

FY2022 3Q Results

OBIC BUSINESS CONSULTANTS CO., LTD
(Code No. 4733)

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1. Summary of Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2022



Summary of Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2022

Net Sales	25,444 million yen (up 20.0%)	<ul style="list-style-type: none"> ◆ Solution sales: up 3,712 million yen (up 50.9%) ◆ Service sales: up 350 million yen (up 3.0%) ◆ Total sales: up 4,249 million yen (up 20.0%)
Gross profit	21,325 million yen (up 20.3%)	<ul style="list-style-type: none"> ◆ Raw material costs (Azure, SQL, Bugyo-linked solutions): up 436 million yen ◆ Instructor subcontracting expenses: up 162 million yen
Operating profit	11,560 million yen (up 33.9%)	<ul style="list-style-type: none"> ◆ SG&A personnel expenses: up 204 million yen ◆ R&D expenses: up 242 million yen ◆ Advertising expenses: up 149 million yen ◆ Total selling, general and administrative expenses increased by 671 million yen
Ordinary profit	12,070 million yen (up 29.0%)	<ul style="list-style-type: none"> ◆ Stock sales (global offering) resulted in commissions paid of 216 million yen and dividends received of 709 million yen.
Profit	8,257 million yen (up 28.5%)	

Summary of Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2022

(Million yen)	3Q FY ended Mar. 2021		3Q FY ending Mar. 2022		YoY change (%)	
		Percentage of net sales (%)		Percentage of net sales (%)	Increase/Decrease	YoY change (%)
Net sales	21,195	100.0	25,444	100.0	4,249	20.0
Gross profit	17,724	83.6	21,325	83.8	3,600	20.3
SG&A expenses	9,093	42.9	9,764	38.4	671	7.4
Operating profit	8,631	40.7	11,560	45.4	2,929	33.9
Non-operating income and expenses	721	3.4	509	2.0	-212	-29.4
Ordinary profit	9,353	44.1	12,070	47.4	2,717	29.0
Profit	6,424	30.3	8,257	32.5	1,833	28.5

Net Sales by Segment

(Million yen)	3Q FY ended Mar. 2021		3Q FY ending Mar. 2022		
		Percentage of net sales (%)		Percentage of net sales (%)	YoY change (%)
Solutions	7,299	34.4	11,010	43.3	50.9
•Cloud (SaaS&IaaS)	1,397	6.6	2,730	10.7	95.4
•Cloud (Edge)	2,603	12.3	3,295	12.9	26.6
•On-premises	3,298	15.6	4,985	19.6	51.2
Related products	2,107	9.9	2,294	9.0	8.9
Services	11,789	55.6	12,139	47.7	3.0
•Maintenance contract	10,271	48.5	10,287	40.4	0.2
•Other	1,517	7.2	1,851	7.3	22.0
Total	21,195	100.0	25,444	100.0	20.0
Cloud total	4,000	18.9	6,025	23.7	50.6

Description of sales by product category

■ Solutions

- ✓ With the end of support for the Bugyo 8 series (April 2022), there has been an increase in upgrades to on-premise systems and migration to the cloud (Up to Cloud). Bugyo 8 Series 34k copies(as of the end of Dec. 2021)
- ✓ Increase in cloud sales mainly due to new orders
- ✓ Increase in Bugyo Cloud Edge sales, mainly for HR-related products

■ Related products

- ✓ Sales of Bugyo-linked solutions increased by 266 million yen

■ Services

- ✓ Maintenance contract fees for Bugyo increased slightly by 57 million yen partly due to the impact of Up to Cloud.
- ✓ Instructor instruction fees increased by 351 million yen

※1: The Accounting method for the following items has been changed from the fiscal year ending March 31, 2022, and the results for the fiscal year ended March 31, 2021, have been reclassified. (Figures are rounded down to the nearest million yen.)

- (1) Reclassification of Bugyo Cloud Edge, which was included in services, to solutions
- (2) Reclassification of Backup option, storage services, etc., which were included in services, to solutions
- (3) Reclassification of operation instruction sales, which were included in solutions, to services
- (4) Reclassification of some products, which were included in related products, to solutions

Reference: Changes in Sales by Product Category

Changes in sales by product category after the change in accounting method (cumulative total)

(Million yen)

	2019.3				2020.3				2021.3				2022.3		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Solutions	2,068	5,129	8,815	12,428	3,045	6,269	8,649	11,011	2,180	4,709	7,299	10,347	3,025	6,786	11,010
• Cloud (SaaS&IaaS)	114	239	396	588	222	482	777	1,119	396	857	1,397	2,011	733	1,621	2,730
• Cloud (Edge)	495	1,018	1,583	2,187	650	1,338	2,069	2,840	817	1,676	2,603	3,574	1,033	2,118	3,295
• On-premises	1,458	3,872	6,835	9,652	2,172	4,447	5,802	7,051	966	2,175	3,298	4,761	1,258	3,046	4,985
Related products	734	1,433	2,404	3,413	848	1,816	2,721	3,677	609	1,303	2,107	3,016	706	1,473	2,294
Services	3,166	6,449	10,024	13,683	3,667	7,568	11,455	15,380	3,807	7,767	11,789	15,888	3,957	8,005	12,139
• Maintenance contract	2,836	5,720	8,716	11,800	3,158	6,421	9,724	13,063	3,406	6,840	10,271	13,702	3,453	6,887	10,287
• Other	330	728	1,308	1,883	508	1,147	1,731	2,316	400	927	1,517	2,185	504	1,118	1,851
Total	5,969	13,012	21,244	29,525	7,561	15,654	22,826	30,068	6,597	13,780	21,195	29,252	7,688	16,265	25,444
※Cloud total	610	1,257	1,980	2,775	873	1,821	2,846	3,960	1,214	2,534	4,000	5,585	1,766	3,739	6,025

Shipment Volume by Software Package

(based on number of copies, including upgrades)

		3Q FY ended Mar.2021		3Q FY ended Mar.2022			YoY change	
(Unit : Copies)		Percentage of net sales (%)		Percentage of net sales (%)	YoY change (%)		Number of new copies (%)	Number of upgrades (%)
On-premises	Bugyo V ERP	853	9.5	797	4.6	-6.6	-66.0	78.9
	Bugyo i	1,812	20.1	2,284	13.3	26.0	-38.0	46.1
	NETWORK Edition※1	5,960	66.1	13,780	79.9	131.2	-19.5	184.4
	Standalone	385	4.3	376	2.2	-2.3	-7.4	100.0
	J System	9,010	100.0	17,237	100.0	91.3		
Subtotal								
Cloud	SaaS & IaaS※2	4,217		10,115		139.9		
Total		13,227		27,352		106.8		

※1: The new ERP is included in Network Edition (97 copies for 3Q of FY ended March 31, 2020 and 139 copies for 3Q of FY ending March 31, 2021)
 ※2: Including V ERP Smartplan

Reference: Average unit price by solution

On-premise models※2 (Initial)		Subscription-based models※3 (Annual contract)	
Bugyo V ERP	1,101,000 yen	Bugyo Cloud (SaaS)	160,000 yen
Bugyo i	213,000 yen	OBC Cloud Service (IaaS)	1,388,000 yen
		Bugyo Cloud Edge (SaaS)	112,000 yen

Description of Shipment Volume by Software Package

The reason for the new decrease in on-premises is that the cloud selection rate of new users has increased.

