

Prime contractor-type system developer with development base in China

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[5035 HOUSEI Sector : Information & Communication]

| 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) |
|-------------|-----------------------|------------|---------------------------------|------------|--------------------------------|------------|--------------------|------------|--------------|--------------|--------------|
| Dec.2020 | 3,399 | - | 254 | - | 270 | - | 219 | - | 37.2 | 329.0 | 0.0 |
| Dec.2021 | 4,102 | 20.7 | 202 | -20.5 | 284 | 5.2 | 271 | 23.7 | 46.0 | 398.8 | 0.0 |
| Dec.2022 f | 4,475 | 9.1 | 377 | 86.6 | 392 | 38.0 | 273 | 0.7 | 43.6 | - | 0.0 |

Note: Consolidated basis. Figures for the fiscal year ending December 2022 are the company's forecasts.

Conducts Business in Information Systems and Cross-Border E-commerce Domains

HOUSEI is engaged in the information systems business, which develops and maintains information systems, and the cross-border e-commerce business, which provides a cross-border e-commerce platform where e-commerce shops selling Japanese products to Chinese consumers can be opened.

In fiscal year ended December 2021, the information systems business accounted for 98.2% of net sales and 98.0% of gross profit. At the operating profit level, the cross-border e-commerce business recorded a loss of 12 million yen.

Information Systems Business

The information systems business includes contract system development and the sale of software and cloud services developed by the company. System development is done on a prime contractor basis. Development is performed by the company, its Chinese subsidiary in Wuhan, and subcontractors.

The information systems business is classified by product and client industry into 1) the media business, 2) the professional services business, and 3) the product promotion business.

The media business accounts for more than 60% of total net sales. The company provides contract development and maintenance services for systems related to typesetting, paper management, advertising management, sales management and others for paper media businesses such as newspaper companies and publishers.

While the growth potential for paper media is scarce, the company is enjoying residual profits as other companies downsize or withdraw from the business.

The professional services business is responsible for developing and maintaining systems for industries other than media. The segment accounts for under 40% of total net sales.

As for the product promotion business, the company offers systems, software and cloud services developed by the company, and its maintenance. Net sales for fiscal year ended December 2021 was small, at 6 million yen.

Cross-Border E-commerce Business

HOUSEI operates a cross-border e-commerce platform that enables the opening cross-border e-commerce shops for Chinese consumers. The company also sells Japanese consumer goods such as cosmetics and general merchandise to private import agents in China. The scale of the business is small, with net sales of 74 million yen in fiscal year ended December 2021.

Financial Statements

| Statement of income | Fiscal Year | Dec.2020 | | Dec.2021 | | Three months to Mar. 2022 | |
|--|-------------|----------|-------|----------|-------|---------------------------|-------|
| | | (mn yen) | (%) | (mn yen) | (%) | (mn yen) | (%) |
| Net sales | | 3,399 | 100.0 | 4,102 | 100.0 | 1,024 | 100.0 |
| Cost of sales | | 2,339 | 68.8 | 3,004 | 73.2 | 758 | 74.0 |
| Gross profit | | 1,060 | 31.2 | 1,098 | 26.8 | 265 | 25.9 |
| Selling, general and administrative expenses | | 805 | 23.7 | 895 | 21.8 | 217 | 21.2 |
| Operating profit | | 254 | 7.5 | 202 | 4.9 | 48 | 4.7 |
| Non-operating income | | 35 | - | 91 | - | 18 | - |
| Non-operating expenses | | 19 | - | 10 | - | 2 | - |
| Ordinary profit | | 270 | 7.9 | 284 | 6.9 | 64 | 6.3 |
| Profit before income taxes | | 236 | 6.9 | 256 | 6.2 | 64 | 6.3 |
| Net profit | | 219 | 6.4 | 271 | 6.6 | 57 | 5.6 |

| Balance sheet | Fiscal Year | Dec.2020 | | Dec.2021 | | Mar. 2022 | |
|---|-------------|----------|-------|----------|-------|-----------|-------|
| | | (mn yen) | (%) | (mn yen) | (%) | (mn yen) | (%) |
| Current assets | | 1,972 | 58.2 | 2,472 | 63.0 | 2,293 | 60.4 |
| Cash and deposits | | 691 | 20.4 | 1,091 | 27.8 | 1,326 | 34.9 |
| Accounts receivable-trade | | 753 | 22.2 | 1,108 | 28.2 | 541 | 14.2 |
| Contract assets | | 367 | 10.8 | 117 | 3.0 | 208 | 5.5 |
| Inventories | | 59 | 1.7 | 74 | 1.9 | 84 | 2.2 |
| Non-current assets | | 1,411 | 41.6 | 1,447 | 36.9 | 1,502 | 39.6 |
| Property, plant and equipment | | 737 | 21.7 | 797 | 20.3 | 842 | 22.2 |
| Intangible assets | | 517 | 15.3 | 473 | 12.1 | 489 | 12.9 |
| Investments and other assets | | 156 | 4.6 | 176 | 4.5 | 170 | 4.5 |
| Deferred assets | | 4 | 0.1 | 2 | 0.1 | 1 | 0.0 |
| Total assets | | 3,389 | 100.0 | 3,923 | 100.0 | 3,797 | 100.0 |
| Current liabilities | | 656 | 19.4 | 904 | 23.0 | 719 | 18.9 |
| Accounts payable - trade | | 84 | 2.5 | 145 | 3.7 | 149 | 3.9 |
| Short-term borrowings | | - | - | 100 | 2.5 | - | - |
| Current portion of bonds payable | | 100 | 3.0 | 80 | 2.0 | 70 | 1.8 |
| Current portion of long-term borrowings | | 90 | 2.7 | 100 | 2.5 | 100 | 2.6 |
| Non-current liabilities | | 790 | 23.3 | 664 | 16.9 | 606 | 16.0 |
| Bonds payable | | 110 | 3.2 | 30 | 0.8 | - | - |
| Long-term borrowings | | 532 | 15.7 | 475 | 12.1 | 446 | 11.7 |
| Net assets | | 1,942 | 57.3 | 2,354 | 60.0 | 2,470 | 65.1 |
| Owners' equity | | 1,942 | 57.3 | 2,354 | 60.0 | 2,470 | 65.1 |

| Statement of cash flows | Fiscal Year | Dec.2020 | Dec.2021 |
|---|-------------|----------|----------|
| | | (mn yen) | (mn yen) |
| Cash flows from operating activities | | 41 | 413 |
| Depreciation | | 66 | 74 |
| Amortization of goodwill | | 73 | 77 |
| Cash flows from investing activities | | 43 | -28 |
| Cash flows from financing activities | | -38 | -49 |
| Dividends paid | | - | - |
| Net increase in cash and cash equivalents | | 51 | 400 |
| Cash and cash equivalents | | 691 | 1,091 |

Note:Consolidated basis.

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

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