

# TerraSky Co., Ltd.

**3915**

Tokyo Stock Exchange Prime Market

19-Jul.-2022

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## Summary

### Profits to enter stage of robust growth beginning in FY2/24 amid Company's rapid progress as a leading cloud integrator

TerraSky Co., Ltd. <3915> (hereafter, also “the Company”) is a cloud integration services company, providing support services for the installation of cloud-based systems and the development of related applications. The Company has a track record of more than 5,500 installations of cloud-based systems on a standalone basis, most of which use the Salesforce platform. It also handles products developed in-house, including cloud-system development support tools and the mitoco groupware service. Moreover, the Company has a subsidiary that provides installation support for platforms such as Amazon Web Services (AWS) and Microsoft Azure. In addition, it supports the implementation of Amazon Web Services (AWS), Microsoft Azure, and has been expanding into the realms of AI platforms and quantum computing through its subsidiaries. With the Company's subsidiary BeeX <4270> having been listed on the TSE Mothers market in February 2022 (currently listed on the Growth Market), the Company intends to maintain its shareholdings in the consolidated subsidiary.

#### 1. FY2/22 Results Overview

The Company reported FY2/22 consolidated results of ¥12,578mn in net sales (up 12.9% YoY) and ¥661mn in ordinary income (down 15.2%). Net sales have marked successive all-time highs amid solid performance in orders for cloud system construction and installation support projects centered on Salesforce. In terms of profit, meanwhile, the Company incurred a total ordinary loss of ¥260mn in conjunction with upfront investment in four of its subsidiaries (Quemix Inc., TerraSky (Thailand) Co., Ltd., LiberSky Co., Ltd., and TerraSky Technologies Co., Ltd.). Ordinary income growth adjusted to exclude these subsidiaries' losses appears to have been in the double digits.

#### 2. Mid-term Management Plan

The Company announced the release of its first three-year mid-term management plan since going public. Under the plan, the Company seeks to make great strides serving as a leading cloud integration services company in Japan amid a scenario where the cloud services market is likely to achieve persistently high growth going forward. In order to do so, the Company will fortify its management foundations by making upfront investment in advertising expenses, etc. during FY2/23, and aims to achieve rapid growth on a profit basis from FY2/24 onward. The plan cites FY2/25 performance targets for net sales of ¥28,483mn and ordinary income of ¥2,426mn (with a three-year compound annual growth rate of 31.3% and 54.2% for net sales and ordinary income, respectively). With new markets taking shape around the Company's core business involving the Salesforce platform (markets that include human resource dispatching, marketing automation, AI, and data analysis), the Company seeks to achieve its performance targets by prompting more rapid growth by tapping into these core peripherals businesses through its subsidiaries while also placing focus on expanding sales of the mitoco subscription model. In the core peripherals businesses, the Company seems to have substantial room for growth going forward since it is able to enlist the development expertise of its core business and is capable of taking advantage of strengths that its respective Group companies are equipped to support multiple cloud platforms.

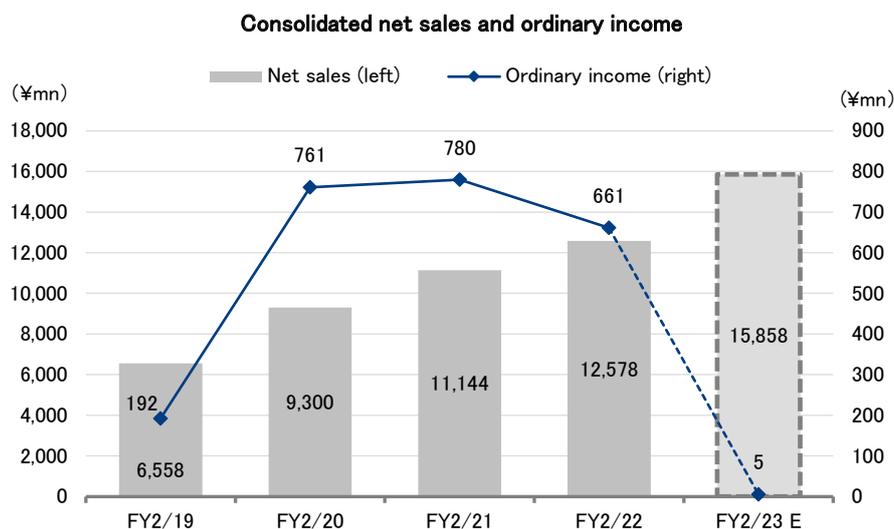
Summary

3. Outlook for Results of FY2/23

The outlook for the FY2/23 consolidated results is that net sales will increase ¥15,858mn (up 26.1% YoY) and ordinary income will decrease ¥5mn (down 99.1%). Net sales are likely to keep achieving substantial growth due to factors that include the Company’s expansion of cloud system construction and installation support projects such as those involving the Salesforce and AWS platforms, growth of the mitoco business, and development of subsidiary business such as TerraSky Technologies. On the other hand, profits are subject to negative factors that include higher upfront investment costs at the Company’s subsidiaries and spending amounting to hundreds of millions of yen on advertising expenses. This includes advertising expenses amid the Company’s plans to air television commercials and other such advertising from 3Q onward as it seeks to improve its corporate brand strengths and raise awareness of mitoco. The Company aims to achieve a faster pace of growth by substantially boosting convenience and redoubling its promotion efforts. To achieve this, it intends to improve the mitoco platform by adding workplace attendance tracking functionality alongside the platform’s expense settlement capabilities. It also plans to enhance the personal assistant function utilizing the ENOKI AI engine. Given the Company’s persistently favorable results with respect to overall orders, its efforts to recruit engineers are likely to play a key role in achieving its performance goals. The company plans to increase the number of consolidated employees in its workforce to 1,202 employees, up by 425 employees from the end of the previous fiscal year.

Key Points

- Expects the public cloud services market to sustain a double-digit annual rate of growth on acceleration of corporate DX investments spurred by COVID-19
- Released a mid-term management plan, and projects a shift in the results outlook to a high growth trajectory on a profit basis beginning in FY2/24
- Increase in sales and decrease in profit likely in FY2/23 due to higher advertising expenses and upfront investment costs at subsidiaries



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

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## ■ Company profile

### Japan's top-class cloud integrator

#### 1. Company profile

Since its founding in 2006, TerraSky has specialized in cloud computing services and, as the leading domestic cloud integration company, has been the driving force behind the growth of the cloud computing market in Japan. With more than 5,500 cloud system installations including Salesforce on a standalone basis (as of the end of February 2022), TerraSky has experience with a wide range of development projects for companies big and small and in all kinds of industries. As of February 2022, it has 10 consolidated subsidiaries in Japan and 2 overseas. Among them, BeeX, which provides AWS installation support and cloud migration support for SAP systems, has grown in business scale to be second only to the Company. At the end of FY2/22, the number of consolidated employees had increased by 172 from the end of the previous fiscal period to 777 employees, and employee numbers continue to rise alongside the business growth.

#### 2. History

The Company was established in 2006 by current President and Representative Director Hideya Sato. President Sato left IBM Japan to join the Japanese subsidiary of Salesforce.com, Inc., helping it get off the ground in Japan. He anticipated that the use of cloud services would spread in the future as companies' information systems, and since its foundation, the Company has deployed a business specializing in cloud systems development and installation support, centered on Salesforce.

In 2008, as the Product Business, the Company started providing SkyEditor\*<sup>1</sup> (currently this service is called SkyVisualEditor) and SkyOnDemand\*<sup>2</sup> as development support tools that contribute to the improved convenience of cloud systems. In 2016, it launched mitoco\*<sup>3</sup>, which is a communications platform positioned as the next-generation version of groupware, and then in 2017, DataSpider Cloud\*<sup>4</sup>, which is a cloud-based data-integration service, and the number of companies installing each of these services has steadily grown. As an omni-channel call center service linking Salesforce with LINE Corporation, in 2018 the Company launched OMLINE-I for inbound response, while in 2019, the Company launched OMLINE-O for outbound response.

\*1 SkyEditor, now called SkyVisualEditor, is a Salesforce screen development tool that allows companies to customize screens on Salesforce for easier use. By making it quick and easy for companies to develop desired screens, SkyVisualEditor outshines competing products to such an extent that is viewed as the de facto industry standard.

