COMPANY RESEARCH AND ANALYSIS REPORT

System Integrator Corp.

3826

Tokyo Stock Exchange Standard Market

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FISCO Ltd. Analyst

Yuzuru Sato

FISCO

FISCO Ltd.

https://www.fisco.co.jp

Contents

Summary

With multi-axis revenue streams in the ERP Business and utilization of AI, results are entering a growth stage

System Integrator Corp. <3826> (hereafter, also "the Company") is an independent software developer that develops and sells software for improvement of corporate productivity with a slogan of "We consistently create software that creates time rather than consumes time." Its main businesses include the Object Browser Business, which provides products such as the database development support tool SI Object Browser and the integrated project management tool OBPM Neo, the ERP (core business systems) Business, and the AI (artificial intelligence) Business. In March 2025, to strengthen its development structure, the Company made System Development Laboratory, Ltd. (hereafter, "SDL") a subsidiary, and consolidated results have reflected this from 2Q FY2/26.

1. Overview of FY2/26 results

In FY2/26 consolidated results, net sales grew 16.5% year on year (YoY) to ¥5,558mn and operating profit increased 119.3% to ¥595mn, resulting in significant sales and profit growth. Amid robust corporate DX investment, net sales in the ERP Business grew 20.7% to ¥4,649mn and segment profit rose 40.7% to ¥987mn, driving overall results. Driven by the effective deployment of personnel hired in the past one to two years and company-wide productivity improvement through AI utilization, the operating profit margin increased from 5.7% to 10.7%. In the AI Business, now at the upfront investment stage, the Company shifted its business resources from sales activities for the deep-learning anomaly detection system to new services using generative AI (AI agent service and AI design drawing check service).

2. FY2/27 forecasts

For FY2/27 consolidated results, the Company forecasts net sales growth of 13.3% YoY to ¥6,300mn and operating profit to rise 17.6% to ¥700mn, envisioning double-digit sales and profit growth. Operating profit will set a record high for the first time in seven fiscal years (In FY2/20, ¥661mn was recorded on a non-consolidated basis.). In the ERP Business, while the order environment remains favorable, in addition to the mainstay GRANDIT, the Company added other vendors' products such as SAP S/4HANA Cloud Public Edition (hereafter, "SAP Cloud ERP") and the production management system mcframe*1 to its lineup. Furthermore, in November 2026, its equity-method affiliate BizSaaS, Inc.*2 plans to release the next-generation ERP BizSaaS. By building a framework to address diverse customer needs, the Company aims for further growth. Furthermore, the AI Business where the deployment of AI design drawing check service is expanding is expected to lead to profitability.

*1 This ERP product, launched in January 2025 and developed by Business Engineering Corporation <4828>, enables not only business management such as production, costs, inventory, and sales, but also design and manufacturing process linkages.
*2 This company was established in April 2025 as a joint venture with FUJI SOFT INCORPORATED to develop and sell cloud-native ERP solutions for medium and large companies (with a 39% equity stake).

3. Long-term vision and Two-Year Management Plan

Under the long-term vision of leveraging IT to fundamentally transform business processes at manufacturing companies, the Company has set performance targets of ¥12.0bn in net sales and ¥2.0bn in operating profit for FY2/33. To achieve this, the Two-Year Management Plan through FY2/28 focuses on the following key initiatives: growth acceleration through the diversification of its revenue base and cross-selling, evolution into an AI-native organization and maximization of human capital, and developing new AI-powered businesses and expanding growth opportunities through strategic alliances. The Company aims for net sales of ¥7.1bn and operating profit of ¥800mn in FY2/28 by expanding earnings in existing businesses, improving productivity, and creating new businesses that will drive future growth.

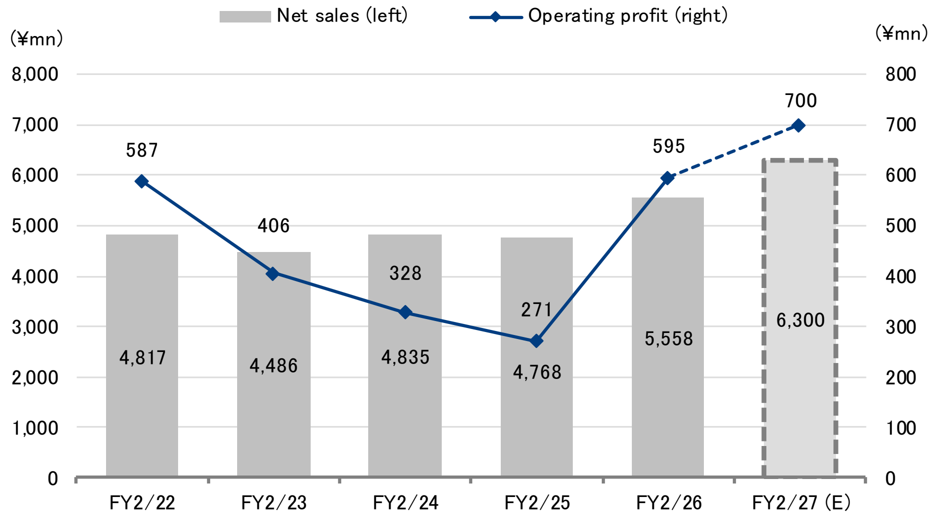
4. Shareholder return policy

Regarding shareholder returns, our basic policy is to set a consolidated dividend payout ratio floor of 30%, while aiming for progressive dividends over the medium to long term and raising the dividend payout ratio progressively to the 40% level. In FY2/26, the Company paid a dividend of ¥13.0 per share (consolidated dividend payout ratio of 31.0%), an increase of ¥3.0 YoY. In FY2/27, due to the absence of the extraordinary profit recorded in the previous fiscal year, net profit per share is expected to decrease, so a dividend reduction of ¥2.0 to ¥11.0 per share (consolidated dividend payout ratio of 30.0%) is planned. The Company also provides newly harvested Koshihikari rice grown in Niigata using reduced levels of fertilizers and agrochemicals as a reward to shareholders with at least 200 shares who are listed under the same shareholder number in the shareholder ledger at the end of February and end of August each year.

