

COMPANY RESEARCH AND ANALYSIS REPORT

TerraSky Co., Ltd.

3915

Tokyo Stock Exchange Prime Market

1-Aug.-2025

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

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Summary

Strong Salesforce-related orders. Double-digit growth expected to persist again in FY2/26

TerraSky Co., Ltd. <3915> (hereafter, also the “Company”) is a cloud integration services company, providing support for the development and installation of cloud-based systems. Focusing primarily on the Salesforce cloud-based platform for customer relationship management (CRM) and sales force automation (SFA), the Company has a track record of more than 7,000 installations on a standalone basis and more than 20,000 installations on a consolidated basis. It also ranks at the top in Japan for the number of certifications held for Salesforce. It also handles products developed in-house, including cloud-system development support tools and the mitoco groupware service. In addition, it supports the implementation of Amazon Web Services (AWS), Google Cloud Platform (GCP), and has been expanding into the realms of AI platforms and quantum computing through its subsidiaries. The Company has a consolidated subsidiary, BeeX <4270>, listed on the Tokyo Stock Exchange (TSE) Growth Market, and an equity-method affiliate, Kitalive <5039>, listed on the Sapporo Ambitious Market.

1. Overview of FY2/25 results

In the FY2/25 consolidated results, the Company reported significant increases in sales and profits with net sales of ¥24,709mn (up 29.1% year on year (YoY)) and operating profit of ¥1,452mn (up 177.8%). This is mainly attributable to substantial growth in Solution Business sales, which increased 30.1% to ¥22,946mn due to strong performance with respect to additional Salesforce-related orders from existing customers. The operating profit margin rose largely because the Company effectively adjusted prices to reflect higher personnel expenses, in addition to an increased volume of large development projects. Net sales in the Product Business, centered on the mitoco groupware service, also increased steadily, rising 17.2% to ¥1,973mn as a result of higher contract volume. As for profits, although the Product Business posted a loss of ¥68mn due to aggressive investment ongoing particularly in mitoco ERP, the amount of loss narrowed compared to the previous fiscal year.

2. FY2/26 forecasts

In the FY2/26 results forecasts, the Company projects net sales of ¥29,438mn, up 19.1% YoY and operating profit of ¥1,833mn, up 26.3%. Given the rising number of applications compatible with the Salesforce platform, development projects including those involving integration with third-party systems are becoming larger in scale. Against this backdrop, the Company has seen a growing number of inquiries thanks to its extensive development track record. In fact, the Solution Business began the fiscal year with a high order backlog on a standalone basis, up 67.3% YoY, due to the continuation of large-scale projects. In addition, the Company expects to fully launch a Salesforce collaboration project with NTT DATA Corporation, a subsidiary of NTT DATA Group <9613>, with which it formed a capital and business alliance that was announced in 2024. Therefore, FISCO thinks it highly likely that the Company's results for FY2/26 will exceed its forecast.

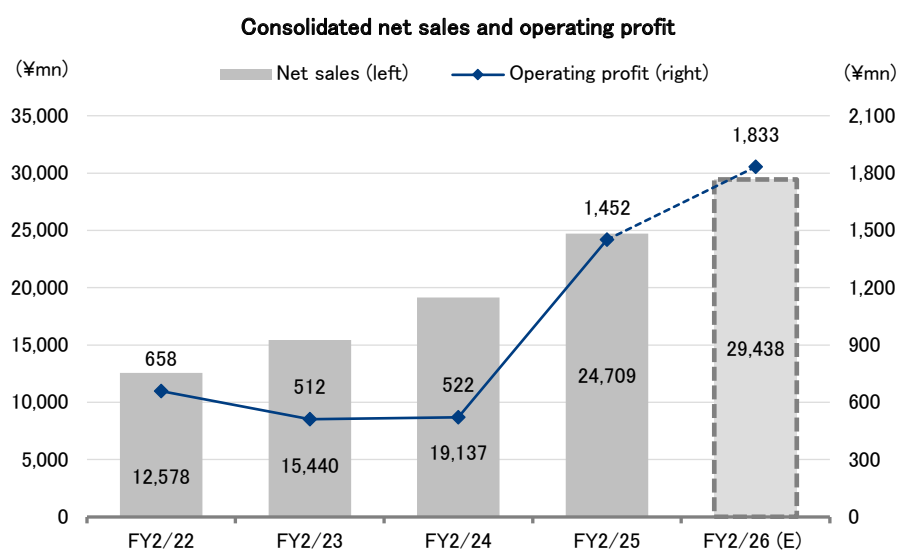
Summary

3. Growth strategy

The Company will engage in initiatives under its growth strategy going forward that involve actively recruiting and developing engineers in Japan and abroad, expanding its Solution Business centered on Salesforce through collaboration with NTT DATA, and working to achieve early profitability and improve profit margin with respect to mitoco and other offerings of the Product Business. The Company plans to engage in its collaborative initiative with NTT DATA starting with regional financial institutions engaged in digital transformation (DX), which indicates substantial potential for future business expansion. Under this partnership, the Company has issued new share subscription rights to NTT DATA, exercisable when operating profit reaches ¥2.5bn by FY2/27. Furthermore, Quemix Inc., which conducts R&D on quantum computing algorithms and software, is accelerating joint R&D with industry, government, and academia in the field of materials computation and simulation. As a result, the prospect of full-scale practical application is now anticipated beginning in 2028. This is expected to contribute to consolidated results in the future. As for shareholder returns, FISCO believes that the Company is now in a position to consider furnishing returns to shareholders through dividends, given that rising profit levels have enabled it to amass substantial internal reserves.

Key Points

- Significant gains in sales and profits achieved in FY2/25 amid growth in Salesforce-related business
- Double-digit gains in sales and profits anticipated due to steady orders again in FY2/26
- Launch of collaborative initiative with NTT DATA. New share subscription rights issued to NTT DATA



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

Company profile

Cloud integration company with a core focus on Salesforce

1. Company profile

The Company is a cloud integration services company that has specialized in providing support for the development and installation of cloud systems since its founding in 2006, and has led the growth of the domestic cloud computing market. The Company has installed more than 7,000 cloud systems, mainly Salesforce, on a non-consolidated basis and more than 20,000 on a consolidated basis (as of the end of FY2/25), and has handled a variety of development projects in all kinds of industries and company sizes. It has 10 subsidiaries in Japan and 2 overseas. Among them, BeeX (ownership ratio: 69%), which provides AWS installation support and cloud migration support for SAP systems, has grown in business scale to be second only to the Company. In addition, Kitalive (49%) is an equity-method affiliate. The Company is aggressively expanding human resources in order to meet strong demand in the cloud market. The number of Group employees (including Kitalive) at the end of FY2/25 was 1,470, a 2.8-fold increase over the past 5 years.

