

COMPANY RESEARCH AND ANALYSIS REPORT

MAMEZO DIGITAL HOLDINGS CO., LTD.

202A

Tokyo Stock Exchange Growth Market

14-Jul.-2025

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FISCO Ltd.

<https://www.fisco.co.jp>

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MAMEZO DIGITAL HOLDINGS CO., LTD.
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<https://www.mamezo-dhd.com/en/ir>

Summary

In FY3/26, profit will be pressured by upfront investment, but thanks to a strong performance from core businesses, operating profit will be secured

MAMEZO DIGITAL HOLDINGS CO., LTD. <202A> (hereafter, also “the Company”) is the holding company for three companies, Mamezou Co., Ltd., KOWAMEX Inc., and NT Solutions Co., Ltd. It plays a central role in formulating operating policy for the Group as a whole. Mamezou provides consulting, with strengths in AI software engineering and robot engineering, and KOWAMEX supports development in the field of next-generation mobility utilizing both tangible and intangible technologies. NT Solutions develops solutions utilizing generative AI, etc., centering on the digital transformation of ERP. The services provided by the Company are divided into four main fields: cloud, AI, robotics, and mobility, and the Company can broadly accommodate everything from IT strategy to system development and engineer training. It does business with diverse sectors, including finance, communications, manufacturing, and trading companies, and over 80% of its net sales are related to companies listed on the Tokyo Stock Exchange (TSE) Prime Market.

1. Overview of FY3/25 results

In its results for FY3/25, the Company’s net sales increased 10.1% year on year (YoY) to ¥10,551mn, operating profit rose 15.1% to ¥2,070mn, ordinary profit went up 12.7% to ¥2,051mn, and profit attributable to owners of parent increased 23.6% to ¥1,433mn, as both sales and profits increased and results were generally in line with initial forecasts. Looking at a breakdown of the sales increase by service segment, AI Robotics Engineering increased ¥428mn and Mobility Automation increased ¥407mn, as both businesses drove overall sales growth. On the profit front, temporary factors have had an impact, including some projects that were delayed or frozen, but the increase in sales in mainstay fields compensated for these factors, leading gross profit to increase 11.2% to ¥3,535mn and the gross margin to increase 0.3 percentage points (pp). SG&A expenses increased 6.0% due to increased personnel expenses and other factors, but the expansion in gross profit and cost controls worked to counter the increase, as operating profit rose 15.1% to ¥2,070mn and the operating margin went up 0.8pp.

2. FY3/26 forecasts

For its full-year results for FY3/26, the Company is projecting net sales to rise 10.0% YoY to ¥11,607mn, operating profit to grow 3.5% to ¥2,142mn, ordinary income to increase 4.3% to ¥2,140mn, and profit attributable to owners of parent to edge up 0.9% to ¥1,447mn, so the Company is forecasting higher sales and profits.* In terms of sales, the Company is aiming for double-digit growth from expansion in core businesses in each service. At the same time, the Company will conduct strategic upfront investment to strengthen competitiveness in AI Robotics Engineering, so profits will be held down temporarily, but a profit increase is still expected.

* The Company plans to absorb and merge the three companies, Mamezou, KOWAMEX, and NT Solutions, effective October 1, 2025, and after the integration it plans to announce results on a non-consolidated basis, so results forecasts for FY3/26 are figures that assume consolidated accounting continues until March 31, 2026.

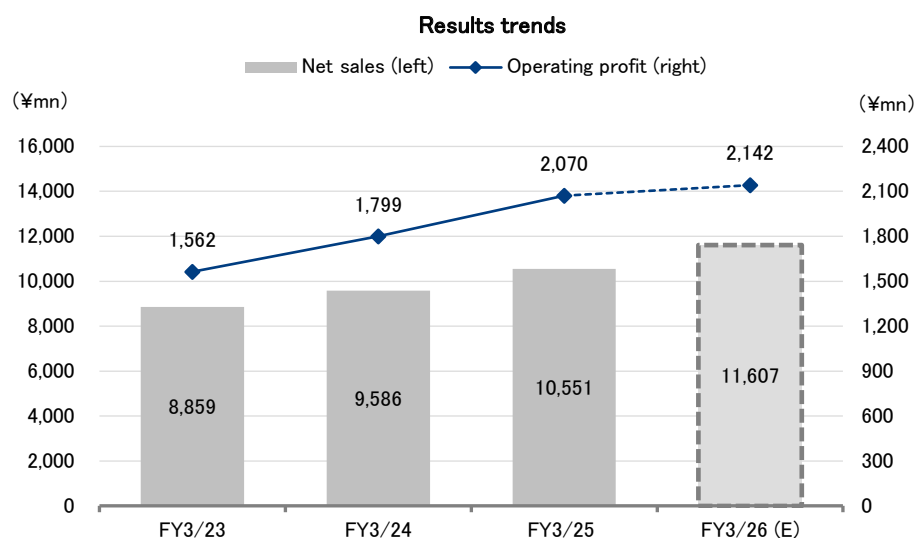
Summary

3. Medium- to long-term growth strategies

The Company has formulated a medium-term management plan that runs from 2025 to 2027. It puts forth a backcasting-based strategy that calculates back from the future. With the advance of AI and the digital shift transforming business models, the Company puts the rise of AI software and a revenue sharing model at the core of its vision of the future. Directly interacting with customers pivoting on the Company's unique Mamezo Way, it puts highest priority on providing technical know-how through projects and on employee growth. For profit growth, the plan is to work for both quantitative growth through expanding the workforce and qualitative growth by reforming the service mix. In addition, to strengthen the competitiveness of AI robotics, a focus of the Company, it will promote the establishment of an AI utilization platform and build a simulation support platform, etc. These are expected to transform the Company's business model into a high-earnings model and lay the groundwork for increasing competitiveness over the medium to long term, developments that will be watched.

