COMPANY RESEARCH AND ANALYSIS REPORT

UNIRITA Inc.

3800

Tokyo Stock Exchange Standard Market

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Summary

Lower sales and profits in FY3/25. Aiming to catch up by strengthening collaboration with partners

1. Company profile

UNIRITA Inc. <3800> (hereafter, also "the Company") is engaged in the development and sale of products and services related to data utilization and IT system operations, as well as peripheral system development and consulting services for a wide range of industries, primarily finance and manufacturing. As the role of IT shifts from "defensive" (such as improving operational efficiency and reducing costs) to "offensive" (a means to achieve competitive advantages in business), the Company has leveraged its strengths in the fields of service management and data management to demonstrate its ability to provide solutions that directly address the operational challenges faced by companies engaged in digital transformation (DX). Recently, under a management policy of services shifting, the Company has been promoting a transformation of its business model by transitioning to a subscription-based revenue model characterized by the provision of proprietary services via the cloud, and engaging in businesses that address social issues—such as work style reforms, regional revitalization, and revitalization of primary industries—through the use of digital technologies.

The three-year medium-term management plan began in FY3/25, and its first year has now passed. Under the basic policy titled Re.Connect 2026, the Company aims to realize its vision of "becoming UNIRITA Group that embodies empathy and creates uniqueness" by further advancing three business strategies: "expanding service-provision-type businesses," "establishing a new value provision model," and "transforming business processes." It will also work to reinforce a sustainability base for facilitating sustainable growth, including by accelerating human capital investment, based on the concept of realizing both economic value as a business company and societal value by solving societal problems through business activities that utilize the Group's management resources and IT solutions capabilities. June 2025 marked the 10th anniversary of the Company changing its name, so it has reformulated and released its Group Purpose (raison d'être) as "Creating an economy spun together through altruism."

2. Overview of FY3/25 results

In the FY3/25 results, net sales declined 2.5% year on year (YoY) to ¥11,687mn, and operating income dropped 17.8% to ¥840mn, resulting in decreased sales and profits that underperformed the initial forecast. Net sales declined as lower orders from existing partners in the system integration business under Professional Services and a sluggish start for new orders in Cloud Services outweighed strong momentum for Product Services driven by growth in automation business tapping into robust migration demand. Profits also declined due to a drag on earnings from lower sales, higher cost ratios in Cloud Services, increased research and development expenses including initiatives related to generative AI, and proactive investments in areas such as social issues and data science.

3. FY3/26 forecasts

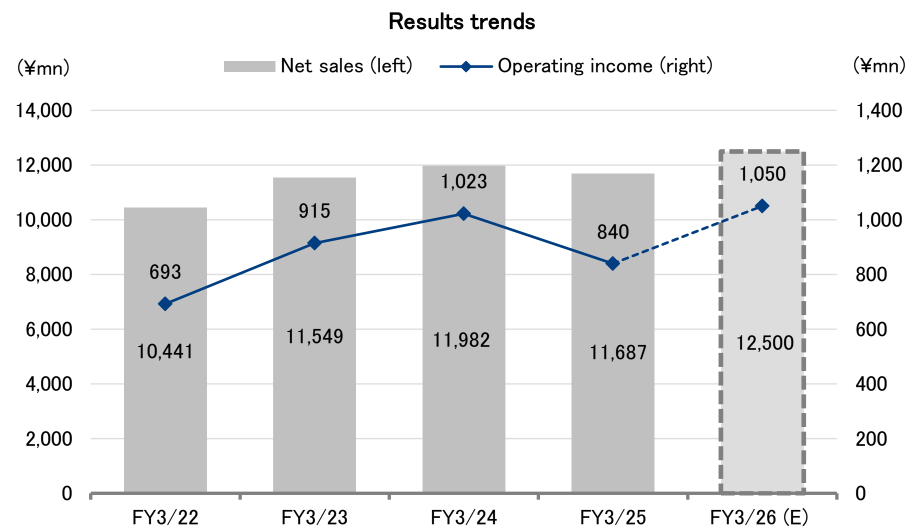
For FY3/26, the Company forecasts net sales to increase 7.0% YoY to ¥12,500mn and operating income to rise 24.9% to ¥1,050mn, so increases in both revenue and profits are expected. Net sales are expected to continue performing strongly in Product Services, while the Company will work to improve Cloud Services, which were sluggish in the previous fiscal year. In Professional Services, consulting and outsourcing sales will remain firm, backed by a favorable orders environment, and in the system integration business, where orders from existing partners have been shrinking, the Company is planning to shift to added value fields. In terms of profits, the Company aims to significantly increase profits by growing high-margin Product Services, turning Cloud Services profitable, and raising Professional Services' added value while continuing strategic investments.

4. Direction of the medium-term management plan

The medium-term management plan aims to establish a new value provision model for the entire Group, starting with consulting and redefining its core competencies as "service management" and "data management." In particular, the Company aims to expand in scale in each cloud category by continuing to invest in cloud growth areas and advancing value co-creation, including through collaborations with partner companies. Numerical targets have been revised downward due to slow progress in Cloud Services in FY3/25, but there is no significant change to the plan's future direction. The targets for FY3/27, the final year of the plan, are net sales of ¥13.25bn, operating income of ¥1.15bn, and ROE of 7.4%. The Company is also committed to increasing dividends in line with profit growth.