2. History

The Company was established in 2006 by current Representative Director, President & CEO Hideya Sato. President Sato left IBM Japan to join the Japanese subsidiary of Salesforce Inc., helping it get off the ground in Japan. He anticipated that the use of cloud services would spread 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*¹ (currently this service is called SkyVisualEditor) as development support tools that contribute to the improved convenience of cloud systems. In 2016, it launched mitoco*², which is a communications platform positioned as the next-generation version of groupware, and then in 2017, started development and provision of DataSpider Cloud*³, which is a cloud-based data-integration service, and the number of companies installing each of these services has steadily grown.

*¹ SkyEditor, now called SkyVisualEditor, is a Salesforce screen development tool that allows companies to customize screens on Salesforce for easier use.

*² A communications platform developed for use on the Salesforce cloud platform. It provides internal corporate communication tools (bulletin boards, talks, etc.), workflow and document management, and calendar functions, as well as a conference room reservation function and other functions available through connections with the IoT. It is also compatible with a mobile app, and it makes it possible to connect with outside parties at partner companies.

*³ A product jointly developed with Appresso K.K. (absorbed via merger into Saison Information Systems Co., Ltd. (currently, Saison Technology <9640>) in April 2019). This service enables non-programming coordination linkage between various cloud services and in-house databases and systems including applications. A portion of the rights to the service were transferred to the Company from the joint developer in September 2023. The Company is now developing and providing the service under the name mitoco X (a proprietary standalone service).

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Company profile

Meanwhile, the Company has also been promoting subsidiary development to expand its business domains in the cloud computing market. In 2014, it established Sky365 Co., Ltd., which provides AWS monitoring and maintenance services, as a joint venture with Serverworks <4434>. That set the stage for establishment of BeeX and Hokkaido-based Kitalive*, which assists in cloud system installations, in 2016. In 2019, the Company's expansion continued with establishment of three new subsidiaries: TerraSky Ventures Co., Ltd., which invests in and cultivates venture companies; Quemix, which engages in research and development of quantum computing algorithms; TerraSky (Thailand) Co., Ltd., which handles cloud system development and installation support in Thailand. In addition, it also acquired the e-commerce site and Web application developer Cuon.inc. as a subsidiary through a share acquisition. Also, the Company sought to expand operations in the cloud services domain in 2021. It established LiberSky Co., Ltd., which builds data analysis foundations on Google's cloud platform, and established TerraSky Technologies Co., Ltd., which engages in staffing and recruitment of cloud technology professionals. The Company also acquired ENOKI Inc. (formerly, iFocus network Co., Ltd.), which handles AI platform development and installation support, as a subsidiary. In 2022, the Company established DiceWorks Inc., which provides installation support of Salesforce MA tools. In 2024, the Company entered into a capital and business alliance with NTT DATA to pursue further business expansion through reciprocal use of Salesforce business resources.

* Kitalive ceased being a consolidated subsidiary when its shares were listed on the Sapporo Securities Exchange's Ambitious market in September 2022 and became an equity-method affiliate.

Consolidated subsidiaries and business descriptions

Company	Ownership ratio (End of FY2/25)	Business segment	Business description
Sky365 Co., Ltd.	56%*1	Solution Business	Supplied management service provider (MSP)*2 services specialized in cloud computing
BeeX Inc. <4270>	69%	Solution Business	AWS installation support, and support services for migration to cloud computing systems on SAP software platform
Cuon.inc.	100%	Solution Business	Development of Web applications, e-commerce sites, etc.
Quemix Inc.	67%	Solution Business	Research and development on algorithms using quantum computing
TerraSky (Thailand) Co., Ltd.	49%	Solution Business	Cloud systems installation support in Thailand
TerraSky Technologies Co., Ltd.	89%	Solution Business	Staffing and recruitment of professionals specializing in Salesforce and AWS
LiberSky Co., Ltd.	81%	Solution Business	Data utilization consulting enlisting Google technology, AI implementation, integration, etc.
DiceWorks Inc.	90%	Solution Business	Support for installation of marketing automation (MA) tools, etc.
TerraSky Inc.*3	100%	Product Business	Sales and marketing in the North America region for products developed in-house
ENOKI Inc.*4	71%	Product Business	AI platform development and installation assistance
TerraSky Ventures Co., Ltd.	100%	Others (Investment Business)	Investment in, development of, and support for venture companies in the cloud-related domain

*1 In April 2025, the Company transferred its shares in Sky365 to BeeX, reducing its ownership ratio to 10%.

*2 MSP (Management Services Provider) is a service for the operations, monitoring, and maintenance of companies' servers and networks

*3 Subject to dissolution at the end of June 2025.

*4 Subject to be merged into the Company through an absorption merger in June 2025.

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

Cloud service market and TerraSky's businesses

The public cloud services market is expected to sustain a double-digit annual growth rate

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. 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 initial 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 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.

As a result, market scale for public cloud service in Japan is expected to continue to steadily grow at double-digit annual rates going forward. A backdrop to this is that 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. 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 force automation (SFA) and customer relationship management (CRM). Looking at the revenue CAGR (Compound Annual Growth Rate of revenue) for the five years through 2024, major players have shown strong performance: Salesforce at 16%, AWS at 25%, and GCP at 37%. Although these growth rates are gradually moderating, they continue to be in the double digits. Given that investment in cloud migration, cloud native, and generative AI technologies remains robust in Japan, the market is expected to grow at an annual rate of around 15% over the medium term.

*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 users 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 (Amazon EC2) and Google Compute Engine.

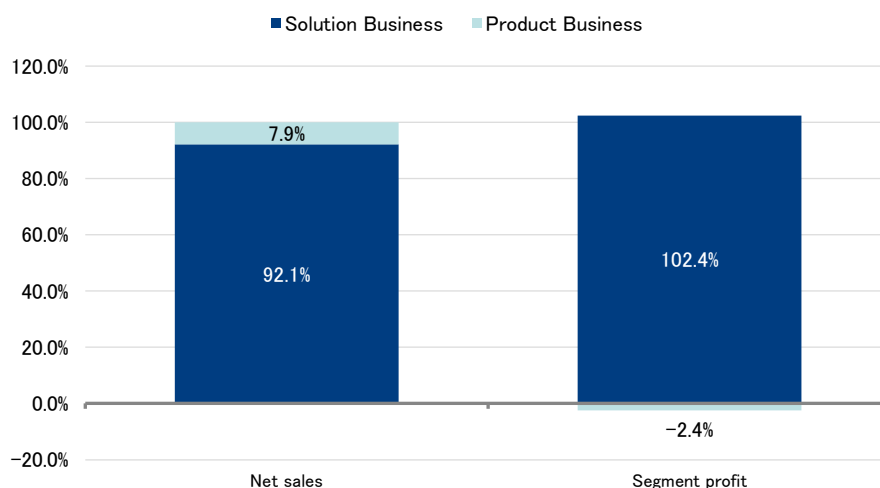
Solution Business accounts for over 90% of net sales

