

TerraSky Co., Ltd.

3915

Tokyo Stock Exchange Prime Market

4-Jul.-2023

FISCO Ltd. Analyst

Yuzuru Sato



FISCO Ltd.

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

■ Index

■ Summary	01
1. FY2/23 Results Overview	01
2. Outlook for Results of FY2/24	01
3. Mid-term Management Plan	02
■ Company profile	01
1. Company profile	03
2. History	03
■ Cloud service market and TerraSky's businesses	05
1. Cloud service market	05
2. The Company's business	06
3. Strengths and issues	10
■ Results trends	12
1. FY2/23 results	12
2. Trends by business segment	13
3. Financial position and management indicators	15
■ Outlook	16
1. Forecasts for FY2/24	16
2. Mid-term management plan	18
■ Shareholder return policy	21

Summary

Pace of operating income growth forecast to double from FY2/24

TerraSky Co., Ltd. <3915> (hereafter, also “the Company”) is a cloud integration services company, providing support services for the installation of cloud-based systems and the development of related applications. The Company has a track record of more than 6,500 installations of cloud-based systems on a standalone basis, most of which use the Salesforce platform. It also handles products developed in-house, including cloud-system development support tools and the mitoco groupware service. In addition, it supports the implementation of Amazon Web Services (AWS), Microsoft Azure, and has been expanding into the realms of AI platforms and quantum computing through its subsidiaries. The Company listed subsidiary BeeX <4270> on the TSE Mothers market in February 2022 (currently listed on the Growth Market), and in September 2022, it also listed Kitalive Inc. <5039> on the Sapporo Securities Exchange’s Ambitious Market. Kitalive Inc. has been made into an equity-method affiliate.

1. FY2/23 Results Overview

The Company reported FY2/23 consolidated results of ¥15,440mn in net sales (up 22.8% YoY) and ¥610mn in ordinary income (down 7.8%). The double-digit annual rate of net sales growth continued as booming investment in digital transformation (DX) by companies drove demand for cloud integration centered on Salesforce. In terms of profit, meanwhile, operating income fell due to increases in personnel costs, such as recruitment and education costs accompanying efforts to actively increase employee numbers, as well as factors such as the cost of the Company’s first television commercial (¥224mn), launched in order to strengthen recruitment, and the cost of establishing subsidiaries. However, ordinary income still significantly exceeded the Company’s forecast announced in October 2022 (¥346mn), mainly due to cost control measures and greater than expected results by its BeeX subsidiary.

2. Outlook for Results of FY2/24

The outlook for the FY2/24 consolidated results is that net sales will increase to ¥19,536mn (up 26.5% YoY) and ordinary income will increase to ¥1,180mn (up 93.5%). Over the last few years, the Company has been actively investing in human resources to respond to booming demand and it has made an upfront investment in developing mitoco as a key product. However, it has announced that the increased sales and decreased profits it has recorded are just the first stage of its plan and from FY2/24, it is forecast that these upfront investments will start bearing fruit, marking the shift to a high growth trajectory on a profit basis. Its Solution Business will continue to grow due to demand for new cloud system installation and for further development from existing customers and TerraSky Technologies Co., Ltd., a subsidiary that provides a dispatch service for engineers who specialize in Salesforce, etc., is recruiting and training personnel in anticipation of rapid growth. Furthermore, the Product Business is forecasting mitoco to grow smoothly and development costs to peak out, leading to results reaching or even surpassing the breakeven point. Current demand for cloud integration, particularly related to Salesforce, is good and on a quarterly basis, although operating income may remain fairly low in 1Q due to the continued impact of the television commercial, its growth rate is forecast to accelerate from 2Q onward.

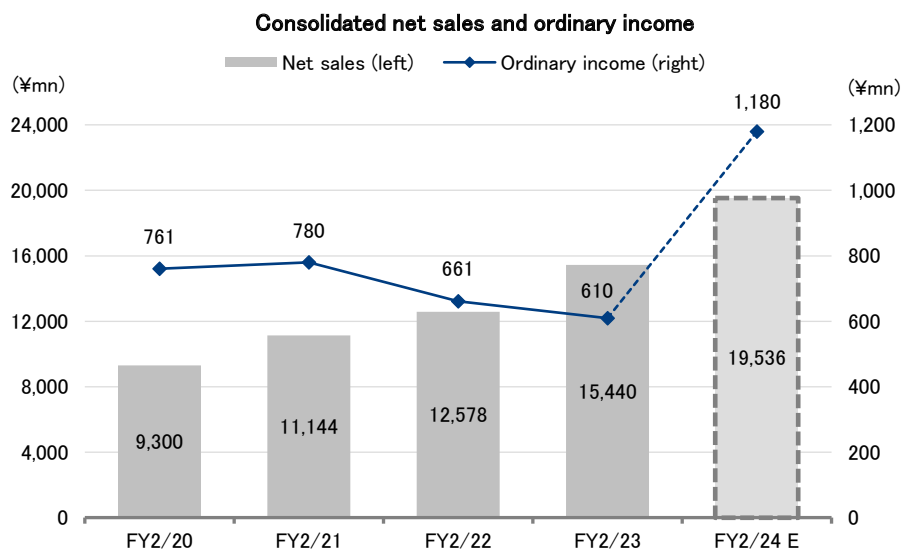
Summary

3. Mid-term Management Plan

Regarding the three-year mid-term management plan that started in FY2/23, the Company has revised FY2/25 consolidated performance targets for net sales to ¥25,422mn (initial target of ¥28,483mn) and ordinary income to ¥2,504mn (¥2,426mn). Taking into account factors such as making its subsidiary Kitalive Inc. into an equity-method affiliate following its listing, even though the net sales target has been slightly lowered, profit is expected to continue growing at twice its previous pace. The Solution Business is forecast to continue realizing a double-digit annual rate of growth in sales due to each Group company being able to cover multiple cloud platforms, the anticipation of significant growth for the engineer dispatch service provided by TerraSky Technologies as a solution supporting in-house development at customer companies, and the growth of other cloud-related subsidiaries. In the Product Business, which uses a recurring revenue model, mitoco will start becoming a driver of sales and profit contributions. At the end of FY2/23, the total number of Group employees (including employees of equity-method affiliates) was 992. As the target for FY2/25 is 1.9 times higher at 1,837, the Company plans to grow its headcount by actively promoting the recruitment and education of IT personnel, particularly at TerraSky Technologies.

Key Points

- Double-digit annual rate of growth continued in FY2/23 and ordinary income exceeded the initial target, despite a decrease
- Results outlook projects shift to a high growth trajectory on a profit basis beginning in FY2/24
- Operating income for FY2/25 is forecast to grow at twice the pace as peripheral businesses are also integrated into cloud services market growth



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

■ Company profile

Japan’s top-class cloud integrator

1. Company profile

Since its founding in 2006, TerraSky has specialized in cloud computing services and, as the leading domestic cloud integration company, has been the driving force behind the growth of the cloud computing market in Japan. With more than 6,500 cloud system installations including Salesforce on a standalone basis (as of the end of February 2023), TerraSky has experience with a wide range of development projects for companies big and small and in all kinds of industries. As of February 2023, it has 10 subsidiaries in Japan and 2 overseas. Among them, BeeX, which provides AWS installation support and cloud migration support for SAP systems, has grown in business scale to be second only to the Company. The Company is actively investing in human resources and its number of employees as of the end of FY2/23 was 992, having grown by 1.9 times over three 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 in the future as companies’ information systems, and since its foundation, the Company has deployed a business specializing in cloud systems development and installation support, centered on Salesforce.

