

Note: This document is a machine translation of the original Japanese version and provided for reference purposes only.
In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

November 14, 2024

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 semiannual report November 14, 2024 Scheduled date of commencing – dividend payments

Availability of supplementary briefing materials on interim financial results : Yes
Schedule of financial results briefing session : Yes (For institutional investors and securities analysts)
(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(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	%
Six months ended September 30, 2024	4,517	3.0	794	4.1	663	(1.2)	383	(2.7)
Six months ended September 30, 2023	4,384	5.6	762	33.1	671	29.9	394	31.9

(Note) Comprehensive income Six months ended September 30, 2024 407 Million yen (5.9%) Six months ended September 30, 2023 385 Million yen 28.8%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2024	6.96	6.93
Six months ended September 30, 2023	7.16	7.11

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of September 30, 2024	9,468	7,751	80.9
As of March 31, 2024	9,562	7,342	75.8

(Reference) Equity As of September 30, 2024 7,659 Million yen As of March 31, 2024 7,249 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, 2024	–	0.00	–	0.00	0.00
Fiscal year ending March 31, 2025	–	0.00			
Fiscal year ending March 31, 2025 (Forecast)			–	–	–

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

3. Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% 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	11,300	10.3	1,950	0.5	–	–	–	–	–

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

* Notes

(1) Changes in significant subsidiaries during the six months ended September 30, 2024 : No
 (Changes in specified subsidiaries resulting in changes in the scope of consolidation)
 New: – (Company name:), Exclusion: – (Company name:)

(2) Accounting policies adopted specially for the preparation of interim 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 : No
 2) Changes in accounting policies other than due to 1) above : No
 3) Changes in accounting estimates : No
 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)	September 30, 2024	55,198,528 shares	March 31, 2024	55,163,232 shares
2) Total number of treasury shares at the end of the period	September 30, 2024	99,642 shares	March 31, 2024	95,347 shares
3) Average number of shares during the period	September 30, 2024	55,082,764 shares	September 30, 2023	55,052,328 shares

* The interim financial statements are not subject to a 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 are not intended as a promise by the Company that these will be achieved. Actual results may differ materially due to a variety of factors.

○ Table of contents of attached documents

1. Overview of Business Performance	4
(1) Explanation of Operating Results	4
(2) Explanation of Financial Position	5
(3) Notes on the Consolidated Financial Results Forecast and Other Forward-looking Information	5
2. Interim Consolidated Financial Statements and Major Notes	6
(1) Interim Consolidated Balance Sheets	6
(2) Interim Consolidated Statements of Income and Comprehensive Income.....	7
(3) Notes on Interim Consolidated Financial Statements.....	9
(Notes ongoing concern assumptions).....	9
(Note in the event of a significant change in the amount of shareholders' equity)	9
(Segment information, etc.).....	9

1. Overview of Business Performance

(1) Explanation of Operating Results for the current interim period

During the current interim consolidated accounting period, the Group continued to steadily grow its Mobile Management Services, which occupy an overwhelming market share, from the previous consolidated fiscal year, while aiming to achieve significant growth by creating innovation in the rapidly expanding DX (*1) market through X-Tech Services. The Group's business was developed with both services as dual engines of growth.

Below, we will report on the specific progress made during the current interim consolidated accounting period, according to the categories of “X-Tech Services”, “Mobile Management Services” and “Other Services”.

First, we will report on “X-Tech Services”, which is the focus of our proactive growth investments.

For AgriTech Services, we are developing our business with the aim to achieve DX for entire domestic agricultural industry. During the current consolidated fiscal year, we are actively conducting sales activities and making growth investments in order to make our drone pesticide spraying DX service “Pinpoint Time Spraying Service (hereinafter, PTS)” the No. 1 service in Japan. During the current interim consolidated accounting period, we provided our drone pesticide spraying DX service PTS nationwide, and as a result, sales of PTS for paddy rice in particular have grown significantly compared to the previous interim consolidated accounting period.

For Office DX, we provide services that make it possible to efficiently and accurately process a variety of office tasks by utilizing AI and IoT, which are areas in which our group excels. During the current interim consolidated accounting period, the number of licenses for our AI-based document management services “OPTiM Contract” and “OPTiM denshichobohozon (Electronic Bookkeeping)” has been steadily increasing, as customers have highly evaluated the advanced AI text analysis accuracy and intuitive operability even for first-time users.

