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Consolidated Financial Results for the Nine Months Ended December 31, 2021 [Japanese GAAP]

February 14, 2022

Company name OPTiM CORPORATION Stock exchange listing Tokyo
 Code number 3694 URL <https://www.optim.co.jp/>
 Representative (Job title) President (Name) Shunji Sugaya
 Contact (Job title) Board Director of Administration (Name) Akihiro Hayashi (TEL) 03-6435-8570
 Scheduled date of filing quarterly securities report February 14, 2022
 Scheduled date of commencing dividend payments -
 Availability of supplementary briefing materials on quarterly financial results : Yes
 Schedule of quarterly financial results briefing session : No

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2021 (April 1, 2021 to December 31, 2021)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2021	5,388	12.2	824	1.7	734	(28.2)	436	(31.4)
Nine months ended December 31, 2020	4,802	6.7	810	-	1,023	-	636	-

(Note) Comprehensive income
 Nine months ended December 31, 2021 435 million yen (-31.6%)
 Nine months ended December 31, 2020 636 million yen (-%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2021	7.93	7.87
Nine months ended December 31, 2020	11.56	11.48

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of December 31, 2021	5,863	4,788	80.1
As of March 31, 2021	6,248	4,355	68.2

(Reference) Equity
 As of December 31, 2021 4,696 million yen
 As of March 31, 2021 4,259 million yen

2. Dividends

	Annual dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	-	0.00	-	0.00	0.00
Fiscal year ending March 31, 2022	-	0.00	-	-	-
Fiscal year ending March 31, 2022 (Forecast)	-	-	-	-	-

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	8,269	10.0	1,121	(38.0)	1,121	(43.9)	695	(43.8)	12.63
	~9,020	~20.0	~2,000	~10.6	~2,000	~0.0	~1,240	~0.2	~22.53

(Note) Revision to the financial results forecast announced most recently: No

* Notes

(1) Changes in significant subsidiaries during the nine months ended December 31, 2021: No

(Changes in specified subsidiaries resulting in changes in the scope of consolidation): No

New: - (Company name:), Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatements

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than due to 1) above: No

3) Changes in accounting estimates: Yes

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares)

December 31, 2021	55,138,272 shares	March 31, 2021	55,128,288 shares
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2) Total number of treasury shares at the end of the period

December 31, 2021	89,348 shares	March 31, 2021	88,948 shares
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3) Average number of shares during the period

December 31, 2021	55,042,989 shares	December 31, 2020	55,038,371 shares
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* The quarterly financial statements are not subject to a quarterly review by a certified public accountant or audit firm.

* Proper use of the financial results forecasts and other special notes

The forward-looking statements, including the financial results forecasts, contained in this document are based on information currently available to the Company and on certain assumptions deemed reasonable by the Company, and they are not intended as a promise by the Company that they will be achieved. Actual results may differ materially due to a variety of factors.

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1. Qualitative Information on the Consolidated Quarterly Financial Results

(1) Explanation of Operating Results

During the first nine months of the current consolidated fiscal year, the Japanese economy has recently shown signs of recovery as the severe situation caused by the novel coronavirus pandemic (hereinafter referred to as COVID-19) has gradually eased.

In this market environment, by promoting two types of DX (*1), categorized as Corporate DX for digitalization to improve internal operations and efficiency, as well as Industrial DX for digitalization to create businesses using digital technologies, the Group will continue to promote the concept of $\circ\circ \times IT$ to develop new markets.

First of all, with regard to the situation of Corporate DX in the first nine months of the current consolidated fiscal year, stock-type sales, centering on Optimal Biz, which has maintained the top market share (*2) for 11 consecutive years, continued to expand steadily.

Regarding the status of new services, firstly, the cloud authentication infrastructure service OPTiM ID+ (Plus) has made progress in collaboration with various cloud services. In the first nine months of the current consolidated fiscal year, the Company has announced collaboration with and support for the following services; Jobcan, a back-office support cloud ERP (*3) provided by Donuts Co. Ltd., moconavi, a remote access service provided by recomot Inc., CloudSign, a web-based cloud contract service provided by Bengo4.com, Inc., Money Forward Cloud, a SaaS-type service platform for businesses provided by Money Forward, Inc. and DirectCloud-BOX, a cloud storage service for corporations provided by DirectCloud, Inc. Using the OPTiM ID+ (Plus) service allows users of these cloud services to use each cloud service simply and securely with a single unified ID and password. If users also subscribe to Optimal Biz, they can use the service more conveniently; for example, they can log in only from the device managed by Optimal Biz. As such, OPTiM ID+ (Plus) is getting ready to increase the number of users of its services.