In 2008, as the Product Business, the Company started providing SkyEditor*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. As an omni-channel call center service linking Salesforce with LINE Corporation, in 2018 the Company launched OMLINE-I for inbound response, while in 2019, the Company launched OMLINE-O for outbound response.

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

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

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

Company profile

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

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

* Following its listing on the Sapporo Securities Exchange's Ambitious Market in September 2022, it has been converted from a consolidated subsidiary into an equity-method affiliate (ownership ratio: 49.5%).

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

Subsidiaries and business descriptions

Company	Ownership ratio (End of FY2/23)	Business segment	Business description
Sky365 Co., Ltd.	55.5%	Solution Business	Supplied management service provider (MSP)* services specialized in cloud computing
BeeX Inc.	68.1%		AWS installation support, and support services for migration to cloud computing systems on SAP software platform
Cuon.inc.	100.0%		Web system development
Quemix Inc.	75.7%		Quantum computer research and provision of solutions for companies
TerraSky (Thailand) Co., Ltd.	49.0%		Cloud systems installation support in Thailand
TerraSky Technologies Co., Ltd.	90.4%		Dispatching and recruiting human resources specializing in cloud services
LiberSky Co., Ltd.	81.0%		Data utilization consulting enlisting Google technology, AI implementation, integration, etc.
DiceWorks Inc.	90.0%		Support for installation of marketing automation (MA) tools, etc.
TerraSky Inc.	100.0%	Product Business	Sales and marketing in the North America region for products developed in-house
ENOKI Inc.	71.1%		AI platform development and installation assistance
TerraSky Ventures Co., Ltd.	100.0%	Investment Business	Investment in, development of, and support for venture companies in the cloud-related domain

* MSP (Management Services Provider) is a service for the operations, monitoring, and maintenance of companies' servers and networks
 Source: Prepared by FISCO from the Company's results briefing materials and the convocation notice of the general shareholders meeting

■ Cloud service market and TerraSky's businesses

Expects the public cloud services market to sustain a double-digit annual growth rate on advancement of corporate DX investments

1. Cloud service market

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

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

Market scale for public cloud service in Japan should continue to steadily expand and a double-digit growth rate is also expected to continue 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. In particular, standard support for SAP's ERP system "SAP ERP 6.0" used widely by large companies is scheduled to end in 2027, and this requires transition to the next-generation ERP product "SAP S/4HANA" by then. Since many cases are likely to involve replacement to the cloud usage format and integrators have limited human resources, industry outlooks generally expect busy conditions to last through at least 2027.

Cloud service market and TerraSky's businesses

Public cloud service comes under three categories depending on the service format – SaaS*1, PaaS*2, and IaaS*3. AWS holds top shares in PaaS and IaaS and is followed by Microsoft Azure and Google Cloud Platform (GCP). These three companies dominate the market globally. In SaaS, meanwhile, participant vendors differ by the application, and Salesforce is the global leader in sales assistance and customer management. Compound annual growth rate (CAGR) indicate Salesforce at 28% and AWS at 39%, GCP at 45%. Although the pace of the growth rate in the US is slowing, in Japan, which has been a late adopter, there is continued high growth to the extent that supply side resources cannot keep up with demand.

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

Cloud integration and other solution business contributes over 90% of sales

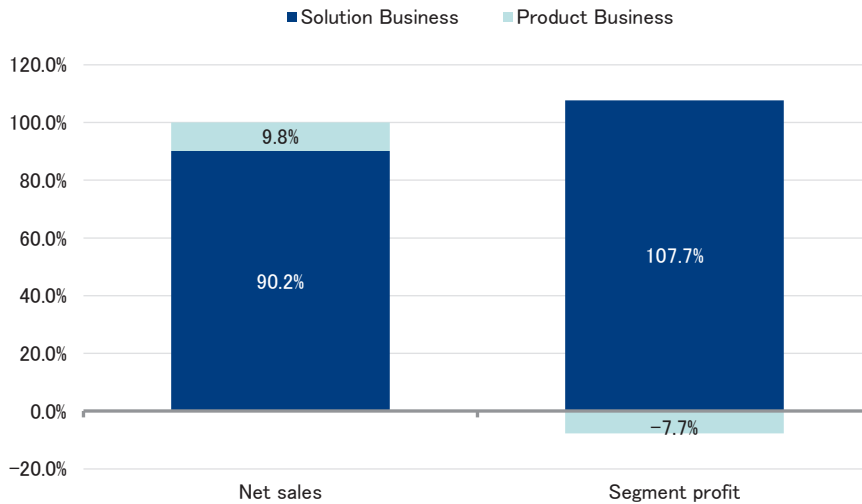
2. The Company's business

The Company operates in two business segments – Solution Business and Product Business. Solution Business is the main business at 90.2% of net sales and 107.7% of operating income in FY2/23. In segment profit margin, Solution Business is at a relatively stable level of roughly 14%. The Solution Business mainly handles cloud system development and deployment assistance, and the recurring sales ratio (operating and maintenance service sales) is roughly 15%. Profit margin fluctuates depending on the number of orders for development and deployment projects and project productivity. In the past few years, it has maintained a stable profit margin due to the almost complete absence of unprofitable projects as well as a high utilization rate driven by steady orders. For Salesforce-related projects in particular, the Company has established a firm position that is resistant to price competition as it has many of the best engineers in Japan, meaning that it has the capacity to take on difficult projects.

On the other hand, the profit margin of the Product Business fluctuates substantially depending on the period because its sales are still on a smaller scale, meaning that net sales results and development costs have a larger impact on profit margin. Notably, the business recorded losses for two consecutive fiscal years from FY2/22 due to the completion of large projects and increased costs from the development of mitoco. However, profitability is forecast to improve from FY2/24 as development costs peak out and the business continues to accumulate recurring sales.

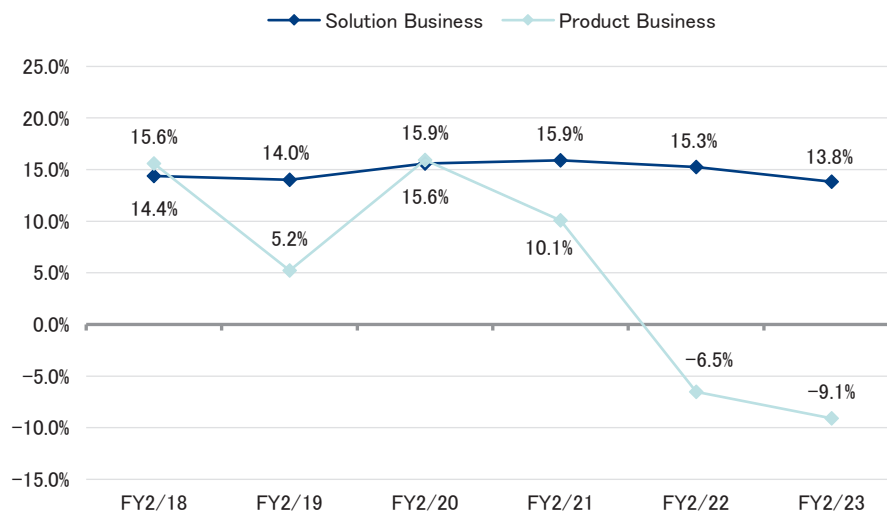
Cloud service market and TerraSky's businesses