Compared to the previous term, the total of on-premises and cloud has increased by more than 30% in the cumulative 3Q.

※3: For on-premise models, calculated by dividing the monetary amount of orders received between April and December 2021 by the number of orders received.
 ※4: For subscription-based models, calculated by dividing MRR as of the end of December 2021 by the number of subscribers as of the end of December and multiplying the result by 12 months.

Breakdown of SG&A Expenses

(Million yen)	3Q FY ended Mar. 2021		3Q FY ending Mar. 2022		
		Percentage of net sales (%)		Percentage of net sales (%)	YoY change (%)
Net sales	21,195	100.0	25,444	100.0	20.0
SG&A expenses	9,093	42.9	9,764	38.4	7.4
Personnel	3,106	14.7	3,310	13.0	6.6
R&D	2,317	10.9	2,559	10.1	10.4
Advertising	607	2.9	756	3.0	24.5
Rent	508	2.4	515	2.0	1.4
Depreciation	280	1.3	246	1.0	-12.2
Other	2,272	10.7	2,375	9.3	4.6

Note: Growth rates represent year-on-year changes.

Description of changes in selling, general and administrative expenses

■ Personnel and R&D expenses

- ✓ Increase due to the addition of 63 new employees.

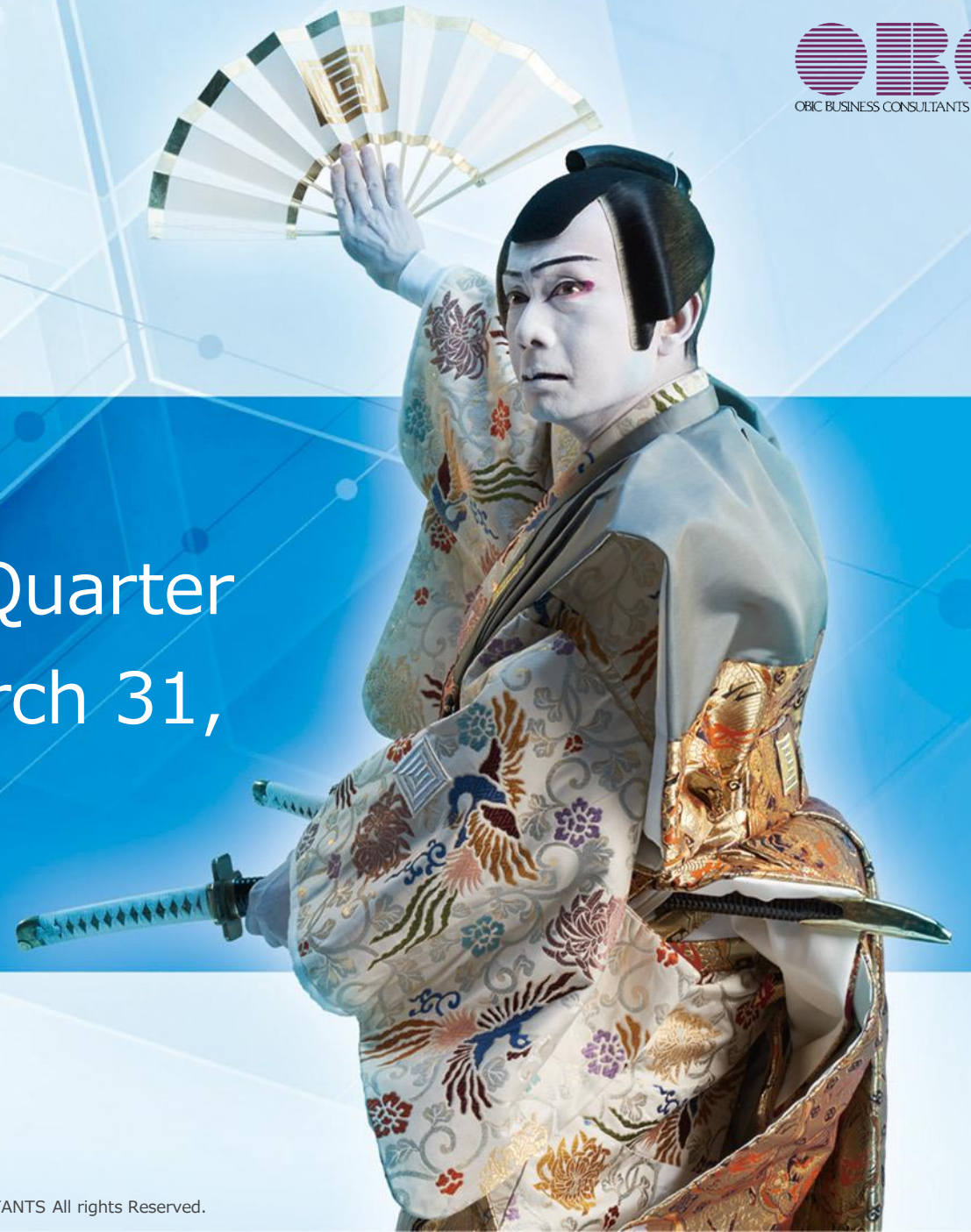
■ Advertising expenses

- ✓ Production of new commercials and increase in the number of broadcasts.

■ Other expenses

- ✓ Office supplies costs increased by 42 million yen due to the addition of remote booths at each base.
- ✓ Rent increased by 52 million yen due to enhancement of internal systems.

2. Key Indicators for the Third Quarter of the Fiscal Year Ending March 31, 2022



Key Indicators

Customer satisfaction survey※1



Nikkei Computer, September 2, 2021 issue
Customer satisfaction survey 2021 to 2022
1st place in ERP category