2. Business description

The Company operates in two business segments: Solution Business and Product Business. Solution Business is the main driver of performance, accounting for 92.1% of net sales and 102.4% of operating profit in FY2/25. Solution Business's segment profit margin is at a relatively stable level in the 10–19% range. The Solution Business mainly handles cloud system development and deployment support, and the operations and maintenance sales account for approximately 10 to 19% of total segment sales. Trends in development and installation project orders, project productivity, and engineer capacity utilization are all factors that affect profit margins, but the Company is able to handle Salesforce-related projects with a high degree of difficulty, ensuring relatively stable profitability. Although profit margins have been decreasing slightly over the past two fiscal years, this is primarily attributable to the upfront investment costs for the Thai subsidiary and Quemix, as well as increased personnel expenses resulting from active personnel recruitment and wage adjustments. However, project unit prices have begun to reflect the wage adjustments, which helped boost profit margins in FY2/25.

At the same time, the profit margin in the Product Business has been negative since FY2/22. This is due to continued upfront investment, including mitoco-related development costs and promotion expenses. However, its EBITDA margin improved substantially to 13.7% in FY2/25 from 5.1% in FY2/24. Because just over 90% of product net sales constitute subscription sales, the profit margin is expected to eventually surpass that of the Solution Business as sales volume expands amid an increase in the number of contracted companies.

Sales breakdown by business segment (FY2/25)

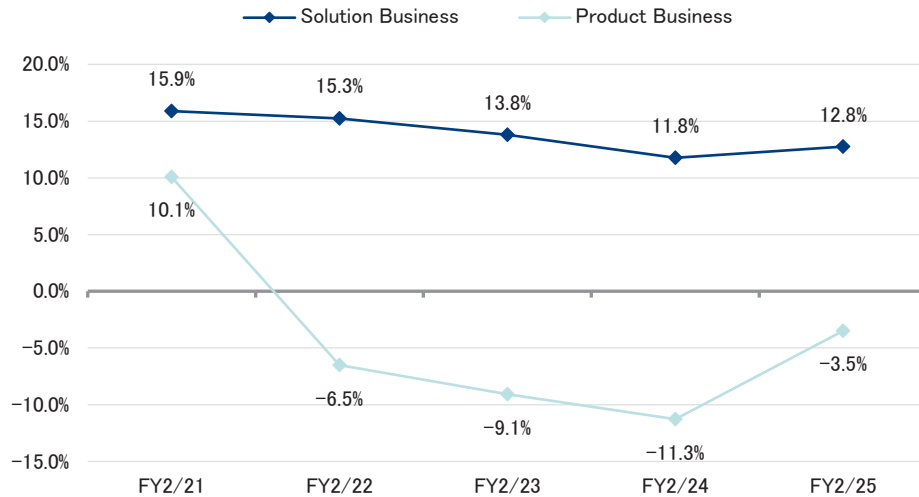


Note: Sales breakdown calculated with figures that include internal sales between segments
 Source: Prepared by FISCO from the Company's financial results

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Cloud service market and TerraSky's businesses

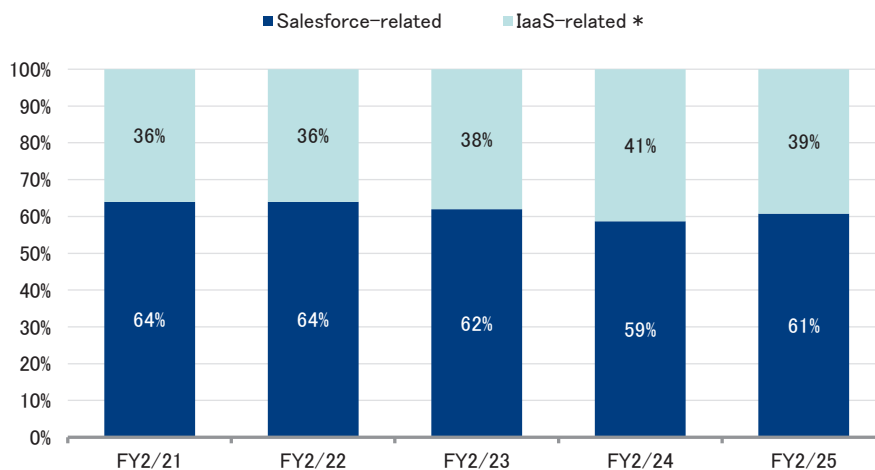
Profit margin by segment



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

By cloud platform, Salesforce-related business accounted for 61% of net sales (59% in FY2/24) and 78% of operating profit (72%) in FY2/25, marking an increase in both metrics. Although the share of IaaS-related business (such as AWS and GCP) declined in percentage terms, net sales grew by 20% and operating profit by just over 10% on an absolute basis, indicating that business is expanding across all cloud platforms.

Sales mix by cloud



* IaaS-related represents total of AWS and GCP-related. Data for FY2/21 represents AWS-related only.
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, planning improvement policies and systemization planning. Salesforce is frequently developed as a front-end system and many companies enter into license-sales agreements with Salesforce.

Although the Company has an extensive track record of Salesforce installations across a wide range of industries and company sizes, it has been handling an increasingly high proportion of large-scale projects for sales, service and marketing divisions of large companies due to the strengths of Salesforce in the CRM field. More than 80% of the Company's Salesforce-related order volume comprises continued and additional development projects for its existing customers, along with maintenance and operational fees. In most cases, development continues after Salesforce has been installed, typically with the addition of new features. While the cloud integrator that supported the initial installation generally continues to handle follow-up development and maintenance, the Company has recently been receiving an increasing number of orders for follow-on development involving systems where initial installation was handled by another company. This reflects the Company's extensive track record and expertise, and the notion that it has one of the largest development frameworks in Japan, particularly as development becomes increasingly complex.

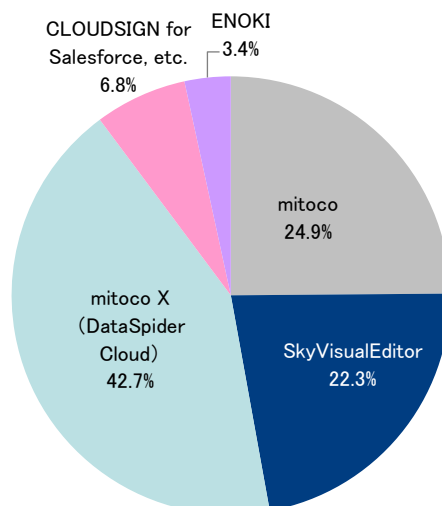
Also, the subsidiary BeeX provides cloud migration support for SAP systems and AWS development and installation support (and also for Microsoft Azure if customers require this). In particular, against the backdrop of its advanced technological capabilities for SAP cloud migration support, it has a track record of supporting many migrations. In addition, Sky365 delivers MSP services related to Salesforce, AWS, and other cloud deployment projects. The Solution Business also includes TerraSky Technologies, Cuon., LiberSky, DiceWorks, TerraSky (Thailand), and Quemix, which conducts businesses related to quantum computers.

