COMPANY RESEARCH AND ANALYSIS REPORT

System Support Holdings Inc.

4396

Tokyo Stock Exchange Prime Market

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https://www.fisco.co.jp

Contents

Summary

Driven by increased DX investment, performance remained favorable

System Support Holdings Inc. <4396> (hereafter, also "the Company") is an independent IT company that continues to grow, centered on supporting the introduction and use of various cloud infrastructure-related services, ERP, databases, etc., using its strength of industry-leading technological capabilities. The Company is headquartered in Ishikawa Prefecture, Japan. However, Tokyo, Nagoya, and Osaka are the primary hubs of the Company's business activities. Also, the Company has a subsidiary in North America. The Company is also focused on recurring-revenue businesses, including data center services and the Product Business, which mainly consists of providing cloud (SaaS) services in in-house products. The Company transitioned to a holding company structure in January 2025 to establish a group management framework that enables agile and flexible management decisions.

1. Overview of FY6/25 results

In FY6/25, consolidated net sales increased 22.3% year on year (YoY) to ¥26,938mn and operating profit rose 32.8% to ¥2,218mn, both consecutive record-highs and above the Company's forecasts. The mainstay Cloud Integration Business continued to drive earnings, with net sales growth of 34.6% YoY, driven by continued healthy appetite for DX investment from corporate customers. The high growth rate also continued for resale income and migration and utilization support for various cloud infrastructure services (AWS, Microsoft Azure, Google Cloud, etc.) as well as those related to ServiceNow*. The Company's steady recruitment and development of human resources amid the ongoing industry-wide shortage of engineers was also a factor in the continued high growth.

* "ServiceNow" is a cloud platform that standardizes and automates business processes and supports improved productivity by employees and organizations. It is provided by ServiceNow <NOW> of the US. Over the past few years, it has been rapidly become widely used as a DX solution not only in the US and Europe, but also in Japan. The Company was one of the first Japanese companies to enter into a partner agreement with ServiceNow in 2015, and has a top-tier track record for deploying the service in Japan.

2. FY6/26 forecasts

For the FY6/26 consolidated results, the Company forecasts double-digit growth in both net sales and operating profit. Net sales are forecast to grow 18.8% YoY to ¥32,000mn and operating profit is projected to increase 21.1% to ¥2,686mn. Along with inquiries about ServiceNow remaining high, the Company expects that there will be growing demand for migration and utilization support for various cloud infrastructure services as companies move forward with adopting AI. It will aim for high growth by leveraging the system it has developed to handle multi-cloud services, which is one of its strengths. Furthermore, the System Integration Business also expects double-digit growth, reflecting Echo System Co., Ltd. (head office: Hiroshima Prefecture), which handles system development, becoming a subsidiary* in July 2025. Based on Echo System becoming a subsidiary, the Company's plan is to expand its business foundation in the Western Japan area, where its presence was weak.

* In FY7/24, it had net sales of ¥1,415mn, operating profit of ¥123mn, net assets at the end of fiscal year of ¥286mn, and 119 employees (125 as of July 2025). All shares were acquired for ¥574mn (including advisory fees of ¥54mn).

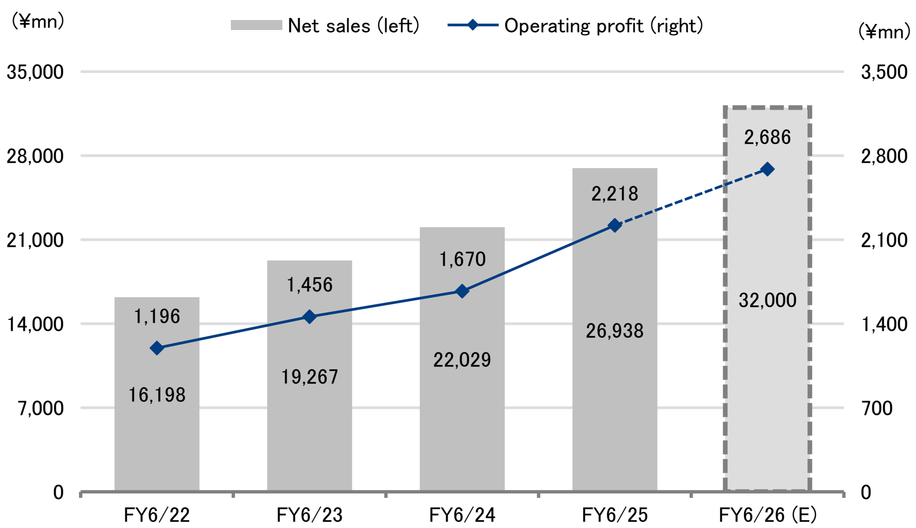
3. Medium-term management plan

Based on its results in FY6/25 and changes in the external environment, the Company formulated a three-year medium-term management plan rolling plan (FY6/26–FY6/28). The basic policies remain the same: expansion of services that form the foundation of DX promotion for customers and society, as well as the growth and success of diverse human resources, and strengthening of sustainability management. Through these efforts, the Company is aiming for net sales of ¥40,153mn (average annual growth rate: 14.2%) and operating profit of ¥3,552mn (17.0%) in FY6/28. The highly profitable Cloud Integration Business will be the driver of growth, and the profit margin is also expected to rise steadily. With the shortage of human resources becoming chronic, corporate investment in DX is expected to continue growing in the future, and the cloud infrastructure services market, which is a key field for the Company, is forecast to continue growing around 18% per year. One of the risk factors is whether hiring of engineers will proceed as planned, but in the past few years the Company's recruitment has progressed steadily in Tokyo, Nagoya, Osaka, and Ishikawa Prefecture, where the head office is located, so we at FISCO believe there is little reason for concern about this issue. With regards to shareholder returns, the Company's basic policy is to issue progressive dividends in accordance with its results and profit level. It has continued to increase its dividend since its listing in August 2018. The dividend per share in FY6/25 was raised ¥10.0 YoY to ¥50.0. It is also planning to increase the dividend per share ¥10.0 in FY6/26 to ¥60.0, which will be seventh consecutive fiscal year it has increased.

Key Points

- Beat forecasts and continued to achieve record highs in FY6/25
- High growth to continue in FY6/26, driven by Cloud Integration Business
- Upwardly revised medium-term performance targets and aims for 17.0% annual growth in operating profit
- Based on progressive dividend policy, plans to increase dividend in FY6/26 for the seventh consecutive fiscal year since listing

Results trends



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

Company profile

An independent IT company that continues to grow led by its Cloud Integration Business

1. History

The Company was founded in 1980 in Kanazawa, Ishikawa Prefecture to provide data entry services and system development services. The collapse of Japan's bubble economy in the 1990s momentarily put the Company's survival at risk. However, in 1994, it successfully turned the business around under the strong leadership of President and Representative Director Ryoji Koshimizu, who took over management from its founder. Subsequently, the Company developed its technological capabilities, which are said to be at the highest level of the industry for an independent company, into a core strength, and it has continuously increased its business performance by expanding into the cloud services market, which continues to grow at a high level.

