment management policy, companies will be sold when the expected enterprise value is reached, and gains will be used to acquire shares of the next company in which it will invest. The Company has accumulated a number of successful case studies for its value creation support business among small and medium-sized companies, so it aims to develop the same scheme as a business for large companies.

Outlook

(2) IT/AI/IoT/DX business

In FY6/21, revenue and profits are forecast to increase in the IT/AI/IoT/DX business from a recovery in 2H. In addition to the main services such as i-ask and i-search, new introductions of digital ID services, including xID, are expected, so monthly billing income is forecast to recover gradually after bottoming-out in 2Q. Customized development projects, which have slumped due to the coronavirus, are also expected to recover in 2H. In particular, the renewal project for the safe-driving assistance service of Sompo Japan Insurance and its derivative projects are being progressed in multiple ways and annual sales of around ¥500mn are forecast in the next two years (some sales to be recorded in 2H). After the start of this project's management, the plan is to progress sales to other companies in the same industry initiated by Sompo Japan Insurance. In the IT/AI/IoT/DX business, the Company expects an annual growth rate of around 15% in the medium term as a result of companies' strong needs for DX and by enhancing services going forward.

(3) Customer support business

Continuing on from the previous period, the customer support business is working to improving profitability by reviewing unprofitable projects and progressing acquisitions of new customers. For sales, the Company is progressing the disposition of unprofitable projects for the HIKARI TSUSHIN Group, so it is highly possible that the sales decrease will continue. However, it is introducing services such as the C7 core system, i-ask, and IP-PBX, while it also intends to improve profitability through working on measures to reduce costs through utilizing VALT Japan's BPO services.

(4) Human resources and education businesses

In the human resources and education businesses, the human resources business struggled in 1H due to the coronavirus, but it is heading toward a recovery in 3Q, which is the demand period. Also, going forward the Company intends to recover earnings by strengthening the human resources referral service by taking it online. A feature of the education business is that its kindergarten and day care services are highly unique targeting the high-end user group, and stable demand is expected. In the future, it will collaborate with real estate developers and it has in sight contributing to community development from the aspect of the infant education environment.

Also, since the integration of Grit Group Holdings and subsidiaries, one year has been spent progressing in-Group collaborations and improving cost efficiency. Efficiency is also being strengthened by accepting into the administration department some human resources from Grit Group Holdings and other companies.

(5) EC business

In the EC business, the outlook for the full fiscal year is for the double-digit increases in revenue and profits to continue. The Company will continue to improve the EC site with the aim of maximizing the distribution monetary amount, while its policy is also to continuously improve back-end work efficiency by utilizing AI and other technologies.