Key Points

- Multifaceted development of DX support based on cutting-edge technologies
- Higher sales and profits and improved profitability in FY3/25 thanks to a strong performance from mainstay businesses
- For FY3/26, expecting profits to be pressured by upfront investment, but still project an increase in operating profit against the backdrop of a favorable business environment



Source: Prepared by FISCO from the Company's financial results and annual securities report

Company profile

Multifaceted development of DX support based on cutting-edge technologies

1. Company profile

The Company is a holding company for three Group companies, Mamezou, KOWAMEX, and NT Solutions, and plays a central role in formulating the operating policies for the Group as a whole. The three companies responsible for business each have strong technological abilities in their differing fields of specialization and support the digital transformation of customer companies and increasing their competitiveness. Mamezou is an expert in AI software engineering and robot engineering. It provides consulting services for strengthening the digital competitiveness of customers from the customer's perspective. KOWAMEX supports the development of next-generation mobility by utilizing its software and hardware development capacities and digital technologies and provides solutions for raising manufacturing competitiveness. NT Solutions utilizes cutting-edge technologies like generative AI to provide solutions focused on promoting the digital transformation of ERP (core business systems). These Group companies collaborate to broadly develop information service-related businesses utilizing cutting-edge technologies.

The Company's information service-related businesses are divided into the four areas of Cloud Consulting, AI Consulting, AI Robotics Engineering, and Mobility Automation. Utilizing software development knowledge, AI data analysis, and robot technologies, etc., the Company supports sustained digital innovation and improved competitiveness through digitalization of all areas, including corporate IT strategy formation, business process transformation, and system development. In addition, services are also provided that require advanced specialization, including engineer education and training, and support for the development of industrial robots.

The Company does business with major companies in a broad array of sectors, including finance, communications, manufacturing, and trading companies, and over 80% of its net sales come from companies listed on the TSE Prime Market and their affiliates. The Company has long-term business relations that continue on average eight years or more, suggesting the strong trust of customers.

The Company has a business model that distinguishes it from conventional system integrators. The Company's characteristic is that it does not develop and mount existing applications based on the customer's requirements; rather, it devises entire systems and designs and builds them from a more essential, long-term perspective. It does not develop individual applications on contract; it focuses on designing architecture that will support the company's IT infrastructure itself. Its approach truly may be compared to the role of an architect who is responsible for the fundamentals of the building, its earthquake-resistant structure and foundation. The Company builds deep, trusting relationships with its customers and has established a position as a partner that contributes to strengthening competitiveness for companies over the medium to long term rather than handling short-term projects.

The "mamezo" (bean storehouse) included in the Company's name has two meanings. The first is taken from the practice of referring to programs created in the Java programming language as "Java Beans," and the Company wants to be a presence like a storehouse that produces many programs (beans). The second meaning is derived from the Edo period street performer Mamezo, who was an excellent performer, which reflects the Company's desire to be a company with a group of outstanding engineers.

2. History

The Company was established in November 1999 as Riso Seikatsu Co., Ltd. for the purpose of selling office equipment and undertaking administrative processes. In January 2000, it changed its business description to software development and supporting services and changed its name to Mamezou. In May 2000, it began IT consulting and software development, conducting planning, design, and technical support for information systems, and began an educational service in June 2000. In November 2004, it listed on the TSE Mothers Market, and through fundraising strengthened its business base.

In October 2006, the Company changed its name to Mamezou OS Holdings Co., Ltd. and through a corporate split established the new Mamezou, as all business divisions were taken over by Mamezou. This restructuring established a holding company structure and worked to increase management efficiency and develop strategic businesses for the Group as a whole. In July 2012, the Company changed its name to Mamezou Holdings Co., Ltd., and in October 2013, it listed on the TSE First Section. However, it delisted in June 2020 following a management buyout. The details of the buyout are as follows.

Norio Ogiwara, the chairman, president, and representative director at the time, recognized the limits to earnings growth based on the current business model and raised the issue of growth not being maximized for the Group as whole as business expansion through M&A brought into sharp relief the discrepancies between technological capacities and profitability within the Group. Ogiwara searched for ways to convert to a new product business centering on development of proprietary products in order to solve the issue, but it was highly likely that major changes to the business model would compress profits over the short term, and he thought there was the risk that in particular increased training costs and lower operating rates associated with investment in cutting-edge technologies and converting personnel placements would temporarily affect results. If the Company remained listed, there were fears that the stock price would take a hit for worsening fundamentals over the short term and that this would disadvantage existing shareholders, so Ogiwara established Mamezou K2TOP Holdings Corporation as a wholly owned subsidiary of Integral <5842>, an independent investment corporation, and in June 2020 executed a management buyout that temporarily delisted the Company.

