

FY2023 1Q Results

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

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1. Summary of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023



Summary of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023

Net Sales	8,343 million yen (up 8.5%)	<ul style="list-style-type: none"> ◆ Solution sales: up 697 million yen (up 23.1%) ◆ Service sales: down 70 million yen (up 1.8%) ◆ Total sales: up 655 million yen (up 8.5%)
Gross profit	6,963 million yen (up 7.6%)	<ul style="list-style-type: none"> ◆ Raw material costs (Azure, SQL, Bugyo-linked solutions): up 81 million yen ◆ Instructor subcontracting expenses: up 40 million yen
Operating profit	3,674 million yen (up 14.1%)	<ul style="list-style-type: none"> ◆ SG&A personnel expenses: down 18 million yen ◆ R&D expenses: up 14 million yen ◆ Exhibition expenses: up 32 million yen ◆ Total selling, general and administrative expenses increased by 39 million yen
Ordinary profit	3,920 million yen (up 14.1%)	<ul style="list-style-type: none"> ◆ Dividends received of 250 million yen.
Profit	2,700 million yen (up 14.0%)	

Summary of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023

(Million yen)	1Q FY ended Mar. 2022		1Q FY ending Mar. 2023		YoY change	
		Percentage of net sales (%)		Percentage of net sales (%)	Increase/Decrease	YoY change (%)
Net sales	7,688	100.0	8,343	100.0	655	8.5
Gross profit	6,470	84.2	6,963	83.5	492	7.6
SG&A expenses	3,249	42.3	3,288	39.4	39	1.2
Operating profit	3,221	41.9	3,674	44.0	452	14.1
Non-operating income and expenses	215	2.8	245	2.9	30	14.2
Ordinary profit	3,437	44.7	3,920	47.0	483	14.1
Profit	2,368	30.8	2,700	32.4	331	14.0

Net Sales by Segment

(Million yen)	1Q FY ended Mar. 2022		1Q FY ending Mar. 2023		
		Percentage of net sales (%)		Percentage of net sales (%)	YoY change (%)
Solutions	3,025	39.3	3,722	44.6	23.1
•Cloud (SaaS&IaaS)	733	9.5	1,468	17.6	100.2
•Cloud (Edge)	1,033	13.4	1,320	15.8	27.8
•On-premises	1,258	16.4	933	11.2	-25.8
Related products	706	9.2	734	8.8	4.0
Services	3,957	51.5	3,886	46.6	-1.8
•Maintenance contract	3,453	44.9	3,291	39.4	-4.7
•Other	504	6.6	595	7.1	18.0
Total	7,688	100.0	8,343	100.0	8.5
Cloud total	1,766	23.0	2,789	33.4	57.9

Description of sales by product category

■ Solutions

- ✓ Cloud sales increased
 - Increase in Bugyo Cloud Edge sales, mainly for HR-related products
 - Increased number of related services to comply with the revised Electronic Bookkeeping Act
- ✓ On-premises sales increased
 - Decrease in demand for version upgrades due to the end of support for Bugyo 8 series (June 2022)
 - Decrease in initial revenue due to switch to VERP Smart plan

■ Related products

- ✓ Sales of other companies' products linked with the Bugyo series increased by 25 million yen

■ Services

- ✓ Maintenance contract fees for Bugyo decreased by 149 million yen
- ✓ Instructor instruction fees income increased by 97 million yen

Reference: Changes in Sales by Product Category

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

(Million yen)

	2020.3							2021.3							2022.3							2022.3
	Q1	Q2	H1	Q3	Q4	H2	FY	Q1	Q2	H1	Q3	Q4	H2	FY	Q1	Q2	H1	Q3	Q4	H2	FY	Q1
Solutions	3,045	3,224	6,269	2,380	2,361	4,741	11,011	2,180	2,529	4,709	2,589	3,048	5,637	10,347	3,025	3,761	6,786	4,224	4,308	8,533	15,319	3,722
· Cloud (SaaS&IaaS)	222	260	482	294	342	636	1,119	396	461	857	539	614	1,153	2,011	733	887	1,621	1,108	1,317	2,425	4,047	1,468
· Cloud (Edge)	650	687	1,338	731	771	1,502	2,840	817	859	1,676	926	970	1,897	3,574	1,033	1,085	2,118	1,176	1,249	2,426	4,544	1,320
· On-premises	2,172	2,275	4,447	1,354	1,248	2,603	7,051	966	1,208	2,175	1,123	1,463	2,586	4,761	1,258	1,788	3,046	1,939	1,742	3,681	6,727	933
Related products	848	967	1,816	905	955	1,861	3,677	609	693	1,303	804	909	1,713	3,016	706	767	1,473	820	860	1,681	3,154	734
Services	3,667	3,901	7,568	3,886	3,925	7,811	15,380	3,807	3,959	7,767	4,021	4,099	8,120	15,888	3,957	4,048	8,005	4,133	4,144	8,277	16,283	3,886
· Maintenance contract	3,158	3,262	6,421	3,302	3,339	6,642	13,063	3,406	3,433	6,840	3,431	3,430	6,862	13,702	3,453	3,434	6,887	3,399	3,360	6,760	13,647	3,291
· Other	508	638	1,147	583	585	1,169	2,316	400	526	927	590	668	1,258	2,185	504	614	1,118	733	784	1,517	2,635	595
Total	7,561	8,092	15,654	7,172	7,241	14,414	30,068	6,597	7,183	13,780	7,415	8,056	15,471	29,252	7,688	8,577	16,265	9,178	9,313	18,492	34,757	8,343
※Cloud total	873	948	1,821	1,025	1,113	2,138	3,960	1,214	1,320	2,534	1,465	1,584	3,050	5,585	1,766	1,973	3,739	2,285	2,566	4,852	8,591	2,789

Shipment Volume by Software Package (based on number of copies, including upgrades)