Sales breakdown by business segment (FY2/23)



Note: Product sales between Group companies have been omitted from consolidated results
 Source: Prepared by FISCO from the Company's financial results and results briefing materials

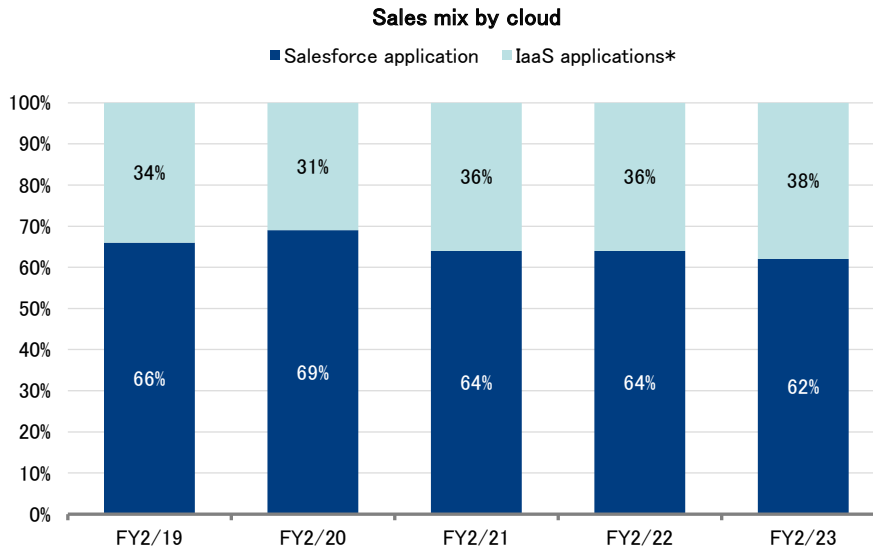
Profit margin by segment



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

With respect to the breakdown of sales by cloud in FY2/23, Salesforce-related business and IaaS-related business (AWS, GCP, etc.) accounted for 62% and 38% of sales, respectively. Although that constitutes a 7ppt decrease in sales attributable to Salesforce applications from 69% of the overall sales mix in FY2/20, the decline is largely attributed to the fact that there were large installation projects in the Product Business involving Salesforce applications, that these projects were completed, and that IaaS-related business at subsidiaries grew smoothly through resource strengthening. In terms of the actual sales amount, Salesforce-related business continued to experience double-digit growth.

Cloud service market and TerraSky's businesses



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

(1) Solution Business

The Solution Business develops and provides support services for the installation of cloud-based systems designed to meet the needs of client companies. Specifically, solution services cover everything from defining business requirements for front-end or backbone systems, to design, development, testing, operations, validation of effectiveness, and planning improvement policies and systemization planning. Salesforce is frequently developed as a front-end system and many companies enter into its license-sales agreements with Salesforce. Their cumulative number of cloud system installations, centered on Salesforce, is more than 6,500 installations on a standalone basis (more than 16,000 in the Group), which is the leading number in Japan. Installations have been conducted by many companies regardless of their industry, business form, or size, including TOYOTA MOTOR CORPORATION <7203>, Hitachi, Ltd. <6501>, Mizuho Financial Group, Inc. <8411>, Odakyu Electric Railway Co., Ltd. <9007> Group, and KDDI Corporation <9433>. But as Salesforce is particularly strong in the CRM field, it is installed by a high percentage of large-scale projects by sales, service and marketing divisions of large companies. Also, over 50% of sales comprise maintenance and operational fees from existing customers, as well as orders for continued or additional development. The majority of cases are for continued development, including the addition of new functions, following the deployment of Salesforce and in these cases, the cloud integration service provided as initial installation support is continued.

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. While still on a smaller scale in terms of sales, the Solution Business also includes TerraSky Technologies Co., Ltd., Cuon.inc., LiberSky Co., Ltd., Quemix Inc., DiceWorks Inc., and TerraSky (Thailand) Co., Ltd.

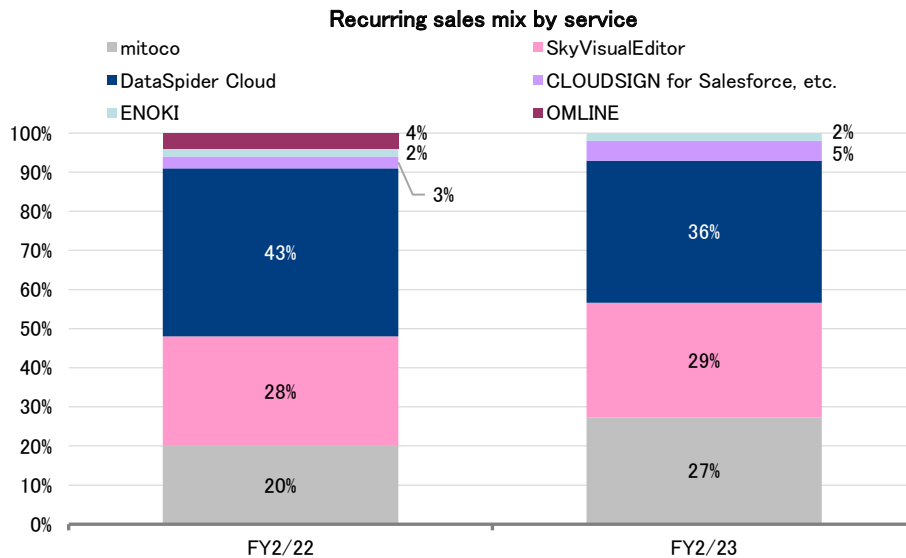
Cloud service market and TerraSky's businesses

(2) Product Business

In the Product Business, which includes AI platform business developed by the Company's subsidiary ENOKI, the Company serves as an SaaS vendor in developing and providing services specializing in the Cloud. The main products of the Product Business include SkyVisualEditor, which is a Salesforce screen development tool; DataSpider Cloud, which achieves smooth data integration with other systems; and mitoco, groupware provided on Salesforce. Net sales in the Product Business are classified as either flow sales recognized at time of installation, or otherwise as recurring sales (subscription sales) based on monthly billings. In FY2/23, the ratio of recurring sales to overall net sales increased to 91% from 88% in the previous fiscal year.

With respect to the breakdown of recurring sales by service in FY2/23, DataSpider Cloud accounted for 36%, SkyVisualEditor accounted for 29%, and mitoco accounted for 27%, meaning that these three services combined accounted for more than 90% of recurring sales. DataSpider Cloud is a tool for automatically integrating customers' in-house, on-premise systems with various cloud services, such as Salesforce. Its sales ratio dropped from 43% in the previous fiscal year to 36%, but this is mainly due to the effects* of the presentation of sales being changed from the gross amount to net amount following the application of the Accounting Standard for Revenue Recognition, etc. In terms of the actual sales amount, it is continuing to perform well. 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.

* This is a product jointly developed with Saison Information Systems, so the share of revenue attributed to Saison Information Systems has been excluded from net sales and cost of sales results since FY2/23. This has no impact on operating income.