Key Points

- Decrease in sales and profits that underperformed forecasts in FY3/25 as Cloud Services struggled to capture new orders
- Product Services has a favorable order environment supported by migration demand and an appetite for IT investment accompanying DX, and the number of inquiries is steadily increasing
- Expecting to increase sales and profits in FY3/26 by strengthening collaboration with partners
- The medium-term management plan has been revised downward. Aiming for net sales of ¥13.25bn and operating income of ¥1.15bn in FY3/27



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

Company profile

Has strengths in services and data management and supports the digital transformation of customers

1. Business overview

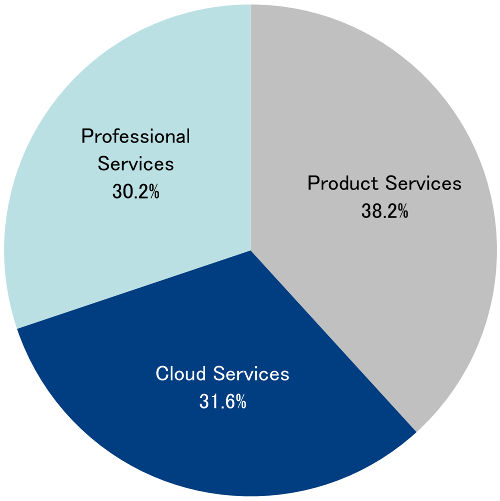
The Company is engaged in the development and sale of products and services related to data utilization and IT system operations, as well as peripheral system development and consulting services for a wide range of industries, primarily finance and manufacturing.

Products for mainframe computers, primarily for financial institutions and large corporations, have been a stable source of income since the Company's establishment and continue to maintain high profitability. In the past, the Company achieved steady business growth by contributing to the automation and efficiency of IT systems operation, including customers' job management and form management.

However, in response to changes in the external environment, such as the shift to open architecture systems, system down-sizing, the proliferation of cloud computing, and the utilization of big data, the Company has expanded its business domain beyond its previous focus on areas that contributed to automation and productivity improvement in IT systems operation, to include fields that directly contribute to enhancing customers' corporate value, such as market expansion and improved competitiveness. In particular, the trend toward DX is accelerating not only in corporate information system departments but also in the service provision models of business departments. The Company's strength lies in its established business structure that addresses customers' DX needs on both the offensive and defensive sides of IT. Recently, the Company has been working on transitioning to a subscription-type earnings model that provides proprietary services through cloud utilization as part of its own business model, and engaging in businesses that address social issues through the use of digital technologies.

The Company divides its business into the three segments of Product Services, Cloud Services, and Professional Services. Sales from Product Services, the main business area since its founding, account for approximately 38% of total sales and have become a key income source due to its high operating income margin. The Company's strategy calls for substantially increasing business in Cloud Services, a growth area.

Breakdown of net sales by business segments (FY3/25 results)



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

An overview of each business is provided below.

(1) Product Services

The segment provides products related to system operation (automation, forms, etc.) in on-premises-type*1 and service-provision-type formats. It also handles sales and support for mainframe products (operation and management of core mainframe systems), primarily to financial institutions, insurers, and major manufacturers. These mainframe products have been the Company's mainstay business since its founding. Main products are job management tool A-AUTO (automation business)*2 and Marutto Form Cloud Service*3 for comprehensive assistance of form business.

*1 This format refers to operation of an information system, including servers and software, using equipment at facilities managed by the user.
*2 "A-AUTO" is a batch processing job management tool that manages the jobs on systems that are operating on different platforms in an integrated manner and that realizes automatic implementation controls.
*3 This is a service that comprehensively assists customers in cumbersome form output tasks (ranging from form printing and mailing service to digitalization and web distribution).

(2) Cloud Services

The segment divides areas for issue-solving with service provision into IT issues (IT-utilization cloud business), business issues (business-promotion cloud business), and social issues (social cloud business) and provides services suited to the characteristics of each area. 1) The IT-utilization cloud business offers LMIS (service management platform)*1, infoScoop × Digital Workforce (remote work promotion service), Waha! Transformer (data conversion and processing service), and other services to corporate information system departments. 2) The business-promotion cloud business provides DigiSheet (attendance management service for temporaly staffing businesses), Rakuraku BOSS (comprehensive solution for work management), CommuRing (service supporting communications between companies), Growwwing (customer success ramp-up and growth assistance service), and other services to corporate business departments and management departments. The Company views this business area as a growth opportunity. Also, 3) the social cloud business promotes Community MaaS*2, a solution that supports public transportation and efforts to revitalize local areas, targeting local governments and public transportation entities.

*1 A service management platform that focuses on corporate service desk functions (channels through which users can make enquiries regarding system malfunctions, technical support, etc.).
*2 A platform that enables subsidiary UNITRAND Inc. to coordinate services promoting purposes for travel with MaaS (Mobility as a Service), a one-stop service for route searches, reservations, payments, and more that optimally combines multiple forms of public transport with other mobility services, and utilize data collected from those services.

(3) Professional Services

The Company supplies services through Group companies in a one-stop manner from consulting to services for system introduction support, system integration and outsourcing that draw on its expertise in data service management.

The number of customers (companies that have installed the Company's products) exceeds 2,000 companies, most of which are large corporations. The range of customer industries is wide, with the manufacturing, retail and distribution, and finance and insurance industries accounting for high percentages in terms of the ratio of sales by industry.