(Unit : Copies)	1Q FY ended Mar.2022		1Q FY ending Mar.2023			YoY change		
		Percentage of net sales (%)		Percentage of net sales (%)	YoY change (%)	Number of new copies (%)	Number of upgrades (%)	
On-premise:	Bugyo V ERP	319	8.3	68	2.3	-78.7	-70.7	-81.1
	Bugyo i NETWORK Edition ^{※1}	399	10.4	482	16.5	20.8	15.7	21.6
	Standalone	2,988	77.7	2,272	78.0	-24.0	-2.4	-26.3
	J System	137	3.6	93	3.2	-32.1	-28.7	-87.5
	Subtotal	3,843	100.0	2,915	100.0	-24.1	-16.3	-25.4
Cloud	SaaS & IaaS^{※2}	2,047		2,713		32.5		
	Total	5,890		5,628		-4.4		

※1: The new ERP is included in Network Edition (16 copies of 1Q FY ended March 31, 2022 and 31 copies of 1Q FY ending March 31, 2023)

※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	763,000 yen	Bugyo Cloud (SaaS)	170,000 yen
Bugyo i	235,000 yen	OBC Cloud Service, V ERP Smart Plan	1,705,000 yen
		Bugyo Cloud Edge (SaaS)	119,000 yen

※3: For on-premise models, calculated by dividing the monetary amount of orders received between April 2022 and June 2022 by the number of orders received.

※4: For subscription-based models, calculated by dividing MRR as of the end of June 2022 by the number of subscribers as of the end of March and multiplying the result by 12 months.

Breakdown of SG&A Expenses

(Million yen)	1Q FY ended Mar. 2022		1Q FY ending Mar. 2023		
		Percentage of net sales (%)		Percentage of net sales (%)	YoY change (%)
Net sales	7,688	100.0	8,343	100.0	8.5
SG&A expenses	3,249	42.3	3,288	39.4	1.2
Personnel	1,091	14.2	1,072	12.9	-1.7
R&D	807	10.5	821	9.8	1.7
Advertising	288	3.7	282	3.4	-2.1
Rent	180	2.3	174	2.1	-3.0
Depreciation	81	1.1	80	1.0	-1.3
Other	799	10.4	856	10.3	7.1

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

Description of changes in selling, general and administrative expenses

■ Personnel and R&D expenses

- ✓ Reclassification of a portion of Personnel expenses as cost of sales
- ✓ Remained at the same level due to slight increase in number of employees

■ Other expenses

- ✓ Exhibition expenses increased by 32 million yen due to the implementation of Real events for partners
- ✓ Travel and transportation expenses increased by 10 million yen due to an increase in real sales activities

2. Key Indicators for the First Quarter of the Fiscal Year Ending March 31, 2023



Key Indicators

Customer satisfaction survey^{※1}



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

Contract retention rate^{※4}

99.0%

Recurring revenue rate^{※2}

73.1%

ARR^{※5}

24.4 billion yen

Number of systems in operation^{※3}

269 thousand systems

ARPU^{※6}

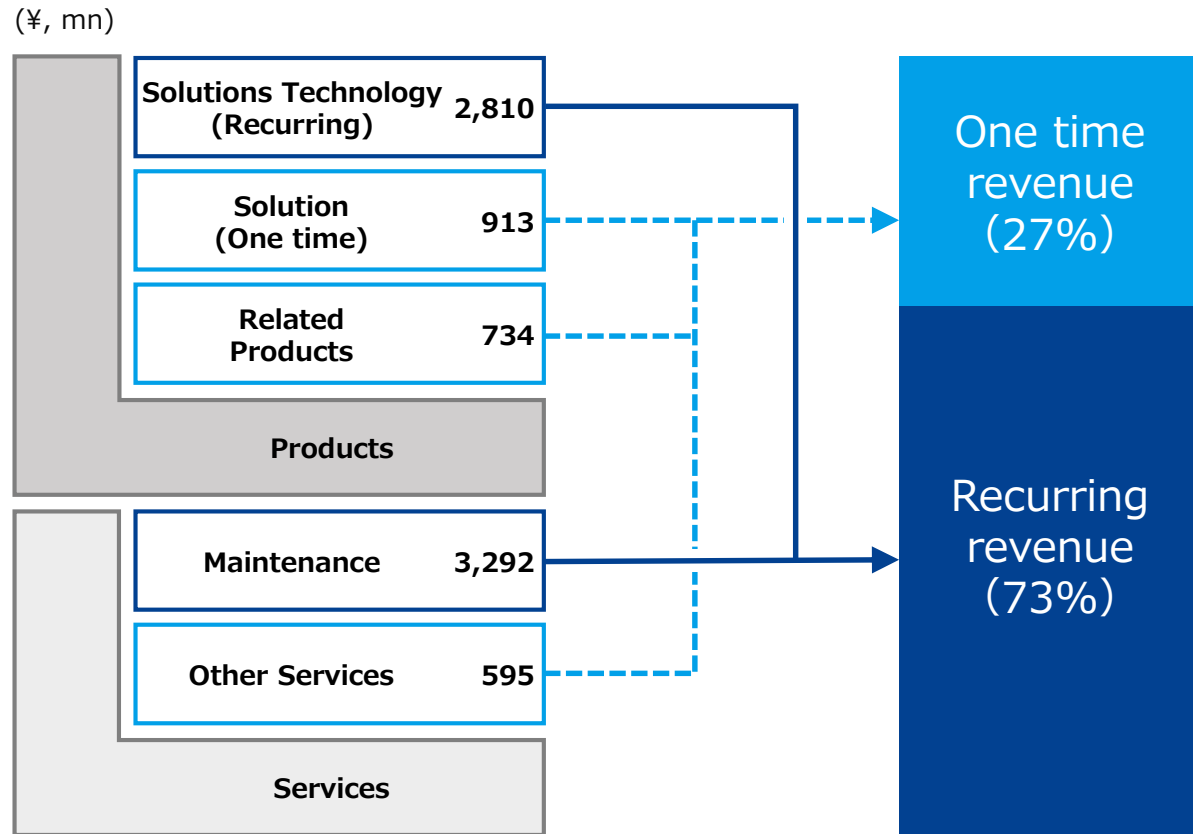
327 thousand yen

※1 : Achieved the No.1 ranking in "ERP Software" for the "Nikkei Computer Customer Satisfaction Survey 2021-2022" ※2 : As of June 30, 2022. 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 June, 2022 ※4 : As of March 31, 2022. 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 June 2022.