For Marketing DX, we are providing the Customer Contact Point Digitalization service, which leverages smartphone apps that enable any organization and company to respond to consumers' lifestyles that are changing drastically, centered on smartphones. We are seeing progress in business development in a variety of industries. On October 22, we announced the first (*2) AI-powered customer success service in Japan, “OPTiM Customer Success Portal”. The “OPTiM Customer Success Portal” is a service that uses generated AI (*3) to maximize customer satisfaction and customer contact points in all industries, and to support the expansion of revenue opportunities. It centrally manages and visualizes communication with customers, and the AI automatically responds to inquiries, distributes content, and updates. This improves customer satisfaction while reducing the cost of customer support for companies. In addition, with regard to the “Official Super App for Municipalities” DX service for local governments, which is part of the Marketing DX, we are aiming to expand this service to municipalities nationwide based on the results of the “Saga City Super App”, which is used by over 30% of smartphone owners in Saga City, and the fact that it won the “Excellence Award” at the Japan DX Awards 2024. It is already confirmed that this service will be introduced to multiple local governments in the current fiscal year, and we are laying the foundations for next fiscal year.

Next, we will discuss Mobile Management Services, another pillar of our business.

For Mobile Management Services, the number of licenses for “Optimal Biz” is steadily increasing in line with the growth of the market. During the current interim consolidated accounting period, we have enhanced the functions of “Optimal Biz” for Windows and added management menus for dedicated terminals for use in restaurants, retail stores, logistics companies, factories, etc. We will continue to enhance functionality and grow our services in order to expand our advantage for market.

Finally, regarding Other Services, license sales for “Optimal Remote” and “Tabho” are progressing as planned.

In addition, our group is actively promoting investment in research and development in the field of generative AI. We have developed the world's first (*4) camera app that automatically creates reports using generative AI, “OPTiM Taglet”, as well as the first (*5) customer success service in Japan that uses generative AI, “OPTiM Customer Success Portal”, and ‘OPTiM AI Hospital’, a service that uses on-premise LLM (*7) to support doctors and nurses in their writing tasks using generative AI, which is the first of its kind in Japan (*6). We will continue to utilize the results of our research and development in the field of generative AI to realize DX in all industries.

As a result of these activities, current interim consolidated accounting period results were as follows: net sales of 4,517,995 thousand yen (up 3.0% year-on-year), operating profit of 794,135 thousand yen (up 4.1% year-on-year), ordinary profit of 663,663 thousand yen (down 1.2% year-on-year), and profit attributable to owners of parent of 93,773 thousand yen (down 2.7%

year-on-year).

Both ordinary profit and profit attributable to owners of parent decreased compared to the previous interim consolidated accounting period, however, this was mainly due to an increase of 43,475 thousand yen in share of loss of entities accounted for using equity method.

As for the Group's sales structure, sales are weighted toward the second half of the fiscal year primarily due to the fact that stock-type license income is mainly generated through sales on a continuous billing basis and that the acceptance period for flow-type customized sales tend 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 As of October 17, 2024, according to our research.
- *3 Generative AI: A general term for AI technology that generates new content such as text, images, videos, and audio by utilizing patterns and relationships learned from data.
- *4 As of June 26, 2024, according to our research. As an automatic photo report creation service using LLM (large language model) among AI.
- *5 As of October 17, 2024, according to our research.
- *6 As of November 7, 2024, according to our research. As a service with LLM (Large Language Models) installed that is linked to electronic medical records and introduced on-premises.
- *7 LLM: Abbreviation for Large Language Models. A type of generative AI that achieves advanced language understanding by learning large amounts of text data.

(2) Explanation of Financial Position

Status of assets, liabilities and net assets

(Assets)

The balance of assets at the end of the current interim consolidated accounting period was 9,468,020 thousand yen, a decrease of 94,514 thousand yen compared to the end of the previous consolidated fiscal year. This is mainly due to increases of 605,854 thousand yen in cash and deposits, 185,264 thousand yen in software, and 198,072 thousand yen in software in progress, while notes and accounts receivable-trade and contract assets decreased by 924,397 thousand yen and other in investments and other assets decreased by 117,275 thousand yen.

(Liabilities)

The balance of total liabilities at the end of the current interim consolidated accounting period was 1,716,489 thousand yen, a decrease of 503,983 thousand yen compared to the end of the previous consolidated fiscal year. This was mainly due to a decrease of 300,000 thousand yen in short-term loans payable and a decrease of 171,322 thousand yen in income taxes payable.