(2) Product Business

In the Product Business, which includes AI platform business developed by the Company's subsidiary ENOKI, the Company serves as a SaaS vendor in developing and providing services specializing in the Cloud. The main products of the Product Business include mitoco X (formerly DataSpider Cloud), SkyVisualEditor and mitoco. 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. The recurring sales ratio in FY2/25 was just over 90%, the breakdown by service being mitoco X at 42.7%, mitoco at 24.9%, and SkyVisualEditor at 22.3%. These three products accounted for approximately 90% of subscription sales.

Cloud service market and TerraSky's businesses

Subscription sales mix



Note: Sales mix calculated with the total amount (including the shared revenue portion)
Source: Prepared by FISCO from the Company's results briefing materials

The mitoco groupware product, a mainstay product undergoing intensified development, provides workflow, calendar, bulletin board, and other functions for use on the Salesforce platform to facilitate internal communication. It is compatible with mobile devices and enables users to share Salesforce information such as calendars, accounts, and account contacts. In addition, the most notable feature of mitoco is that it enables centralized management of customer-focused information by bridging the gap between Salesforce used by sales divisions and scheduling and workflow management systems used company-wide. The Company has been incrementally scaling up mitoco's functionality with the addition of expense accounting in December 2021, attendance management in August 2022, financial accounting in September 2023, and debt management in March 2024. The product is highly rated by users as well. At the ITreview Grid Awards, which honor products and services rated highly based on postings on the ITreview user review platform for IT products and cloud services, it received consecutive awards, the "Leader" rank, the highest ranking, in the Salesforce extension category and "High Performer" in the groupware category.

mitoco X is a tool for automatically integrating customers' in-house, on-premises systems with various cloud services, such as Salesforce. SkyVisualEditor is a tool that enables customers to improve the useability of Salesforce screens by customizing specifications in line with their business. It has established a position as the de-facto product in its industry.

Top-ranking track record and team of professionals in Japan enlisting support for installing Salesforce

3. Strengths and issues

The Company's strengths lie in its extensive expertise and professionals, built through a track record of installations amassed since entering the cloud market in the early days of such technology. The Company is among the industry's top-ranking cloud-based system installers, with more than 20,000 installations on a cumulative basis Group-wide as of the end of FY2/25. In addition, the number of certifications held for Salesforce, a core area of the Company's business, exceeded 4,500 across the Group making it the largest holder of such certifications in Japan, surpassing Accenture PLC <ACN>. As the number of technical certification holders corresponds closely to a company's ability to take on orders for projects, it is fair 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 several months gaining practical skills by attending classes and undergoing training based on original curriculum to acquire technical certifications. Those who gain these certifications are then assigned to actual workplaces as members of project teams. The Company's establishment of this Salesforce training program for engineers is another of its notable strengths. According to the Company, as of January 2025, 5 of 22 people (No. 1 in Japan) have acquired the rank of Certified Technical Architect, the highest technical rank for Salesforce in Japan.

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, and the Company was certified as the highest level of APN, "AWS Premier Tier Service Partner,"*3 in February 2024.

*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 Obtained 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-premises environments to AWS environments, and the ability to manage operations post-migration.

*3 Even within the APN, the partner possesses highly specialized knowledge of AWS workload design, construction, migration and management, and is certified for contributing to the business expansion of numerous customers. BeeX is the 15th company certified in Japan.

Another of the Company's strengths lies in it having established a Group-wide support framework for installations on multiple cloud platforms such as AWS, GCP, and Microsoft Azure, centered on Salesforce. 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 meet diverse development needs.

Meanwhile, the Company faces challenges in terms of a shortage of engineers needed to address robust demand. Although the number of Group employees has increased 2.8-fold over the last five fiscal years, the Company continues to face a shortage of engineers. To address this challenge, it opened satellite offices in Akita City and Matsue City in 2024 and hired several employees at each location. It also plans to open satellite offices in Morioka City and Kagoshima City in 2025. Additionally, the Company relocated and expanded its Osaka Office and Nagoya Office in summer 2024 to expand business in the western Japan region. It also renovated its Fukuoka Office in February 2025, improving the workplace environment and significantly increasing office capacity.

Results trends

Significant gains in sales and profits achieved in FY2/25 amid growth in Salesforce-related business

1. Overview of FY2/25 results

For the FY2/25 consolidated results, the Company reported net sales of ¥24,709mn (up 29.1% YoY), operating profit of ¥1,452mn (up 177.8%), ordinary profit of ¥1,603mn (up 144.7%), and net profit attributable to owners of parent of ¥1,018mn (up 239.4%). Net sales continued to grow at a double-digit pace, while both operating profit and ordinary profit reached new record highs for the first time in four fiscal years. All of these figures outperformed the Company's initial forecast and the revised forecast released in January 2025.

FY2/25 consolidated results

(¥mn)

	FY2/24		FY2/25					
	Results	% of net sales	Initial forecast	Revised forecast*	Results	% of net sales	YoY	vs. revised forecast
Net sales	19,137	-	24,024	24,040	24,709	-	29.1%	2.8%
Cost of sales	14,125	73.8%	-	-	18,034	73.0%	27.7%	-
SG&A expenses	4,489	23.5%	-	-	5,222	21.1%	16.3%	-
Operating profit	522	2.7%	905	1,167	1,452	5.9%	177.8%	24.4%
Ordinary profit	655	3.4%	1,000	1,282	1,603	6.5%	144.7%	25.1%
Extraordinary income/loss	-21	-	-	-	29	-	-	-
Net profit attributable to owners of parent	300	1.6%	565	745	1,018	4.1%	239.4%	36.7%
Group employees at fiscal year-end	1,248	-	1,640	-	1,470	-	17.8%	-

