

IBC (3920)

Parent / Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY09/2018		1,290	202	205	141	25.2	0.0	297.2
FY09/2019		1,833	244	223	134	24.2	0.0	292.9
FY09/2020CoE		2,555	352	311	212	38.5	0.0	-
FY09/2019	YoY	42.0%	20.9%	8.6%	(5.0%)	-	-	-
FY09/2020CoE	YoY	39.4%	44.1%	39.3%	57.4%	-	-	-
Consolidated Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1-Q2 FY09/2019		876	163	163	106	-	-	-
Q3-Q4 FY09/2019		956	81	60	28	-	-	-
Q1-Q2 FY09/2020CoE		1,172	183	163	109	-	-	-
Q3-Q4 FY09/2020CoE		1,383	169	148	103	-	-	-
Q1-Q2 FY09/2020CoE	YoY	33.7%	12.6%	0.0%	2.8%	-	-	-
Q3-Q4 FY09/2020CoE	YoY	44.5%	107.9%	145.3%	258.2%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (20 November 2019)


Creating New Value

On 13 November 2019, IBC, involved with network system monitoring on performance and information, released its FY09/2019 results. It has been revealed that sales and earnings are to continue increasing nicely toward FY09/2020. Demand for “System Answer Series”, which is mainly targeted at large corporations, appears to be growing steadily thanks to the expansion of functions and the strengthening of support services. This is a tool developed by the Company, with which new value is created by means of realizing visualization of network infrastructure and avoiding lost opportunities due to system downtime. On top of this, the Company also intends to create new value in new domains. For example, the Company is starting up provision of “kusabi™ PoC support services”, looking to those on a full-fledged basis, which support demonstration tests of “kusabi™” or IoT security platform services based on patented technologies. At the same time, the Company also plans to create new value in insurance-related and system development through subsidiaries under its umbrella. We are to attend the Company’s results meeting to be held on 22 November as well as interviewing with management afterwards, while planning to initiate our coverage of the Company based on the contents here.

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2.0 Company Profile

Pioneering Network System Monitoring

Company Name	IBC Co.,Ltd.: Internetworking & Broadband Consulting Co.,Ltd. Website IR Information (Japanese) Share Price (Japanese) 
Established	16 October 2002
Listing	28 November 2016: Tokyo Stock Exchange 1st section (ticker: 3920) 15 September 2015: Tokyo Stock Exchange Mothers
Capital	¥440m (as of the end of September 2019)
No. of Shares	5,707,600 shares, including 154,159 treasury shares (as of the end of Sep. 2019)
Main Features	<ul style="list-style-type: none"> ● Sales of proprietary “System Answer Series” on a license basis ● Realizing visualization of network infrastructure ● Avoiding lost opportunities by system down and lowered customer satisfaction
Business Segment	I . Software and Services Business
Top Management	CEO & President: Hiroyuki Kato
Shareholders	Hiroyuki Kato 35.8%, Plus Fuji 8.7%, Company’s Treasury shares 2.7% (as of the end of September 2019)
Headquarters	Chuo-ku, Tokyo, JAPAN
No. of Employees	Consolidated: 100, Parent: 69 (as of the end of September 2019)