Next, as for our AI-based contract management service, OPTiM Contract, we have been enhancing the functions of OPTiM Contract, and have newly added a supplementary material upload function, which is a function to store related materials for contracts. In addition, on January 31, 2022, we announced our response to the Electronic Bookkeeping Act revised on January 1, 2022. In addition, we have started to collaborate with Cloud Sign, a web-completed cloud contract service provided by Bengo4.com, Inc. and Electronic Seal GMO Sign, a cloud-based electronic contract service provided by GMO GlobalSign Holdings K.K. With regard to OPTiM Contract, we are taking the above measures in order to acquire the de facto standard for contract management services in today's world where de-sealing and paperless is prevailing.

The next section describes Industrial DX.

We have upgraded the lineup of OPTiM AI Camera, an AI image analysis service that is the mainstay of Industrial DX service. As for OPTiM AI Camera, we have added a new function of automatic web page generation. This will allow users who do not own a website to publish their congestion status to the public. As for OPTiM AI Camera Enterprise, we have added new functions related to vehicle detection. This will make it possible to visualize congestion in parking lots, examine traffic volume on roads, monitor vehicle entry in factories, etc. The OPTiM AI Camera lineup is being adopted widely in various fields. As a cooperating company for the Tokyo Data Platform Case Study Project promoted by the Tokyo Metropolitan Government, we provided OPTiM AI Camera for the restaurant live camera service operated by Gurunavi, Inc. in AKIBA no AKIBA project, a demonstration experiment. In addition, we provide OPTiM AI Camera and OPTiM AI Camera Enterprise for the next-generation camera system that Mitsubishi Estate is introducing in the Marunouchi area. In this way, the use of OPTiM AI Camera is expanding as it can meet the needs of customers in various industries.

In the construction field, OPTiM Geo Scan, a smartphone 3D surveying application, is being introduced mainly by small and medium-sized companies from the perspective of reducing the cost of surveying equipment and shortening surveying time. Thanks to the high evaluation for such features, the system has also been adopted by the Kyushu Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism for the Digitalization of Disaster Assessment in Kumamoto Prefecture (a project under the jurisdiction of the prefecture).

In the agricultural field, we are preparing to market our agricultural DX services, and we have added new varieties to our new rice products produced in FY2021 of Smart Rice series, which are safe and secure rice grown using AI and drones with reduced use of pesticides, and are marketing them as Smart Rice 2022. In addition, as for the agricultural DX service, we are working on the development of services and other measures to expand sales.

In the medical field, the introduction of the hinotori™ Surgical Robot System (hereinafter referred to as hinotori™), the first made-in-Japan robotic assisted surgery system, is being promoted, and the Group continues to support its introduction in terms of software, including the Mediaroid Intelligent Network System (MINS), a platform for the network support system for hinotori™, develop peripheral services, and cooperate in things like enhancement and addition of functions in the current period.

In a research report published by Deloitte Tohmatsu MIC Research Institute Co., Ltd., the Group's AI solutions held the top share in the following eight categories: SaaS sales in SaaS market trends for sales trends by type of offering in FY2020 (FY2019 to FY2021), SaaS usage fee sales (FY2019 to FY2021), SaaS related services sales (FY2019 to FY2021), Sales of agriculture, forestry, and fisheries in sales trend by industry (FY2019 to FY2021), Medical sales (FY2019 to FY2021), Sales of less than 300 employees in sales trend by employee size (FY2019 to FY2021), Maintenance and inspection sales in sales trends by application (FY2019 to FY2021), and Diagnosis aid sales (FY2019 to FY2021) (*4)

Also, we held an online event called OPTiM INNOVATION 2021 to introduce our activities in various fields, as well as AI and IoT solutions that can be immediately applied to business. This year's event was held under the theme of DX that will change the way you work, with separate dates for each of the multiple industries our Group is involved in. The first session was OPTiM INNOVATION 2021 Construction for the construction industry, the second session was OPTiM INNOVATION 2021 Agri for the agriculture industry, and the third session was OPTiM INNOVATION 2021 Final for the office, retail, manufacturing, and medical industries, which was well received by many participants. By introducing solutions and case studies that realize DX in various industries to the participants of the event, we are promoting the Group's AI and IoT solutions.