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

Cloud service market and TerraSky's businesses

mitoco, a groupware service the Company has been intensively developing as a key product, saw a steady increase in the number of companies it is deployed at as various companies decided to adopt remote working during the COVID-19 pandemic. mitoco's biggest feature is that it enables users to share Salesforce information such as calendar, account name, and account contact information without purchasing additional Salesforce licenses, meaning that they can centralize the management customer-focused information by removing segmentation caused by sales division using Salesforce while the overall company uses other scheduling and workflow management systems. This makes operations more efficient and further encourages the use of Salesforce. The Company is also enhancing its functions, including releasing an account settlement function in December 2021 and an attendance management function in August 2022. It has been well received by users and its visibility is rising. This was demonstrated in the ITreview Spring 2023 Grid Awards, which recognizes products and services based on reviews posted by users on the ITreview IT product and cloud service user review platform, where it won the highest honor of Leader in the Salesforce Enhancing Functions category and a High Performer award in the Groupware category. Its profile is expected to grow further going forward.

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

3. Strengths and issues

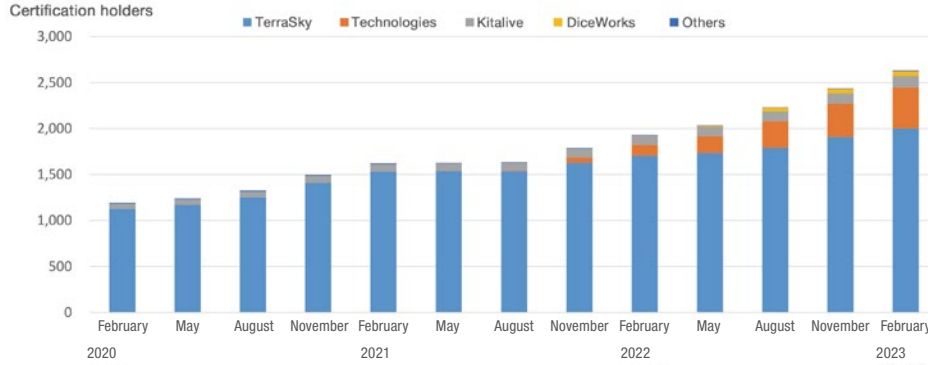
The Company's strengths can be broadly divided into two categories. First, the Company maintains professionals and extensive expertise cultivated by developing a track record of participating in the cloud market since it was first established. The Company ranks top in the industry in terms of its number of cloud deployments, with a track record of more than 6,500 installations of cloud-based systems on a standalone basis and more than 16,000 installations across the entire Group as of the end of February 2023. The Company also boasts top-notch teams in Japan, given its workforce of Salesforce certification holders at the core of its operations. According to materials released by Salesforce, the Company employs 3 of the 14 Salesforce MVP* certification holders in Japan as of December 2021 (ranking first-place in Japan), and also employs 5 of the nation's 19 Technical Architects (first-place ranking in Japan), which is the top-level Salesforce Architect credential.

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

The Company ranks on par with Accenture Japan Ltd. in terms of its number of Salesforce technical certification holders and TerraSky Technologies in particular is working to grow its number of certified personnel. As a result, the overall Group now has over 2,500 employees possessing certification. As the number of technical certification holders corresponds closely to a company's ability to take on orders for projects, it is not an exaggeration to say that the Company has more experience and greater capacity to conduct development and installation support projects for Salesforce cloud systems than any other company in Japan. After joining the Company, engineers spend roughly three months gaining practical skills by attending classes and undergoing training based on original curriculum to acquire technical certifications, and employees who gain these certifications are assigned to actual workplaces from their fourth month. The Company's human resources development initiatives have been positioned as an element of core competency to achieve corporate growth, and serve as a driving force behind such efforts.

Cloud service market and TerraSky's businesses

Salesforce Technical Certification Holders (by quarter)



Source: The Company's results briefing materials

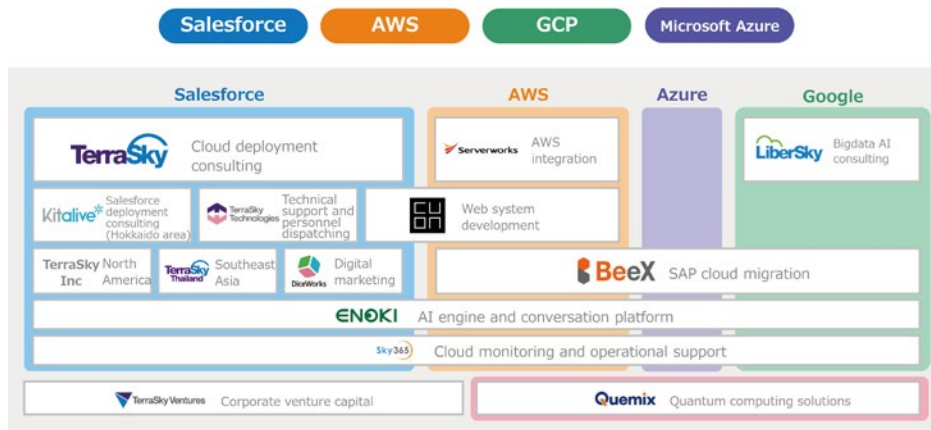
As BeeX has also been the pioneer in its industry for cloud migration support for SAP systems, it has the leading track record in this field. In order to migrate an SAP system to the Cloud, it is necessary to have not only the technological capabilities for the SAP system's infrastructure layer, but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

*1 As an APN (AWS Partner Network) partner certified as having high levels of skills and expertise to solve customers' AWS environment problems and that is able to seamlessly provide solutions on AWS.

*2 As of April 2022, 14 companies have obtained certification in Japan through third-party audit under an AWS-certified program, and are recognized as outstanding partners within the AWS Partner Network (APN), equipped with an array of technological capabilities related to migration, including skills for facilitating migration from existing on-premise environments to AWS environments, and the ability to manage operations post-migration.

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

Multiple cloud platform support



Source: The Company's results briefing materials

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

Cloud service market and TerraSky's businesses

Meanwhile, the Company faces the challenge of recruiting and training enough engineers to address robust demand. It has been encountering a persisting shortage of technical experts amid continuous high growth of the cloud services market. In order to solve these issues, in FY2/23 it established an employee dormitory (Apartment Block 1) and since January 2023 it has been broadcasting a television commercial with the aim of improving its corporate brand strengths (commercial scheduled for broadcast up to June 2023). The Company's strategies to solve the issue of human resource shortages have included its establishment of TerraSky Technologies, which engages in dispatch and referral of cloud technology professionals, in 2021.

Results trends

Double-digit annual rate of growth continued in FY2/23 and ordinary income exceeded the initial target, despite a decrease

1. FY2/23 results

As for FY2/23 consolidated results, the Company reported net sales of ¥15,440mn (up 22.8% YoY), operating income of ¥512mn (down 22.3%), ordinary income of ¥610mn (down 7.8%), and net income attributable to owners of parent of ¥347mn (up 13.3%). In regard to the revised targets announced in October 2022, although net sales fell slightly short due to the effects of a change in accounting standards*, each type of profit greatly exceeded the target amount. The reasons for profits surpassing initial forecasts included the television commercial being moved back from its initially scheduled broadcast period to January 2023, which kept related costs to just ¥224mn (compared to ¥400mn planned), and strong performance by subsidiary BeeX.

* Net sales decreased by ¥253mn and both operating income and ordinary income increased by ¥40mn due to the application of the Accounting Standard for Revenue Recognition, etc.