Key Points

- For FY2/26, results saw a significant increase in both net sales and operating profit driven by strong ERP Business performance and AI utilization
- For FY2/27, double-digit growth in net sales is expected for the second consecutive year, with operating profit set to reach a record high
- Aiming for double-digit annual growth through expansion of the ERP Business and the creation of new businesses including AI
- Maintaining a consolidated dividend payout ratio floor of 30% and aiming for a progressive increase in the dividend payout ratio going forward

Results trends



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

Business overview

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

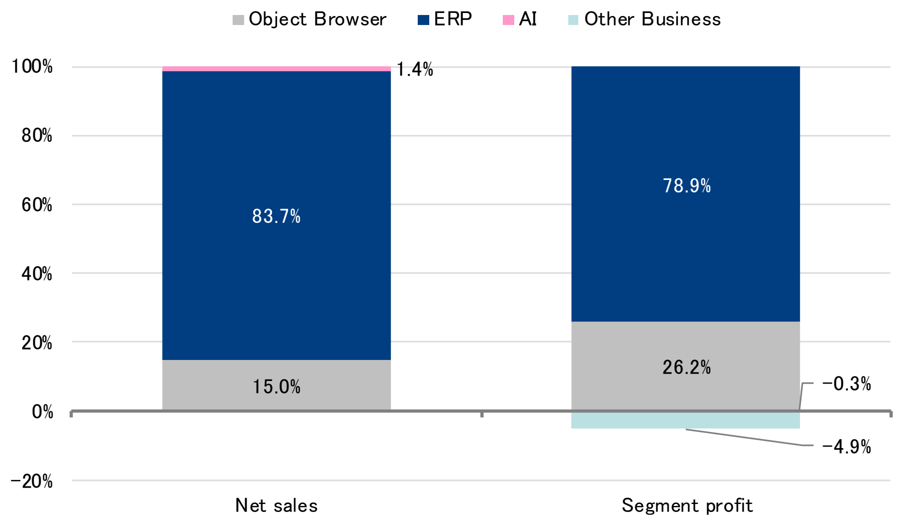
Founded in 1995, the Company is an independent software developer. With a slogan of "We consistently create software that creates time rather than consumes time," it sells packaged software developed in-house and provides maintenance services and cloud services (SaaS). Its existing mainstay products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

The Company made KEYSTONE SOLUTIONS COMPANY LIMITED (83% stake) established as an offshore development subsidiary in Vietnam in 2022 into a consolidated subsidiary, and started consolidated accounting from FY2/25. In March 2025, with the aim of strengthening ERP Business development capabilities, the Company acquired all shares of SDL, which develops production management systems and supports the deployment of the systems, for ¥324mn (plus additional advisory fees of ¥22mn). Goodwill is ¥144mn (amortized evenly over five years) and has been included in the consolidated results from 2Q FY2/26. The Company provides solutions primarily for the production management system GLOVIA smart PRONES by Fujitsu Limited <6702>, with annual net sales exceeding ¥200mn and operating profit margin over 10%.

Furthermore, in May 2025, BizSaaS, a joint venture with FUJI SOFT aimed at the development and sale of the next-generation, cloud-native ERP BizSaaS with a no-code development platform, was established (capital contribution: FUJI SOFT 51%, the Company 39%, the Company's Chairman & CEO Hiroyuki Umeda 10%), and is an equity-method affiliate. The Company aims to develop the market for medium-sized and large enterprises by combining its development capabilities with FUJI SOFT's sales force. The development policy is to generalize and incorporate required functions as a standard feature, offering standard functions and various templates to create a system that is user-friendly. The Company also provides a no-code development platform as a PaaS option, allowing users to extend functionality themselves. Currently, product development is being advanced jointly by engineers from the Company and FUJI SOFT, and subcontractors, with the release of BizSaaS scheduled for November 2026 and monetization targeted in five years.

The Company discloses results under the three business segments of Object Browser Business, ERP Business, and AI Business, along with the Other Business segment encompassing new businesses. In FY2/26, the ERP Business accounted for 83.7% of overall net sales and 78.9% of overall segment profit, making it the mainstay business, followed by the Object Browser Business accounting for 15.0% of overall net sales and 26.2% of overall segment profit. The AI Business has yet to become profitable as it is only at the upfront investment stage and its sales are small in scale.

Breakdown by business segment (FY2/26)