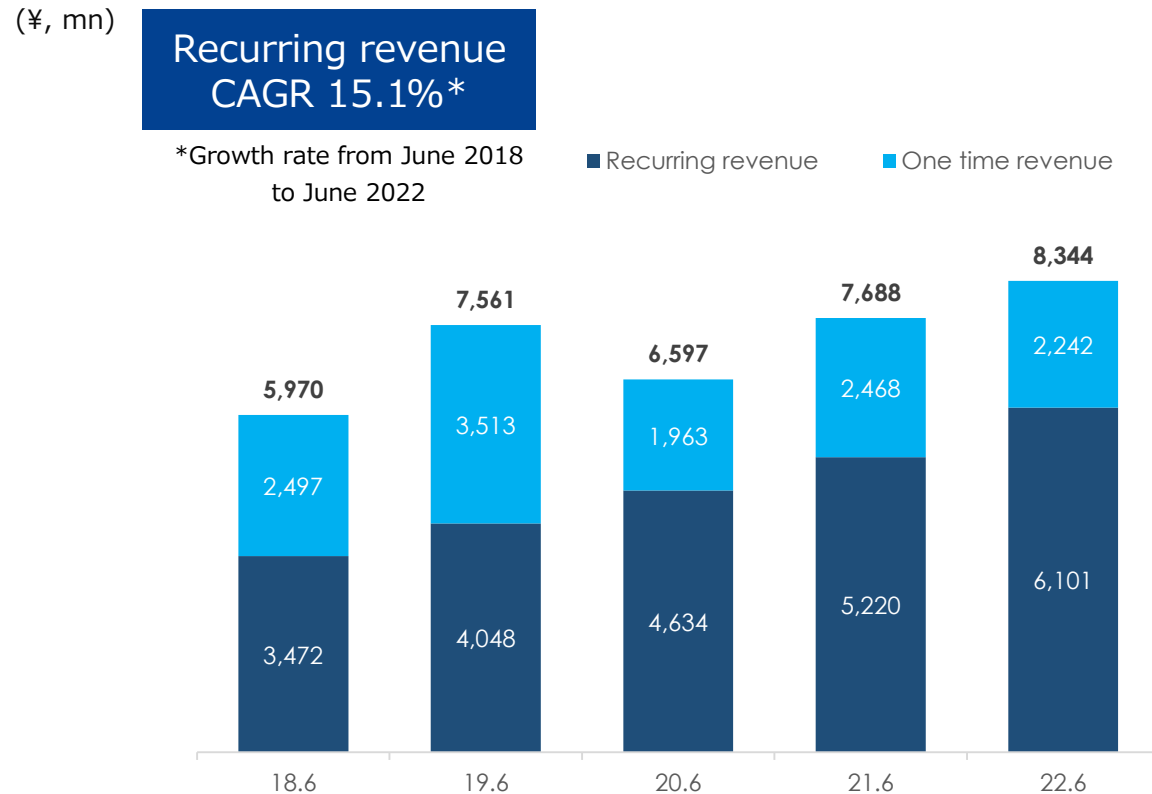
Recurring Revenue

Recurring revenue¹ accounts for 73% of profit, showing high stability

Sales composition ratio for the year ended June 30, 2022



Steady growth in recurring revenue

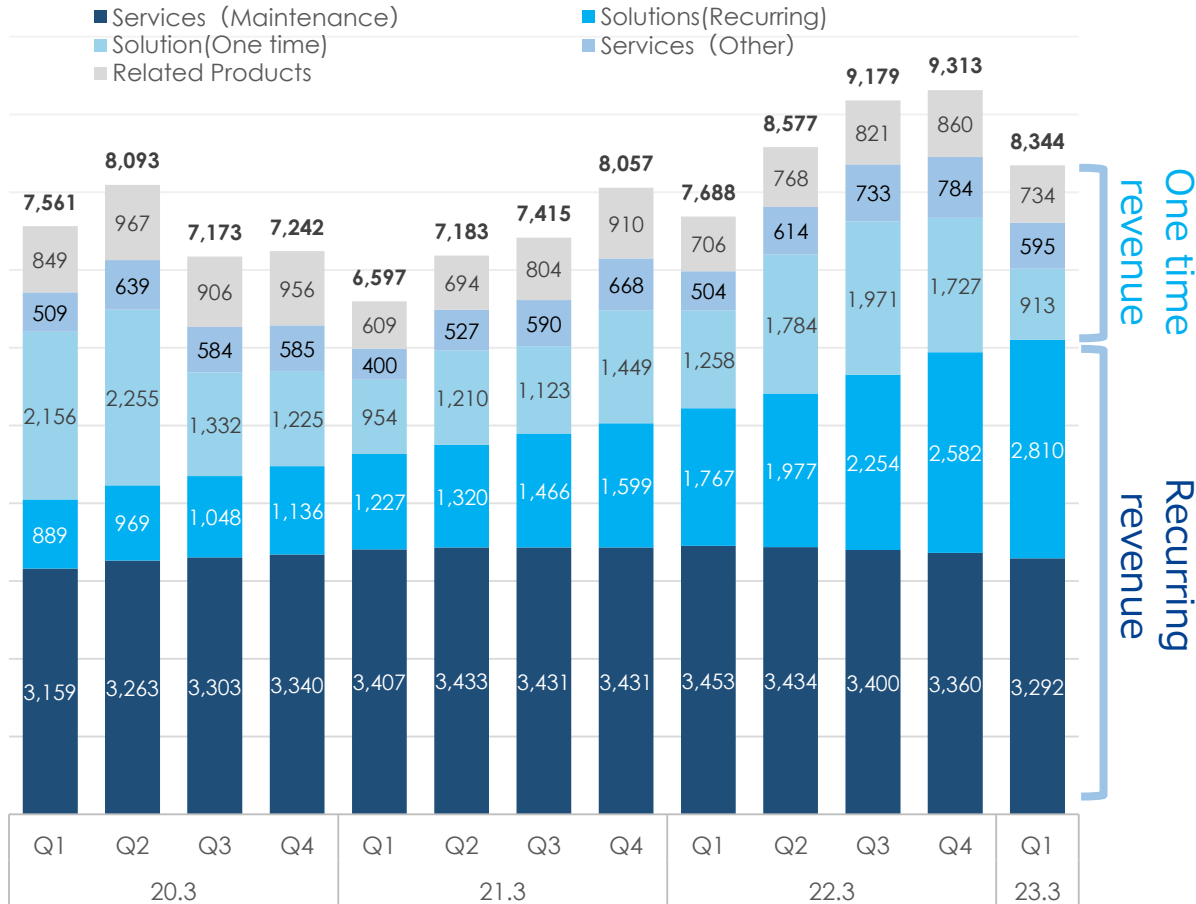


※1 : Recurring revenue is defined as the sum of sales from our software (consisting mainly of cloud-based software) and services (consisting mainly of OMSS) that is recognized over an applicable subscription period. This