Through the management buyout, the Company's management gained greater flexibility and it promoted organizational restructuring and business reforms. On the organization side, in November 2020, Mamezo Digital Holdings (the Company) was established for the purpose of Group restructuring, and in April 2021, it acquired stock in its current consolidated subsidiaries, Mamezou, KOWAMEX, and NT Solutions, and established its current organizational structure. On the business side, the Company performed business restructuring focused on high value-added areas, while at the same time, it executed strategic investment to create new solutions for its medium- to long-term growth. On June 27, 2024, it relisted on the TSE Growth Market, and currently is aiming to raise corporate value in a sustained manner through further business growth and higher profitability.

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Company profile

History

Date	Main events
November 1999	Riso Seikatsu Co., Ltd. established to sell office equipment and undertake administrative processes
January 2000	Changed name to Mamezou Co., Ltd. for the purpose of developing software and providing development support services, and prepared to open in the Myojyo Kitaayama 65 Building at 2-7-29 Kitaayama, Minato-ku, Tokyo
May 2000	Relocated head office to the DS Building at 5-15-5 Sendagaya, Shibuya-ku, Tokyo Began the IT consulting (information system planning, design, technology support) business and software development business
June 2000	Started training services business
January 2001	Relocated head office to 4-3 Yotsuya, Shinjuku-ku, Tokyo
October 2004	Relocated head office to 2-1-1 Nishishinjuku, Shinjuku-ku, Tokyo
November 2004	Listed shares on the TSE Mothers Market
March 2006	Acquired shares in Open Stream, Inc. and made it a subsidiary Acquired additional shares in Open Stream, Inc. through a share exchange and made it a wholly owned subsidiary
October 2006	Changed name to Mamezou OS Holdings Co., Ltd., established Mamezou Co., Ltd. through a corporate split, with Mamezou taking over all business divisions
January 2012	Acquired additional shares in Xyec Holdings Co., Ltd., and the equity method applied to the Company and its eight subsidiaries
July 2012	Changed name to Mamezou Holdings Co., Ltd.
October 2013	Listed on the First Section of the Tokyo Stock Exchange
March 2015	Acquired additional shares in Xyec Holdings Co., Ltd. and made the Company and its nine subsidiaries into subsidiaries
July 2016	Absorbed and merged with Xyec Holdings Co., Ltd., a consolidated subsidiary
June 2020	Stock in Mamezou Holdings Co., Ltd. delisted due to executing a management buyout
April 2021	Changed name to JSEE Holdings Co., Ltd.
September 2023	Merged with JM Technology, Inc. and dissolved JSEE Holdings Co., Ltd.
November 2020	Established the Company to acquire shares in Mamezou Co., Ltd. (currently a consolidated subsidiary), KOWAMEX Inc. (currently a consolidated subsidiary), and NT Solutions Co., Ltd. (currently a consolidated subsidiary)
April 2021	Acquired shares in Mamezou Co., Ltd., KOWAMEX Inc., and NT Solutions Co., Ltd.
June 2024	Listed shares on the TSE Growth Market

Source: Prepared by FISCO from the Company's annual securities report

Business overview

Strength in providing end-to-end support for even cross-cutting issues

The Company has one business segment for disclosure purposes, but broadly categorized the Company develops services in four fields, Cloud Consulting, AI Consulting, AI Robotics Engineering, and Mobility Automation.

The Group's companies leverage their expertise in cutting-edge fields such as clouds, AI, robotics, and mobility to broadly provide services that support the digital transformation of companies.

1. Cloud Consulting

Cloud Consulting is handled primarily by Mamezou and NT Solutions, which conduct consulting for major companies in various industries to promote cloud insourcing, the introduction of cloud-based ERP, and training services for IT human resources. The purpose for utilizing clouds is not just to increase the efficiency of IT infrastructure and make it more advanced, it is also to create a system that can handle development and operation in-house to support a customer's ability to continue business reforms independently. The Company actively introduces various development methods, such as agile development (a development method that completes software in stages while flexibly accommodating changes as planning, development, testing, and improvements are performed on a short cycle) and DevOps (method for realizing speedily and at high quality continuous development, testing, and delivery that integrates software development and operations), to support the creation of systems that can flexibly accommodate the rapidly changing business environment.

2. AI Consulting

AI Consulting is provided by Mamezou. It mainly involves providing support so that companies can utilize IT in their own businesses. End-to-end support is provided, from data analysis and utilization method planning to AI algorithm design and development, and system construction. Also in recent years, the Company is focused on support for the introduction of generative AI like ChatGPT, and results are starting to be produced in areas like business process automation, streamlining, and decision-making support. Moreover, the Company also proposes rule-making and governance establishment for the safe and appropriate use of AI. The Company is unique in that it provides support for companies' medium- to long-term use of AI.

