

This report is an English translation of part of the report issued on October 16, 2020.
For inquiries concerning the report, please contact info@stock-r.org

Plan, develop and sell work management system for mid-sized companies

[4013 Nittsusystem Business Type: Information&Communication]

| Fiscal Year ending | Net sales (mn yen) | YoY (%) | Operating profit (mn yen) | YoY (%) | Ordinary profit (mn yen) | YoY (%) | Profit (mn yen) | YoY (%) | EPS (yen) | BPS (yen) | Dividends (yen) |
|----------------------|--------------------|---------|---------------------------|---------|--------------------------|---------|-----------------|---------|-----------|-----------|-----------------|
| Dec. 2018 | 2,747 | 70.1 | 323 | - | 323 | 5.5x | 236 | 6.1x | 33.1 | 178.8 | 3.0 |
| Dec. 2019 | 3,188 | 16.1 | 459 | 42.0 | 459 | 42.0 | 332 | 40.2 | 46.5 | 222.2 | 3.0 |
| Dec. 2020 (forecast) | 3,747 | 17.5 | 632 | 37.6 | 623 | 35.5 | 426 | 28.3 | 52.7 | - | 3.0 |

Note: Consolidated bases. Figures for fiscal year ending December 2020 are company's forecast. It conducted 1-to-5 stock split on August 15, 2020. Per share indices are corrected retroactively.

Business Details

Mainly Planning, Development and Sales of Work Management System

Nittsusystem Group consists of two companies: Nittsusystem and its Vietnamese subsidiary. Business segments are comprised of the Human Resources Management (HRM) business and other businesses. As for the composition of sales in fiscal year ended December 2019, the HRM business accounted for 99.0% and other businesses accounted for 1.0%. Other businesses are mainly the rental conference room business aiming to utilize idle spaces.

In the HRM business, it mainly develops a work management system and provides it via cloud or on-premises to companies and organizations in various businesses. The HRM business is subdivided into the cloud business and on-premises business, and their composition ratio to the entire net sales in the fiscal year ended December 2019 was 46.4% for the cloud business and 52.5% for the on-premises business.

Corporate Plan

Corporate Plan for Fiscal Year ending December 2020

For the fiscal year ending December 2020, it expects net sales of 3,747 million yen (17.5% increase year-on-year) and operating profit of 632 million yen (37.6% increase year-on-year).

It expects net sales to increase 17.5% year-on-year with the acquisition of new customers in the cloud business and increase in continuous income from existing customers in the cloud and on-premises businesses. Cost of sales is estimated to increase by 10.4% year-on-year to 1,244 million yen with the increase of personnel expenses, depreciation and operating expenses of servers for cloud services and other costs. Selling, general and administrative expenses are expected to increase by 16.8% year-on-year to 1,870 million yen with the increase in number of personnel due to business expansion, office expansion, etc. As a result, it expects operating profit to increase 37.6% year-on-year.

Figure 1: Financial Statements

| Statement of income | Fiscal year ended Dec. 2018 | | Fiscal year ended Dec. 2019 | | Fiscal year ending Dec. 2020 2Q (Cumulative) | |
|--|-----------------------------|-------|-----------------------------|-------|---|-------|
| | (mn yen) | (%) | (mn yen) | (%) | (mn yen) | (%) |
| Net sales | 2,747 | 100.0 | 3,188 | 100.0 | 1,765 | 100.0 |
| Cost of sales | 1,011 | 36.8 | 1,127 | 35.4 | 577 | 32.7 |
| Gross profit | 1,735 | 63.2 | 2,061 | 64.6 | 1,188 | 67.3 |
| Selling, general and administrative expenses | 1,412 | 51.4 | 1,601 | 50.2 | 842 | 47.7 |
| Operating profit | 323 | 11.8 | 459 | 14.4 | 345 | 19.6 |
| Non-operating income | 2 | - | 2 | - | 1 | - |
| Non-operating expenses | 1 | - | 2 | - | 0 | - |
| Ordinary profit | 323 | 11.8 | 459 | 14.4 | 346 | 19.6 |
| Profit before income taxes | 323 | 11.8 | 462 | 14.5 | 346 | 19.6 |
| Profit attributable to owners of parent | 236 | 8.6 | 332 | 10.4 | 227 | 12.9 |

| Balance sheet | Fiscal year ended Dec. 2018 | | Fiscal year ended Dec. 2019 | | Fiscal year ending Dec. 2020 2Q (Cumulative) | |
|---|-----------------------------|-------|-----------------------------|-------|---|-------|
| | (mn yen) | (%) | (mn yen) | (%) | (mn yen) | (%) |
| Current assets | 1,291 | 56.6 | 1,553 | 61.2 | 1,850 | 63.8 |
| Cash and deposits | 669 | 29.3 | 857 | 33.8 | 1,130 | 39.0 |
| Trade receivables | 505 | 22.2 | 546 | 21.5 | 580 | 20.0 |
| Inventories | 70 | 3.1 | 90 | 3.6 | 72 | 2.5 |
| Non-current assets | 990 | 43.4 | 986 | 38.8 | 1,048 | 36.2 |
| Property, plant and equipment | 277 | 12.2 | 338 | 13.3 | 399 | 13.8 |
| Intangible assets | 459 | 20.1 | 380 | 15.0 | 373 | 12.9 |
| Investments and other assets | 253 | 11.1 | 268 | 10.6 | 275 | 9.5 |
| Total assets | 2,282 | 100.0 | 2,540 | 100.0 | 2,898 | 100.0 |
| Current liabilities | 721 | 31.6 | 703 | 27.7 | 775 | 26.7 |
| Trade payables | 95 | 4.2 | 56 | 2.2 | 57 | 2.0 |
| Current portion of long-term borrowings | 87 | 3.8 | 55 | 2.2 | 49 | 1.7 |
| Non-current liabilities | 284 | 12.4 | 249 | 9.8 | 263 | 9.1 |
| Long-term borrowings | 143 | 6.3 | 88 | 3.5 | 90 | 3.1 |
| Net assets | 1,277 | 56.0 | 1,587 | 62.5 | 1,860 | 64.2 |
| Shareholders' equity | 1,277 | 56.0 | 1,587 | 62.5 | 1,860 | 64.2 |

| Statement of cash flows | Fiscal year ended Dec. 2018 | Fiscal year ended Dec. 2019 | Fiscal year ending Dec. 2020 2Q (Cumulative) |
|---|-----------------------------|-----------------------------|---|
| | (mn yen) | (mn yen) | (mn yen) |
| Cash flows from operating activities | 361 | 545 | 401 |
| Depreciation | 163 | 251 | 101 |
| Cash flows from investing activities | -302 | -285 | -188 |
| Cash flows from financing activities | 53 | -108 | 42 |
| Dividends paid | -14 | -21 | -21 |
| Net increase in cash and cash equivalents | 113 | 154 | 255 |
| Cash and cash equivalents | 472 | 626 | 882 |

Source: Prepared by The Stock Research Center based on the notifiable prospectus.