

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	25.20	0.00	297.20
FY09/2019		1,833	244	223	134	24.18	0.00	292.93
FY09/2020CoE		2,555	352	311	212	38.49	-	-
FY09/2019	YoY	42.0%	20.9%	8.6%	(5.0%)	-	-	-
FY09/2020CoE	YoY	39.4%	44.1%	39.3%	57.4%	-	-	-
Consolidated Quarter (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY09/2019		342	22	22	14	-	-	-
Q2 FY09/2019		533	140	140	92	-	-	-
Q3 FY09/2019		397	(81)	(93)	(79)	-	-	-
Q4 FY09/2019		558	162	154	108	-	-	-
Q1 FY09/2020		391	(46)	(52)	(57)	-	-	-
Q1 FY09/2020	YoY	14.3%	-	-	-	-	-	-

Source: Company Data, WRJ Calculation (consolidated accounts disclosed since FY09/2019)

1.0 Results Update (21 February 2020)

Slack Quarter

On 13 February 2020, IBC, running operations of network system monitoring, released its Q1 FY09/2020 results. Inevitably, trading in Q1 is slack every year due to seasonal factors, while it has been revealed that its slackness in FY09/2020 is rather severer than in the past years. The Company sees sales of Licensing, presumably accounting for the bulk of gross profit as a whole for the Company, “just marginally increased” over the same period of the previous year. In the first place, the Company sees a strong tendency to acquire new customers intensively in Q2 and Q4, while suffering from reactionary corrections in Q1 and Q3, which gives direct impacts to sales at the same time. In Q1 FY09/2020, it appears the Company suffers from severe slackness even on a year-on-year basis with respect to acquisition of new customers. Presumably, in light of this, the Company has started up reconstruction of sales promotion structure for Licensing, i.e., focusing on sales to new customers acquired in Provision of Services.

For information: [IBC \(3920\) New Values in New Domains \(17 January 2020\)](#)

IR representative: Moritsugu Tokumitsu (+81 5117 2780 / m.tokumitsu@ibc21.co.jp)

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	¥441m (as of the end of December 2019)
No. of Shares	5,713,600 shares, including 194,159 treasury shares (as of the end of Dec. 2019)
Main Features	<ul style="list-style-type: none">● Selling proprietary System Answer Series on a license basis● Realizing visualization of network infrastructure● Avoiding opportunity loss by system downs and lowered customer satisfaction
Business Segment	I . Software Service Business
Top Management	CEO and 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: 106, Parent: 72 (as of the end of December 2019)