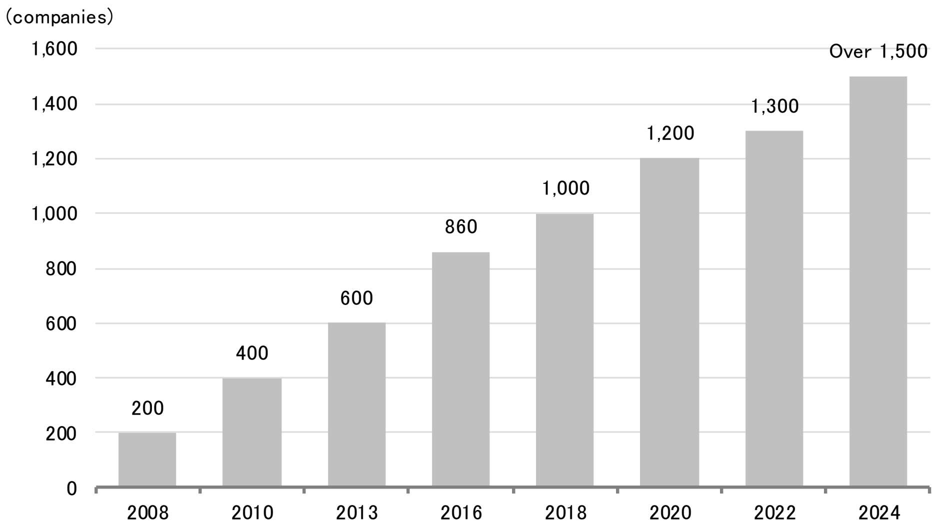


Source: Prepared by FISCO from the Company's financial results

1. ERP Business

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

Trends in the number of companies deploying GRANDIT



Source: Prepared by FISCO from GRANDIT CORPORATION's website

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

The domestic ERP market continues to expand, driven by increased DX investment in management practices prompted by the COVID-19 pandemic. As SAP, the industry's largest company, will end maintenance support for its legacy ERP systems in FY2027, there is growing demand among large enterprises to migrate to SAP S/4HANA or to replace their systems with other companies' ERP products. Against this market backdrop, the Company started supporting the deployment of SAP Cloud ERP from April 2024, and is expanding its service lineup to meet diverse customer needs by launching the SCM package mcframe in January 2025 and the S&OP solution Streamline* in June 2025, among others.

* Launched in June 2025, this product developed by GMDH Inc. (US) enables seamless information collaboration between sales, manufacturing, procurement, and finance departments, providing a framework for strategic decision-making to optimize demand and supply.

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

2. Object Browser Business

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

As a percentage of total net sales, the Object Browser series accounts for around 30% and OBPM Neo around 70%. Since its launch in 1997, the Object Browser series has been deployed by more than 21,000 companies with over 520,000 licenses. Because it supports almost all major databases, led by Oracle products, it is recognized in the industry as the de facto standard. As a result, almost no sales costs are incurred, and its gross profit margin exceeds 80%, making it a highly profitable product. Competing freeware is available, but does not impact the products because of the difference in functionality. Previously, the Company sold package deals (license sales + maintenance services), but from February 2021, it launched SaaS-type sales*. More than 30% of its net sales are accounted for through recurring income, such as from maintenance support, and its net sales are also comparatively stable.

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

Meanwhile, OBPM Neo*1 is a tool for integrated management of progress on development projects (management of schedules, costs, personnel, quality, profitability, etc.). In addition to preventing the occurrence of unprofitable projects, OBPM Neo's main purpose is to help development divisions maintain and raise their productivity. In 2008, the Company began selling the on-premises version, OBPM. In March 2021, it updated the product to create the SaaS version OBPM Neo. Being the only product in Japan compliant with PMBOK*2, it has mainly been deployed by mid-sized IT companies, winning new customers at a pace of 10 to 20 companies annually, and as of the end of February 2026, the total number of deployments exceeds 300 companies. Although major IT companies develop their own project management tools in-house, OBPM Neo's industry visibility has risen recently, and more companies are apparently considering deploying it within their divisions. Most small and medium-sized enterprises use off-the-shelf software such as Excel or free software tools. Among existing customers, the sales ratio of those continuing to use the on-premises version is about 30% for FY2/26, but the Company plans to work toward a gradual migration while expanding the functions of the SaaS version going forward. The gross profit margin level appears to be around 50%.

*1 The monthly fee (excluding tax) for the Enterprise version starts at ¥105,000 per 10 licenses. The contract period is for one year at a time. Optional services are also available for integration with various systems.
*2 Project Management Body of Knowledge (PMBOK): A systematic compilation of know-how and methods related to project management. PMBOK was first introduced in 1987 in "A Guide to the Project Management Body of Knowledge" published by the US non-profit Project Management Institute (PMI) and has gradually become well known. PMBOK has evolved over time and is now accepted as the industry standard for project management around the world.

3. AI Business

In the AI Business, the Company released AISIA-AD in October 2018, an anomaly detection system utilizing deep learning. By automating visual inspection processes on the production line using deep learning technology, the Company has been proposing this system as a solution for significant labor saving. However, since inspection targets and accuracy requirements differ by customer, transitioning to the practical implementation phase is taking time, and monetization has not yet been achieved. Given this situation, the Company has decided to end new sales activities for customers in FY2/26 while retaining maintenance support for existing customers, and to shift resources to new services leveraging generative AI. Specifically, it will focus on growing the AI agent business that started in April 2025 and the AI design drawing check service KENZ launched in May of the same year.

In the AI agent business, the Company provides AI agents within client environments to support productivity improvement and competitiveness in the manufacturing sector. Key features include: (1) easy deployment without changing existing ERP or business systems used by companies, including automatic linkage with legacy systems lacking API integration, thereby maximizing the utilization of existing assets; (2) confidential data processing is completed on-premises, so there is no need to send data to external AI services, maintaining high security; (3) these dedicated AI agents are specialized for improving operational efficiency in manufacturing sites, constituting practical and effective solutions built on the Company's extensive know-how accumulated over the years in system development for the manufacturing industry. From autumn 2025 and onward, the Company has fully launched sales activities, such as starting to exhibit at trade shows.

In addition, the AI design drawing check service KENZ is a service in which AI supports the design drawing check process that checks for deficiencies in design drawings within the design departments of manufacturing companies. In many manufacturing sites, the design drawing check process involves self-checks by designers, double-checks by supervisors, and final checks by approvers, resulting in significant time and cost expenditure. By having AI handle simple check tasks, the design drawing check process not only sees significant time savings, but also contributes to improved quality and reduced losses in the manufacturing processes. Initially, the service will be provided as a software package that flexibly accommodates individual customer requirements, with plans to eventually offer it as a SaaS solution. As of April 2026, one company has formally deployed the solution, while five to six companies are conducting Proof of Concept (PoC*) trials.

* Proof of Concept (PoC) refers to a process of verifying the feasibility, effectiveness, or utility of a new project from a technical perspective.

How to utilize the new service

AI agent

- Creates and maintains technical and design documents, and shortens design lead times by searching for similar documents
- Improves operational accuracy in conjunction with design changes
- Generates, updates, and automatically classifies and organizes product information
- Automatically optimizes and enhances the accuracy of purchasing processes
- Automates order processing
- Automatically optimizes demand and supply forecasts, etc.

