System Integrator

3826

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Contents

Summary

Forecasts double-digit sales and profit growth in FY2/26 on continued strength in ERP Business

System Integrator <3826> (hereafter, also "the Company") is an independent software developer that develops and sells software for improvement of corporate productivity with a slogan of "We consistently create software that creates time rather than consumes time." Its main businesses include the Object Browser Business, which provides products such as the database development support tool SI Object Browser and the integrated project management tool OBPM Neo, the ERP (core business systems) Business, and the AI (artificial intelligence) Business. The Company began consolidated accounting from FY2/25, with the new consolidation of its Vietnamese development subsidiary.

1. Overview of FY2/25 results

In FY2/25 consolidated results, net sales of ¥4,768mn and operating profit of ¥271mn exceeded the initial plan (net sales of ¥4,508mn, operating profit of ¥160mn). This is mainly because orders were brisk in the ERP Business, and initiatives to improve profitability were promoted throughout the Company. Compared with the previous fiscal year's non-consolidated results, net sales declined 1.4% and operating profit declined 17.3%, but that is because the E-Commerce Business was spun off and made into an equity-method affiliate (40.0% stake)*. On an ongoing business basis, sales and profits grew by double-digits, with net sales up 15.7% and operating profit up 73.9%, In addition to higher sales in both the ERP Business and the Object Browser Business, smaller losses in the AI Business and the Other Business contributed to profit growth.

* At the end of January 2025, the Company sold all of its shares to DG Financial Technology, Inc., and recorded ¥547mn in proceeds from the sale of the shares as extraordinary income.

2. FY2/26 forecasts

For FY2/26 consolidated results, the Company forecasts net sales growth of 15.3% YoY to ¥5,500mn and operating profit growth of 65.7% to ¥450mn, envisioning double-digit sales and profit growth. Although economic uncertainty is growing, the Company expects the ERP Business to continue to drive earnings as corporate investment in DX remains strong. In the ERP Business, it aims to capture demand from a wide range of customers, focusing on the manufacturing industry, with offerings like GRANDIT, as well as SAP S/4HANA Cloud Public Edition (hereafter, "SAP S/4HANA"), which it began providing in FY2/25, and the production management system mcframe*, which it started selling in January 2025. In March 2025, the Company made SDL, Ltd. a subsidiary to strengthen its development framework. It looks for SDL to add just over ¥0.2bn to net sales (but goodwill amortization to basically offset operating profit), and plans to mainly collaborate with SDL on providing support for deploying mcframe going forward.

* This ERP product developed by Business Engineering Corporation <4828> enables not just management of business areas such as production, costs, inventory, and sales but also design and manufacturing process coordination. It has been deployed at over 2,000 sites in 17 countries around the world.

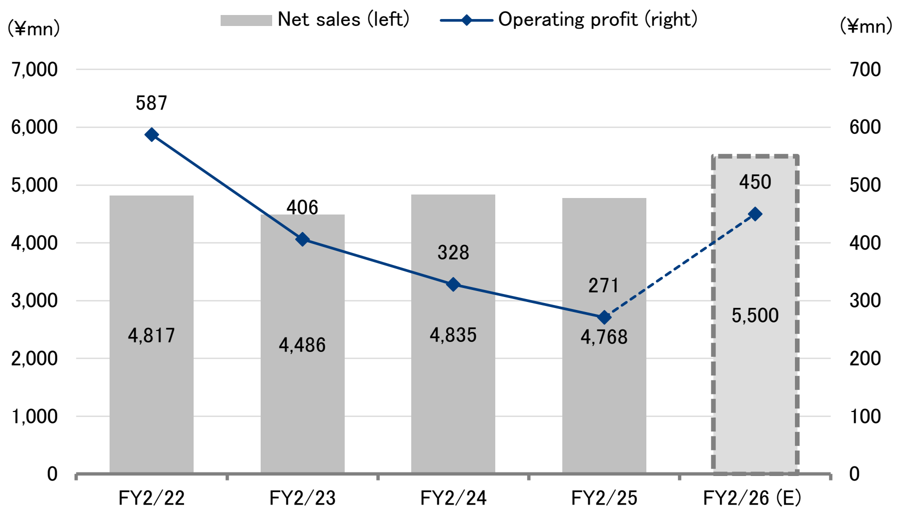
3. Two-year Management Plan

The Company has positioned the duration of the Two-year Management Plan through FY2/27 as a period for establishing a stable foundation for each of the GRANDIT, OB, OBPM, SAP, and manufacturing solutions businesses and creating AI applications, and will work to evolve existing businesses and create new businesses. As for business strategies, it will work on 1) earnings base improvement, 2) business domain concentration, 3) its AI-first strategy, 4) is Outstanding strategy (evolution of existing businesses), and 5) SAP business and manufacturing solutions business foundation development. Numerical targets for FY2/27 are net sales of ¥6,300mn and operating profit of ¥600mn. The Company will also consider on an ongoing basis M&A aimed at bolstering its development framework. Regarding shareholder returns, it looks to provide stable dividends targeting a dividend payout ratio of 30%, and plans on an annual dividend in FY2/26 of ¥9.0 (dividend payout ratio of 38.5%). It also gives newly harvested Koshihikari rice grown in Niigata using reduced levels of fertilizers and agrochemicals as a reward to shareholders with at least 200 shares who are listed under the same shareholder number in the shareholder ledger at the end of February and end of August each year.

Key Points

- In FY2/25, double-digit sales and profit growth in real terms on an ongoing business basis
- In FY2/26, forecasts continued earnings expansion driven by the ERP Business
- In FY2/27, targets net sales of ¥6,300mn and operating profit of ¥600mn
- Provides dividends based on a dividend payout ratio of 30%, and rewards eligible shareholders with newly harvested Koshihikari rice grown in Niigata

Results trends



Note: Consolidated results from FY2/25
Source: Prepared by FISCO from the Company's financial results

Business overview

An independent software developer that "consistently creates software that creates time"