Recurring revenue rate※2

64.0%

Number of systems in operation※3

266 thousand systems

Contract retention rate※4

99.4%

ARR※5

22.7 billion yen

ARPU※6

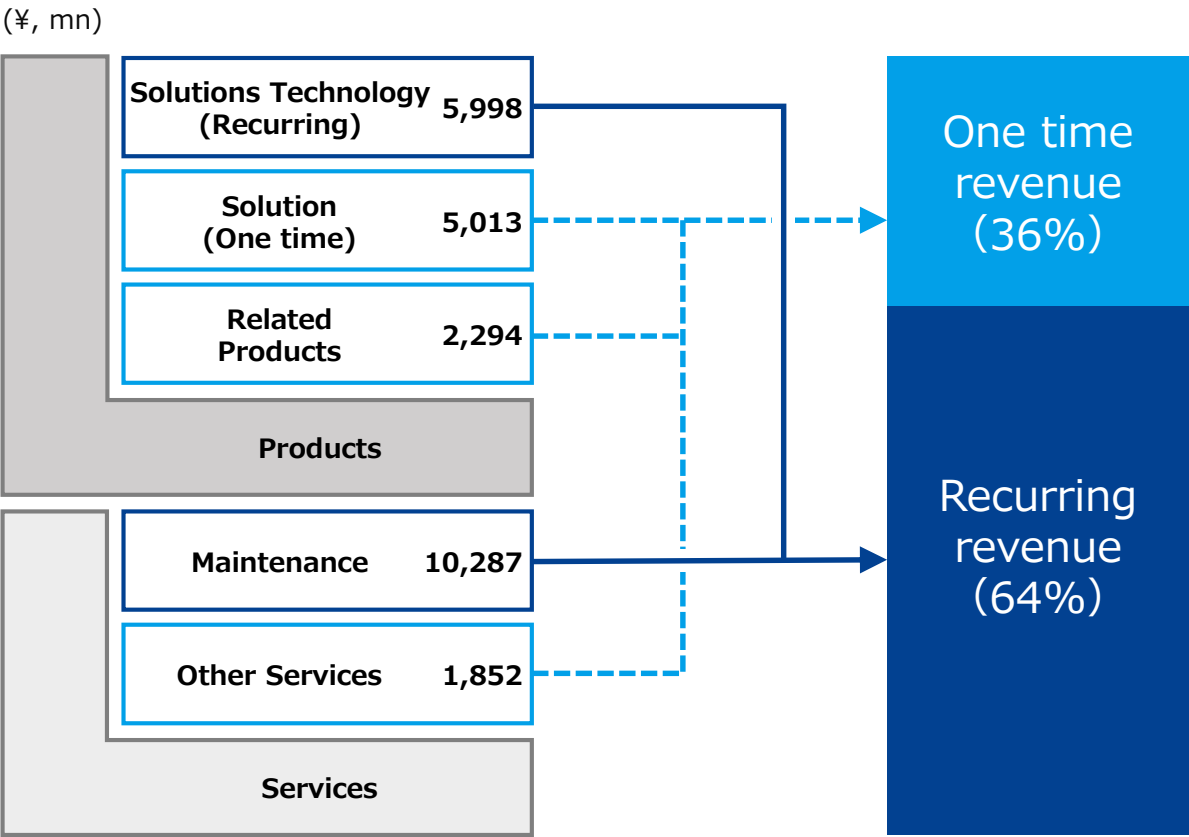
319 thousand yen

※1： Achieved the No.1 ranking in "ERP Software" for the "Nikkei Computer Customer Satisfaction Survey 2021-2022" ※2： As of December 31, 2021. Ratio of recurring revenue is calculated as recurring revenue divided by net sales. Recurring revenue is defined as the sum of sales from our software (consisting mainly of cloud-based software) and services (consisting mainly of OMSS) that is recognized over an applicable subscription period. This information is calculated on a management accounting basis ※3： Systems delivered with one or more licenses as a unit are counted as one system. As of December, 2021 ※4： As of September 30, 2021. Rate of contract renewals is calculated as one minus the cumulative monthly churn rate for our cloud-based software and services during the year, with churn rate calculated as the total revenue amount for canceled contracts during an applicable month divided by ARR for the previous month. Annual Recurring Revenue, or ARR, is calculated by multiplying monthly recurring revenue for the last month of the relevant period by 12. Monthly recurring revenue is the sum of sales from our Solutions Technology software (consisting mainly of cloud-based software) and Services (consisting mainly of OMSS) that are recognized over the applicable month. This information is calculated on a management accounting basis ※5： Annual Recurring Revenue, or ARR, is calculated by multiplying monthly recurring revenue for the last month of the relevant period by 12. Monthly recurring revenue is the sum of sales from our Solutions Technology software (consisting mainly of cloud-based software) and Services (consisting mainly of OMSS) that are recognized over the applicable month. This information is calculated on a management accounting basis. ※6： Average Revenue Per User, or ARPU, is calculated by multiplying the total monthly usage fees for cloud-based software offerings per month by 12, as of December 2021.

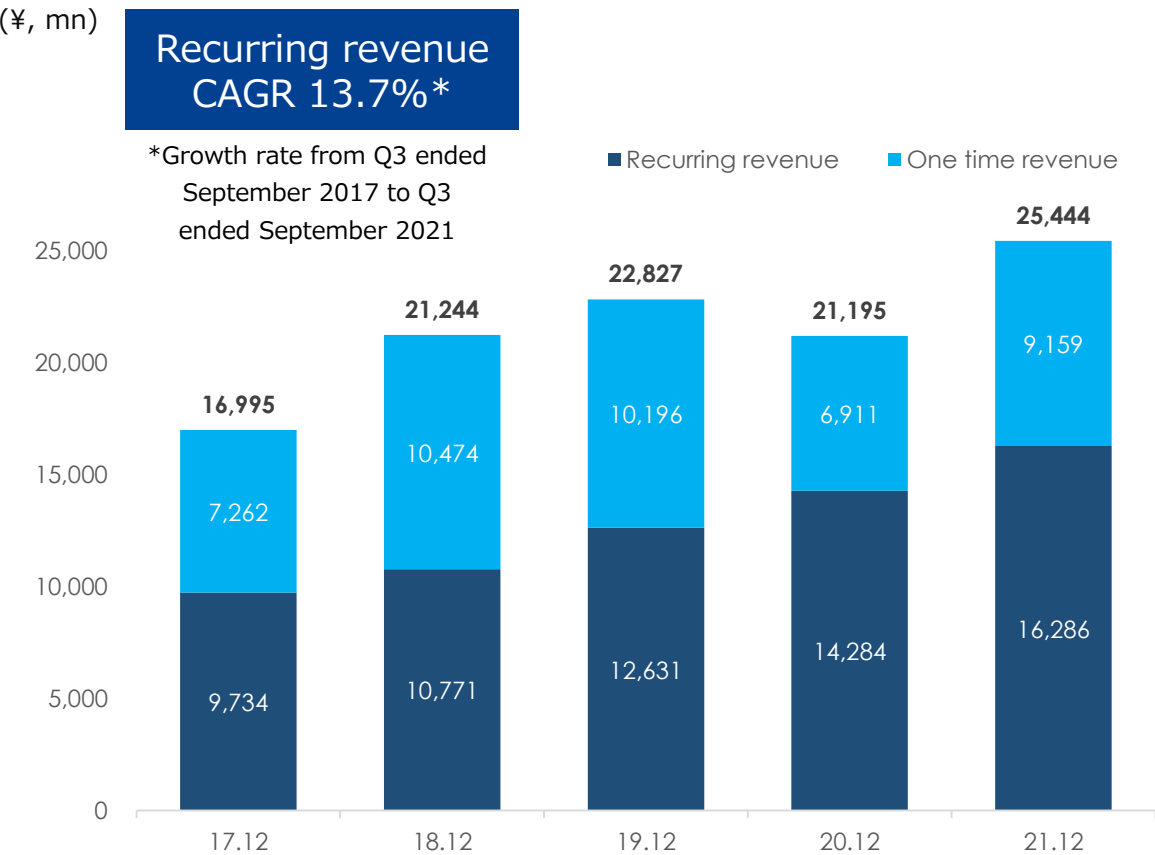
Recurring Revenue

Recurring revenue¹ accounts for 64% of profit, showing high stability

Sales composition ratio in the third quarter of the fiscal year ending March 31, 2022