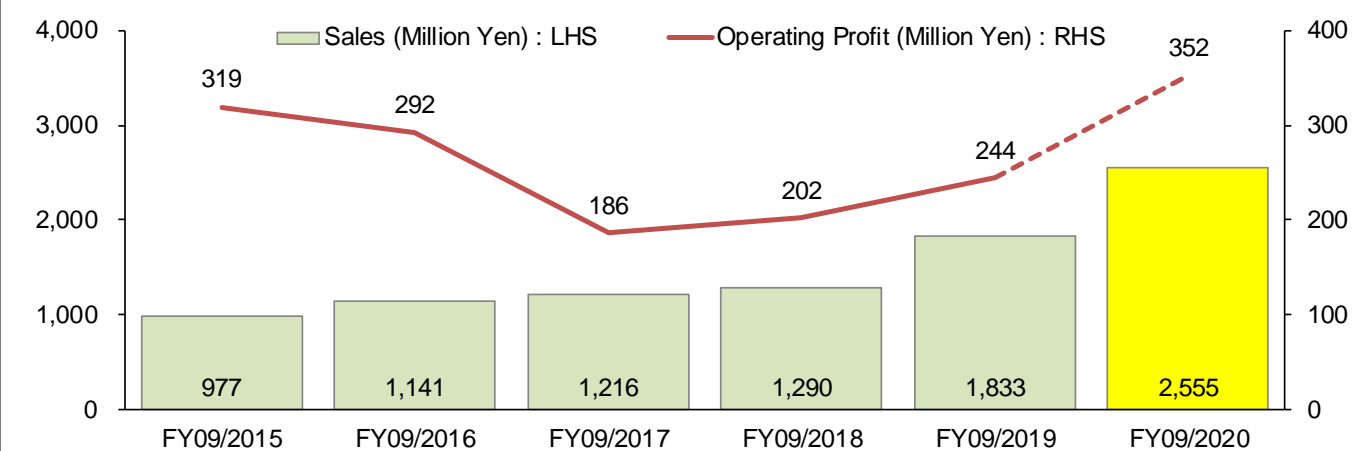
Source: Company Data

3.0 Recent Trading and Prospects

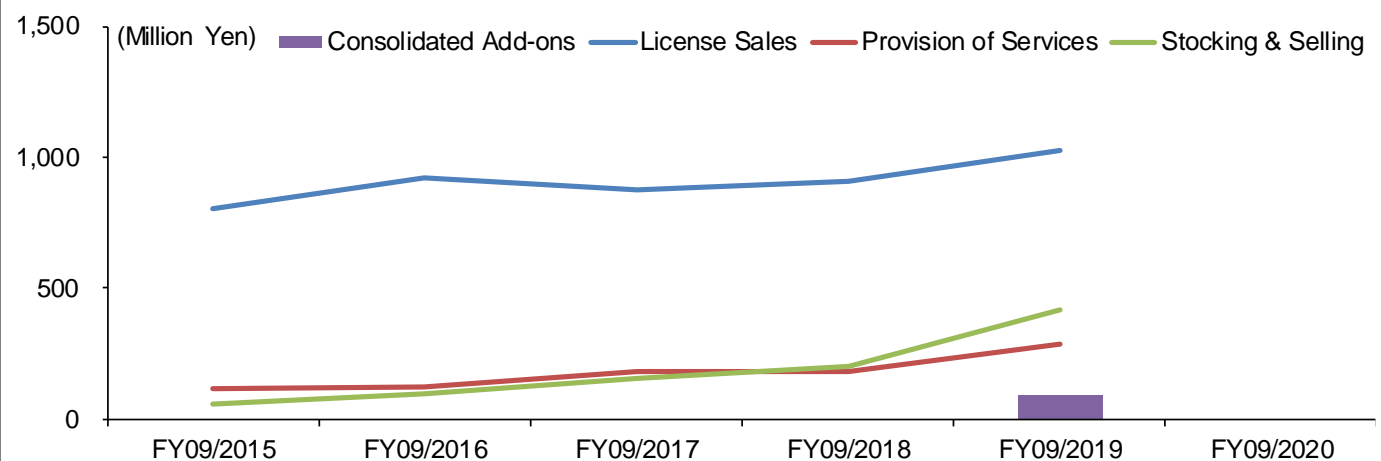
FY09//2019 Results

In FY09/2019, sales came in at ¥1,833m (up 42.0% YoY), operating profit ¥244m (up 20.9%), recurring profit ¥223m (up 8.3%) and profit attributable to owners of parent ¥134m (down 5.0%), while operating profit margin 13.3% (down 2.3% points). In FY09/2019, the Company shifted from non-consolidated disclosure to consolidated disclosure by bringing iChain, Inc. (insurance-related) and SundayArts K.K. Co., Ltd. (system development) under its umbrella. In addition, the Company has started up providing “kusabi™ PoC support services”. While all those measures are highly likely to raise the Company's growth potential for the future, it appears that the Company is currently incurring upfront investments. However, compared to FY09/2018 results on a non-consolidated basis, sales and operating profit grew significantly as described above.

