

Original business model with public nature

This report is an English translation of part of the report issued on April 9, 2021.
For inquiries concerning the report, please contact info@stock-r.org

【 7368 HYOJITO Sector : Services】

Fiscal Year	Net sales (mn yen)	YoY (%)	Operating profit (mn yen)	YoY (%)	Ordinary profit (mn yen)	YoY (%)	Profit (mn yen)	YoY (%)	EPS (yen)	BPS (yen)	DPS (yen)
Mar. 2019	12,116	10.1	931	-	1,129	49.3	821	-22.2	211.4	1,174.9	50.0
Mar. 2020	13,065	7.8	1,058	13.6	1,204	6.6	807	-1.7	207.6	1,330.9	35.0
Mar. 2021	f 12,658	-3.1	950	-10.2	1,042	-13.5	704	-12.8	181.3	-	35.0

Note: Non-Consolidated basis. Figures for the fiscal year ending March 2021 are the company's forecasts.
It conducted 1-to-5 stock split on January 7, 2021. Per share indices are adjusted retroactively.

Main Advertisement Business Posting Store Information on Vicinity Maps in Public Facilities

HYOJITO conducts the Navita business, in which multiple sponsors post advertisements on vicinity maps developed by the company as advertisement media placed in public facilities such as railways, local government facilities and hospitals. In addition, it also conducts the ad promotion business, in which it handles transportation media (vehicles and stations), mass media (television, radio, newspapers and magazines) and outdoor media (signs and boards), as well as the sign business, in which it handles the design and construction of advertisements, signs, guideboards, etc.

The Navita business, ad promotion business and sign business respectively account for 64.8%, 17.4% and 17.8% of its net sales for the fiscal year ended March 2020, and most of the profit is from the Navita business.

Navita Business

Navita is a combination advertisement using vicinity maps developed by the company as a base media, and is a media with high public nature that includes map information, public facility information, and information on evacuation sites in the time of disasters.

It is classified into "station Navita" that are placed in train stations and tram stops nationwide, "city Navita" that are placed in local government offices, etc., and "public Navita" that are placed in police boxes, police stations, driver's license centers, etc. The Navita business is a business model that benefits three parties, which are the owners of the location it is placed, advertisers and users.

Owners of the locations where they are placed can enhance the convenience for the facility users and can receive compensation from HYOJITO for placed Navita.

Advertisers receive the benefits of low advertisement fees. The number of sponsors has reached around 78,000 in total as of the end of January. The advertisement posting contract for Navita is a three-year contract, but HYOJITO receives advertisement fees every year.

Users can benefit from the convenience of the ease in understanding the locations to which they want to go, and depending on the location where they are placed, there is the advantage of crime prevention effects as the entire guideboards are lit up with LED lights.

Financial Statements

Statement of income	Fiscal Year	Mar. 2019		Mar. 2020		Nine month to Dec.2020	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Net sales		12,116	100.0	13,065	100.0	9,725	100.0
Cost of sales		6,627	54.7	7,276	55.7	5,392	55.4
Gross profit		5,488	45.3	5,788	44.3	4,332	44.5
Selling, general and administrative expenses		4,557	37.6	4,730	36.2	3,389	34.8
Operating profit		931	7.7	1,058	8.1	943	9.7
Non-operating income		222	1.8	161	1.2	52	0.5
Non-operating expenses		24	0.2	15	0.1	12	0.1
Ordinary profit		1,129	9.3	1,204	9.2	983	10.1
Profit before income taxes		1,114	9.2	1,182	9.0	978	10.1
Net profit		821	6.8	807	6.2	655	6.7