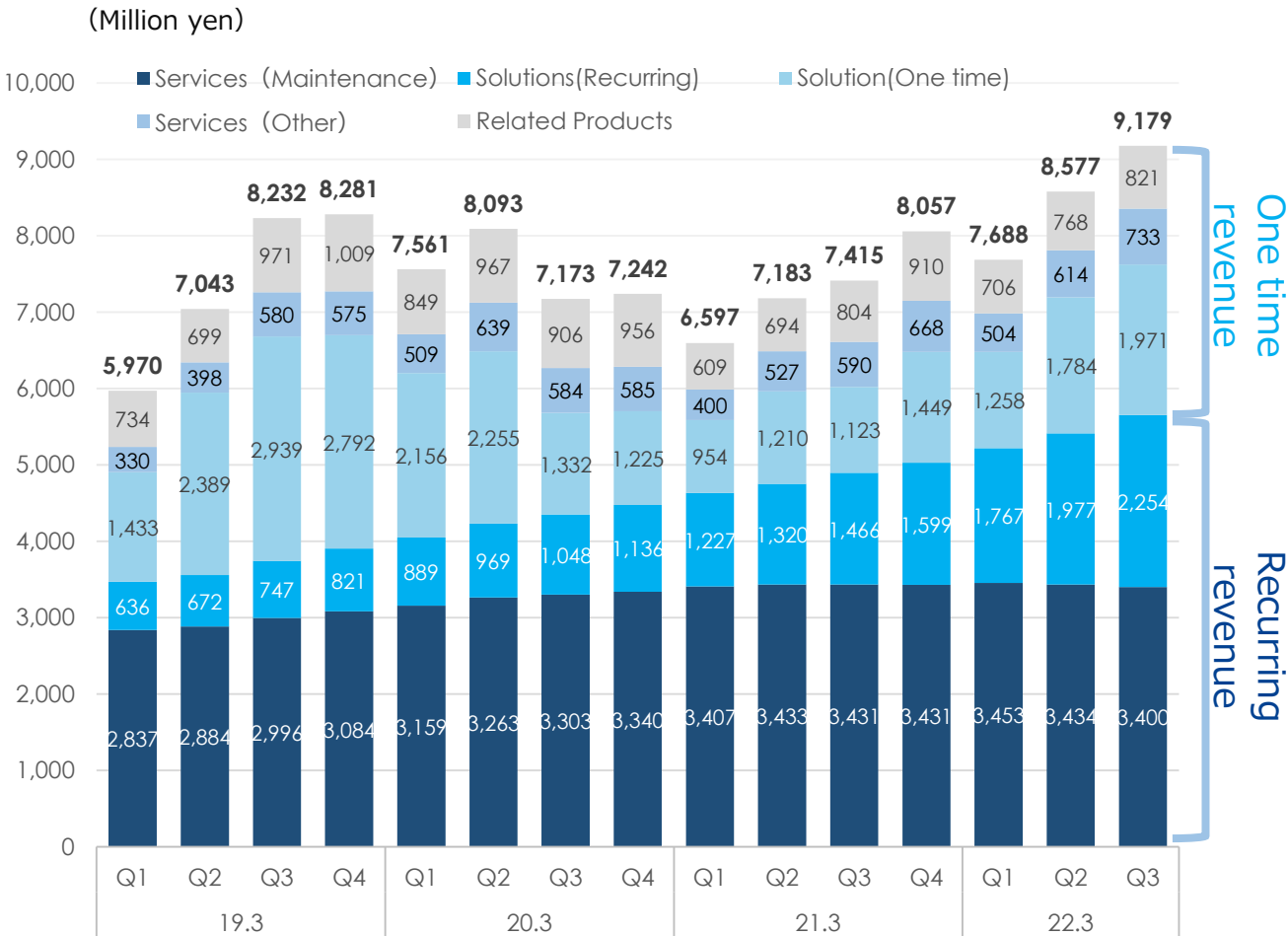
Steady growth in recurring revenue (Comparison as of the third quarter)



※1 : Recurring revenue is defined as the sum of sales from our software (consisting mainly of cloud-based software) and services (consisting mainly of OMSS) that is recognized over an applicable subscription period. This information is calculated on a management accounting basis. Rounded to the nearest million yen.

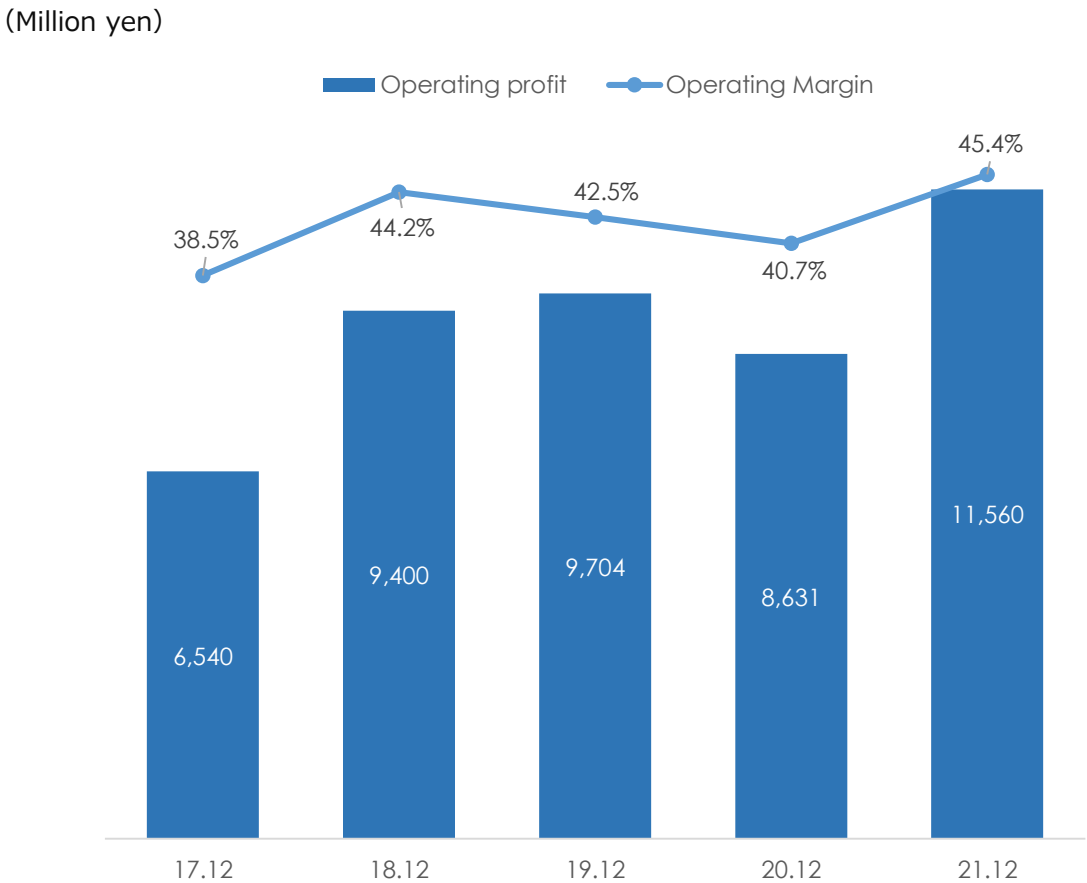
Changes in Net Sales and Operating Profit

Changes in net sales by business segment※1
(Quarterly basis)



※1: Rounded to the nearest million yen.