Sales and Operating Profit



Sales by Division



Source: Company Data, WRJ Calculation

License Sales saw sales of ¥1,029m (up 13.7%), Provision of Services sales of ¥284m (up 56.5%) and Stocking & Selling sales of ¥421m (up 107.7%). Simply focusing on the gap between consolidated and non-consolidated sales, consolidated Add-ons are ¥97m. In Licensing Sales, the price for using “System Answer Series” developed by the Company is booked as sales, presumably carrying gross profit margin and marginal profit ratio considerably high. On the other hand, in Provision of Services, the Company books sales arising from the construction and operation support required to use “System Answer Series”, while the Company is in charge of trading various merchandises in Stocking & Selling in response to customers' requests. Albeit not much at the moment, sales of Stocking & Selling include those of "kusabi™ PoC support services".

The Ministry of Internal Affairs and Communications revises the ministerial ordinance to stipulate the technical standards for terminal equipment in accordance with the Telecommunications Business Law, which mandates that a function be provided to prevent unauthorized access to terminal equipment. The revised ordinance applies from April 2020 and reporting to the Ministry of Internal Affairs and Communications is obligated in the event of a serious accident and the administrative guidance may be imposed in the event that does not comply with the regulations. “kusabi™”, provided by the Company is able to quickly respond to the above revisions with a) no passwords, b) no public certification and c) no need for special-purpose chips", all based on own patented technologies.

Meanwhile, “System Answer Series” is a network system performance monitoring and information management tool developed by the Company, which contributes to "optimization of IT cost" and "streamlining of IT operation management". More than 1,500 systems, mainly for large corporations, are adopted basically on contracts throughout the annual. Given that its cost-effectiveness is outstanding, the renewal rate among existing customers appears to be fairly high, while the Company continues to acquire new customers. In FY09/2019, sales growth in License Sales has accelerated, driven by the success of functional expansion and strengthening of support. In other words, in addition to the fact that the Company has a stock that generates stable earnings over the long term, earnings per unit generated by that stock are on the rise and the base for this is also expanding at the same time.

Subsidiary iChain, Inc. (insurance-related) has launched “White Label”, which offers other brands in addition to the existing “iChain Insurance Wallet”. Meanwhile, SaaS insurance business platform "iChainBase" is to be launched in CY2020 and by combining it with consulting for the establishment of small-amount short-term insurance, a system will be put in place to provide integrated solutions from establishment to management.

SundayArts K.K. Co., Ltd. (system development) has put in place a setup that can incorporate cutting-edge technologies such as blockchain and is promoting the system development required by the market.

FY09/2020 Company Forecasts

FY09/2020 Company forecasts are going for prospective sales of ¥2,555m (up 39.4%), operating profit of ¥352m (up 44.1%), recurring profit of ¥311m (up 39.3%) and profit attributable to owners of parent of ¥212m (up 57.4%), while operating profit margin of 13.8% (up 0.4% points).

4.0 Financial Statements

Income Statement (Cumulative, Quarterly)