\*2 SkyOnDemand in an on-demand integration service that allows internal corporate systems to link to the data on Salesforce, AWS, Microsoft Azure, or other public cloud services as well as link the data on other cloud-based data with each other. It ended its service in September 2021.

\*3 A communications platform developed for use on the Salesforce cloud platform. It can serve not only as an internal corporate communication tool (bulletin boards, talks, etc.), as well as workflow and document management along with a calendar function, but also makes it possible to connect with outside parties at partner companies. Connections with the IoT also allow it to be used to make reservations for intelligent conference rooms. It is also compatible with a mobile app.

\*4 A product jointly developed with Appresso K.K. (absorbed via merger into Saison Information Systems Co., Ltd. <9640> in April 2019). This service enables non-programming coordination linkage between various cloud services and in-house databases and systems including applications.

## Company profile

The Company engaged in numerous capital and business alliances in the growth process for its business. Arrangements implemented thus far are NTT TechnoCross Corporation (former NTT Software Corporation) in 2010, Serverworks Co., Ltd. <4434>, which mainly handles AWS deployment assistance and resale, in 2013, Ecomott Inc. <3987>, which handles IoT/mobile cloud solutions, and Cloudia Japan inc. (absorbed in 2018 after acquisition as a subsidiary), which handles cloud integration in the Kyushu area, in 2016, IGUAZU Corporation, a distributor of IBM <IBM> products, in 2017, Business Engineering Corporation <4828>, which provides assistance in deployment of ERP systems, in 2018, Japan System Techniques Co., Ltd. <4323>, an independent system developer, in 2019, and OPRO Co., Ltd., which engages in development of cloud-based report services, in 2021.

Meanwhile, the Company has also been actively promoting subsidiary development. In 2014, it established Sky365 Co., Ltd., which provides AWS monitoring and maintenance services, as a joint venture with Serverworks. That set the stage for establishment of BeeX and Hokkaido-based Kitalive Inc., which assists in cloud system installations, in 2016. Subsequently, the Company established TerraSky Ventures Co., Ltd., which invests in and cultivates venture companies, and Quemix, which engages in research and development of quantum computing algorithms, in 2019. It also made online system developer Cuon.inc. into a subsidiary through a share acquisition, and established TerraSky (Thailand) Co., Ltd., which handles cloud system development and installation support in Thailand.

In addition, the Company sought to expand operations in the cloud services domain in 2021. In January, it established LiberSky, which builds data analysis foundations on Google's cloud platform, and established TerraSky Technologies, which engages in dispatch and referral of cloud technology professionals, in February. Also in February, the Company made a subsidiary of ENOKI Inc. (formerly, iFocus network Co., Ltd.), which handles AI platform development and installation support. In January 2022, the Company established DiceWorks Inc., which provides installation support of Salesforce marketing automation tools such as Marketing Cloud and Pardot.

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Company profile

Company timeline

Date	Major events
March 2006	Founded as Head Inc.
July 2008	Began offering screen development tool SkyEditor (now known as SkyVisualEditor)
October 2008	Began offering cloud integration tool SkyOnDemand
September 2010	Entered into capital and business alliance with NTT TechnoCross Corporation (formerly NTT Software Corporation)
August 2012	Established US-based subsidiary TerraSky Inc. (now a consolidated subsidiary)
September 2013	Entered into capital and business alliance with Serverworks Co., Ltd., making it an equity-method affiliate
May 2014	Established subsidiary Sky 365 Co., Ltd. (now a consolidated subsidiary) in Sapporo, Hokkaido, as joint venture with Serverworks Co., Ltd
October 2014	Entered into capital alliance with US-based Salesforce Inc.
April 2015	Listed shares on the Mothers market of the Tokyo Stock Exchange
January 2016	Entered into capital and business alliance with Ecomott Inc.
March 2016	Established subsidiary BeeX Inc. (now a consolidated subsidiary) to provide cloud integration services for SAP software-based systems
April 2016	Entered into capital and business alliance with Cloudia Japan inc., making it a consolidated subsidiary
July 2016	Started selling the mitoco groupware service
August 2016	Opened TerraSky Lab Established subsidiary Kitalive Inc. (now a consolidated subsidiary) as joint venture with Win Consult, Inc. to provide cloud integration services
March 2017	Entered into capital and business alliance with Phone Appli Inc.
May 2017	Entered into capital and business alliance with IGUAZU Corporation
March 2018	Entered into capital and business alliance with Business Engineering
November 2018	Moved listing to TSE 1st Section
March 2019	Transferred AWS business to BeeX Co., Ltd. Established TerraSky Ventures Co., Ltd., a corporate venture capital firm
May 2019	Acquired all shares of Web system developer Cuon.inc., making it a consolidated subsidiary
June 2019	Established Quemix Inc. for the purpose of quantum computer research and provision of solutions to companies Established TSV Investment Limited Partnership No. 1 for the purpose of investing in start-up companies in the cloud-related field
August 2019	Started providing the OMLINE-O marketing solutions distributed via LINE from Salesforce
September 2019	Entered into a capital and business alliance with Japan System Techniques Co., Ltd.
December 2019	Established TerraSky (Thailand) Co., Ltd., in Thailand
January 2021	Established LiberSky Co., Ltd.
February 2021	Established TerraSky Technologies Co., Ltd. Acquired shares of iFocus network Co., Ltd. (now known as ENOKI Inc.) and made it into a consolidated subsidiary
May 2021	Entered into capital and business alliance with OPRO Co., Ltd., which engages in development and sales of cloud-based report services and sales management cloud services.
January 2022	Established DiceWorks Inc.

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

## ■ Cloud service market and TerraSky's businesses

### Expects the public cloud services market to sustain a double-digit annual growth rate on acceleration of corporate DX investments spurred by COVID-19

#### 1. Cloud service market

The history of the development of corporate information systems shows that in the first half of the 1960s, companies started adopting mainframe computers. Since the 1980s, mainframe computers have been replaced by desktop office computers and minicomputers. From the late 1990s, the form of information systems started changing to distributed processing type client-server systems together with the spread and improved performance of computers, and from the late 2000s there have been increasingly high-speed communication networks along with progress being made in Internet technology. Against this background, cloud computing services appeared, IT applications have entered a transitional era in which usage is considered more important than ownership by companies.

Cloud computing entails services that enable use of a variety of IT resources on demand, including computing, databases, storage, and applications through the internet from cloud service platforms such as Salesforce and AWS. Whereas companies previously had to build, manage, and administer their own information systems, companies that adopt cloud computing now reap major advantages in that accessing the cloud eliminates time and labor required for such tasks, thereby enabling them to increase business efficiency and limit investment costs. Over the last several years, an increasing number of companies of all sizes have been using cloud services amid developments that have included a shift to high-speed telecommunications networks, strengthening of security measures among cloud service providers, and progress achieved in upgrading services. Meanwhile, an increasing number of companies have also been making moves ahead of schedule in migrating to cloud services, including those involving ERP systems amid an intensifying trend of promoting digital transformation (DX) of operations, prompted by the spread of COVID-19 (hereafter, the COVID-19 pandemic).

Market scale for public cloud service in Japan should continue to steadily expand. Many companies and ministries and agencies still have their own computer systems, and the ongoing transition by these users to public cloud service is the driver of robust growth. In particular, standard support for SAP's ERP system "SAP ERP 6.0" used widely by large companies is scheduled to end in 2027, and this requires transition to the next-generation ERP product "SAP S/4HANA" by then. Since many cases are likely to involve replacement to the cloud usage format and integrators have limited human resources to handle cloud transitions for SAP ERP systems, industry outlooks generally expect busy conditions to last through at least 2027.

Cloud service market and TerraSky's businesses

Public cloud service comes under three categories depending on the service format – SaaS\*1, PaaS\*2, and IaaS\*3. AWS holds top shares in PaaS and IaaS and is followed by Microsoft Azure and Google Cloud Platform (GCP). These three companies dominate the market globally. In SaaS, meanwhile, participant vendors differ by the application, and Salesforce is the global leader in sales assistance and customer management. Annual average growth rates indicate Salesforce at 29% and AWS at 41%, GCP at 47%. Top cloud vendors, including Microsoft <MSFT> and Alphabet <GOOG>, are continuing high growth.

