

OBiC

Organization for Business Innovation and Communication

Integrated Report 2022

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OBIC Co., Ltd.

Top Message

We will continue to change and grow with customers, continuing to move forward with powerful steps



Masahiro Noda

Chairman and CEO



Shoichi Tachibana

President and COO

Recent Business Environment

The order of the global economy is undergoing massive changes, including the spread of COVID-19, tense overseas affairs, rapid surges in the prices of resources, and historic depreciation of the yen. In such an environment, information and time have become increasingly important, in addition to traditional management resources such as human, material and financial resources, and demand for system investment to enhance corporate productivity has been picking up. As information systems with higher cost performance are being sought, OBIC proposes solutions that are designed to maximize management efficiency for its customers by providing systems that can be installed quickly and can get up and running rapidly. These solution proposals have been well received by customers of varying company sizes across a wide range of industries.

Notably, OBIC provides cloud services as a one-stop service covering infrastructure to applications from its in-house cloud center. This offering has earned strong customer recognition as a service that directly helps to not only reduce operational and maintenance costs, but also implement advanced security, accelerate decision-making by management, facilitate business continuity planning and make new work styles possible.

Our Future Business Strategy

Human Capital

The driving force behind OBIC's growth is employee growth. OBIC is strongly committed to the recruitment of new graduates, and works hard to balance strengthening organizational capabilities with improving employees' individual specialization through training from a medium- to long-term perspective in line with each employee's characteristics, while maintaining membership-type employment. Based on an open corporate culture, employees with abundant expertise engage in friendly competition, thereby cultivating diversity and giving rise to new ideas and innovations every day. We will continue to develop business even further by supporting the continuous growth of each and every employee.

Intellectual Capital

OBIC has shifted its business model from "labor intensive" to "knowledge intensive," and concentrated on improving employees' skills and expertise as well as enhancing product functions. As for OBIC's intellectual capital, we have accumulated a total of over 1,200 business model patents, which gives us a competitive edge. We will continue to strategically utilize intellectual capital and promote continual innovation by employees, thereby providing services with even higher added value.

Natural Capital

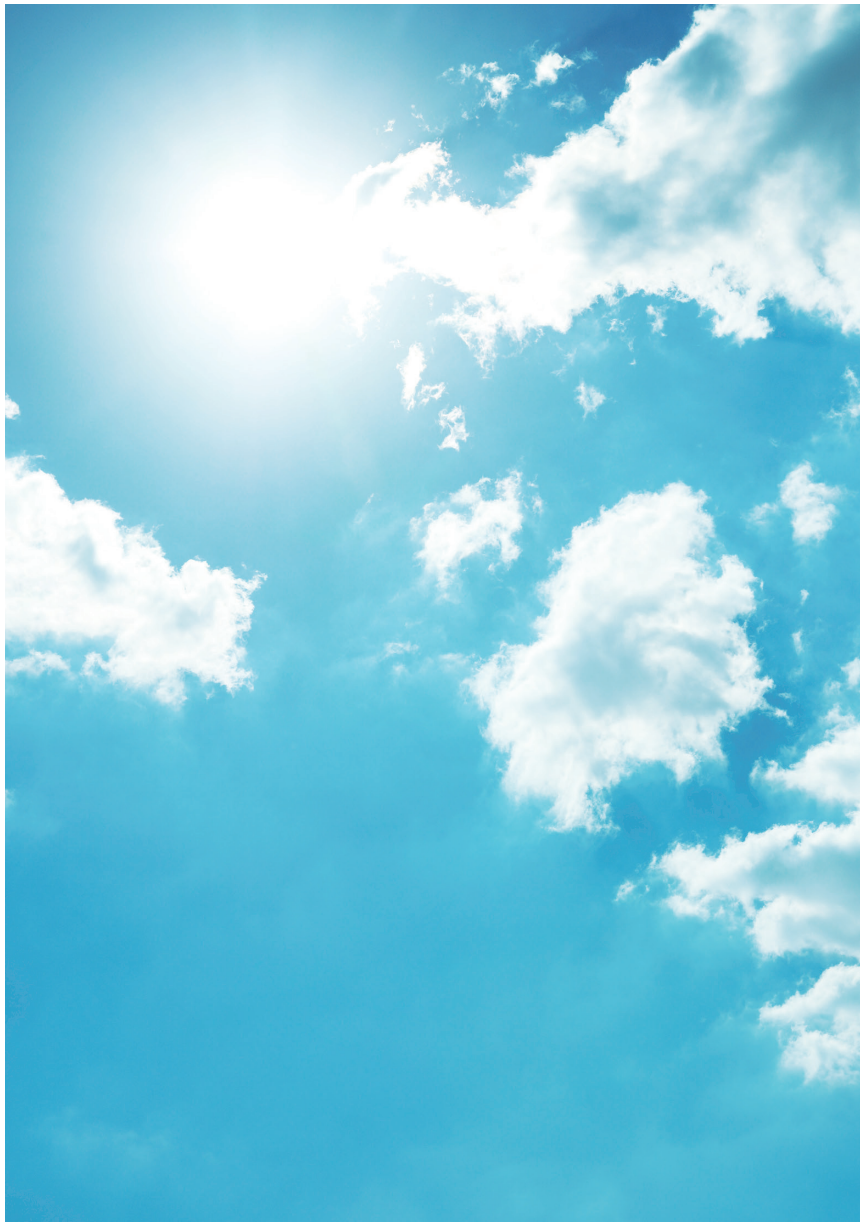
OBIC recognizes the importance of its social responsibility to reduce the environmental burden in order to alleviate the risk of global climate change, and works on promoting a knowledge-intensive business that does not rely on increasing human resources or environmental resources through various types of technological innovation and managerial efficiency. We have worked to reduce greenhouse gas emissions from OBIC and corporate customers by concentrating operations at the cloud center, which boasts advanced environmental performance, and have set targets to cut greenhouse gas emissions by 50% by 2030 (vs fiscal 2017 levels, Scopes 1 and 2) and to achieve net zero emissions by 2050. We will continue contributing to the realization of a society in which environmental conservation is balanced with sustainable corporate growth.

We are evolving and growing together with our customers as business partners, while making contributions to society through our business activities by helping companies to create new earnings drivers based on our corporate philosophies of "Company growth starts with employee growth" and "Innovation ~Destruction and Creation~." We hope you will continue to look forward to the OBIC Group's solid growth prospects for the future.

Vision (Corporate Philosophy and Management Philosophy)

Company growth starts with employee growth Innovation ~Destruction and Creation~

Since our foundation, we have concentrated on personnel development based on the idea that company growth starts with employee growth. Each individual employee possesses an innovative spirit and works hard to improve their skills and expertise, not limiting themselves to their past experiences of success or conventional methods. In this way, they aim for continuous growth.



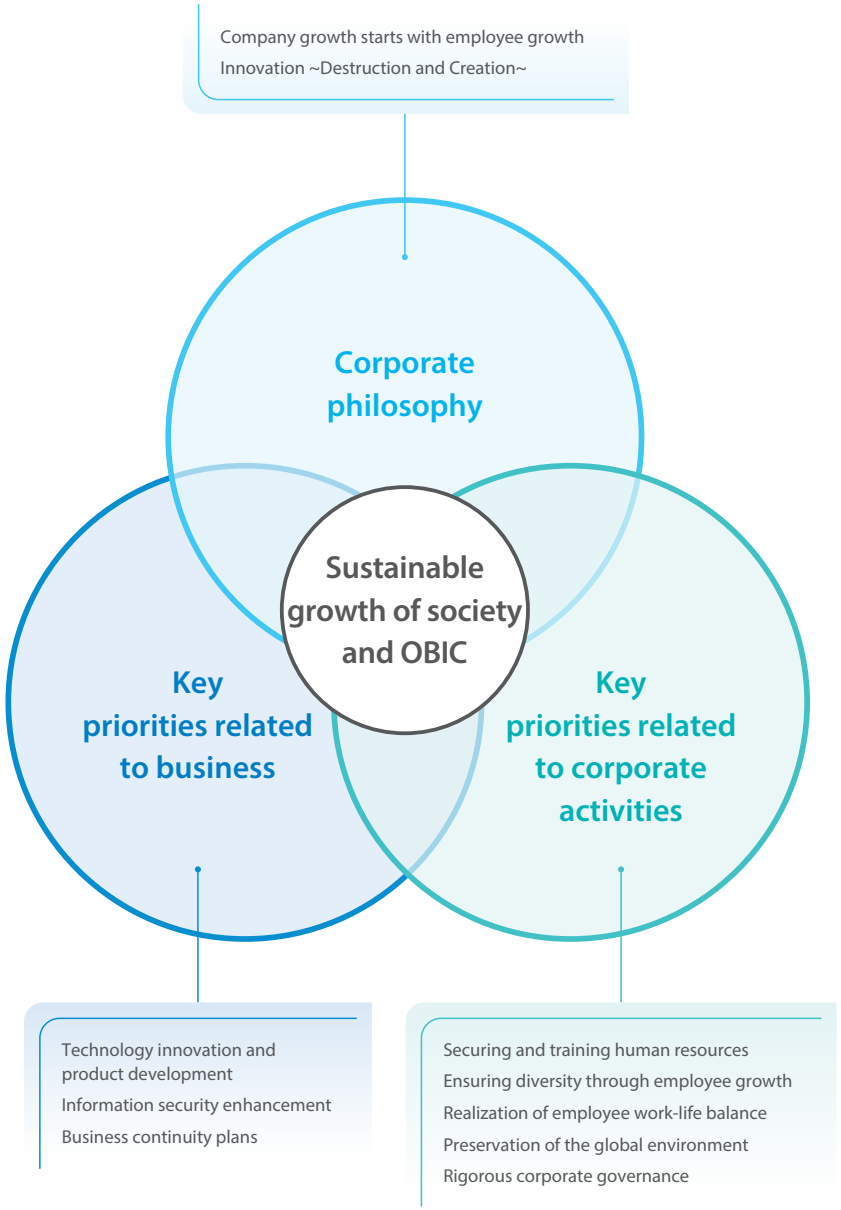
Mission (Taking Responsibility as a Company)

Support customers' business reform through the provision of information systems and contribute to the establishment of sustainable management foundations

As IT services have become an integral part of social infrastructure, OBIC offers customers integrated services from provision of systems to support after implementation. We believe our mission is to help our corporate customers achieve sustained growth.