Balance sheet	Fiscal Year	Mar. 2019		Mar. 2020		Nine month to Dec.2020	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Current assets		5,443	48.4	6,102	50.6	6,527	52.5
Cash and deposits		3,646	32.4	3,921	32.5	4,991	40.1
Accounts receivable-trade		1,497	13.3	1,843	15.3	1,021	8.2
Inventories		82	0.7	99	0.8	89	0.7
Non-current assets		5,806	51.6	5,962	49.4	5,915	47.5
Property, plant and equipment		4,542	40.4	4,712	39.1	4,686	37.7
Intangible assets		327	2.9	300	2.5	270	2.2
Investments and other assets		937	8.3	950	7.9	958	7.7
Total assets		11,250	100.0	12,065	100.0	12,442	100.0
Current liabilities		6,461	57.4	6,708	55.6	6,569	52.8
Accounts payable-trade		1,385	12.3	1,440	11.9	1,331	10.7
Current portion of long-term borrowings		39	0.3	39	0.3	28	0.2
Non-current liabilities		221	2.0	183	1.5	176	1.4
Long-term borrowings		58	0.5	18	0.1	0	0.0
Net assets		4,567	40.6	5,173	42.9	5,697	45.8
Owners' equity		4,567	40.6	5,173	42.9	5,697	45.8

Statement of cash flows	Fiscal Year	Mar. 2019		Mar. 2020	
		(mn yen)	(mn yen)	(mn yen)	(mn yen)
Cash flows from operating activities		1,565	1,318		
Depreciation		634	670		
Cash flows from investing activities		-753	-805		
Cash flows from financing activities		-235	-236		
Dividends paid		-194	-194		
Net increase in cash and cash equivalents		576	275		
Cash and cash equivalents		3,369	3,644		

Note: Non-Consolidated basis.

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

About Stock Research Center

Stock Research Center is engaged in the preparation of analyst reports, mainly on companies that are not sufficiently covered by analysts, based on a neutral perspective, and broadly disclose the reports to the public with an aim to revitalize the stock market.

Note: Reports prepared by Stock Research Center are created in reference to the Ministry of Economy, Trade and Industry's Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation.



■ Supporting Members

Tokyo Stock Exchange, Inc.
Nomura Securities Co., Ltd.
Ernst & Young ShinNihon LLC
Deloitte Touche Tohmatsu LLC
SBI SECURITIES Co., Ltd.
Association of Japan
TAKARA PRINTING CO., LTD.

SMBC Nikko Securities Inc.
Mizuho Securities Co., Ltd.
ICMG Co., Ltd.
BDO Sanyu
Japan Securities Dealers Association
Ichiyoshi Securities Co., Ltd.
PRONEXUS INC.

Daiwa Securities Co. Ltd.
KPMG AZSA LLC
Grant Thornton Taiyo LLC
The Securities Analysts
A&A Partners

Certification by Analysts

Analysts indicated in the reports certify that the content indicated in the report precisely reflects the personal opinions of the analysts on all securities and issuer companies discussed in the report. In addition, it is ensured that the opinions directly or indirectly indicated in the report will have no influence on the analyst's compensation in the past, present, and future upon writing the report.

Disclaimer

- The report is prepared by stock analysts affiliated with the Stock Research Center for the purpose of disclosure to a wide range of investors as reference information and not to recommend or solicit to buy or to sell any particular securities or financial instrument.
- The content and indication of the report is based on disclosed information available publicly and is prepared by adding necessary supplementary information gained through interviews by analysts. The writer of the report is, without exception, prohibited to use insider information, or to acquire such information. The information included in the report is believed to be precise and reliable, but its preciseness is not verified objectively. In addition, the report is not intended to comprehensively include all information required by investors.
- The information included in the report may become outdated due to changes in the financial market, economic environment, etc. There are risks that the prices of stocks featured directly or indirectly in the report will fall below the par value due to fluctuations in stock prices, changes in management/financial conditions of the issuers, fluctuations in exchange rates or interest rates, etc. Past performance does not imply or guarantee future performance.
- The opinions indicated in the report are subject to change without notice and the Stock Research Center has no obligation to update the information or opinions included in the report.
- The Stock Research Center does not bear any responsibility for any results, including direct losses, indirect losses, losses of profit and damages, suffered by investors due to using the report or relying on the report. Final investment decisions shall be made by investors themselves and the sole responsibility concerning the investment lies with the investors that viewed the report.
- The copyright of the report belongs to the Stock Research Center and it may not be copied, reproduced, quoted, etc. in any form without prior consent.