- \*1 SaaS (Software as a Service): This format delivers software provided in a package product as a service over the Internet. Leading services include Salesforce's Sales Cloud, Microsoft's Office 365, and Google's Google Workspace (formerly G Suite).
- \*2 PaaS (Platform as a Service) refers to online services that provide a platform (server and operating system) that allows user to run applications. Leading services include AWS, Microsoft Azure, and Google App Engine.
- \*3 IaaS (Infrastructure as a Service) refers to online services that provide the virtual servers, equipment, and all other network infrastructure needed to operate information systems. Leading services include Amazon Elastic Compute Cloud (EC2) and Google Compute Engine.

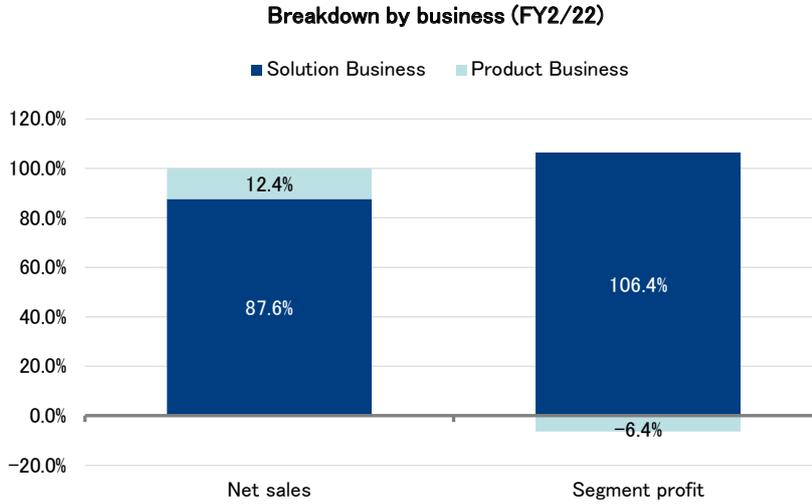
## Cloud integration and other solution business contributes over 80% of sales

### 2. The Company's business

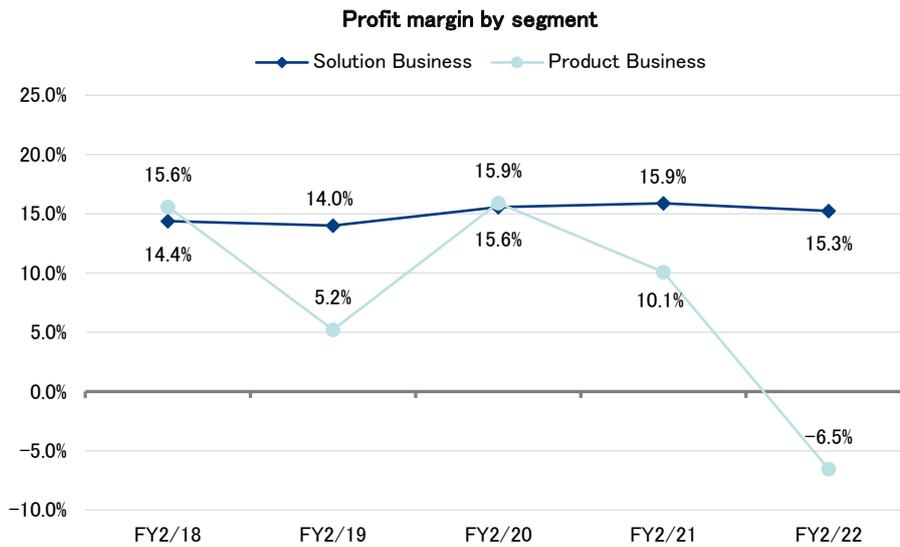
The Company operates in two business segments – Solution Business and Product Business. Solution Business is the main business at 87.6% of sales and 106.4% of profit in FY2/22. In segment profit margin, while Solution Business is at a relatively stable level of roughly 15%, Product Business fluctuates substantially depending on the period because of its smaller scale at this point and larger impact by sales changes on profit margin. However, it is predicted that profitability will improve as depreciation costs such as development costs reach their peak and recurring income increases.

In Solution Business, meanwhile, the Company mainly handles cloud system development and deployment assistance, and the recurring sales ratio (operating and maintenance service sales) is roughly 15%. Profit margin fluctuates with the orders trend in development and deployment projects and project productivity. In the past few years, profit margin has been stable at about 15% on the almost complete absence of unprofitable projects and continuation of a high utilization rate with upbeat orders.

Cloud service market and TerraSky's businesses



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

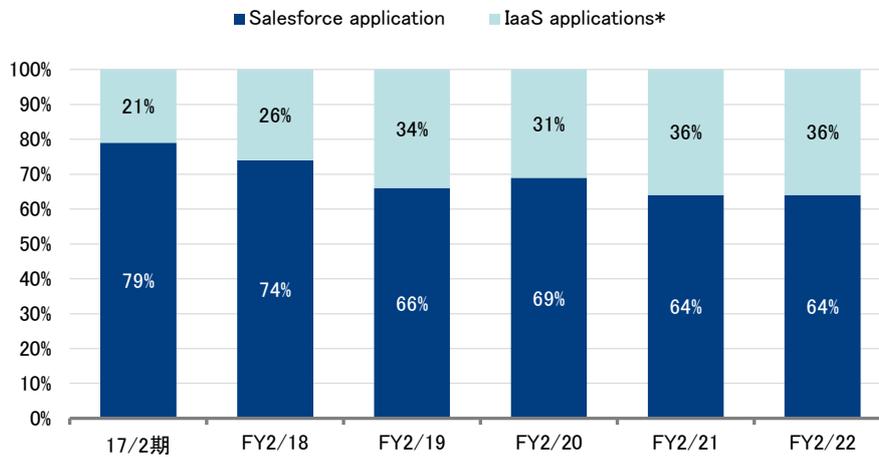


Source: Prepared by FISCO from the Company's financial results

With respect to the breakdown of sales by platform in FY2/22, Salesforce-related business and IaaS-related business (AWS, Microsoft Azure, GCP, etc.) accounted for 64% and 36% of sales, respectively, which was unchanged from the previous fiscal year. Although that constitutes a 5ppt decrease in sales attributable to Salesforce applications from 69% of the overall sales mix in FY2/20, the decline is largely attributed to the fact that large installation projects in Product Business involving Salesforce applications that had contributed to sales in FY2/20 were subsequently completed in 1Q FY2/21.

Cloud service market and TerraSky's businesses

Sales mix by platform



\* This data represents total sales related to Amazon Web Services (AWS) and Google Cloud Platform (GCP). Data prior to FY2/21 represents sales solely related to AWS.  
 Source: Prepared by FISCO from the Company's results briefing materials

**(1) Solution Business**

The Solution Business develops and provides support services for the installation of cloud-based systems designed to meet the needs of client companies. Specifically, solution services cover everything from defining business requirements for front-end or backbone systems, to design, development, testing, operations, validation of effectiveness, and planning improvement policies and systemization planning. Salesforce is frequently developed as a front-end system and many companies enter into its license-sales agreements with Salesforce.com, and the Company and its subsidiary Kitalive (whose main sales area is Hokkaido) provide installation support for this. Their cumulative number of cloud system installations, centered on Salesforce, is more than 5,500 installations on a standalone basis (more than 13,000 in the Group), which is the leading number in Japan. Installations have been conducted by many companies regardless of their industry, business form, or size, including TOYOTA MOTOR CORPORATION <7203>, Hitachi, Ltd. <6501>, Mizuho Financial Group, Inc. <8411>, Odakyu Electric Railway Co., Ltd. <9007> Group, and KDDI Corporation <9433>. But as Salesforce is particularly strong in the CRM field, it is installed by a high percentage of large-scale projects by sales, service and marketing divisions of large companies.

Also, the subsidiary BeeX provides cloud migration support for SAP systems and AWS development and installation support (and also for Microsoft Azure). In particular, against the backdrop of its advanced technological capabilities for SAP cloud migration support, it has a track record of supporting many migrations. In addition, Sky365 delivers MSP services related to Salesforce, AWS, and other cloud deployment projects, and Cuon develops Web systems.

Moreover, the Solution Business also includes the operations of Quemix, LiberSky, TerraSky Technologies, the Company's Thai subsidiary, and DiceWorks.