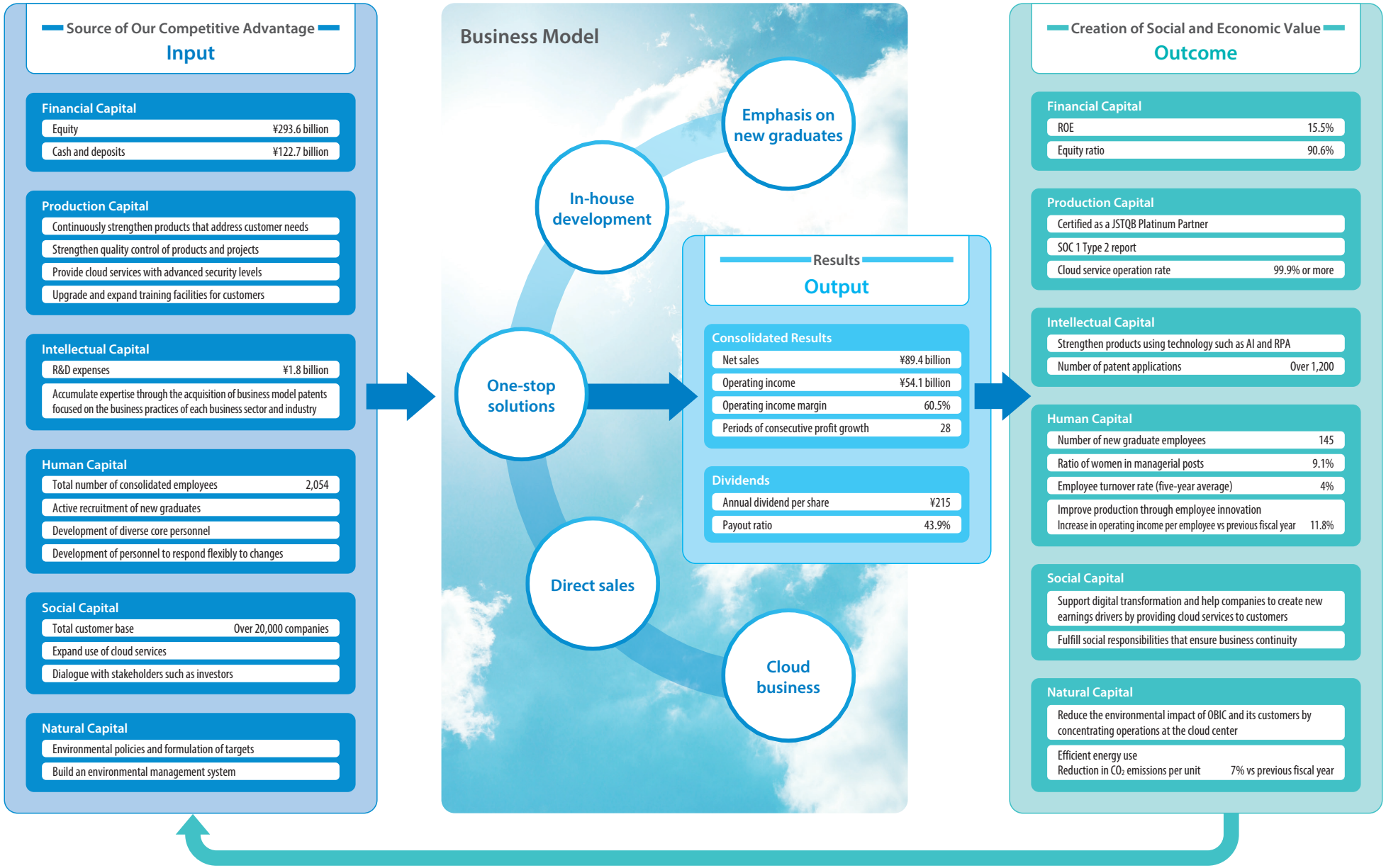
We support customers' business reform as their business partner, and contribute to the establishment of sustainable management foundations, thereby sparking innovation of corporate management throughout Japan.

Materiality



Key Priorities Related to Business	
Technology innovation and product development	• Development of OBIC7 series of comprehensive corporate ERP software products • Provision of private cloud services • Data utilization harnessing the latest digital technology such as AI
Enhancement of information security	• Meeting certification standards for information security management • Obtaining an SOC 1 Type 2 Report in compliance with the U.S. Statement on Standards for Attestation Engagements No. 18 (SSAE No. 18) for OBIC cloud services
Business continuity plans	• Development of a telework environment • Establishment of duplicate cloud computing center sites • Arranging a manual for responses during large-scale disasters and conducting periodic training
Key Priorities Related to Corporate Activities	
Securing and training human resources	• Fostering new graduate employees from the very beginning of their professional careers • Identification and improvement to employee engagement by implementing a feedback system for operations and operational processes
Ensuring diversity through employee growth	• Development of diverse core personnel through a direct sales structure • Arranging a wide variety of education and training programs and skills development, such as for IT, accounting or specific industries, matching employees' characteristics
Realization of employee work-life balance	• Promotion of flexible work styles such as paid holidays in one-hour increments, staggering work hours and telework • Acquisition of the Kurumin certification for being a company that excels at supporting childcare
Preservation of the global environment	• Meeting certification standards for environmental management systems • Information disclosure based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
Rigorous corporate governance	• Enhancing transparency, fairness, and objectivity by establishing a Nomination and Remuneration Advisory Committee • Formulating and thoroughly implementing each policy concerning compliance with ethics, laws and regulations, etc. • Solving compliance violations, etc. at an early stage and preventing them from occurring beforehand by establishing an internal reporting system

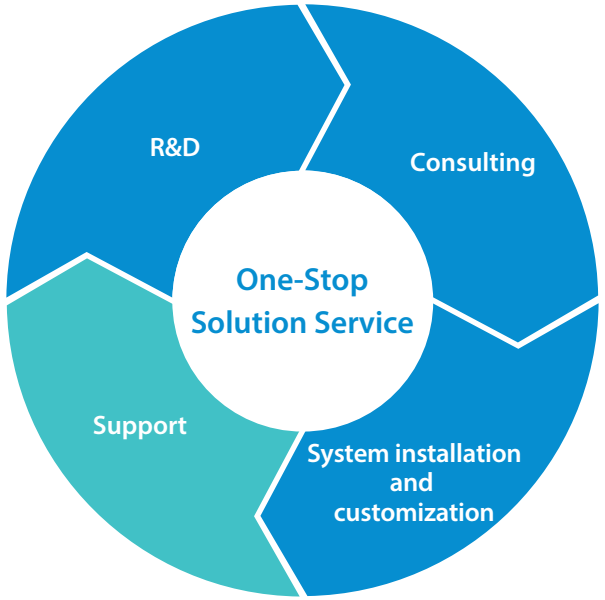
Value Creation Process



Business Model

One-Stop Solution Service

OBIC has remained committed to a user-oriented approach since its foundation in April 1968. From the customer's viewpoint, OBIC has continuously delivered "the expertise needed to generate management efficiency" as required by its customers. These activities have given rise to the one-stop solution service, a solutions platform that only OBIC can deliver. This service has a solid reputation among customers as a business model unique to OBIC.



In-House Development and Direct Sales Emphasizing Direct Relationships with Customers

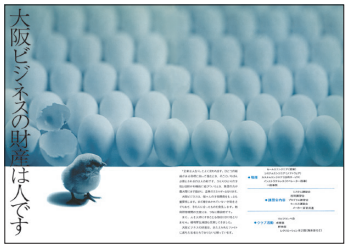
OBIC constantly provides optimal solutions to customers by identifying the continually changing issues and needs each customer faces in a timely manner. This is done by remaining firmly committed to in-house development and direct sales, and forming direct relationships with end-user customers.

Supporting Customers through an Integrated In-House System for All Processes through to Continuous Improvements after Installation

OBIC provides all IT utilization processes through an integrated in-house system ranging from installation consultation to systems planning, design and development, cloud environments and other infrastructure, operation, support after installation and the supply of information.

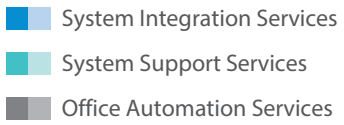
Recruitment of New Graduates

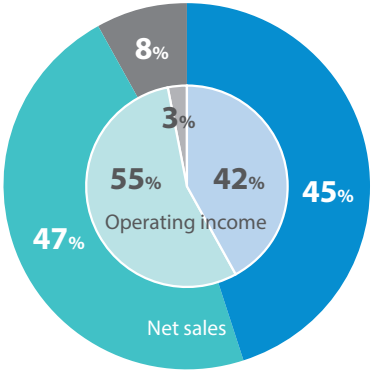
OBIC recruits only new graduates as employees. By carefully taking time to develop employees' technical abilities, skills and abilities to make proposals as well as communication skills, OBIC works hard so that it can provide the optimal solutions for management issues faced by customers.



"People are the real assets of business in Osaka"
(from a corporate brochure published in 1973)

Composition Ratio by Segment
(Fiscal year ended March 31, 2022)





Business Model

Industry- and Business-Specific Support Capable of Addressing Customers' Business Diversification Initiatives

Since its foundation, OBIC has been involved in system building and operational improvement for customers across a broad range of industries and businesses. For issues specific to each business type, OBIC staff members, who possess knowledge and expertise on those businesses, leverage their abundant track record and experience to guide customers to the optimal solutions.

Flat and Open Organization to Offer In-Depth Support to Customers

OBIC has adopted a flat and open organization in which sales, SE and support staff work closely together to serve customers. Bringing together the expertise of each type of professional across the lines of different job specialties enables OBIC to rapidly solve the problems faced by customers.

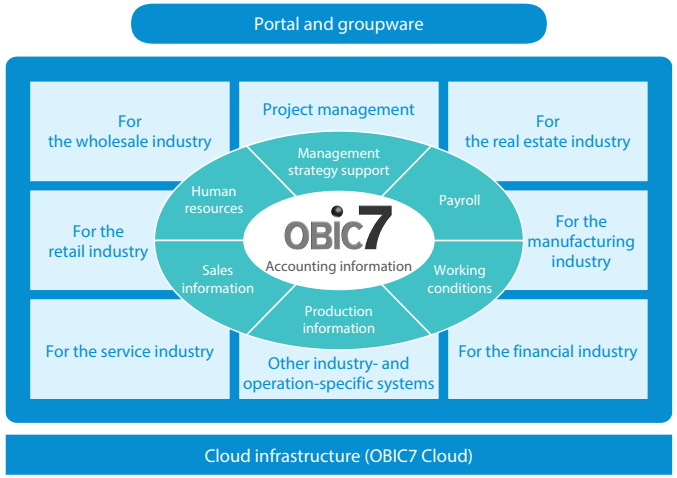
OBIC7 Series

The OBIC7 series of comprehensive corporate ERP software products is a component-based ERP product that utilizes information systems, such as those for personnel, payroll, management of working conditions, sales and production, with a primary focus on accounting information systems, to enable the construction of optimal core operating integration systems for each company.