Income Statement	Par.Act	Par.Act	Par.Act	Par.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Net Chg.
	09/2018	09/2018	09/2018	09/2018	09/2019	09/2019	09/2019	09/2019	
Sales	305	715	914	1,290	342	876	1,274	1,833	+542
CoGS	61	157	197	277	77	224	402	551	+274
Gross Profit	244	558	717	1,013	264	651	872	1,281	+268
SG&A Expenses	209	397	606	811	242	488	790	1,037	+226
Operating Profit	34	161	110	202	22	163	81	244	+42
Non Operating Balance	0	1	1	3	(0)	(0)	(12)	(21)	(24)
Recurring Profit	35	162	112	205	22	163	69	223	+17
Extraordinary Balance	0	(0)	(0)	(1)	0	0	(7)	(8)	(7)
Profit before Income Taxes	35	161	111	204	22	163	61	214	+10
Total Income Taxes	11	53	37	62	9	58	40	85	+23
NP Belonging to Non-Controlling SHs	0	0	0	0	(0)	(1)	(5)	(5)	(5)
Profit Attributable to Owners of Parent	23	107	74	141	14	106	26	134	(7)
Sales YoY	+28.0%	+12.1%	+14.3%	+6.1%	+12.1%	+22.5%	+39.4%	+42.0%	-
Operating Profit YoY	-	+91.6%	+513.6%	+8.2%	(34.1%)	+1.2%	(26.0%)	+20.9%	-
Recurring Profit YoY	-	+144.5%	-	+21.5%	(35.5%)	+0.5%	(38.4%)	+8.6%	-
Profit Attributable to Owners of Parent YoY	-	+154.0%	-	+23.3%	(39.6%)	(1.5%)	(64.4%)	(5.0%)	-
Gross Profit Margin	80.0%	78.0%	78.4%	78.5%	77.3%	74.3%	68.5%	69.9%	(8.6%)
Sales to SG&A Expenses Ratio	68.6%	55.5%	66.3%	62.8%	70.6%	55.7%	62.0%	56.6%	(6.3%)
Operating Profit Margin	11.4%	22.5%	12.1%	15.7%	6.7%	18.6%	6.4%	13.3%	(2.3%)
Recurring Profit Margin	11.5%	22.7%	12.3%	15.9%	6.6%	18.6%	5.4%	12.2%	(3.8%)
Profit Attributable to Owners of Parent Margin	7.6%	15.1%	8.1%	11.0%	4.1%	12.1%	2.1%	7.4%	(3.6%)
Total Income Taxes / Profit before Income Taxes	33.6%	33.2%	33.6%	30.4%	41.0%	36.2%	65.9%	39.7%	+9.3%

Income Statement	Par.Act	Par.Act	Par.Act	Par.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Net Chg.
	09/2018	09/2018	09/2018	09/2018	09/2019	09/2019	09/2019	09/2019	
Sales	305	409	198	376	342	533	397	558	+182
CoGS	61	95	40	80	77	147	177	149	+69
Gross Profit	244	313	158	296	264	386	220	409	+113
SG&A Expenses	209	187	209	204	242	246	301	246	+42
Operating Profit	34	126	(50)	91	22	140	(81)	162	+70
Non Operating Balance	0	0	0	1	(0)	0	(12)	(8)	(10)
Recurring Profit	35	127	(49)	93	22	140	(93)	154	+60
Extraordinary Balance	0	(0)	0	(0)	0	0	(7)	(0)	(0)
Profit before Income Taxes	35	126	(49)	92	22	140	(101)	153	+60
Total Income Taxes	11	41	(16)	24	9	49	(18)	44	+20
NP Belonging to Non-Controlling SHs	0	0	0	0	(0)	(1)	(3)	0	-
Profit Attributable to Owners of Parent	23	84	(33)	67	14	92	(79)	108	+40
Sales YoY	+28.0%	+2.7%	+22.8%	(9.6%)	+12.1%	+30.2%	+100.3%	+48.5%	-
Operating Profit YoY	-	(11.1%)	-	(45.8%)	(34.1%)	+10.9%	-	+77.5%	-
Recurring Profit YoY	-	(10.9%)	-	(44.9%)	(35.5%)	+10.4%	-	+65.4%	-
Profit Attributable to Owners of Parent YoY	-	(9.9%)	-	(42.1%)	(39.6%)	+9.0%	-	+60.0%	-
Gross Profit Margin	80.0%	76.6%	79.8%	78.7%	77.3%	72.4%	55.5%	73.3%	(5.4%)
Sales to SG&A Expenses Ratio	68.6%	45.8%	105.3%	54.3%	70.6%	46.2%	75.9%	44.2%	(10.2%)
Operating Profit Margin	11.4%	30.8%	(25.5%)	24.3%	6.7%	26.3%	(20.4%)	29.1%	+4.8%
Recurring Profit Margin	11.5%	31.0%	(25.1%)	24.7%	6.6%	26.3%	(23.6%)	27.6%	+2.8%
Profit Attributable to Owners of Parent Margin	7.6%	20.6%	(16.9%)	18.0%	4.1%	17.2%	(20.0%)	19.4%	+1.4%
Total Income Taxes / Profit before Income Taxes	33.6%	33.1%	-	26.6%	41.0%	35.4%	-	29.3%	+2.6%