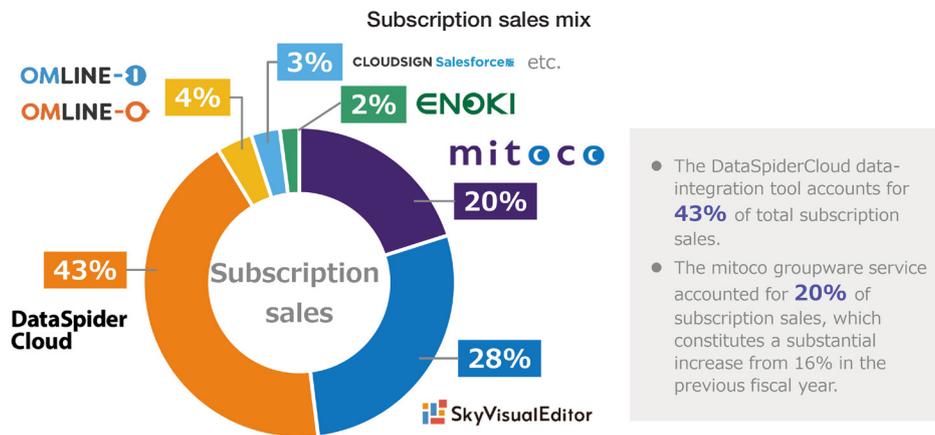
Cloud service market and TerraSky's businesses

**(2) Product Business**

In the Product Business, which includes AI platform business developed by the Company's subsidiary ENOKI, the Company serves as an SaaS vendor in developing and providing services specializing in the Cloud. The main products of the Product Business include SkyVisualEditor, which is a Salesforce screen development tool; DataSpider Cloud, which achieves smooth data integration with other systems; mitoco, groupware provided on Salesforce; and OMLINE-I and OMLINE-O, which are contact center solutions. Net sales in the Product Business are classified as either flow sales recognized at time of installation, or otherwise as recurring sales (subscription sales) based on monthly billings. In FY2/22, the ratio of recurring sales to overall net sales increased to 88% from 71% in the previous fiscal year.

With respect to the breakdown of recurring sales by service, the two products of DataSpider Cloud and SkyVisualEditor accounted for over 70% of sales, at 43% and 28%, respectively. In Japan, there has been strong customer demand for customized specifications, such as for screens and logic tailored to tasks, and improved usability. SkyVisualEditor has established a position as the de-facto product in its industry. In addition, companies have been turning to DataSpider Cloud as a tool for integrating their in-house, on-premise systems with cloud services, such as Salesforce.

The Company plans to promote sales expansion of the mitoco groupware service, which will serve as a key product going forward amid mounting demand for its use as an in-house communications tool due to the COVID-19 pandemic having prompted various companies to adopt telework arrangements. Meanwhile, mitoco ranked fourth in the small business category and fifth in the manufacturing sector category in the 2021 sales rankings (sales on the basis of annual subscription amounts) of the AppExchange business applications marketplace provided by Salesforce. The Company's strategy for mitoco is to achieve a greater number of corporate users of the service by upgrading its functions going forward.



- The DataSpiderCloud data-integration tool accounts for **43%** of total subscription sales.
- The mitoco groupware service accounted for **20%** of subscription sales, which constitutes a substantial increase from 16% in the previous fiscal year.

Cloud service market and TerraSky's businesses

**Consolidated subsidiaries and business descriptions**

Company	Ownership ratio (End of FY2/21)	Ownership ratio (End of FY2/22)	Business segment	Business description
Sky365 Co., Ltd.	57.1%	55.5%	Solution Business	Supplied management service provider (MSP)* services specialized in cloud computing
BeeX Inc.	78.3%	69.6%	Solution Business	AWS installation support, and support services for migration to cloud computing systems on SAP software platform
Kitalive Inc.	58.2%	58.2%	Solution Business	Cloud system installation support centered in Hokkaido
Cuon.inc.	100.0%	100.0%	Solution Business	Web system development
Quemix Inc.	75.7%	75.7%	Solution Business	Quantum computer research and provision of solutions for companies
TerraSky(Thailand) Co.,Ltd.	49.0%	49.0%	Solution Business	Cloud systems installation support in Thailand
TerraSky Technologies Co., Ltd.	100.0%	89.0%	Solution Business	Dispatching and recruiting human resources specializing in cloud services
LiberSky Co., Ltd.	81.0%	81.0%	Solution Business	Data utilization consulting enlisting Google technology, AI implementation, integration, etc.
DiceWorks Inc.	-	90.0%	Solution Business	Support for installation of marketing automation (MA) tools, etc.
TerraSky Inc.	100.0%	100.0%	Product Business	Sales and marketing in the North America region for products developed in-house
ENOKI Inc.	52.0%	71.1%	Product Business	AI platform development and installation assistance
TerraSky Ventures Co., Ltd.	100.0%	100.0%	Investment Business	Investment in, development of, and support for venture companies in the cloud-related domain

\* Management Services Provider: Services for the operations, monitoring, and maintenance of companies' servers and networks  
 Source: From the Company's results briefing materials and the convocation notice of the general shareholders meeting

## Has strengths in the form of Japan's top-ranking track record and a team of professionals enlisting support for installing cloud-based platforms centered on Salesforce

### 3. Strengths and issues

The Company's strengths can be broadly divided into two categories. First, the Company maintains professionals and extensive expertise cultivated by developing a track record of participating in the cloud market since it was first established. The Company ranks top in the industry in terms of its number of cloud deployments, with a track record of more than 5,500 installations of cloud-based systems on a standalone basis and more than 13,000 installations across the entire Group as of the end of February 2022. The Company also boasts top-notch teams in Japan, given its workforce of Salesforce certification holders at the core of its operations. According to materials released by Salesforce.com, the Company employs 3 of the 16 Salesforce MVP\* certification holders in Japan as of December 2021 (ranking first-place in Japan), and also employs 6 of the nation's 17 Technical Architects (first-place ranking in Japan), which is the top-level Salesforce Architect credential.

\* Salesforce MVP is a title given to top-notch product experts committed to sharing their knowledge and helping their communities succeed. Approximately 250 professionals have been certified as Salesforce MVPs worldwide.

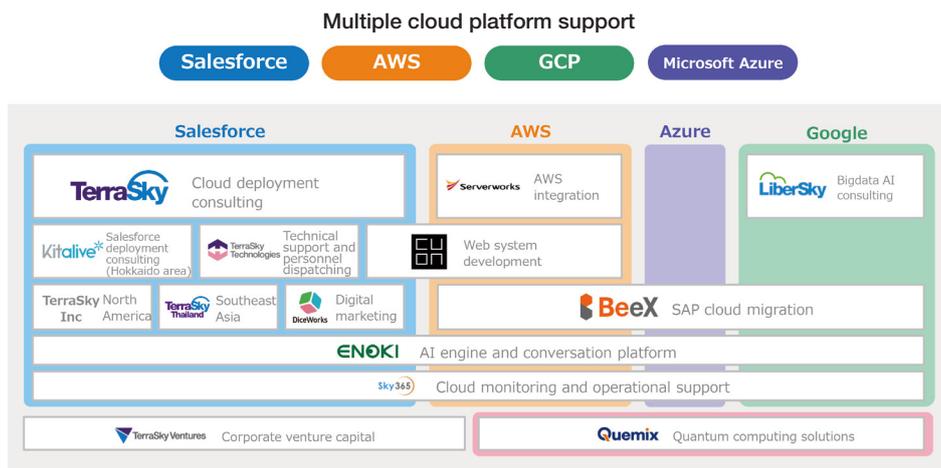
Cloud service market and TerraSky's businesses

The Company ranks on par with Accenture Japan Ltd. in terms of its number of Salesforce technical certification holders. As the number of technical certification holders corresponds closely to a company's ability to take on orders for projects, it is not an exaggeration to say that the Company has more experience and greater capacity to conduct development and installation support projects for Salesforce cloud systems than any other company in Japan. After joining the Company, engineers spend roughly six months gaining practical skills by attending classes and undergoing training based on original curriculum to acquire technical certifications, after which they are sent to job sites as part of a project team. The Company's human resources development initiatives have been positioned as an element of core competency to achieve corporate growth, and serve as a driving force behind such efforts.