As a result, consolidated operating results for the first nine months of the current fiscal year were as follows: net sales of 5,388,904,000 yen (up 12.2% year on year), operating profit of 824,392,000 yen (up 1.7% year on year), ordinary profit of 734,885,000 yen (down 28.2% year on year), and profit attributable to owners of parent of 436,497,000 yen (down 31.4% year on year).

Stock-type sales, centered on licenses, are progressing steadily, and sales of flow-type products are also progressing as planned for the year.

As for the Group's sales structure, sales are heavily weighted toward the second half of the fiscal year primarily due to the fact that stock-type license income is mainly generated through the sale on a monthly billing basis and that the acceptance period for flow-type customized sales tends to be concentrated in the second half of the fiscal year.

- *1 DX: Digital transformation. The concept is that the penetration of IT will change people's lives for the better in all aspects, meaning that companies will use technology to fundamentally change the performance and scope of their business.
- *2 Deloitte Tohmatsu MIC Research Institute Co., Ltd., Cloud Services Market Status and Outlook FY2013 Edition, IT Asset Management (including MDM) Market Total Sales, FY2011 to FY2012 Results (Published in 2013)/Collaboration/Contents and Mobile Management Package Software Market Outlook FY2014 Edition, MDM Market Trends, Number of IDs of MDM Shipments (Including SaaS and ASP), FY2013 Results (Published in 2014)/Collaboration/Contents and Mobile Management Package Software Market Outlook, MDM Market Trends, Number of IDs of MDM Shipments (Including SaaS and ASP), FY2014 to FY2017 Results (Published in 2015 to 2018)/Collaboration and Mobile Management Software Market Outlook, MDM Market Trends, Number of IDs of MDM Shipments (Including SaaS and ASP), FY2018 to FY2020 Results and FY2021 Forecast (Published in 2019 to 2021)
- *3 ERP: Abbreviation for Enterprise Resources Planning. It means a plan to process a company's core information and management resources in an integrated and real-time manner. Today, the term is also used to refer to core business systems that integrate the core business operations of a company for comprehensive management.
- *4 Source: Deloitte Tohmatsu MIC Research Institute Co., Ltd., Current Status and Future Prospects of the Image Recognition Solution Market Using AI (Deep Learning) [FY2021 Version]

(2) Explanation of Financial Position

Status of assets, liabilities and net assets

(Assets)

The balance of assets at the end of the third quarter of the current consolidated fiscal year was 5,863,124,000 yen, a decrease of 385,781,000 yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 579,018,000 yen in software, whereas a decrease of 629,908,000 yen in notes and accounts receivable-trade and contract assets.

(Liabilities)

The balance of total liabilities at the end of the third quarter of the current consolidated fiscal year was 1,075,097,000 yen, a decrease of 817,920,000 yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 264,779,000 yen in notes and accounts payable-trade and 520,536,000 yen in income taxes payable.

(Net assets)

The balance of net assets at the end of the third quarter of the current consolidated fiscal year was 4,788,027,000 yen, an increase of 432,138,000 yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 436,497,000 yen in retained earnings resulting from profit attributable to owners of parent.

(3) Notes on the Consolidated Financial Results Forecast and Other Forward-looking Information

For the consolidated financial results forecast for the fiscal year ending March 31, 2022, there is no change from the figures of the consolidated financial results forecast announced in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 dated May 14, 2021.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(1,000 yen)

	(As of March 31, 2021)	(As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	1,453,676	649,063
Notes and accounts receivable - trade	1,807,181	-
Notes and accounts receivable - trade, and contract assets	-	1,177,272
Inventories	101,376	146,960
Other	153,079	278,099
Total current assets	3,515,313	2,251,395
Non-current assets		
Property, plant and equipment	253,562	144,823
Intangible assets		
Software	671,005	1,250,023
Software in progress	131,510	203,670
Other	17,157	12,223
Total intangible assets	819,673	1,465,917
Investments and other assets		
Leasehold and guarantee deposits	336,116	665,091
Deferred tax assets	636,647	602,474
Other	687,592	733,423
Total investments and other assets	1,660,356	2,000,988
Total non-current assets	2,733,593	3,611,729
Total assets	6,248,906	5,863,124
Liabilities		
Current liabilities		
Notes and accounts payable - trade	612,195	347,416
Short-term borrowings	17,150	17,150
Income taxes payable	531,856	11,320
Provision for bonuses	135,322	148,915
Other provisions	23,054	17,335
Asset retirement obligations	-	55,248
Other	511,495	472,455
Total current liabilities	1,831,074	1,069,841
Non-current liabilities		
Asset retirement obligations	61,943	5,255
Total non-current liabilities	61,943	5,255
Total liabilities	1,893,017	1,075,097
Net assets		
Shareholders' equity		
Share capital	443,749	443,988
Capital surplus	727,880	728,120
Retained earnings	3,110,494	3,546,991
Treasury shares	(75,272)	(75,272)
Total shareholders' equity	4,206,852	4,643,828
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	52,861	52,861
Total accumulated other comprehensive income	52,861	52,861
Non-controlling interests	96,175	91,337
Total net assets	4,355,888	4,788,027
Total liabilities and net assets	6,248,906	5,863,124