information is calculated on a management accounting basis. Rounded to the nearest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

Changes in Net Sales and Operating Profit

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

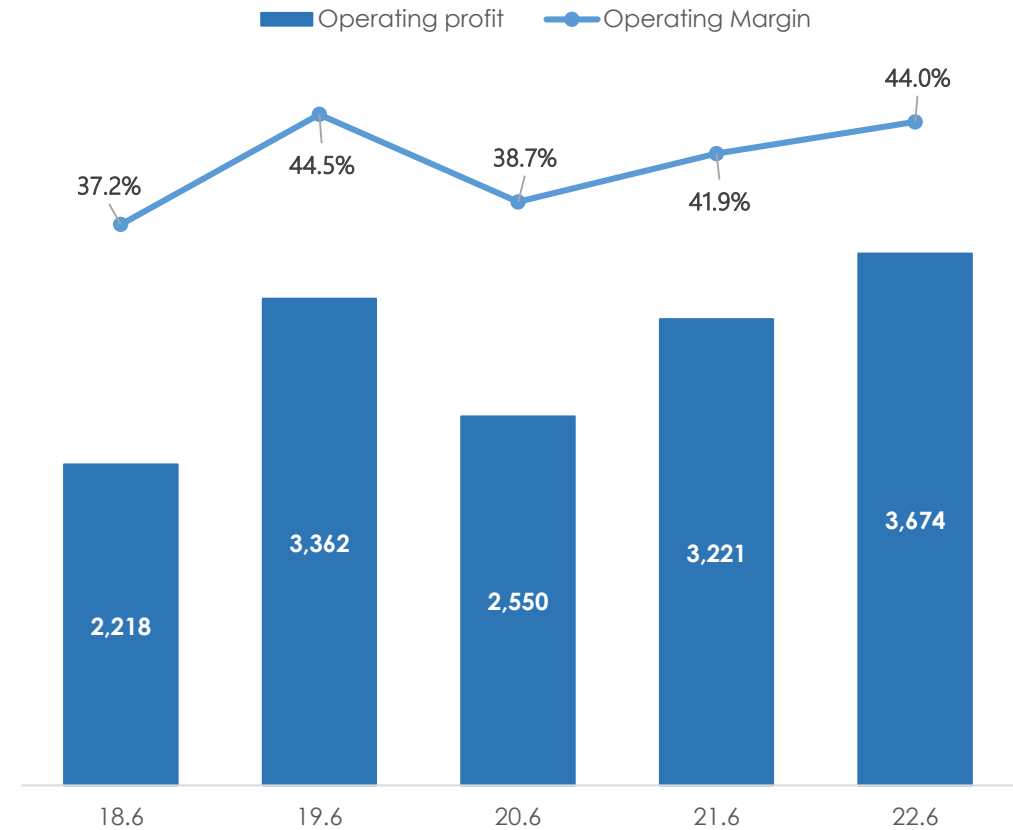
(Million yen)



※1: Rounded to the nearest million yen.

Changes in operating profit and operating margin※2

(Million yen)



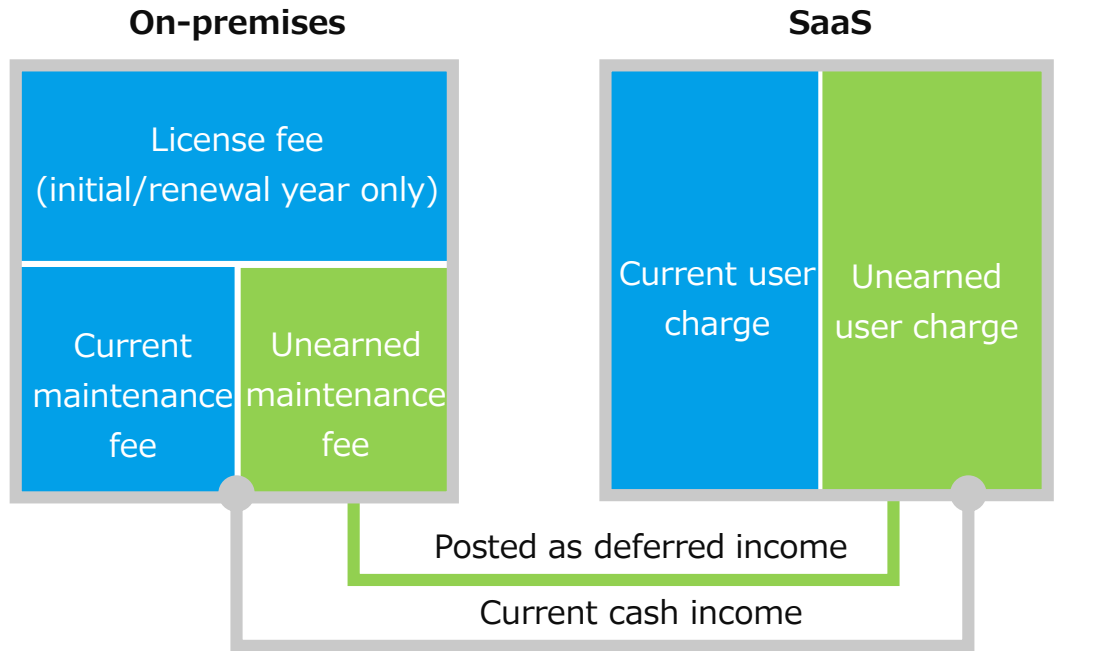
※2: Operating margin = Operating profit / Net sales