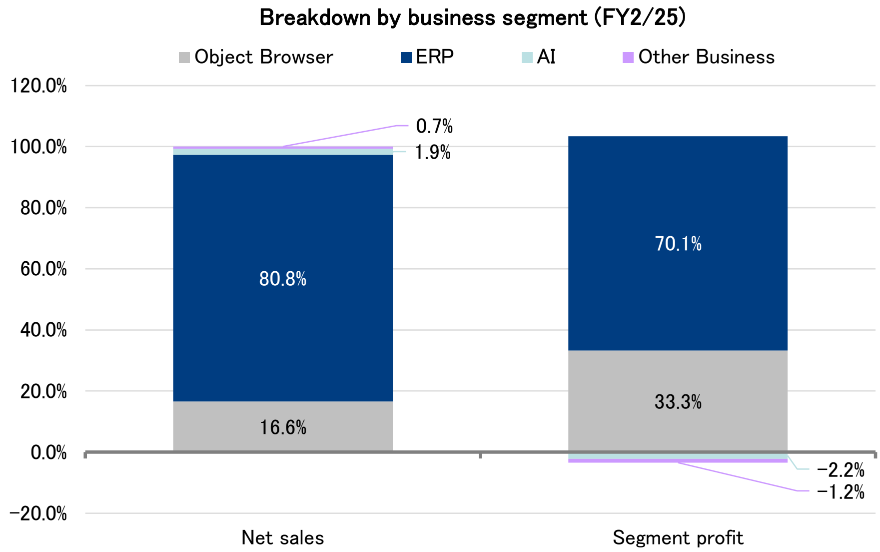
Founded in 1995, the Company is an independent software developer. With a slogan of "We consistently create software that creates time rather than consumes time," it sells packaged software developed in-house and provides maintenance services and cloud services (SaaS). Its existing mainstay products include the database development support tool SI Object Browser, integrated project management tool OBPM Neo, and GRANDIT Web-ERP package. As for new products, it mainly looks to develop SaaS-type business.

The Company made KEYSTONE SOLUTIONS COMPANY LIMITED (83% stake) established as an offshore development subsidiary in Vietnam in 2022 into a consolidated subsidiary, and started consolidated accounting from FY2/25.

In January 2024, the Company transferred 60.0% of the shares of its subsidiary DG Commerce Inc. to DG Financial Technology*, subsequent to having previously assigned its E-Commerce Business led by the SI Web Shopping e-commerce website building package to DG Commerce, which was established through a corporate split. Although that had made DG Commerce an equity-method affiliate in FY2/25, the Company sold all of its shares in DG Commerce in January 2025.

* DG Financial Technology is a subsidiary of Digital Garage, Inc. <4819> that engages in payment information processing services, payment collection agency services, and money transfer services.

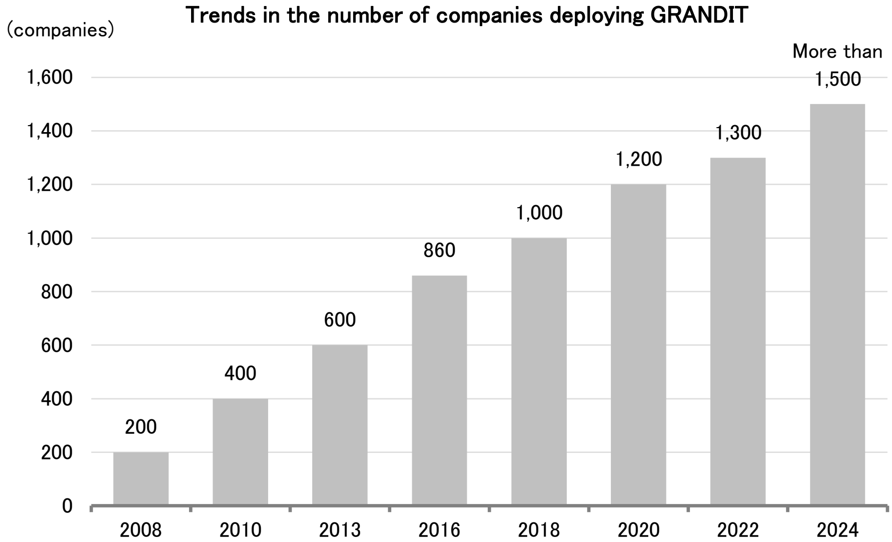
The Company discloses results under the three business segments of Object Browser Business, ERP Business, and AI Business, along with the Other Business segment encompassing new businesses. In FY2/25, the ERP Business accounted for 80.8% of overall net sales and 70.1% of overall segment profit, making it the mainstay business, followed by the Object Browser Business accounting for 16.6% of overall net sales and 33.3% of overall segment profit. The AI Business has yet to become profitable as it is only at the upfront investment stage and its sales are small in scale.



Source: Prepared by FISCO from the Company's financial results

1. ERP Business

The ERP Business mainly develops and sells (installs) the GRANDIT Web-ERP package. GRANDIT is a domestically produced ERP package co-developed and operated by a consortium of 11 IT companies. The Company has been involved in GRANDIT's planning and development since this consortium was formed in 2004. GRANDIT's target customers are mid-sized companies with several tens of billions of yen in annual sales, but deployments for major companies have also increased in recent years, and it has been sold to more than 1,500 companies by the entire consortium. GRANDIT is distinctive in that it has a completely web-based design, so upgrades do not require maintenance work on the client side, and it can be used anywhere the Internet is available since it does not rely on hardware. Furthermore, GRANDIT is one of few domestically produced ERPs capable of coverage through production management, and is highly competitive in terms of functionality since it is suitable for use in a wide range of industries as the technological expertise of each of the consortium member companies is reflected in product development. It continues to adapt to the market, including with the release in November 2022 of GRANDIT miraimil, a cloud-based ERP service targeting small- and medium-sized enterprises.



Source: Prepared by FISCO from GRANDIT CORPORATION's website

The Company has the leading track record of deployments among the members of the consortium, having deployed it to over 200 companies, mainly in the manufacturing industry. Its strengths include its in-house developments, including the "production management add-on module" and the "construction management add-on module" as an add-on module to supplement GRANDIT's basic functionalities for the manufacturing industry, and the "project management template (IT template)" that coordinates with OBPM Neo for the software industry, and also that it has development capabilities enabling it to respond with a wide range of solutions. Moreover, its other strengths include that it is able to provide proposals for business automation through combining RPA and AI, and that it can provide integrated services based on the public cloud, such as AWS and Microsoft Azure.

The domestic ERP market continues to steadily expand, underpinned by heightened demand spurred by the COVID-19 pandemic. Since the market leader SAP is ending maintenance support for its legacy ERP systems in FY2027, large companies in particular are migrating to SAP S/4HANA, and demand for replacement of SAP legacy systems with other ERP products is accelerating. Given the chronic, ongoing shortage of ERP engineers due to this heightened migration demand, the Company began providing support for installation of SAP S/4HANA in April 2024, strengthening its framework for addressing market needs.

ERP vendors are increasingly classified by their customer size. In products for large corporations, foreign companies such as SAP and Oracle <ORCL> dominate. In offerings for mid-sized companies, GRANDIT competes with products like Fujitsu Limited <6702>'s GLOVIA and OBIC Co., Ltd. <4684>'s OBIC7. In recent years, ERP needs have become increasingly complex with demand for features such as multifunctionality and external linkage functions. Even projects for mid-sized companies are tending to get larger, with the unit price per order at around ¥300mn to ¥500mn. While the gross profit margin varies according to factors such as product configuration and specifications, it is trending around the upper 20% level on average overall. However, there is the risk that the profit margin will decrease, and a project will become unprofitable in the event that the project term is prolonged or the renovation work occurs.

