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On **February 4, 2019**, MIRAIT Holdings Corp. announced earnings results for Q3 FY03/20.

Quarterly performance (JPYmn)	FY03/18				FY03/19				FY03/20				FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	60,064	72,227	74,311	106,365	66,067	74,291	89,693	145,860	83,344	99,629	105,534			
YoY	28.7%	20.0%	14.8%	-4.7%	10.0%	2.9%	20.7%	37.1%	26.2%	34.1%	17.7%			
Gross profit	6,966	9,308	9,617	13,870	7,932	8,836	11,531	18,689	8,654	10,943	11,642			
YoY	82.4%	43.4%	18.8%	-8.3%	13.9%	-5.1%	19.9%	34.7%	9.1%	23.8%	1.0%			
GPM	11.6%	12.9%	12.9%	13.0%	12.0%	11.9%	12.9%	12.8%	10.4%	11.0%	11.0%			
SG&A expenses	5,999	5,772	5,466	5,809	5,950	5,812	6,676	7,851	7,481	7,157	7,537			
YoY	11.9%	-2.1%	-7.4%	-8.0%	-0.8%	0.7%	22.1%	35.2%	25.7%	23.1%	12.9%			
SG&A ratio	10.0%	8.0%	7.4%	5.5%	9.0%	7.8%	7.4%	5.4%	9.0%	7.2%	7.1%			
Operating profit	966	3,536	4,151	8,062	1,982	3,024	4,854	10,839	1,173	3,785	4,106			
YoY	-	490.3%	89.4%	-8.5%	105.2%	-14.5%	16.9%	34.4%	-40.8%	25.2%	-15.4%			
OPM	1.6%	4.9%	5.6%	7.6%	3.0%	4.1%	5.4%	7.4%	1.4%	3.8%	3.9%			
Recurring profit	1,423	3,687	4,554	8,174	2,349	3,339	5,162	11,142	1,709	3,878	4,775			
YoY	-	821.8%	72.8%	-10.1%	65.1%	-9.4%	13.4%	36.3%	-27.2%	16.1%	-7.5%			
RPM	2.4%	5.1%	6.1%	7.7%	3.6%	4.5%	5.8%	7.6%	2.1%	3.9%	4.5%			
Net income	564	2,140	3,096	5,704	1,337	2,263	5,127	16,984	910	2,442	2,952			
YoY	-	-	78.9%	-7.1%	137.1%	5.7%	65.6%	197.8%	-31.9%	7.9%	-42.4%			
Net margin	0.9%	3.0%	4.2%	5.4%	2.0%	3.0%	5.7%	11.6%	1.1%	2.5%	2.8%			
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	60,064	132,291	206,602	312,967	66,067	140,358	230,051	375,911	83,344	182,973	288,507		67.1%	430,000
YoY	28.7%	23.8%	20.4%	10.5%	10.0%	6.1%	11.3%	20.1%	26.2%	30.4%	25.4%			14.4%
Gross profit	6,966	16,274	25,891	39,761	7,932	16,768	28,299	46,988	8,654	19,597	31,239		61.9%	50,500
YoY	82.4%	57.8%	40.6%	18.6%	13.9%	3.0%	9.3%	18.2%	9.1%	16.9%	10.4%			7.5%
GPM	11.6%	12.3%	12.5%	12.7%	12.0%	11.9%	12.3%	12.5%	10.4%	10.7%	10.8%			11.7%
SG&A expenses	5,999	11,771	17,237	23,046	5,950	11,762	18,438	26,289	7,481	14,638	22,175		76.5%	29,000
YoY	11.9%	4.6%	0.5%	-1.8%	-0.8%	-0.1%	7.0%	14.1%	25.7%	24.5%	20.3%			10.3%
SG&A ratio	10.0%	8.9%	8.3%	7.4%	9.0%	8.4%	8.0%	7.0%	9.0%	8.0%	7.7%			6.7%
Operating profit	966	4,502	8,653	16,715	1,982	5,006	9,860	20,699	1,173	4,958	9,064		42.2%	21,500
YoY	-	-	592.2%	66.1%	105.2%	11.2%	13.9%	23.8%	-40.8%	-1.0%	-8.1%			3.9%
OPM	1.6%	3.4%	4.2%	5.3%	3.0%	3.6%	4.3%	5.5%	1.4%	2.7%	3.1%			5.0%
Recurring profit	1,423	5,110	9,664	17,838	2,349	5,688	10,850	21,992	1,709	5,587	10,362		45.1%	23,000
YoY	-	-	545.6%	68.4%	65.1%	11.3%	12.3%	23.3%	-27.2%	-1.8%	-4.5%			4.6%
RPM	2.4%	3.9%	4.7%	5.7%	3.6%	4.1%	4.7%	5.9%	2.1%	3.1%	3.6%			5.3%
Net income	564	2,704	5,800	11,504	1,337	3,600	8,727	25,711	910	3,352	6,304		42.0%	15,000
YoY	-	-	1846.3%	78.7%	137.1%	33.1%	50.5%	123.5%	-31.9%	-6.9%	-27.8%			-41.7%
Net margin	0.9%	2.0%	2.8%	3.7%	2.0%	2.6%	3.8%	6.8%	1.1%	1.8%	2.2%			3.5%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Forecasts reflect most recent figures.