FY2/23 consolidated results

	FY2/22		Company's forecasts*	FY2/23		YoY	Compared to forecasts
	Results	% of sales		Results	% of sales		
Net sales	12,578	-	15,646	15,440	-	22.8%	-1.3%
Cost of sales	8,972	71.3%	-	11,179	72.4%	24.6%	-
SG&A expenses	2,946	23.4%	-	3,749	24.3%	27.2%	-
Operating income	658	5.2%	328	512	3.3%	-22.3%	56.1%
Ordinary income	661	5.3%	346	610	4.0%	-7.8%	76.3%
Extraordinary income (loss)	-0	-	-	95	-	-	-
Net income attributable to owners of parent	306	2.4%	150	347	2.3%	13.3%	131.6%

*Company targets announced in October 2022

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

Results trends

Net sales continued to increase by double digits due to strong demand for the deployment and development of cloud-based systems centered on the Salesforce platform amid active investment in digital transformation (DX) by companies. The cost to sales ratio rose YoY from 71.3% to 72.4%, partly due to the cost of establishing new subsidiaries, and the SG&A ratio rose from 23.4% to 24.3%, mainly due to increases in costs related to personnel, recruitment and education, and advertising. As a result, the operating income margin to net sales ratio decreased from 5.2% to 3.3%. The Company is also still carrying out upfront investment in four of its newly established subsidiaries (Quemix, TerraSky (Thailand), TerraSky Technologies, and DiceWorks), which together recorded an ordinary loss of ¥159mn. However, in the previous fiscal year, it recorded an operating loss of ¥260mn from four of its newly established subsidiaries (Quemix, TerraSky (Thailand), LiberSky, and TerraSky Technologies), so the loss from upfront investment in new subsidiaries is getting smaller (LiberSky recorded a slight profit in FY2/23).

Non-operating income improved ¥94mn YoY. This was mainly due to gain on forgiveness of consumption taxes of ¥57mn and share of profit of entities accounted for using equity method of ¥20mn. This share of profit of entities accounted for using equity method is a contribution from Kitalive, which was listed in September 2022. The Company also recorded extraordinary income of ¥69mn in gain on sale of shares of KitAlive and ¥25mn in gain on change in equity. At the end of FY2/23, the number of consolidated employees had increased by 215 from the end of the previous fiscal period to 992 employees.

Double-digit sales and profit growth in the Solutions Business while losses continued in the Product Business due to upfront investment in mitoco

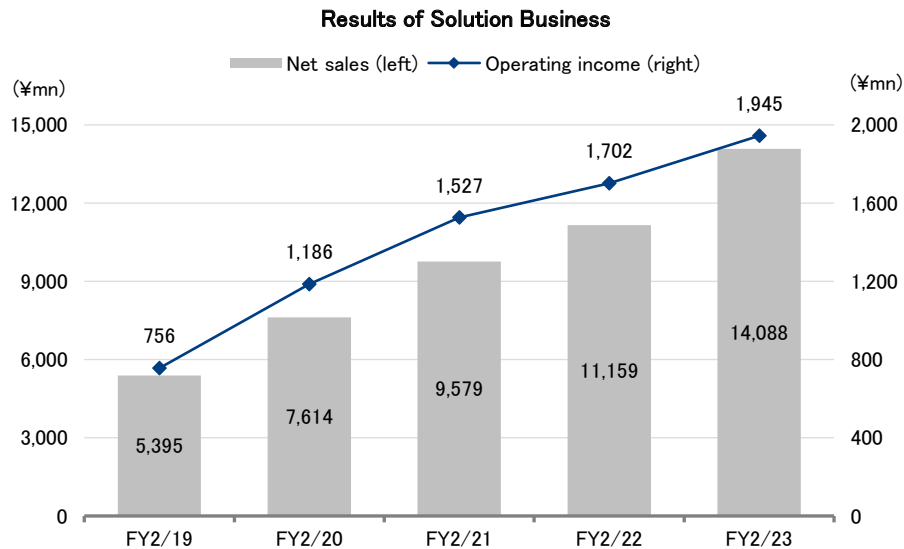
2. Trends by business segment

(1) Solution Business

The Solution Business recorded new record high segment sales and profit with net sales of ¥14,088mn (up 26.2% YoY) and segment profit (operating income) of ¥1,945 (up 14.3%). Net sales grew due to an increase in the number of projects involving installation and development of cloud services centered on the Salesforce platform, booming demand for the cloud transitions for SAP systems provided by BeeX, and an increase in the number of employees in TerraSky Technologies' dispatch service, which increased from 75 at the end of the previous fiscal year to almost 200 due to efforts to recruit and train beginner engineers. Double-digit profit growth was achieved as losses at new subsidiaries and increases in human resources, recruitment and education, and advertising expenses were absorbed by the effects of sales growth. Additionally, the application of the Accounting Standard for Revenue Recognition, etc. resulted in a decrease in net sales of ¥116mn and an increase in segment profit of ¥35mn compared to results calculated using the previous standard.

Regarding Salesforce-related business, installation at large companies (2000+ employees) in the Tokyo metropolitan area has largely been completed over the last few years, but there is continued demand for additional development from existing customers and the number of new projects from regional companies is increasing, meaning demand remains booming. The number of companies with employees holding Salesforce technical certification is also increasing, so it is possible that competition for relatively simple projects will grow fiercer, but the market for large companies that is the Company's main battleground requires a wealth of knowledge and expertise in order to respond to diverse customer demands, so there is only a limited number of companies, including the Company, that can engage this market. This means that the order environment around the Company remains favorable. Additionally, TerraSky Technologies has been actively recruiting, educating, and training beginner engineers and dispatching them to workplaces as soon as they have acquired technical certification, and due to booming demand, it is continuing to fully utilize its human resources.

Results trends



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

Quemix, which engages in research related to quantum computing, is planning to monetize its licensing business, so it is working to develop algorithms (and acquire patents). It is also steadily enhancing its profile within the industry by announcing the results of its research at global physics conferences and other events. It has started providing a cloud service for Quloud-RSDFT, which is material computing software that can be used to run the algorithm it develops on conventional computers, and users include companies and academic organizations. As quantum computers become more commercially feasible, it looks like Quemix will start contributing more fully to the Company's sales and profits, so it offers huge potential and we will be watching its movements closely.

LiberSky's business includes building Google Cloud Platforms (GCPs), engaging in big data analysis, and providing AI consulting services. Although it is still small in size, it recorded a slight profit in FY2/23. DiceWorks is still at the upfront investment stage, which includes personnel recruitment. Its business provides installation support, management, and implementation support of Pardot and Marketing Cloud, the marketing automation tools of the Salesforce platform.

TerraSky (Thailand) Co., Ltd., which was established in 2019, had been dormant due to the COVID-19 pandemic, but it started business activities in summer 2022, and it is currently employing several engineers and carrying out sales activities in partnership with the local Salesforce subsidiary. In FY2/24 it plans to recruit at least 10 new employees and it will be used to cultivate demand in Thailand and as an offshore hub.