Link between Recurring Revenue and Unearned Revenue

Increasing deferred income improves our ability to accurately predict future prospects

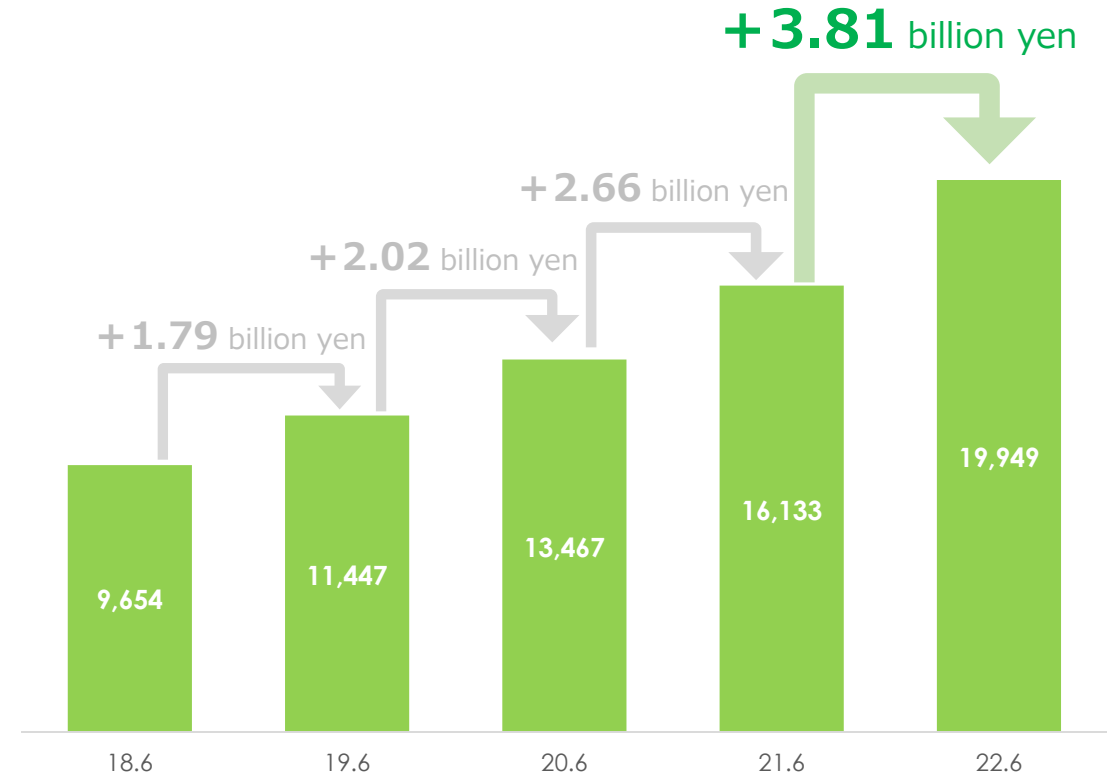
Earnings structure of on-premises and cloud

Changes in unearned revenue balance



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

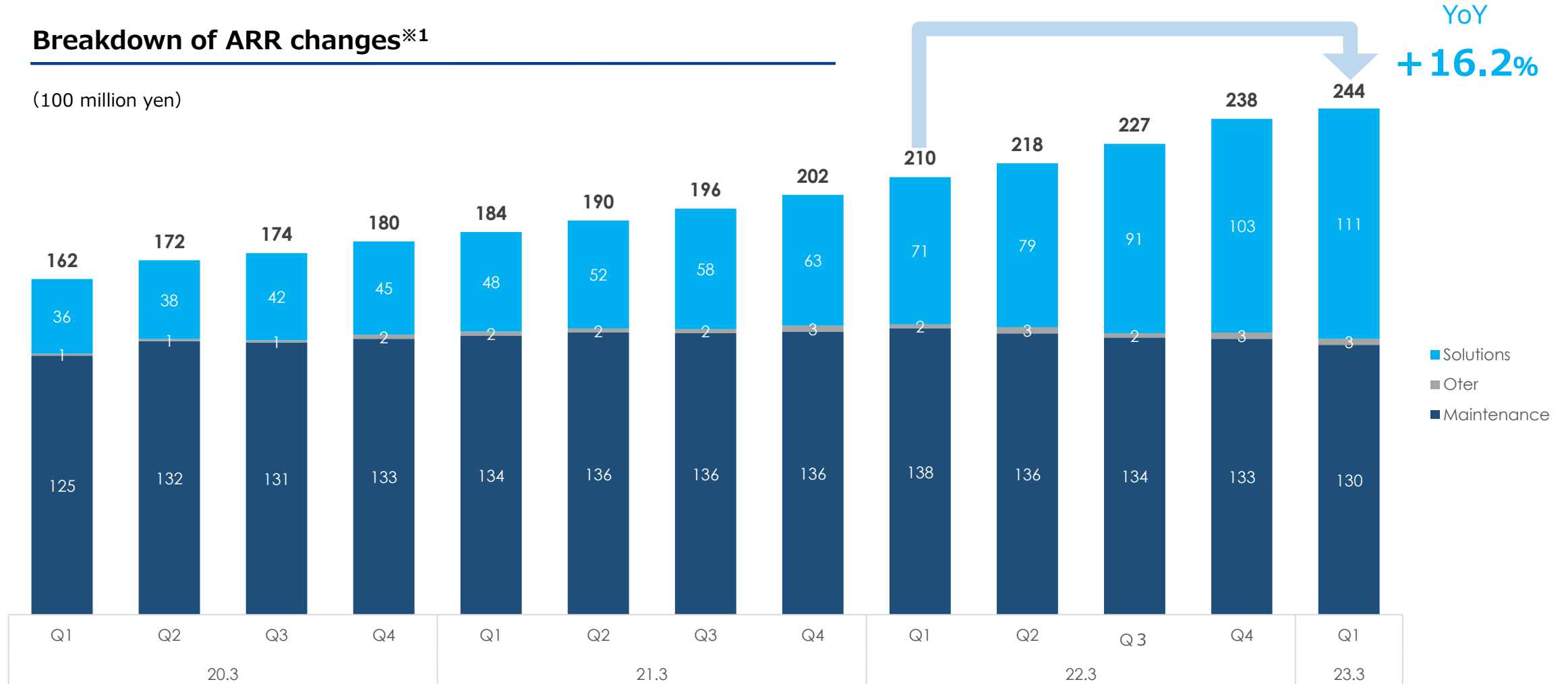
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Changes in ARR