Utilizing the advantages of a component-based system developed in-house, it maximizes the characteristics of customer business types and business formats through customization, and is designed in such a way that integration is not compromised even when introduced sequentially starting from key components based on an investment plan.

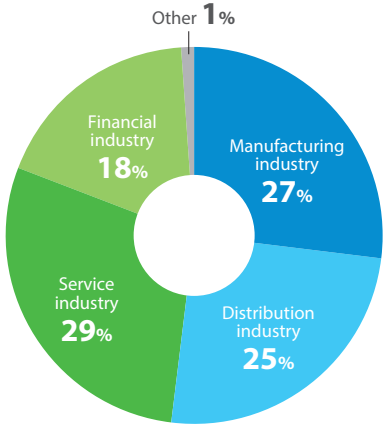
Because of this, it enables smooth, total optimization in a short timeframe, contributing to the optimization of further investment in information systems for entire groups at a time when the importance of group-based management is growing.

The OBIC7 series has been installed by many companies since being launched in 1997 and has since secured the top share of both the number of companies installed and sales.



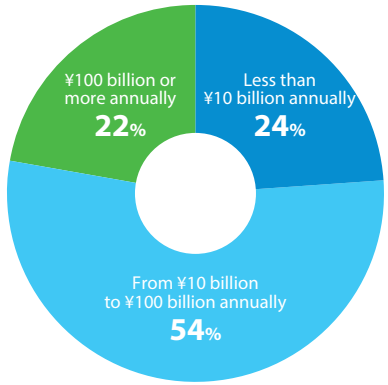
By Industry Sector

(Fiscal year ended March 31, 2022)



By Company Size (Sales)

(Fiscal year ended March 31, 2022)



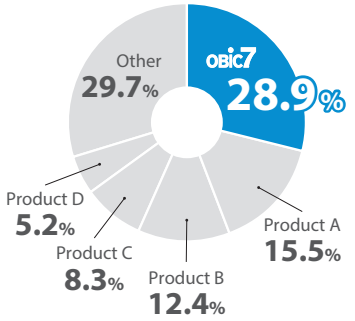
* Based on net sales of System Integration Services

No. 1* in cumulative ERP installations for 19 consecutive years



* Among main ERP vendors 2002–2020
Number of cumulative corporate installations
(Top 10 shares of license sales)

No. 1*1 share of net sales for medium- to large-sized companies*2



*1 2020 sales of software package licenses based on the end user price
*2 Annual sales of ¥10 billion–¥100 billion

Source: "ERP Market and Outlook 2021," Yano Research Institute Ltd., September 2021
Survey results are estimated based on qualitative survey and analysis methods

Financial Capital

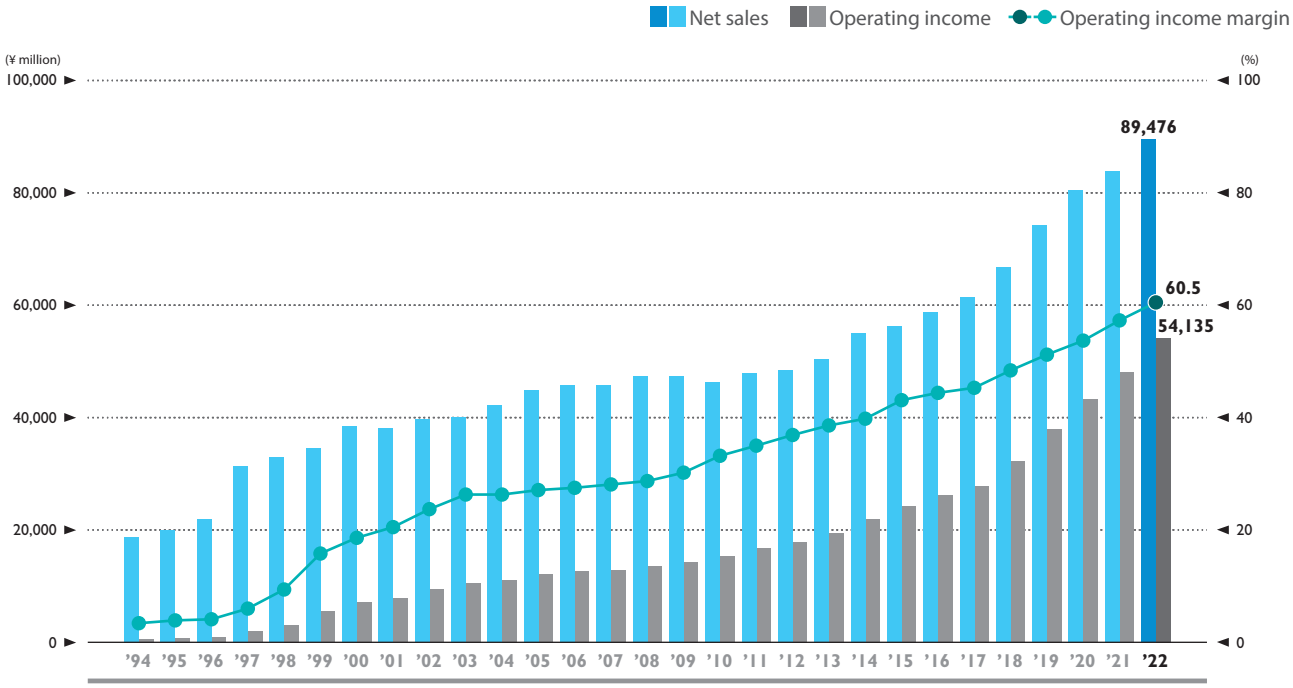
Operating Income Rose for 28th Consecutive Fiscal Year

Since its establishment, OBIC has pursued quality in management with a focus on operating income, and continued to grow even during various global financial crises, such as when the bubble economy burst and Lehman Brothers failed. Recently, the COVID-19 pandemic has changed the world dramatically. Nevertheless, the Company's employees pulled together and pushed ahead with business. As a result, we achieved operating income growth for the 28th consecutive fiscal year and a record operating income margin of 60.5%.

Going forward, we will continue working to secure a strong management foundation and raise ROE to 10% or more, while striving to grow earnings and enhance corporate value by sufficiently investing in human resources, cloud-related facilities, and so forth.

Further, we regard returning profits to shareholders as one of our key priorities. We believe appropriate reflection of our corporate value in our share price will enable us to meet shareholders' expectations. We plan to pay dividends at a consolidated payout ratio of roughly 40% for the foreseeable future.

Net Sales/Operating Income (¥ million)/Operating Income Margin (%)



Growth

Operating income (YoY)

12.6%

Profitability

Operating income margin

60.5%

Efficiency

Return on equity (ROE)

15.5%

Safety

Equity ratio

90.6%

Continuity

Period of consecutive operating income growth

28 fiscal years

Production Capital

Product Initiatives

Quality Responsibility

We recognize that providing high-quality products and services is important to ensure rapid installation and reliable operation. To realize high quality through technological capability improvements in our software testing, we encourage employees to study for the JSTQB software testing qualification, and have acquired certification as a Platinum Partner, the highest rank in Japan.

Security Responsibility

We are also concentrating on measures to combat the recent surge in cyberattacks. We have established a dedicated security team in-house, drawn up security rules, and monitor quality. In addition, we enlist several external firms specializing in security to perform periodic vulnerability assessments, and OBIC7 and our cloud services are highly commended. To develop security personnel, we encourage employees to acquire the national cybersecurity certification of Registered Information Security Specialist. At present, between 10 and 20 of our employees are registered as holding this certification and keeping it up to date. We will spare no effort in ensuring security so that customers will feel comfortable entrusting us with installing and operating their systems.

ISO/IEC 27001 (ISMS)

We recognize that the information assets of both the Company and the client companies that the Company deals with are a critical component of our business management foundation. We have acquired Information Security Management System (ISMS) certification to protect these information assets from various security risks.

SOC 1 Type 2 Report

Assurance report on internal controls related to contracted business [U.S. standard AT-C Section 320 (SSAE No. 18)]

OBIC is capable of providing highly transparent cloud services to its client companies, along with reducing the burden of audits of financial statements, audits of internal controls and other such processes.

Scope of registration
System analysis, design, development, and maintenance services ordered by customers, design and development of integrated package software, and installation and support services, incorporated business units
(Tokyo Head Office, Osaka Head Office, Yokohama Branch, Nagoya Branch, Kyoto Branch, Fukuoka Branch)

Cloud Services

All of the many solutions provided by OBIC are available as cloud services. We build dedicated environments for each customer in our in-house cloud center, which dramatically reduces their maintenance and upgrade work, while ensuring advanced security and rapid deployment of reliable operations. Our cloud services help our corporate customers optimize their groupwide operations, organizations and work styles by strengthening internal controls and enabling remote work. We also promptly respond to rapid changes in the business environment.



Cloud center

OBIC Cloud Academy, a Training Facility for Customers

The OBIC Cloud Academy serves as a venue for concentrated testing by our customers and meetings to explain operations, as well as for planning the rollout of solutions in dedicated cloud service environments prepared for each customer. The OBIC Cloud Academy is available at all of the Company's bases across Japan. We are examining various ways it can be utilized as a part of services to assist customers with business continuity planning.



OBIC Cloud Academy

Human Capital

Our Approach to Human Development

Since its foundation, OBIC has emphasized the view that employees' growth is connected to the Company's growth. By taking the time to really cultivate the attributes of new graduate employees in accordance with medium- to long-term targets without being restrained by standard frameworks such as membership-type and job-type employment models, we are working to bolster our organizational capabilities by fostering our corporate culture, while enhancing individual employees' expertise.

Recruitment Strategy

Emphasis on New Graduates

OBIC recruits only new graduates as employees. Employees' ability to come up with proposals, communication skills, and other human skills are crucial to exploring and finding the best solutions for customers' business issues. OBIC invests considerable time in developing such human resources. OBIC is strongly committed to recruiting new graduates as employees it fosters from the very beginning of their professional careers, and works to rigorously develop and motivate human resources.

What We Are Looking for in Employees

Guided by our philosophy of "contributing to the growth of Japan's economy and society," we want to contribute to corporate and social development by solving our corporate clients' management issues and contributing to sustainable growth. To continue to address the diverse array of issues faced by our customers as their management partners, we believe not being bound by precedents or past successes and having unconventional flexibility and playful ideas as well as a drive to contribute to society are important. Those are the kind of people we are looking to hire.

Education System

To help our customers sustain growth, our employees must have not only IT skills, but also business knowledge in accounting and other areas, as well as industry-specific know-how. Under our robust education and training system, all employees work to improve a diverse range of knowledge and skills in accounting and other areas, regardless of their type of job.

As for training formats, we offer online training tailored to various areas of study and participants, in addition to in-person training, so that all sorts of employees can work to improve their skills in a flexible manner. We also support employees' learning by providing assistance for obtaining certifications, paying certification allowances, and working on online education.