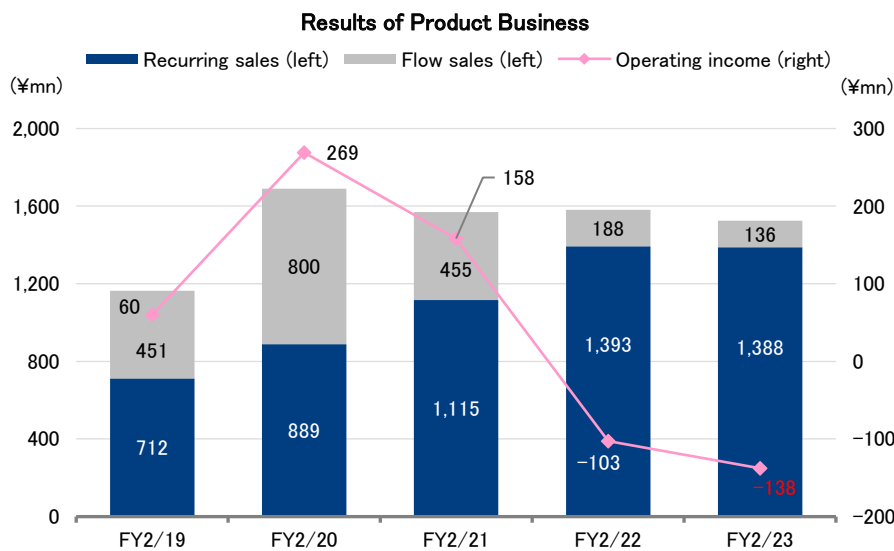
(2) Product Business

The Product Business recorded net sales of ¥1,524mn (down 3.5% YoY), and a segment loss (operating loss) of ¥138mn (segment loss of ¥103mn in FY2/22). The application of the Accounting Standard for Revenue Recognition, etc. resulted in a decrease in net sales of ¥137mn and further decreased segment loss by ¥5mn compared to results calculated using the previous standard. Using the previous standard, net sales were ¥1,662mn (up 5.2%).

Results trends

With respect to the net sales components, flow sales (one-off sales recognized at time of installation) decreased from ¥188mn to ¥136mn and recurring sales (subscription sales) decreased slightly from ¥1,393mn to ¥1,388mn. The reason for the decline in recurring sales was a decrease of ¥178mn from the combined effects of a change in accounting standards and the OMLINE business transfer. Removing these effects would result in sales growth in the 10% range. mitoco in particular has seen smooth growth in the number of installations, with sales increasing 35% to ¥370mn. New functions released from 2021 onward, including account settlement and attendance management functions, has closed the gap with competing products in terms of functionality and comparatively low fees seem to be resulting in a gradual rise in installations.

Reasons for the segment loss growing bigger include increased costs related to the development of mitoco, increased recruitment of marketing personnel, and the holding of TerraSkyDay2022, the Company's first physical event in three years. Additionally, although ENOKI's sales only amounted to tens of millions of yen, it also has few employees so it was able to record a slight operating income.



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

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

3. Financial position and management indicators

Total assets increased by ¥1,689mn YoY to ¥15,523mn at the end of FY2/23. The primary factors attributable to the change were an increase of ¥221mn in cash and deposits, and ¥608mn in notes and accounts receivable - trade, and contract assets in current assets. In non-current assets, although there was a decrease of ¥72mn in intangible assets due to the amortization of goodwill, investment securities increased by ¥1,076.

Results trends

Total liabilities increased by ¥603mn YoY to ¥4,591mn. The primary factors attributable to the change were increases of ¥536mn in accounts payable – trade and contract liabilities, ¥110mn in income taxes payable, and ¥146mn in deferred tax liabilities, versus a decrease of ¥306mn in interest-bearing debt. Net assets increased by ¥1,085mn YoY to ¥10,932mn. This included increases of ¥328mn in retained earnings, ¥383mn in accumulated other comprehensive income, and ¥290mn in non-controlling interests.

In management indicators, while the equity ratio decreased from 63.5% at the end of the previous fiscal year to 61.7%, the interest-bearing debt ratio fell from 6.8% to 3.0%. The Company is strengthening its financial base, including maintaining record levels of ample net cash (cash and deposits – interest-bearing debt) at the ¥5.6bn range. Therefore, it can be judged as having a favorable financial standing. In profitability, ROA, ROE and operating income margin to net sales continued to be at the low levels of 4.2%, 3.8%, and 3.3%, respectively, but that is mainly due to the Company's upfront investment incurred in order to achieve future growth. Profitability is expected to rise from FY2/24 onward as this upfront investment begins to bear fruit.

Consolidated balance sheet and management indicators

	(¥mn)				
	FY2/20	FY2/21	FY2/22	FY2/23	Change
Current assets	5,670	8,845	9,339	10,034	694
(Cash and deposits)	3,402	6,094	5,672	5,893	221
Non-current assets	9,774	6,716	4,494	5,488	994
Total assets	15,445	15,562	13,834	15,523	1,689
Total liabilities	5,889	5,107	3,987	4,591	603
(Interest-bearing debt)	822	680	596	290	-306
Net assets	9,556	10,454	9,846	10,932	1,085
Management indicators					
(Stability)					
Equity ratio	58.5%	62.1%	63.5%	61.7%	-1.8pt
Interest-bearing debt ratio	9.1%	7.0%	6.8%	3.0%	-3.8pt
Net cash	2,580	5,414	5,076	5,603	527
(Profitability)					
ROA	7.2%	5.0%	4.5%	4.2%	-0.3pt
ROE	14.7%	26.3%	3.3%	3.8%	0.5pt
Operating income margin to net sales	7.8%	7.0%	5.2%	3.3%	-1.9pt

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

Outlook

Results outlook projects entering a high growth trajectory on a profit basis beginning in FY2/24

1. Forecasts for FY2/24

In its FY2/24 consolidated results forecasts, the Company is projecting significant increases in both sales and profits, with net sales of ¥19,536mn (up 26.5% YoY), operating income of ¥1,101mn (up 115.1%), ordinary income of ¥1,180mn (up 93.5%), and net income attributable to owners of parent of ¥743mn (up ¥113.9%). This will mark new record high operating and ordinary incomes for the first time in three years.

Outlook

Forecast for FY2/24 consolidated results

	FY2/23		FY2/24 (E)		YoY
	Results	% of sales	Forecast	% of sales	
Net sales	15,440	-	19,536	-	26.5%
Operating income	512	3.3%	1,101	5.6%	115.1%
Ordinary income	610	4.0%	1,180	6.0%	93.5%
Net income attributable to owners of parent	347	2.3%	743	3.8%	113.9%
Earnings per share (¥)	27.15		58.08		

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

In order to respond to continued booming demand, particularly for Salesforce-related installation projects and SAP system cloud migration projects, the Company plans to strengthen personnel recruitment and it is aiming to increase the total number of Group employees (including employees of equity-method affiliates) by 1.4 times the headcount at the end of FY2/23 to 1,401. About half of these will be new personnel for TerraSky Technologies. The Company has also announced that it has concluded new location agreements with Akita Prefecture and Akita City. It will open a satellite office in Akita City in July 2023 and will begin operating a cloud integration business there from March 2024, resulting in the creation of 30 local jobs by 2030. Furthermore, the Company is setting up a company dormitory in Tokyo, its second following the one established last year, to strengthen efforts to recruit personnel from regional areas. As measures to improve personnel turnover, the Company is not only improving the treatment of personnel in terms of salary, but also working to improve employee engagement, including by creating more comfortable working environments, enhancing career advancement systems, and making communication between employees more dynamic. Additionally, expenses attributed to television commercials are expected to decrease YoY and will mainly be recorded in the first quarter. Therefore, on a quarterly basis, profit will be at a slightly lower level in 1Q and then grow at an accelerating rate from 2Q onward.

