

Conducting software verification, contracted system development, and development and sales of package software

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[5252 Nihon Knowledge Sector : Information & Communication]

Fiscal Year	Net sales	YoY	Operating profit	YoY	Ordinary profit	YoY	Profit	YoY	EPS	BPS	DPS
	(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)	(yen)	(yen)	(yen)
Mar.2021	2,823	0.1	54	-	63	-21.3	32	-28.9	28.6	361.2	15.0
Mar.2022	3,231	14.5	132	2.4x	137	2.2x	94	2.9x	82.7	435.5	15.0
Mar.2023	f 3,457	7.0	180	36.4	168	22.6	110	17.0	92.8	-	15.0

Note: Non-consolidated basis. Figures for the fiscal year ending March 2023 are the company's forecasts.

It conducted 1-to-10 stock split on November 25, 2022, 10-to-1 reverse stock split on January 16, 2023. Per share indices are adjusted retroactively.

Operating Software Verification and Development Business

Nihon Knowledge is engaged in the verification business, which provides software system verification services, and the development business, which includes contracted system development and development and sale of business package software. In fiscal year ended March 2022, the verification business accounted for 61.1% of net sales and the development business for 38.9%.

Verification Business

In the verification business, Nihon Knowledge performs quality planning, test analysis and design, and test execution in the testing process to avoid risks caused by software defects.

Target software includes embedded software for smartphones and car navigation systems, enterprise software such as sales management and accounting software for corporations and web systems. Enterprise software is an area where the company can take advantage of the expertise it has accumulated in the development business and this has led to the company's strengths in inspection efficiency and quality assurance based on its development technology.

Since around fiscal year ended March 2019, the company has been shifting from software quality testing centered on manual testing to test automation services, and net sales of software quality testing have been declining while those of test automation services have been increasing.

Development Business

In the development business, the company customizes ERP package software for implementation. The overwhelming majority of ERP package software handled is OTSUKA CORPORATION's SMILE.

Nihon Knowledge also develops, sells and maintains industry templates. The company develops and sells sales management systems for steel wholesalers as well as processors and templates for building material and lumber wholesalers.

In addition to the above, the company focuses on the development, sales and maintenance of security products.

In fiscal year ended March 2022, customized contract development accounted for about 80% of the business's sales, industry templates for about 5% and security products for about 15%.

Financial Statements

Statement of income	Fiscal Year	Mar.2021		Mar.2022		Nine months to Dec.2022	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Net sales		2,823	100.0	3,231	100.0	2,613	100.0
Cost of sales		2,416	85.6	2,704	83.7	2,083	79.7
Gross profit		407	14.4	527	16.3	530	20.3
Selling, general and administrative expenses		353	12.5	394	12.2	341	13.1
Operating profit		54	1.9	132	4.1	188	7.2
Non-operating income		14	-	6	-	9	-
Non-operating expenses		4	-	1	-	4	-
Ordinary profit		63	2.2	137	4.2	193	7.4
Profit before income taxes		54	1.9	135	4.2	193	7.4
Net profit		32	1.1	94	2.9	125	4.8

Balance sheet	Fiscal Year	Mar.2021		Mar.2022		Dec.2022	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Current assets		1,038	83.0	1,022	78.0	1,154	80.1
Cash and deposits		613	49.0	508	38.7	610	42.3
Accounts receivable-trade		393	31.4	476	36.3	487	33.8
Inventories		11	0.9	18	1.4	32	2.2
Non-current assets		212	16.9	289	22.0	286	19.8
Property, plant and equipment		69	5.5	131	10.0	134	9.3
Intangible assets		12	1.0	10	0.0	9	0.0
Investments and other assets		131	10.5	147	11.2	143	9.9
Total assets		1,251	100.0	1,311	100.0	1,441	100.0
Current liabilities		633	50.6	589	44.9	644	44.7
Accounts payable - trade		194	15.5	195	14.9	221	15.3
Short-term borrowings		50	4.0	50	3.8	50	3.5
Current portion of long-term borrowings		15	1.2	25	1.9	24	1.7
Current portion of bonds payable		32	2.6	32	2.4	26	1.8
Non-current liabilities		207	16.5	205	15.6	173	12.0
Bonds payable		82	6.6	50	3.8	40	2.8
Long-term borrowings		95	7.6	120	9.2	103	7.1
Net assets		410	32.8	516	39.4	623	43.2
Owners' equity		410	32.8	516	39.4	623	43.2

Statement of cash flows	Fiscal Year	Mar.2021	Mar.2022	Six months to Dec.2022
		(mn yen)	(mn yen)	(mn yen)
Cash flows from operating activities		186	-32	109
Depreciation		16	17	9
Cash flows from investing activities		-29	-89	-17
Cash flows from financing activities		77	10	-49
Dividends paid		-5	-17	-17
Net increase in cash and cash equivalents		233	-111	42
Cash and cash equivalents		553	442	484

Note: Non-consolidated

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

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