AI design drawing check KENZ

- Checks the consistency between parts lists and assembly drawing structures
- Checks whether all parts structures within the assembly drawing are properly indicated in the drawings
- Checks the consistency of part names, drawing numbers, and model numbers across multiple documents
- Checks for missing dimensions, tolerances, and so on

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

Results trends

Operating profit for FY2/26 is expected to significantly increase due to the robust performance of the ERP Business and the utilization of AI

1. Overview of FY2/26 results

In FY2/26 consolidated results, net sales increased 16.5% YoY to ¥5,558mn, operating profit rose 119.3% to ¥595mn, ordinary profit increased 88.2% to ¥569mn, and net profit attributable to owners of the parent company decreased 21.4% to ¥458mn— all surpassing the initial forecasts. The main reasons were robust DX investment by companies leading to 20.7% growth in sales of the core ERP Business, exceeding initial forecasts, along with improved profit margins. Additionally, the impact of consolidating SDL from 2Q contributed approximately ¥200mn to net sales, and after deducting ¥21mn for goodwill amortization, led to a slight increase in both sales and operating profit.

FY2/26 consolidated results

(¥mn)

	FY2/25		FY2/26				
	Result	% of sales	Initial forecast	Result	% of sales	YoY	Vs. forecast
Net sales	4,768	-	5,500	5,558	-	16.5%	1.1%
Gross profit	1,549	32.5%	-	1,922	34.6%	24.1%	-
SG&A expenses	1,277	26.8%	-	1,327	23.9%	3.9%	-
Operating profit	271	5.7%	450	595	10.7%	119.3%	32.3%
Ordinary profit	302	6.3%	400	569	10.2%	88.2%	42.3%
Extraordinary profit and loss	533	-	-	79	-	-	-
Net profit attributable to the owners of the parent company	583	12.2%	255	458	8.2%	-21.4%	79.8%

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

Gross profit margin improved from 32.5% in the previous fiscal year to 34.6%. This was due to newly recruited engineers over the past one to two years becoming fully productive in the ERP Business, as well as the positive business environment resulting in a higher proportion of high value-added projects. SG&A expenses were held to a modest increase of 3.9%. Main factors for changes included a ¥38mn increase in personnel-related expenses*, ¥22mn in M&A advisory fees, and ¥21mn in goodwill amortization, while R&D expenses decreased ¥27mn. In addition to boosted revenue, company-wide utilization of generative AI led to improved operational efficiency, raising the operating profit margin from 5.7% in the previous fiscal year to 10.7%.

* Total of salaries and allowances, executive compensation, provision for bonuses, provision for performance-based compensation, and retirement benefit expenses.

Non-operating profit worsened ¥57mn YoY. The main factor was a ¥30mn equity-method investment loss from the start-up losses of equity-method affiliate BizSaaS (previous fiscal year: ¥31mn profit*). In addition, a profit from changes in ownership interests of ¥79mn was posted as an extraordinary profit due to changes in BizSaaS shareholding ratios, but since a ¥547mn gain on sale of affiliate shares was recorded in the previous fiscal year, net profit attributable to owners of the parent company declined.

* In the previous fiscal year, an equity-method investment gain was recorded from DG Commerce Inc., a new equity-method affiliate established through the spin-off of the E-Commerce Business. Furthermore, in January 2025, all shares of this company were sold and a ¥547mn gain was recorded as an extraordinary profit.

At the end of the fiscal year, the non-consolidated number of employees was 256, an increase of 24 compared to the end of the previous fiscal year. Although the number of new graduates hired remained at eight, the Company steadily recruited mid-career employees, particularly at the Osaka and Fukuoka offices. With the aim of strengthening development capabilities in the ERP Business, the Company relocated and expanded the Osaka and Fukuoka offices in FY2/25, which is believed to have yielded positive results. The employee turnover rate remained in the 6% range, a low level within the IT industry. The number of employees at the Vietnamese development subsidiary also increased, from 48 at the end of the previous fiscal year to 62. Not only has the number of development projects received from the Company increased, but orders for local development projects have also grown, leading to solid business performance.

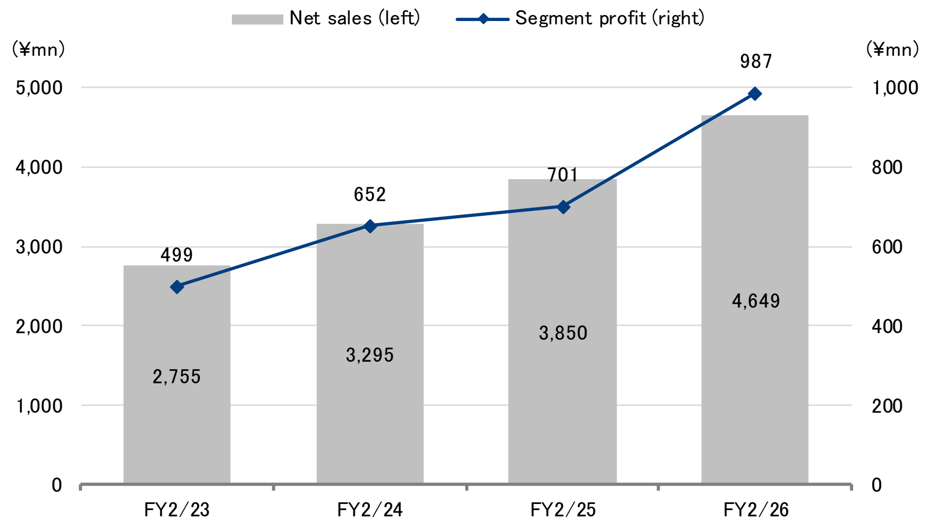
The ERP Business substantially increased revenue and profit by capturing robust DX demand