In terms of sales channels, the Company previously provided its products and services mainly through direct sales, but has recently been working to strengthen its ability to provide solutions through collaborations with its partner companies (sales agencies). The number of partner companies has reached 100. It is also focusing on web marketing and has established a framework to acquire projects through web marketing.

The Company has the following eight main consolidated subsidiaries. BSP Solutions Inc. runs a systems operations consulting business. BSP (Shanghai) Inc. is the base for sales in China. In addition, HuApp Technology Inc. provides services to the human resource business industry. Data Research Institute handles a data management consulting business. UNITRAND Inc. offers mobile IoT services for local public transport. UNIRITA PLUS Inc. strengthens sales to customers in western Japan while collaborating with partners. Mugen Corp. conducts the system integration business and develops and sells its own packaged software. UNIRITA SR Inc. provides system operation agency services and technical support services.

2. Corporate characteristics

Under its vision of "becoming UNIRITA Group that embodies empathy and creates uniqueness," the Company is pursuing a mission to "Create Your Business Value — Use the power of IT to create the near future." Its shared values are expressed through the name UNIRITA, which is a combination of "unique" and "rita" (the Japanese word for altruism).

The Company has the following three characteristics.

(1) An independent developer of proprietary packaged software

A strength of the Company's products for systems operations and mainframe businesses, which have been its core businesses since its establishment, is that they enable smooth system operation without being constrained by the scale of the computer, the manufacturer, or other factors. Competing manufacturer-based products do not allow the hardware component to be replaced with products from other makers, which hinders customers' ability to build flexible systems. In contrast, the Company's products are free from such constraints and enable flexible system development. Also, the Company's value proposition in its core businesses is ultimately defined by how much it contributes to the automation and improved efficiency of IT system operations. Recently, it has also come to play an important role in improving the quality of customer service provided by each company, and the track record and know-how the Company has accumulated by specializing in this area contribute to the performance of its products and services and to the strengthening of its proposal capabilities. Amidst the common trend of relying on agents for system installation, the Company has provided its products directly, primarily to financial institutions and large corporations. The fact that its products are often adopted as replacements during system updates is arguably proof of this.

In addition, the Company has been entrusted with the operation of the SysAdmin's Group, the largest network of system administrators in Japan, which has over 19,000 individual members and more than 400 endorsing companies, demonstrating the Company's presence as a driving force in this field. Going forward, to meet customers' changing needs, the Company plans to build even stronger ties with customers by shifting from the conventional method of product sales to a subscription-type earnings model that combines cloud utilization and system operation.

(2) Stable income from the mainframe business being invested in new growth areas

The majority of the Company's income comes from Product Services, and within this segment, the mainframe business has a profit margin exceeding 50%, supporting the Company's performance as a stable source of income. This profitability is believed to be enabled not only by customer confidence in the Company's products and services but also by the high switching costs (costs arising from system replacement) borne by customers. Although the mainframe business continues to shrink due to external factors such as the advancement of open-architecture systems*, it is expected to serve as a cash cow for the time being by capitalizing on its positioning to enjoy remaining-player advantages and continued firm demand. Therefore, the ability to redirect this cash flow into investments in growth areas such as Cloud Services is considered a significant advantage for the Company.

* Fujitsu <6702> has expressed its intent to exit the mainframe manufacturing and sales businesses in 2030. User companies are expected to migrate to the cloud by the end of the maintenance period.

(3) A strength in total proposals that leverage services and data management

Through past business structure reforms, the Company expanded its service provision scope from the conventional focus on information system departments to include business departments and management departments, and has worked to broaden its business domains beyond contributing to the automation and improved efficiency of IT system operations to areas that create corporate value. Amid a shift in consumption trends from goods to experiences, and an accelerating movement by companies to transition their service provision models from sales-based to service-based (set-fee usage models), the importance of data utilization is rising further. In this environment, the Company's establishment of operations capable of supporting both the offensive and defensive aspects of customer businesses has become a competitive advantage.

The Company has redefined its core competencies as service management and data management cultivated in the domains of systems operations and data utilization and it is working to leverage these to help companies transform their businesses and support the solution of IT issues. In FY3/22, the Company reorganized Group functions into three segments: Product Services, Cloud Services, and Professional Services. In Professional Services in particular, the Company has established a cross-segment Group ecosystem that enables it to provide a one-stop solution—from consulting-led implementation support for various product and cloud segment services to system integration and outsourcing.

Business trends

Decrease in sales and profits that underperformed forecasts in FY3/25 as Cloud Services struggled to capture new orders

1. Overview of FY3/25 results

In the FY3/25 results, net sales declined 2.5% YoY to ¥11,687mn and operating income fell 17.8% to ¥840mn, ordinary income decreased 14.0% to ¥1,001mn, and profit attributable to owners of parent declined 12.1% to ¥716mn, resulting in decreased sales and profits that underperformed the initial forecast.

Net sales declined as lower orders from existing partners in the system integration business under Professional Services and a sluggish start for new orders in Cloud Services outweighed strong momentum for Product Services driven by growth in automation business tapping into robust migration demand. Looking at results in terms of timing, the performance in 2H was not enough to cover the slow progress, particularly in Cloud Services, in 1H.

Profits also declined due to a drag on earnings from lower sales, higher cost ratios in Cloud Services, increased research and development expenses including initiatives related to generative AI, and proactive investments in areas such as social issues and data science. The operating income margin also decreased to 7.2% (versus 8.5% in the previous fiscal year).