* Revised forecasts announced January 2025

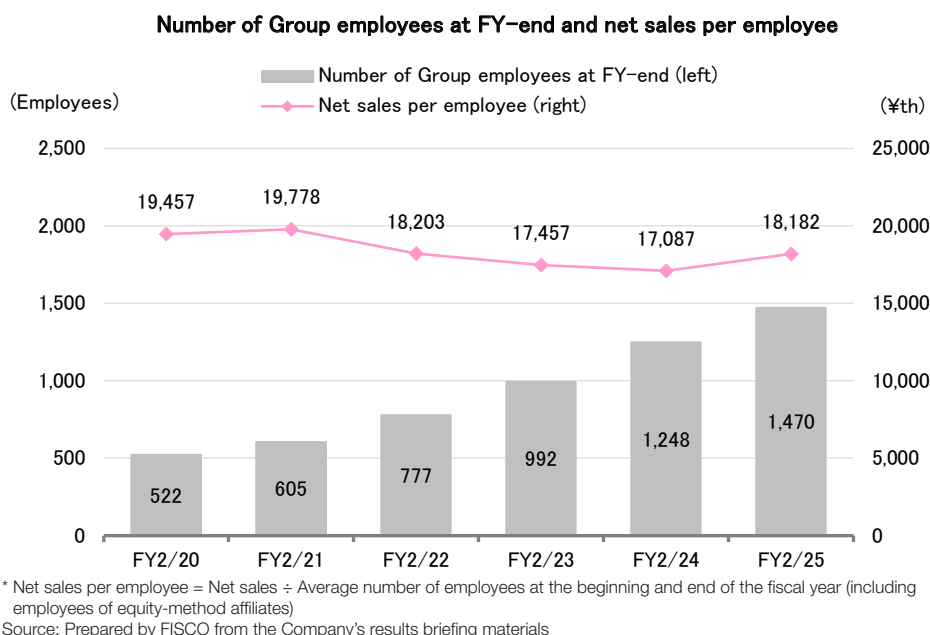
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Results trends

The Solution Business served as the primary driver of earnings performance given its significant growth in net sales, which increased 30.1% YoY. Its results were attributable to solid performance in orders received for new and additional development projects involving Salesforce, and SAP cloud migration projects, amid persistently increasing corporate investment in DX. Cost of sales ratio decreased 0.8 percentage points (pp) to 73.0%. This was mainly due to an increase in highly complex large development projects related to Salesforce, as well as a result of the Company having effectively adjusted prices to reflect engineer wage revisions. The shift toward larger development projects reflects factors such efforts to strengthen the team of sales consultants capable of suggesting optimal solutions tailored to customer needs (comprehensive proposals combining multi-cloud solutions and third-party products), and an increasing number of applications compatible with the Salesforce platform. Up until a few years ago, many companies opted to install Salesforce with minimal functionality due to concerns over potential system issues at the initial installation stage. However, more companies have recently been using multiple functions immediately after initial installation given that the Company has gained trust backed by its track record of many Salesforce deployments. Although the number of companies offering Salesforce installation support has increased in recent years, larger-scale development projects tend to be more complex and labor-intensive. As a result, such orders are increasingly concentrated among major integrators like the Company, which has been a factor contributing to cost of sales ratio improvement.

SG&A expenses rose 16.3% YoY for an increase of ¥733mn on a monetary basis. This was mainly attributable to the Company's opening of satellite offices in Akita City and Matsue City, relocation and expansion of the Osaka Office and Nagoya Office to expand business in the western Japan region, renovation costs for the Fukuoka Office, higher personnel expenses accompanying headcount increase in administrative divisions, and higher audit fees and other related expenses. Operating profit margin rose from 2.7% in the previous fiscal year to 5.9% amid a decrease of 2.4pp in the SG&A expense ratio due to increased sales, combined with cost of sales ratio improvement. The number of Group employees at the end of FY2/25 stood at 1,470, an increase of 222 from the end of the previous fiscal year. From FY2/22 onward, the rate of headcount increase exceeded that of the rate of sales growth in part due to aggressive hiring of TerraSky Technologies. In FY2/25, however, the rate of sales growth exceeded the rate of headcount increase, and net sales per employee rose for the first time in four fiscal years. Although the initial forecast called for 1,640 employees, actual headcount fell short of that number primarily because TerraSky Technologies scaled back hiring from the latter half of 3Q in response to utilization trends in its IT staffing business.

Results trends



Results outperformed the revised forecast mainly due to factors that include: strong new orders and steady progress in development in the standalone Solution Business; recovery of employee capacity utilization of TerraSky Technologies to more than 90% in 4Q (having fallen below 90% in 3Q) as a result of a stronger focus on sales activities (also aided by restrained new hiring), and; delivery of a large-scale GCP development project by LiberSky in Q4. Whereas most of the Company's major subsidiaries posted higher sales and profits, Quemix and TerraSky (Thailand) incurred slight increases in losses in part due to ongoing upfront investment. Total ordinary loss of the two companies increased from ¥160mn in FY2/24 to just over ¥200mn.

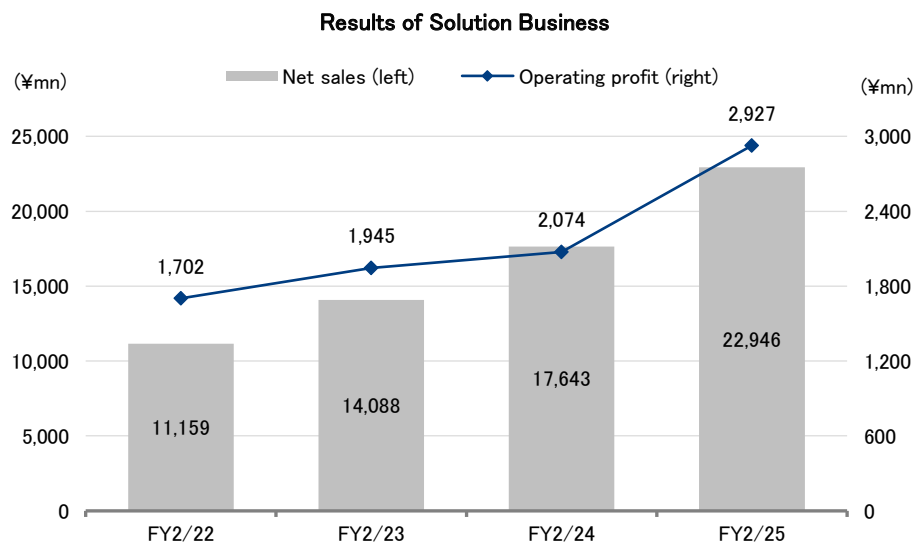
Double-digit gains in both sales and profits posted by the Solution Business, while losses in the Product Business narrowed due to higher sales

2. Trends by business segment

(1) Solution Business

The Solution Business again recorded record high segment sales and profit with net sales of ¥22,946mn (up 30.1% YoY) and segment profit (operating profit) of ¥2,927mn (up 41.1%). Net sales grew steadily against a backdrop of robust demand for DX investment, centered on Salesforce installation and development services, SAP cloud migration services undertaken by BeeX, and IT staffing business by TerraSky Technologies. On the profit front, earnings rose significantly amid a scenario where the increase in sales absorbed upfront investment costs for Quemix and TerraSky (Thailand).