2. Results by business segment

(1) ERP Business

In the ERP Business, net sales increased 20.7% YoY to ¥4,649mn, and segment profit surged 40.7% to ¥987mn, resulting in a significant rise in both revenue and profit, and setting a new record high. For companies focused on adaptation to unique requirements or add-on development, GRANDIT is proposed; for those aiming for group management and business transformation leveraging global standards and industry best practices, SAP Cloud ERP is suggested; and for companies with competitive advantages in production and logistics such as process production or make-to-stock manufacturing, mcframe is offered—thus, by establishing a development structure capable of meeting diverse customer needs, the Company secured orders exceeding its expectations. In addition, profitability improved, thanks to factors such as engineers recruited over the past one to two years becoming key contributors, and receiving orders for high value-added projects; as a result, the profit margin rose from 18.2% in the previous fiscal year to 21.2%. As for the breakdown of net sales, GRANDIT contributed approximately ¥4.0bn, SAP Cloud ERP about ¥200mn, and manufacturing solutions including mcframe about ¥300mn.

ERP Business

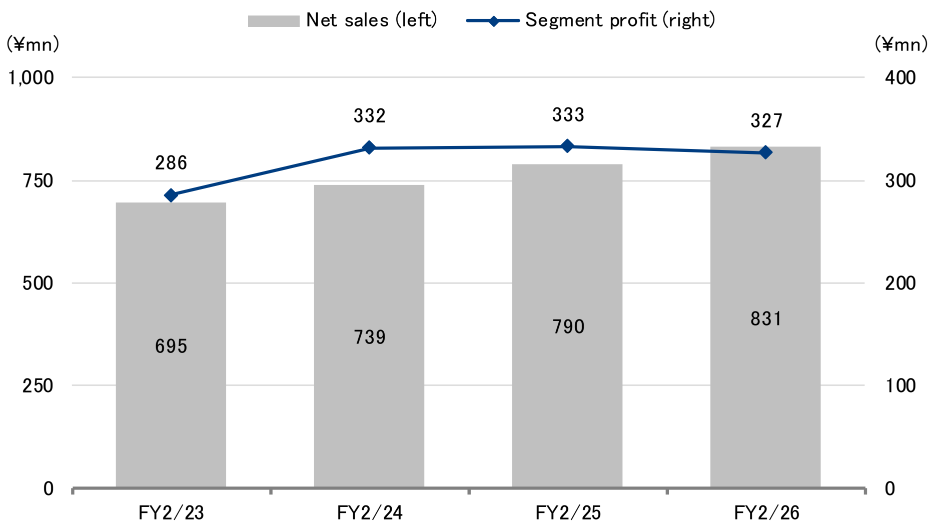


Note: Consolidated results from FY2/25
Source: Prepared by FISCO from the Company's financial results

(2) Object Browser Business

In the Object Browser Business, net sales increased 5.2% YoY to ¥831mn, and segment profit decreased 1.8% to ¥327mn. OBPM Neo, which accounts for roughly 70% of net sales, saw steady gains in acquiring new customers and upselling to existing ones, resulting in monthly recurring revenue (MRR) at the end of the fiscal year climbing 10.7% to ¥40mn. In addition, related revenues such as deployment support and training services also continued to grow alongside the increase in contracts, contributing to higher overall revenue. Meanwhile, the Object Browser series responded to the needs of customers developing across multiple databases by releasing a Complete Subscription License covering all products in the series in June 2025 and, in October of that year, implementing automation features such as generative AI functions to significantly boost database development productivity. Despite these efforts to strengthen the product lineup, net sales remained flat. On the profit side, although OBPM Neo saw revenue growth, increased development investment in the SI Object Browser product for open-source database MySQL led to a slight decline in profit.

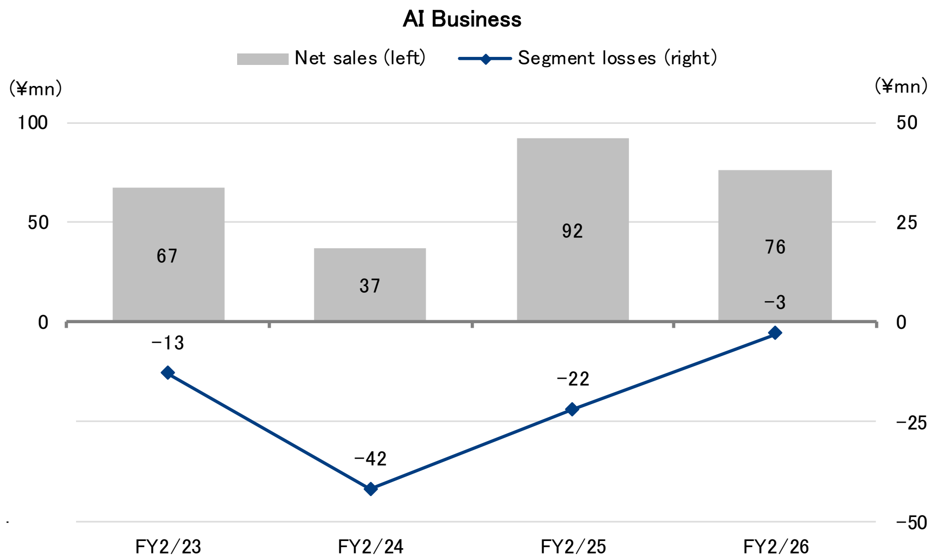
Object Browser Business



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

(3) AI Business

In the AI Business, net sales decreased 16.9% YoY to ¥76mn, while segment losses narrowed to ¥3mn (compared with a loss of ¥22mn in the previous fiscal year). Net sales recorded a temporary decline due to the conclusion of new sales activities for the deep-learning anomaly detection system AISIA-AD and a shift in resources to launching new services. However, from 3Q, full-scale sales activities began for the AI agent business and the AI design drawing check service KENZ, resulting in a 24.8% increase to ¥44mn for 4Q (December 2025 through February 2026), returning to revenue growth. On the profit and loss side, costs related to AISIA-AD declined and, in addition, expenses related to the new service KENZ were booked as other costs, both leading to a reduction in losses.