Looking at business expansion initiatives since 2000, the Company founded eNet Solutions Co., Ltd., a subsidiary that conducts data center services, in 2000. In 2004, the Company entered into a technical partner contract with Oracle Corporation Japan <4716>. With this contract, the Company goes on to proactively undertake system integration and deployment projects for Oracle products. In addition, the Company launched the Product Business to sell internally developed software products as a new income-generating business following systems development and data center services. As its first such product, the Company commenced sales of Tate Yakusha, a construction work information management system for the construction industry, in 2005.

Moreover, in 2009, the Company founded STS Medic Inc., a subsidiary engaged in the development and sales of specialized software for the medical industry. Thereafter, the Company built a solid business foundation by making use of M&As. For example, T4C Co., Ltd., a service partner of the major ERP provider SAP Japan Co., Ltd., and ACROSS Solutions, Inc., which had been providing system solutions to the distribution industry, were successively converted into subsidiaries of the Company in 2010 and 2012, respectively. The Company has also entered overseas markets. Additionally, in 2013, the Company established a subsidiary in the US for the purpose of gathering information and supplying IT services in the US markets. In 2016, it set up a subsidiary in Canada to provide outsourcing services (such as accounting services) to Japanese companies in North America. More recently, it has carried out two M&As. In July 2024, the Company's US subsidiary accepted the transfer of all businesses (systems integration, DX consulting, and cloud-related services) operated by Japanese-owned IT solutions provider MultiNet International Inc. with the aim of expanding its operations in North America. In the same month, the Company acquired all shares of software developer and IT solutions provider Communication Planning Corporation and made it into a subsidiary*. In January 2025, the Company transitioned to a holding company structure to establish a group management framework that enables agile and flexible management decisions. Recently, it acquired all shares of the system development company Echo System in July 2025, making it a subsidiary.

* Acquisition of businesses from MultiNet International cost ¥250mn (plus ¥26mn in advisory fees and goodwill of ¥62mn, amortized over 12 years in equal amounts); acquisition of shares in Communication Planning cost ¥600mn (plus ¥29mn in advisory fees and goodwill of ¥287mn, amortized over 10 years in equal amounts).

History

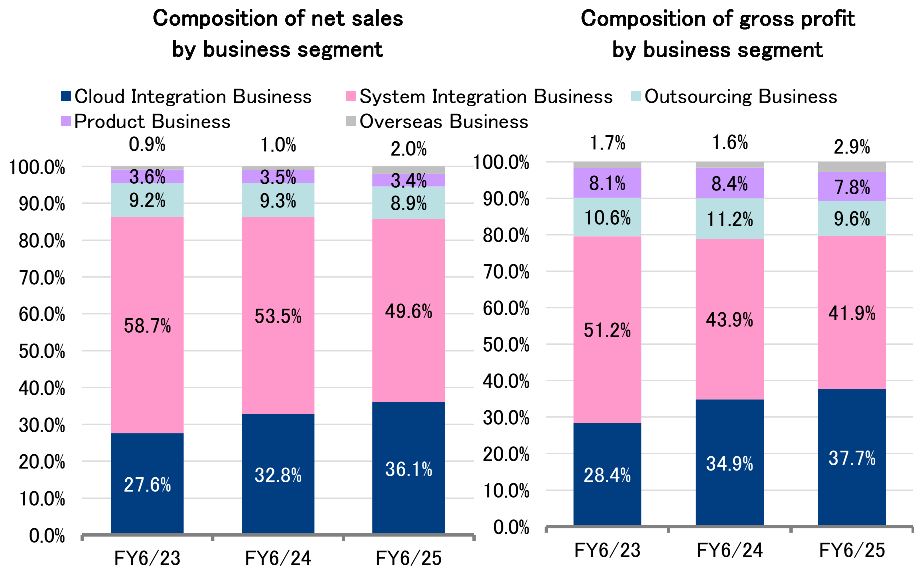
Date	Major event
January 1980	Founded in Kanazawa, Ishikawa Prefecture, providing data entry and system development services
November 2000	Financed and founded eNet Solutions Co., Ltd.
January 2004	Entered into an Oracle EBS Technical Partner contract with Oracle Corporation Japan <4716>
February 2005	Commenced sales of Tate Yakusha, a construction work information management system
March 2009	Financed and founded STS Medic Inc.
May 2010	Acquired shares of T4C Co., Ltd. and made it a subsidiary
June 2011	Entered into an SAP Service Partner contract with SAP Japan Co., Ltd.
March 2012	Acquired shares of ACROSS Solutions, Inc. and made it a subsidiary
April 2012	Began providing services for Cloud Koubou powered by Amazon Web Services, a cloud support service
July 2013	Financed and founded STS Innovation, Inc. in California, USA
August 2013	Began providing services for PinMap, a customer data mapping service
October 2013	Entered into an APN Consulting Partner contract with Amazon Japan K.K.
March 2015	Acquired additional shares of T4C Co., Ltd. and ACROSS Solutions, Inc. and made them wholly owned subsidiaries
September 2015	Entered into a PartnerNow Master Terms agreement with ServiceNow Nederland B.V.
January 2016	Financed and founded STS Innovation Canada Inc. in Vancouver, Canada
February 2016	Commenced sales of the cloud-based shift management system SHIFTEE
August 2018	Listed on the Tokyo Stock Exchange Mothers Market
August 2018	Commenced sales of the attendance and work management system Shugyo Yakusha
August 2019	Listed market changed to the Tokyo Stock Exchange First Section
April 2020	Entered into a Google Cloud & Google for Education Commercial Partner Program Agreement with Google Cloud Japan G.K.
January 2021	Entered into a Subcontractor Agreement with Automation Anywhere, Inc.
August 2021	Entered into a distributorship agreement with CyberArk Software (Japan) K.K.
February 2022	Entered into a partner network agreement with Snowflake Inc.
March 2022	Entered into a Celonis Partner Program Agreement with CELONIS K.K.
April 2022	Listed market changed to the Tokyo Stock Exchange Prime Market
October 2023	Financed and founded STS DIGITAL, Inc.
July 2024	STS Innovation, Inc. accepted the transfer of all businesses from MultiNet International Inc. (US)
July 2024	Acquired all shares of Communication Planning Corporation and made it a subsidiary
July 2024	Financed and founded System Support Division Preparation Company Inc. for transition to holding company structure
January 2025	Transitioned to holding company structure based on corporate divestiture, transferred all operations except Group management to System Support Inc. (company name changed from System Support Division Preparation Company Inc. on January 1, 2025), and changed company name from System Support Inc. to System Support Holdings Inc.
July 2025	Acquired all shares of Echo System Co., Ltd. and made it a subsidiary

Source: Prepared by FISCO from the Company's website and securities reports

Five businesses centering on the Cloud Integration Business

2. Business description and changes in number of employees

The System Support Group comprises the Company and its nine consolidated subsidiaries (as of June 30, 2025). The Group discloses information based on five business segments, specifically the Cloud Integration Business, System Integration Business, Outsourcing Business, Product Business, and Overseas Business. Looking at the sales composition in FY6/25, the System Integration Business accounted for 49.6% of sales, followed by the Cloud Integration Business at 36.1%, the Outsourcing Business at 8.9%, the Product Business at 3.4%, and the Overseas Business at 2.0%. Over the last three fiscal years, sales have been increasing in the Cloud Integration Business amid expansion in the cloud infrastructure service market, but sales have been declining in the System Integration Business. A breakdown of gross profit by business segment shows almost the same trend, with the Cloud Integration Business driving profit in the past few years.