Source: Company Data, WRJ Calculation

Sales by Division (Cumulative, Quarterly)

Sales by Division (Million Yen)	Par.Act	Par.Act	Par.Act	Par.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 09/2018	Q1 to Q2 09/2018	Q1 to Q3 09/2018	Q1 to Q4 09/2018	Q1 09/2019	Q1 to Q2 09/2019	Q1 to Q3 09/2019	Q1 to Q4 09/2019	
License Sales	229	495	638	906	210	510	687	1,029	+123
Provision of Services	38	109	139	181	58	150	198	284	+102
Stocking & Selling	37	110	136	203	59	183	314	421	+218
Consolidated Add-ons	-	-	-	-	14	31	73	97	-
Sales	305	715	914	1,290	342	876	1,274	1,833	+542
License Sales	+92.3%	+21.8%	+22.0%	+3.1%	(8.3%)	+3.1%	+7.6%	+13.7%	-
Provision of Services	(11.5%)	+4.9%	+0.7%	(1.4%)	+53.6%	+37.1%	+42.5%	+56.5%	-
Stocking & Selling	(50.4%)	(12.9%)	(1.3%)	+32.3%	+56.0%	+66.7%	+130.8%	+107.7%	-
Consolidated Add-ons	-	-	-	-	-	-	-	-	-
Sales (YoY)	+28.0%	+12.1%	+14.3%	+6.1%	+12.1%	+22.5%	+39.4%	+42.0%	-
License Sales	75.1%	69.2%	69.9%	70.2%	61.4%	58.3%	53.9%	56.2%	-
Provision of Services	12.5%	15.4%	15.2%	14.1%	17.1%	17.2%	15.6%	15.5%	-
Stocking & Selling	12.4%	15.4%	14.9%	15.7%	17.2%	21.0%	24.7%	23.0%	-
Consolidated Add-ons	-	-	-	-	4.2%	3.6%	5.8%	5.3%	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-