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

(4) Other Business

In the Other Business, which includes new businesses, no net sales were recorded as the programming skills evaluation service TOPSIC was sold off as of the end of February 2025, and ¥60mn in new business development costs were recorded as losses (compared with net sales of ¥35mn and segment losses of ¥11mn in the previous fiscal year).

Total assets increased due to M&A activity, and the financial position remains sound

3. Financial position and management indicators

Total assets at the end of FY2/26 increased ¥699mn compared to the previous fiscal year-end, totaling ¥5,681mn—mainly due to the consolidation of SDL. Key changes included a ¥257mn increase in cash and deposits among current assets, and a ¥113mn increase in accounts receivable*. As for non-current assets, goodwill worth ¥122mn was recorded due to the consolidation of SDL, and investment securities increased ¥113mn due to the investment in BizSaaS, etc.

* Total of notes receivable-trade, accounts receivable, and contract assets.

Total liabilities at the end of FY2/26 increased ¥351mn from the previous fiscal year-end, totaling ¥1,216mn. Major increases included income taxes payable and accrued consumption taxes of ¥106mn, provision for bonuses of ¥63mn, accounts payable-other and accrued expenses of ¥40mn, contract liabilities of ¥40mn, and retirement benefit liability of ¥29mn. In addition, interest-bearing debt of ¥13mn was recorded as a result of the consolidation of SDL. Total net assets increased ¥348mn to ¥4,465mn. Retained earnings increased ¥349mn, reflecting the posting of net profit attributable to owners of the parent company and dividend payments.

Management indicators show that, although the equity ratio declined slightly from 82.5% at the end of the previous fiscal year to 78.5% due to the consolidation of SDL, the Company maintains a virtually debt-free position and cash on hand in excess of ¥3.2bn, ensuring ample liquidity for its scale of net sales. Therefore, the financial position is assessed as sound. With regard to profitability, net profit attributable to owners of the parent company decreased due to one-off factors, resulting in a ROE decline of 3.4 points YoY to 10.7%. However, the operating profit margin grew 5.0 points to 10.7%, recovering to double digits for the first time in four fiscal years, indicating a substantial recovery in underlying profitability. The main factors were the restructuring of unprofitable new businesses over the past one to two years and improved profitability of the ERP Business thanks to sales growth, and the Company will continue striving to enhance profitability going forward.

Balance sheet

(¥mn)

	End of FY2/23	End of FY2/24	End of FY2/25	End of FY2/26	Difference
Current assets	3,092	4,171	4,462	4,845	382
Cash and deposits	1,964	2,990	2,968	3,225	257
Non-current assets	687	580	519	836	317
Total assets	3,780	4,752	4,981	5,681	699
Total liabilities	910	1,087	865	1,216	351
Contract liabilities	318	304	320	360	40
Interest-bearing debt	-	-	-	13	13
Net assets	2,869	3,665	4,116	4,465	348
Retained earnings	2,173	3,030	3,475	3,824	349
Management indicators					
<Safety>					
Equity ratio	75.9%	77.1%	82.5%	78.5%	-4.0pp
Interest-bearing debt ratio	-	-	-	0.3%	0.3pp
<Profitability>					
ROE	10.0%	28.9%	14.1%	10.7%	-3.4pp
Operating profit margin	9.1%	6.8%	5.7%	10.7%	5.0pp

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

Outlook

For FY2/27, double-digit growth in net sales is expected for the second consecutive year, and operating profit is projected to reach a new record high

1. FY2/27 forecasts

For FY2/27 consolidated results, the Company forecasts net sales growth of 13.3% YoY to ¥6,300mn, operating profit growth of 17.6% to ¥700mn, ordinary profit growth of 8.9% to ¥620mn, and a 12.7% decline in net profit attributable to owners of the parent company to ¥400mn. Net sales are expected to achieve double-digit growth for the second consecutive year, and operating profit is forecast to reach a record high for the first time in seven years. Due to an expected increase in equity-method investment losses, non-operating profit is anticipated to worsen slightly, so ordinary profit will be limited to single-digit growth. In addition, due to the absence of extraordinary profit, net profit attributable to owners of the parent company is projected to decrease.

Forecasts for FY2/27

(¥mn)

	FY2/26 Result	FY2/27 Forecast	YoY
Net sales	5,558	6,300	13.3%
Operating profit	595	700	17.6%
Ordinary profit	569	620	8.9%
Net profit attributable to the owners of the parent company	458	400	-12.7%
Earnings per share (¥)	41.99	36.64	

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

Orders in the ERP Business remain strong, and engineer utilization rates continue at high levels. To further strengthen the development structure, the Company plans to actively recruit personnel, with 11 new graduates having joined in spring 2026 and approximately 30 mid-career hires planned. In addition, the Vietnam subsidiary will continue to increase its workforce according to order trends, and approximately 20 SDL engineers are scheduled to participate in development projects for the Company beginning in FY2/27. With regard to the use of generative AI, all employees have now acquired AI literacy, and going forward, the Company aims to leverage AI at a more advanced level to further improve productivity.

(1) ERP Business

The ERP Business expects double-digit YoY increases in both net sales and profits. With the core product GRANDIT performing steadily, mainly for the manufacturing industry, and an increasing number of engineers, sales of other solutions such as SAP Cloud ERP and mcframe are expected to surge to approximately ¥1.1bn, up from about ¥700mn in the previous fiscal year. The profit margin is also projected to remain at a high level, similar to the previous fiscal year.

(2) Object Browser Business

The Object Browser Business expects single-digit YoY growth in both net sales and profits. The Object Browser series is projected to remain flat with the ongoing transition from a one-time purchase to a recurring revenue model; however, by promoting cross-selling with the project management training service launched in January 2026, the Company aims to acquire new OBPM Neo customers and expand upselling, thereby building up MRR.