3. AI Robotics Engineering

AI Robotics Engineering is a field in which Mamezou provides consulting on embedded software, development support, and human resources training to automobile, robot, and medical device manufacturers. Recently, with the center of manufacturing value moving from hardware to software, the importance of software-defined X (SDx) has been increasing rapidly. In association with this, manufacturers are accelerating insourcing and there has been increasing demand for support for the advanced software engineering technology and specialized knowledge that Mamezou has built up over many years. Going forward, further added-value creation is expected by establishing both software development productivity and product intelligence through the utilization of AI technology.

4. Mobility Automation

Mobility Automation is primarily handled by KOWAMEX. It supports software and hardware development using AI and engineer training in fields where high levels of trust are necessary like automobiles, airlines, and ships. In addition, toward the realization of smart factories (factory automation), the Company provides consulting that links IT with the factory floor, and through automating the production floor and increasing its efficiency, support is provided for more advanced manufacturing sites.

These services do not involve simply providing technologies. A major characteristic is the fact that accompanying support is provided to enable client companies to utilize and operate the technologies themselves. It can be said that the Company's strength lies in its ability to address issues that cross multiple domains, such as clouds, AI, robotics, and mobility, in a single integrated manner through collaboration among Group companies. Going forward, services that capture the needs of growth markets are expected to expand, including the spread of generative AI, the advancement of autonomous driving technology, and the development of smart manufacturing.

Results trends

Higher sales and profits and improved profitability in FY3/25 thanks to a strong performance from mainstay businesses

1. Overview of FY3/25 results

In results for FY3/25, net sales increased 10.1% YoY to ¥10,551mn, operating profit grew 15.1% to ¥2,070mn, ordinary income went up 12.7% to ¥2,051mn, and profit attributable to owners of parent increased 23.6% to ¥1,433mn, as both sales and profits increased and results were generally in line with initial forecasts.

Looking at a breakdown of the sales increase by service segment, AI Robotics Engineering increased ¥428mn and Mobility Automation increased ¥407mn, as both businesses drove overall sales growth. Cloud Consulting increased just ¥76mn and AI Consulting, just ¥52mn, but both segments were solid.

On the profit front, temporary factors had an effect, such as some projects being delayed or frozen. In Cloud Consulting, a project for a major financial institution was temporarily frozen, and in AI Consulting, the start time was pushed back for a specific project for the service industry. However, the effects of sales increases in mainstay fields compensated for these developments, and gross profit grew 11.2% YoY to ¥3,535mn while the gross margin increased 0.3pp. SG&A expenses increased 6.0% due to higher personnel expenses and other factors, but the expansion in gross profit and cost controls worked to counter the increase, as operating profit rose 15.1% to ¥2,070mn and the operating margin went up 0.8pp. Along with business expansion in growth fields, the Company can be seen to have established a flexible system capable of compensating in other fields even when issues arise in some projects.

FY3/25 results

	FY3/24		FY3/25		YoY	
	Results	vs. net sales	Results	vs. net sales	Change amount	% change
Net sales	9,586	-	10,551	-	965	10.1%
Cost of sales	6,405	66.8%	7,016	66.5%	610	9.5%
Gross profit	3,180	33.2%	3,535	33.5%	354	11.2%
SG&A expenses	1,381	14.4%	1,464	13.9%	83	6.0%
Operating profit	1,799	18.8%	2,070	19.6%	271	15.1%
Ordinary profit	1,820	19.0%	2,051	19.4%	231	12.7%
Profit attributable to owners of parent	1,159	12.1%	1,433	13.6%	274	23.6%

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

2. Trends by service segment

(1) Cloud Consulting

Net sales from Cloud Consulting edged up 2.2% YoY to ¥3,557mn while gross profit went up 2.6% to ¥1,239mn. The segment was affected by a project for a major financial institution being temporarily frozen, but with companies actively moving to upgrade their core systems, demand is expanding for building the latest IT infrastructure premised on cloud technology and for corresponding advanced technical support, and orders received for consulting services were buoyant, including architecture design support and agile development. In addition, IT training projects were also firm as support for promoting insourcing by client companies to realize software-first (building businesses with IT at the core). In the field of ERP (general core business systems for improving the efficiency of business processes and visualizing information through the integrated management of a company's processes, including accounting, sales, production, and personnel), there is mounting need to respond to the "cliff of 2027" when standard maintenance for SAP ERP 6.0 provided by SAP ends at the end of 2027, and there was a steady trend in services in support of introducing Microsoft's cloud ERP solution.

(2) AI Consulting

Net sales from AI Consulting rose 7.1% YoY to ¥787mn, while gross profit declined 4.4% to ¥286mn. In 2Q, progress slowed on a specific project for the service industry, but projects increased aimed at insourcing systems against a backdrop of expanding corporate DX demand. In particular, the Company steadily acquired introduction support and consulting projects that support development of AI algorithms and utilization of generative AI technology, so overall results were solid. On the profit front, the operating rate temporarily declined due to the aforementioned project delays and profits were impacted by increased labor costs associated with an increase in the number of personnel hired. However, hiring highly skilled human resources, including people who have completed PhD programs, proceeded according to schedule, as the Company worked to strengthen its human resources infrastructure. Going forward, by expanding the number of people deployed and improving the operating rate, steady earnings growth is expected.