As BeeX has also been the pioneer in its industry for cloud migration support for SAP systems, it has the leading track record in this field. In order to migrate an SAP system to the Cloud, it is necessary to have not only the technological capabilities for the SAP system's infrastructure layer, but also to have advanced technologies for the cloud platform, such as AWS. But few companies possess both types of engineers, and this is another of the BeeX's strengths. The Company received certification as an AWS "Well-Architected Partner"\*1 in 2019, and AWS announced its certification of "AWS Competency"\*2 in March 2022 in the "AWS Partner Network (APN)", an AWS global partner program.

\*1 As an APN (AWS Partner Network) partner certified as having high levels of skills and expertise to solve customers' AWS environment problems and that is able to seamlessly provide solutions on AWS.  
 \*2 As of April 2022, 14 companies have obtained certification in Japan through third-party audit under an AWS-certified program, and are recognized as outstanding partners within the AWS Partner Network (APN), equipped with an array of technological capabilities related to migration, including skills for facilitating migration from existing on-premise environments to AWS environments, and the ability to manage operations post-migration.

The Company's second strength is that it covers multiple cloud platforms, including Salesforce, AWS, Microsoft Azure, and GCP, across the Group. Many large companies use multiple platforms, including on-premises types, and the Company's technological capabilities and expertise across the Group enable it to respond to multi-cloud platforms, and are the main factors leading to increases in opportunities for orders and continuous rapid growth.



Source: The Company's results briefing materials

Cloud service market and TerraSky's businesses

Meanwhile, the Company faces the challenge of recruiting and training enough engineers to address robust demand. It has been encountering a persisting shortage of technical experts amid continuous high growth of the cloud services market. In order to solve these issues, the Company is setting its sights on efforts to train and recruit recent graduates with prior work experience as well as people with no relevant work experience amid plans to spend more than an average year on advertising expenses for television commercials and other such advertising in aim to improve its corporate brand strengths in FY2/23. The Company's strategies to solve the issue of human resource shortages have included its establishment of TerraSky Technologies, which engages in dispatch and referral of cloud technology professionals, in 2021.

## Results trends

### Although profits decreased in FY2/22 due to upfront investment costs at subsidiaries, net sales achieved another record-high

#### 1. FY2/22 results

As for FY2/22 consolidated results, the Company reported net sales of ¥12,578mn (up 12.9% YoY) for another record-high, but saw decreases in profits for the first time in three years with ¥658mn in operating income (down 15.5%), ¥661mn in ordinary income (down 15.2%), and ¥306mn in net income attributable to owners of parent (down 87.5%).

#### FY2/22 consolidated results

	FY2/21			FY2/22			
	Results	% of sales	Company's forecasts	Results	% of sales	YoY	Compared to forecasts
Net sales	11,144	-	13,159	12,578	-	12.9%	-4.4%
Cost of sales	7,851	70.4%	-	8,972	71.3%	14.3%	-
SG&A expenses	2,513	22.6%	-	2,946	23.4%	17.2%	-
Operating income	779	7.0%	536	658	5.2%	-15.5%	22.9%
Ordinary income	780	7.0%	523	661	5.3%	-15.2%	26.6%
Extraordinary income (loss)	2,803	-	-	-0	-	-	-
Net income attributable to owners of parent	2,459	22.1%	206	306	2.4%	-87.5%	48.9%

Note: The Company reported FY2/22 unconsolidated results of ¥6,919mn in net sales (up 13.9% YoY), ¥416mn in operating income (up 18.0%), ¥450mn in ordinary income (up 22.5%), and ¥182mn in net income attributable to owners of parent (down 91.7%).

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

#### Results trends

Net sales again increased by double digits due to strong appetite for installations of cloud-based systems centered on the Salesforce platform amid an intensifying trend of companies engaging in digital transformation (DX). On the other hand, whereas ordinary income on an unconsolidated basis increased by ¥82mn YoY to ¥450mn, profits were otherwise subject to negative factors culminating in total ordinary loss of ¥260mn\*. The ordinary loss was partially attributable to upfront investment in four of the Company's newly established subsidiaries (Quemix, TerraSky (Thailand), LiberSky, and TerraSky Technologies). Ordinary income of BeeX also fell by ¥69 million yen YoY to ¥260 million yen due to peak out of large projects, which was a factor in the decline in profit. Among the Company's subsidiaries, Kitalive and Cuon marked sales and profit gains. Profits were also positively affected, albeit by a relatively small amount, by results of ENOKI, which became a subsidiary in February 2021. Meanwhile, the absence of the ¥2,806mn sales income from investment securities recorded as extraordinary income in FY2/21 put significant downward pressure on net income attributable to owners of parent.

\* In descending order, the ordinary loss was attributable to TerraSky Technologies, Quemix, LiberSky, and TerraSky (Thailand), with TerraSky Technologies accounting for more than half the amount. In FY2/21, the two companies Quemix and TerraSky (Thailand) incurred ordinary losses amounting to tens of millions of yen.

Whereas net sales were 4.4% below the Company's forecast, operating income exceeded the forecast by 22.9%. Net sales were lower than the forecast in part because the launch of TerraSky (Thailand) operations was postponed until FY2/23 due to the COVID-19 pandemic, and because net sales of the Product Business were generally somewhat below forecast amid delays in commencing operations of TerraSky Technologies. On the other hand, operating income was affected by upside factors in the form of lower-than-anticipated expenditures centered on personnel costs, which in part was attributable to postponement of operational launches of TerraSky Technologies and TerraSky (Thailand), and also attributable to a situation where there were fewer employees across the entire group than initially planned, with 777 employees fewer than the 800 anticipated.

## Sustained double-digit sales growth in Solution Business, while growth slowed temporarily in Product Business due to the peak out of major projects

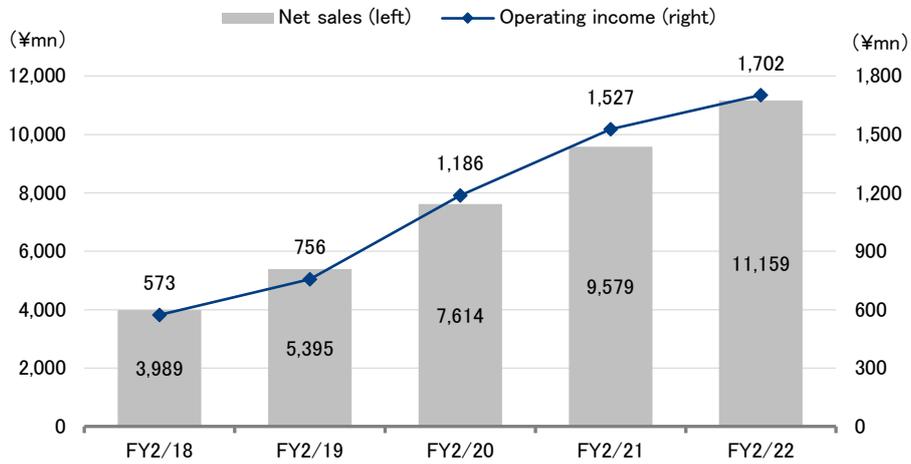
### 2. Trends by business segment

#### (1) Solution Business

The Solution Business once again achieved double-digit sales growth with net sales of ¥11,159mn (up 16.5%), attributable to an increase in the number of projects involving installation and development of cloud services centered on the Salesforce platform. Meanwhile, the segment also marked double-digit profit gains with segment profit (operating income) of ¥1,702mn (up 11.4%), despite having recorded loss due to upfront investment costs at subsidiaries and lower profit with respect to BeeX. Profit margin decreased to 15.3% from 15.9% in FY2/21, but would have risen to around 18% adjusted if the recorded losses of four subsidiaries were excluded. Segment results on a quarterly basis reached all-time highs in 4Q with net sales of ¥3,157mn (up 24.4% YoY) and segment profit of ¥511mn (up 55.5%), amid an ongoing scenario of strong appetite for corporate investment in cloud-based systems and a persisting shortage of resources with respect to engineers.

