

## Q&A Summary of Financial Results for FY'25/3

The following is a compilation of the main questions received from those who attended the financial results briefing.

Some of the content has been added or revised to facilitate understanding.

---

**Q. Is there the possible impact of tariff measures by President Trump in the United States.**

A. We have not heard from any of our current clients that they are holding back or postponing their investments because of Trump's tariffs.

Therefore, we do not think it will have a significant impact on our business because the demand for IT investment in Japan is very strong.

Especially for our Social Infrastructure Business, there are many businesses that are closely related to national policies, and stable IT investments are planned that will last until 2030 and beyond. In addition, business related to generative AI is also very much in the tailwind. I hope that you will continue to watch us with great anticipation.

**Q. Please provide details on profit margin improvement for the fiscal year ending March 31, 2026. Do you plan to continue the positive factors such as reviewing contract terms, expansion into consulting projects, strengthening quality control, and the expansion of global development in Vietnam? Also, will strategic investments such as the relocation and renewal of the Kyushu branch and investments in human resources contribute to improving profitability this fiscal year?**

A. There is an effect of both improvement of unit prices and expanding upstream processes, the so-called consulting related area. However, there is still room to further increase the unit price and expand the upstream process.

I believe it is necessary to further accelerate the initiatives to realize the next-generation SI business model that I have just described, while firmly responding to clients' strong needs for digital transformation and AI and especially focusing on expanding upstream processes.

**Q. I assume that the salary level of engineers in Vietnam is rising with the economic growth of the country. Please tell us about the status of your utilization of the Vietnam offshore development system.**

A. Our Da Nang Development Center in Vietnam currently has a total of about 200 employees, including about 70 at Techzen, a group company. In addition to human resource development in cooperation with Da Nang University, we are strengthening our efforts to achieve our goal of 1,000 advanced IT personnel by training and recruiting IT personnel through the Techzen Academy.

At the Da Nang Development Center in Vietnam, Techzen's specialty, agile development, is being utilized in a large number of projects. We have received many inquiries about Agile development and are expanding our business by utilizing our offshore development system, which is strong in agile development, which is differentiated from waterfall development, a common development method, by its ability to develop systems flexibly and quickly while ensuring quality.

We expect agile development using Vietnam offshore to become more and more active.

**Q. Regarding ROE, we have seen an increase in net income margin and net sales per person over the past few years, while human capital leverage has trended downward. What is the outlook for each indicator toward achieving ROE of 22%?**

A. First of all, I would like to talk about the key points of our original ROE breakdown formula for achieving 22 % ROE.

The first is to continuously improve the ratio of net income to net sales, the second is to raise sales per employee by increasing productivity and added value per employee, and the third is to increase human capital leverage.

We will continue to increase the number of employees, one of the components of human capital leverage, aiming to have 1,000 employees by 2030. We will also expand the value added by each of our employees.

Regarding the key issues for optimizing the capital equity ratio, our first priority is growth investments to increase added value unique to our employees, shareholder returns, and capital policies. We will continue discussions and plan to announce specific measures in the next medium-term management plan.

For the outlook of each indicator for 22% ROE, the ROE tree is subject to many variables, so I will explain them just as assumptions under several preconditions. I believe that the ratio of net income to net sales will exceed double digits and net sales per person to be in the upper JPY20 million to JPY30 million range. And we assume that human capital leverage will change by about 0.01 percentage point from the current level, although this is difficult to forecast in the current situation.

**Q. I understand that orders have been strong recently, but what specific projects in the Energy sector will contribute to earnings in the current fiscal year?**

A. In the electric power field, which we have been working on for many years, the percentage of direct transactions with electric power companies is significantly increasing, especially with the four major companies. Electric power companies are planning large-scale projects such as updating, opening, and cloud migration of legacy systems, and we have been consulting

with many of them.

In addition, with the opening of the Nagoya Office in 2023, we have received a great number of requests for projects such as a new sales management system and a renewal of the facilities management system in the Chubu region.

In addition to what we have been doing so far in the form of system development, we are seeing an increase in requests for digital transformation and digitalization such as data management systems, cloud migration, and agile development, so we believe that this business is very promising over the medium to long term.