Source: Prepared by FISCO from the Company's supplemental results briefing materials

(1) Cloud Integration Business

In the Cloud Integration Business, the Company implements and supports the use of various types of cloud infrastructure-related services including ServiceNow, AWS, Microsoft Azure, Google Cloud and Oracle Cloud Infrastructure, and also resells the licenses for them. In FY6/25, ServiceNow-related services accounted for 30.8% of sales in this segment, AWS at 32.5%, Google Cloud at 12.8%, and Microsoft Azure at 10.5%. License resales, which serve as a recurring-revenue business, accounted for 33.6% of sales in this segment.

Orders for cloud-related services are often via referrals from cloud providers or additional orders from existing customers, so an important element in increasing orders is training large numbers of engineers certified on each of the cloud infrastructure-related services and gaining a track record of development projects with high customer satisfaction. For this reason, the Company is focused on hiring and training certified engineers, and as a result of its efforts, it has received many awards related to AWS, Microsoft Azure, Google Cloud, and Oracle, leading to the acquisition of new projects. Profitability is relatively stable, and with regard to ServiceNow services in particular, the Company has amassed a substantial development track record, being the first company in Japan to get involved in the platform. In part because of this, its ServiceNow business has the highest profitability of all its cloud services (the gross profit margin in FY6/25 was 46.2%, surpassing the overall business segment's margin of 29.3%), and in terms of share of gross profit, it accounts for nearly half at 48.5%.

Resales are mainly generated on a pay-as-you-go basis in line with data usage. The cloud service provider sends US dollar-denominated invoices to the Company, which in turn converts such amounts to yen, adding a certain margin, and then bills customers in yen. Also, given that there is an average settlement period of about one to two months, rapid yen depreciation during that time will culminate in foreign exchange loss related to dollar-denominated debt.

(2) System Integration Business

The System Integration Business includes consulting, design, development, and operation and maintenance for corporate IT systems and also technical support for the deployment and use of ERP packages, and infrastructure construction for Oracle Database and other systems (Oracle Cloud Infrastructure services are included in the Cloud Integration Business). Regarding the sales composition in FY6/25, IT system development accounted for a majority of the total at 56.1%, followed by ERP-related services at 29.5% and database-related services at 14.4%.

For major projects such as system development for financial institutions and ERP construction, the Company does not receive orders directly; rather, there are many cases where they are undertaken on a subcontracted basis in order to prevent the risk of unprofitability caused by delivery delays and other such trouble. Profitability is lower, but major projects contribute to sales over the long term, so they play a role in maintaining the utilization rates of engineers at fixed levels. Net sales generated by Communication Planning, which became a subsidiary in July 2024, are included in this segment.

(3) Outsourcing Business

In the Outsourcing Business, management services at data centers in two locations in Japan (Tokyo and Kanazawa) managed by subsidiary eNet Solutions account for 77.3% of net sales. The remaining 22.7% is taken up by data analysis and entry and system operation and maintenance on a nearshore basis.

The Company has around 1,050 corporate customers with respect to its data centers, which are primarily used by such customers as infrastructure for private clouds or for business continuity planning (BCP) and data backup management. The Company also provides added-value services as a strategy for acquiring data center customers and as an upselling measure, including Safetylink24, an emergency notification and safety confirmation service that automatically distributes safety confirmation messages for employees linked to earthquake information, and offers ActionPassport, a work flow system, and ActiveAssets, an online storage service, along with various AI services using IBM Watson. In its data center services there is a recurring-revenue structure whereby monthly sales increase as a result of growing customer numbers and greater customer service use, the Company appropriately invests in servers and additional capacity otherwise in alignment with demand.

(4) Product Business

In the Product Business, the Group is engaged in the development and sales of various products (software) and the provision of services. It also customizes products according to customer needs. Its current four main products are MOS, a mobile order receipt and placement system primarily for the wholesale and retail industries, Tate Yakusha, a construction work information management system for the construction industry, Shugyo Yakusha, an attendance and work management system, and SHIFTEE, a cloud-based shift management system, which respectively account for 31.0%, 29.1%, 12.6%, and 10.0% of sales in FY6/25. While the Company does receive orders for custom development projects from time to time and records sales associated with hardware when installed, around 55% of total sales in the Product Business are generated through monthly fees from cloud (SaaS) services. Therefore, this business has a recurring-revenue business model where revenue increases in line with growth in the number of subscribers. Most sales are direct sales (Tate Yakusha is often sold through the OEM channel), but the Company is also proactively making efforts on a distributor-based strategy in seeking to enhance its sales strengths.

Outline of major products

Name	Provider	Description
MOS	ACROSS Solutions, Inc.	A mobile order reception system. Prices vary depending on options and customization.
Tate Yakusha	System Support Inc.	A construction work information management system for the construction industry. Prices vary based on options and customization.
SHIFTEE	System Support Inc.	A cloud-based shift management system. Initial basic fee is ¥50,000. The monthly charge for the light version is ¥250 per user (separate charges apply for customization).
Shugyo Yakusha	System Support Inc.	An attendance/work management system. The monthly charge for the cloud version is ¥250 per user (separate charges apply for the on-premise version).

Source: Prepared by FISCO from the Company's website

(5) Overseas Business

The Overseas Business mainly consists of system integration services and recruitment services provided by a US subsidiary to Japan-affiliated companies doing business in North America and payroll and accounting outsourcing services provided by a Canadian subsidiary. A system integration business was acquired from MultiNet International in July 2024. Based on this, offices have been added in New York and Houston, extending its sales reach from the West Coast into the East Coast, Midwest, and South.

(6) Group companies and the number of employees

The Company's subsidiaries specialize in different functions and business sectors with the aim of proactively and swiftly providing new solutions to customers on a continual basis. The number of employees was 1,712 on a consolidated basis at the end of FY6/25, an increase of 228 people from the end of FY6/24. Engineers account for 84% of employees. By region, approximately 50% of employees are in the Tokyo metropolitan area, while personnel are being utilized in a balanced manner over other regions, including the Hokuriku, Kansai, and Tokai regions to respond to growing demand for cloud infrastructure-related services in each area. The turnover rate grew 0.7 percentage points (pp) YoY to 7.1%, but this was due to a temporary increase in turnover at certain subsidiaries. Turnover at System Support Inc., which is the Group's core company, was at the same level as the previous year.

While the movement of engineers is becoming more fluid due to a chronic shortage of IT personnel, the Company has maintained a turnover rate that is less than the industry average (12.8%), which is very favorable. This is seemingly attributable to active efforts by the Company not only to enhance salaries and benefits but also to improve workplace environments and support career advancement, including fully covering the costs incurred by engineers when obtaining certifications to develop their skills and establishing telework environments. The Company is engaged in supporting the introduction of key cloud infrastructure and services, and establishing an environment that enables the acquisition of various technical certifications may be viewed as having a positive effect in terms of recruitment. It is one of the factors enabling high (double-digit) growth each year.