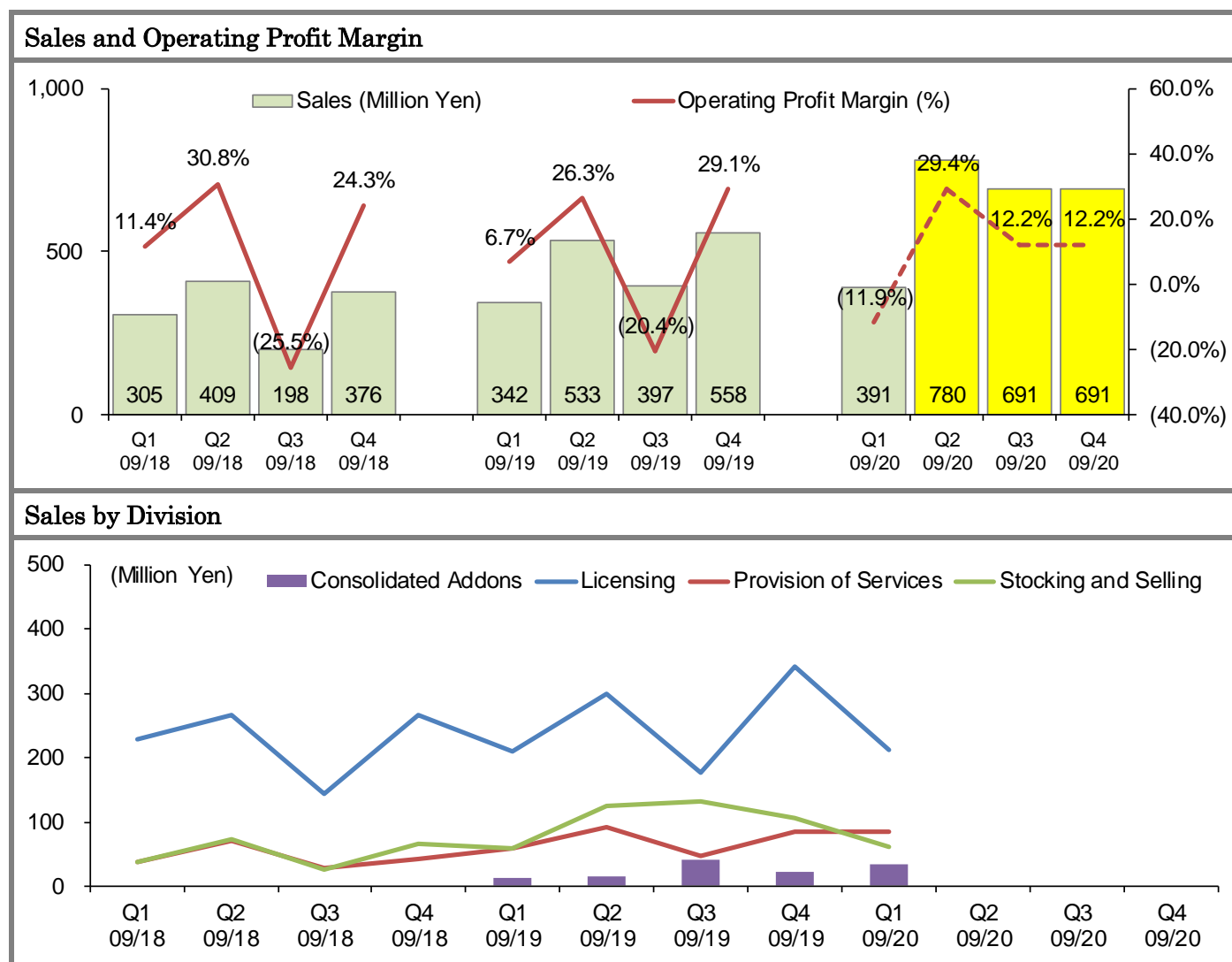


Source: Company Data

3.0 Recent Trading and Prospects

Q1 FY09/2019 Results

In Q1 FY09/2020, sales came in at ¥391m (up 14.3% YoY), operating profit minus ¥46m (versus ¥22m during the same period of the previous year), recurring profit minus ¥52m (¥22m) and profit attributable to owners of parent minus ¥57m (¥14m), while operating profit margin minus 11.9% (down 18.6% points). The Company sees progress rate of 33.4% in sales against assumptions of Q1 to Q2 Company forecasts versus 39.0% for the equivalent of the results in the previous year, implying weakness against the assumptions and thus weakness rather severer in earnings as far as we could see.



Source: Company Data, WRJ Calculation

Gross profit came in at ¥254m (down 3.9%) and SG&A expenses ¥301m (up 24.5%), implying gross profit margin of 65.0% (down 12.3% points) and sales to SG&A expenses ratio of 76.9% (up 6.3% points). By division, sales of Licensing came in at ¥213m (up 1.3%), sales of Provision of Services ¥84m (up 44.4%) and sales of Stocking and Selling ¥60m (up 3.1%). Meanwhile, when simply focusing on the gap between consolidated and parent accounts, sales of Consolidated Addons are ¥33m (up 128.2%).

In Licensing, 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. In Q1, the Company benefited from limited effect on higher sales, while sales of Provision of Services and of Consolidated Addons both carrying gross profit margin lower increased fast, having resulted in deterioration of sales mix as a whole for the Company.

In Provision of Services, the Company used to mainly see sales of compensations on construction and operation support required for adoption and utilization of System Answer Series, but currently all those compensations equate to less than half of sales in this division as far as we could see. Meanwhile, sales have increased fast for system integration projects, next-generation MSP services or SAMS projects and large-scale ISAS (IBC Security Assessment Services), having collectively accounted for the remaining more than half of sales. Now, the Company is trying to get at selling System Answer Series to customers it has cultivated here through the aforementioned reconstruction of sales promotion structure.