By business segment, the Solution Business is forecast to continue recording double-digit annual growth in sales and profit, while the Product Business is expected to record double-digit annual sales growth and either breakeven or record a slight profit. Within the Solution Business, BeeX is targeting net sales of ¥6,910mn (up 20.0% YoY) and operating income of ¥427mn (up 6.0% YoY). Although it will continue to experience a high rate of growth in sales, profit growth is expected to slow due to active investment in personnel and marketing.

TerraSky Technologies is planning to double its workforce to almost 400 employees, and if recruitment progresses on schedule, it is forecast to roughly double net sales and to record an operating income. Its gross profit margin is at about the same level as other IT personnel dispatch companies but as its customer base is largely current customers of the Company, it has virtually no sales expenses. Therefore, if it can realize net sales above a certain level, then we expect it to achieve operating income margin to net sales ratio in double digits. Regarding Salesforce-related business, due to engineer shortages at companies where it has been installed, the Company expects to mainly receive orders for additional Salesforce products and services, but the amount of time it takes to complete each project has been an issue. If in-house development can be realized at customer companies, it will reduce the amount of time needed to establish services, so the Company's strategy is to achieve overall Group growth by using dispatch personnel from TerraSky Technologies to eliminate this issue. While it currently only offers a dispatch and referral service for engineers specializing in Salesforce, in April 2023 it launched the AWS Business Promotion Division to engage in the market for dispatch engineers who specialize in Amazon Web Services (AWS). Going forward it will develop a dispatch service for engineers who specialize in AWS fields, with a focus on BeeX customers. The targets for the AWS-related business are to strengthen its workforce to 100 personnel and achieve net sales of ¥1.0bn in FY2/26.

Outlook

Furthermore, the Product Business is anticipating sales of mitoco to continue growing by at least 30% each year, becoming a driving force for the business. mitoco development costs are also expected to peak out, leading to results reaching or even surpassing the breakeven point.

Operating income for FY2/25 forecast to grow at twice the pace as peripheral businesses are also integrated into cloud services market growth

2. Mid-term management plan

The Company's three-year mid-term management plan announced in April 2022 contains a growth strategy and performance targets aimed at achieving sustainable growth by serving as a leading cloud integration services company. The Company has set the target of growing to sales volume exceeding ¥70bn by 2030 as it seeks to achieve its long-term vision of "Fly Ahead (Serving as the most trusted partner enlisting reliable technology that is one step ahead)."

Under the plan's priority measures, the Company has a policy aimed at achieving dramatic growth in earnings performance and increasing its corporate value by addressing prevailing business challenges enlisting three initiatives: (1) enhancing recruitment strengths and raising product awareness, (2) expanding into the core peripherals business, and (3) increasing the ratio of products to overall net sales. It has recently made minor revisions to performance goals after taking into account factors such as the removal of Kitalive from consolidation. The plan cites performance targets for FY2/25, the final year of the plan, of ¥25,422mn in net sales, which is about ¥3,000mn lower than the level initially planned, ¥2,415mn in operating income, ¥2,504mn in ordinary income, and ¥1,557mn in net income attributable to owners of parent. Each of these has been revised slightly upward compared to initial targets. The CAGR for the next two years is 28.4% and 117.2% for net sales and ordinary income respectively, showing a shift to a high growth trajectory on a profit basis.

Mid-term management plan

	FY2/22 Results	FY2/23		FY2/24		FY2/25		CAGR*1
		Initial forecast	Results	Previous forecast	Forecast	Previous forecast	New forecast	
Net sales	12,578	15,858	15,440	20,836	19,536	28,483	25,422	28.4%
YoY	12.9%	26.1%	22.8%	31.4%	26.5%	36.7%	30.1%	
Operating income	658	4	512	1,085	1,101	2,413	2,415	117.2%
Profit margin	5.2%	0.0%	3.3%	5.2%	5.6%	8.5%	9.5%	
Ordinary income	661	5	610	1,099	1,180	2,426	2,504	102.6%
Net income attributable to owners of parent	306	-223	347	658	743	1,434	1,557	111.7%
Earnings per share (¥)	24.05	-17.53	27.15	46.38	58.08	112.74	121.71	
Number of employees*2	777	1,202	992	1,589	1,401	2,058	1,837	36.1%

*1 Average annual growth rate FY2/23-25

*2 Number of employees including subsidiaries and equity-method affiliates (KitAlive)

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

Outlook

The Company is also anticipating high organic growth in FY2/25 with an even greater degree of contribution from subsidiary TerraSky Technologies. The source of this growth is its total number of employees (including employees of equity-method affiliates) which was 992 at the end of FY2/23 and is expected to grow by about 1.9 times to 1,837 by the end of FY2/25. Within this, the number of employees at TerraSky Technologies is expected to triple from almost 200 to 600. Japan suffers from chronic shortages of IT personnel so the Company is adapting to this need by advancing the recruitment and education of beginner engineers. The Company already has a tendency to set challenging headcount targets and although FY2/23 results fell short of its initial target by around 200 employees, there was no impact on financial results. Looking at the trends of initial targets and actual results from FY2/20 onward, net sales results have surpassed targets except in FY2/22 and FY2/23* and operating income has exceeded targets in every fiscal year. Based on these results, we think that the Company can achieve results at a sufficient level to meet its FY2/25 targets even if the pace of recruitment is somewhat lower than planned.

* In FY2/23, there was a ¥200mn decrease in net sales due to the removal of KitAlive from consolidation in 3Q, as well as a decrease of about ¥250mn due to the effects of the application of the Accounting Standard for Revenue Recognition, etc.

Past Management Targets (Initial Targets) and Results

	(¥mn)							
	FY2/20		FY2/21		FY2/22		FY2/23	
	Forecast	Results	Forecast	Results	Forecast	Results	Forecast	Results
Net sales	8,634	9,300	10,728	11,144	13,159	12,578	15,858	15,440
Operating income	246	725	520	779	536	658	4	512

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

The plan's priority measures are as follows.

(1) Enhancing recruitment strengths and raising product visibility

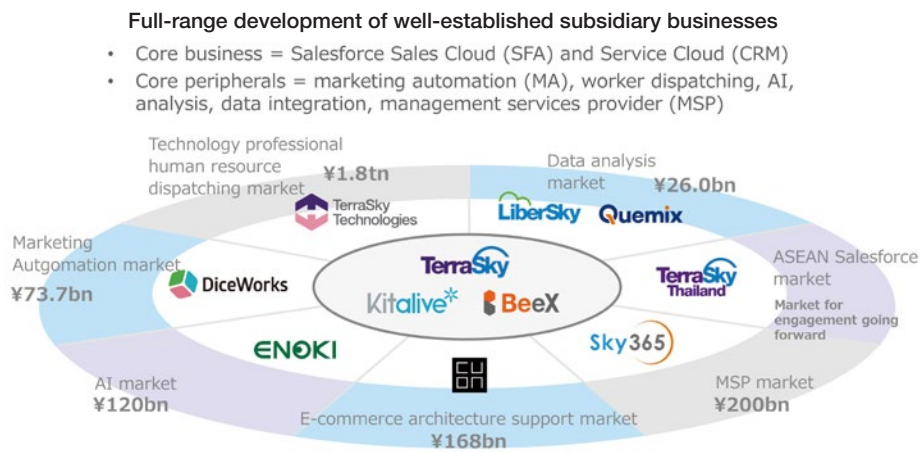
The Company considers the low level of awareness of its corporate brand and product recognition to be one of the challenges it faces in terms of recruiting and expanding sales of its products, so since January 2023, it has been broadcasting its first television commercial with the aim of raising brand strength and recognition. The commercial is currently being shown during a popular anime show that is broadcast by 26 network stations and it is scheduled to run through to June. Although it is impossible to accurately measure the effects of the commercial, it is thought to be raising awareness of the Company among younger generations and it is expected to have an impact on the number of job applications, including from mid-career applicants. The decision to broadcast commercials in the future will depend on an analysis of the effects of the current commercial, but there are currently no plans for additional commercials during FY2/24.