Moreover, innovations arise every year through all employees participating in presentations on management objectives that have been held since our founding, in addition to other seminars.

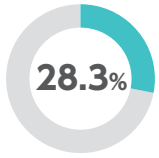
Number of Hires

2018/3	2019/3	2020/3	2021/3	2022/3	2023/3
119	112	109	125	142	145

Ratio of new graduate hires



Ratio of women among new employees

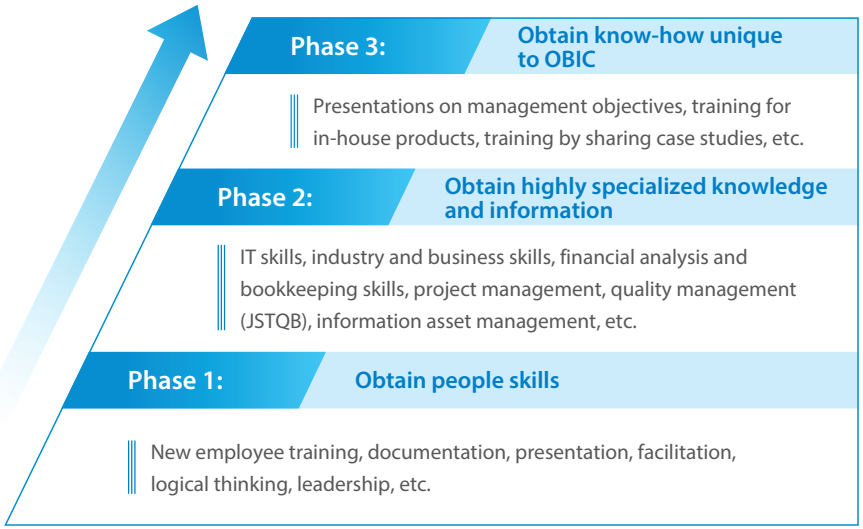


* As of April 1, 2022

Training participation rate



Training Flowchart



Human Capital

Initiatives to Raise Engagement

OBIC is committed to creating environments where each and every employee can engage in rewarding work. Employees have interviews with their supervisor several times a year where their progress towards achieving the business activity targets that they set at the start of the fiscal year is checked, and that information is utilized in assigning the right people to the right jobs. In addition, we have established a feedback system that accelerates growth and increases motivation by providing employees with feedback from those around them. Moreover, we hold the OBIC Family Sports Festival attended by employees and their family members every year throughout Japan, and give a whole Christmas cake to employees at Christmas. These initiatives have shaped an open corporate culture that emphasizes communication, which helps to foster solid teamwork in our business activities.

Additionally, we have introduced an employee stock ownership plan as a system for sustained enhancement of corporate value.



Christmas cakes are handed out to employees every year

Diversity

We believe that individual employee growth combined with greater diversity creates a synergistic effect. To that end, we encourage employees to hone their respective skills and know-how and build on their individuality in an open corporate culture that emphasizes communication.

In addition, we promote flexible work styles so that all employees in various circumstances can use their abilities to the fullest, and have successful long-term careers. For instance, we offer paid holiday that can be used in one-hour increments, shortened working hours for employees raising children until their children finish the sixth grade of elementary school, staggered working hours, and working from home. Regarding gender diversity, we aim for a ratio of women in managerial posts of at least 10%, and will continue to work on increasing growth opportunities for female employees.



Flexible work hours and locations

Various Certifications

Kurumin Certification

OBIC has received Kurumin certification from the Minister of Health, Labour and Welfare for being a company that excels at supporting childcare.

We will keep working to create environments where all employees can grow and work long term by supporting a good balance between work and childcare through various initiatives such as enhancing systems for childcare leave and shortened working hours.

Health and Productivity Management Organization

OBIC was designated as a "2022 Certified Health & Productivity Management Outstanding Organization" by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

Based on the belief that employees constantly innovating and fully leveraging their abilities ends up supporting customers' sustainable growth, OBIC will continue striving to create environments where employees can work with good health and grow.

Ratio of women in managerial posts

9.1%

* As of April 1, 2022

Ratio of female employees

19.8%

* As of April 1, 2022

Ratio of employees returning to work after childcare leave

98.0%

*As of March 31, 2022

Paid leave acquisition rate

69.6%

* As of March 31, 2022

Natural Capital

Basic Philosophy on Environmental Management

OBIC recognizes the gravity of its social responsibility to conduct its operations in an environmentally friendly manner. Accordingly, OBIC will drive innovation in various technologies and improve management efficiency to help realize a society balancing environmental preservation and sustainable corporate growth.

Action Guidelines

1. We recognize the finite nature of resources and energy and strive to use them effectively.
2. We sufficiently consider the conservation and protection of the natural environment and biodiversity.
3. We strive to reduce environmental impact by providing cloud services to customers.
4. We promote work styles that do not require employees to commute or travel, such as working from home.
5. We act in compliance with environmental laws and regulations, regional ordinances and conventions, and agreements with stakeholders.
6. We work to improve environmental performance by building and operating an environmental management system, regularly evaluating the progress made on achieving targets, and continuously making improvements.

Environmental Targets

Effective use of the Company's environmental resources	Reduce CO_2 emissions (reduce by 10% vs previous fiscal year)
	Reduce CO_2 emissions per unit of net sales (reduce by 20% vs previous fiscal year)
	Improve the waste recycling rate (recycling rate of at least 70%)
Enhance management resource efficiency at partner companies and safeguard business continuity	Provide cloud services (cloud utilization rate of at least 80%)
Provide flexible and diverse workplace environments	Develop remote working environments (environment completion rate: 100%)
Legal compliance	Comply with environmental laws and regulations (zero violations)

Environmental Performance Data

	Data item	Unit	2018/3 Base year	2019/3	2020/3	2021/3	2022/3 Latest reporting year	2022/3 Reduction rate (vs base year)	2030/3 Reduction rate target (vs base year)	2050/3 Reduction rate target (vs base year)
Fuel consumption	Kerosene	ℓ	38,700	36,600	36,200	0	0			
	Diesel	kL	0.06	0.16	0.05	0.08	0.06			
	LPG	1,000 m³	1.63	1.67	1.73	0.00	0.00			
	City gas	1,000 m³	93	84	92	75	70			
Heat consumption (steam, cold water)		GJ	1,081	1,583	1,853	1,839	3,376			
Electricity consumption		MWh	4,771	4,695	4,525	4,392	4,175			
Water usage*1		m³	12,791	12,873	13,668	12,177	11,714			
Waste	General waste*1	t	119.4	120.8	117.3	96.0	105.2			
	General waste recycling rate	%	62.2	64.1	57.4	64.3	66.9			
	Industrial waste*1	t	29.0	64.2	29.6	29.6	17.1			
	Industrial waste recycling rate	%	100	100	100	100	100			
Primary energy consumption*2		GJ	54,026	53,441	52,566	48,999	48,779	9.7%		
CO_2 emissions	Scope 1*3	t-CO_2	307	282	300	166	156	49.2%		
	Scope 2*3	t-CO_2	2,374	2,283	2,157	1,971	1,970	17.0%		
	Scope 1 + 2*3	t-CO_2	2,681	2,565	2,457	2,137	2,126	20.7%	50%	100%
CO_2 emissions per ¥1 million of net sales (Scope 1 + 2)*4			0.040	0.035	0.031	0.025	0.024	40.8%		

*1 Water usage and waste is calculated for the Tokyo headquarters.
*2 The amount of energy converted from fossil fuels, nuclear fuels and natural energy such as hydropower and solar power.
*3 Scope 1: Direct emissions from fuel consumption at Company facilities
Scope 2: Indirect emissions from the use of electricity and heat at Company facilities
*4 CO_2 emissions ÷ Consolidated net sales (¥ million)

External Evaluations

ISO 14001 Certification (Tokyo Head Office)

ISO 14001 is an international standard for environmental management systems. It provides organizations with a framework for protecting the environment and responding to changing environmental conditions, while striking a balance with socioeconomic needs.

QUALITY ASSURANCE JIC REGISTERED ORGANIZATION No. E2550 - ISO 14001

JAB MS CM002

Services
System analysis, design, development, and maintenance services ordered by customers, design and development of integrated package software, and installation and support services

Acquired the Highest Ranking of S under CASBEE Osaka Mirai

CASBEE Osaka Mirai refers to the Osaka Comprehensive Assessment System for Built Environment Efficiency. This comprehensive assessment system for environmental efficiency in buildings was established with support from the Ministry of Land, Infrastructure, Transport and Tourism. It uses a five-step scale to score buildings on criteria such as energy saving, resource saving, recycling performance, indoor environment comfort, building longevity, and aesthetics. The OBIC Midosuji Building received the highest ranking, "S."

Natural Capital

Climate Change Initiatives

In December 2021, OBIC announced its agreement with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board. In accordance with these recommendations, we will work to strengthen governance in regard to climate change, formulate strategies and targets based on analysis of risk and opportunity, and disclose information on the financial impact of these measures.

Background

We recognize that we bear a tremendous social responsibility to reduce the environmental impact of the Company to help mitigate climate change risk. By driving innovation in various technologies and enhancing management efficiency, we are working on promoting a knowledge-intensive business that is not dependent on increasing human and environmental resources (people and things).

Governance

We have established the Sustainability Promotion Committee that works under the direct supervision of the president and COO. The president and COO has also been designated as the person ultimately responsible for climate-related issues and receives daily reports from committee members regarding changes in the external environment and other issues concerning climate change, progress made on meeting the Company's targets, and proposals for new initiatives. If necessary, these reports and other information are shared with the Board of Directors and other relevant parties.

Strategy

1. Risks

Transition risks	Regulatory	Increase in the cost of business due to the introduction of new environmental regulations, such as carbon taxes
	Legal	Litigation and halts in operation due to serious violations of environmental laws and regulations, etc.
	Reputational	Damage to the Company's reputation due to an inability to conform to greenhouse gas emission regulations or the like
Physical risks		Impact on business operations or damage to Company facilities, etc. due to a major natural disaster caused by climate change

2. Opportunities

Products and services	Increased demand for services through cloud centers that offer advanced environmental performance due to a growing need to reduce greenhouse gas emissions
Resource efficiency	Reductions in operational costs accompanying more efficient use of energy, such as electricity
Resilience	Increased demand for secure cloud centers that ensure business continuity in the event of a major natural disaster

Risk Management

We conduct risk management through a committee and a risk management system. Each quarter, relevant departments compile climate-related data at the committee's request and this information is used by committee members for monitoring purposes, including to confirm the state of progress, conduct analysis, and identify issues. This ensures the continuous monitoring and management of risk.