Seasonality: Due to the nature of contracting at MIRAIT, project completion, delivery, and corresponding revenues tend to be high in the fourth quarter of the financial year.

Cumulative Q3 FY03/20 results (out February 4, 2020)

Overview

- ▷ For cumulative Q3 FY03/20, MIRAIT reported total orders of JPY334.5bn (+25.2% YoY), sales of JPY288.5bn (+25.4% YoY), projects carried forward of JPY191.0bn (+15.5% YoY), operating profit of JPY9.1bn (-8.1% YoY), recurring profit of JPY10.4bn (-4.5% YoY), and net income attributable to owners of the parent of JPY6.3bn (-27.8% YoY).
- ▷ Total orders up 25.2% YoY and sales up 25.4% YoY: All of the merged entities (TKK, Solcom, and Shikokutsuken) contributed, and all businesses reported YoY sales and order growth. Excluding mergers, orders were JPY257.7bn (+5.7% YoY) and sales were JPY228.4bn (+2.7% YoY).
- ▷ Operating profit down 8.1% YoY: Profit declined due to delays on some construction projects. GPM fell 1.5pp YoY to 10.8%, while the SG&A-to-sales ratio improved by 0.3pp YoY to 7.7%. OPM fell 1.2pp YoY to 3.1%.
- ▷ Progress versus forecasts: Cumulative Q3 results versus the company's full-year FY03/20 forecasts were 67.1% for sales (61.2% of FY03/19 result in Q3 FY03/19), 42.2% for operating profit (47.6%), 45.1% for recurring profit (49.3%), and 42.0% for net income attributable to owners of the parent (33.9%).
- ▷ FY03/20 company forecast: No change

- ▷ Bonds with share subscription rights: In regard to the yen-denominated convertible bonds with share subscription rights due to mature in 2021 and for which the company had resolved to exercise its early redemption option on December 30, 2019, all share subscription rights were exercised by the early redemption date, and the company transferred treasury shares if had held.

In MIRAIT's mainstay ICT market, the mobile communications industry is undertaking the expansion of 4G and broadening services using a new frequency band as mobile carriers' business models undergo changes. The company also anticipates providing new services using 5G. In addition, even as demand for new solutions including cloud services and Wi-Fi increases, the rebuilding of social infrastructure first put in place during Japan's period of rapid economic growth or later is accelerating mainly in the Tokyo metropolitan area ahead of the Tokyo Olympics and Paralympics in 2020. At the same time, there are significant changes in the business environment brought on by a low birth rate, aging population, labor shortage, and the need for work style reform.

In FY03/19, the company merged with TTK Co., Ltd., Solcom Co., Ltd., and Shikokutsuken Co., Ltd. to achieve sustained growth as a comprehensive engineering and service company to respond to changes in the telecom business environment and social structure. At the same time, the company formulated its new medium-term (three-year) management plan that covers a period from FY03/20 through FY03/22. The current management plan calls for final-year (FY03/22) sales of JPY450.0bn (+19.7% versus FY03/19 sales), operating profit of JPY27.0bn (+30.4%), and ROE of 8% or more. The new medium-term management plan aims to expand recurring revenue businesses such as data center operation and maintenance as well as growth businesses (Frontier Domain businesses such as environmental, energy, and global), improve the profitability of existing businesses, and maximize merger synergies to improve management efficiency.