(3) AI Business

In the AI Business, net sales are forecast to increase 2.5 times YoY to just under ¥200mn. The Company expects growth from the AI agent business and the expansion of the AI design drawing check service, both launched in the previous fiscal year. In particular, the AI design drawing check service has received high evaluations from customers, and the full-scale deployment is expected at five to six companies currently conducting PoC. From a profit standpoint, even taking into account costs for the AI design drawing check service, the business is projected to turn profitable due to increased revenue.

With the expansion of the ERP Business and the creation of new businesses including AI, the Company aims for annual double-digit growth

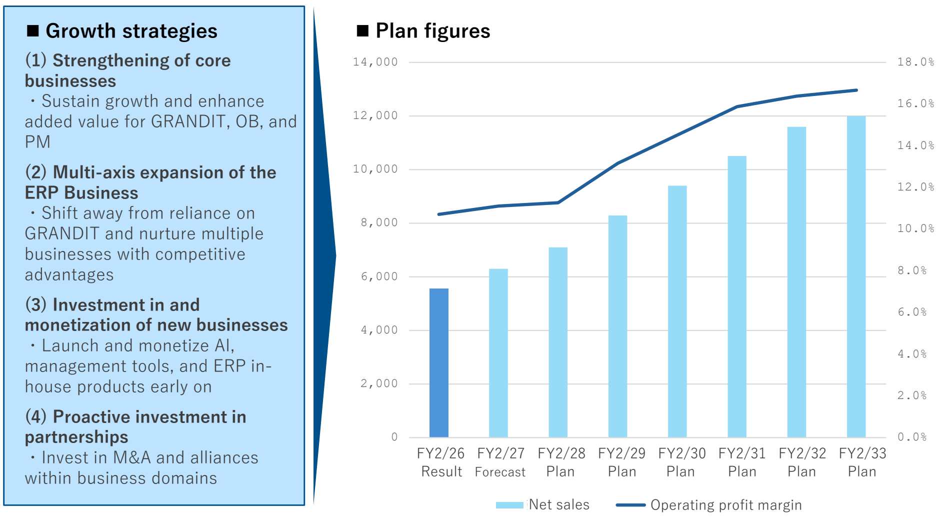
2. Long-term vision and Two-Year Management Plan

(1) Positioning of the long-term vision and Two-Year Management Plan

In its long-term vision announced in April 2025, the Company set forth its aim of leveraging IT to fundamentally transform business processes at manufacturing companies, continuously creating software that delivers time, and emphasizing system integration for problem solving and moving away from a product-centric approach, thereby targeting medium- to long-term growth. Under this vision, the Company targets net sales of ¥12.0bn and operating profit of ¥2.0bn (operating profit margin 16.7%) for FY2/33. Over the next seven years, the Company anticipates an average annual growth rate of 11.6% for net sales and 18.9% for operating profit.

Additionally, the Company has formulated a new Two-Year Management Plan (FY2/27–FY2/28) which is updated annually on a rolling basis. Amid the rapid evolution of generative AI, and with IT industry and customer companies' business transformation accelerating further, the current Two-Year Management Plan is positioned as an important transitional period, not simply a continuation of past business operations, but a stage to clearly shift to a future growth trajectory. As key themes, the Company has set out (1) growth acceleration through the diversification of its revenue base and cross-selling, (2) evolution into an AI-native organization and maximization of human capital, and (3) developing new AI-powered businesses and expanding growth opportunities through strategic alliances. Through these initiatives, the Company will simultaneously promote the evolution of existing businesses and the cultivation of new revenue pillars.

Long-term performance targets and growth strategies



Source: The Company's results briefing materials

(2) Business strategies

a) Growth acceleration through the diversification of the revenue base and cross-selling

The Company is moving away from a revenue structure centered on GRANDIT within its ERP Business, and aims to capture diverse needs by also strengthening its development capabilities for SAP, a global standard ERP, as well as mcframe, a solution specialized for the manufacturing industry. In November 2026, its equity-method affiliate BizSaaS plans to release the next-generation cloud-based ERP BizSaaS, which is expected to become a strength for the Company from FY2/27 onward. By promoting cross-selling of AI solutions and development tools in addition to various ERP and manufacturing solutions, the Company aims to increase customer unit price and touchpoints as part of its strategy, intending for the majority of sales growth under the Two-Year Management Plan to be realized through these efforts.

b) Evolution into an AI-native organization and maximization of human capital

The Company has thus far adopted an AI-first approach, providing all employees with education and training related to AI and fostering AI literacy. Going forward, the Company will advance into becoming an AI-native organization by redesigning work itself—such as proposals, design, development, and quality control—premised on AI. Specifically, by maintaining job-specific AI skill models, utilizing in-house AI assistants, and reviewing business processes, the Company aims to enhance labor productivity and added-value creation capability per employee and improve operating profit margin.

c) Developing new AI-powered businesses and expanding growth opportunities through strategic alliances

While maintaining a stable earnings base in existing businesses, the Company will promote the launch of new businesses centered on AI to nurture new pillars of revenue for the future. In the AI Business, the Company plans to start sales of the AI design drawing check service KENZ Ver.2 in 1H FY2/27 and further enhance its functions in 2H. Currently, the service is custom-made according to the requests of each company, but moving forward, the Company plans to standardize the functions and offer it as SaaS. Additionally, the Company plans to release Design Hub-AI as a new service and begin PoC in 2H FY2/27, with full-scale sales starting in FY2/28. Design Hub-AI is a tool that uses AI to check the consistency not only of design drawings but also of related documents required by the design department, thereby supporting productivity improvement across the entire department. Both products are targeted at manufacturing companies* with in-house design departments, with a sales target of a combined ¥2.0bn in net sales for FY2/33.

* The target customers are approximately 7,000 companies in the machinery, electrical, precision, and transportation equipment fields with capital of ¥300mn or more.