(3) AI Robotics Engineering

Net sales from AI Robotics Engineering increased 29.5% YoY to ¥1,881mn, and gross profit went up 21.9% to ¥607mn. Along with development services supporting the automation of production floors through introducing industrial robots, demand is expanding for deploying AI robots in the service industry, which handles small quantity, high variety products. In addition, in the automotive field as well, consulting on upstream processes and projects supporting R&D performed well. In particular, regarding the development of in-vehicle systems, along with supporting the introduction of model based system engineering technology (a development method conducted using a model that integrates processes from system requirement definition to design and verification), there was an increase in consulting projects related to training human resources and supporting development for insourcing software.

(4) Mobility Automation

Net sales from Mobility Automation increased 10.4% YoY to ¥4,325mn, and gross profit rose 19.4% to ¥1,402mn. Against a backdrop of expanding investment in connected, autonomous, shared, and electric (CASE) fields for next-generation automobiles, there has been mounting need for development support related to in-vehicle systems, and planning and consulting and support for product development related to in-vehicle systems have been performing well, and the scope of transactions with existing customers has expanded. The new business of engaging with automotive OEM has also been progressing. Regarding profits, unit prices have gone up due to raising the added-value of provided services, and the gross margin improved by 2.4pp, so there have been steady results with regard to profitability as well.

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Results trends

Results by segment

	FY3/24		FY3/25		YoY	
	Results	Profit margin	Results	Profit margin	Change amount	% change
Net sales	9,586	-	10,551	-	965	10.1%
Cloud Consulting	3,481	-	3,557	-	76	2.2%
AI Consulting	735	-	787	-	52	7.1%
AI Robotics Engineering	1,452	-	1,881	-	428	29.5%
Mobility Automation	3,917	-	4,325	-	407	10.4%
Gross profit	3,180	33.2%	3,535	33.5%	354	11.2%
Cloud Consulting	1,208	34.7%	1,239	34.8%	30	2.6%
AI Consulting	299	40.7%	286	36.3%	-13	-4.4%
AI Robotics Engineering	498	34.3%	607	32.3%	109	21.9%
Mobility Automation	1,174	30.0%	1,402	32.4%	227	19.4%
Operating profit	1,799	18.8%	2,070	19.6%	271	15.1%

Source: Prepared by FISCO from the Company's financial results and annual securities report

3. Financial position and financial indicators

Looking at the Company's financial position as of the end of FY3/25, total assets increased ¥1,169mn from the end of the previous fiscal year to ¥4,712mn. The main factors behind the increase were current assets increasing ¥1,081mn, cash and deposits going up ¥1,004mn, and accounts receivable increasing ¥293mn. Total liabilities increased ¥21mn to ¥1,303mn, so they were nearly flat. Total net assets increased ¥1,147mn to ¥3,409mn. This was mainly from an increase in retained earnings of ¥1,085mn thanks to recording a net profit.

Looking at the Company's financial indicators, one can see quantitative improvement in profitability and financial soundness. ROE went up 9.6pp compared to the end of the last fiscal year to 50.6%, so the Company is maintaining a high level of capital efficiency. In addition, the equity ratio improved 8.5pp to 72.3%, so the Company can be judged to have established a system that makes it possible to conduct business management sufficiently with equity. The current ratio is 285.0%, and there are also no particular problems in short-term payment capacity. The Company maintains both high profitability and a sound financial structure, and it may be said that it has secured adequate latitude for growth investment.

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Results trends

Consolidated balance sheets and key financial indicators

	FY3/23	FY3/24	FY3/25	Change
(¥mn)				
Current assets	3,709	2,598	3,680	1,081
Cash and deposits	39	828	1,832	1,004
Notes receivable - trade and accounts receivable - trade	1,110	1,180	1,466	286
Inventories	28	99	110	11
Non-current assets	904	944	1,032	87
Property, plant and equipment	356	431	276	-154
Intangible assets	205	113	337	223
Investments and other assets	343	399	418	18
Total assets	4,614	3,543	4,712	1,169
Current liabilities	1,215	1,273	1,291	18
Accounts payable - trade	139	135	179	43
Short-term borrowings	-	-	100	100
Non-current liabilities	9	8	11	3
Asset retirement obligations	6	6	9	3
Total liabilities	1,224	1,281	1,303	21
Interest-bearing debt	0	0	100	100
Total net assets	3,390	2,261	3,409	1,147
Retained earnings	3,289	2,161	3,246	1,085
Share acquisition rights	0	0	0	0
Total liabilities and net assets	4,614	3,543	4,712	1,169
Key financial indicators				
ROE	38.1%	41.0%	50.6%	9.6pp
Equity ratio	73.5%	63.8%	72.3%	8.5pp
Current ratio	305.3%	204.1%	285.0%	80.9pp
Net cash	39	828	1,732	904

