

Providing system integration services primarily for projects commissioned by the Hitachi Group

This report is an English translation of part of the report issued on June 23, 2023.
For inquiries concerning the report, please contact info@stock-r.org

[5576 O.B.System 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)
Mar.2022	5,992	-1.3	413	9.5	482	19.6	338	22.9	163.0	1,623.2	50.0
Mar.2023	6,163	2.9	502	21.5	517	7.3	497	47.0	239.5	1,843.7	50.0
Mar.2024 f	6,503	5.5	546	8.8	579	12.0	400	-19.5	179.3	-	TBD

Note: Non-consolidated basis. Figures for the fiscal year ending March 2024 are the company's forecasts.
It conducted 1:20 stock split on November 18, 2022. Per share indices are adjusted retroactively.

Provider of System Integration Services

O.B.System provides system integration services, encompassing the design, development and maintenance of systems ranging from mainframes to cloud computing. Additionally, the company sells its own proprietary software products.

The scope of O.B.System's business domain is divided into four segments: finance, industrial distribution, social welfare and IT innovation. The finance segment accounted for 40.1% of fiscal year ended March 2023 net sales, industrial distribution for 28.5%, social welfare for 23.5% and IT innovation for 7.9%.

Many of the development projects are contracted by prime contractor system integrators and domestic IT firms, which accounted for 88.1% of net sales in fiscal year ended March 2023. Major customers include Hitachi and Mitsubishi Electric Software.

In the finance segment, O.B.System does a considerable volume of development and maintenance work on systems for banks. Its strength lies in developing middleware that connects operating systems and applications.

The industrial distribution segment focuses primarily on distribution, food products and electrical machinery. With regard to distribution, the company handles sales management systems for electronics mass merchandisers. In food products, it provides systems for food wholesalers. The company also develops microcomputer software for home appliances in the electrical machinery sector. The industrial distribution segment also includes the sale of proprietary software, development tailored to suit customer needs and maintenance.

Many of the products in the social welfare segment are for government offices and local governments, electric power and media information. The company handles numerous municipal operation system development and system restructuring projects for government offices and local governments. In the social welfare segment, the ratio of direct sales is relatively high compared with the company's other segments, particularly for media information and universities.

The IT innovation segment is a service line that the company spun off from the finance segment in April 2022. It mainly comprises the construction of cloud system infrastructure in cloud systems and the development of systems to support customers' digital transformation. Many projects the company undertakes are commissioned by the Hitachi Group.

Financial Statements

Statement of income	Fiscal Year	Mar.2021		Mar.2022		Mar.2023	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Net sales		6,069	100.0	5,992	100.0	6,163	100.0
Cost of sales		5,192	85.5	5,065	84.5	5,131	83.3
Gross profit		877	14.5	926	15.5	1,032	16.7
Selling, general and administrative expenses		500	8.2	513	8.6	530	8.6
Operating profit		377	6.2	413	6.9	502	8.1
Non-operating income		25	-	68	-	18	-
Non-operating expenses		-	-	-	-	3	-
Ordinary profit		403	6.6	482	8.0	517	8.4
Profit before income taxes		403	6.6	482	8.0	517	8.4
Net profit		275	4.5	338	5.6	497	8.1

Balance sheet	Fiscal Year	Mar.2021		Mar.2022		Mar.2023	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Current assets		3,950	86.2	4,207	87.0	4,402	84.3
Cash and deposits		3,004	65.6	3,208	66.3	3,389	64.9
Accounts receivable-trade		873	19.1	940	19.4	939	18.0
Inventories		32	0.7	18	0.4	29	0.6
Non-current assets		630	13.8	630	13.0	816	15.6
Property, plant and equipment		16	0.3	14	0.3	16	0.3
Intangible assets		21	0.5	18	0.4	14	0.3
Investments and other assets		592	12.9	596	12.3	785	15.0
Total assets		4,580	100.0	4,837	100.0	5,219	100.0
Current liabilities		818	17.9	800	16.5	1,247	23.9
Accounts payable - trade		252	5.5	238	4.9	216	4.1
Non-current liabilities		699	15.3	665	13.7	142	2.7
Net assets		3,062	66.9	3,371	69.7	3,829	73.4
Owners' equity		3,062	66.9	3,371	69.7	3,829	73.4

Statement of cash flows	Fiscal Year	Mar.2021	Mar.2022	Mar.2023
		(mn yen)	(mn yen)	(mn yen)
Cash flows from operating activities		316	210	305
Depreciation		13	11	12
Cash flows from investing activities		-345	76	-18
Cash flows from financing activities		-33	-83	-106
Dividends paid		-61	-83	-103
Net increase in cash and cash equivalents		-62	203	180
Cash and cash equivalents		1,704	1,908	2,089

Note: Non-consolidated

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.

KPMG AZSA LLC

Deloitte Touche Tohmatsu LLC

PricewaterhouseCoopers Kyoto

A&A Partners

TAKARA PRINTING CO., LTD.

Japan Securities Dealers Association

SMBC Nikko Securities Inc.

Mizuho Securities Co., Ltd.

ICMG Co., Ltd.

SBI SECURITIES Co., Ltd.

J Trust Global Securities Co., Ltd.

GYOSEI & CO.

PRONEXUS INC.

The Securities Analysts Association of Japan

Daiwa Securities Co. Ltd.

Ernst & Young ShinNihon LLC

Grant Thornton Taiyo LLC

BDO Sanyu

Ichiyoshi Securities Co., Ltd.

Avantia G.P.

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.