Results trends



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

The Company is actively advancing a partnership strategy to strengthen its Salesforce-related solutions capability. In June 2023, the Company concluded an exclusive sales agreement in Japan with Flosum Corporation (US) for Flosum*¹, and has since been amassing a sales track record. In September 2024, it entered into an implementation partner agreement in Japan with Clarivate Plc (UK), agreeing to a partnership for projects involving installation of the IPfolio intellectual property management system. In January 2025, the Company entered into a domestic sales agreement with ACCELQ, Inc. (US) with respect to the ACCELQ*² AI-powered codeless test automation and management tool. The Company aims to expand sales centered on companies deploying Salesforce and pursuing in-house development, as well as to system integrators engaged in Salesforce development.

*¹ Flosum is an application that increases the efficiency of Salesforce release management and continuing integration operations. It reduces the heavy workload of developers and system staff related to Salesforce release and version management and is adopted by companies promoting utilization and insourcing of Salesforce.

*² According to ACCELQ, large Salesforce users in the information and communications industry have been able to shorten manual testing processes from several days previously to just a few hours using ACCELQ, resulting in significant reductions in cost and labor.

As for trends at subsidiaries, TerraSky Technologies achieved increases in sales and profits due to strong demand for IT staffing services for Salesforce professionals (primarily system operators). LiberSky also recorded increased sales and profits amid a rising number of inquiries for GCP construction, big data analytics, and AI consulting services. It had previously relied heavily on outsourcing, but now aims to achieve further growth by stepping up personnel recruitment from FY2/26 onward given that its business has gained momentum. Sales increased, albeit modest in amount, for DiceWorks, which supports the deployment, operation, and adoption of Salesforce MA tools, and Cuon, which builds, operates, and maintains e-commerce websites and also engages in other system development projects.

Results trends

Quemix, which conducts R&D on algorithms and software related to quantum computers, has been making progress with its license business and joint research involving industry, government, and academia. In March 2025, it announced results of research demonstrating the potential for new applications of aluminum nitride, obtained by performing quantum chemical calculations using a hybrid computing system that combined Quantinuum's quantum computer with a supercomputer at the Institute for Solid State Physics of the University of Tokyo. This involved joint research with Asahi Kasei <3407>, the University of Tokyo, and the National Institutes for Quantum Science and Technology (QST) of the National Research and Development Agency. Quemix is now positioned as a leader in quantum R&D in Japan, as this initiative marks the world's first proof of concept using algorithms designed for fault-tolerant quantum computing (FTQC)*¹, which is expected to enter full-scale commercial use after 2028. In November 2024, Quemix entered into a capital and business alliance with SCSK <9719> to accelerate R&D for the societal integration of quantum computing and expand the materials informatics (MI)*² business. In April 2025, Quemix raised a total of ¥550mn through a third-party allotment of shares from SCSK, the Company, and venture capital firms.

*¹ Fault-tolerant quantum computing (FTQC) involves use of gate-model quantum computers that incorporate quantum error correction mechanisms. Such computers are capable of correcting errors that occur during computation, which enables highly reliable quantum calculations.

*² Materials Informatics (MI) is a method that draws on information science and AI to enhance the efficiency of materials development. It aims to facilitate swifter discovery and development of new materials by analyzing vast amounts of experimental and simulation data to predict material compositions that achieve desired material properties.

Although the subsidiary in Thailand was subject to a dormant period during the pandemic after having been established in 2019, business activities got underway in the summer of 2022. It is currently providing Salesforce installation support with a staff of more than 10 engineers. It seems to be making progress in gradually developing its customer base and aims to achieve early profitability, despite the prospect of it still posting a loss in FY2/26.

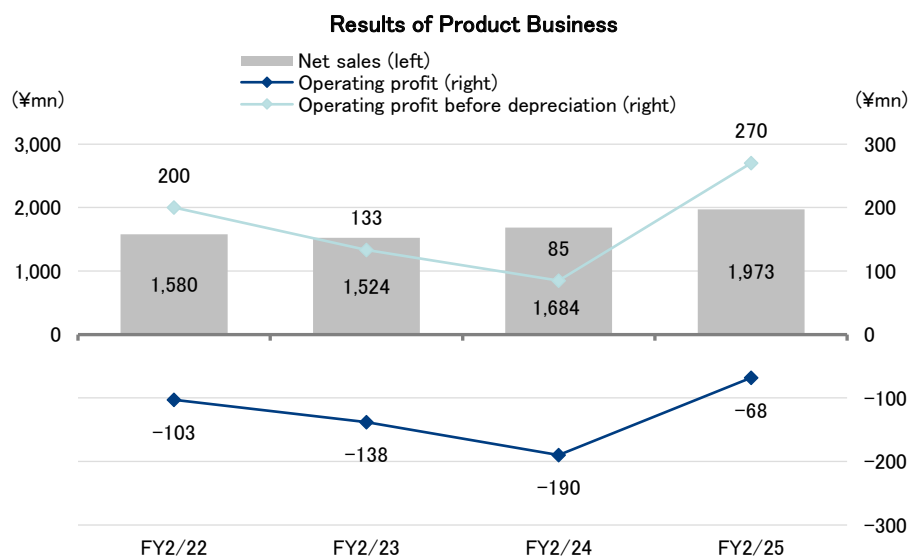
(2) Product Business

The Product Business recorded net sales of ¥1,973mn (up 17.2% YoY), and segment loss (operating loss) of ¥68mn (segment loss of ¥190mn in FY2/24). Subscription sales, which account for 92.9% of product net sales, marked steady growth of 14.5%. Of this, the mitoco X data-integration tool, the core product, and mitoco both achieved double-digit growth of 11.9% and 16.3%, respectively. On the profit front, meanwhile, the segment continued to post losses due to ongoing development investment in mitoco ERP. However, operating profit before depreciation surged 214.9% YoY to ¥270mn, indicating a shift to a profitable business structure. Additionally, the segment has been generating modest profits on a quarterly basis since 3Q.