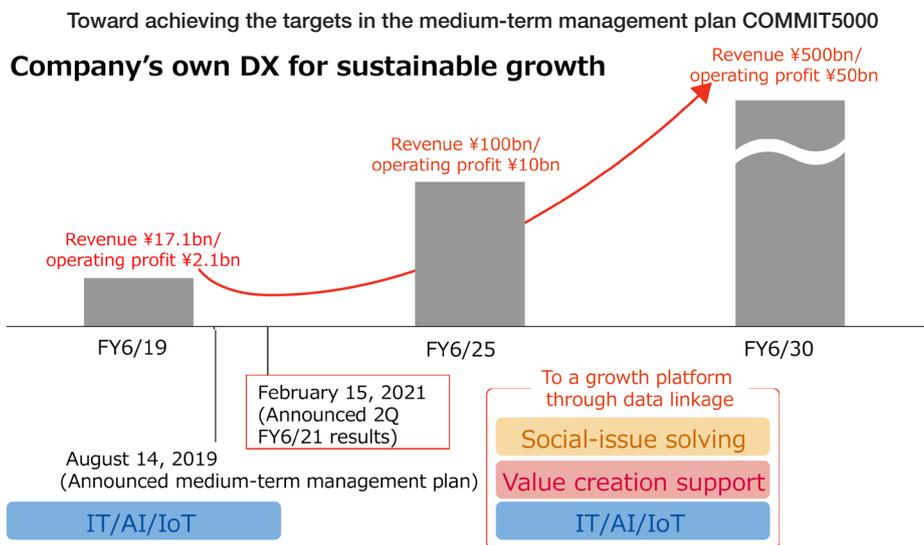
(6) Investment and incubation business

Projects are steadily increasing, including J-Phoenix Research's value creation management support and DX support. Through the increase in projects for the reverse public offering proposal service previously described, sales will continue to increase. However, the outlook is for losses to continue due to upfront investment. In particular, the Company is aiming to open the public-sector private-sector co-creation platform CO-DO, which is a joint project with Public dots & Company, during FY6/21. It will be a communication platform to connect local governments to companies, and it will be managed through acquiring monthly usage fees from local governments and others. It will also be possible to obtain orders for IT systems development through this platform. Moreover, looking to the future, the Company has in sight participating in the public-sector human resources business (a service to dispatch public-sector staff) through CO-DO.

In the medium-term management plan, is targeting revenue of ¥500bn and operating profit of ¥50bn in FY6/30

2. Medium-term management plan

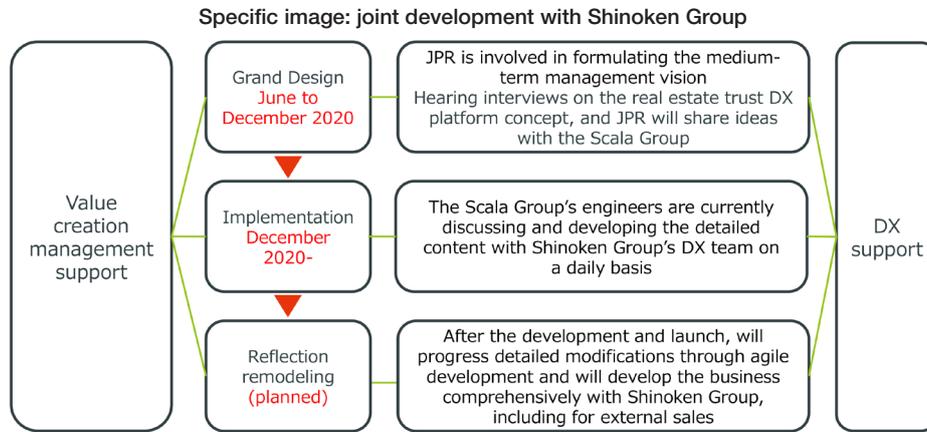
In August 2019, the Company announced its medium-term management plan to run up to 2030. The plan's basic policy is to utilize the Company's strengths, which are its three capabilities of "determining real issues" (the value creation support business), "discovering the hidden value of resources," (the AI/IoT/IT-related business), and "maximizing value by proposing and executing the optimal combination of issues and resources," (the social issue-solving business), and the strategy is to aim for growth in the medium- to long-term while coordinating these capabilities. In terms of numerical targets, the Company projects revenue of ¥100bn and operating profit of ¥10bn for FY6/25, while it projects revenue of ¥500bn and operating profit of ¥50bn in FY6/30.



Source: The Company's results briefing materials

In consideration of the revenue forecast for FY6/21 which calls for ¥9,000mn to ¥12,000mn, it may seem to be an ambitious target. Yet as the growth model, the Company's idea is to accelerate growth through building "models" for "value creation + DX support" with joint-development partners, and then to horizontally develop this model. As previously explained, the "models" it is building include the digital ID services using xID, and the real estate trust DX platform being joint developed with Shinoken Group. The business scale is growing through accumulating a number of these case studies. In addition, growth factors will be the acquisitions of capital gains from the investment fund and the accumulation of recurring-type income from building IT systems for the companies it invests in and the provision of various services.