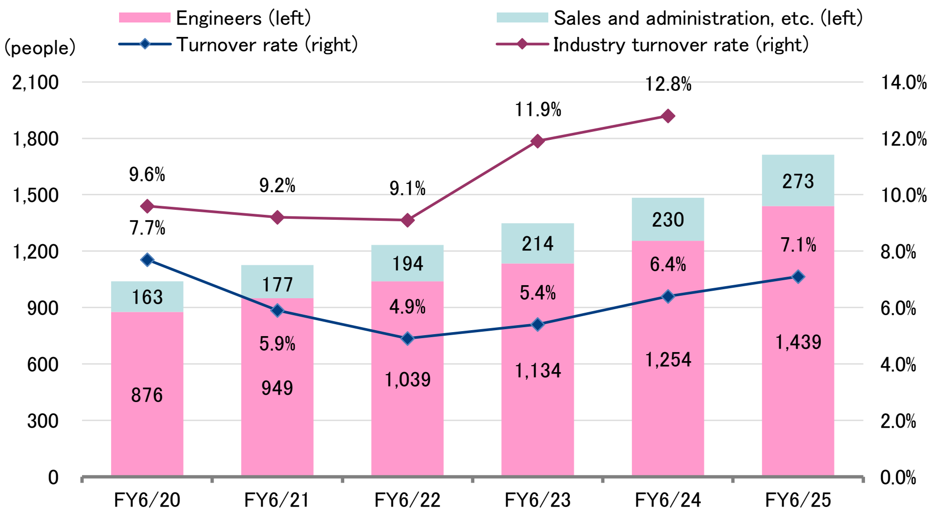
Business segments operated by Group companies

(as of end of June 2025)

Name of company	Cloud Integration Business	System Integration Business	Outsourcing Business	Product Business	Overseas Business
System Support Inc.	○	○	○	○	-
eNet Solutions Co., Ltd.	-	○	○	-	-
T4C Co., Ltd.	-	○	-	-	-
STS Medic Inc.	-	○	-	○	-
ACROSS Solutions, Inc.	-	-	-	○	-
STS DIGITAL, Inc.	-	○	-	-	-
Communication Planning Corporation	-	○	-	-	-
STS Innovation, Inc.	-	-	-	-	○
STS Innovation Canada Inc.	-	-	-	-	○

Source: Prepared by FISCO from the Company's website

Trend in the number of consolidated employees and turnover rate



Note: Figures presented for industry turnover rate are according to data on separation rates by industry (information and communications industry) of the Ministry of Health, Labour and Welfare "Survey on Employment Trends."
Source: Prepared by FISCO from the Company's supplemental results briefing materials

Results trends

Beat forecasts and continued to achieve new record highs in FY6/25

1. Overview of FY6/25 results

In the FY6/25 consolidated results, net sales increased 22.3% YoY to ¥26,938mn, operating profit rose 32.8% to ¥2,218mn, ordinary profit was up 28.7% to ¥2,244mn, and profit attributable to owners of parent was up 19.0% to ¥1,457mn. Both sales and profit continued to increase by double digits and set new record highs. Net sales, operating profit, and ordinary profit all exceeded the forecasts revised upward in January 2025.

Consolidated results for FY6/25

(¥mn)

	FY6/24		FY6/25				
	Results	% of net sales	Plan*	Results	% of net sales	YoY	Achievement rate
Net sales	22,029	-	26,603	26,938	-	22.3%	1.3%
Cost of sales	15,938	72.3%	-	19,434	72.1%	21.9%	-
SG&A expenses	4,420	20.1%	-	5,285	19.6%	19.6%	-
Operating profit	1,670	7.6%	2,200	2,218	8.2%	32.8%	0.8%
Ordinary profit	1,743	7.9%	2,195	2,244	8.3%	28.7%	2.2%
Profit attributable to owners of parent	1,224	5.6%	1,459	1,457	5.4%	19.0%	-0.1%

* Revised figures announced on January 28, 2025
Source: Prepared by FISCO from the Company's financial results

Appetite for DX investment remained strong among companies engaged in addressing human resources shortages and improving productivity. Along with orders from new and existing customers performing steadily, especially in the mainstay Cloud Integration Business, strengthening of the personnel system to meet strong demand progressed as planned, which drove high growth (there were 135 new graduate hires, which was 2 more than planned, and 150 mid-career hires, which was 28 more).

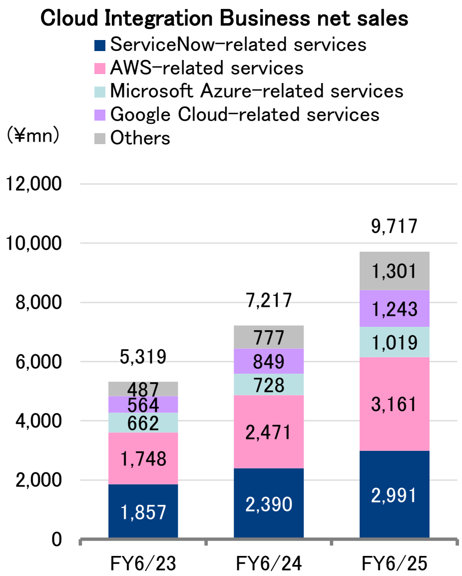
On the profit front, gross profit increased 23.2% YoY to ¥7,503mn amid a scenario where the cost-of-sales ratio declined from 72.3% in the same period of the previous fiscal year to 72.1% due to changes in the sales mix and effects of increased sales. SG&A expenses rose 19.6% YoY, mainly reflecting increased personnel costs, investment in growth, and expenses associated with the transition to a holding company structure, but the SG&A ratio declined 0.5pp due to higher sales. As a result, the operating margin rose from 7.6% in FY6/24 to 8.2%, with all profit margins reaching a record high.

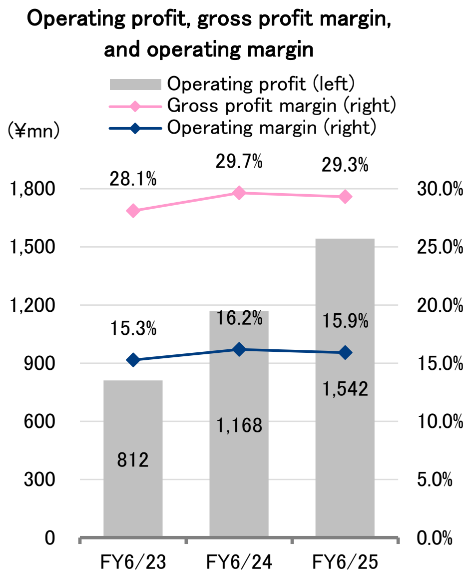
In the Cloud Integration Business, net sales and profit grew over 30%

2. Trends by business segment

(1) Cloud Integration Business

The Cloud Integration Business continued to achieve substantial growth in both sales and profits, with net sales up 34.6% YoY to ¥9,717mn and operating profit up 32.1% to ¥1,542mn. Efforts were made to reinforce the service delivery system in order to capture strong demand for ServiceNow and support for major cloud platform migration and utilization, which led to high growth. High growth also continued for the gross profit margin, which rose 33.1% to ¥2,849mn, reflecting higher sales, but due to changes in the sales mix (ServiceNow's share of the sales mix decreased from 33.1% to 30.8%), the gross profit margin declined slightly from 29.7% to 29.3%.