Regarding the Company's financial condition, there were no notable developments. Total assets decreased 2.5% from the end of the previous fiscal year to ¥15,366mn. Meanwhile, shareholders' equity increased 2.1% to ¥11,971mn, so the equity ratio improved to 77.9% (versus 74.4% at the previous fiscal year-end).

Summary of the FY3/25 results

(¥mn)

	FY3/24		FY3/25				FY3/25		
	Results	% of sales	Results	% of sales	Change	Change (%)	Initial forecast	% of sales	Achievement ratio
Net sales	11,982	-	11,687	-	-295	-2.5%	12,500		93.5%
Product Services	4,394	36.7%	4,468	38.2%	73	1.7%	-	-	-
Cloud Services	3,642	30.4%	3,693	31.6%	50	1.4%	-	-	-
Professional Services	3,944	32.9%	3,525	30.2%	-419	-10.6%	-	-	-
Cost of sales	5,166	43.1%	5,022	43.0%	-143	-2.8%	-	-	-
SG&A expenses	5,792	48.3%	5,823	49.8%	30	0.5%	-	-	-
Operating income	1,023	8.5%	840	7.2%	-182	-17.8%	1,050	8.4%	80.1%
Product Services	1,225	27.9%	1,286	28.8%	61	5.0%	-	-	-
Cloud Services	-99	-	-412	-	-313	-	-	-	-
Professional Services	369	9.4%	303	8.6%	-66	-17.9%	-	-	-
Adjusted value	-472	-	-337	-	135	-	-	-	-
Ordinary income	1,164	9.7%	1,001	8.6%	-162	-14.0%	1,190	9.5%	84.2%
Profit attributable to owners of parent	815	6.8%	716	6.1%	-99	-12.1%	850	6.8%	84.3%

	End of March 2024	End of March 2025		
	Results	Results	Change	Change (%)
Total assets	15,763	15,366	-396	-2.5%
Shareholders' equity	11,725	11,971	246	2.1%
Equity ratio	74.4%	77.9%	3.5pp	-

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

Results by business are as set out below.

(1) Product Services

Net sales increased 1.7% YoY to ¥4,468mn, and segment profit increased 5.0% to ¥1,286mn, so both sales and profit increased. As for net sales, automation business sales rose sharply, with the mainstay product A-AUTO and others capturing migration demand*1 associated with the "2025 Digital Cliff" problem*2, resulting in a record-high number of orders received. Form business sales grew steadily as well, reflecting Marutto Form Cloud Service addressing the needs of companies promoting DX and business efficiency improvement. Also, the mainframe business, despite operating in a shrinking market, significantly exceeded the plan due in part to acquiring new customers following the market exit of certain mainframe vendors. Furthermore, to capture remaining-player advantages, the Company has started collaborating with partners who can provide supplementary support in terms of technology and personnel in the mainframe domain. Profit growth was achieved as increased sales, especially in the high-margin mainframe business, more than offset the impact of soaring cloud infrastructure purchasing costs. The segment profit margin remained high at 28.8% (versus 27.9% in the previous fiscal year).

*1 Transitioning systems, hardware, software, data, etc. from current to different environments, platforms, versions, etc. This includes legacy migration from Fujitsu exiting mainframe business.

*2 A term used in a document called the DX Report that the Ministry of Economy, Trade and Industry released in 2018. The report asserts that advancing DX is vital for companies in Japan to succeed in the market, operating efficiency and competitiveness will inevitably decline unless DX is promoted, and annual economic losses could roughly triple from the current level to about ¥12 trillion from 2025 if competitiveness declines. This is referred to as the "2025 Digital Cliff."

(2) Cloud Services

Net sales increased 1.4% YoY to ¥3,693mn, and the segment loss came to ¥412mn (¥99mn segment loss in FY3/24), resulting in a slight increase in net sales and a wider segment loss. As for net sales, IT-utilization cloud business sales came to ¥2,468mn. The mainstay product LMIS grew steadily, rising 7.1%, amid growing demand for service management introduction from companies aiming to balance service shifts and quality improvement. Turning to Waha! Transformer (a cloud service for data processing and linkage/integration) and infoScoop × Digital Workforce (remote work promotion service), the number of proposals trended upward as inquiries about data management projects and information security including ID management and Single Sign-ON (SSO) projects increased, but sluggish growth due to struggles to acquire new customers and missing out on orders for large projects resulted in underperformance. Business-promotion cloud business sales came to ¥1,248mn. Rakuraku BOSS (commuting expense management service) sales grew, supported by an increase in companies shifting back from remote work to office attendance and successful collaborations with partners. On the other hand, while inquiries for Digisheet and The Staff-V (a personnel management service for temporary staffing services) are on an upward trend amid a recovery in the temporary staffing market, performance fell short of expectations due to remaining issues in the order-taking process. Growwwing (customer success ramp-up and growth assistance service) inquiries are apparently increasing for projects including consulting. Social cloud business sales came to ¥257mn. As local governments launched full-scale initiatives to address public transportation issues, there was growth in inquiries about Community MaaS, a digital platform that facilitates the establishment of a sustainable society by supporting in areas such as the data collection and analysis required for understanding actual situations. However, these inquiries did not lead to any contracts in FY3/25. Also, segment losses widened due to a drag on earnings from lower sales and increased costs associated with strengthening the service provision framework.

