



Dividends increased for 3 consecutive years DX & SI business continue to grow, to reach record highs again in FY24/3

Earnings Result Summary

- Key Points** : Japan System Techniques announced its full-year results for FY23/3 after the close of the market on Friday, May 12. Operating profit rose 19.3%, to ¥2,385 mn, on a 9.9% rise in sales, to ¥23,519 mn. Ordinary profit rose 19.4%, to ¥2,450 mn, and net profit rose 33.2%, to ¥1,772 mn. DX&SI business and Global business drove earnings growth. The company announced an annual dividend of 32 yen per share at the end of FY23/3, an increase of 12 yen from the previous year. As of the end of FY23/3, the company complies with all of the listing criteria for the Prime Market of the Tokyo Stock Exchange, one year ahead of the original plan. Previously, the company's market capitalization of tradable shares had been the only non-compliant item.
- DX&SI business and Global business drive earnings growth:** The operating profit margin for FY23/3 was 10.1%, up 0.8 ppt from the previous year. ROE expanded to 17.8%, from 16.7% in the previous year. In the **DX&SI business**, an increase in large projects for both new and existing clients drove a 33.3% rise in operating profit, to ¥2,078 mn, on an 11.1%YoY rise in sales, to ¥14,335 mn. In the **Package business**, operating profit declined 18.2%, to ¥1.250 bn, on a 2.4% decline in sales, to ¥4.489 bn. Increased sales of BankNeo, an integrated information system for financial institutions, offset declines in sales of program products (PP) and post-introduction support service for the strategic university management system "GAKUEN Series." In the **Medical Big Data business**, operating profit rose 19.9%, to ¥457 mn on an 11.9% rise in sales, to ¥2,021 mn. Expanded analysis services and insurer operational support services fueled this growth. The **Global business** posted a 448% increase in operating profit, to ¥271 mn, on a 28.1% rise in sales, to ¥2,673 mn. Sales of SAP implementation support projects in Malaysia increased to both new and existing core customers. In addition, the contribution of overseas subsidiaries to consolidated earnings increased due to the effect of yen depreciation.
- Record performance continues:** Based on the order backlog in each business as of the end of FY23/3 and order activity in the current fiscal year, the company should continue to achieve record high performance in FY24/3. The scale of orders for the entire Package business, which was the only segment to see declines in sales and profits in FY23/3, is began to recover from the end of the previous fiscal year and is continuing to grow steadily. The DX&SI business has developed technological and sales capabilities that make it easy to win orders for large prime projects, and this should continue to drive earnings growth in the current fiscal year. The company announced an ¥8 dividend increase over FY23/3, bringing the annual dividend per share to ¥40, the third consecutive year of dividend increases. If the current steady order activity continues in 1H and beyond, SIR believes there is a strong possibility of upward earnings revisions.

FY	¥mn,%	Net Sales	YoY	Oper. Profit	YoY	Recur. Profit	YoY	Net Profit	YoY	EPS ¥(3)	DPS ¥(3)
2019/3		16,869	7.9	856	15.4	870	10.8	318	(45.1)	10.0	14.0
2020/3		18,020	6.8	971	13.4	1,022	17.5	(31)	-	(2.9)	14.0
2021/3		18,789	4.3	1,216	25.2	1,310	28.2	579	-	54.0	14.0
2022/3 ⁽¹⁾		21,399	13.9	2,000	64.6	2,052	56.7	1,330	129.9	112.3	20.0
2023/3 act ⁽²⁾		23,519	9.9	2,385	19.3	2,450	19.4	1,772	33.2	144.5	32.0
2024/3 CE		25,300	7.6	2,540	6.5	2,600	6.1	1,880	6.1	153.3	40.0

Source: SIR from the company materials

Note(1): A two-for-one stock split of common stock was conducted on October 1, 2022.

Note(2): In FY22/3, "Accounting Standard for Revenue Recognition" and other standards were applied, but since the impact of this change is negligible, the SIR shows the percentage change from the previous year. Note(3): EPS and DPS are retroactively adjusted to reflect a 1-for-2 stock split.

FY23/3 Full Year Follow-up



Focus Points:

Fully independent DX provider. High operating margins on own-brand packaged software. New business portfolio and growth strategy will continue to generate the highest profits.

Key Indicators

Share price (6/14)	2,549
YH (6/14)	2,593
YL (3/16)	1,570
10YH (23/6/14)	2,593
10YL (16/2/15)	296
Shrs out. (mn shrs)	12.418
Mkt cap (¥ bn)	31.66
EV(¥bn)	24.10
Shr equity ratio (22/3/31)	61.84%
24.03 P/E (CE)	16.6x
23.03 P/B (act)	2.9x
23.03 ROE (act)	17.8%
24.03 DY (CE)	1.6%



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Record profits and ¥12 increase in annual per-share dividend to ¥32

DX & SI business drives earnings growth

Extremely stable financial foundation

Overview of Full year FY3/23 results

Key consolidated results were sales of ¥23,519 mn (+9.9% YoY), operating profit of ¥2,385 mn (+19.3% YoY), recurring profit of ¥2,450 mn (+19.4% YoY), and net profit of ¥1,772 mn (+33.2% YoY), the highest profit was again recorded. The operating profit margin improved 0.8 ppt YoY to 10.1%, and ROE rose 1.1 ppt YoY to 17.8% from 16.7% for the previous fiscal year. The company will pay an annual dividend of ¥32 per share, an increase of ¥12 on a retroactive adjusted basis. The following is an overview by business segment.

The DX & SI business reported sales of ¥14,335 mn (+11.1% YoY) and operating profit of ¥2,078 mn (+33.0% YoY). Growth in both sales and profit was the result of a dramatic increase in the profitability of the overall business on account of large prime orders from both existing and new customers.