2. Object Browser Business

In the Object Browser Business, the Company offers the database development and design support tools SI Object Browser and SI Object Browser ER (hereafter, "the Object Browser series"), as well as the integrated project management tool OBPM Neo, and provides all of them via license sales or as SaaS.

In the percentages of total net sales, the Object Browser series provides around 30% and OBPM Neo around 70%. Since the launch of the Object Browser series in 1997, it has a deployment track record of 21,000 companies and 510,000 licenses, and it is recognized as the de-facto standard in the industry for its applicability to almost all main data bases, including Oracle products. This makes them highly profitable products with a gross profit margin of over 80%, with almost no sales costs. Competing freeware is available, but does not impact the products because of the difference in functionality. Previously, the Company sold package deals (license sales + maintenance services), but from February 2021, it launched SaaS-type sales*. More than 30% of its net sales are accounted for through recurring income, such as from maintenance support, and its net sales are also comparatively stable.

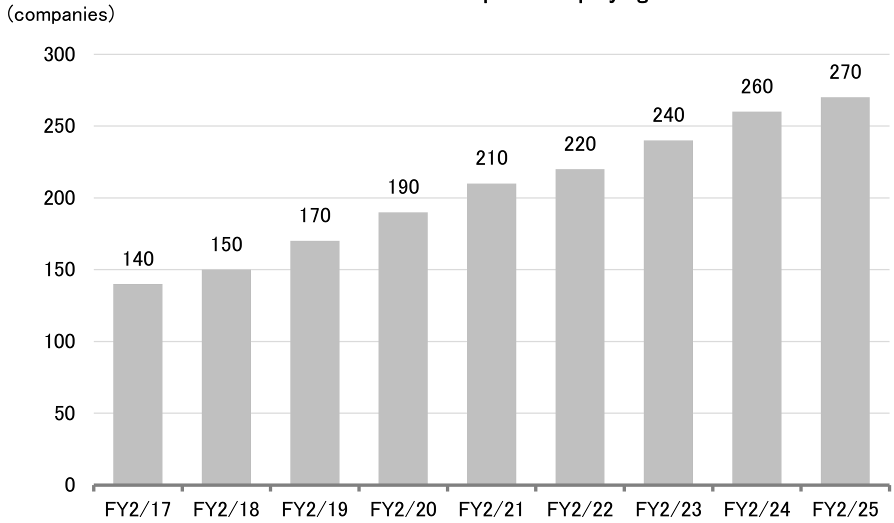
* The contract term is an annual contract of one, two, or three years (includes maintenance fees). Upgrades to the latest versions are free. For Oracle only

Meanwhile, OBPM Neo*1 is a tool for integrated management of progress on development projects (management of schedules, costs, personnel, quality, profitability, etc.). In addition to preventing the occurrence of unprofitable projects, OBPM Neo's main purpose is to help development divisions maintain and raise their productivity. In 2008, the Company began selling the on-premises version, OBPM. In March 2021, it updated the product to create the SaaS version OPBM Neo. As the only product in Japan that complies with PMBOK*2, it is being increasingly deployed primarily by mid-sized IT companies. The product has been deployed by about 270 companies in total as of the end of February 2025. It is acquiring new customers at a pace of 10–20 companies a year. Although major IT companies develop their own project management tools in-house, OBPM Neo's industry visibility has risen recently, and more companies are apparently considering deploying it within their divisions. Most small- and medium-sized companies use off-the-shelf software like Excel or free software tools. Over 30% of the Company's existing customers continue to use the on-premises version, but it is advancing a gradual transition to the SaaS version while enhancing the product's features. The gross profit margin level appears to be around 50%.

*1 Monthly usage fees (excluding tax) are ¥105,000 for 10 licenses, ¥157,500 for 20 licenses, ¥189,000 for 30 licenses, ¥231,000 for 40 licenses, and ¥262,500 for 50 licenses. Pricing for license quantities of more than 50 will require a custom quote. Contract term of one year. There are also optional services for connecting with various types of systems.

*2 PMBOK (Project Management Body of Knowledge): A systematic compilation of know-how and methods related to project management. PMBOK was first introduced in 1987 in "A Guide to the Project Management Body of Knowledge" published by the U.S. non-profit Project Management Institute (PMI) and has gradually become well known. PMBOK has evolved over time and is now accepted as the industry standard for project management around the world.

Cumulative number of companies deploying OBPM



Source: Prepared by FISCO from the Company's website and press releases

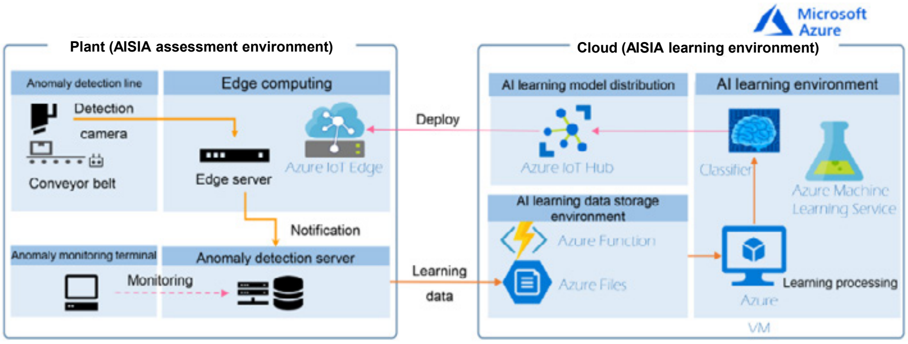
3. AI Business

As for the AI Business, the Company released the AISIA-AD, a visual inspection system that uses deep-learning in October 2018. This system automates the visual inspection process on the production line using deep learning technology, resulting in significant labor savings. AISIA-AD creates an AI model that can distinguish between normal and anomalies through a learning environment that uses Microsoft Azure. In the actual inspection, using a camera to capture images of inspection objects, it photographs the products passing along the manufacturing line and uses an edge computer to make judgements in real time, sorting the products deemed to be anomalies. Since the object of detection and the required precision differ from customer to customer, AI models are developed for each individual project and final specifications are set while implementing proof of concept (PoC)*.

> * Proof of Concept (PoC) refers to the process of verifying whether a new project is feasible, including from a benefit, utility, and technological perspective. With AISIA-AD, cameras and other necessary equipment are set up at a lab or the customer's manufacturing site for conducting verification tests to confirm feasibility.