In Consolidated Addons, sales have surged due to net increases by SundayArts K.K. Co., Ltd. (fully consolidated since April 2019) which was not consolidated during the same period of the previous year. More importantly, however, the Company spots that a project in one of the subsidiaries saw increased expenses, having made earnings under pressure in consolidated addons as well as driven aforementioned deterioration of sales mix and gross profit margin as a whole for the Company at the same time. Meanwhile, SG&A expenses as a whole for the Company increased significantly in line with increased number of personnel and enhancement of in-house system, having resulted in operating profit margin of minus 11.9% (down 18.6%) at the end of the day.

Meanwhile, in April 2020, the Ministry of Internal Affairs and Communications is scheduled to begin applying revisions to ministerial ordinances aimed at strengthening of IoT security measures. In response to this, there is a possibility that moves toward full-fledged adoption of kusabi™ developed by the Company may accelerate. However, major vendors that are considering using kusabi™ have continued to only conduct demonstration tests to date.

FY09/2020 Company Forecasts

FY09/2020 initial Company forecasts have remained unchanged, 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	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.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	YoY	Net Chg.
	09/2019	09/2019	09/2019	09/2019	09/2020	09/2020	09/2020	09/2020	09/2020	
Sales	342	876	1,274	1,833	391	-	-	-	-	+49
Cost of Sales	77	224	402	551	137	-	-	-	-	+59
Gross Profit	264	651	872	1,281	254	-	-	-	-	(10)
SG&A Expenses	242	488	790	1,037	301	-	-	-	-	+59
Operating Profit	22	163	81	244	(46)	-	-	-	-	(69)
Non Operating Balance	(0)	(0)	(12)	(21)	(6)	-	-	-	-	(5)
Recurring Profit	22	163	69	223	(52)	-	-	-	-	(75)
Extraordinary Balance	0	0	(7)	(8)	(0)	-	-	-	-	(0)
Profit before Income Taxes	22	163	61	214	(53)	-	-	-	-	(75)
Total Income Taxes	9	58	40	85	4	-	-	-	-	(5)
NP Belonging to Non-Controlling SHs	(0)	(1)	(5)	(5)	0	-	-	-	-	+0
Profit Attributable to Owners of Parent	14	106	26	134	(57)	-	-	-	-	(71)
Sales YoY	+12.1%	+22.5%	+39.4%	+42.0%	+14.3%	-	-	-	-	-
Operating Profit YoY	(34.1%)	+1.2%	(26.0%)	+20.9%	-	-	-	-	-	-
Recurring Profit YoY	(35.5%)	+0.5%	(38.4%)	+8.6%	-	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	(39.6%)	(1.5%)	(64.4%)	(5.0%)	-	-	-	-	-	-
Gross Profit Margin	77.3%	74.3%	68.5%	69.9%	65.0%	-	-	-	-	(12.3%)
Sales to SG&A Expenses Ratio	70.6%	55.7%	62.0%	56.6%	76.9%	-	-	-	-	+6.3%
Operating Profit Margin	6.7%	18.6%	6.4%	13.3%	(11.9%)	-	-	-	-	(18.6%)
Recurring Profit Margin	6.6%	18.6%	5.4%	12.2%	(13.4%)	-	-	-	-	(20.0%)
Profit Attributable to Owners of Parent Margin	4.1%	12.1%	2.1%	7.4%	(14.6%)	-	-	-	-	(18.7%)
Total Income Taxes/Profit before Income Taxes	41.0%	36.2%	65.9%	39.7%	(7.9%)	-	-	-	-	(48.9%)
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	Net Chg.
	09/2019	09/2019	09/2019	09/2019	09/2020	09/2020	09/2020	09/2020	09/2020	
Sales	342	533	397	558	391	-	-	-	-	+49
Cost of Sales	77	147	177	149	137	-	-	-	-	+59
Gross Profit	264	386	220	409	254	-	-	-	-	(10)
SG&A Expenses	242	246	301	246	301	-	-	-	-	+59
Operating Profit	22	140	(81)	162	(46)	-	-	-	-	(69)
Non Operating Balance	(0)	0	(12)	(8)	(6)	-	-	-	-	(5)
Recurring Profit	22	140	(93)	154	(52)	-	-	-	-	(75)
Extraordinary Balance	0	0	(7)	(0)	(0)	-	-	-	-	(0)
Profit before Income Taxes	22	140	(101)	153	(53)	-	-	-	-	(75)
Total Income Taxes	9	49	(18)	44	4	-	-	-	-	(5)
NP Belonging to Non-Controlling SHs	(0)	(1)	(3)	-	0	-	-	-	-	+0
Profit Attributable to Owners of Parent	14	92	(79)	108	(57)	-	-	-	-	(71)
Sales YoY	+12.1%	+30.2%	+100.3%	+48.5%	+14.3%	-	-	-	-	-
Operating Profit YoY	(34.1%)	+10.9%	-	+77.5%	-	-	-	-	-	-
Recurring Profit YoY	(35.5%)	+10.4%	-	+65.4%	-	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	(39.6%)	+9.0%	-	+60.0%	-	-	-	-	-	-
Gross Profit Margin	77.3%	72.4%	55.5%	73.3%	65.0%	-	-	-	-	(12.3%)
Sales to SG&A Expenses Ratio	70.6%	46.2%	75.9%	44.2%	76.9%	-	-	-	-	+6.3%
Operating Profit Margin	6.7%	26.3%	(20.4%)	29.1%	(11.9%)	-	-	-	-	(18.6%)
Recurring Profit Margin	6.6%	26.3%	(23.6%)	27.6%	(13.4%)	-	-	-	-	(20.0%)
Profit Attributable to Owners of Parent Margin	4.1%	17.2%	(20.0%)	19.4%	(14.6%)	-	-	-	-	(18.7%)
Total Income Taxes/Profit before Income Taxes	41.0%	35.4%	-	29.3%	(7.9%)	-	-	-	-	(48.9%)