Source: Prepared by FISCO from the Company's financial results and annual securities report

Consolidated cash flow statement

	FY3/23	FY3/24	FY3/25
(¥mn)			
Cash flow from operating activities (a)	1,241	1,154	1,371
Cash flow from investing activities (b)	-1,544	1,922	-180
Cash flow from financing activities	-126	-2,288	-187
Free cash flows (a) + (b)	-303	3,076	1,191
Cash and cash equivalents at end of period	39	828	1,832

Source: Prepared by FISCO from the Company's financial results and annual securities report

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■ Outlook

Expecting profits to be pressured by upfront investment, but still project an increase in operating profit against the backdrop of a favorable business environment

● FY3/26 forecasts

Forecasts for FY3/26 are as follows. Net sales are expected to go up 10.0% YoY to ¥11,607, operating profit is projected to increase 3.5% to ¥2,142mn, ordinary profit is projected to increase 4.3% to ¥2,140mn, and profit attributable to owners of parent is expected to edge up 0.9% to ¥1,447mn, so the Company is forecasting higher sales and profits. The Company is planning to absorb and merge its three subsidiaries, Mamezou, KOWAMEX, and NT Solutions, effective October 1, 2025, and after the integration, it plans to disclose results on a non-consolidated basis. Regarding results forecasts for FY3/26, figures have been announced that assume consolidated settlement continues until March 31, 2026.

As for net sales, the Company will aim for double-digit growth by expanding the core businesses of each service. At the same time, strategic upfront investment will be made to strengthen competitiveness in AI Robotics Engineering, so this is expected to temporarily weigh down profits, but the Company still expects to secure increased profit.

In Cloud Consulting, there is mounting need for upgrades from old core systems to next-generation systems that utilize cloud technology. Core system upgrades are directly linked to a company's business continuity, so they have high priority. This can be thought of as a stable business field resistant to the impact of economic slowdowns or international geopolitical risk. The Company's orders have been steady as a result, and recently it continues to accumulate multiple large projects. The Company has strength in upstream consulting for complex, large-scale cloud migration projects, and is not simply a system development vendor. The opportunities are increasing to be involved from the upstream as a strategic partner, so project unit prices are also rising. Additionally, in recent years the Company has also focused on increasing the efficiency of business processes using generative AI and is promoting increased development speed and productivity.

In AI Consulting, there is increasing demand for core services, which include AI algorithm development, a mainstay area, training human resources specializing in digital technologies, data utilization, and support for the introduction of generative AI. In particular, inquiries are expected to increase for automating business processes using generative AI and supporting the introduction of decision-making support tools. The Company is continuing to invest in training for AI engineers, and high-quality consulting services by highly skilled personnel is a source of the Company's competitive advantage. In addition, by strengthening collaboration with AWS, the Company has established a support system for introducing AI on a cloud platform and built a system that can accommodate even large-scale deployment projects. The Company has a well-balanced customer portfolio not partial to any specific industry and is raising the stability of its business overall; it expects to realize robust expansion in its results.

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Outlook

In AI Robotics Engineering, the Company expects solid orders to continue against a backdrop of advancing industrial robots and the advance of smart factories, among other factors. In particular, for manufacturing industries like automobiles, electrical machinery, and precision devices, the Company meets advanced technical needs such as digitalization of manufacturing lines, support for model-based development, and the design and introduction of robot systems, which has resulted in a continued upward trajectory in project scale and unit prices. In addition, services are expanding to include technical consulting in the automotive field and training support. Along with continuing orders from existing customers, this is also contributing to acquiring new customers. In non-manufacturing sectors as well, centering on the service industry, robotics deployment is progressing for food delivery, logistics, and drug manufacturing, and development of projects for long tail markets (markets that gather together small quantity, high variety products and services and overall have a large scale) is accelerating. These are customized projects, so they allow the Company to fully demonstrate its strength in middleware development and systems integration and are expected to be growth drivers over the medium to long term. At the same time, with a view to future growth opportunities, the Company has positioned this business as a core growth field for FY3/26 and intends to ramp up strategic investment in R&D, human resource acquisition, facilities, and other areas. Over the short term, profit is expected to slow due to lost sales opportunities and increased fixed costs, but over the medium to long term, this period can be seen as a strategic phase that will lead to the establishment of a competitive advantage that anticipates changes in the market structure.

In Mobility Automation, a solid market environment is expected to continue against the backdrop of progress in the CASE field. In particular, there are mounting needs for technology development for next-generation in-vehicle software related to autonomous driving and electrification control for EVs, and the Company is expected to accelerate provision of solutions in response to these needs. In addition, along with recently beginning transactions with a new automotive OEM, the Company is developing laterally to the manufacturing industry as a whole on the strength of the advanced hardware and software integration ability that it has cultivated thus far. Making progress in diversifying its customer portfolio is expected to further stabilize its profit base. At the same time, although solid growth can be expected due to the contribution of new projects and expanding orders from existing customers, the Company has formulated somewhat conservative results forecasts that take into account the rising uncertainty geopolitically. The Company plans to maintain profitability by selecting projects and strictly managing costs.

