

1Q Results Reflect End of COVID-19-related Demand High levels of earnings are expected in the current FY

1Q Flash



Earnings Summary

Accrete announced its 1Q results for FY23/12 after the close of the market on Friday, May 12, 2023. Operating profit declined 42.9%YoY, to ¥187 mn, on a 16.2% rise in sales, to ¥1,454 mn. Ordinary profit fell 45.3%YoY, to ¥180 mn, and net income attributable to the parent company of fell 48.4%, to ¥116 mn.

FY23/12 1Q Financial Results. The biggest contributor to the double-digit YoY increase in sales was the addition of VietGuys J. S. C. (VGS), an SMS service provider in Vietnam, as a consolidated subsidiary from 2Q FY22/12. The consolidation of the new Vietnamese subsidiary helped to offset declines related to the end of temporal demand caused by Covid-19 since there was no impact from VGS on 1Q FY22/12. SMS was heavily used for contacting Covid-19 patients. The overview by business segment is as follows:

In the Domestic Messaging Service business, segment profit was ¥180 mn, on sales of ¥1,061 mn. The SMS service saw a decline in the number of local authorities and others using it to contact people infected with COVID-19, but the expansion of the domestic SMS market resulted in a steady increase in the number of clients and distribution.

In the area of e-mail distribution services, demand grew as a means of smoothly communicating with users, such as "Secure Mailing Service for School" and "Secure Service for Municipals" at public organizations and facilities.

The Overseas Messaging Service business, segment profit was ¥8 mn, on ¥394 mn in sales. VGS is promoting omni-channel messaging services and focusing on shifting to more profitable services.

FY23/12 company forecasts: At the time of the 1Q results announcement, there were no changes to the company's FY23/12 forecast that was announced on February 14. VGS is expected to contribute to consolidated earnings for the full year. On the other hand, costs are on a significant upward trend due to capacity expansion to meet increasing distribution volume, sales promotion activities to acquire new clients, increased R&D expenses, and aggressive hiring of human resources, etc. On balance, we expect the company to overcome the high investment burden to achieve a high level of earnings. SIR will issue a follow-up report after the interview.

FY	Net sales ¥ mn	YoY %	OP ¥ mn	YoY %	RP ¥ mn	YoY %	NP ¥ mn	YoY %	EPS ⁽²⁾ ¥	DPS ¥
2018/12 P	1,291	36.0	246	43.6	222	30.0	152	35.5	28.2	0.0
2019/12 P	1,413	9.5	254	3.2	249	11.7	170	12.0	29.7	0.0
2020/12 P	1,732	22.5	344	35.6	345	38.6	241	41.2	41.5	10.0
2021/12 C ⁽¹⁾	2,833	-	468	-	463	-	307	-	54.2	10.0
2022/12 C	6,190	118.5	1,172	150.4	1,176	153.7	851	177.4	144.2	10.0
2023/12 C, CE	7,784	25.7	1,168	-0.4	1,160	-1.4	735	-13.7	126.5	10.0
1Q										
2022/12 1Q, C ⁽¹⁾	1,251	-	328	-	329	-	226	-	38.0	-
2023/12 1Q, C	1,454	16.2	187	-42.9	180	-45.3	116	-48.4	20.4	-

Source: compiled by SIR from the company's Kessan TANSBIN (financial statements).

Note (1): Consolidated financial statements are available since the 3Q of 12/21, accordingly percentage changes compared to the previous year is not shown for FY12/21. Note (2): EPS is calculated using diluted shares.

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