Indicators and Targets

We have set the targets below for cutting greenhouse gas emissions (Scope 1 + 2*).

▶ 2030
50% reduction in emissions compared to fiscal 2017

▶ 2050
100% reduction in emissions

* Scope 1: Direct emissions from fuel consumption at Company facilities
Scope 2: Indirect emissions from the use of electricity and heat at Company facilities

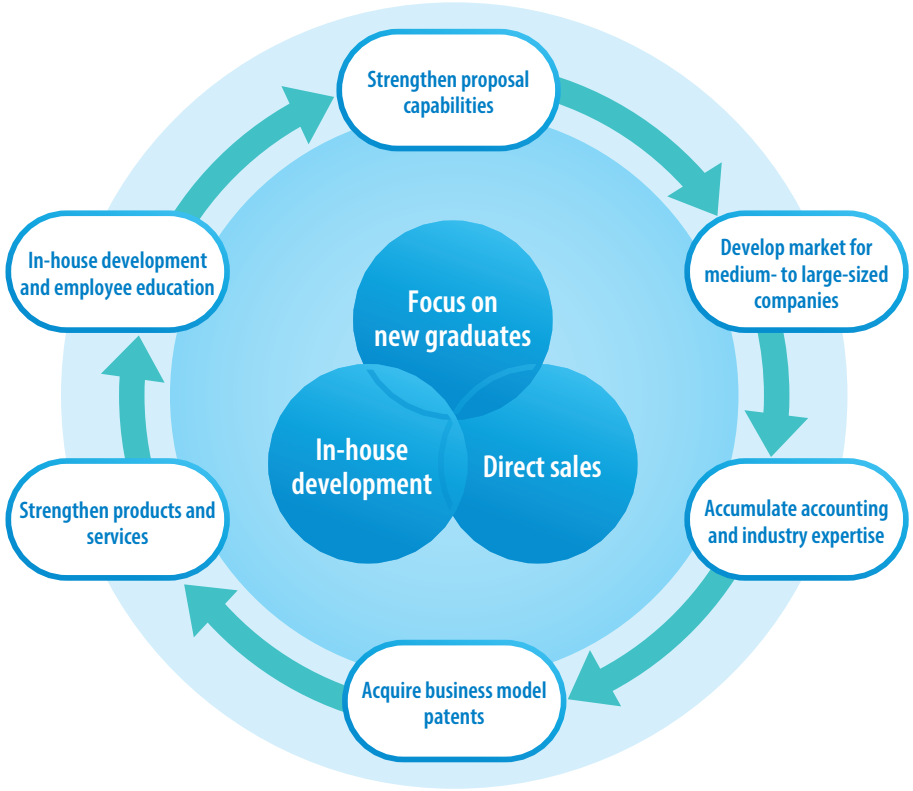
Response to CDP Questionnaires

CDP climate change surveys target the world's top companies by market capitalization and investigate factors such as their activities to reduce greenhouse gas emissions and initiatives for mitigating climate change. We responded to the CDP questionnaire for fiscal 2021 and received a B rating.

CDP DISCLOSER 2021

Intellectual Capital

Process for Accumulating Intellectual Property



Patent Strategy

OBIC has accumulated a wealth of expertise in various industries and businesses by providing solutions to customers through in-house development and direct sales activities over many years. To visualize and increase the added value of this expertise leading to differentiation from the competition and bolstering of knowledge intensive business, the Company has been working for over two decades on acquiring business model patents.

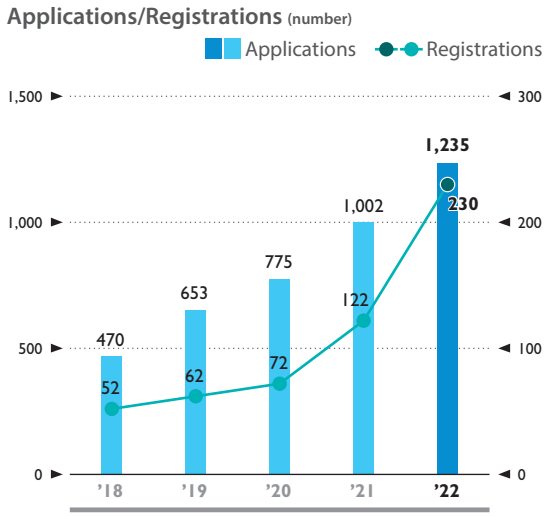
Business model patents are patents that are granted for frameworks that utilize systems and other devices to solve business issues. We believe our strength in providing integrated in-house services for customers ranging from consulting to business process improvement proposals, systems design, and support after installation is reflected in the number of these patents that we have acquired.

Patent Acquisition Framework

OBIC's patent strategy emphasizes acquiring patents linked to management strategy.

We are working to acquire patents that are valuable to customers by incorporating the process of acquiring business model patents within various sales, marketing, and development strategy processes, such as strengthening products and services in line with marketing for industries and businesses, and employee education.

In addition, our patent acquisition activities extend throughout the entire Company as we have established an implementation team in each business division, centered on the Solution Business Division's Intellectual Property Strategy Team headed by the president and COO.



OBIC has applied for and obtained over 1,200 business model patents in total as of March 31, 2022, which is a high level for the IT sector. Going forward, we will keep endeavoring to provide services that offer even higher added value and contribute to a sustainable society by actively using patented technology and encouraging constant innovation by employees.

External Evaluations

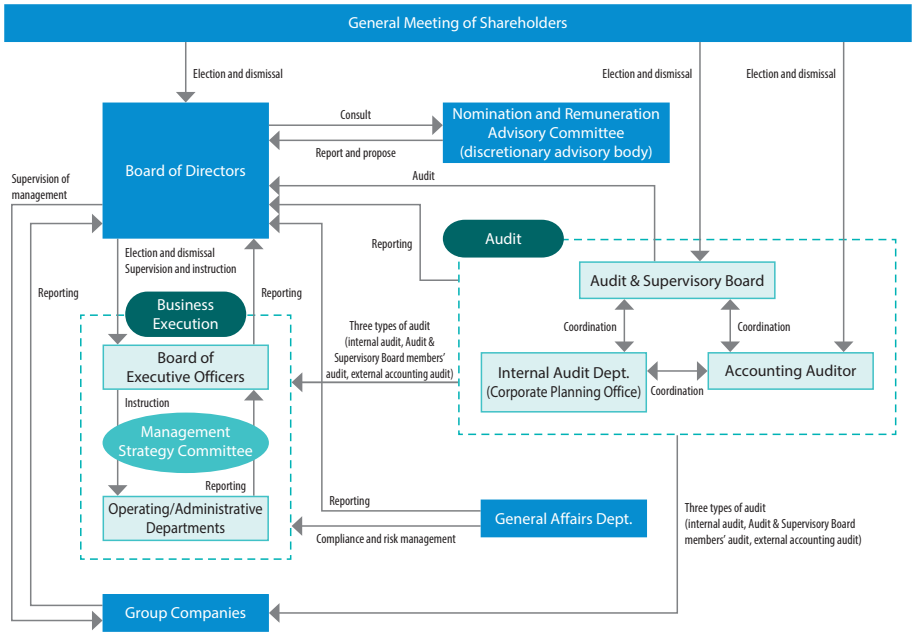
OBIC received a high external assessment of its activities towards a sustainable society from the Japan Patent Information Organization (Japio), ranking 4th in the Japio-SDGs Patent Index* among companies in the information and communications industry category.

Patented technology that improves operation efficiency and productivity	8
Patented technology that facilitates appropriate management decision-making by companies	9
Patented technology that realizes waste reduction, paperless operations, and digitalization	12, 13, 15
Patented technology that strengthens internal controls and governance	16

* Japio-SDGs Patent Index Company Ranking
https://transtool.japio.or.jp/work/data/SDGs_index_ranking.pdf (Japanese language only)

Corporate Governance

Outline of Corporate Governance Framework



OBIC has built a corporate governance system that enlists the Board of Directors to serve as a managerial decision-making body, while also employing the Audit & Supervisory Board equipped with the managerial audit function, and an Executive Officer system to further strengthen the corporate structure.

The Board of Directors meets regularly once a month to deliberate on all important matters, and also discusses and explores countermeasures with respect to progress achieved in business performance. The Company has 11 executive officers in addition to three directors who concurrently serve as executive officers. Adoption of the executive officer system has culminated in a framework that separates the managerial decision-making and supervision functions from the business execution functions and that makes it possible to promptly address changes in the business environment. At meetings of the Management Strategy Committee, held on the same day as those of the Board of Directors, committee members discuss matters reported particularly regarding the current status of business performance in respective departments, and subsequently make decisions on specific measures in that regard.

The Audit & Supervisory Board consists of three members including two outside Audit & Supervisory Board members and serves to strengthen management monitoring function. Its members conduct daily audits, attend important meetings including those of the Board of Directors, and provide advice and recommendations as appropriate. The Audit & Supervisory Board works smoothly, seeking to ensure objectivity and neutrality.

Evaluating the Effectiveness of the Board of Directors

OBIC exchanges opinions about the effectiveness of the Board of Directors through individual consultations with outside officers. The Company held discussions at the Board of Directors based on the results of those consultations, and has determined that the effectiveness of the Board of Directors is largely secure.

Summaries of the evaluation results are as follows.

- OBIC's Board of Directors is well balanced and comprised of members who understand the Company's management philosophy and policies and have a wide variety of experiences and knowledge. It aims to carry out appropriate decision making and supervise the execution of operations.
- Free and active discussion as well as constructive exchange of opinions are conducted by all of the attending directors including two outside directors.
- The Nomination and Remuneration Advisory Committee, which is a voluntary advisory body, also receives appropriate advice and proposals from outside directors, and works effectively.

Based on these evaluation results, OBIC is working to improve the effectiveness of the Board of Directors even further.

Countermeasures for Business and Other Risks

Risks	Countermeasures
Technology innovation and product development	Strives to engage in research and development activities related to the latest technology trends in a wide range of fields, including network technology and communications technology, verification of new hardware products or verification of software and middleware.
Loss of human resources and expertise	Spends significant time and money each year on securing and developing talented human resources and working to develop human resources with strong future potential.
Information security	Strives to strengthen and ensure customer data management and to prevent leaks by establishing information management rules, ensuring that all employees are made aware of these through training, and strengthening software and information security.
Environmental and climate change	Strives to implement business continuity plan measures, such as setting up a teleworking environment for employees and establishing duplicate cloud computing center sites. Furthermore, by concentrating its cloud computing centers with advanced environmental performance, it is working to reduce its own greenhouse gas emissions and those of its customers.