Breakdown of ARR changes^{※1}

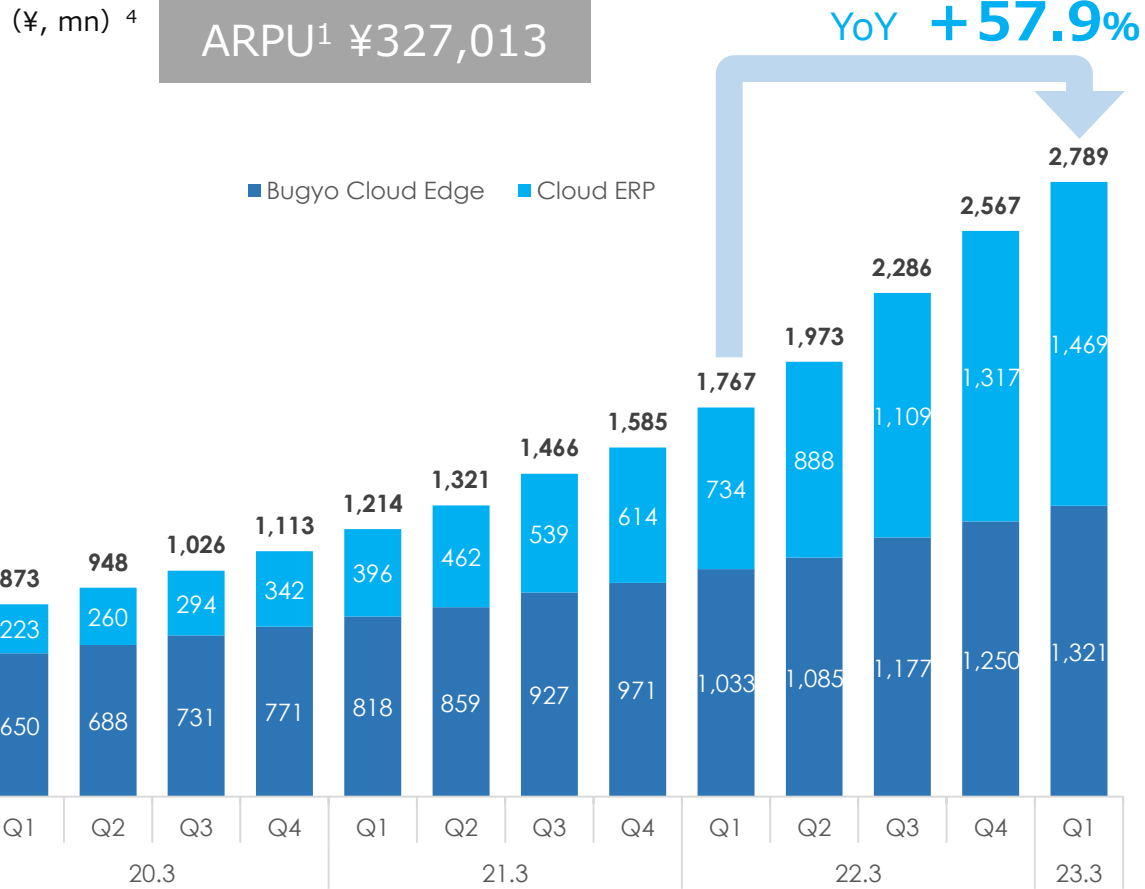
(100 million yen)



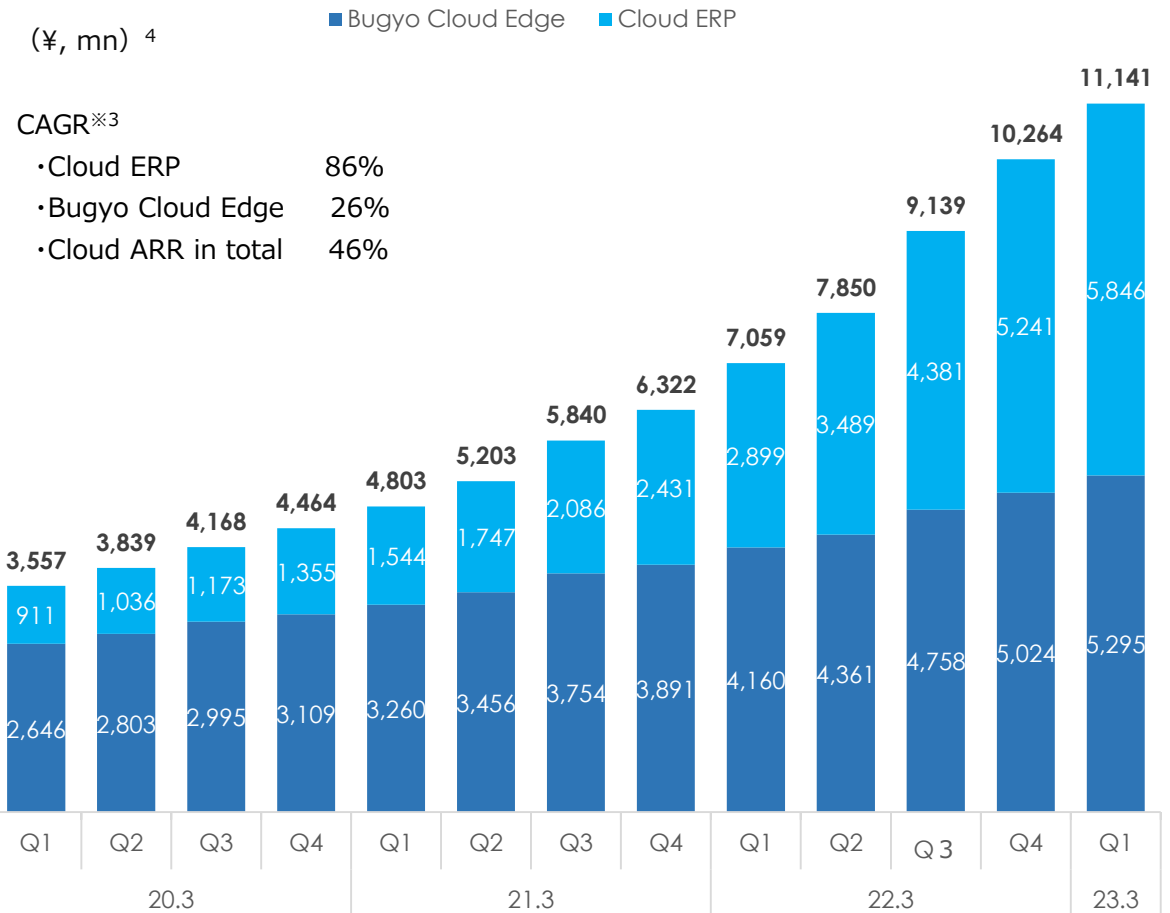
※1 : Annual Recurring Revenue, or ARR, is calculated by multiplying monthly recurring revenue for the last month of the relevant period by 12. Monthly recurring revenue is the sum of sales from our Solutions Technology software (consisting mainly of cloud-based software) and Services (consisting mainly 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 June 2022. ※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 June 30, 2020 to June 30, 2023 ※4: Rounded to the nearest million yen.