The initial costs to implement PoC are approximately ¥4.00mn. Deploying AISIA-AD in an actual manufacturing line requires a license fee of ¥4.80mn and development costs (from requirement definitions through to implementation support, and training) of ¥10.00mn, as well as approximately ¥4.00mn for hardware devices, and standard development and implementation term ranges from four to six months, and a PoC validation period of two to three months. It is currently taking longer than initially expected for the Company to generate revenue as the issue of improving inspection accuracy has been an issue.

Image of AISIA-AD in use



Source: The Company's website

4. Other Business

The Other Business includes TOPSIC, a programming skills evaluation service launched in January 2018. Since growth for TOSPIC remained slow despite working for several years towards its profitability, the Company transferred the business at the end of February 2025 to AtCoder Inc., which had been involved in operations by providing information about issues with the Company's evaluation service.

Results trends

In FY2/25, double-digit sales and profit growth in real terms on an ongoing business basis

1. Overview of FY2/25 results

In FY2/25 consolidated results, net sales were ¥4,768mn, operating profit was ¥271mn, ordinary profit was ¥302mn, and net profit attributable to owners of parent was ¥583mn. All of those results exceeded the initial plan (net sales of ¥4,508mn, operating profit of ¥160mn, ordinary profit of ¥178mn, net profit attributable to owners of parent of ¥109mn). The Company secured higher orders than anticipated in the ERP Business. In addition, measures to raise productivity and otherwise improve profitability throughout the Company bore fruit, contributing to the above-plan results.

FY2/25 results

(¥mn)

	FY2/24 (non-consolidated)		FY2/25 (consolidated)					Ongoing business YoY*
	Result	% of sales	Initial forecast	Result	% of sales	YoY	Vs. forecast	
Net sales	4,835	-	4,508	4,768	-	-1.4%	5.8%	15.7%
Gross profit	1,628	33.7%	-	1,549	32.5%	-4.9%	-	-
SG&A expenses	1,300	26.9%	-	1,277	26.8%	-1.7%	-	-
Operating profit	328	6.8%	160	271	5.7%	-17.3%	69.7%	73.9%
Ordinary profit	336	6.9%	178	302	6.3%	-10.0%	69.9%	-
Extraordinary profit and loss	954	-	-	533	-	-	-	-
Net profit attributable to the owners of the parent company	944	19.5%	109	583	12.2%	-38.2%	435.2%	-

* Comparison with figures excluding the E-Commerce Business from FY/2/24 results
Source: Prepared by FISCO from the Company's financial results

Compared with the previous fiscal year's non-consolidated results, net sales declined 1.4% and operating profit declined 17.3%. However, that is because the E-Commerce Business was spun off and made into an equity-method affiliate. On an ongoing business basis, sales and profits grew by double-digits, with net sales up 15.7% and operating profit up 73.9%, In addition to ERP Business expansion, this is mainly because losses contracted in the AI Business and the Other Business.

Non-consolidated net sales were ¥4,676mn. The difference from the consolidated figure is ¥92mn, which is the Vietnamese subsidiary's net sales to external customers. The Vietnamese subsidiary has a team of 48 people, and posts net sales from orders it receives from the Company as well as from outside companies in Vietnam. Non-consolidated operating profit was ¥280mn, and the difference from the consolidated figure owes to costs for acquiring shares of SDL, which the Company made into a subsidiary in March 2025.

The gross profit margin declined from 33.7% in the previous fiscal year to 32.5%. This mainly reflects an increase in exposure to the ERP Business, a temporary decline in the engineer utilization rate due partly to preparations for the launch of SAP business along with proactive human resource investment, and a rise in expenses associated with expansion and relocation of the Osaka Office and the Fukuoka Office. The Company had 229 employees at the end of FY2/25 on a non-consolidated basis, an increase of 13 employees, mainly engineers, from the end of FY2/24. SG&A expenses declined ¥22mn YoY. As for key items, R&D expenses increased ¥46mn and depreciation increased ¥5mn, whereas personnel-related expenses decreased ¥12mn and other expenses decreased ¥61mn. Temporary expenses of ¥25mn were posted in association with expansion and relocation of the Osaka Office and the Fukuoka Office.

Non-operating income improved ¥23mn YoY, mainly owing to the recording of ¥31mn in equity in earnings of affiliates. In addition, the Company sold all of its remaining shares in an equity-method affiliate in January 2025, and recorded ¥547mn in proceeds from the sale of those shares as an extraordinary profit.

ERP Business growth stayed strong, underpinned by robust DX investment

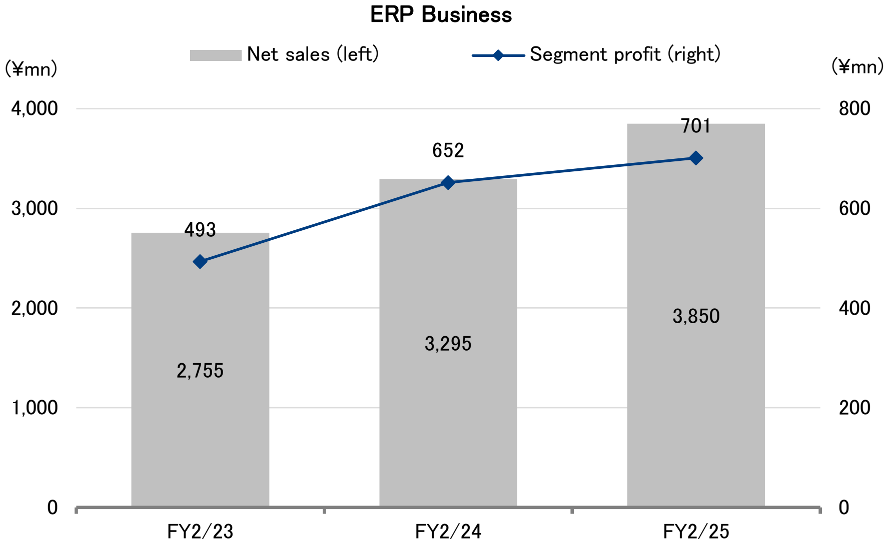
2. Results by business segment

(1) ERP Business

In the ERP Business, net sales increased 16.9% YoY to ¥3,850mn, and segment profit rose 7.7% to ¥701mn. Net sales continued to grow at a double-digit clip, supported by growth in inquiries from new customers—mainly in the manufacturing industry, and benefits from steps taken to bolster the business framework. Also, the Company established the Smart Manufacturing Solutions Department in September 2024 to tap into demand across a broad range of business areas in the manufacturing industry. In addition to the Asprova production scheduler, which it has handled since 2016, the Company promoted the expansion of solutions such as production management (SCM) systems and performance management systems. In January 2025, it concluded a business partner contract with Business Engineering, and started selling the mcframe production management system. mcframe has top-class market share in Japan for such systems for mid-sized and large companies. In addition to proposing deployment to existing users of GRANDIT, the Company is working to acquire new orders through its own sales activities and customer referrals from Business Engineering.