Details of Officer Remuneration

Category	Type of remuneration	Eligibility	Limit
Directors	Basic remuneration (monthly fixed remuneration)	Inside and outside	Capped at ¥800 million annually (including no more than ¥60 million for outside directors)
	Bonuses (performance-linked remuneration)	Inside	Up to 0.5% of net income or ¥200 million annually
	Restricted stock compensation (performance-linked remuneration)	Inside	Up to ¥500 million annually
Audit & Supervisory Board members	Basic remuneration (monthly fixed remuneration)	Inside and outside	Up to ¥30 million annually

Director remuneration is comprised of monetary compensation as basic remuneration (monthly fixed remuneration) and bonuses (performance-linked remuneration), and non-monetary compensation as restricted stock compensation (performance-linked remuneration). Bonuses in the form of performance-linked remuneration are paid at a fixed period every year with net income on a non-consolidated basis, which is the ultimate profit from execution of duties to which the directors make direct contributions, as the performance index, thereby increasing the directors' ambition to improve performance. The rate of performance-linked remuneration is approximately 20–30% in the case of standard performance. OBIC's non-consolidated net income for the fiscal year ended March 31, 2022 was ¥40,138 million. Remuneration for Audit & Supervisory Board members is basic remuneration (monthly fixed remuneration) only.

Total Remuneration, etc. for Each Officer Category

(¥ million)

Category	Total amount of remuneration, etc.	Total amount of remuneration, etc. by type			
		Basic remuneration	Bonuses	Special Reward Bonus for the Founder	Restricted stock compensation
Directors (outside)	1,078 (32)	589 (32)	129 (—)	360 (—)	— (—)
Audit & Supervisory Board members (outside)	24 (12)	24 (12)	— (—)	— (—)	— (—)
Total (outside)	1,102 (44)	613 (44)	129 (—)	360 (—)	— (—)

Process for Determining Officer Remuneration

Original proposals for the amount of remuneration are drafted based on an additive and subtractive formula within a range determined at the General Meeting of Shareholders after giving consideration to the Company's performance based on remuneration according to position in relation to the status of execution of each executive's duties. Based on the results of an inquiry to the Nomination and Remuneration Advisory Committee, which is a voluntary advisory body in which outside directors make up a majority of the members, a decision is made by the Board of Directors.

Remuneration for Audit & Supervisory Board members is basic remuneration (monthly fixed remuneration) only. The amounts of remuneration for Audit & Supervisory Board members are calculated per discussions among the Audit & Supervisory Board members, within the range resolved by the General Meeting of Shareholders.

Drafting of remuneration amounts, etc. → Consult → **Consideration by the Nomination and Remuneration Advisory Committee** → Report → **Resolution by the Board of Directors**

April 2021	The Nomination and Remuneration Advisory Committee considered details of officer bonuses for the fiscal year ended March 31, 2021, and the individual amounts to be paid for basic remuneration for directors in the fiscal year ending March 31, 2022. The committee resolved to report to the June 2021 meeting of the Board of Directors on the draft produced as a result of the consideration.
June 2021	A meeting of the Board of Directors following the Ordinary General Meeting of Shareholders received the report from the Nomination and Remuneration Advisory Committee and passed a resolution on the officer bonuses for the fiscal year ended March 31, 2021, and the individual amounts to be paid for basic remuneration for directors in the fiscal year ending March 31, 2022.
March 2022	The Nomination and Remuneration Advisory Committee considered details of officer bonuses for the fiscal year ending March 31, 2022, and the individual amounts to be paid for basic remuneration for officers and the Special Reward Bonus for the Founder for the fiscal year ending March 31, 2023. The committee resolved to finalize the draft sometime after April 2022.
April 2022	The Board of Directors resolved to pay the Special Reward Bonus for the Founder.
April 2022	The Nomination and Remuneration Advisory Committee considered details of officer bonuses for the fiscal year ended March 31, 2022, and the individual amounts to be paid for basic remuneration for officers in the fiscal year ending March 31, 2023. The committee resolved to report to the June 2022 meeting of the Board of Directors on the draft produced as a result of the consideration.
June 2022	A meeting of the Board of Directors following the Ordinary General Meeting of Shareholders received the report from the Nomination and Remuneration Advisory Committee and passed a resolution on the officer bonuses for the fiscal year ended March 31, 2022, and the individual amounts to be paid for basic remuneration for officers in the fiscal year ending March 31, 2023.

Corporate Governance

System of Directors and Audit & Supervisory Board Members (9)

Category	Name (Date of birth)	Position/responsibilities, etc.	Business execution	Independent/ outside	Sex	Skills					
						Corporate management	Innovation ~Destruction and Creation~	Business and industry experience	Accounting and finance	Legal	ESG (Environmental, Social, and Governance)
Directors	Masahiro Noda (August 24, 1938)	Chairman and CEO			Male	●	●	●	●		
	Shoichi Tachibana (April 26, 1961)	President and COO (Chairman of the Board of Directors)	●		Male	●	●	●	●		●
	Atsushi Kawanishi (November 29, 1958)	Managing Director Head of Human Resources and Administration Supervision Group	●		Male		●	●			●
	Takao Fujimoto (April 7, 1971)	Director General Manager of Kansai Business Div.	●		Male		●	●			
	Yasumasa Gomi (February 8, 1943)	Director		Independent outside	Male	●			●		●
	Takashi Ejiri (May 16, 1942)	Director		Independent outside	Male					●	●
Audit & Supervisory Board members	Akira Koyamachi (March 4, 1958)	Audit & Supervisory Board member (standing)			Male		●	●			
	Takeo Tanaka (December 12, 1973)	Audit & Supervisory Board member (part-time)		Independent outside	Male					●	●
	Shigetsugu Yamada (July 4, 1974)	Audit & Supervisory Board member (part-time)		Independent outside	Male				●		●

Executive Officers (11)

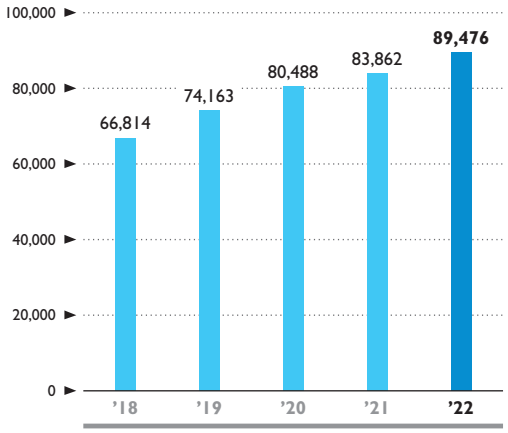
* Excludes three directors serving concurrently as executive officers

Tomonori Anan	Executive Officer	Administrator of Business Planning Office and Accounting Div.
Kosuke Ishikawa	Executive Officer	Administrator of Human Resources Dept.
Takeshi Okada	Executive Officer	Administrator of Capital Area Solutions Business Dept. 1 and Business Dept. 2 and Administrator of System Dept.
Tetsuji Yamagishi	Executive Officer	Administrator of Capital Area Solutions Business Dept. 1 and Business Dept. 2 and Administrator of Sales Dept.
Shinichi Furuya	Executive Officer	Administrator of Capital Area Solutions Business Dept. 3 and Business Dept. 4 and Administrator of System Dept.
Masakazu Hirose	Executive Officer	Administrator of Capital Area Solutions Business Dept. 3 and Business Dept. 4 and Administrator of Sales Dept.
Takashi Omori	Executive Officer	Administrator of Capital Area Solutions Business Dept. 5 and Business Dept. 6 and Administrator of System Dept.
Yosuke Matsuno	Executive Officer	Administrator of Capital Area Solutions Business Dept. 5 and Business Dept. 6 and Administrator of Sales Dept.
Tomoyuki Kajiura	Executive Officer	Administrator of Sales Promotion Div., Solutions Business Div.
Fumio Fukushima	Executive Officer	Administrator of Marketing Promotion Div., Solutions Business Div.
Toru Kanasugi	Executive Officer	Administrator of Purchasing Div.

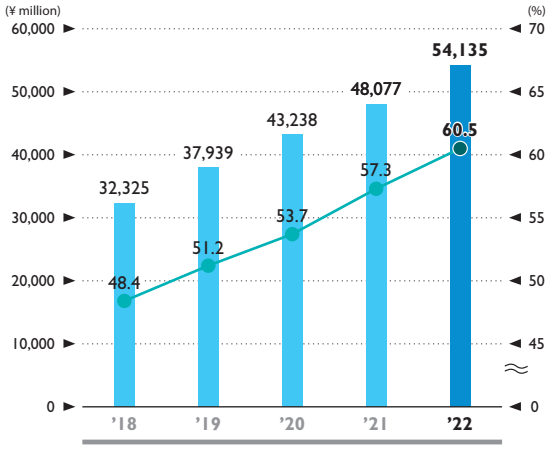
Financial Highlights

Consolidated

Net Sales (¥ million)

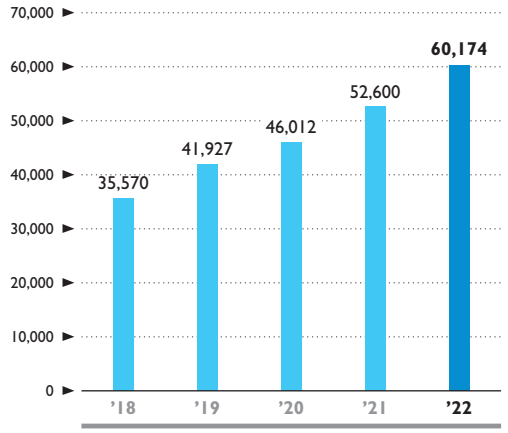


Operating Income (¥ million)/Operating Income Margin (%)

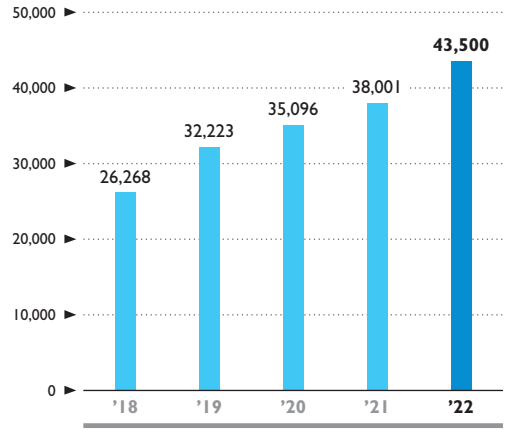


* Increase in operating income for 28 consecutive years

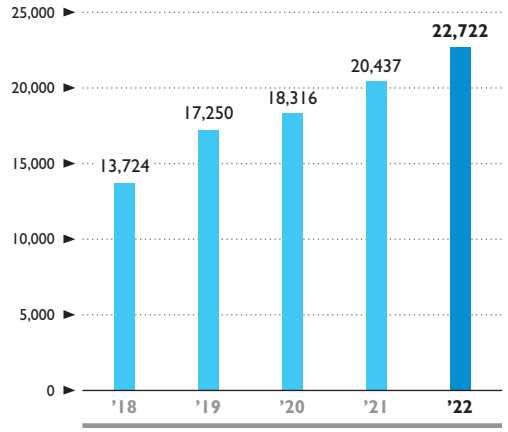
Ordinary Income (¥ million)