Additionally, a new management tool is scheduled to go on sale in 2H FY2/27. While details on the product features will be available upon release, it is assumed to be a highly convenient tool equipped with AI functionality, supporting not only statutory accounting but also management accounting and functions such as budget-to-actual management. Since there is not yet a de-facto standard product in the industry, there is ample potential to win customers, and the Company aims for ¥1.2bn in net sales for FY2/33.

New business & service plans

Target areas	Products & services	FY2/27 (Plan)	FY2/28 (Forecast)	FY2/33 (Target net sales)
PM × education	Project management training	Business fully operational (1H)	Business expansion	¥300mn
EPM*	Management tool	Ver.1 sales launch (2H)	Monetization	¥1.2bn
Manufacturing × AI	AI design drawing check KENZ	Ver.2 sales launch (1H), function enhancement (2H)	Business expansion	Total ¥2.0bn
Manufacturing × AI	Design Hub-AI (ECM/SCM integration)	PoC start (2H)	Ver.1 sales launch	

* Enterprise Performance Management (EPM) is a management approach that optimizes management processes and management resources by seamlessly performing everything from formulation and execution of management strategies to monitoring and analysis.
Source: Prepared by FISCO from the Company's results briefing materials

Furthermore, by actively promoting M&A and alliance strategies, the Company aims to capture technologies, customer base, and market opportunities that would be difficult to secure alone, thereby expanding its medium- to long-term growth potential. While one M&A deal was executed in 2025, the Company remains proactive in considering further deals, with an investment budget of ¥1,000–2,000mn for M&A set for FY2/27. In terms of M&A targets, the focus will be on companies whose human or technological resources can contribute to growth in existing businesses (ERP/AI fields). For investment decisions, the Company will place emphasis on improving investment efficiency (ROIC) with awareness of the cost of capital (WACC) and on sustainably growing earnings per share. For FY2/27, WACC is around 8% and ROIC about 8.5%. Recently, the number of companies selling businesses due to succession issues has also increased, presenting opportunities for the Company to expand its business scale.

(3) Cash allocation

Regarding the cash allocation policy, the Company plans to optimally allocate cash generated from its business, on-hand cash (¥3,225mn at end of FY2/26), and borrowings to growth investments and shareholder returns. For FY2/27, the Company envisions allocating ¥200mn to product investment and ¥100mn to in-house investment (internal systems, office equipment) as growth investment, ¥1,000–2,000mn to M&A, and expects total dividends of ¥120mn as shareholder returns. Depending on the scale of M&A, borrowing may also be utilized.

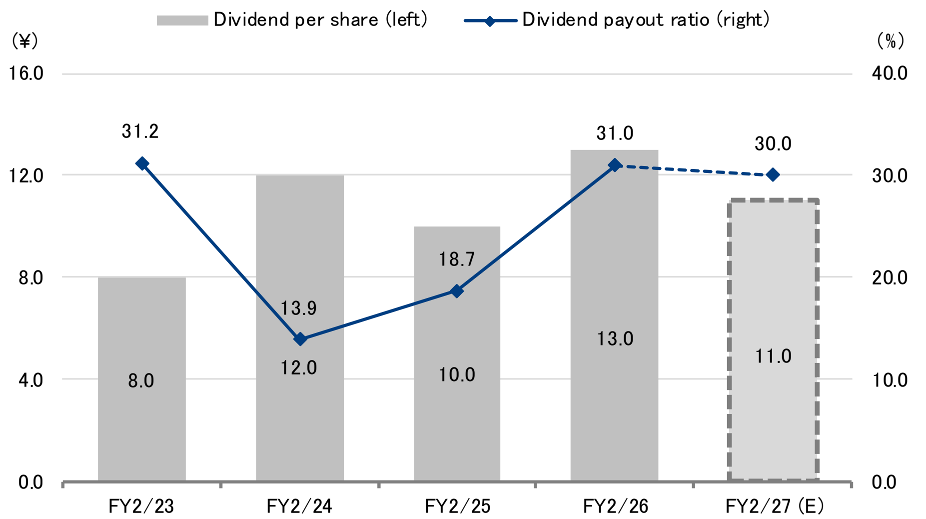
Shareholder return policy

The Company will set a minimum consolidated dividend payout ratio of 30% and, going forward, aims to progressively raise the dividend payout ratio

Regarding shareholder returns, from FY2/26, the basic policy is to set a minimum consolidated dividend payout ratio of 30%. Furthermore, over the medium to long term, the Company aims to adopt a progressive dividend and gradually raise the dividend payout ratio to the 40% level. Based on this policy, the dividend per share for FY2/26 increased ¥3.0 YoY to ¥13.0 (consolidated dividend payout ratio of 31.0%). For FY2/27, as a decrease in earnings per share is anticipated, the dividend per share is planned to be reduced ¥2.0 to ¥11.0 (consolidated dividend payout ratio of 30.0%). However, if profit exceeds the initial forecast, an increase in the dividend is also possible.

In addition, the shareholder rewards program, which was introduced to create stable shareholders who hold shares over the medium to long term, will continue going forward. The details of the rewards program are as follows: shareholders who are listed on the shareholder register with the same shareholder number at the end of February and August each year and own 200 shares or more will receive newly harvested Niigata-grown Koshihikari rice, cultivated with reduced pesticides and chemical fertilizers, according to the number of shares held. Specifically, shareholders holding 200 or more and less than 1,000 shares receive 1kg; 1,000 or more and less than 4,000 shares receive 2kg; 4,000 or more and less than 16,000 shares receive 5kg; and 16,000 or more shares receive 10kg. The rice is shipped each year after the autumn harvest.

Dividend per share and dividend payout ratio



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

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■ For inquiries, please contact: ■
FISCO Ltd.
5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062
Phone: 03-5774-2443 (IR Consulting Business Division)
Email: support@fisco.co.jp