Changes in operating profit and operating margin※2
(Comparison as of the third quarter)

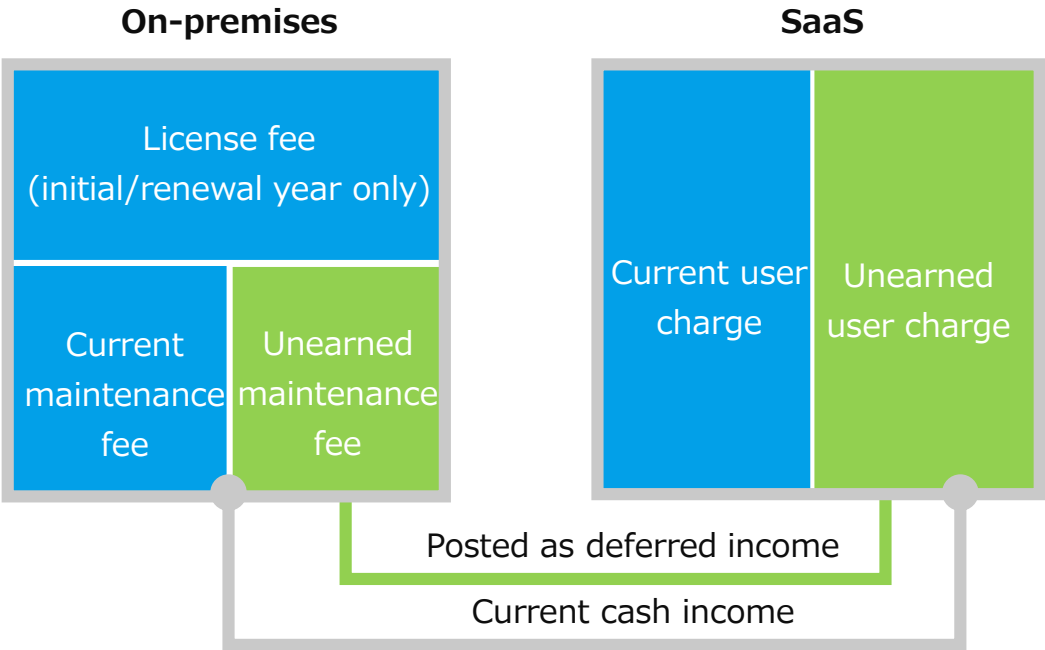


※2: Operating margin = Operating profit / Net sales

Link between Recurring Revenue and Unearned Revenue

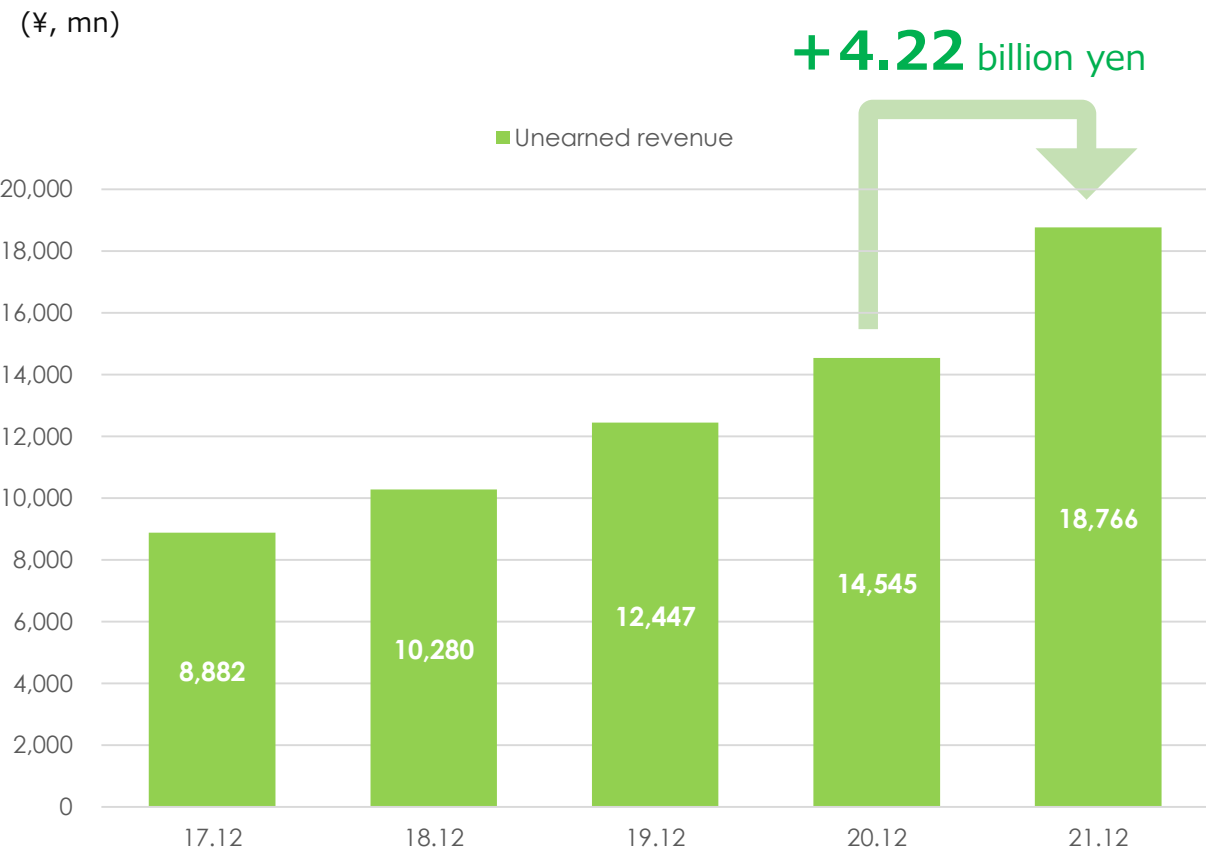
Increasing deferred income improves our ability to accurately predict future prospects