Source: Prepared by FISCO from the Company's supplemental results briefing materials

In mainstay ServiceNow-related services, net sales increased 25.1% YoY to ¥2,991mn and the gross profit margin rose 1.2pp to 46.2%, partly due to a decline in the share of net sales generated by license sales. Along with an increase in additional orders from existing customers for the purpose of expanding used services, the Company received ongoing referrals of new customers from ServiceNow, leading to high growth. The Company has built a strong service delivery team for ServiceNow, ranked third in Japan* for the number of development certifications obtained, as well as an impressive implementation track record and high levels of customer satisfaction. While the number of competitors handling ServiceNow products has increased in the past couple of years, few companies have established a system that can handle the wide range of products and solutions offered by ServiceNow, which is a factor in the Company's ongoing high growth.

* The top three companies for number of development certifications obtained as of June 2025 were Fujitsu <6702> with 1,520, Accenture Japan Ltd with 929, and the Company with 588. The total number of development certifications obtained is 9,969.

Net sales of cloud infrastructure migration and usage support services (AWS, Google Cloud, Microsoft Azure) increased 34.0% YoY to ¥5,423mn. In terms of the breakdown, sales grew in all areas, rising 27.9% to ¥3,161mn for AWS-related services, 46.3% to ¥1,243mn for Google Cloud-related services, and 40.0% to ¥1,019mn for Microsoft Azure-related services. Companies are increasingly using multiple cloud services to reduce risk involved in building IT systems, and the Company has progressed with building a service delivery system that can handle multi-cloud services, leading to high growth. It also has many engineers who can handle multi-cloud services and engineers who work on layers other than infrastructure (application development, ERP, database construction, etc.), allowing it to consistently secure orders for upgrades of entire corporate IT systems, which is another of its strengths.

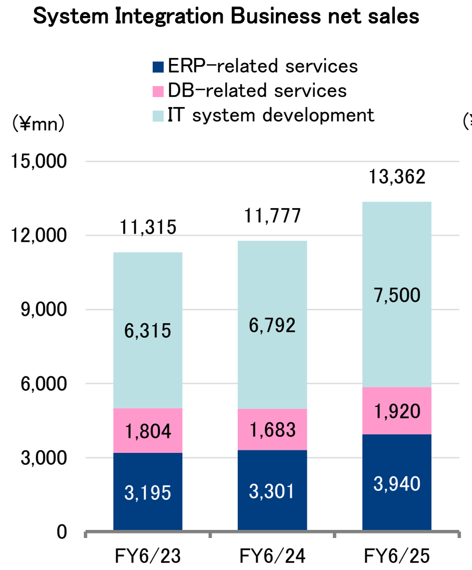
Net sales for other cloud introduction support services grew significantly by 67.5% YoY to ¥1,301mn. There was significant growth for Oracle Cloud Infrastructure-related services and Snowflake* services. Furthermore, post-migration resale net sales (primarily for AWS) increased 31.1% to ¥3,265mn in line with an increase in customer numbers (increase of 106 companies to 406 companies in the Cloud Integration Business), providing a stable earnings base that contributed to higher sales and profits.

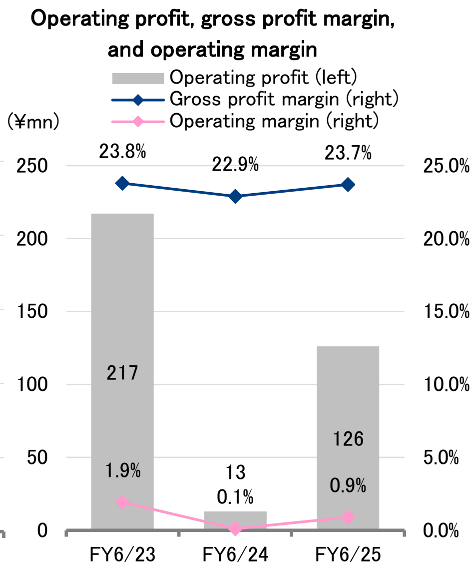
* Developed and provided by Snowflake Inc. (US), Snowflake is a SaaS-type, cloud-based data platform enabling centralized data management that serves as a hub for all data, including cross-departmental data and data in different cloud environments. Its features include its highly secure functionality and high processing speed. It is designed for seamless alignment with data analysis tools and BI tools. Its use is spreading rapidly, especially for customers involved in AI and big data analysis. The Company started handling it in 2022.

(2) System Integration Business

Net sales in the System Integration Business increased 13.5% YoY to ¥13,362mn and operating profit increased 830.5% to ¥126mn. While the operating margin looks low at 0.9%, actual profitability was somewhat higher because SG&A expenses such as head office expenses and other shared Group expenses were allocated to each segment in proportion to the cost incurred. The gross profit margin rose 0.8pp to 23.7% and gross profit increased 17.5% to ¥3,166mn. The results of Communication Planning (net sales of ¥718mn, operating profit of ¥148mn, amortization of goodwill of ¥28mn), which became a subsidiary in July 2024, had a significant effect. Sales decreased somewhat on an existing business basis, but given that in-house engineers are being transferred to the Cloud Integration Business, which is seeing strong demand, the segment may be considered to be performing well.

Results trends





Source: Prepared by FISCO from the Company's supplemental results briefing materials

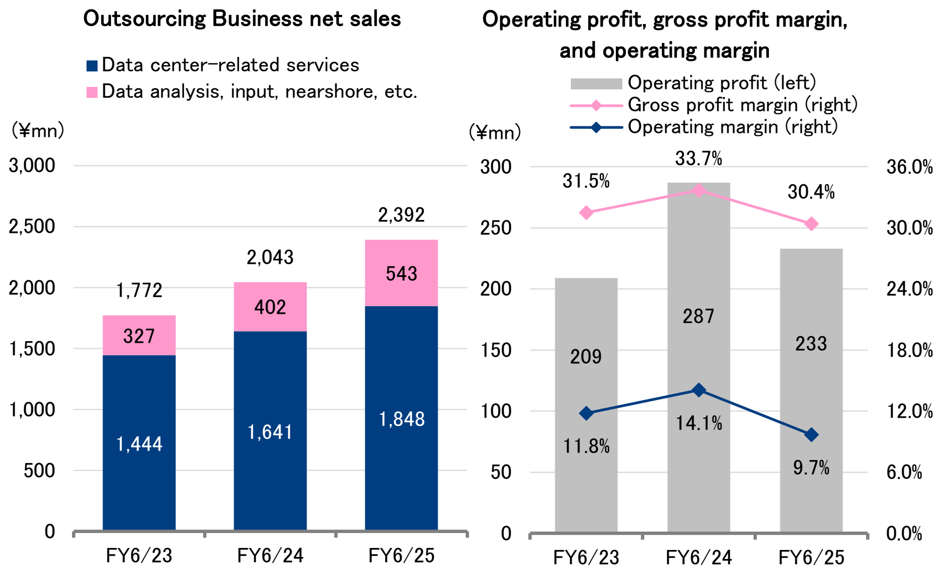
Looking at the breakdown of net sales, sales grew in all areas, supported by continued active investment in IT by companies, with ERP-related services increasing 19.4% YoY to ¥3,940mn, DB-related services rising 14.1% to ¥1,920mn, and IT system development up 10.4% to ¥7,500mn. The gross profit margin increased 0.8pp, which was due to Communication Planning booking a large, profitable license sale*.

* A one-time project for a local government for a map and location information solution was recorded in 2Q.