Source: Company Data, WRJ Calculation

Sales by Division (Cumulative/Quarterly)

Sales by Division (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 09/2019	Q1 to Q2 09/2019	Q1 to Q3 09/2019	Q1 to Q4 09/2019	Q1 09/2020	Q1 to Q2 09/2020	Q1 to Q3 09/2020	Q1 to Q4 09/2020		
Licensing	210	510	687	1,029	213	-	-	-	-	+2
Provision of Services	58	150	198	284	84	-	-	-	-	+25
Stocking and Selling	59	183	314	421	60	-	-	-	-	+1
Consolidated Addons	14	31	73	97	33	-	-	-	-	+18
Sales	342	876	1,274	1,833	391	-	-	-	-	+49
Licensing	(8.3%)	+3.1%	+7.6%	+13.7%	+1.3%	-	-	-	-	-
Provision of Services	+53.6%	+37.1%	+42.5%	+56.5%	+44.4%	-	-	-	-	-
Stocking and Selling	+56.0%	+66.7%	+130.8%	+107.7%	+3.1%	-	-	-	-	-
Consolidated Addons	-	-	-	-	+128.2%	-	-	-	-	-
Sales (YoY)	+12.1%	+22.5%	+39.4%	+42.0%	+14.3%	-	-	-	-	-
Licensing	61.4%	58.3%	53.9%	56.2%	54.4%	-	-	-	-	-
Provision of Services	17.1%	17.2%	15.6%	15.5%	21.6%	-	-	-	-	-
Stocking and Selling	17.2%	21.0%	24.7%	23.0%	15.5%	-	-	-	-	-
Consolidated Addons	4.2%	3.6%	5.8%	5.3%	8.5%	-	-	-	-	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	-	-

Sales by Division (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 09/2019	Q2 09/2019	Q3 09/2019	Q4 09/2019	Q1 09/2020	Q2 09/2020	Q3 09/2020	Q4 09/2020	
Licensing	210	300	176	342	213	-	-	-	+2
Provision of Services	58	92	47	85	84	-	-	-	+25
Stocking and Selling	59	124	131	106	60	-	-	-	+1
Consolidated Addons	14	16	42	23	33	-	-	-	+18
Sales	342	533	397	558	391	-	-	-	+49
Licensing	(8.3%)	+12.9%	+23.3%	+28.1%	+1.3%	-	-	-	-
Provision of Services	+53.6%	+28.2%	+63.0%	+102.2%	+44.4%	-	-	-	-
Stocking and Selling	+56.0%	+72.2%	+400.7%	+60.3%	+3.1%	-	-	-	-
Consolidated Addons	-	-	-	-	+128.2%	-	-	-	-
Sales (YoY)	+12.1%	+30.2%	+100.3%	+48.5%	+14.3%	-	-	-	-
Licensing	61.4%	56.2%	44.4%	61.3%	54.4%	-	-	-	-
Provision of Services	17.1%	17.2%	12.0%	15.4%	21.6%	-	-	-	-
Stocking and Selling	17.2%	23.4%	33.0%	19.1%	15.5%	-	-	-	-
Consolidated Addons	4.2%	3.6%	5.8%	4.3%	8.5%	-	-	-	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-	-