今期の主要な重点施策

I .Response to demand from revisions of DX related acts

II . Release of VERP SaaS model (second half)

III . Start of version upgrade due to end of support for Bugyo 10 Series

Start approaching users after July 2022 (Support ends in April 2024)

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

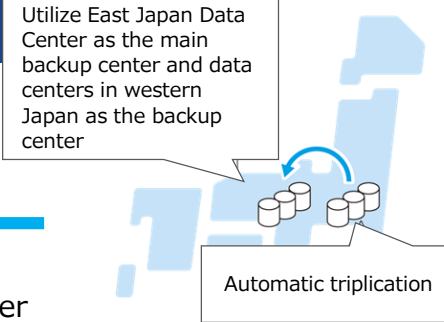
※DR: Disaster Recovery

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

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.



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



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

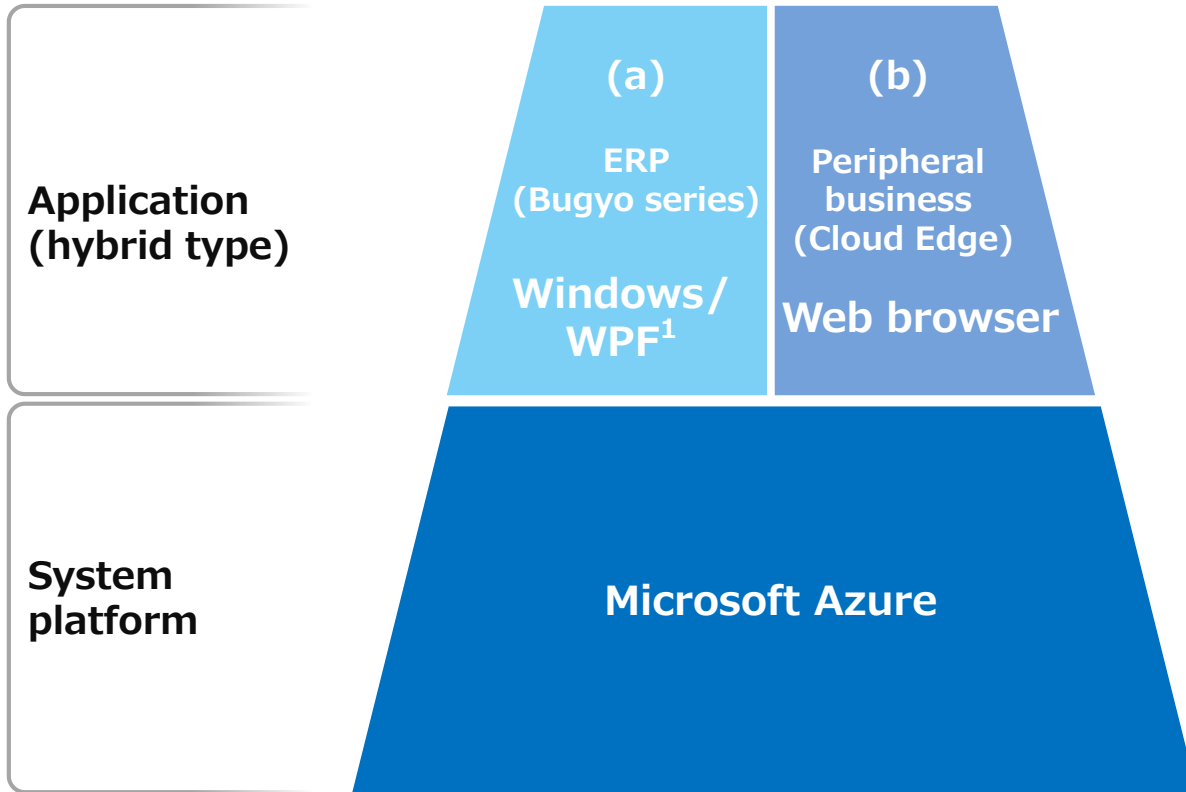
Bugyo Cloud and Bugyo Cloud Edge products automatically benefit from the hundreds of billions of dollars in research and development that Microsoft invests every year.