The newly launched business providing support for installation of SAP S/4HANA is off to a good start as well, with the Company having received its first order as a secondary contractor, as well as inquiries from several companies. As for development resources, about 120 people are involved with work on GRANDIT and about 20 people on other systems. Further, the Vietnamese subsidiary also apparently contributed to profit, albeit slightly, as its business is steadily expanding, with it receiving orders for ERP projects for Japanese manufacturers, aside from orders from the Company. This subsidiary accounts for about 50% of net sales from external customers' product orders.

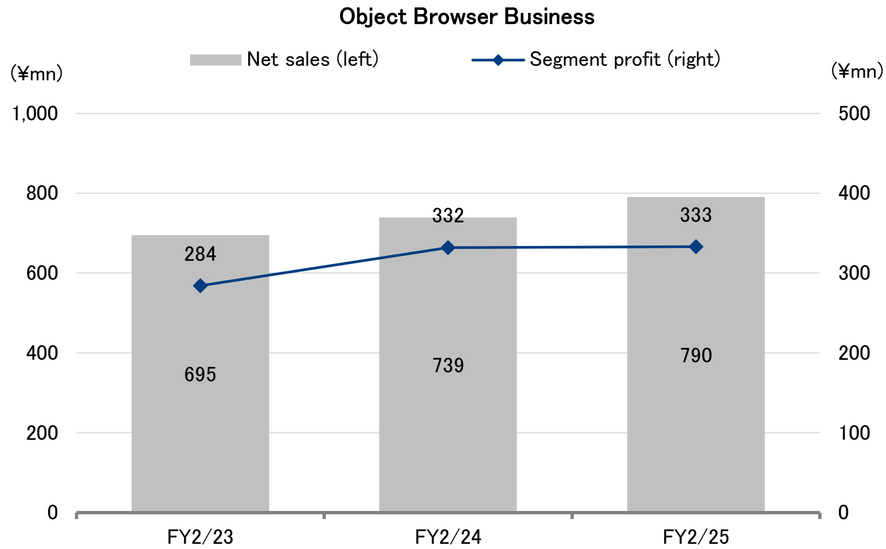
On the profit front, the profit margin declined from 19.8% in the previous fiscal year to 18.2%, owing to the recording of expenses associated with expansion and relocation of the Osaka Office and the Fukuoka Office, as well as a temporary decline in engineer utilization due to preparations for SAP business, but segment profit increased due to the effects of higher sales.



Note: Consolidated results from FY2/25
Source: Prepared by FISCO from the Company's financial results

(2) Object Browser Business

In the Object Browser Business, net sales increased 6.9% YoY to ¥790mn, and segment profit increased 0.5% to ¥333mn. OBPM Neo, which accounts for about 70% of net sales, expanded steadily due to additional projects from existing major IT companies and the acquisition of new contracts. Monthly recurring revenue (MRR), used as a KPI, continued to grow by double digits, increasing ¥3mn or 12% YoY, and the cancellation rate remained low at 0.4%. The Object Browser series steadily captured demand through ongoing version upgrades, but net sales were flat YoY, partly because users are shifting from the one-time purchase package version to the cloud version. Segment profit only increased slightly YoY, owing to growth in one-off sales costs accompanying reorganization.

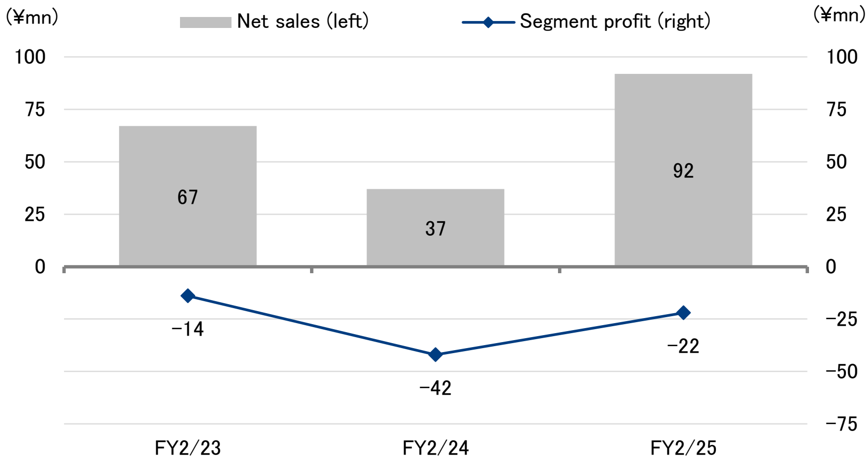


Note: Consolidated results from FY2/25
Source: Prepared by FISCO from the Company's financial results

(3) AI Business

In the AI Business, net sales increased 147.8% YoY to ¥92mn, and segment losses narrowed to ¥22mn from ¥42mn in the previous fiscal year. In addition to an increase in PoC projects and simple verification projects to determine the feasibility of deploying the AISIA-AD deep-learning visual inspection system, net sales rose because the Company received several orders for PoC projects involving applying large language models and checking rules to blueprints used in the manufacturing industry to make checking blueprints (blueprint inspection) more efficient. While segment losses also shrank alongside sales growth, profitability in the visual inspection system field has yet to come into sight, and the Company aims to make it profitable while also developing business in the blueprint inspection field going forward.

AI Business

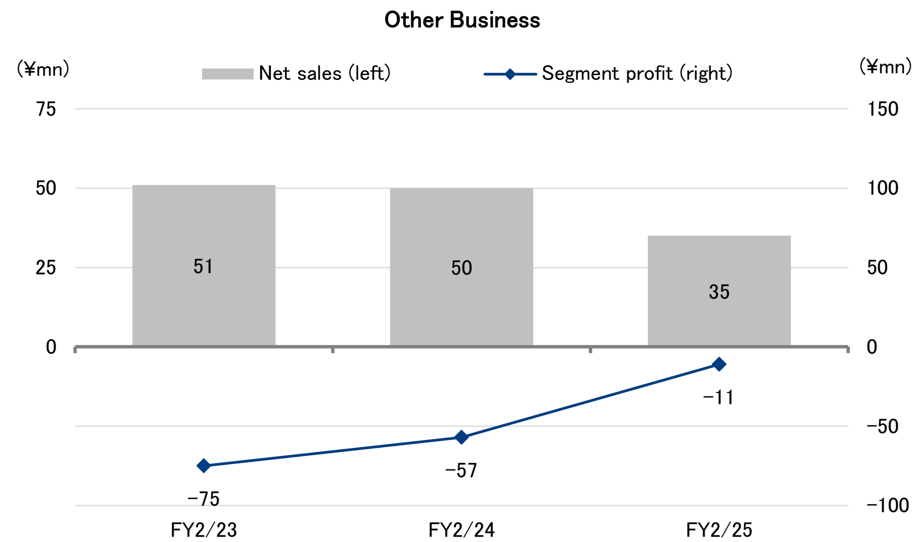


Note: Consolidated results from FY2/25
Source: Prepared by FISCO from the Company's financial results