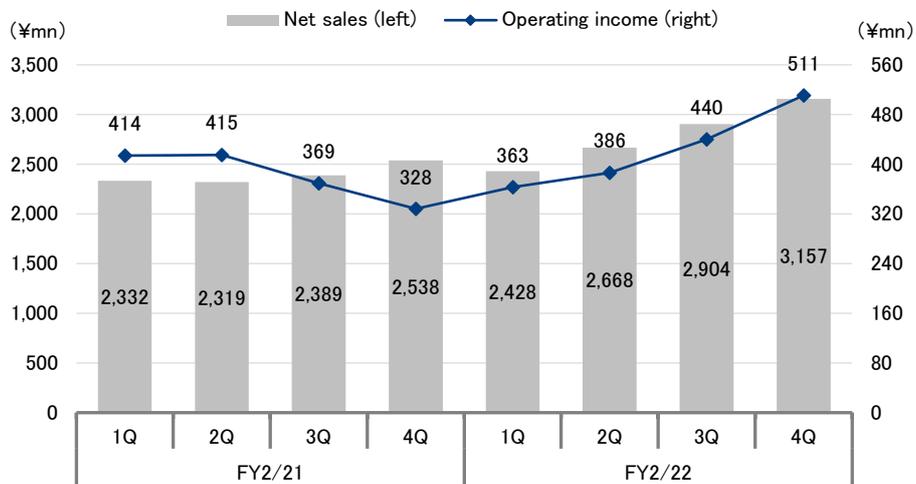
Results trends

Results of Solution Business



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

Solution Business' s quarterly results



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

#### Results trends

As for results by respective companies of the TerraSky Group, the Company itself performed favorably with double-digit growth in both sales and profit on a standalone basis, while Kitalive and Cuon also achieved sales and profit gains. Cuon excels at Web system development, and the company has been able to generate group synergies through the transfer of projects for which it has received orders. On the other hand, a rebound due to the absence of the large development project that contributed to BeeX's FY2/21 results (approximately ¥600mn in net sales) weighed on profit, despite an increase in sales. Meanwhile, TerraSky Technologies, established in 2021, increased its workforce to 75 employees as of the end of FY2/22 as a result of hiring of around 10 employees each month since June 2021 in order to develop its human resource dispatching services encompassing certified professionals who engage in maintenance and operation of cloud services such as those of the Salesforce and Pardot platforms. Given that training to gain certifications takes several months, TerraSky Technologies is initially subject to upfront costs and appears to have incurred workforce capacity utilization at a level of approximately 60% with respect to its dispatching services as of the end of FY2/22.

Quemix engages in research and development of quantum computing applications and is currently at the upfront investment stage in undertaking initiatives that include developing algorithms and preparing research papers with its sights set on monetizing the licensing business. In September 2021, it was announced that a proposal regarding research on seabed and subterranean applications of long-distance quantum sensing technology\* was selected for the Security Technology Research Promotion System, a public project of Japan's Acquisition, Technology & Logistics Agency (ATLA). The research was jointly proposed by the National Institutes for Quantum Science and Technology and the Central Research Institute of Electric Power Industry.

\* This research focuses on pressing challenges with respect to optical and high-frequency attenuation of measurement systems for long-distance measurement using quantum sensors capable of magnetic fields and temperature measurement. The research will lead to the development of technology that enables consistent and highly sensitive quantum sensing, even with respect to distant observation points, by controlling electron spin within a sensor containing silicon carbide as a base material.

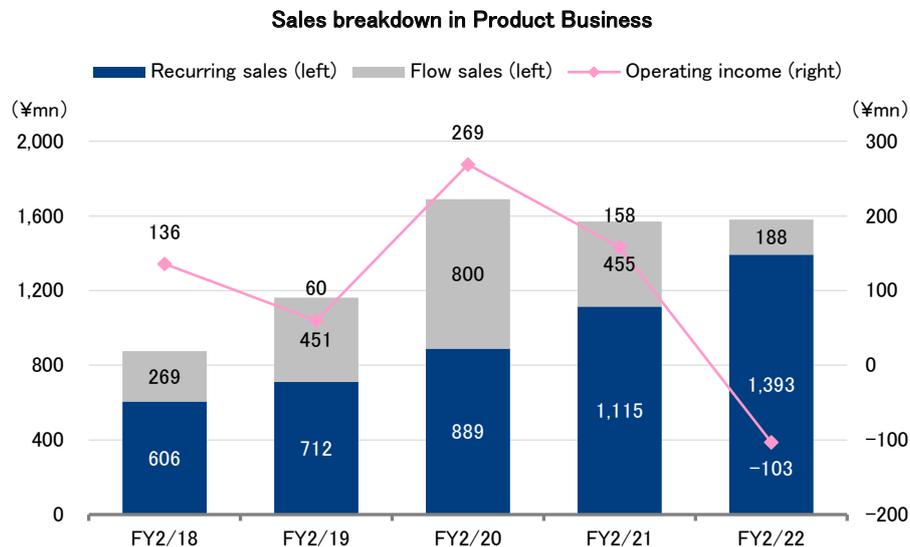
The Company established its subsidiary LiberSky in 2021 in order to build Google Cloud Platforms (GCPs), engage in big data analysis, and provide AI consulting services. LiberSky has relatively few employees and is still small in size. In January 2022, the Company established its subsidiary DiceWorks, which engages in installation support, management, and implementation support of Pardot and Marketing Cloud, the marketing automation tools of the Salesforce platform.

## (2) Product Business

The Product Business recorded a slight gain in net sales at ¥1,580mn (up 0.7% YoY), and segment loss (operating loss) of ¥103mn (segment profit of ¥158mn in FY2/21). With respect to the net sales components, flow sales (one-off sales recognized at time of installation) decreased to ¥188mn (down 58.7% YoY) due to the absence of the DataSpider Cloud large installation project recorded in 1Q FY2/21 (approx. ¥0.3bn), but recurring sales (subscription sales) increased to ¥1,393mn (up 24.9%), once again achieving double-digit growth due to factors that include growth of the mitoco service, the transfer of OMLINE from the Solution Business, and newly added sales of ENOKI. The total contribution of OMLINE and ENOKI to the higher sales amount is estimated at around ¥80mn.

Meanwhile, factors attributable to deteriorating losses include the decrease in flow sales, the effects of a larger workforce associated with the OMLINE business transfer (tens of millions of yen), and advertising expenses incurred for the Company's TerraSkyDays 2021 Online event. Despite a loss having been recorded at the segment profit stage, results remain positive at ¥200mn (down 57.2% YoY) at the pre-amortization profit stage. Now that mitoco development costs have reached their peak, depreciation costs associated with development are expected to decrease gradually from FY2/23 onward.

## Results trends



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

## Favorable financial standing with equity ratio of at least 60% and ample cash flow

### 3. Financial position and management indicators

Total assets decreased by ¥1,727mn YoY to ¥13,834mn at the end of FY2/22. The primary factors attributable to the change were a decrease of ¥422mn in cash and deposits due to payment of income taxes versus increases of ¥366mn in accounts receivable – trade and ¥225mn in prepaid expenses in current assets, and a decline of ¥2,126mn due to a downturn in share prices with respect to investment securities, along with decreases of ¥47mn in property, plant and equipment and ¥39mn in goodwill in non-current assets.

Total liabilities declined by ¥1,120mn YoY to ¥3,987mn. The primary factors attributable to the change were increases of ¥378mn in advances received and ¥259mn in accounts payable - trade versus declines of ¥853mn in income taxes payable, ¥601mn in deferred tax liabilities and ¥83mn in interest-bearing debt. Net assets fell by ¥607mn YoY to ¥9,846mn. There were increases of ¥271mn in capital surplus, ¥306mn in retained earnings and ¥268mn in non-controlling interests, while the valuation difference on available-for-sale securities was down by ¥1,484mn.

In management indicators, while the equity ratio increased from 62.1% at the end of the previous fiscal year to 63.5%, the interest-bearing debt ratio fell from 7.0% to 6.8%. The Company had ample net cash (cash and deposits – interest-bearing debt) at the ¥5bn range, despite a decrease of ¥338mn YoY. Therefore, the Company can be judged as having a favorable financial standing. In profitability, ROA, ROE and operating income margin to net sales were at the low levels of 4.5%, 3.3%, and 5.2%, respectively, but that is mainly due to the Company's upfront investment incurred in order to achieve future growth. FISCO therefore finds that the Company has been maintaining a high level of profitability in its existing businesses.