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
	<p>OBC's focus area</p> <p>Bugyo VERP Bugyo Cloud Bugyo i Series</p> <p>c. 550,000 offices¹</p>	<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 March 2022

※1: Achieved the No.1 ranking in "Partner satisfaction survey 2022 ERP software/services division in the Nikkei Computer 2022/02/17"

Mission for Fiscal Year Ending March 31, 2023

Mission for Fiscal Year Ending March 31, 2023 “Subscription Conversion of All Services”

Changes in environment in post-corona era and other factors

Digitalization, paperless working, productivity improvement, emerging DX demand

Revised Electronic Book Storage Act Invoice system

IT introduction subsidies

**Robust progress in subscription conversion taking advantage of environmental changes
High value-added DX**

3 key measures to facilitate subscription conversion and DX

01

Response to demand from revisions of DX related acts

02

DX-Suite
VERP SaaS Model

03

Sales strategy


Response to Revised Electronic Book Storage Act

Possible to take actions that meet customers' needs
Facilitate subscription conversion of new and existing customers through stronger presentation of accounting DX model

Basic model

Support fundamental systems covering the revised Electronic Book Storage Act

Store all vouchers received through electronic transactions in accordance with the system




Kanjyo Bugyo Cloud

- Voucher list
- Voucher input

STEP 1 Accounting standard model

Digitalization of data collection by employees and at each location

Model collecting vouchers in the company centrally in the accounting department, enabling smooth performance of digital tasks.




Kanjyo Bugyo Cloud
+ Voucher collection option

- Submission via smartphone
- Submission via PC
- Compliance with time stamps

STEP 2 Accounting DX model

Digitalization of tasks from collection of vouchers such as invoices to payment

Model to achieve so-called "accounting DX," comprehensively digitalizing tasks from collection of vouchers such as invoices through to payment



Kanjyo Bugyo Cloud
+ Voucher collection option
+ Saimu Bugyo Cloud

Payment tasks

- Payment schedule, reconciliation, FB data creation

Accounting standard model/Digital voucher collection system

Accounting DX model/Digital voucher collection system + Digitalization of payment tasks

AI-OCR option

[Possible to add to each level] Automation of input tasks using AI-OCR

Response to Invoice System

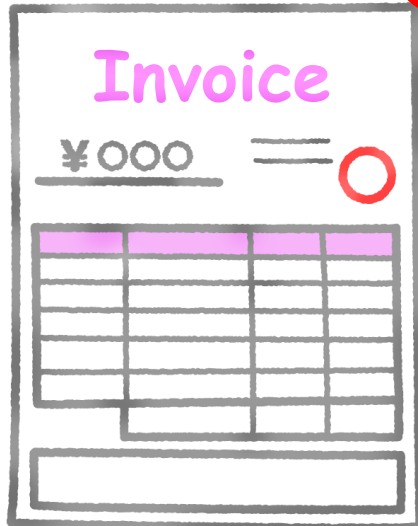
Obtain business based on replacement requirements of new customers, facilitate DX by cross-selling among existing customers

Basic response

Systems for core businesses

Items required to be additionally stated using invoice system

- Registration number
 - Consumption tax amount for each tax rate
- Establishing rules for rounding consumption tax amount for each tax rate



Necessary to revise sales management system



Sending PDF

For companies aiming to achieve DX

Systems for peripheral tasks



By linking billing data with various sales management systems, including Akinai Bugyo, invoices can be delivered to suppliers as PDF data

Plan to launch services supporting Peppol, a standard for electronic invoices
Possible to automate tasks from data input to payment by responding to electronic invoices

Electronic Invoice

DX-Suite Conversion Strategy and VERP SaaS Model

1

Suite conversion (integration of necessary products = Increase in the number of systems used by customers)

2

DX proposition = high added value

3

Obtain superior new customers = differentiate OBC from competitors

Management capability improvement

HR DXSuite

Achieve complete paperless operation for personnel and labor relations tasks and realize DX for working practices



Accounting DXSuite

Achieve DX for accounting tasks including compliance with the revised Electronic Book Storage Act and invoice system



Sales management DXSuite

Realize DX by sales management responding to invoice system + electronic invoices



Bugyo VERP

Ready to launch VERP SaaS for mid-sized companies

- Expand functions of Bugyo Cloud to meet needs of mid-sized companies
- Supporting large-volume data
- Improved performance

* Plan to launch in the second half of FY03/2023

Sales Strategy

IT introduction subsidies

Features of IT introduction subsidies FY03/2023

- Total budget for programs to promote productivity revolution in SMEs: 320.1 billion yen

(120 billion yen in supplementary budget for FY03/2020 + 200.1 billion yen in supplementary budget for FY03/2022)

- **New reserve for introduction of digitalization foundation** in addition to existing ordinary reserve

Aggressively and rapidly drive DX taking the future invoice system into account

Supplementary budget for FY03/2022 (Reserve for introduction of digitalization foundation)

Type	Introduction of digitalization foundation			
Subsidy amount	IT tool		PC, other	Cash register, other
	500 thousand yen or less	Over 500 thousand yen up to 3.5 million yen	Up to 100 thousand yen	Up to 200 thousand yen
Support ratio	3/4	2/3	1/2	

Convert existing customers to cloud computing using IT implementation subsidies

Reference: Programs to support introduction of IT for productivity improvement in service and other sectors (IT introduction subsidies) Outline of supplementary budget for FY03/2022

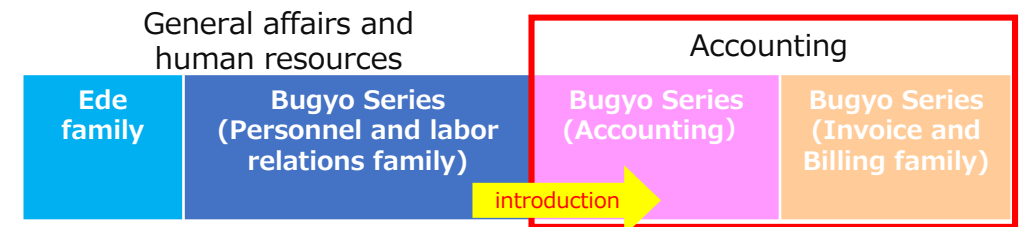
Partner strategy

Items to enhance partner strategy

- Better contact points between sales partners and their customers by providing seminars and contents regarding the revised Electronic Book Storage Act, invoice systems and paperless working
- Partner development using tech sales activities such as demonstration by online teams

Increase transactions per customer

Strengthen cross-selling (among existing customers and across sections) strategy and drive forward DX aiming to increase transactions per customer





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