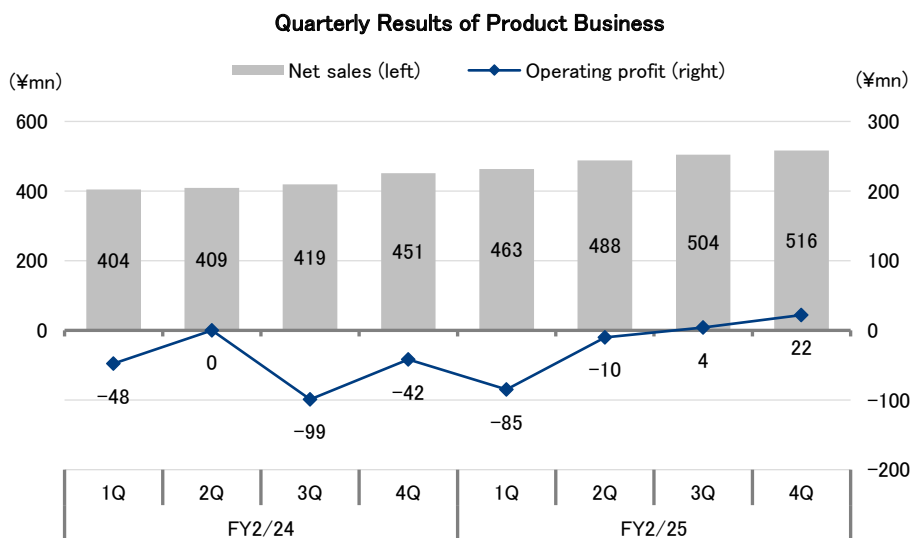
In March 2024, the Company added new features to the cloud-based mitoco Accounting system that runs on the Salesforce platform released in 2023, including cash flow statement, allocation journal entry, and supporting document bulk import functions. It also released mitoco Payment Management for handling payments and tracking debt balances. In December 2024, the Company also released mitoco Claims Management for administering accounts receivable and loans, thereby making progress in strengthening functions associated with corporate financial accounting. Although there have been few deployments of these offerings thus far, the Company plans to persist with its efforts to scale up functionality while expanding sales going forward*.

* The fee structure consists of a monthly system usage fee of ¥70,000 for mitoco Accounting, ¥30,000 each for Debt Management and Claims Management, and a user license fee of ¥10,000 per month. Additional options are also available.

Results trends



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



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

In September 2024, the Company launched its ERP Cloud 360 Consortium in collaboration with Synapse Innovation Inc. and TeamSpirit <4397>, both of which are leading vendors of Salesforce AppExchange applications. The purpose of the consortium is to promote the adoption of cloud-based ERP solutions powered by AI for mid-sized enterprises. The ERP Cloud 360 Consortium brings together specialized business solutions from different companies and integrates them on the Salesforce platform as ERP Cloud 360 solutions. It serves as an interactive forum for sharing technical information and enabling integration among products of the respective companies in order to provide optimal ERP solutions. Going forward, the Company plans to accelerate growth by extending its sales channels targeting mid-sized enterprises through the consortium and recruiting sales and product installation partners aligned with the consortium.

Increase in profitability amid progress achieved in strengthening the financial foundation

3. Financial position and management indicators

Total assets at the end of FY2/25 were ¥19,470mn, an increase of ¥1,023mn from the end of FY2/24. The main factors behind the change were as follows. In current assets there were increases in cash and deposits of ¥896mn, accounts receivable - trade, and contract assets of ¥1,007mn, and prepaid expenses of ¥302mn. In non-current assets, property, plant and equipment increased ¥91mn and software increased ¥165mn, but investment securities declined ¥1,679mn in part due to a downturn in prices of shareholdings.

Total liabilities increased by ¥737mn from the end of the previous fiscal year to ¥6,630mn. Looking at the main factors behind this change, deferred tax liabilities declined ¥558mn, but accounts payable - trade and contract liabilities increased ¥745mn and income taxes payable increased ¥326mn. Total net assets rose ¥285mn to ¥12,839mn. Valuation difference on available-for-sale securities declined ¥1,227mn, but retained earnings increased ¥1,018mn, capital surplus increased ¥186mn, and non-controlling interests increased ¥306mn.

In management indicators, while the equity ratio decreased from 60.2% at the end of the previous fiscal year to 56.9%, mainly due to the decrease in valuation difference on available-for-sale securities following the downturn in prices of shareholdings, the Company has been maintaining record levels of net cash (cash and deposits – interest-bearing debt) at the ¥6.3bn range. Therefore, it can be judged as having a favorable financial standing. Profitability indicators turned upward, with ROA, ROE and operating profit margin to net sales of 8.5%, 9.2%, and 5.9%, respectively. While profitability had been trending downward over the past three fiscal years due to higher upfront investment costs, the improvement in FY2/25 is mainly attributable to a situation where effects of such upfront investment started to materialize, partly in the form of significant sales growth in the Solution Business. Looking ahead to FY2/26 onward, although the Company will continue making sizable development investment in the Product Business, profitability is poised to keep increasing with the increase in sales absorbing such expenditures.

Consolidated balance sheets and management indicators

	(¥mn)				
	FY2/22	FY2/23	FY2/24	FY2/25	Change
Current assets	9,339	10,034	10,642	12,844	2,202
Cash and deposits	5,672	5,893	5,616	6,512	896
Non-current assets	4,494	5,488	7,804	6,625	-1,179
Total assets	13,834	15,523	18,446	19,470	1,023
Total liabilities	3,987	4,591	5,892	6,630	737
Interest-bearing debt	596	290	229	205	-23
Total net assets	9,846	10,932	12,553	12,839	285
Management indicators					
<Stability>					
Equity ratio	63.5%	61.7%	60.2%	56.9%	-3.3pp
Interest-bearing debt ratio	6.8%	3.0%	2.1%	1.9%	-0.2pp
Net cash	5,076	5,603	5,387	6,306	919
<Profitability>					
ROA	4.5%	4.2%	3.9%	8.5%	4.6pp
ROE	3.3%	3.8%	2.9%	9.2%	6.3pp
Operating profit margin to net sales	5.2%	3.3%	2.7%	5.9%	3.1pp

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

■ Outlook

Double-digit gains in sales and profits anticipated due to steady orders again in FY2/26

1. FY2/26 forecasts

In its FY2/26 results forecasts, the Company projects double-digit gains in both sales and profits with net sales of ¥29,438mn (up 19.1% YoY), operating profit of ¥1,833mn (up 26.3%), ordinary profit of ¥1,973mn (up 23.1%), and net profit attributable to owners of parent of ¥1,363mn (up 33.9%). The Solution Business is expected to remain the main driver of growth. The operating profit margin is projected to rise from 5.9% in FY2/25 to 6.2% in FY2/26 due to the potential increase in sales as well as progress achieved by the Company in shifting to insourcing facilitated by engineer training. Meanwhile, the Company has been encountering a rising number of inquiries amid a scenario where development projects including those involving integration with third-party systems are becoming larger in scale given the rising number of applications compatible with the Salesforce platform. In fact, the Solution Business began the fiscal year with a high order backlog on a standalone basis, up 67.3%, due to the continuation of large-scale projects. In addition, the Company expects to fully launch a Salesforce collaboration project with NTT DATA, with which it entered into a capital and business alliance in April 2024. With multiple projects already set in motion, FISCO thinks that there is a strong possibility that FY2/26 results could outperform the Company's forecasts depending on how these joint projects develop.