(4) Other Business

In the Other Business segment, which includes new businesses, net sales decreased 30.3% YoY to ¥35mn, while segment losses narrowed to ¥11mn from ¥57mn in the previous fiscal year. Sales declined since the TOPSIC programming skills evaluation service was lackluster, and the Company exited the IDEA GARDEN idea generation platform business at the end of the previous fiscal year. However, the segment loss contracted due to a decline in related costs from the business exit. At the end of February 2025, the Company transferred the TOPSIC business to AtCoder.

Results trends



Note: Consolidated results from FY2/25
Source: Prepared by FISCO from the Company's financial results

Equity ratio over 80%, excellent financial position with debt-free management

3. Financial position and management indicators

Total assets at the end of FY2/25 amounted to ¥4,981mn on a consolidated basis, up ¥229mn from the end of the previous fiscal year on a non-consolidated basis. Looking at the main factors behind this change, in current assets, cash and deposits decreased ¥22mn to ¥2,968mn. There was ¥666mn in proceeds from sales of affiliated company stocks, but dividend payments of ¥131mn, income tax payments of ¥477mn, and office relocation and expansion expenses of ¥155mn contributed to the decline. Also, accounts receivable and contract assets increased ¥278mn due to ERP Business expansion. In non-current assets, tangible fixed assets increased ¥58mn, whereas intangible assets declined ¥24mn and investments and other assets declined ¥96mn.

Total liabilities at the end of FY2/25 totaled ¥865mn, down ¥222mn from the end of the previous fiscal year. Contract liabilities increased ¥15mn, while income taxes payable decreased ¥243mn. Total net assets amounted to ¥4,116mn, up ¥451mn from the end of the previous fiscal year. Retained earnings increased ¥445mn, reflecting the posting of net profit attributable to owners of parent of ¥583mn, and dividend payments.

Looking at management indictors, the equity ratio was 82.5% and cash on hand was just over ¥2.9bn with debt-free management, indicating that the Company has sufficient liquidity relative to the scale of its sales. Given such, the Company's financial condition is considered sound. In terms of profitability, the operating profit margin is on a downtrend at 5.7%. In addition to an increase in exposure to ERP Business, this is mainly because the Company is actively pursuing growth investments, and the effects of investments are expected to become apparent from FY2/27. The ROE level remains high at 14.1%. The Company plans to use cash on hand for growth investments, including M&A, and shareholder returns.

Balance sheet and management indicators

(¥mn)

	FY2/23	FY2/24	FY2/25	Difference
Current assets	3,092	4,171	4,462	291
Cash and deposits	1,964	2,990	2,968	-22
Non-current assets	687	580	519	-61
Total assets	3,780	4,752	4,981	229
Total liabilities	910	1,087	865	-222
Contract liabilities	318	304	320	15
Interest-bearing debt	-	-	-	-
Total net assets	2,869	3,665	4,116	451
Retained earnings	2,173	3,030	3,475	445
[Management indicators]				
<Safety>				
Equity ratio	75.9%	77.1%	82.5%	5.4pp
<Profitability>				
ROE	10.0%	28.9%	14.1%	-14.8pp
Operating profit margin	9.1%	6.8%	5.7%	-1.1pp

Note: Consolidated figures from FY2/25
Source: Prepared by FISCO from the Company's financial results

Outlook

Forecasts continued sales and profit uptrend in FY2/26, driven by the ERP Business

1. FY2/26 forecasts

For FY2/25 consolidated results, the Company forecasts net sales growth of 15.3% YoY to ¥5,500mn, operating profit growth of 65.7% to ¥450mn, ordinary profit growth of 32.3% to ¥400mn, and a decline in profit attributable to owners of parent of 56.3% to ¥255mn. It envisions a decline in net profit attributable to owners of parent since proceeds from sales of affiliated company stocks posted in the previous fiscal year will drop out, but plans on double-digit growth in net sales, operating profit, and ordinary profit. Despite increasing global economic uncertainty, the Company expects significant earnings growth driven by the ERP Business as the order environment, mainly for that business, remains favorable partly since DX investment to bolster corporate competitiveness continues to be strong and a shortage of engineers persists in the industry overall.

Forecasts for FY2/26

(¥mn)

	FY2/25 Full-year results	FY2/26 (E)	
		Full-year forecast	YoY
Net sales	4,768	5,500	15.3%
Operating profit	271	450	65.7%
Ordinary profit	302	400	32.3%
Net profit attributable to the owners of the parent company	583	255	-56.3%
Earnings per share (¥)	53.44	23.35	

Source: Prepared by FISCO from the Company's financial results

To strengthen its development framework, the Company acquired all of the shares of SDL and made it a subsidiary in March 2025. SDL was established in 1983, and has long been involved primarily in development and deployment support for Fujitsu's production management systems. SDL's FY12/23 net sales were ¥247mn and operating profit was ¥36mn, and has 23 employees (excluding fixed-term hires), mostly engineers. Since becoming a subsidiary, plans are for SDL to handle mcframe projects through the Company, in addition to existing Fujitsu-related business. There are no concerns about SDL's technological skills since it operates in the same field, production management systems. SDL is to successively receive mcframe projects through the Company if it can free up development resources to handle them. Goodwill has yet to be determined, but the Company envisions straight-line amortization over five years, with the annual amortization amount broadly on par with operating profit Therefore, the Company's FY2/26 consolidated results forecast only factors in net sales (an addition of just over ¥0.2bn) from SDL.

Regarding personnel hiring, the Company plans on the same level as in the previous fiscal year. It hired 15 new graduates in spring 2025, 4 less than in the previous fiscal year, but plans to increase mid-career hires to bring the total number of hires to about 35. It also envisions the Vietnamese subsidiary adding several people to its workforce according to order trends.

The Company expects non-operating income to worsen about ¥80mn YoY. However, that is because it anticipates equity in losses of affiliates from the addition of one newly established joint venture, in addition to the removal of DG Commerce from equity-method affiliates. The joint venture is a developer of no-code/low-code-based ERP products, for which the next five fiscal years or so has been designated as an upfront investment period.