(3) Professional Services

Net sales and profit decreased, with net sales down 10.6% YoY to ¥3,525mn and segment profit down 17.9% to ¥303mn. As for net sales, consulting business sales increased 4.0% YoY to ¥1,039mn. The segment performed well in the data management and service management fields, backed by movement by companies to engage in data-driven management and the growth of systems operation business at IT vendors. Sales in the system integration business decreased 20.7% YoY to ¥1,932mn. This reflected a decline in orders from major partners and a decline in bulk contracting projects. However, profitability seems to be trending upward due to a shift to added value fields, such as developing engineers who are proficient in major cloud services. Outsourcing business sales rose 9.3% YoY to ¥555mn. This was due to growth in demand for outsourcing system operations, supported by DX investment. On the profit front, there was a sharp decline due to the downturn in the system integration business, as well as costs associated with developing engineers and active investment in data science fields.

2. FY3/25 overview

FY3/25 was the first year of the medium-term management plan Re.Connect 2026, and although the Company advanced future-oriented initiatives on all fronts, results underperformed the initial forecasts. Looking at the change in result figures, while the negative impact from a decline in orders from major partners in the system integration business was considerable, there is also a positive aspect to this, as it is driving a shift to added value fields. One issue to be addressed is the slow progress on new orders in Cloud Services, which should fundamentally be growing. Taking into account that there is growing demand, the Company's services in this area function exceptionally well, and the response from customers is positive, the root of the issue seems to be a bottleneck caused by sales methods (the ordering process through to closing, including product awareness and sales channels). It is likely that the Company needs to strengthen its ability to give proposals based on product characteristics, especially for middleware products. Naturally the Company is working to resolve this issue by collaborating with partners, including on the establishment of delivery frameworks for its existing services, and creating models that provide value through collaboration within the Group. If these efforts enable it to fully return to a growth trajectory, then there is sufficient possibility that it can make a breakthrough. Whatever the case, there is positive movement across the Company, such as remaining-player advantages in the mainframe business and initiatives for resolving regional transport issues, and we want to keep an eye on whether it can find ways to harness this movement to improve results.

Results of main activities

The Group has formulated a new Purpose. It is also moving forward with initiatives for resolving regional transport issues

1. Formulation of the Group Purpose

Marking 10 years since it changed its name, the Company has reformulated its Group Purpose (raison d'être) and reorganized its philosophical framework, which also includes a mission, vision, and values. The purpose, announced in June 2025, is "Creating an economy spun together through altruism." This incorporates the idea of creating a chain of altruism by spinning it together using invisible threads representing IT to create value, and then sharing this value across the whole of society to realize an economy that benefits all stakeholders. It will work to realize this purpose through a "purpose story" which will guide behavior based on its mission of "Create Your Business Value — Use the power of IT to create the near future," its vision of "becoming UNIRITA Group that embodies empathy and creates uniqueness," and its shared values of "unique & altruism."

2. Initiatives for resolving regional transport issues

In March 2025, Group company UNITRAND Inc. announced it is participating in a private-public collaborative platform initiative led by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) to eliminate transportation "white spaces." It aims to resolve the problem of these white spaces, where transportation options have become limited due to the shrinking of bus and rail services, through private-public initiatives under the direction of MLIT. UNITRAND is supporting the establishment of sustainable means of transport by providing solutions, collaborating on pilot projects, and sharing knowledge in a way that leverages the experience and knowledge it has cultivated while collecting, visualizing, and analyzing data from a "transportation × DX" perspective. It has already built up a track record that includes projects in Miharu Town, Fukushima Prefecture (introduction of a set-fare taxi membership scheme and a bus location system), Sakaide City, Kagawa Prefecture (introduction of bus fare discount system for local residents using cashless payment methods), Nagai City, Yamagata Prefecture (application of digital technology to enhance the convenience and optimize operation of public transport), and Iwanai Town, Hokkaido (realization of sustainable regional transportation through cashless payment methods and data use). Within this, the Community Maas transportation DX application service has been introduced in areas such as Sakaide City, Kagawa Prefecture and Iwanai City, Hokkaido. Community Maas is able to coordinate an optimal mix of not only multiple forms of public transportation, but also transport-as-a-service options provided by commercial facilities and regional facilities that are transportation destinations, and local governments. As a result, in addition to making settlement processes more efficient, it is also supporting co-creation-based regional development which is catching the attention of various local governments and transportation providers.

Business outlook

Expecting to increase sales and profits in FY3/26 by strengthening collaboration with strategic partners

1. FY3/26 forecasts

For FY3/26, the Company forecasts net sales to increase 7.0% YoY to ¥12,500mn, operating income to rise 24.9% to ¥1,050mn, ordinary income to grow 19.8% to ¥1,200mn, and profit attributable to owners of parent to increase 18.6% to ¥850mn, so increases in both sales and profits are expected.

Net sales are expected to continue performing strongly in Product Services and the Company will work on improve Cloud Services, which were sluggish in FY3/25. In particular, it plans to eliminate bottlenecks hindering business expansion by strengthening collaboration with strategic partners and coordination within the Group. In Professional Services, consulting and outsourcing sales will remain firm, backed by a favorable orders environment, and in the system integration business, where orders from major partners have been shrinking, the Company is planning to shift to added value fields.

In terms of profits, the Company aims to significantly increase profits by growing high-margin Product Services, turning Cloud Services profitable, and raising Professional Services' added value while continuing strategic investments.