## Results trends

## Consolidated balance sheet and management indicators

	FY2/19	FY2/20	FY2/21	FY2/22	Change
	(¥mn)				
Current assets	3,581	5,670	8,845	9,339	494
(Cash and deposits)	1,900	3,402	6,094	5,672	-422
Non-current assets	2,048	9,774	6,716	4,494	-2,221
<b>Total assets</b>	<b>5,630</b>	<b>15,445</b>	<b>15,562</b>	<b>13,834</b>	<b>-1,727</b>
Total liabilities	2,417	5,889	5,107	3,987	-1,120
(Interest-bearing debt)	868	822	680	596	-83
<b>Net assets</b>	<b>3,212</b>	<b>9,556</b>	<b>10,454</b>	<b>9,846</b>	<b>-607</b>
<b>Management indicators</b>					
<b>(Stability)</b>					
Equity ratio	52.5%	58.5%	62.1%	63.5%	1.4pt
Interest-bearing debt ratio	29.4%	9.1%	7.0%	6.8%	-0.2pt
Net cash	1,032	2,580	5,414	5,076	-338
<b>(Profitability)</b>					
ROA	4.1%	7.2%	5.0%	4.5%	-0.5pt
ROE	7.1%	14.7%	26.3%	3.3%	-23.0pt
Operating income margin to net sales	1.9%	7.8%	7.0%	5.2%	-1.8pt

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

## Outlook

### Results outlook projects shift to a high growth trajectory on a profit basis beginning in FY2/24, per release of the mid-term management plan

#### 1. Mid-term management plan

The Company announced release of the first three-year mid-term management plan it has drawn up since going public. It announced its growth strategy and performance targets going forward in an aim to achieve sustainable growth by serving as a leading cloud integration services company that comprehensively addresses the IT challenges of its customers into the future. Moreover, it aims to grow into a company with sales volume exceeding ¥70bn by 2030 as it seeks to achieve its long-term vision of “Fly Ahead (Serving as the most trusted partner enlisting reliable technology that is one step ahead).”

Under the plan's priority measures, the Company will take on a strategy of achieving dramatic growth in earnings performance and increasing its corporate value by addressing prevailing business challenges enlisting three initiatives: (1) enhancing recruitment strengths and raising product awareness, (2) expanding into the core peripherals business, and (3) increasing the ratio of products to overall sales. As for performance goals, whereas profits are poised to decline due to upfront investment incurred to cover advertising expenses and other such costs in FY2/23, the Company plans to shift to a high growth trajectory on the basis of profits from FY2/24 onward as such upfront investment generates results. The plan cites FY2/25 performance targets of ¥28,483mn in net sales ¥2,413mn in operating income, ¥2,426mn in ordinary income, and ¥1,434mn in net income attributable to owners of parent, thereby culminating in a three-year compound annual growth rate (CAGR) of 31.3% and 54.2% for net sales and ordinary income, respectively.

Outlook

Mid-term management plan

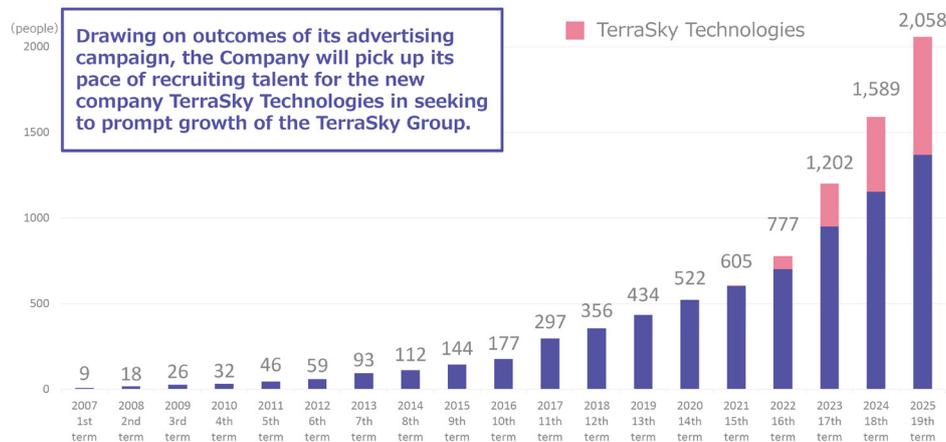
	FY2/22 Results	FY2/23 Forecast	FY2/24 Forecast	FY2/25 Forecast	CAGR*
Net sales	12,578	15,858	20,836	28,483	31.3%
YoY	12.9%	26.1%	31.4%	36.7%	-
Operating income	658	4	1,018	2,413	54.2%
Profit margin	5.2%	0.0%	4.9%	8.5%	-
Ordinary income	661	5	1,050	2,426	54.2%
Net income attributable to owners of parent	306	-223	590	1,434	67.2%
Earnings per share (¥)	24.05	-17.53	46.38	112.74	-
Number of consolidated employees	777	1,202	1,589	2,058	38.4%

\* FY2/22-25

Source: Prepared by FISCO from the Company's financial results, results briefing materials and other documents

The Company seeks to actively increase its workforce to ensure that it maintains a headcount sufficient to achieve the increase in sales. Amid these conditions, it plans to increase its workforce 2.6-fold from 777 employees as of the end of FY2/22 to 2,058 employees by the end of FY2/25. This workforce expansion includes plans for TerraSky Technologies to substantially increase its worker count from 75 employees as of the end of FY2/21 to between 600 and 700 employees. TerraSky Technologies is poised to serve as the third-ranking company after TerraSky and BeeX in terms of its contribution to sales gains for three years in a row. TerraSky is positioned as a subsidiary that will take on a key role to achieve the performance targets set forth in the mid-term management plan.

Headcount forecast (consolidated)



Source: The Company's results briefing materials

(1) Raising awareness through investments in advertising expenditure

The Company considers the low level of awareness of its corporate brand and product recognition to be one of the challenges it faces in terms of recruiting and expanding sales of its products. The Company intends to overcome such challenges by redoubling efforts involving advertising that includes television commercials and online promotions during FY2/23. The Company had previously invested about one hundred million yen to advertising expenses annually, but now plans to invest hundreds of millions of yen in such initiatives during FY2/23, especially from 3Q onward.

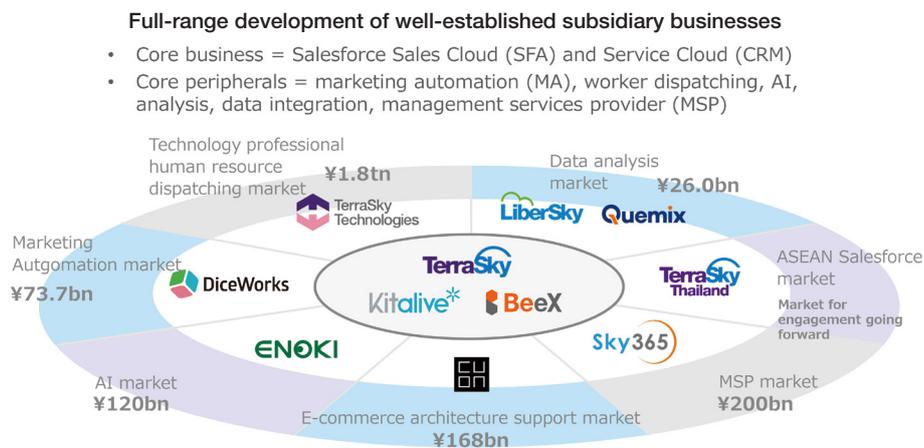
Outlook

In terms of employee recruitment, the Company’s efforts involve seeking to increase strengths of its corporate brand by drawing on results of its television commercials and other aspects of its advertising campaign, promoting recruitment of outstanding professionals nationwide, gradually extending recruitment of people with no relevant work experience, and taking steps to overcome the shortage of engineers. The Company seeks to enhance its recruitment strengths by leveraging its brand strengths, amid a situation where it has substantial brand strengths in the cloud services industry but still low brand recognition in the general market. Moreover, the Company will aggressively implement a promotion strategy geared to expanding sales of the mitoco service. It is important that the Company achieve greater product awareness given the many competitors in the realm of groupware products. It should be noted that the additional spending on advertising expenses amounting to hundreds of millions of yen in FY2/23 has not been factored into the performance goals for FY2/24 onward.

**(2) Expanding into the core peripherals business**

The Group has continued to achieve growth on the basis of core aspects of its business of cloud services involving construction and installation support with respect to the Salesforce and Amazon Web Services (AWS) platforms. In recent years, the Group has been extending its market reach with the launch of core peripheral business. The Company has been enlisting a strategy geared to achieving robust growth by having its subsidiaries tap into market growth of such peripheral business.