Forecast for FY2/26 consolidated results

	FY2/25		FY2/26		
	Results	% of net sales	Forecast	% of net sales	YoY
Net sales	24,709	-	29,438	-	19.1%
Operating profit	1,452	5.9%	1,833	6.2%	26.3%
Ordinary profit	1,603	6.5%	1,973	6.7%	23.1%
Net profit attributable to owners of parent	1,018	4.1%	1,363	4.6%	33.9%
Earnings per share (¥)	78.94		105.66		
Number of Group employees at fiscal year-end	1,470		1,761		291

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

The Company plans to increase the number of employees who facilitate growth to 1,761 employees across the Group, up 291 from the end of the previous fiscal year. The breakdown includes 119 additional employees at the Company itself, 77 at TerraSky Technologies, and 95 at other subsidiaries (including affiliated companies), reflecting the Company's policy of strengthening its personnel structure across all of its business domains. Given that the Company has factored recruitment, education and training, and personnel expenses into its results forecasts based on the workforce plan, a situation where hiring is below targets of the plan would result in reduced costs. While the Company hired 92 new graduates in April 2025, slightly below the 112 hired in the previous year, it is continuing to strengthen its organizational structure by stepping up locally-based recruitment efforts and working to curb the severance rate amid its plans to open two more satellite offices following on such efforts in the previous year. The Company plans to open satellite offices in Kagoshima City and Morioka City in August 2025, bringing the total to five locations.

Outlook

According to FISCO's assessment, the Solutions Business is poised to continue posting double-digit growth in both sales and profits, while the Product Business is likely to maintain double-digit sales growth but continue to post slight losses due to ongoing development investment. We also project that sales of the Company's Thai subsidiary will increase and that its losses will narrow due to a strengthened management structure. We expect Quemix to post higher sales due to persisting growth investment in its quantum computing business and expansion of quantum computing-related human resource training services. However, we also project a slight increase in losses due to higher development expenses. We expect the other subsidiaries to achieve increases in both sales and profits, assuming that favorable market conditions persist. With respect to ENOKI, which had engaged in development and installation support of the ENOKI conversational AI platform, the Company has decided to absorb it through a merger in June 2025 to streamline management resources. Going forward, the Company seeks to enhance mitoco AI product capabilities by integrating ENOKI's technologies into mitoco AI, which offers generative AI functionality on the Salesforce platform.

Launch of collaborative initiative with NTT DATA. New share subscription rights issued to NTT DATA

2. FY2/26 priority measures

The Company plans to focus on three priority measures in FY2/26: 1) Expanding business with NTT DATA, 2) Scaling up in-house support services, and 3) boosting mitoco product sales.

(1) Expanding business with NTT DATA

In April 2025, the Company and NTT DATA jointly launched NTT DATA Salesforce Hub to further strengthen their Salesforce business. To address nationwide demand related to the Salesforce platform in Japan, the two companies are building a resource pool that brings together top-tier consultants and engineers from the Company and from across NTT DATA Group companies, with plans to expand this pool from 1,800 professionals currently to 5,000 by 2028. The two companies will engage in highly agile and optimal staffing for corporate clients that are seeking to achieve business transformation through use of the Salesforce platform. In addition, the Company aims to expand business with NTT DATA by developing new services that use Agentforce AI agents on the Salesforce platform, providing consulting services supporting the application of such agents to customer operations, and enlisting use of mitocoAI and other such solutions.

First, the focus of the Company's efforts with NTT DATA will be on regional financial institutions engaged in digital transformation (DX), while simultaneously expanding into areas such as government agency, local municipality, manufacturing, retail, and regional markets. Furthermore, the two companies plan to expand such business overseas, which will entail promoting business in partnership with the Company's Thai subsidiary in Southeast Asia. Meanwhile, the many customers of NTT DATA, including financial institutions, government agencies, local municipalities, and other large enterprises, offer promise of the Company achieving Salesforce business growth.

Outlook

Under the capital and business alliance formed in April 2024, the Company issued NTT DATA new share subscription rights equivalent to 670,000 shares. If NTT DATA exercises these new share subscription rights, its total holdings including shares already acquired will constitute 20.1% ownership of the Company, thereby making the Company an equity-method affiliate of NTT DATA. The new share subscription rights may be executed at an exercise price of ¥1,400 if the Company's consolidated operating profit exceeds ¥2.5bn even once in any fiscal year through FY2/27. The prospect of an increasing volume of collaborative projects undertaken with NTT DATA seems to suggest a high likelihood that operating profit will exceed the ¥2.5bn amount. With the long-term target for ¥70.0bn in consolidated net sales in FY2/30 unchanged, the Company intends to maintain sales growth of around 20% annually while strengthening human resources and promoting subsidiary development in seeking to meet robust cloud integration demand going forward.

(2) Scaling up in-house support services

Over the past four to five fiscal years, the Company has been furnishing support to customers who are building their own frameworks for using cloud services. Going forward, however, it will work to maximize customer lifetime value (LTV) in supporting solution insourcing and adoption by providing customers with practical tools that enable them to more effectively use Salesforce. Such tools include the ACCELQ codeless AI-powered test automation and management tool previously mentioned, and the Flosum release management tool for Salesforce.

(3) Boosting mitoco product sales

The Company released key modules of its mitoco ERP accounting series through to the end of 2024, including financial and managerial accounting, payment management, and accounts receivable modules. Going forward, it plans to focus on expanding sales while continuing to enhance functionality. It is poised to complete the mitoco ERP accounting series with the addition of a non-current asset management function whose development is slated to begin in 2H FY2/26.

The Company also plans to release version 2.0 of its mitoco X cloud-based data-integration tool in June 2025. It acquired the rights to mitoco X from a development partner in 2023, and has since been working on development of version 2.0 from the ground up as an original product. Having already received many inquiries from existing customers and others, it is poised to achieve further growth in FY2/26.

■ Shareholder return policy

Despite rising profit levels and substantial internal reserves, no dividend again in FY2/26. Substantial internal reserves indicate capacity to pay dividends

The Company has not paid dividends since it was listed. This is because it is in the investment phase of its corporate development, during which time the Company believes that the best way to return value to its shareholders entails increasing corporate value (market capitalization) by allocating cash to growth investment for the sake of achieving high earnings growth. Therefore, although the Company plans to refrain from paying dividends again in FY2/26, it has built a management foundation capable of generating net profit exceeding ¥1.0bn, and its retained earnings also exceed ¥5.0bn, indicating sufficient capacity for it to make dividend payments. Based on this, FISCO thinks conditions have become favorable for the Company to consider the option of providing shareholder returns through dividends. Meanwhile, the Company has adopted a shareholder benefits program and provides QUO cards worth ¥1,000 uniformly to shareholders at the end of February each year.

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