FY3/26 forecasts

(¥mn)

	FY3/25		FY3/26		YoY	
	Results	% of sales	Initial forecast	% of sales	Change	Change (%)
Net sales	11,687	-	12,500	-	812	7.0%
Operating income	840	7.2%	1,050	8.4%	209	24.9%
Ordinary income	1,001	8.6%	1,200	9.6%	198	19.8%
Profit attributable to owners of parent	716	6.1%	850	6.8%	133	18.6%

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

2. FISCO's view

While careful attention needs to be paid to the uncertain economic climate and the impact of rising prices, including energy prices, the orders environment remains favorable, so we see the Company's forecast as being sufficiently achievable. One area we plan to focus on in particular is the Company's measures to strengthen Cloud Services, which it has positioned as a growth driver. Rather than simply pursue improvements in business results, it is expected to work on breaking free of the sense of stagnation that plagued the business in FY3/25, including by making concrete movement to realize collaboration with strategic partners and coordination within the Group. We expect it will still require a certain amount of time to establish its social cloud business (resolving regional transportation issues), but seeing as specific projects are already taking shape, we will need to watch to see how these will contribute to business results.

Direction of the medium-term management plan

The medium-term management plan has been revised downward. Aiming for net sales of ¥13.25bn and operating income of ¥1.15bn

1. Direction of the medium-term management plan

The Company has completed the first year of its medium-term management plan (FY3/25–FY3/27). It has revised the numerical targets downward due to factors including slow progress and higher cost ratios in Cloud Services. However, there is no significant change to the plan's future direction. Under the basic policy titled Re.Connect 2026*, the Company intends to further promote three business strategies: "expanding service-provision-type businesses," "establishing a new value provision model," and "transforming business processes." It also aims to realize sustainable management and value creation, which are fundamental to the Group's philosophy, by strengthening its sustainability base, including by accelerating human capital investment.

* The name reflects the Company's desire to "reconnect to change relationships for the better" by fundamentally revising the way it interacts and connects with various stakeholders.

(1) Key points of the three business strategies and future priority initiatives

1) Expanding service-provision-type businesses

Continue to grow investment in cloud growth areas, realize optimized modernization for customers, make certain products and services more efficient, and consider entering new domains, among other measures. In FY3/26, the Company will strengthen development, sales, and support frameworks with a view to optimizing the effects of investment in Cloud Services and work on improving cost structures. Also, in regard to handling migration, a field where demand is growing, it plans to further enhance its ability to deliver proposals by building collaborative models with partners who can provide supplementary support in terms of resources.

2) Establishing a new value provision model

Based on the redefinition of "service management" and "data management," which have been refined to date, as the Company's core competencies, engage in initiatives including enhancing the value provided to customers through Group-wide collaboration and an ecosystem approach, making ongoing investments in businesses that address social issues, and strengthening alliances. In FY3/26, the Company will establish a new, original value provision model* and advance specific proposals. It will also expand collaboration with partners in order to grow its business for resolving regional transport issues.

* It will work on creating UNIRITA Group Customer Success Data Integration (UCDI), a Group DX solution that supports customer success, by leveraging its strengths in the service and data management fields and realizing Group collaboration.

3) Transforming business processes

The Company aims to strengthen quality management in a way that supports services shifting, implement process standardization, build operational frameworks, establish a Company-wide customer success promotion framework from the customer's perspective. In FY3/26, the Company will continue to collaborate on service provision functions, enhance customer satisfaction by improving quality, and work to improve the profitability of businesses.

(2) Financial targets

After taking into account factors in FY3/25, the first year of the medium-term management plan, such as slow progress and higher cost ratios in Cloud Services, the Company has revised its numerical targets downward. The targets for the final year of the plan (FY3/27) have been revised downward to net sales of ¥13.25bn, operating income of ¥1.15bn (operating margin of 8.7%), and ROE of 7.4%. However, there do not seem to be any changes to its investment plans, including R&D expenses and capital investment. Additionally, the Company remains committed to increasing dividends in line with profit growth. Although it is not stated in the medium-term management plan, it also intends to continue considering M&As, with potential targets likely to include those that would support the acquisition of data management personnel and the strengthening of service lines.

Overview of the medium-term management plan (financial targets after revision)

(¥mn)

	Baseline years FY3/24 Results	1st year FY3/25 Results	2nd year FY3/26 Revised plan	Final year	
				FY3/27 CAGR	Revised plan
Net sales	11,982	11,687	12,500	13,250	3.4%
Product Services	4,394	4,468	-	-	-
Cloud Services	3,642	3,693	-	-	-
Professional Services	3,944	3,525	-	-	-
Operating income	1,023	840	1,050	1,150	4.0%
Product Services	1,225	1,286	-	-	-
Cloud Services	-99	-412	-	-	-
Professional Services	369	303	-	-	-
Operating income margin	8.5%	7.2%	8.4%	8.7%	-
Product Services	27.9%	28.8%	-	-	-
Cloud Services	-	-	-	-	-
Professional Services	9.4%	8.6%	-	-	-
Profit attributable to owners of parent	815	716	850	928	4.4%
ROE	7.1%	6.1%	7.0%	7.4%	-
DOE	4.5%	4.5%	4.5%	4.5%	-
Dividend per share (¥)	68	70	72	-	-

Note: Segment information for FY3/24 has been arranged according to new categories.
Source: Prepared by FISCO from the Company's financial results and supplementary results briefing materials

2. Medium- to long-term focal points

Although the financial targets in the medium-term management plan were revised downward this time, the direction going forward has not changed significantly, and FISCO evaluates it as being rational. Movement toward DX is in full gear throughout society, while at the same time, the shortage of IT human resources at companies has become apparent, so we feel that the Company's strategy to expand its scope of business from only IT issues to also include business issues and social issues, as well as optimizing the value chain with consulting as a starting point, and thereby capture the growth in demand, makes sense in regard to realizing sustainable growth. Based on the initiatives implemented to date and the issues that have come to light, the key point will be whether the Company can further refine the business models that are beginning to take shape and translate them into concrete results.