Earnings structure of on-premises and cloud



Single payment of license fees,
annual payment of maintenance/SaaS fees

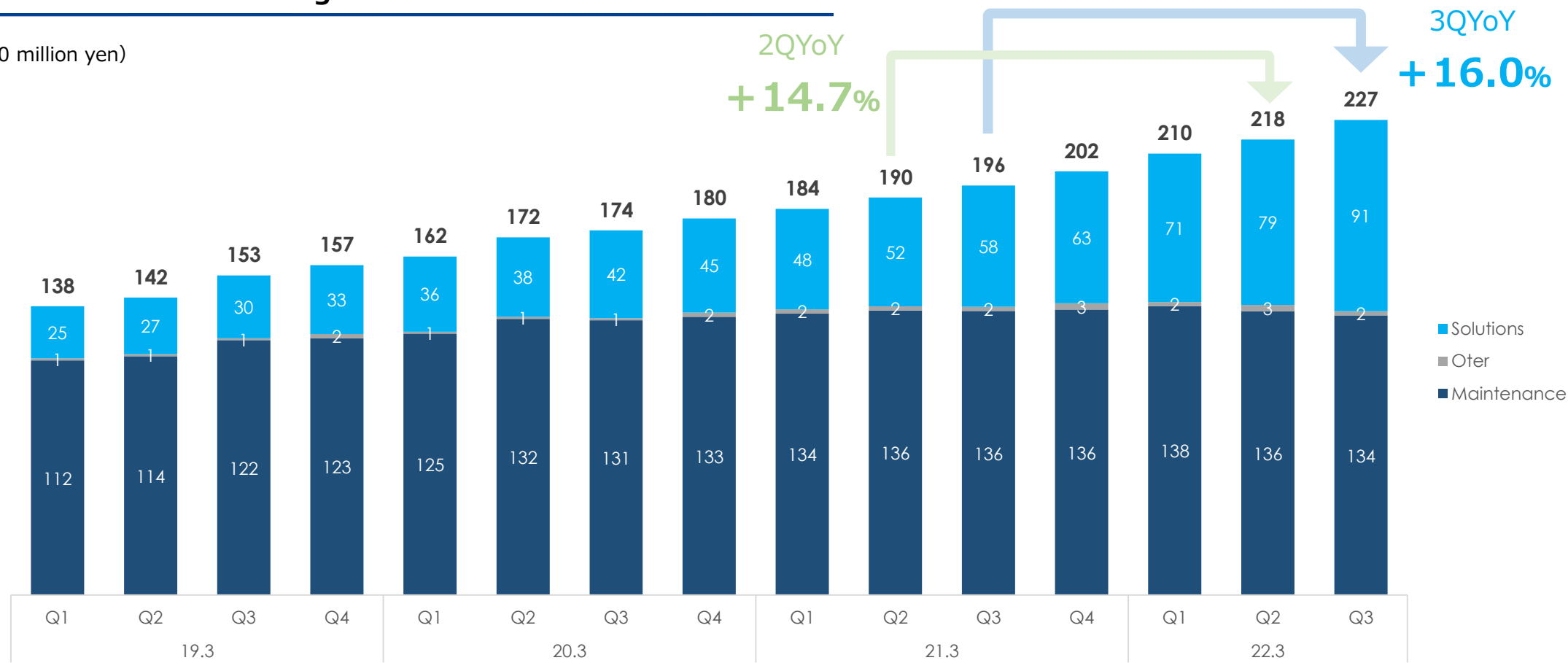
Changes in unearned revenue balance (Comparison as of the third quarter)



Changes in ARR

Breakdown of ARR changes※1

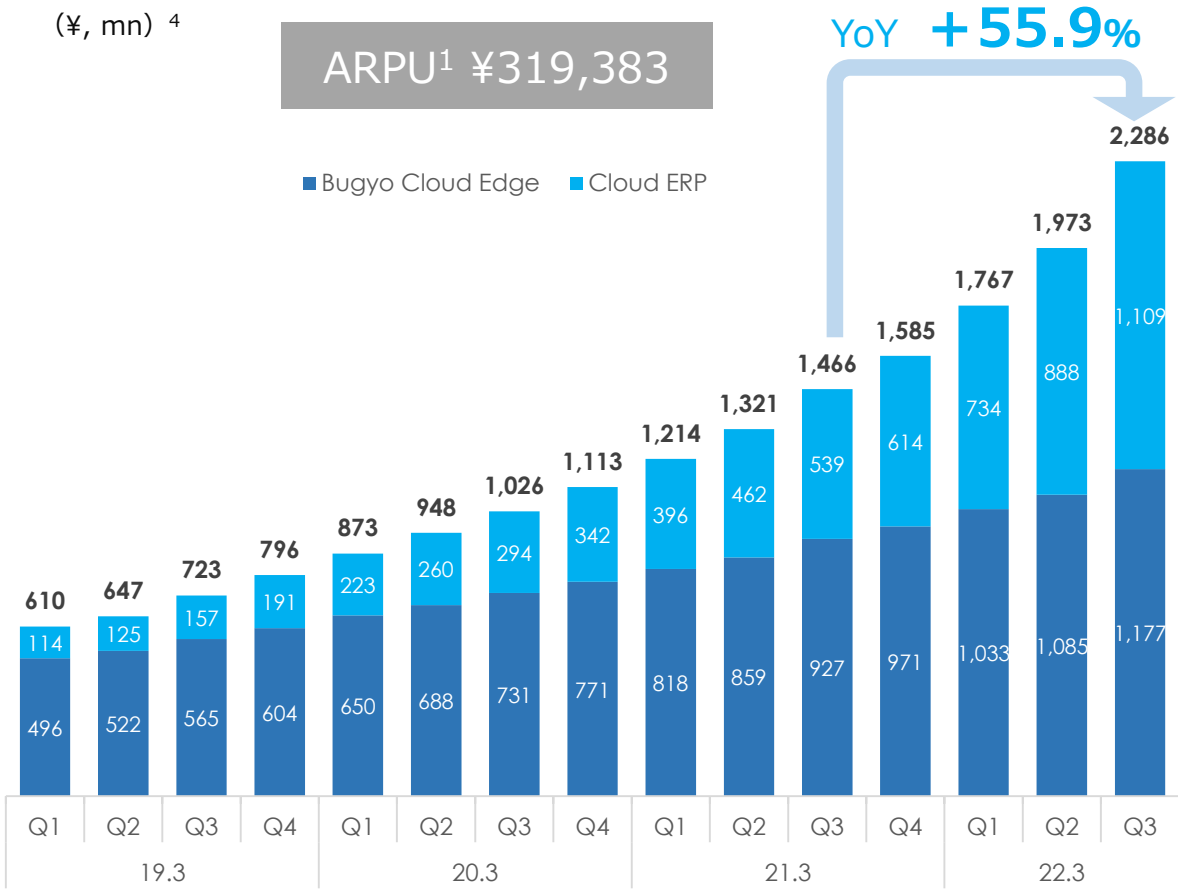
(100 million yen)