Net Income Attributable to Owners of the Parent (¥ million)

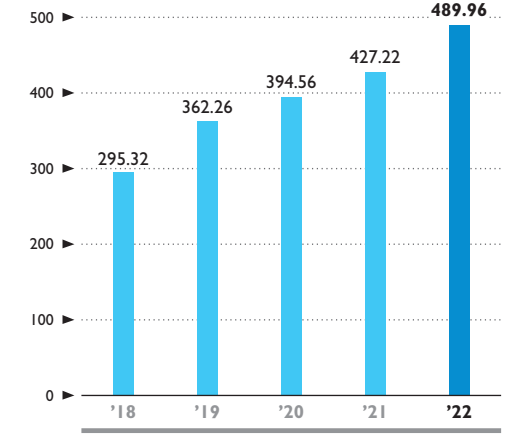


Cash Flow (¥ million)



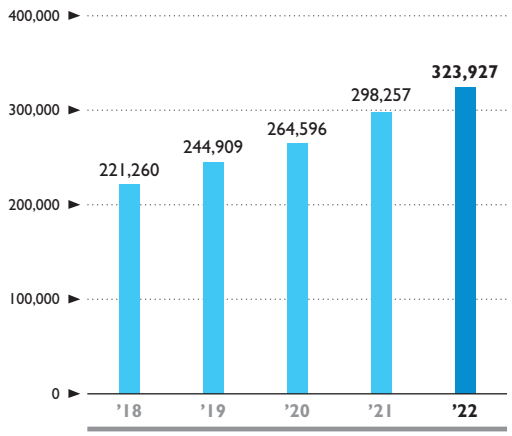
* Cash flow = net income + depreciation expense – dividends – directors' bonuses
* Presented consolidated cash flows are exclusive of incomes derived from equity method affiliates.

Net Income per Share (¥)

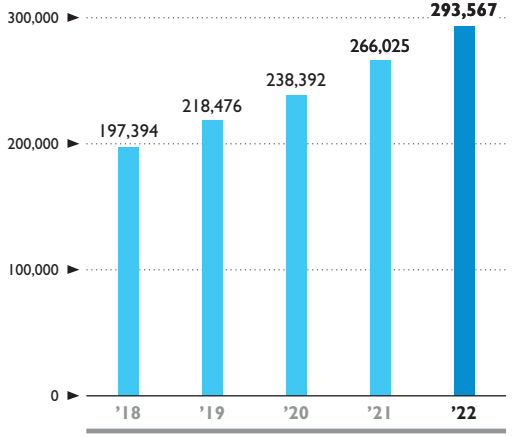


Financial Highlights

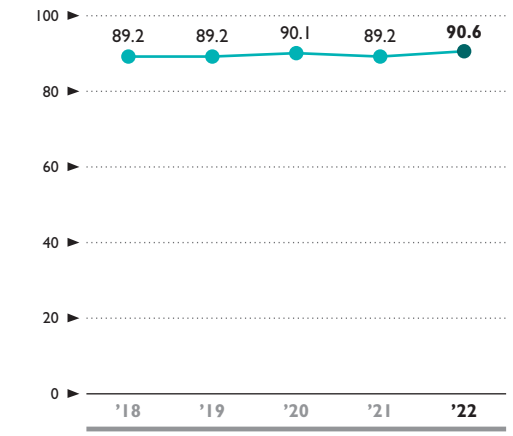
Total Assets (¥ million)



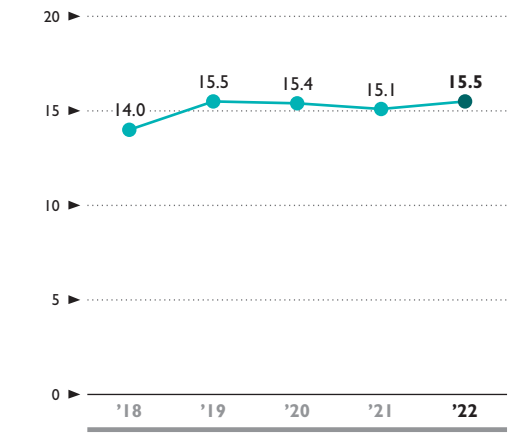
Net Assets (¥ million)



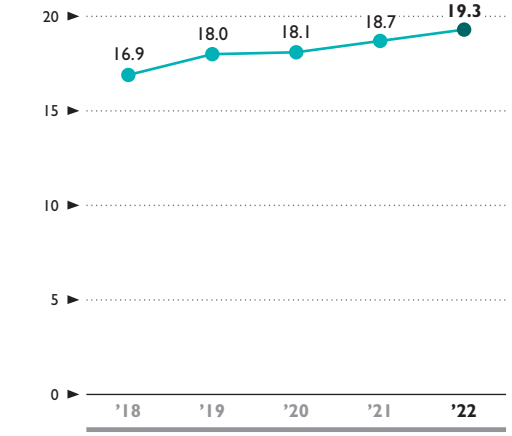
Equity Ratio (%)



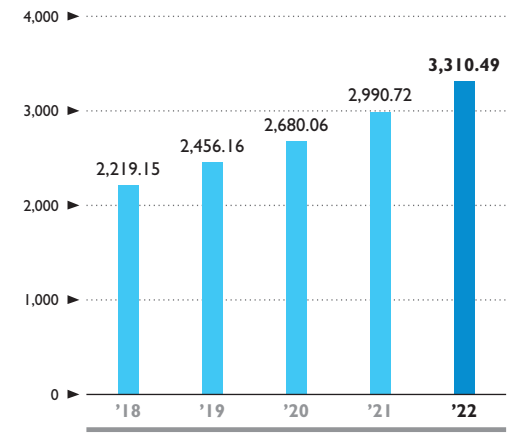
Return on Equity (%)



Return on Assets (%)

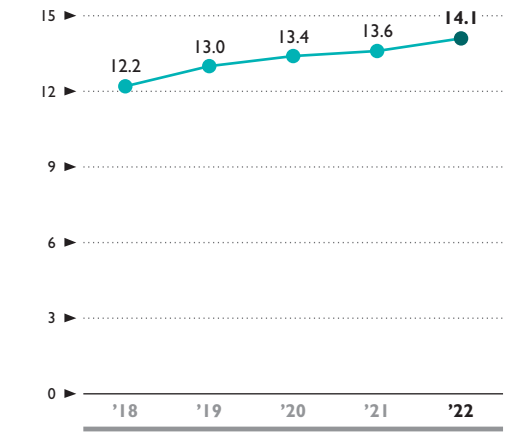


Net Assets per Share (BPS) (¥)



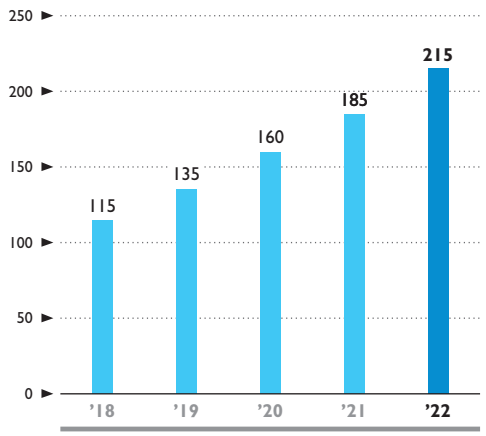
Financial Highlights

Return on Invested Capital (ROIC) (%)

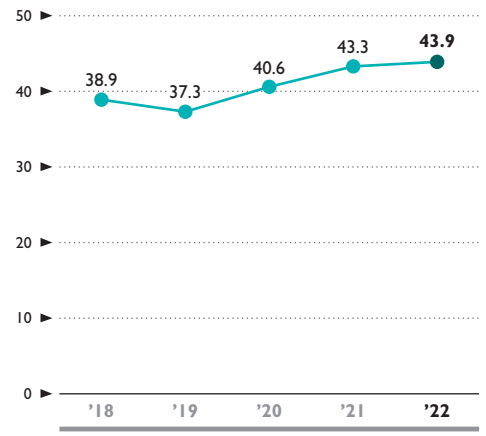


* Return on invested capital (ROIC) =
operating income after tax / (shareholders' equity + interest-bearing debt)

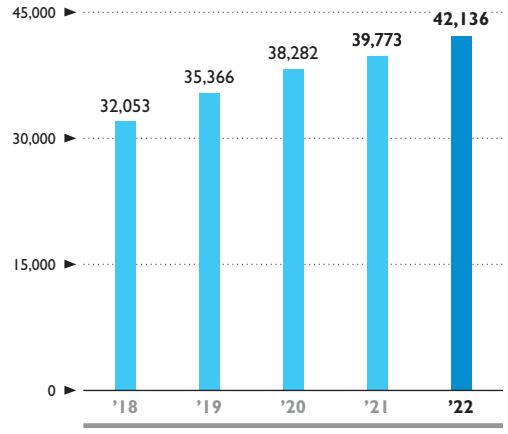
Dividend per Share (¥)



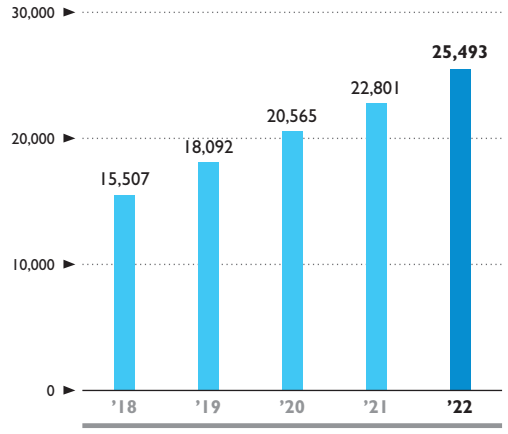
Payout Ratio (%)



Net Sales per Employee (¥ thousand)

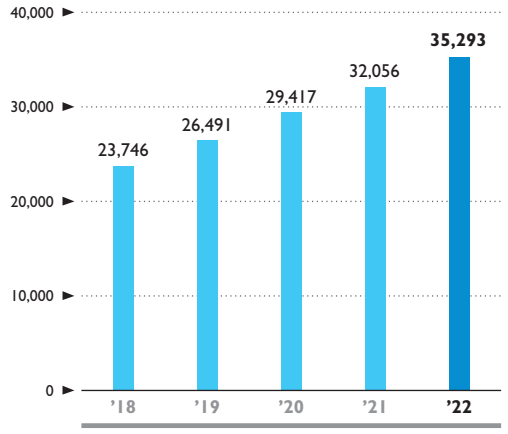


Operating Income per Employee (¥ thousand)



* Net sales per employee, operating income per employee and value added per employee were calculated on the basis of the average number of employees for the year.