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

For the nine months

(1,000 yen)

	For the nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	For the nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
Net sales	4,802,062	5,388,904
Cost of sales	1,773,675	2,349,013
Gross profit	3,028,387	3,039,890
Selling, general and administrative expenses	2,217,502	2,215,498
Operating profit	810,885	824,392
Non-operating income		
Interest income	54	3
Commission income	92,630	0
Insurance claim income	1,336	6,913
Subsidy income	-	269
Gain on investments in investment partnerships	125,946	-
Consumption tax gain	-	14,410
Miscellaneous income	6,488	4,057
Total non-operating income	226,456	25,656
Non-operating expenses		
Foreign exchange losses	2,901	45
Loss on retirement of non-current assets	-	2,802
Share of loss of entities accounted for using equity method	10,957	112,008
Loss on investments in investment partnerships	-	164
Miscellaneous losses	15	141
Total non-operating expenses	13,874	115,162
Ordinary profit	1,023,467	734,885
Profit before income taxes	1,023,467	734,885
Income taxes - current	346,927	264,852
Income taxes - deferred	39,610	34,173
Total income taxes	386,538	299,025
Profit	636,928	435,859
Profit (loss) attributable to non-controlling interests	673	(637)
Profit attributable to owners of parent	636,254	436,497

Quarterly Consolidated Statements of Comprehensive Income

For the nine months

(1,000 yen)

	For the nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	For the nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
Profit	636,928	435,859
Comprehensive income	636,928	435,859
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	636,254	436,497
Comprehensive income attributable to non-controlling interests	673	(637)

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

(Note in the event of a significant change in the amount of shareholders' equity)

Not applicable.

(Changes in significant subsidiaries during the nine months ended December 31, 2021)

Not applicable.

(Change in the scope of consolidation or application of the equity method)

Significant changes in the scope of application of the equity method

Effective from the first quarter of the current fiscal year, the newly established DXGoGo Inc., has been included in the scope of application of the equity method.

Effective from the third quarter of the current fiscal year, the newly invested Net Resource Management, Inc. has been included in the scope of application of the equity method.

(Change in accounting policy)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as "Revenue Recognition Accounting Standard") and other related standards from the beginning of the first quarter of the current fiscal year, and it will recognize revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

Regarding the application of the Revenue Recognition Accounting Standard, etc., the Company followed the transitional treatment prescribed in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard and calculated the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the first quarter of the current consolidated fiscal year, but there was no such cumulative effect and no impact on profit and loss for the first nine months of the current consolidated fiscal year.

Due to the application of the Revenue Recognition Accounting Standard, notes and accounts receivable-trade, which was included in current assets in the consolidated balance sheet for the previous fiscal year, is now included in notes, accounts receivable-trade and contract assets from the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the Company has not made any reclassifications based on the new presentation method for the previous consolidated fiscal year.

In accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on revenues from contracts with customers for the nine months ended December 31, 2020 has not been broken down.

(Changes in accounting estimates)

(Changes in the useful lives of tangible fixed assets)

During the second quarter of the current consolidated fiscal year, we decided to relocate the Tokyo head office. As a result of the relocation, the useful lives of fixed assets that will no longer be available for use have been reduced and this change will be applied proactively.

As a result of this change, each of operating profit, ordinary profit, and profit (loss) before income taxes for the first nine months of the current consolidated fiscal year decreased by 65,543,000 yen compared to the amounts based on the previous method.

(Segment information, etc.)

[Segment information]

I For the nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)

Since the Group's only business is the license sales and maintenance support service (Optimal) business, this information is omitted.

II For the nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)

Since the Group's only business is the license sales and maintenance support service (Optimal) business, this information is omitted.