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 09/2019	Q2 09/2019	Q3 09/2019	Q4 09/2019	Q1 09/2020	Q2 09/2020	Q3 09/2020	Q4 09/2020		
Cash and Deposit	866	725	832	925	887	-	-	-	-	+20
Accounts Receivables	707	943	776	986	821	-	-	-	-	+114
Inventory	3	3	19	21	14	-	-	-	-	+11
Other	37	39	33	38	49	-	-	-	-	+11
Current Assets	1,615	1,712	1,661	1,972	1,773	-	-	-	-	+158
Tangible Assets	50	49	57	56	53	-	-	-	-	+2
Intangible Assets	34	41	158	307	337	-	-	-	-	+303
Investments and Other Assets	176	287	342	341	334	-	-	-	-	+158
Fixed Assets	261	378	558	704	726	-	-	-	-	+464
Total Assets	1,876	2,091	2,219	2,676	2,499	-	-	-	-	+622
Accounts Payables	25	76	121	95	59	-	-	-	-	+33
Short Term Debt	257	257	273	675	677	-	-	-	-	+419
Other	111	184	153	182	144	-	-	-	-	+32
Current Liabilities	394	518	548	953	880	-	-	-	-	+486
Long Term Debt	22	20	101	93	86	-	-	-	-	+63
Other	0	0	1	1	2	-	-	-	-	+2
Fixed Liabilities	22	20	102	95	88	-	-	-	-	+66
Total Liabilities	416	539	651	1,049	969	-	-	-	-	+552
Shareholders' Equity	1,452	1,546	1,569	1,629	1,530	-	-	-	-	+78
Other	7	6	(1)	(1)	(0)	-	-	-	-	(7)
Net Assets	1,459	1,552	1,568	1,627	1,530	-	-	-	-	+70
Total Liabilities & Net Assets	1,876	2,091	2,219	2,676	2,499	-	-	-	-	+622
Equity Capital	1,452	1,546	1,569	1,626	1,529	-	-	-	-	+77
Interest Bearing Debt	279	277	374	769	763	-	-	-	-	+483
Net Debt	(586)	(447)	(458)	(155)	(123)	-	-	-	-	+463
Equity Ratio	77.4%	73.9%	70.7%	60.8%	61.2%	-	-	-	-	-
Net Debt Equity Ratio	(40.4%)	(29.0%)	(29.2%)	(9.6%)	(8.1%)	-	-	-	-	-
ROE (12 months)	8.9%	8.8%	5.9%	8.2%	4.3%	-	-	-	-	-
ROA (12 months)	10.7%	10.4%	8.1%	9.7%	6.8%	-	-	-	-	-
Quick Ratio	399%	322%	293%	201%	194%	-	-	-	-	-
Current Ratio	409%	330%	303%	207%	201%	-	-	-	-	-

Source: Company Data, WRJ Calculation

7

Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 09/2019	Q1 to Q2 09/2019	Q1 to Q3 09/2019	Q1 to Q4 09/2019	Q1 09/2020	Q1 to Q2 09/2020	Q1 to Q3 09/2020	Q1 to Q4 09/2020		
Operating Cash Flow	-	(70)	-	(11)	-	-	-	-	-	-
Investing Cash Flow	-	(128)	-	(415)	-	-	-	-	-	-
Operating Cash Flow and Investing Cash Flow	-	(199)	-	(427)	-	-	-	-	-	-
Financing Cash Flow	-	23	-	407	-	-	-	-	-	-

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.

Company name: Walden Research Japan Incorporated

Head office: 4F Hulia Ginza 1-chome Building, 1-13-1 Ginza, Chuo-ku, Tokyo 104-0061 JAPAN

URL: www.walden.co.jp

E-mail: info@walden.co.jp

Phone : +81 3 3553 3769