Outlook

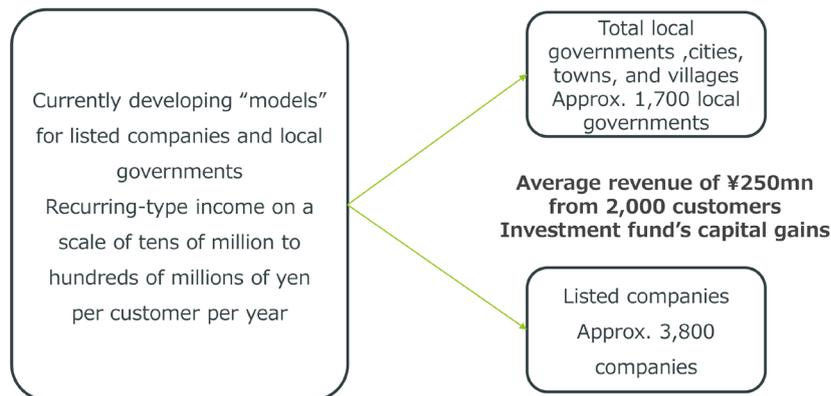


Promoting continuous support through one-stop services

Source: The Company's results briefing materials

Other than the above, for local governments, the Company is aiming to build a network and accumulate orders through the reverse public offering proposal service and CO-DO. The policy is to grow earnings by building "models" for these listed companies and local governments, and it will acquire recurring-type income on a scale of from tens of millions to hundreds of millions of yen per customer per year, and by acquiring capital gains from the investment fund. By integrating the Company Group's comprehensive IT/AI/IoT capabilities, the resources of J-Phoenix Research that is an expert in value creation for listed companies, and the resources of Public dots & Company that is an expert in value creation for local governments, the Company will differentiate itself from competitors and aim for significant growth in the next 10 years. The policy for the overseas market is to carefully conduct measures in a situation of increasing uncertainty about global conditions. But the plan is to continue to develop the social issue-solving business, focusing on South East Asia, on the themes of the medical and health, agriculture and food, and education fields.

Basic ideas to achieve the targets in the medium-term management plan COMMIT5000



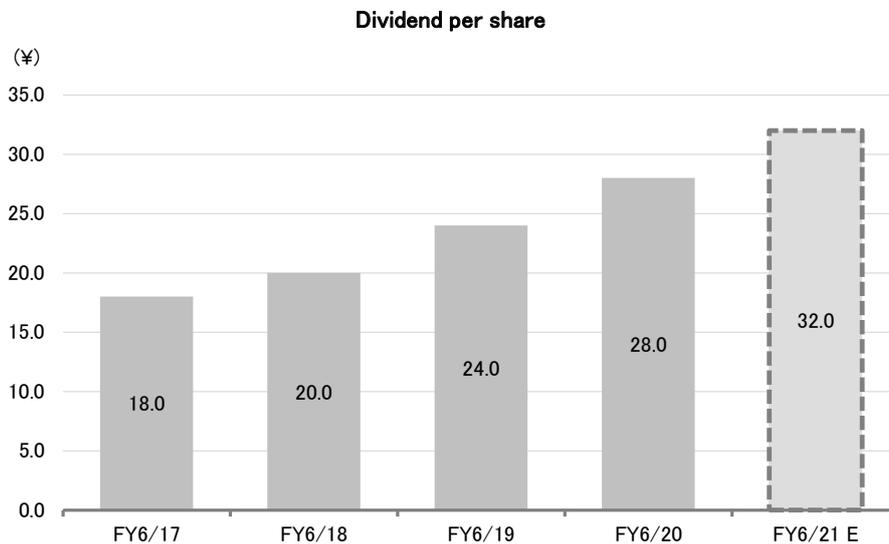
**Creating a pattern of universal value creation management + DX support "models"
 Horizontal business development and capital gains from the investment fund**

Source: The Company's results briefing materials

Shareholder return policy

In FY6/21, plans to pay a dividend per share of ¥32.0, the 12th consecutive period of higher dividends

The Company’s basic shareholder return policy is to stably and continuously pay dividends while also securing the internal reserves necessary to strengthen its financial structure and develop its businesses in the future. In FY6/21, the Company is strengthening the financial structure, including from the gain on the sale of Softbrain’s shares, so it plans to increase the dividend per share by ¥4.0 YoY to ¥32.0, which will be the 12th consecutive period it has increased the dividend.



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

Information security measure

The Company’s mainstay business is SaaS/ASP services that utilize the internet, so information security is one of its most important management issues. In terms of specific measures, all Group companies have been and continue to work to acquire ISO/IEC27001 certification, which is the international standard for information security, and to implement information security measures incorporating a global-standard third-party perspective. They also strive to thoroughly manage the information assets owned by the Group based on an internal management system. They use in-house servers and some private clouds for the information system, while also constructing backup systems.



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