Sales by Division (Million Yen)	Par.Act	Par.Act	Par.Act	Par.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 09/2018	Q2 09/2018	Q3 09/2018	Q4 09/2018	Q1 09/2019	Q2 09/2019	Q3 09/2019	Q4 09/2019	
License Sales	229	265	143	267	210	300	176	342	+75
Provision of Services	38	71	29	42	58	92	47	85	+43
Stocking & Selling	37	72	26	66	59	124	131	106	+40
Consolidated Add-ons	-	-	-	-	14	16	42	23	-
Sales	305	409	198	376	342	533	397	558	+182
License Sales	+92.3%	(7.5%)	+22.8%	(24.7%)	(8.3%)	+12.9%	+23.3%	+28.1%	-
Provision of Services	(11.5%)	+16.4%	(12.4%)	(7.9%)	+53.6%	+28.2%	+63.0%	+102.2%	-
Stocking & Selling	(50.4%)	+44.1%	+123.4%	+340.2%	+56.0%	+72.2%	+400.7%	+60.3%	-
Consolidated Add-ons	-	-	-	-	-	-	-	-	-
Sales (YoY)	+28.0%	+2.7%	+22.8%	(9.6%)	+12.1%	+30.2%	+100.3%	+48.5%	-
License Sales	75.1%	64.8%	72.1%	71.0%	61.4%	56.2%	44.4%	61.3%	-
Provision of Services	12.5%	17.5%	14.7%	11.3%	17.1%	17.2%	12.0%	15.4%	-
Stocking & Selling	12.4%	17.7%	13.2%	17.7%	17.2%	23.4%	33.0%	19.1%	-
Consolidated Add-ons	-	-	-	-	4.2%	3.6%	5.8%	4.3%	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Par.Act	Par.Act	Par.Act	Par.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 09/2018	Q2 09/2018	Q3 09/2018	Q4 09/2018	Q1 09/2019	Q2 09/2019	Q3 09/2019	Q4 09/2019	
Cash & Deposit	807	755	868	864	866	725	832	925	+60
Accounts Receivables	629	819	547	704	707	943	776	986	+282
Inventory	6	4	3	6	3	3	19	21	+15
Other	33	40	36	39	37	39	33	38	(0)
Current Assets	1,477	1,619	1,455	1,615	1,615	1,712	1,661	1,972	+357
Tangible Assets	54	53	54	51	50	49	57	56	+4
Intangible Assets	20	21	21	20	34	41	158	307	+286
Investments and Other Assets	171	196	263	237	176	287	342	341	+103
Fixed Assets	245	271	339	309	261	378	558	704	+394
Total Assets	1,722	1,890	1,795	1,924	1,876	2,091	2,219	2,676	+752
Accounts Payables	42	59	13	60	25	76	121	95	+35
Short Term Debt	8	7	7	7	257	257	273	675	+667
Other	112	139	98	140	111	184	153	182	+41
Current Liabilities	164	206	118	208	394	518	548	953	+744
Long Term Debt	29	27	25	24	22	20	101	93	+69
Other	0	0	0	0	0	0	1	1	+1
Fixed Liabilities	29	27	25	24	22	20	102	95	+71
Total Liabilities	193	234	144	232	416	539	651	1,049	+816
Shareholders' Equity	1,527	1,656	1,623	1,691	1,452	1,546	1,569	1,629	(62)
Other	0	0	0	0	7	6	(1)	(1)	(2)
Net Assets	1,528	1,656	1,623	1,692	1,459	1,552	1,568	1,627	(64)
Total Liabilities & Net Assets	1,722	1,890	1,768	1,924	1,876	2,091	2,219	2,676	+752
Equity Capital	1,527	1,656	1,623	1,691	1,452	1,546	1,569	1,626	(65)
Interest Bearing Debt	38	35	33	31	279	277	374	769	+737
Net Debt	(768)	(720)	(834)	(832)	(586)	(447)	(458)	(155)	+677
Equity Ratio	88.6%	87.6%	91.8%	87.9%	77.4%	73.9%	70.7%	60.7%	-
Net Debt Equity Ratio	(50.3%)	(43.5%)	(51.4%)	(49.3%)	(40.4%)	(29.0%)	(29.2%)	(9.6%)	-
ROE (12 months)	-	-	-	8.9%	8.9%	8.8%	5.9%	8.2%	-
ROA (12 months)	-	-	-	11.5%	10.7%	10.4%	8.1%	9.7%	-
Quick Ratio	874%	763%	1194%	752%	399%	322%	293%	201%	-
Current Ratio	899%	785%	1228%	774%	409%	330%	303%	207%	-

Source: Company Data, WRJ Calculation

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Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Par.Act	Par.Act	Par.Act	Par.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 09/2018	Q1 to Q2 09/2018	Q1 to Q3 09/2018	Q1 to Q4 09/2018	Q1 09/2019	Q1 to Q2 09/2019	Q1 to Q3 09/2019	Q1 to Q4 09/2019	
Operating Cash Flow	-	25	-	189	-	(70)	-	(11)	(201)
Investing Cash Flow	-	(27)	-	(80)	-	(128)	-	(415)	(334)
Operating CF and Investing CF	-	(2)	-	108	-	(199)	-	(427)	(536)
Financing Cash Flow	-	35	-	32	-	23	-	407	+375

Source: Company Data, WRJ Calculation

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentation documents for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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