For instance, the Company engages in a varied approach to business development with TerraSky Technologies serving in the technology professional worker dispatching market, LiberSky and Quemix in the data analysis market, DiceWorks in the marketing automation (MA) market, ENOKI in the AI market, Cuon in the e-commerce architecture support market, and Sky365 in the management services provider (MSP) market. In these core peripheral business areas, the Company thinks it will be possible to wield competitive advantages by having these companies coordinate with the Company, which has an abundance of development expertise in the core business. In particular, there have been an increasing number of instances where development projects are assigned to subsidiaries of the TerraSky Group in alignment with customer needs, given that the TerraSky Group is capable of supporting a full range of platforms including Amazon Web Services (AWS), Microsoft Azure, and Google Cloud Platform (GCP) amid an environment where companies have been increasingly turning to multiple cloud platforms over the last several years. In overseas markets, the Company plans to enter the Thai market and expand operations.



Note: Data on respective market sizes has been derived from sources that include market forecasts for Japan cited in research company reports.

Source: The Company’s results briefing materials

We encourage readers to review our complete legal statement on “Disclaimer” page.

Outlook

The Company’s presence in Thailand serves as a foothold for its future expansion into other Asian markets. The Salesforce platform is expected to encounter demand in Thailand, given that the nation is home to many operating bases of Japanese companies while also boasting the second largest nominal GDP in the ASEAN region. Sales opportunities for OMLINE due to the LINE platform’s high rate of penetration served as another decisive factor in the Company’s entry into the Thai market. Although the roll-out of OMLINE solutions was postponed due to the COVID-19 pandemic subsequent to establishment of TerraSky (Thailand) in 2019, the business environment is finally in order. With several Thai nationals having been hired in Japan and sent to Thailand, launch of the service is slated to go into full swing beginning in June 2022. The Company has been gradually forging ahead in efforts to recruit employees locally.

In FY2/23, ordinary loss with respect to the three subsidiaries TerraSky Technologies, TerraSky (Thailand), and Quemix is projected to increase further due to higher upfront investment costs. TerraSky Technologies is set to achieve profitability in FY2/24, while TerraSky (Thailand) and Quemix are poised to attain positive earnings in FY2/25. In regard to TerraSky Technologies, FISCO deems that there is a sufficient likelihood of the subsidiary attaining an operating income margin in the latter half of the single-digit range amid a scenario of higher sales volume. The reason for this is that the subsidiary is unlikely to incur much in the way of operating expenses given that its human resource dispatching will be centered on the Company’s corporate clients. As for Quemix, operating loss is likely to escalate given that FY2/24 is slated to serve as a preparation phase (research paper preparation, patent application, etc.) for developing the licensing business. However, this is likely to have a negligible effect on the Company’s consolidated results given its small scale of business. However, Quemix has potential to grow into a highly profitable business if it manages to get its licensing business up and running. FISCO deems that there is a possibility of these three subsidiaries successfully monetizing their operations given the Company’s track record thus far of establishing subsidiaries such as Kitalive, BeeX, and Sky365, and making them profitable.

Three-year plan for newly established subsidiaries

These three subsidiaries are expected to achieve profitability in a full fiscal year within three years.



Note: The bar charts for the respective subsidiaries have been prepared using different monetary units.  
 Source: The Company’s results briefing materials

Outlook

**(3) Ongoing investment in product development**

With its sights set on expanding the Product Business, the Company will continue to invest in development with the aim of upgrading product functions going forward. In particular, the Company has set as its target for mitoco groupware a ten-fold increase in the number of corporate users from the several hundred companies currently using the service. As for its strategy for increasing the number of corporate users, the Company seeks to differentiate the service from those of competitors by upgrading its functions, in addition to raising awareness by enhancing promotions. Specific initiatives in this regard include adding expense settlement capabilities to the mitoco platform in November 2021, as well as plans to equip the platform with workplace attendance tracking functionality during FY2/23. The Company also seeks to provide greater convenience by improving performance of the personal assistant function utilizing the ENOKI AI engine developed by the Company’s subsidiary ENOKI Inc.

mitoco, which is provided via the Salesforce cloud platform, exceeds high security standards and is equipped with features that enable users to link with standard Salesforce applications that make it possible for users to develop additional custom applications. The Company aims to capture a greater share of the market, in part by meeting replacement demand of customers switching over from competing products, premised on the notion that there is still plenty of potential in terms of extending sales to corporate users of the Salesforce platform. Deprecation costs associated with mitoco are expected to gradually decrease going forward now that the Company has passed the peak of incurring development costs. Whether or not mitoco will generate positive results in FY2/23 remains uncertain due to advertising expenses, but it is likely to achieve profitability in FY2/24 amid further gains in net sales. With income from monthly billings for the mitoco service growing at a pace exceeding 30% YoY, the Company will enlist a strategy of seeking more accelerated growth by redoubling its promotion efforts going forward.

**Ongoing investment in product development**

**Growth of mitoco over three years (No. of corporate users)**

The Company aims to gain even more mitoco groupware users by offering mitoco Work, which features expense settlement capabilities along with additional workplace attendance tracking functionality.



Source: The Company's results briefing materials

## Outlook

## Increase in sales and decrease in profit likely in FY2/23 due to higher advertising expenses and upfront investment costs at subsidiaries

### 2. Forecasts for FY2/23

In its FY2/23 consolidated results forecasts, the Company projects net sales of ¥15,858mn (up 26.1% YoY), operating income of ¥4mn (down 99.4%), ordinary income of ¥5mn (down 99.1%), and net loss attributable to owners of parent of ¥223mn (net income of ¥306mn in FY2/22).

#### Forecast for FY2/23 consolidated results

	FY2/22		FY2/23 (E)		YoY
	Results	% of sales	Forecast	% of sales	
Net sales	12,578	-	15,858	-	26.1%
Operating income	658	5.2%	4	0.0%	-99.4%
Ordinary income	661	5.3%	5	0.0%	-99.1%
Net income attributable to owners of parent	306	2.4%	-223	-1.4%	-
Earnings per share (¥)	24.05		-17.53		

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

The Company's forecast envisions double-digit growth in sales as a result of the Product Business accumulating recurring sales centered on the mitoco service, in addition to ongoing growth in the Solution Business centered on Salesforce-related construction and installation support projects, amid a scenario where its business gains momentum as companies increasingly employ cloud-first strategies whereby corporate entities look first to cloud services when engaging in design and migration of their information systems. The increase in sales is also expected to derive from the May 2022 release of a new function that links the Slack business chat tool and Salesforce platform using the SkyVisualEditor tool for customizing Salesforce screens. Moreover, the Company anticipates an even more rapid pace of sales growth amid the likelihood of higher sales generated by subsidiaries with core peripheral businesses such as TerraSky Technologies, LiberSky, DiceWorks, and Cuon.

In terms of profit, meanwhile, the Company projects a decrease in earnings due to higher advertising expenses and upfront investment costs at subsidiaries that engage in the core peripherals business. As for net income attributable to owners of parent, the Company is poised to record a loss due to certain subsidiaries with negative results along with a slight loss incurred with respect to the Company's unconsolidated results due to higher advertising expenses.

The Company plans to increase its headcount to 1,202 employees, up by 425 employees from the end of the previous fiscal year. Approximately 40% of the headcount increase is to be attributable to recruitment by TerraSky Technologies. The Company's recruitment plans entail the hiring of more than 100 employees by the Company on a standalone basis, around 10 employees by LiberSky and Cuon, and several employees by DiceWorks. Amid a prevailing scenario of consistently robust performance in terms of orders, the Company's ability to achieve its performance goals is likely to hinge on whether or not its recruitment efforts proceed according to plan. The Company's results in terms of profits may disproportionately skew toward the first half of the fiscal year given its plans for concentrated spending on advertising expenses from 3Q onward.

## ■ Shareholder return policy

### **Dividends are an issue that it will consider in the near future as it is still in an investment phase, but it does provide shareholder benefits**

Since it was listed, the Company has continued to not pay a dividend. It is currently in an investment phase in order to realize high growth, and it considers that maximizing enterprise value through earnings growth will lead to returns to shareholders in the future. The Company intends to review implementing dividends in the future once it has leeway to stably distribute profits based on comprehensive assessment of fiscal conditions and management results. It has adopted a shareholder benefits program instead and provides QUO cards worth ¥1,000 uniformly to shareholders at the end of February each year.



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