Value Added per Employee (¥ thousand)

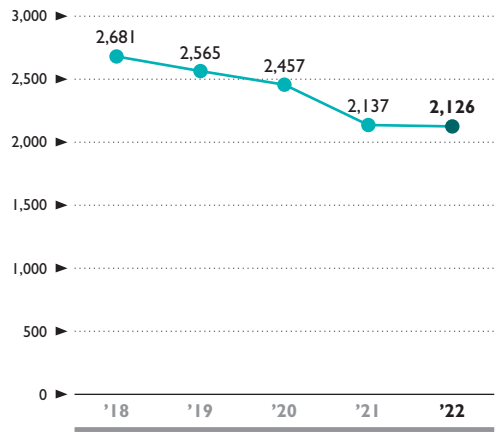


* Value added = operating income + labor costs + depreciation expense

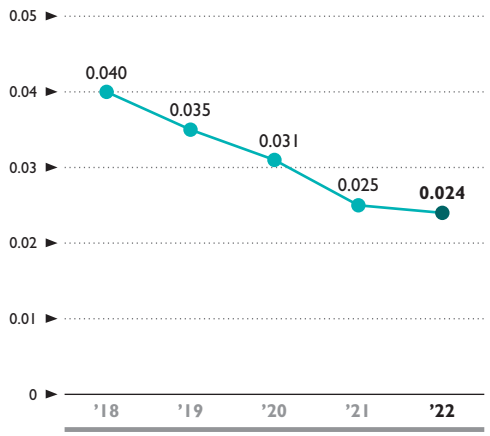
Non-Financial Highlights

Non-consolidated

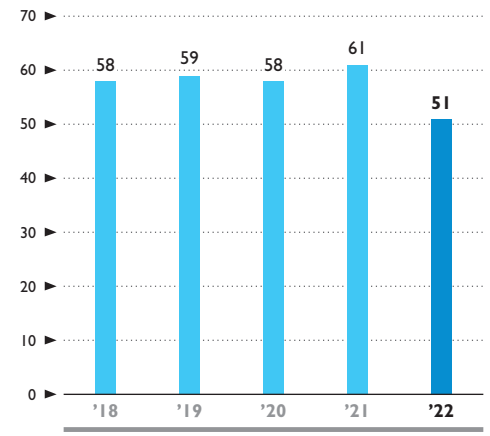
CO_2 Emissions (Scope 1 + 2) (t-CO_2)



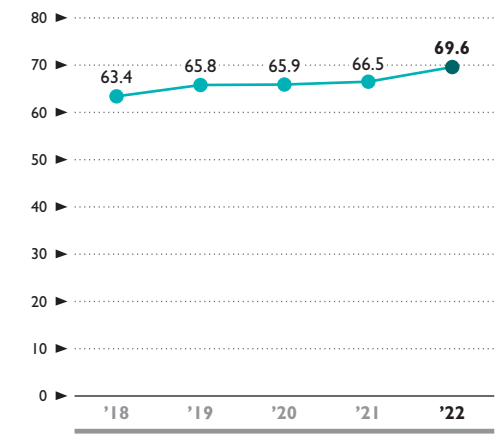
CO_2 Emissions per ¥1 Million of Net Sales (Scope 1 + 2) (t-CO_2)



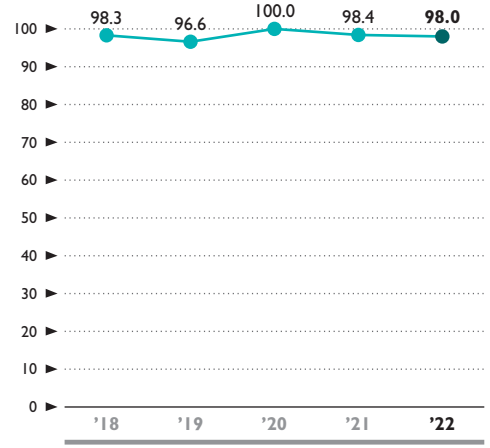
Number of Employees Acquiring Childcare Leave (People)



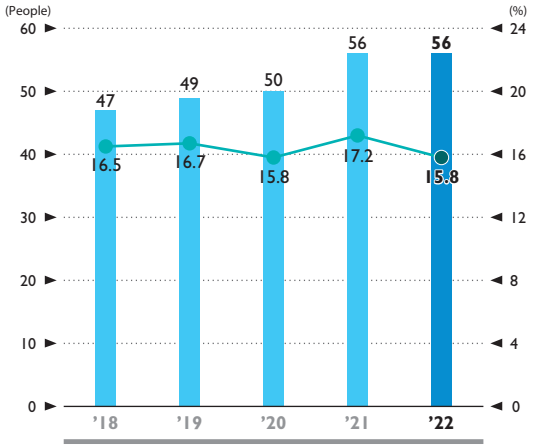
Paid Leave Acquisition Rate (%)



Ratio of Employees Returning to Work after Childcare Leave (%)



Number of Employees Using the Shorter Work Hour System (People)/ Ratio of Employees Using the Shorter Work Hour System (%)



* The number and ratio of employees using the shorter work hour system are calculated for female employees only.

Support for Sports and Culture

OBIC Seagulls

American football requires level-headed insight, in-depth strategy and team-oriented tactics. These attributes have a lot in common with OBIC's approach to business, which involves working closely together with companies to help transform their businesses through information systems. OBIC has sponsored the OBIC Seagulls since 2003.The team is part of the National Football Association (commonly known as the X League) and won the American Football Japan Championship, Rice Bowl 74, in 2021, achieving the feat of winning for the eighth time overall.

The OBIC Seagulls are based in Narashino, Chiba Prefecture, and interact with the community and conduct activities to popularize American football. The team strives to contribute to society through sports through continuous participation in various events such as putting on performances at a community marathon and teaching elementary and junior high school students about the fun of American football in sports classes. Going forward, the team continues to be grateful to all for their support and will continue striving to be loved by many people.



In 2021, won the top league championship for the eighth time, and first time in seven years



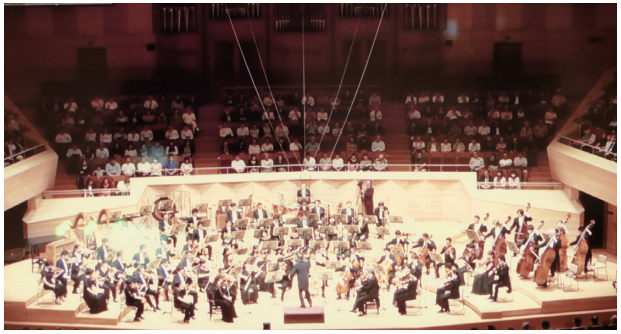
A community interaction marathon with Seagulls players



Community interaction with Seagulls players

OBIC Special Concerts

OBIC has held the "OBIC Special Concert" series every year in Tokyo, Nagoya, Osaka and Fukuoka since the first concert was held in 1999. It is a popular series of concerts featuring accessible and authentic classical music. Fabulous performances are given by a first-rate orchestra under the passionate direction of Mr. Ken-Ichiro Kobayashi, who is known as a "fiery maestro." Concert halls are filled to capacity with audiences who are captivated by these musical performances.



OBIC Special Concert



Mr. Ken-Ichiro Kobayashi

Golf (Professional Golfer Isao Aoki at Mobara Country Club)

OBIC has long sought to help promote the sport of golf in various ways through Japanese professional golfer Isao Aoki. Since signing an agreement to appear in an OBIC TV commercial in 1982, Mr. Aoki has served as the public face for OBIC while continuing to lead an impressive career on the golf course. Mr. Aoki was inducted into the World Golf Hall of Fame in 2004, and was awarded the Order of the Rising Sun, Gold Rays with Rosette in 2015.



Mobara Country Club



Club pro Isao Aoki

Company Profile

Company name	OBIC Co., Ltd.
Trademark	オービック
Headquarters	2-4-15 Kyobashi, Chuo-ku, Tokyo
Date of establishment	April 8, 1968 (Showa 43)
Capital stock	¥19,178 million
Number of employees	Consolidated: 2,054 Non-Consolidated: 1,857 (As of March 31, 2022)
Net sales	Consolidated: ¥89,476 million Non-Consolidated: ¥82,616 million (Fiscal year ended March 31, 2022)
Stock listing	Tokyo Stock Exchange Prime Market (Securities Code: 4684)
Total number of shares issued	99,600,000 shares
Overview of operations	• System Integration Services • System Support Services • Office Automation Services
Group companies	OBIC Office Automation Co., Ltd. OBIC Business Consultant Co., Ltd. (Prime Market) O.B. System Co., Ltd.

Financial Results Information

Fiscal year	From April 1 through March 31 of the following year
Ordinary General Meeting of Shareholders	June each year
Date of record of the Ordinary General Meeting of Shareholders	March 31 each year
Date of record for dividends of surplus	Year-end dividend: March 31 each year Interim dividend: September 30 each year

Stock Information (As of March 31, 2022)

Total number of shareholders	6,445	
Number of shareholders holding full trading units	4,410	
Number of shares listed and registered	99,600,000	
Number of shares owned by non-residents	33,236,208	33.3%
Number of shares owned by Company directors and principal shareholders	63,191,521	63.4%
Number of floating shares (consolidated number of shares consisting of less than 50 trading units)	1,840,076	1.8%
Number of shares owned by investment trusts	6,873,100	6.9%
Number of shares owned by pension trusts	1,141,000	1.1%

Principal Shareholders (As of March 31, 2022)

Ranking	Name	Number of shares owned (thousand)	Ownership ratio (%)
1	Noda Management Co., Ltd.	16,909	19.06
2	The Master Trust Bank of Japan, Ltd.	14,301	16.12
3	Custody Bank of Japan, Ltd.	5,864	6.61
4	JP Morgan Chase Bank 385632 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	3,850	4.34
5	Masahiro Noda	2,881	3.24
6	Mizuki Noda	2,781	3.13
7	SSBTC Client Omnibus Account (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Service)	2,416	2.72
8	State Street Bank and Trust Company 505223 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	1,776	2.00
9	STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	1,419	1.60
10	DANOX Co., Ltd.	1,050	1.18

* OBIC held 10,922 thousand shares of common stock in treasury
* Numbers of shares stated above include shares held in trust as follows:

	(thousand)
The Master Trust Bank of Japan, Ltd.	14,301
Custody Bank of Japan, Ltd.	5,864

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