By business segment, the Company forecasts double-digit sales and profit growth in the ERP Business, higher sales but lower profit in the Object Browser Business due to an increase in investment expenses, and higher sales with segment profit at the break-even level in the AI Business.

(1) ERP Business

For the ERP Business, the Company forecasts net sales growth of 19.1% YoY to ¥4,585mn and segment profit growth of 23.9% to ¥870mn. In addition to expansion of orders for mainstay GRANDIT, mainly for the manufacturing industry, it envisions development projects for SAP S/4HANA, mcframe, and so forth contributing to net sales, albeit on a small scale. Further, it expects the profit margin to rise from 18.2% in the previous fiscal year to 19.0%, owing to enhanced productivity as the aggressive hiring strategy it has been pursuing since two or three fiscal years ago is starting to make its workforce more competitive.

(2) Object Browser Business

For the Object Browser Business, the Company forecasts net sales growth of 3.1% YoY to ¥815mn but a segment profit decline of 10.1% to ¥300mn. For the Object Browser series, the Company expects to generate stable sales by developing a subscription integrated license-compatible version and advancing a transition from a one-time purchase to a recurring revenue model, while enhancing user convenience by strengthening AI functions (equipping products with functions such as source comparison, in addition to automatic SQL generation functions). For OBPM Neo, the Company looks to strengthen customer development in business fields other than IT to further expand sales, aiming to raise MRR.

It forecasts lower profit despite higher sales because it intends to invest just over ¥0.1bn to develop customers in non-IT areas for OBPM Neo. It tried to develop customers in non-IT areas a few years ago, but did not produce notable results at that time. This time, it is making a renewed effort in light of its past experience.

(3) AI Business

For the AI Business, the Company forecasts net sales growth of 8.5% YoY to ¥100mn and segment profit at the break-even level. Since AISIA-AD for visual inspections is not making progress on full-fledged deployment to mass production lines, the Company aims to increase sales by deploying resources to other fields such as blueprint inspection work utilizing AI.

Also, the Company announced in April 2025 that it is launching AI agent business. It is a service for using AI to automate narrowly-defined tasks requiring manpower for which automation via ERP has not been possible at manufacturing sites. Examples of use include creating technical and design documents, searching for maintenance and similar documents, generating and updating product information and automatic classification and organization, automating order processes, and automatically optimizing supply and demand forecast planning. The Company plans to start by releasing functions in stages while monitoring needs, and does not factor this business into its FY2/26 results forecasts.

Targets net sales of ¥6,300mn and operating profit of ¥600mn in FY2/27

2. Two-year Management Plan

(1) Results targets and basic policy

The Company made upward revisions to its Two-year Management Plan announced in April 2024, given FY2/25 results and the current business environment. Since FY2/25 results exceeded plan, it raised its results targets for FY2/26 from the plan in the previous fiscal year (net sales of ¥5,000mn, operating profit of ¥336mn) by ¥500mn to ¥5,500mn for net sales and by ¥114mn to ¥450mn for operating profit. In addition, it set targets of ¥6,300mn for net sales and ¥600mn for operating profit in the plan's second year, FY2/27, and aims for an operating profit margin of 9.5%, lifting its target by slightly over 1% for each fiscal year.

The Company has positioned the two fiscal years through FY2/27 as a period for establishing a stable foundation for each of the GRANDIT, OB, OBPM, SAP, and manufacturing solutions businesses and creating AI applications, and will work to evolve existing businesses and create new businesses.

Medium-term results targets

(¥mn)

	FY2/24	FY2/25		FY2/26		FY2/27
	Result	Plan	Result	Previous plan	Current plan	Current plan
Net sales	4,835	4,508	4,768	5,000	5,500	6,300
Operating profit	328	160	271	336	450	600
Operating profit margin	6.8%	3.5%	5.7%	6.7%	8.2%	9.5%

Note: Consolidated results from FY2/25
Source: Prepared by FISCO from the Company's IR news releases

(2) Business strategies

a) Earnings base improvement: Improvements of 1%

The Company will strive to strengthen its earnings base, constantly looking to improve by (at least) 1% benchmarks including the gross profit margin relative to net sales, selling expense ratio, and administrative expense ratio. It envisions a gross profit margin of 32.6% in FY2/26, and 35.0% in FY2/27. Although the gross profit margin also fluctuates due to changes in the product mix, we at FISCO believe future improvement in the gross profit margin is definitely possible since human resource investment is likely to raise productivity in the mainstay ERP Business.

b) Business domain concentration: Business systems x AI x development tools

The Company will concentrate management resources on the three domains of business systems, AI, and development tools, and focus on providing solutions for BtoB enterprises. It will establish competitive advantages in these domains to realize sustainable growth.

c) AI-first strategy

The Company will actively introduce the latest AI technology in everyday in-house business operations, while promoting the creation of new services and development of new functions that utilize AI in each business.

d) Outstanding strategy (evolution of existing businesses)

In three existing businesses—GRANDIT, OBPM Neo, and Object Browser, the Company will build next-dimension business models with an eye to the next 10 years.

e) SAP business and manufacturing solutions business foundation development

In the SAP business and manufacturing solutions business, the Company will build a unique business model and establish a business foundation enabling it to target sales of ¥2.0bn in each.

(3) Investment strategy

a) New business development

The Company will continuously invest 3–4% of annual net sales as it actively pursues new business based on its own stage gate system. It will also actively invest in developing new services utilizing AI technology, expanding existing businesses, and so forth.

b) M&A/joint venture investment

The Company will actively pursue alliances with companies where functionally complementary synergies with its businesses are likely. It will consider M&A not just to expand scale, but also to reinforce knowledge and skills, raise quality, speed up growth, and the like.

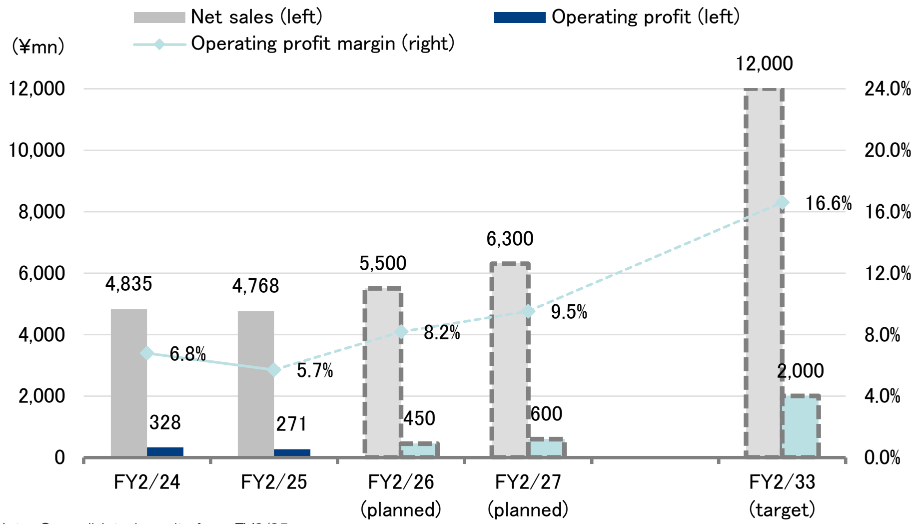
(4) Human resources strategy

The Company will enhance its education system and invest in training on an ongoing basis, with a core focus on cultivating human resources with problem finding, prediction, and creativity skills.