(Net assets)

The balance of net assets at the end of the current interim consolidated accounting period was 7,751,531 thousand yen, an increase of 409,469 thousand yen compared to the end of the previous consolidated fiscal year. This is mainly due to an increase of 383,620 thousand yen in retained earnings due to interim net income attributable to parent company shareholders.

(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, 2025, 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, 2024, dated May 15, 2024.

2. Interim Consolidated Financial Statements and Major Notes

(1) Interim Consolidated Balance Sheets

(1,000 yen)

	Fiscal year ended March 31, 2024 (As of March 31, 2024)	Six months ended September 30, 2024 (As of September 30, 2024)
Assets		
Current assets		
Cash and deposits	1,902,753	2,508,607
Notes and accounts receivable - trade, and contract assets	2,491,259	1,566,862
Inventories	58,744	111,580
Other	146,307	164,883
Total current assets	4,599,064	4,351,933
Non-current assets		
Property, plant and equipment	440,196	424,678
Intangible assets		
Software	2,852,745	3,038,009
Software in progress	174,160	372,232
Other	47,727	44,658
Total intangible assets	3,074,632	3,454,901
Investments and other assets		
Leasehold and guarantee deposits	346,503	346,416
Deferred tax assets	327,078	232,306
Other	775,059	657,784
Total investments and other assets	1,448,641	1,236,507
Total non-current assets	4,963,470	5,116,086
Total assets	9,562,534	9,468,020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	335,448	286,699
Short-term borrowings	314,550	14,550
Income taxes payable	397,346	226,024
Provision for bonuses	224,359	135,259
Other provisions	22,667	10,826
Other	786,544	903,302
Total current liabilities	2,080,916	1,576,662
Non-current liabilities		
Asset retirement obligations	139,557	139,827
Total non-current liabilities	139,557	139,827
Total liabilities	2,220,473	1,716,489
Net assets		
Shareholders' equity		
Share capital	444,587	445,435
Capital surplus	728,719	729,566
Retained earnings	6,188,174	6,571,794
Treasury shares	(75,500)	(75,566)
Total shareholders' equity	7,285,980	7,671,229
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(36,019)	(11,828)
Total accumulated other comprehensive income	(36,019)	(11,828)
Non-controlling interests	92,100	92,129
Total net assets	7,342,061	7,751,531
Total liabilities and net assets	9,562,534	9,468,020

(2) Interim Consolidated Statements of Income and Comprehensive Income

(Interim Consolidated Statements of Income)

(1,000 yen)

	For the six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)	For the six months ended September 30, 2024 (From April 1, 2024 to September 30, 2024)
Net sales	4,384,572	4,517,995
Cost of sales	2,164,174	2,122,637
Gross profit	2,220,397	2,395,357
Selling, general and administrative expenses	1,457,534	1,601,221
Operating profit	762,862	794,135
Non-operating income		
Interest income	5	125
Commission income	1,023	16,127
Subsidy income	1,420	1,962
Other	2,537	1,532
Total non-operating income	4,986	19,747
Non-operating expenses		
Interest expenses	704	465
Share of loss of entities accounted for using equity method	85,391	128,867
Other	10,121	20,887
Total non-operating expenses	96,217	150,219
Ordinary profit	671,631	663,663
Extraordinary income		
Gain on change in equity	–	1,996
National subsidies	–	1,954
Total extraordinary income	–	3,950
Extraordinary losses		
Loss on reduction of non-current assets	–	1,954
Total extraordinary losses	–	1,954
Profit before income taxes	671,631	665,660
Income taxes - current	197,229	197,914
Income taxes - deferred	80,126	84,095
Total income taxes	277,355	282,010
Profit	394,276	383,650
Profit attributable to non-controlling interests	86	29
Profit attributable to owners of parent	394,190	383,620

(Interim Consolidated Statements of Comprehensive Income)

(1,000 yen)

	For the six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)	For the six months ended September 30, 2024 (From April 1, 2024 to September 30, 2024)
Profit	394,276	383,650
Other comprehensive income		
Valuation difference on available-for-sale securities	(9,191)	24,191
Total other comprehensive income	(9,191)	24,191
Comprehensive income	385,084	407,841
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	384,998	407,811
Comprehensive income attributable to non-controlling interests	86	29

(3) Notes on Interim Consolidated Financial Statements

(Notes ongoing concern assumptions)

Not applicable.

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

Not applicable.

(Segment information, etc.)

[Segment information]

I For the six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)

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

II For the six months ended September 30, 2024 (From April 1, 2024 to September 30, 2024)

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