In Q3 FY03/20, the company focused on expanding facilities operation work and facilities improvement proposals for the NTT business as well as on securing Multi-carrier business orders for new 4G frequency band related construction work and orders in preparation for the start of service applying 5G. In addition, ahead of the full rollout of 5G, it has been taking part in proof-of-concept demonstrations leading up to the practical application of new technologies and working to improve its technological prowess and human resources team by opening a training facility for developing technicians who can conduct construction and maintenance on both fixed-line and mobile telecoms facilities. For the Environmental and Social Innovation business, the company worked to grow sales by making Tokaikoei a wholly owned subsidiary in order to expand civil engineering work and by promoting solar power generation facility construction work and, for the ICT Solutions business, by increasing domestic LAN and PBX construction work, taking the Osaka No. 1 Data Center to full-scale operations, and increasing sales of mobile-related peripherals and supplies, and PCs and servers for schools.

By segment

NTT business

- ▷ Orders were JPY113.8bn (+28.2% YoY) and sales JPY102.2bn (+37.4% YoY).
- ▷ Excluding mergers, the group recorded orders of JPY71.7bn (-0.1% YoY) and sales of JPY66.2bn (-3.5% YoY).

Multi-carrier business

- ▷ Orders were JPY81.8bn (+16.0% YoY) and sales JPY61.5bn (+3.4% YoY).
- ▷ Excluding mergers, the group recorded orders of JPY70.6bn (+4.6% YoY) and sales of JPY54.3bn (-7.2% YoY).

Environmental and Social Innovation business

- ▷ Orders were JPY38.6bn (+9.7% YoY) and sales JPY43.3bn (+30.8% YoY).
- ▷ Excluding mergers, the group recorded orders of JPY31.8bn (-5.4% YoY) and sales of JPY38.4bn (+17.1% YoY).

ICT Solutions business

- ▷ Orders were JPY100.2bn (+38.0% YoY) and sales JPY81.3bn (+29.3% YoY).
- ▷ Excluding mergers, the group recorded orders of JPY83.5bn (+17.8% YoY) and sales of JPY69.3bn (+10.9% YoY).

Orders and sales by business

Performance by business (cumulative; JPYbn)	FY03/19				FY03/20				YoY		FY03/20		FY03/19
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Change	%	FY Est.	% of FY	% of FY
Orders	80.4	159.7	267.2	392.7	113.0	222.6	334.5		67.3	25.2%	420.0	79.6%	68.0%
NTT	23.8	47.2	88.8	137.7	37.7	77.6	113.8		25.0	28.2%	154.0	73.9%	64.5%
Multi-carrier	23.6	44.8	70.5	95.1	28.5	52.9	81.8		11.3	16.0%	100.0	81.8%	74.1%
Environmental & Social Innovation	8.3	19.3	35.2	58.4	13.4	25.6	38.6		3.4	9.7%	60.0	64.3%	60.3%
ICT Solutions	24.5	48.3	72.6	101.2	33.2	66.4	100.2		27.6	38.0%	106.0	94.5%	71.7%
Sales	66.0	140.3	230.0	375.9	83.3	182.9	288.5		58.5	25.4%	430.0	67.1%	61.2%
NTT	23.5	45.1	74.4	128.3	32.0	65.7	102.2		27.8	37.4%	155.0	65.9%	58.0%
Multi-carrier	16.5	36.7	59.5	92.5	17.4	38.7	61.5		2.0	3.4%	98.0	62.8%	64.3%
Environmental & Social Innovation	7.6	18.5	33.1	56.3	11.5	26.5	43.3		10.2	30.8%	74.0	58.5%	58.8%
ICT Solutions	18.3	39.8	62.9	98.7	22.3	51.9	81.3		18.4	29.3%	103.0	78.9%	63.7%

Source: Shared Research based on company data

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