(2) Expanding into the core peripherals business

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

Outlook

For instance, the Company engages in a varied approach to business development with TerraSky Technologies serving in the technology professional worker dispatching market, LiberSky and Quemix in the data analysis market, DiceWorks in the marketing automation (MA) market, ENOKI in the AI market, Cuon in the e-commerce architecture support market, and Sky365 in the management services provider (MSP) market. Although each business is still small in scale, the Company thinks it will be possible to wield competitive advantages by having these companies coordinate with the Company and BeeX, which have an abundance of development expertise in the core business, thereby establishing a position ahead of competing companies. In particular, companies have been increasingly turning to multiple cloud platforms over the last several years, so the ability to assign development projects to Group companies in alignment with customer needs, enabling the TerraSky Group to support a full range of platforms including Amazon Web Services (AWS), Microsoft Azure, and Google Cloud Platform (GCP), is considered a strength. In overseas markets, the Company plans to enter the Thai market, which is expected to grow going forward, and it plans to take advantage of the growth of Salesforce in the Southeast Asian market.



Note: Data on respective market sizes has been derived from sources that include market forecasts for Japan cited in research company reports.
 Source: The Company's results briefing materials

Additionally, the Group has four subsidiaries still at the investment stage in TerraSky Technologies, Terrasky (Thailand), Quemix, and DiceWorks. Out of these, TerraSky Technologies and DiceWorks aim to be profitable in FY2/24, and the Company is targeting profits from the other two from FY2/25 onward. If TerraSky Technologies can expand its headcount to more than 600 employees by FY2/25, it is expected to expand its net sales into the billions of yen range and operating income into the 100 millions of yen range. This will be key to achieving the mid-term management plan targets.

(3) Raising the ratio of Product Business sales within overall sales

The Product Business is focusing on cultivating mitoco groupware and it is targeting a ten-fold increase in the number of corporate users from the several hundred companies currently using the service. As for its strategy for increasing the number of corporate users, the Company plans to raise awareness by enhancing promotions, including holding events. The Company aims to capture a greater share of the market, in part by meeting replacement demand of customers switching over from competing products, premised on the notion that there is still plenty of potential in terms of extending sales to corporate users of the Salesforce platform. Depreciation costs associated with mitoco are expected to gradually decrease going forward now that the Company has passed the peak of development costs, and profitability is expected to improve alongside sales growth. It is also working to improve performance of the personal assistant function utilizing the ENOKI AI engine developed by the Company's subsidiary ENOKI, as well as planning and investigating the development of solutions that use tools such as ChatGPT which have attracted a large amount of attention recently.

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

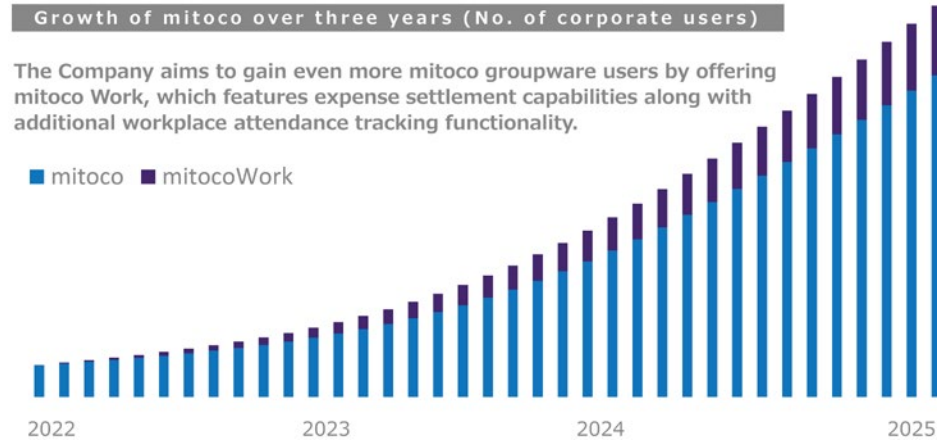
Outlook

Ongoing investment in product development

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

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

■ mitoco ■ mitocoWork



Source: The Company's results briefing materials

Shareholder return policy

Possibility that the Company will consider paying dividends based on FY2/25 earnings situation and capital needs

Since it was listed, the Company has continued to not pay a dividend. It is currently in an investment phase in order to realize high growth, and it considers that maximizing enterprise value by reinvesting cash into growth investments to realize greater earnings growth will lead to returns to shareholders in the future. However, it is shifting to a high growth trajectory on a profit basis beginning in FY2/24 and if it achieves results targets for FY2/25 and there are no significant capital needs related to growth investments, including M&As, it is likely to start considering paying a dividend. 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.



Disclaimer

FISCO Ltd. ("FISCO") offer stock price and index information for use under the approval of the Tokyo Stock Exchange, the Osaka Stock Exchange and Nikkei Inc.

This report is provided solely for the purpose of offering information, and is not a solicitation of investment nor any other act or action.

FISCO prepared and published this report based on information which it considered reliable; however, FISCO does not warrant the accuracy, completeness, fitness nor reliability of the contents of this report or the said information.

The issuers' securities, currencies, commodities, securities and other financial instruments mentioned in this report may increase or decrease in value or lose their value due to influence from corporate activities, economic policies, world affairs and other factors. This report does not make any promises regarding any future outcomes. If you use this report or any information mentioned herein, regardless of the purpose therefor, such use shall be made based on your judgment and responsibility, and FISCO shall not be liable for any damage incurred by you as a result of such use, irrespective of the reason.

This report has been prepared at the request of the company subject hereto based on the provision of information by such company through telephone interviews and the like. However, the hypotheses, conclusions and all other contents contained herein are based on analysis by FISCO. The contents of this report are as of the time of the preparation hereof, and are subject to change without notice. FISCO is not obligated to update this report.

The intellectual property rights, including the copyrights to the main text hereof, the data and the like, belong to FISCO, and any revision, reprocessing, reproduction, transmission, distribution or the like of this report and any duplicate hereof without the permission of FISCO is strictly prohibited.

FISCO and its affiliated companies, as well as the directors, officers and employees thereof, may currently or in the future trade or hold the financial instruments or the securities of issuers that are mentioned in this report.

Please use the information in this report upon accepting the above points.

■ For inquiry, please contact: ■

FISCO Ltd.

5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062

Phone: 03-5774-2443 (IR Consulting Business Division)

Email: support@fisco.co.jp