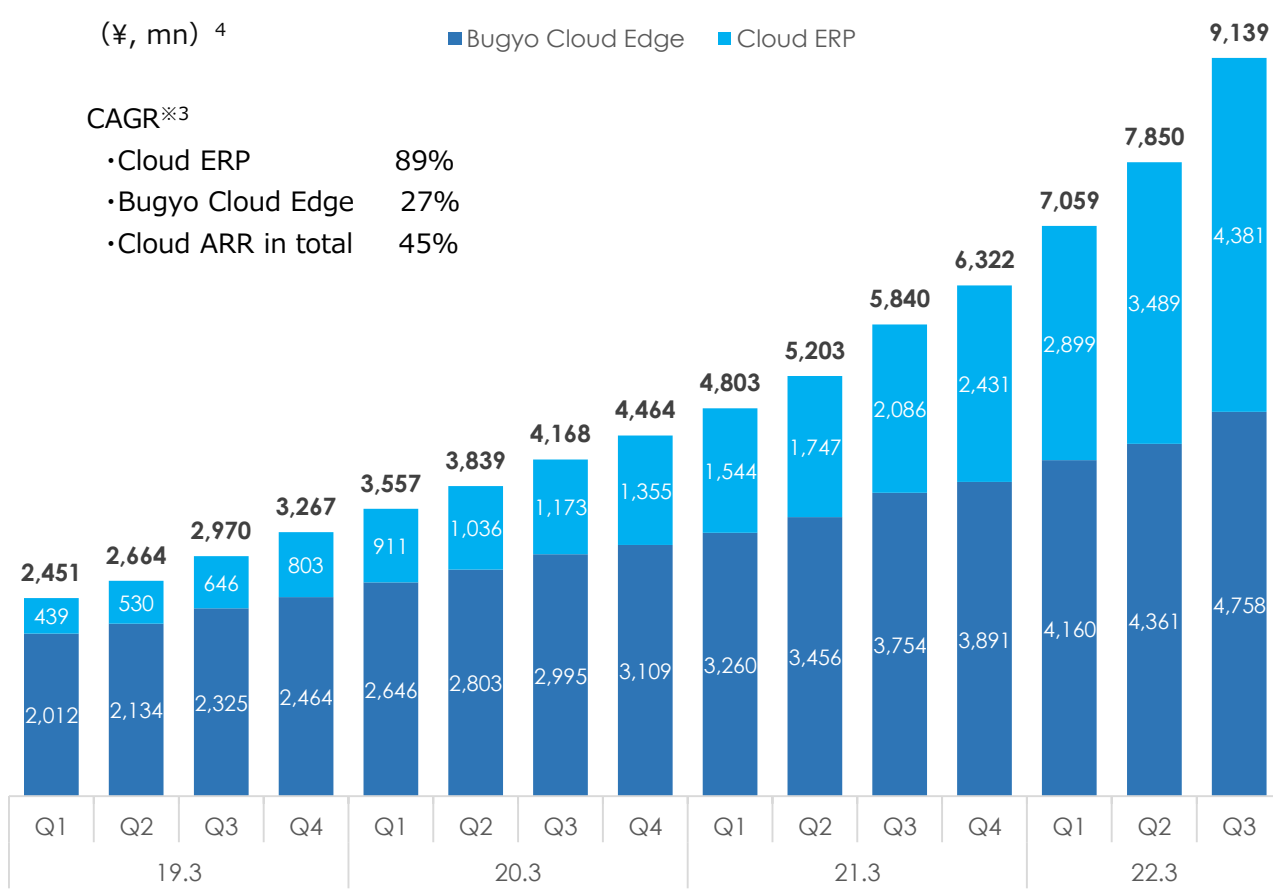
※1 : Annual Recurring Revenue, or ARR, is calculated by multiplying monthly recurring revenue for the last month of the relevant period by 12. Monthly recurring revenue is the sum of sales from our Solutions Technology software (consisting mainly of cloud-based software) and Services (consisting mainly of OMSS) that are recognized over the applicable month. This information is calculated on a management accounting basis. Rounded to the nearest 100 million yen.

Track Record of Cloud Revenue

Track record of cloud revenue for each quarter



Track record of cloud ARR²



※1: Average Revenue Per User, or ARPU, is calculated by multiplying the total monthly usage fees for cloud-based software offerings per month by 12, as of December 2021. ※2: Cloud Annual Recurring Revenue, or Cloud ARR, is calculated by multiplying monthly recurring revenue from our cloud-based software for the last month of the relevant period by 12. This information is calculated on a management accounting basis. ※3: Growth rate from Q3 of FY2019 ended March 31, 2019 to Q3 of FY2022 ending March 31, 2022 ※4: Rounded to the nearest million yen.

Appendix



Differentiation ①: Security and Worry-free with Native Development of Microsoft Cloud Technologies

1. World-class security

Disaster recovery measures can be realized only at Microsoft's domestic data centers.

- ✓ Compliant with the laws of Japan
- ✓ Contribute to business continuity planning and disaster recovery (BCP/DR※) measures

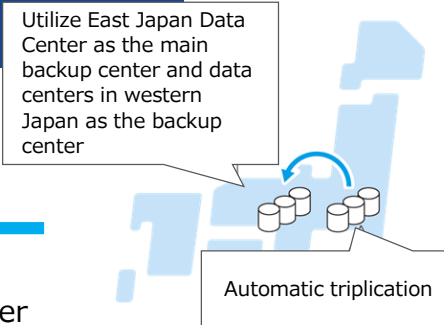
※DR: Disaster Recovery

Guarantee monthly operating rate of 99.9%※1

- ✓ Committed to monthly operation rate with SLA※2 of Microsoft Azure

※1 Monthly operation rate of the Azure SQL Database adopted by Bugyo Cloud

※2 Service level agreement



Robust data protection through encryption

- Encryption of all data
- All communications are protected by SSL.



Secure Access through OBCiD



24 hours a day, 365 days a year operation monitoring fully prepared for threats

- Conducting periodic vulnerability assessments
- Installation of WAF (Web Application Firewall)



- Password policy setting
- Single sign-on to multiple products

Operates in 140 countries worldwide in compliance with international standards

Microsoft Azure is used by more than 20 million companies in 140 countries and meets international industry-specific compliance standards such as ISO 27001, HIPAA, FedRAMP, SOC1 and SOC2.



Obtained international certification SOC1 and SOC2 reports

Bugyo Cloud has obtained the SOC1 Type2 report for internal control over financial reporting and the SOC2 Type2 report for internal control over security.

2. Ensuring data reliability

Data reliability is of utmost importance. By adopting the cloud platform, SQL database and cloud development environment (PaaS) provided by Microsoft Azure, we ensure continuous data reliability.

3. Reaping the benefits of R&D investment

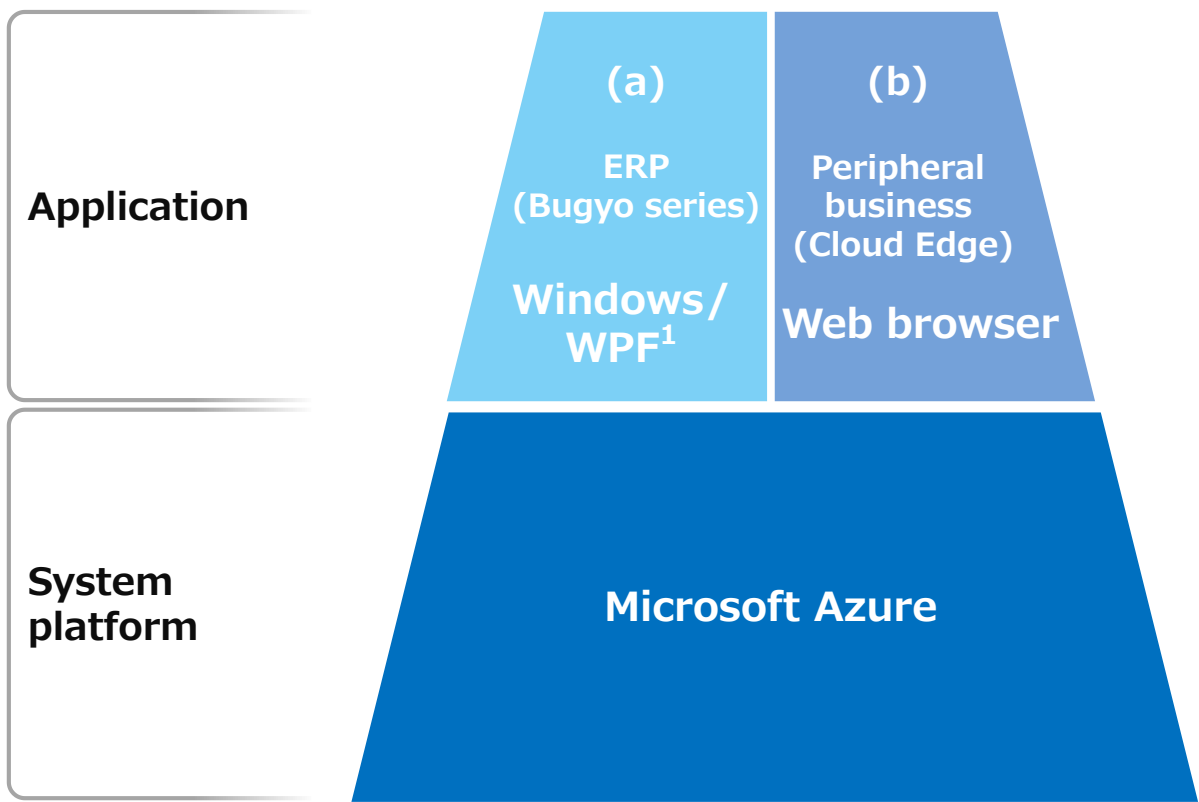
Bugyo Cloud and Bugyo Cloud Edge products automatically benefit from the hundreds of billions of dollars in research and development that Microsoft invests every year.