In **the Packaged Software business**, the company reported sales of ¥4,489 mn (-2.4% YoY) and operating profit of ¥1,250 mn (-18.2% YoY). This was primarily because even though sales of program products (PP) for BankNeo, an information integration system for financial institutions, rose year on year, sales of both PP and post-introduction support services for the strategic university management system GAKUEN RX and GAKUEN UNIVERSAL PASSPORT RX ("GAKUEN series") fell.

The Medical Big Data business posted sales of ¥2,021 mn (+11.9% YoY) and operating profit of ¥457 mn (+19.9% YoY). Even so, profitability for the overall business improved because of growth in highly-profitable businesses, such as analysis services and support services for insurance companies.

For the **Global business**, contributions to consolidated earnings by overseas subsidiaries grew substantially as a result of not only continued growth in projects in Malaysia involving support for introducing SAP at both existing customers and new customers but also the weaker yen. Therefore, for the business, the company posted net sales of ¥2,673 mn (+28.1% YoY) and operating profit of ¥271 mn (+448.5% YoY).

SG&A expenses, which are company-wide expenses not attributed to a particular segment, totaled ¥1,671 mn (+10.0% YoY), which was mainly the result of an increase in labor costs as the number of employees increased. The number of employees as of the end of FY23/3 was 1,678, a dramatic year-on-year increase of 239. The Global business experienced the largest increase in employees, as the number of its employees grew to 587 in FY23/3 from 418 in FY22/3. In addition, the number of employees handling sales and development rose as aggressive efforts were made to expand the business, including support for introducing SAP in Asia. In particular, there was a major increase at the consolidated subsidiary Virtual Calibre Group (Malaysia). The company's capital ratio hit a record high of 61.8% at the end of FY23/3, a dramatic increase from 58.9% at the end of FY22/3. Furthermore, the company continues to boast zero interest-bearing debt, giving it an extremely stable financial foundation.

Net sales and Profit for each segment (Full year FY2023/3, ¥mn)

	DX&SI business	Package business	Medical big data business	Global business	Total	Adj. ⁽¹⁾	Amount recorded on PL ⁽²⁾
Net sales							
1. External sales	14,335	4,489	2,021	2,673	23,519	-	23,519
2. Inter-segment sales and transfers	90	42	-	50	182	(182)	-
Total	14,425	4,531	2,021	2,723	23,701	(182)	23,519
Segment profit	2,078	1,250	457	271	4,057	(1,671)	2,385

Source: Compiled by SIR from company data.

Note 1: Adjustments are corporate expenses, etc. not allocated to any reportable segment, and are included in general and administrative expenses

Note 2: Segment operating profit is the same as operating profit shown on the quarterly income statement

Increase in dividend for third consecutive fiscal year announced due to strong earnings

Package business expected to post major change in earnings

FY2024/3 plans

Earnings outlook for the full FY24/3

For the full FY24/3, the company forecasts net sales of ¥25,300 mn (+7.6% YoY), operating profit of ¥2,540 mn (+6.5 YoY), recurring profit of ¥2,600 mn (+6.1% YoY), and net profit of ¥1,880 mn (+6.1% YoY). This would be not only record net sales and recurring profit but also **net sales growth for the 13th consecutive fiscal year** and **recurring profit growth for the 9th consecutive fiscal year**. With an aggressive stance toward shareholder return, the company announced an annual year-end dividend per share of ¥40 for FY24/3, an increase of ¥8 compared to the FY23/3 dividend, making it the third consecutive year the company has raised its dividend.

Turning to the FY24/3 earnings outlook for each business, the company expects to record growth in net sales and profit for all four of its businesses on account of the steadily increasing order backlog. The below table gives the order backlog as of the end of the FY23/3 by business. The overall order backlog rose 9.5% year on year to ¥7,099 mn. Based on previous pattern, the order backlog will likely continue to trend upward through the end of the first half. For the Package business, which experienced a decline in both net sales and profit for the previous fiscal year, there was an increase in orders for the overall business, with the order backlog as of the end of FY23/3 increasing 15% year on year to ¥2,187 mn. Because the order backlog is projected to continue to see strong growth, the company expects the package business to experience the largest change in earnings for FY24/3 of the four businesses.

Regarding FY24/3 plans, the company aims to “use JAST’s strengths to create new value backed by speedy and bold initiatives underpinned by sound thinking and by using the co-creation process at all group companies.” Under this policy, for the DX & SI business, the company aims to further increase earnings by using alliances and improving its proposal and negotiating skill and to expand the scope of the business, the company’s core business. In addition, for its businesses that use its own brand, which includes packages and medical big data, the company is touting a strategy of aiming to reinforce its brand strength and capture the top share in each business field by further reinforcing its various flagship products and accelerating the creation and introduction of new technologies and products. As for the Global business, the company aims to generate greater growth in earnings by not only reinforcing its products, capturing customers, and expanding its marketing area in Asia through the active introduction of outstanding human resources but also improving governance.

Order backlog (2019.3.31-2023.3.31, ¥mn)

FY	2019/3	2019/9	2020/3	2020/9	2021/3	2021/9	2022/3	2022/9	2023/3	Change from FY22/3
DX&SI business	2,738	2,622	2,937	3,099	2,766	3,121	3,857	4,138	4,098	6.2%
Package business	1,237	1,251	1,349	2,764	2,301	2,423	1,902	2,521	2,187	15.0%
Medical Big Data business	619	549	532	782	692	900	727	1,095	814	12.0%
Total Oder back log	4,595	4,423	4,818	6,645	5,760	6,446	6,486	7,754	7,099	9.5%

Source: Compiled by SIR based on the company financial results presentation materials

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