The two biggest points we are paying attention to are 1) its road map for business growth in Cloud Services, and 2) the establishment of a new value provision model. Regarding 1) in particular, we expect to see a breakthrough in the business-promotion cloud business, in which collaborations with partner companies have been taking shape. The key to this will most likely be a strategy in which the Company uses its foundation in services and data management to attract a wide range of influential partners, while also securing sales channels. It is conceivable that an increase in successful projects will then attract even more new partners, creating a positive cycle. On the other hand, in the social cloud business, data collection is a business model that will create future advantages and barriers to entry, so full-scale monetization will likely take time. However, concrete moves are beginning to be made, and if it goes smoothly, the business has potential to drive results upward. In regard to 2), the Company has established a comprehensive value provision model that makes use of consulting in the service and data management domains, but there is still room for realizing even greater value through collaborations between businesses and within the Group. In April 2024, the Company strengthened its organizational structure, so we will be following whether this functions as planned and what results it yields.

We will also be paying close attention to any M&A activity. If realized, such M&As could dramatically accelerate the speed of growth and the establishment of a value provision model. In any case, while the mainframe business, which is a stable source of earnings, plays the role of cash cow, it is clear that the biggest medium- to long-term focus will be to develop the next pillar of earnings and maintain and expand a strong earnings base, so it will be necessary to pay close attention to future developments.

History and business performance

Management integration with Beacon IT in April 2015. Made a new start as UNIRITA

1. History

The Company was established as Three B, Inc. in 1982 in Tokyo's Chuo Ward as a subsidiary of Business Consultant, Inc., a provider of programs for HR and organizational development. Business Consultant was the origin for Software AG of Far East, Inc., which changed its name to Beacon Information Technology Inc. in August 1996. Software AG of Far East had been selling A-AUTO software in Japan, with Three B, Inc. being set up to sell this software in the US. Subsequently in 1987, Three B, Inc. changed its name to BSP Inc.

The turning point for BSP, Inc. was when it took over the systems operations business of Software AG of Far East, Inc. in 1993 and commenced full-scale operations as a specialist in systems administration package software. After that it steadily strengthened its operational platform, while benefiting from increased investment in IT systems, and it built a track record chiefly in core mainframe systems, mainly for financial institutions and large corporations.

In 2001, the Company established BSP Solutions Inc. and commenced full-scale consulting and solutions business. In 2006, it was listed on the JASDAQ Securities Exchange. In response to the reformation of market segmentation of the Tokyo Stock Exchange (TSE) from April 2022, the Company transferred to the Standard Market of the TSE.

Following the consolidation of Beacon IT (registered company name: Beacon Information Technology Inc.) in January 2014, it started capturing demand in growth fields, such as data utilization, and also embarked on business reforms.

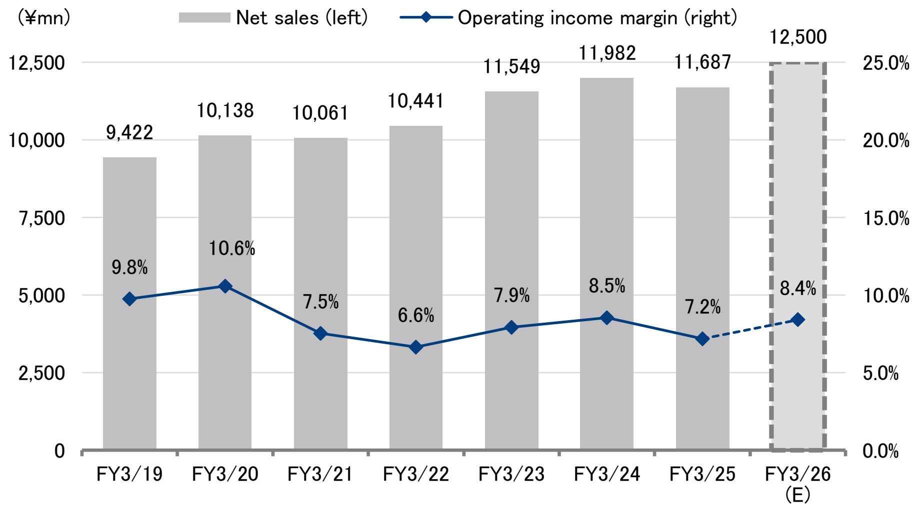
With the absorption-type merger of consolidated subsidiary Beacon IT in April 2015, the Company changed its name to UNIRITA Inc. The new company name embodies the concept of aspiring to contribute to the development of customers and society with "unique ideas" to create value and an "altruistic spirit" ("rita" being the Japanese word for altruism).

2. Past business performance

Looking back on the Company's past business performance, from FY3/12 to FY3/14, in the context of the shift to open-type systems, the increase in net sales in the systems operations business (currently part of the Product Services) drove the Company's growth. However, it conducted business structural reforms after its business scope greatly expanded following the consolidation of Beacon IT in FY3/15, and in this situation, it can be said that its net sales growth became sluggish. However, as the acquisition of Mugen, which engages in the system integration business (currently part of Professional Services), contributed to the expansion of its business scope in FY3/19, the mainstay cloud business (currently Cloud Services) has grown steadily since FY3/20.