(5) Long-term vision

With intrinsically transforming manufacturing companies' business processes with IT as its long-term vision, the Company plans to continuously create software that creates time, and transition from product-oriented to solution-oriented system integration. It has set achieving net sales of ¥12.0bn, operating profit of ¥2.0bn, and an operating profit margin of 16.6% in FY2/33 as medium- to long-term goals.

Results targets



Note: Consolidated results from FY2/25
Source: Prepared by FISCO from the Company's IR news releases

Shareholder return policy and SDGs initiatives

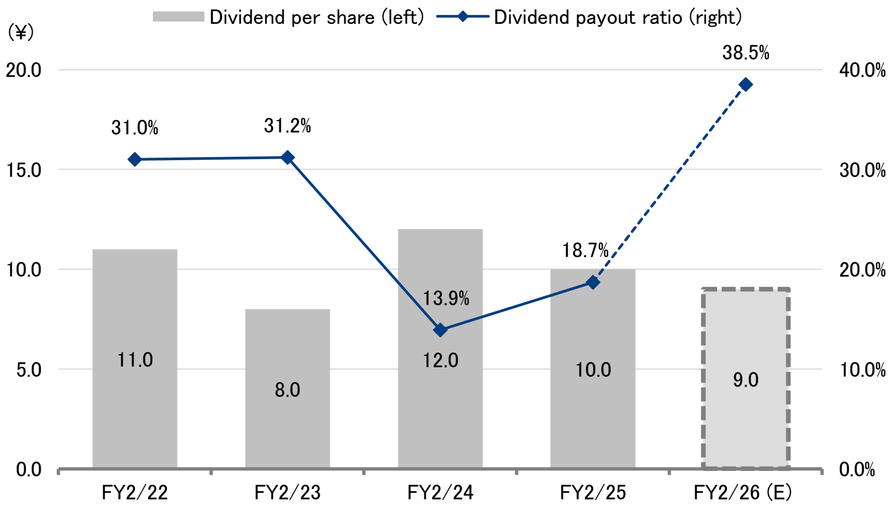
Standard dividend payout ratio is 30% based on performance and a gift of freshly harvested Koshihikari rice from Niigata Prefecture through shareholder rewards program

1. Shareholder return policy

Regarding shareholder returns, the Company aims to raise TSR (stock price gains + dividends) through stable and ongoing shareholder returns. The Company will raise the stock price through earnings growth and intends to pay a dividend based on a dividend payout ratio of 30%. In FY2/25, the Company paid a dividend of ¥10.0 per share (dividend payout ratio of 18.7%), a ¥2.0 decrease YoY. This included a 30th anniversary dividend of ¥3.0 and a special dividend of ¥2.0. The dividend payout ratio was low because the Company posted significant proceeds from sales of affiliated company stocks. If that factor is excluded, the dividend payout ratio rises to 30%. In FY2/26, the Company plans to lower the dividend by ¥1.0 YoY to ¥9.0 (dividend payout ratio of 38.5%).

In addition, the Company has introduced a shareholder rewards program with the objective of cultivating stable shareholders who hold their shares for the mid-to long-term. The program is for shareholders who hold at least 200 shares and who are listed under the same shareholder number in the shareholder ledger at the end of February and end of August each year. The Company rewards newly harvested Koshihikari rice grown in Niigata, using reduced levels of fertilizers and agrochemicals. Shareholders holding from 200 to 999 shares receive a 1kg bag, those holding 1,000 to 3,999 receive a 2kg bag, those holding 4,000 to 15,999 receive a 5kg bag, and those holding 16,000 shares or more receive a 10kg bag, with the gift being delivered each fall after the harvest.

Dividend per share and dividend payout ratio



Note: FY2/24 includes a special dividend of ¥2.0, and FY2/25 includes a commemorative dividend of ¥3.0 and a special dividend of ¥2.0 to commemorate the Company's 30th anniversary.
Source: Prepared by FISCO from the Company's financial results

2. SDGs initiatives

The Company is also actively promoting initiatives for the SDGs. As an environmental initiative, the Company is transitioning for equipment and supplies purchased internally to products compliant with the Green Purchasing Act. The ratio of such products was 52.0% in FY2024, above the FY2030 target of 20%. In addition, the Company is working to reduce the amount of paper used by digitizing business operations, and aims to reduce the annual number of sheets of paper printed per employee from 290 in FY2024 to 240 in FY2030. In addition, in August 2023, the Company purchased sustainability bonds issued by Saitama Prefecture (Saitama ESG bonds).

As of social initiatives, in September 2021, the Company began activities to create websites free of charge for the Children's Cafeteria program in Saitama Prefecture, where the Company's headquarters is located. As of the end of February 2025, the Company has created and supports 21 websites. Also, to contribute to regional revitalization, realization of a diverse society, and the development of the IT industry in Japan and overseas, the Company is promoting remote work hirings of people living in outer prefectures (12 hired as of FY2024; goal of 20 by FY2030) and hiring of people of foreign nationalities (25 hired as of FY2024; goal of 30 by FY2030).

The Company proactively recruits female employees, has full childcare and nursing care systems, and has been highly reputed for these initiatives, being awarded in 2012 with the gold certification as "a company practicing diverse workstyles" from Saitama Prefecture and in 2021, it was registered as a "Saitama Prefecture SDGs Partner" and "Saitama City SDGs Certified Company." In 2017, the Company was certified by the Ministry of Health, Labour and Welfare as a "company realizing both work and nursing care (Tomonin)" and then in 2019 as a "company supporting parenting (Platinum Kurumin)." Also in 2017, the Company was selected as one of the "Top Hundred Telework Pioneers" by the Ministry of Internal Affairs and Communications, as a company that is actively promoting teleworking. These initiatives by the Company have also been highly evaluated by students and others, and even within the IT industry where the labor shortage has become a serious issue, the Company appears able to recruit excellent human resources comparatively smoothly with an employee retention rate of just over 90%, which is above the industry average.

FISCO

Disclaimer

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