(3) Outsourcing Business

In the Outsourcing Business, sales increased and profit decreased, with net sales rising 17.1% YoY to ¥2,392mn and operating profit dropping 18.9% to ¥233mn. With regard to operating profit, since the proportional allocation of common expenses, including SG&A expenses, increased, gross profit rose 5.8% to ¥727mn. The gross profit margin was down 3.3pp to 30.4% due to outsourcing costs growing more than expected for system construction work which occurs at the start of data center use to acquire new customers. However, measures to address the increased outsourcing costs have already been implemented.

Results trends



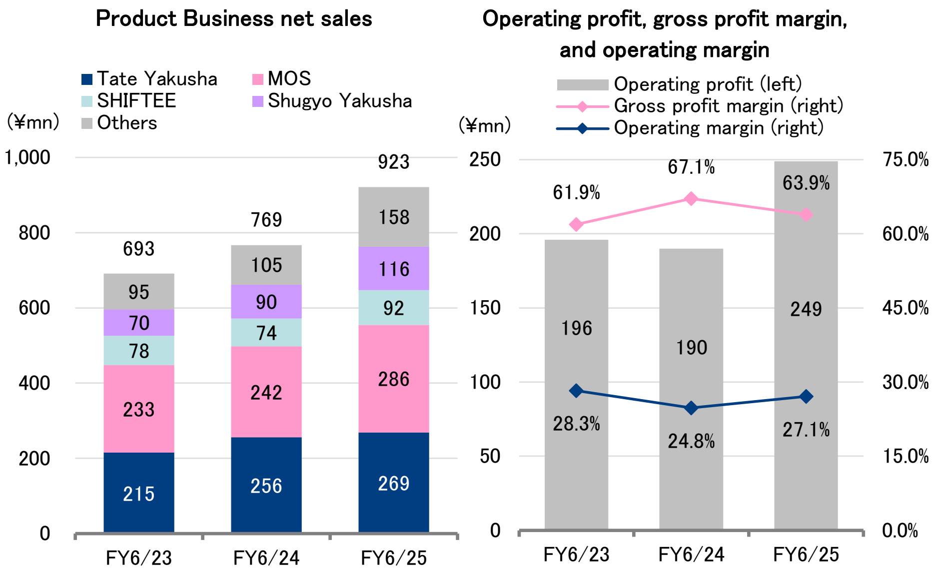
Source: Prepared by FISCO from the Company's supplemental results briefing materials

Looking at the breakdown of net sales, sales from data center-related services increased 12.6% YoY to ¥1,848mn, and sales from nearshore ERP maintenance services and data analysis and input services rose 35.1% to ¥543mn, maintaining an upward sales trend for both categories. In data center services, the volume of work conducted by companies via private cloud services is expanding, leading to an increase in monthly usage fees per company and helping to lift sales. Recurring-revenue sales alone continued to increase steadily, up 11.5% YoY to ¥1,572mn. Meanwhile, growth in sales from ERP maintenance services and from data analysis and input services reflected strong maintenance needs, mainly for SAP ERP products, and progress with strengthening systems in Kanazawa.

(4) Product Business

The Product Business reported net sales of ¥923mn, up 19.9% YoY, and operating profit of ¥249mn, up 31.0%. Sales growth was supported by firm growth in customer numbers for core products, leading to a steady rise of 11.4% YoY in license fees and other recurring-revenue sales to ¥509mn, and by the delivery of large Tate Yakusha customization projects. Gross profit rose 14.2% YoY to ¥589mn due to the effect of increased sales, and the gross profit margin declined 3.2pp to 63.9% due to an increase in customization projects.

Results trends



Source: Prepared by FISCO from the Company's supplemental results briefing materials

Looking at the breakdown of net sales, sales from Tate Yakusha grew 5.1% YoY to ¥269mn, MOS rose 18.2% to ¥286mn, Shugyo Yakusha increased 28.9% to ¥116mn, SHIFTEE rose 24.3% to ¥92mn, and other products increased 50.5% to ¥158mn. With the labor shortage becoming chronic, sales of the Shugyo Yakusha attendance and work management system and SHIFTEE shift management system have grown significantly.

(5) Overseas Business

In the Overseas Business, net sales increased 144.9% from the same period of the previous fiscal year to ¥542mn, while operating profit increased 96.2% to ¥114mn. The main reason for the growth in sales and profit was the addition of a system integration business, which was acquired in July 2024. Due to a change in the sales mix, the operating margin declined from 26.3% in FY6/24 to 21.1%, but the Company expects the business to remain firm as it captures demand from Japanese companies based overseas.

Despite a slight drop in the equity ratio, the financial base is becoming stronger as earnings expand

3. Financial position and business indicators

As of the end of FY6/25, total assets were ¥13,628mn, up ¥3,699mn from the end of the previous fiscal year. In current assets, cash and deposits increased ¥1,591mn, and notes and accounts receivable - trade, and contract assets rose ¥602mn. In non-current assets, property, plant, and equipment increased ¥115mn due to factors such as conducting M&A, goodwill increased ¥281mn, the insurance reserve fund went up ¥297mn, deferred tax assets rose ¥249mn, and long-term advance payments grew ¥130mn.

Total liabilities increased ¥2,742mn from the end of the previous fiscal year to ¥7,616mn. This mainly reflected increases of ¥915mn for interest-bearing debt, ¥378mn in income tax payable, ¥345mn in accrued expenses, ¥303mn in consumption tax payable, and ¥400mn in long-term accounts payable. Total net assets increased ¥956mn to ¥6,012mn. This mainly reflected profit attributable to owners of parent of ¥1,457mn, offsetting ¥483mn in dividends paid and ¥268mn for the purchase of treasury shares.

Looking at management indicators, the equity ratio declined from 50.9% at the end of the previous fiscal year to 44.1% and the interest-bearing debt ratio rose from 18.0% to 30.4%. This is because some M&A funds were financed through borrowing, but net cash (cash and deposits minus interest-bearing debt) rose steadily by ¥675mn to ¥4,017mn as profits continued to grow. The Company's financial foundation is therefore deemed to be growing stronger. In terms of profitability, operating profit on sales continued rising steadily, going up 0.7pp YoY to 8.2%, while ROE also remained at a high level (26.3%).

Consolidated balance sheet and management indicators

(¥mn)

	FY6/22	FY6/23	FY6/24	FY6/25	Change
Current assets	6,303	7,139	8,165	10,735	2,569
Cash and deposits	3,254	3,568	4,253	5,844	1,591
Non-current assets	1,511	1,730	1,763	2,892	1,129
Total assets	7,815	8,870	9,929	13,628	3,699
Total liabilities	4,393	4,746	4,873	7,616	2,742
Interest-bearing debt	1,149	1,009	911	1,827	915
Total net assets	3,421	4,124	5,055	6,012	956
Security					
Equity ratio	43.8%	46.5%	50.9%	44.1%	-6.8pp
Interest-bearing debt ratio	33.6%	24.5%	18.0%	30.4%	12.4pp
Net cash	2,105	2,559	3,341	4,017	675
Profitability					
ROA	16.4%	17.6%	18.5%	19.1%	0.5pp
ROE	24.5%	26.8%	26.7%	26.3%	-0.3pp
Operating profit on sales	7.4%	7.6%	7.6%	8.2%	0.7pp

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

Outlook

High growth to continue in FY6/26, driven by Cloud Integration Business

1. FY6/26 forecasts

For the FY6/26 consolidated results, the Company forecasts that net sales will rise 18.8% YoY to ¥32,000mn, operating profit will go up 21.1% to ¥2,686mn, ordinary profit will grow 20.3% to ¥2,700mn, and profit attributable to owners of parent will increase 19.2% to ¥1,737mn. Demand remains strong, especially in the Cloud Integration Business, and the Company will aim for double-digit growth in sales and profit by continuing its efforts to strengthen its service delivery system. With regard to recruitment of human resources, it is planning to add 151 new graduate hires and 150 mid-career hires in spring 2026. If recruitment proceeds as planned, we at FISCO consider that it will be possible to achieve the results plan.