Through the Group's reorganization scheduled for October 2025, the Company will build a system capable of flexibly and strategically repositioning the human resources, technical knowledge, and development resources that exist throughout the Group. By breaking down organizational barriers between companies and between divisions and realizing development and proposal processes integrated companywide, the Company is expected to further raise its competitiveness in terms of quality and the speed at which it meets customer needs. Although it is possible that organizational adjustment costs will be incurred over the short term, over the medium to long term the integration is positioned as preparation for evolving the Group's overall business portfolio into a more flexible and stable earnings structure. It is thought that scale merits and resource optimization from the strategic integration will contribute to accelerating the Company's growth strategy.

FY3/26 forecasts

	FY3/25		FY3/26		YoY	
	Results	vs. net sales	Forecasts	vs. net sales	Change amount	% change
Net sales	10,551	-	11,607	-	1,055	10.0%
Operating profit	2,070	19.6%	2,142	18.5%	71	3.5%
Ordinary profit	2,051	19.4%	2,140	18.4%	88	4.3%
Profit attributable to owners of parent	1,433	13.6%	1,447	12.5%	13	0.9%

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

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Medium- to long-term growth strategies

Aiming to accelerate earnings growth by executing strategic investment in the AI robotics field

1. Medium-term management plan

The Company has formulated a medium-term management plan covering from FY3/25 to FY3/27. Formulating strategy by backcasting, or calculating back from the future, has been put forth as a basic policy. With the rapid advance of AI and evolution of the shift to digital causing major changes in business models and industry structures, the Company got away from the idea of growth as an extension of the past and took the approach of rebuilding its current business policy by envisioning the social structure and technology environment in 10 years' time premised on change.

At the core of the future envisioned by the Company is the rise of AI software and expansion of the revenue sharing model. The IT industry, which has centered on hardware to this point, is currently shifting to a structure in which software creativity and flexibility are resources. In particular, AI is not simply a tool; it is positioned as a technology with the power to affect ideas, decision-making and the structure of society itself. The Company puts active investment and co-creation in a software-led future at the root of management. In such a software-led age, it places at the center of management strategic investment and co-creation in project-based initiatives in the AI robotics field and in projects with particular investment characteristics. Regarding the revenue sharing model, the Company is working to elevate its relationship with customers from simple transactions to strategic partnerships, and by sharing the returns that accrue as a result, it will work to maximize profits for both parties.

Based on such structural changes, the Company will provide high value-added services that combine technical capacities with human resource abilities pivoting on the Mamezo Way, the Company's unique business model, to thereby strive to achieve sustained growth. The Mamezo Way consists of 1) prioritizing direct transactions with customers, 2) providing technical know-how to customers through projects, and 3) responding to the essential issues of customers by participating from ultra-upstream processes. In addition, the Company will 4) put ultimate priority on the growth of its employees, 5) raise the sustainability of the organization through strengthening recruiting and training capabilities, and 6) work to raise companywide productivity by eliminating reliance on individuals by externalizing knowledge. A growth strategy is being developed with a good balance between technology and organization.

Regarding the Company's strategy for profit growth, it is composed of both quantitative growth and qualitative growth. Quantitative growth is expansion in sales and profits primarily by enhancing the workforce, the core of which is advancing recruitment and training methods based on the Mamezo Way. The Company will both acquire talented engineers and practice early onboarding to maximize productivity and profit contribution. In addition, by applying generative AI in all segments, the Company will not only raise productivity but also establish systems that contribute to increasing profitability. At the same time, regarding qualitative growth, the pillars are reforming the service mix and raising the prime order rate. With strengths in advanced technical capacities and the ability to accommodate ultra-upstream processes, the Company is shifting from a conventional systems integration model to consulting-based projects with high unit prices. It is working to deepen and advance core technology areas, including AI data analysis, architecture design, and optimal design of industrial robots.

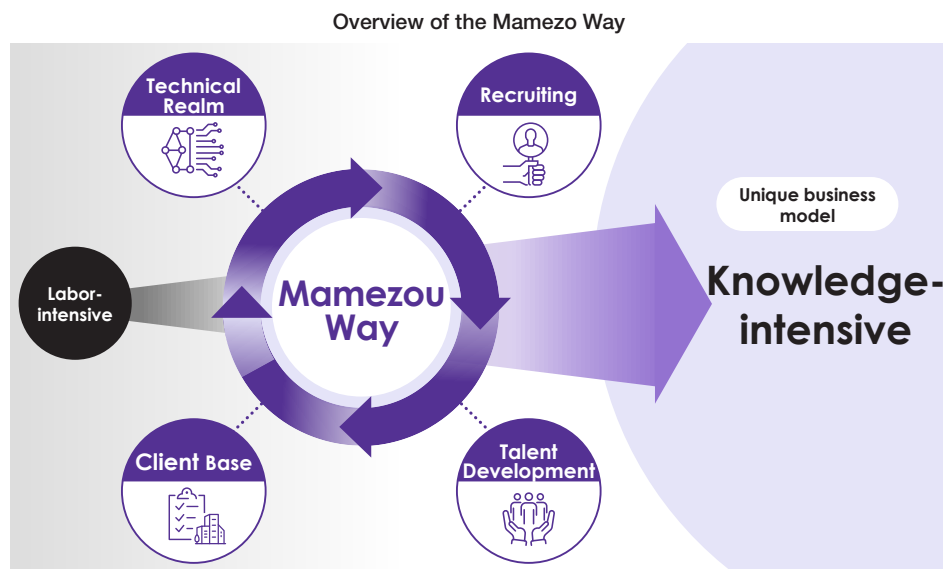
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Medium- to long-term growth strategies