**Q. I understand that the results in the Manufacturing and Enterprise sectors were due to projects that were recorded in the following term or that were between fiscal terms in FY'25/3, so do you expect an increase in revenue this fiscal year?**

A. We are a month and a half into the current fiscal year, and the Advanced Industry Business, especially the data-related business, is doing extremely well. Regardless of the specific client or industry or sector, a wide range of industries are accelerating their efforts to collect, analyze, and utilize data, and we have received many inquiries about our data management service, DxD Leap from LeapX series.

We have been consulted on several profitable and long-term projects in the advanced industry business, including data-related projects, and we expect to see an increase in revenues and are very excited about them.

**Q. Could you also give us an assessment of the results of the Solutions Business for FY'25/3, and the future outlook?**

A. Our Solution Business is profitable, but we believe there is still room for profitable contribution and growth, and we aim for a gross margin of 50% or more. In particular, we will promote sales expansion of SaaS-type products where sales equal profit.

We have also received a great number of inquiries about our consulting business, as a result of proposals for new services, including the SaaS-type commercial area analysis solution DOCOYA.

We have many clients visiting our Digital Innovation Lab and GIS Technical Center and some of their visits led to order placement. We are also seeing the effects of collaboration and synergy with many other alliances. We would like to expand the Solution Business so it will be a new pillar.

**Q. Please tell us about your SG&A expense estimates for FY'26/3. Do you have any plans to invest in offices following the opening of the Nagoya office and the relocation/renovation of the Kyushu office?**

A. As for the future status of SG&A expenses, I am unable to provide a specific figure at this time, but as we described in our medium-term management plan, we are making strategic investments for sustainable growth over the three years through the fiscal year ending March 31, 2026. We are considering M&A as well, mainly investing in “people” as a source of growth, including recruitment and training.

Although we do not plan to invest in office space at this time, we will consider doing so from time to time so that we can respond flexibly to changes in the business environment.

**Q. Could you tell us why the sales and profit increases for this fiscal year are each lower than the previous fiscal year? Where do you find there is risk?**

A. There is no such thing as this business risk. Therefore, I don't think there will be any change in the situation of our customers, and the forecast for FY'26/3 is conservatively estimated.

Currently, we are receiving orders for projects that are above the level of previous years. Furthermore, in social infrastructure business, many of the projects are completed at the end of the fiscal year, and we are receiving inquiries for more projects as we enter the second quarter of the fiscal year.

We intend to accelerate business growth to achieve our business forecast while making aggressive strategic investments, particularly in human resources.

**Q. What is the sales outlook for the AI business and what is the medium- to long-term outlook?**

A. Since our establishment, we are engaged in system development as part of social infrastructure, and we are seeing a shift from systems development to the data management business, digital transformation and even AI utilization.

Especially, the use of AI is expected to advance further in the energy (electric power and gas) sector, which is our core business. For example, the grid control system for electric power is a very mission-critical system, and AI will be used for such control, including the demand, transmission, and quality of electric power. In addition, these electric power companies have accumulated a vast amount of data, and we are considering providing consulting services for data utilization, including data analysis using AI.

**Q. Please tell us the sales trend and future outlook for space and national security related business?**

A. Demand for business related to national security, including space security, for which demand is very strong. We are now in a situation where we can utilize the know-how, experience, and technology we have accumulated over many years in the field of social infrastructure, and we intend to further strengthen our organization to expand this space and security-related business. In addition to AI, we will develop the space and security field into our next core business.

**Q. What industries and sectors are receiving favorable orders?**

A. Especially the high-energy business in Social Infrastructure, or electric power and gas, will continue to be a driving force for us as it was in the previous year. On the other hand, in the Advanced Industry Business, there are businesses such as payment-related businesses that are growing significantly. We expect these two businesses to grow at an extremely high rate this fiscal year.

On the other hand, we will take a comprehensive view of the entire business portfolio, considering how much management resources should be concentrated in the energy and service sectors, while also working on the creation of new businesses.

We intend to further expand our business in related domains and businesses toward the goals of carbon neutrality and smart cities, which we are aiming for in our current medium-term management plan.

(Note) English documents are prepared as a courtesy to our stakeholders. In the event of any inconsistency between English-language documents and Japanese-language documents, the Japanese-language documents will prevail.