Outlook for FY6/26 consolidated results

(¥mn)

	FY6/25		FY6/26		
	Results	YoY	Plan	% of net sales	YoY
Net sales	26,938	-	32,000	-	18.8%
Operating profit	2,218	8.2%	2,686	8.4%	21.1%
Ordinary profit	2,244	8.3%	2,700	8.4%	20.3%
Profit attributable to owners of parent	1,457	5.4%	1,737	5.4%	19.2%
Net profit per share (¥)	141.44		167.76		

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

In July 2025, the Company acquired all shares of Echo System, whose head office is located in Hiroshima Prefecture, making it a subsidiary. Echo System is a company founded 35 years ago that has established offices in the Chugoku/Shikoku region, Fukuoka, Tokyo, Nagoya, and Osaka. It is reputed for its technological capabilities, including development and sales of business and purpose-built package systems, with a focus on system development on a contract basis. In FY7/24, the business was profitable, with net sales of ¥1,415mn and operating profit of ¥123mn, and the results plan for FY6/26 seems to incorporate a similar performance level. Its conversion into a subsidiary will enable the Company to expand its business into the Western Japan area, including the Chugoku/Shikoku region and Fukuoka, where it previously had no offices. The goodwill and amortization period have not yet been set, but it is highly likely that it will contribute from the first year on a profit basis. The majority of net sales are expected to be in the System Integration Business, with some recorded in the Product Business.

Sales forecasts by business segment have not been disclosed, but it seems that sales are expected to increase around 25% YoY in the Cloud Integration Business, 10% in both the System Integration Business and Outsourcing Business, and 20% in the Product Business.

Upwardly revised medium-term results targets, aims for operating profit growth of 17.0% per year

2. Medium-term management plan

(1) Outline of medium-term management plan

In August 2025, the Company announced its three-year medium-term management plan rolling plan, starting from FY6/26. Under the theme "Growth and creation of further innovation," the plan has three priority measures—expansion of services that form the foundation of DX promotion for customers and society, as well as the growth and success of diverse human resources, and strengthening of sustainability management—and targets annualized double-digit growth in net sales and profits. In light of factors such as the FY6/25 results, recent market environment, and impact of M&A, the Company has revised the results targets that were formulated one year before. The new targets for FY6/28 are net sales of ¥40,153mn and operating profit of ¥3,552mn. This equates to annualized growth rates of 14.2% for net sales and 17.0% for operating profit. Furthermore, the results targets for FY6/26 and FY6/27 have both been revised upward from the targets formulated one year before.

Medium-term results plan

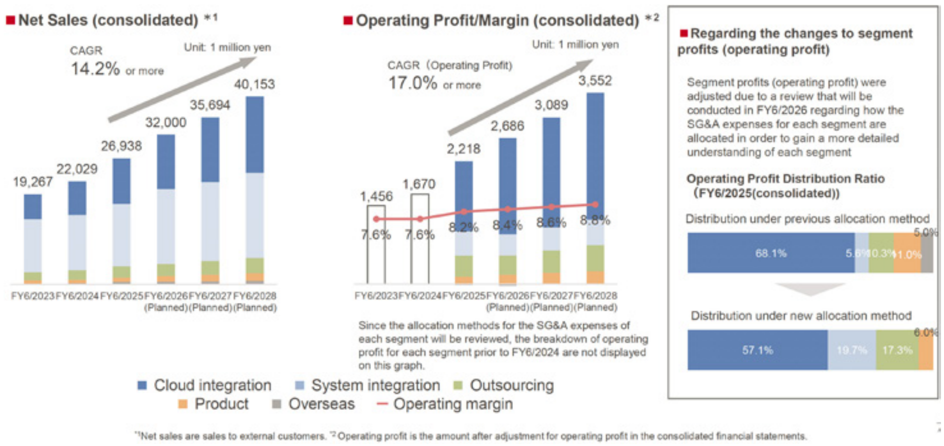
(¥mn)

	FY6/25		FY6/26		FY6/27		FY6/28	CAGR*
	Initial plan	Results	Previous target	Initial plan	Previous target	New target	New target	
Net sales	26,087	26,938	28,737	32,000	31,709	35,694	40,153	14.2%
Operating profit	2,115	2,218	2,432	2,686	2,798	3,089	3,552	17.0%
Operating margin	8.1%	8.2%	8.5%	8.4%	8.8%	8.7%	8.8%	
Number of consolidated employees	1,722	1,712	1,884	2,028	2,051	2,216	2,418	12.2%

* Annual rate of growth from FY6/25 to FY6/27
Source: Prepared by FISCO from the Company's medium-term management plan materials

With regard to recognition of the external environment, it seems that high growth of the domestic cloud infrastructure services market will continue in the future as companies are switching from on-premise IT systems and utilization and multi-cloud support after migration are increasing. At the same time, it is expected that the competitive environment will remain challenging with respect to personnel recruitment. In this context, the Company will capture strong demand by actively engaging in personnel recruitment and development and pursue double-digit annualized growth driven by the Cloud Integration Business.

Medium-term management indicators (consolidated)



Source: The Company's medium-term management plan materials

(2) Human resources strategy and growth investment plan

Positioning human resources as the source of business growth, the Company aims to create new corporate value through the active recruitment and promotion of diverse human resources, human resource development, and the establishment of a comfortable working environment. The key measures are the same as before. With regard to recruitment activities, the Company will take a functional approach to recruitment by assigning a recruiting manager to each location for flexible recruiting and to prevent mismatches between jobs and applicants. For the purpose of maintaining and improving the competitiveness of the Cloud Integration Business, the Company will make investments related to the acquisition of vendor qualifications. Furthermore, it aims to improve salary levels and promote health management, diversity, inclusion and equity. It also sets targets to achieve for the ratio of female employees, the ratio of employees taking paid leave, and the ratio of employees taking parental leave. Based on these initiatives, the number of consolidated employees is projected to increase by around 10% per year, with a target of 2,418 by FY6/28.

Meanwhile, the Company made growth investments (recruitment, training, R&D, and M&A expenses) of ¥1.58bn during the past three years (FY6/23 to FY6/25), and during the three years starting FY6/26, it plans to invest ¥2.2 to ¥2.6bn. In terms of R&D, it is pursuing the development and enhancement of services, especially AI and cloud-related services. It will proactively consider M&A in the future for the purpose of expanding its service lineup and resources in growth areas.