The Company's quantitative goals for FY3/25 to FY3/27 are annual sales growth of 10–12%, annual operating profit growth of 15–17%, and an operating margin of 18% or higher. This suggests the Company is aiming to both enhance its human resources infrastructure and generate profitability by shifting to advanced technology fields.



Source: "Matters concerning the business plan and growth potential"

2. Strategic investment

The Company will focus on strengthening the competitiveness of AI Robotics Engineering for its medium- to long-term growth. In particular, in long tail markets in which niches and diverse needs coexist and which differ from conventional mass production, mass consumption markets, the Company plans to accelerate investment to expand business. In long tail markets, it is becoming increasingly difficult to secure human resources due to a decline in foreign laborers, and factory expansion and increased productivity are no longer necessarily directly linked to the stability of frontline operations. In particular, there is a lack of personnel to handle transport between processes and auxiliary work, etc., and the situation is such that the premises for automation are collapsing. Under these conditions, deploying robotics is no longer a choice; it is a precondition for sustainable manufacturing. In this context, the Company's strategic investment for strengthening the competitiveness of AI Robotics Engineering consists primarily of 1) Development of AI application infrastructure, 2) Construction of a simulation and development support platform, and 3) Start of joint research and development for the integration of humanoid robot x generative AI.

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Medium- to long-term growth strategies

In 1), the Company will develop teaching tools for robot arms, make it possible for non-specialist end-users, like workers at a food products plant, to instruct the robot using natural language, and promote the deployment of robots in long tail fields. With conventional robot systems, the method has been adopted of system integrators creating robot programs through teaching and end-users executing those programs (teaching playback method). Now, utilizing a large language model (LLM), the Company aims to build a mechanism whereby a task program is automatically generated just by the end-user giving instructions in natural language. With conventional robot systems, when actions are changed, it requires a process in which the system integrator interviews the end-user about the required change, revises and debugs the robot program and makes adjustments, etc. onsite. With this the case, even minor changes normally took around one week (approximately five working days) until completion, but compared to this process, the quantitative target is to cut the time by 80% or more to 20% or less. Beyond this, through this tool business, the Company will promote conversion to a high-earnings business model. In particular, being able to provide integrated hardware and software is a factor clearly distinguishing it from its competitors and is thought to contribute to building a barrier to entry. In 2), the Company will build a foundation for technical support in response to the specific needs of long tail markets. The handling of flexible materials is a field conventional industrial robots are not very good at, and their motion design requires advanced prediction and simulation technology. The Company will develop high-precision behavior analysis technology that utilizes AI and make possible the automated processing of diverse target objects that are easily deformed, such as wire harnesses and food packaging, to expand the fields that apply robotics. This will not stop at simply developing the technologies; it will be directly linked to solutions to management issues for customers, including improving processes and labor savings, and conversion to high added-value is expected. With regard to 3), it is seen as having strategic significance as a growth option for the future. Through demonstration experiments that use real fields such as the manufacturing floor, the Company will not only work to develop effective solutions but also, by adopting an open innovation framework premised on co-creation with partner companies, make possible initiatives with a view to the societal implementation phase. The utilization of generative AI here has the potential to replace human judgment capability and flexible decision-making and could lay the groundwork for expanding the field from automating simple work to application to more complex tasks.

These upfront investments are not simply for business expansion; they are preparation for converting the Company's business model to a scalable, high-earnings model and are for the purpose of establishing a competitive advantage in the AI robotics field. Over the medium to long term, profitability is expected to rise as the Company accumulates and reuses software assets. These initiatives will underpin the conversion from a labor-intensive to knowledge-intensive structure, and the fact that they could become effective solutions to issues common to the manufacturing industry can be seen as having major strategic significance.

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■ Shareholder return policy

Payout ratio in FY3/25 was 67.1%, a high level, and high capital efficiency is being achieved

The Company pays a dividend as its shareholder return policy. Its basic policy is to continue a stable dividend while securing the internal reserves necessary for strengthening future business development and the management structure. In FY3/25, the per-share dividend was ¥60.0, achieving a payout ratio of 67.1%. ROE was 50.6%, so high capital efficiency is also being achieved. From the perspective of effective capital utilization as well, the return level to shareholders is adequate.

In FY3/26, the Company is planning upfront investment in the AI Robotics Engineering field, but with earnings expansion expected from business growth, the Company plans to up its per-share dividend by ¥1.0 YoY to ¥61.0. The Company's stance is to conduct active shareholder returns even while executing active growth investment, and the fact that it has established both a sound financial strategy and profit growth can be seen as a positive.

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