4. Ease of using Windows applications

The user interface is designed with Windows applications in mind and provides functionality and operability that is as precise as or more precise than on-premise.

Differentiation ② Implement Native Cloud Development Using Open Web Applications Based on Microsoft Azure

System architecture of OBC products



Features of OBC systems

Higher quality	Responding to high-level operations Functionality, speed, and operability
Anytime, anywhere	Responding to the diversity of work environments Telework Responding to a variety of work styles
Connect/spread	Realizing the digitization of business operations Automatic data integration API Economy
Professional license	Professional support Provide dedicated licenses as standard offering

※1: WPF: Microsoft Windows Presentation Foundation

Differentiation ③

Target Customers and Market Characteristics

	Customer size	Key players ²	Key sales routes	Market needs
Employees 1,000	< 10,000 offices ¹	<ul style="list-style-type: none"> ■ Global ERP ■ ERP for large-sized Japanese corporations 	<ul style="list-style-type: none"> ■ Major system integrators ■ Direct sale from vendors 	<ul style="list-style-type: none"> ■ Multifunctionality ■ Customizability
	OBC's focus area Bugyo VERP Bugyo Cloud Bugyo i Series c. 550,000 offices ¹	<ul style="list-style-type: none"> ■ ERP for mid-sized Japanese corporations ■ Business applications for SMEs 	<ul style="list-style-type: none"> ■ Major/mid-sized/local system integrators ■ System dealers 	<ul style="list-style-type: none"> ■ Ability to select functions ■ Extensibility of functions ■ Connectivity with other systems
20	Bugyo Cloud iE/Bugyo J > 4,750,000 offices ¹	<ul style="list-style-type: none"> ■ Cloud SaaS ERP ■ Applications / tax returns for small businesses and sole proprietorships 	<ul style="list-style-type: none"> ■ Online sales ■ Tax/financial accountant offices ■ Local financial institutions 	<ul style="list-style-type: none"> ■ Basic functions ■ Ease of implementation

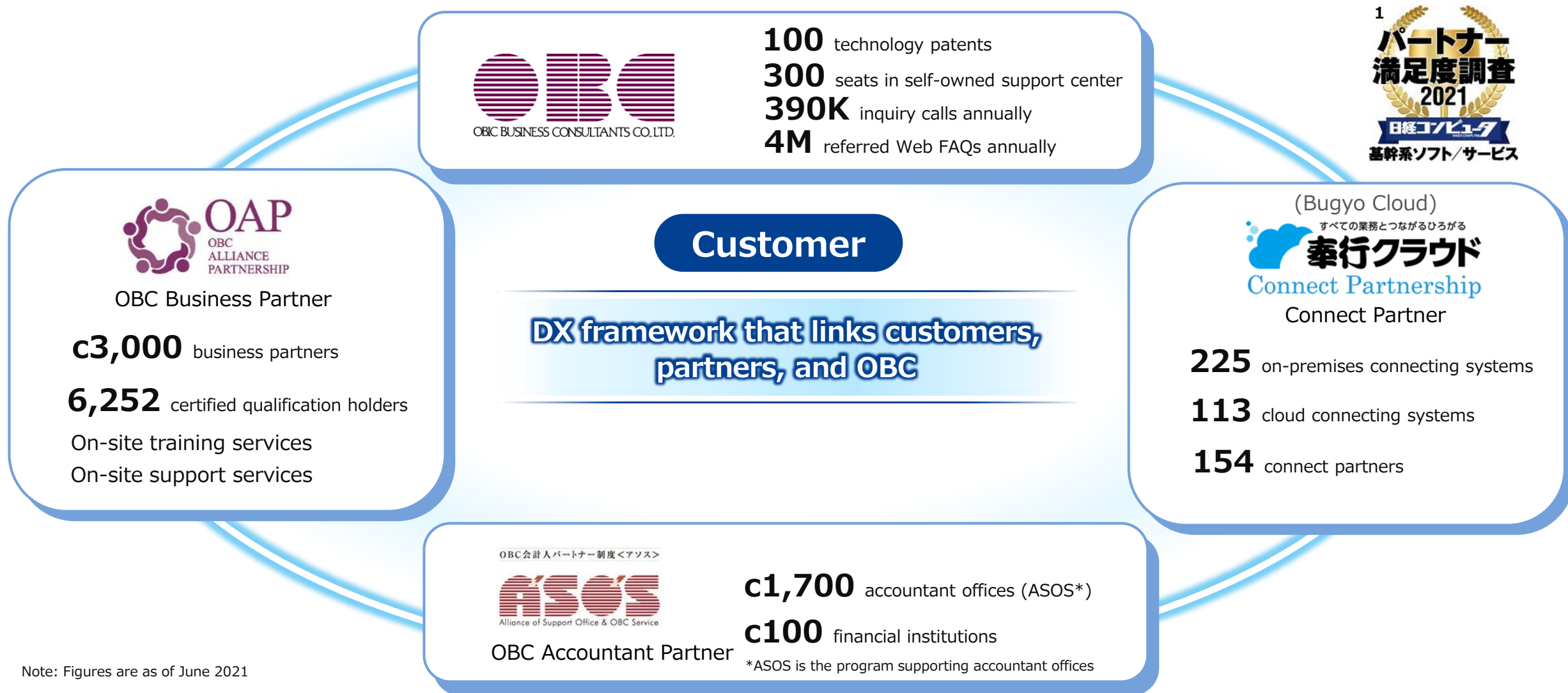
Note: The sizes of the above rectangles have no relation to market size

※1 : Partial estimates from MIC and METI's "2016 Economic Census for Business Activity"

※2 : Fuji Chimera Research Institute categorizations

Differentiation ④

Strong Partner Ecosystem with Three Partner Programs



Note: Figures are as of June 2021

※1: Achieved the No.1 ranking in "Partner satisfaction survey 2021 ERP software/services division in the Nikkei Computer 2021/02/18"



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