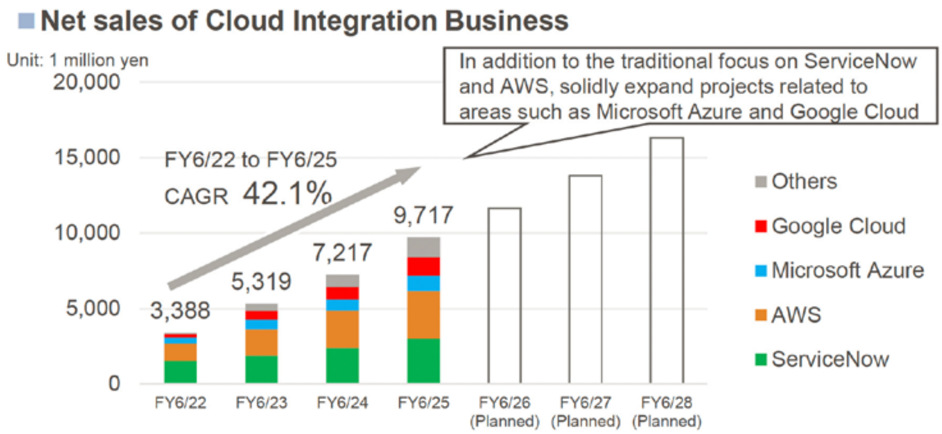
(3) Growth strategy by business segment

a) Cloud Integration Business

In the Cloud Integration Business, the Company's strategy is to target high growth by the expansion of the corresponding area and existing businesses, while at the same time ensuring a solid earnings base by accumulating recurring revenue through license resales. "The Expansion of the corresponding area" refers to making investments and opening up new markets in order to rapidly develop AI-related services and promising service areas overseas in the Japanese market. For the "expansion of existing businesses," the Company believes that, along with hiring and training engineers, developing proprietary services to increase customer convenience will be key to differentiating itself from competing cloud integrators. It appears to be targeting a three-year annualized growth rate of around 20%.

The priority areas are two cloud services, ServiceNow and Snowflake. For ServiceNow, the Company is actively pursuing R&D of AI agent functions and aiming to rapidly build a structure that will allow them to be offered to customers. Meanwhile, for Snowflake, which has been growing rapidly in Japan over the past few years, the Company is targeting sales growth despite competition from major SIers like NTT Data and Itochu Techno-Solutions by pursuing training of engineers and offering solutions that combine the Group's strengths, including integration with SAP and migration from Oracle databases. Developments will be watched closely, as it has significant growth potential as a data platform that supports improving the efficiency of operations such as AI / big data analysis.

Cloud Integration Business growth strategy



Source: The Company's medium-term management plan materials

b) System Integration Business

In the System Integration Business, the Company aims to secure orders while steadily hiring and training engineers, particularly in its mainstay ERP, database, and RPA-related services. It will also offer various services such as application development to customers in other business segments, including the Cloud Integration Business, which lead to obtaining orders. It appears to be targeting annualized sales growth of around 10%. On the profit front, it will work to maintain and increase profitability by continuing to strengthen project management from the perspectives of quality, duration, cost and risk control to increase service quality while reducing the risk of unprofitable projects.

c) Outsourcing Business

In the Outsourcing Business, the Company will target a different customer segment than major cloud vendors for its data center services, and it will work to acquire new customers and expand usage fees from existing customers by leveraging the strength of proprietary services such as private cloud services for core systems. Its target seems to be annualized sales growth of close to 10%. Also, in regard to ERP-related nearshore services, demand for maintenance for SAP's ERP products is expected to grow in the period up to 2027, so it aims to increase sales by training required maintenance personnel and strengthening systems in the Kanazawa region of Ishikawa Prefecture. It also plans to both increase quality and secure profitability by gradually adding capacity at its data centers in line with their operating status, as it still has scope to add capacity at its data centers.

d) Product Business

In the Product Business, the Company appears to be targeting annualized sales growth of around 20% by implementing three priority initiatives—maintaining and improving stable high profitability, customer expansion, and functional enhancement. It expects to raise the proportion of recurring-revenue sales slightly from 55% in FY6/25 to close to 60% in FY6/28.

To improve and maintain stable, high profit margins, it plans to increase the proportion of monthly usage fees and other forms of recurring-revenue sales by growing sales of non-customized products. To expand the customer base, it will continue to grow sales channels through distributors and others, and strengthen advertising using trade shows and other means. It will also work to increase the number of users (number of IDs) by expanding user divisions at existing customers. In terms of improving functionality, it will reduce lead times to introduction and continue to add functionality to improve competitiveness against products supplied by other companies.

e) Overseas Business

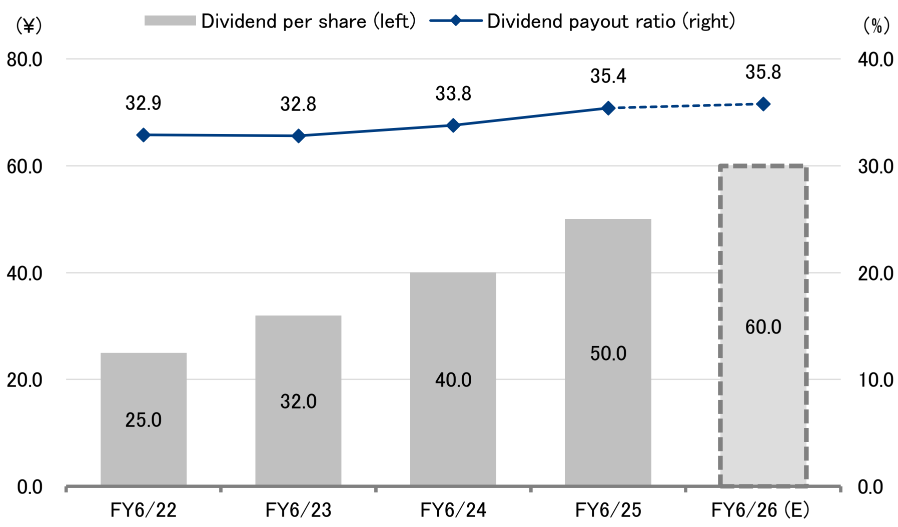
In the Overseas Business, the Company will provide support services for IT infrastructure, HR recruitment, marketing and other areas for Japan-affiliated companies expanding into North America through its US subsidiary, and provide remote monitoring services for Japanese companies that take advantage of the time difference with Japan through its Canadian subsidiary. It will also strengthen outsourcing services for handling the accounting processes of US-based Japanese companies and augment systems that enable the Overseas Business to earn profits independently.

Shareholder return policy

Plans to hike dividend for seventh straight fiscal year since listing in FY6/26 based on a progressive dividend policy

The Company regards the return of profits to shareholders as one of its management priorities. Its basic profit distribution policy is to continue to pay progressive dividends to shareholders and increase the level of dividends in accordance with its performance and profit level, while investing in future growth and strengthening its management structure. Based on this policy, it raised the dividend per share in FY6/25 ¥10.0 YoY to ¥50.0. Furthermore, it plans to increase it by ¥10.0 again in FY6/26 to ¥60.0. It is on course for the seventh consecutive fiscal year of dividend hikes since listing. Although the Company has not disclosed a precise dividend payout ratio target, it was at the 35% level in FY6/25 and FY6/26, and this is expected to remain unchanged for now.

Dividend per share and dividend payout ratio



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

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