From a profitability perspective, despite there still being a high degree of reliance on the mainframe business (currently part of Product Services) for income, the Company's operating income margin trended upward with improving profitability in the product business (currently Product Services) and reached a high level of 28.1% in FY3/14. However, this margin has declined since FY3/15 due to upfront investments in line with its structural business reforms and other factors. Notwithstanding, the Company maintained it at levels around 20%. However, since FY3/19, the operating income margin has trended lower than before due to the upfront investment in growth fields, such as the cloud business and new businesses, with an eye to the future. Going forward, the biggest focus will be on how to improve profitability in Cloud Services and enhance added value in Professional Services to make up for the impact of the shrinking mainframe business.

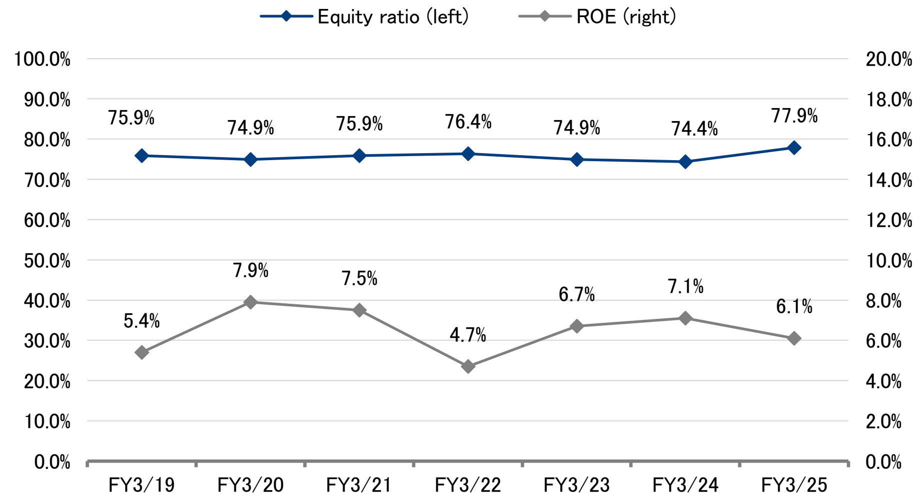
Net sales and operating income margin



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

From a financial perspective, the Company's equity ratio, which represents the stability of the financial foundation, suffered a one-off decline in FY3/14 as a result of the consolidation of Beacon IT, in FY3/16, in line with its absorption-type merger with Beacon IT (change in ownership interest of parent), the ratio rose to 80.1%. In addition, the current ratio, which indicates the ability to pay in the short term, has been trending at a high level (305.8% at the end of FY3/24), reflecting the abundant cash and deposits balance, and the Company's financial base is extremely stable and is supporting its upfront investments for growth in the future. On the other hand, ROE, which indicates capital efficiency, had also been trending at a double-digit level, but it fell below 10% (from FY3/18 onward) due to the changes to the business portfolio and the impact of the upfront investment.

Equity ratio and ROE trends



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

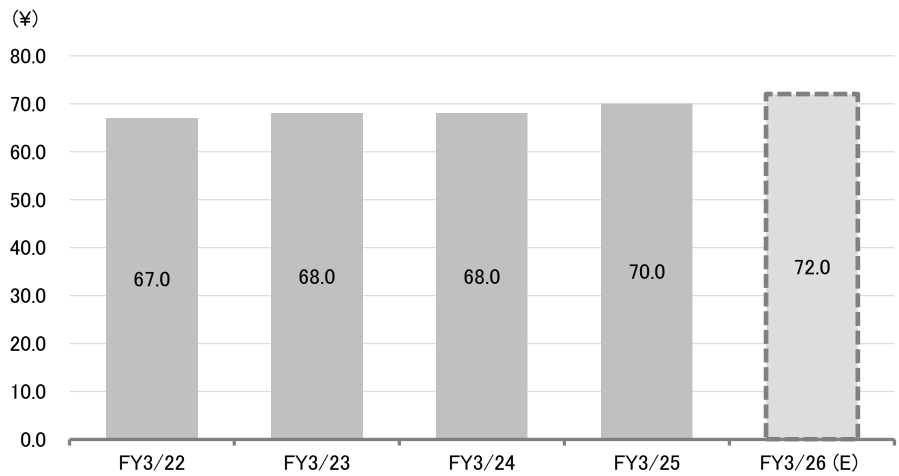
Shareholder returns

Forecast for FY3/26 is for an annual dividend of ¥72.0, up ¥2.0 YoY

The Company's dividend policy adopts the dividend on equity (DOE) as its benchmark. The reason for this is to increase dividends in a stable and sustainable manner, without being affected by fluctuations in earnings during a fiscal year, such as those caused by upfront investments. The Company also has a policy of flexibly executing share buybacks and retiring the acquired shares as appropriate.

For FY3/25, the Company has decided to raise the annual dividend by ¥2.0 YoY to ¥70.0 (¥35.0 interim, ¥35.0 year-end). For FY3/26, it also plans another ¥2.0 increase to an annual dividend of ¥72.0 (¥36.0 interim, ¥36.0 year-end). The Company expects the trend of dividend increases in line with profit growth to continue going forward.

Annual dividend per share



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

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