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[Q&A included] SIGMAXYZ Holdings revises earnings forecast but maintains dividend payout. Increases share buyback to a maximum of 1.8 billion yen to strengthen shareholder returns and increase total return ratio to over 100%.

Outline of Financial Results for Q2 FY25 (Semi-annual Period)



- Consolidated revenue was 12.55 billion yen, and ordinary profit was 3.38 billion yen. Profit made steady progress toward the plan, but revenue lagged behind.
- We have revised our earnings forecast due to the transfer of all shares of a consolidated subsidiary and delays in commencement new projects in line with the sequential go-live of large-scale projects. [→ Slides 2, 3](#)
- We have decided to increase the amount for the repurchase of treasury shares and to cancel treasury shares. [→ Slide 4](#)

(Unit: JPY mn)	Q2 FY24 (Apr. to Sep.)	Q2 FY25 (Apr. to Sep.)	YoY change	FY25 consolidated forecasts (revised November 5)	Progress
Consolidated revenue	12,558	12,558	+0%	24,500	51%
Ordinary profit	3,002	3,380	+13%	6,300	54%
Ordinary profit margin	23.9%	26.9%			
Profit	2,292	2,264	-1%	4,400	51%
Equity ratio	76%	80%			

Note: Starting from Q1, information is now disclosed under a single segment (consulting business).

[Main text]

Outline of Financial Results for Q2 FY25 (Semi-annual Period)

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Shinya Tabata (hereafter, Tabata): I am Tabata, Representative Director and CFO of SIGMAXYZ Holdings Inc. I will explain the details of our financial results for Q2 and the semi-annual period of FY25.

First, I will provide an outline of the financial results. Consolidated revenue was 12,558 million yen and ordinary profit was 3,380 million yen. Profit made steady progress toward the plan, but revenue lagged behind. For this reason, in conjunction with today's announcement of financial results, we have revised our full-year earnings forecast, increased the amount for the repurchase of treasury shares, and announced the cancellation of treasury shares, as explained below.

FY25 Consolidated Earnings Forecasts (Revised November 5, 2025)

FY25 Consolidated Earnings Forecasts (Revised November 5, 2025)								SIGMAXYZ
(Unit: JPY mn)	FY24 results (A)	Previous forecast (May 8, 2025) (B)	Revised forecast (C)	Amount (C-B)	YoY change % (C/A)	Q2 FY25 results (Apr. to Sep.)	Progress	
Revenue	26,293	30,000	24,500	-5,500	-7%	12,558	51%	
Operating profit	5,638	6,950	6,100	-850	+8%	3,198	52%	
Ordinary profit	5,876	7,060	6,300	-760	+7%	3,380	54%	
Profit attributable to owners of parent	4,394	4,900	4,400	-500	+0%	2,264	51%	

	FY24 results	FY25 forecast (unchanged)	YoY change
Annual dividend per share	21 yen	26 yen	+5 yen

Note: Our forecasts are based on information available as of now.

Revisions to full-year forecasts. We revised revenue from 30,000 million yen to 24,500 million yen, operating profit from 6,950 million yen to 6,100 million yen, ordinary profit from 7,060 million yen to 6,300 million yen, and profit attributable to owners of parent from 4,900 million yen to 4,400 million yen.

The dividend forecast remains unchanged at 26 yen per share.

Reason for revision of earnings forecasts

Reason for revision of earnings forecasts

Reason for revision of full-year revenue forecast

- Transferred all shares of SXD Inc. in October 2025. SXD was excluded from the scope of consolidation and its revenue forecast for the second half of the fiscal year has been excluded from the earnings forecast.
- Although we have been pursuing new projects in anticipation of the sequential go-live of large-scale projects, the commencement of new projects toward the end of the fiscal year delayed longer than anticipated.

Reason for revision of full-year profit forecast

- The anticipated sale of investment securities inherited from the Investment Business during the fiscal year under review has been excluded from the earnings forecast.
- Impact of revision of full-year revenue forecast

Future initiatives

- Newly form a dedicated team to focus on proposal activities for large-scale projects utilizing SaaS.
- Actively invest in the development of generative AI offerings to acquire client needs and secure new projects.
- Consider capital and business alliances that contribute to expanding the client base.
- Control company-wide expenses

Dividend forecast (unchanged)

Given our sound financial condition and the perspective of returning profits to shareholders, there is no change, maintaining at 26 yen (dividend payout ratio of 49.5%).

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This is the reason for revision of earnings forecasts. First, let me explain the revenue forecast. SXD Inc., a consolidated subsidiary of the Company that engages in system procurement for enterprises, was excluded from the scope of consolidation, and its revenue, amounting to approximately 1 billion yen, was excluded from the forecast. Due to delays in the start of new projects toward the end of the fiscal year, revenue is expected to fall short of the previous forecast.

Profits for the semi-annual period were well in line with the plan. However, profits are also expected to be lower than previously forecast due to the exclusion of the anticipated sale of investment securities inherited from the Investment Business and the downward revision of the revenue forecast.

The delay in the commencement of new projects was due to the increased involvement of personnel responsible for proposal activities in large-scale project deliveries of high difficulty and high added value. Currently, the sequential go-live of projects is leveling the playing field for proposal activities and delivery.

Going forward, we will promote the commencement of new projects through the establishment of a dedicated team specializing in proposal activities for large-scale projects utilizing the newly formed SaaS, aggressive investment in the development of generative AI offerings, and consideration of capital and business alliances to expand our client base.

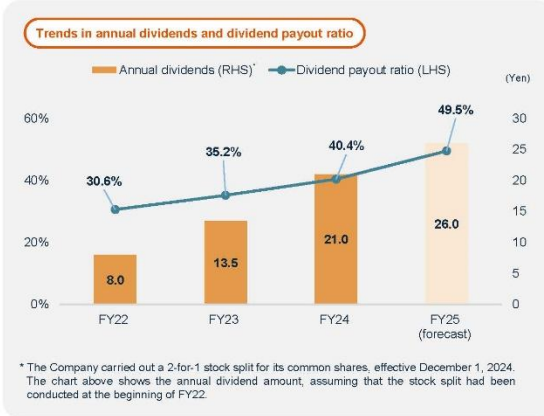
The dividend forecast remains unchanged at 26 yen per share given the Company's sound financial condition and the perspective of returning profits to shareholders.

Strengthening Shareholder Return Measures

Strengthening Shareholder Return Measures



- As part of management focused on capital efficiency, and to enable a flexible capital policy while taking into account effective methods for utilizing cash on hand, in addition to the repurchase of more than 1.1 billion yen in treasury shares implemented so far this fiscal year, the repurchase amount will be increased (upper limit of 1.8 billion yen). The shares planned for repurchase (3 million shares) are scheduled to be canceled.
- The total payout ratio, including dividends and the repurchase of treasury shares, is expected to be 100% or higher for FY25.



This is about strengthening shareholder return measures. As part of management focused on capital efficiency, the Company has decided to utilize cash on hand to increase the repurchase amount of treasury shares by 1.8 billion yen and to cancel 3 million shares of treasury shares planned for repurchase. The dividend forecast remains unchanged at 26 yen per share per year. As a result of these measures, the total payout ratio is expected to be 100% or higher for FY25.

We will continue to carry out a balanced return of value to employees, shareholders, and society. To this end, we will implement shareholder return measures based on a basic policy of investing in sustainable growth over the medium to long term and maintaining an appropriate level of shareholders' equity that allows for risk.

Consolidated Statement of Income for Q2 FY25 (Semi-annual Period)

Consolidated Statement of Income for Q2 FY25 (Semi-annual Period)						SIGMAXYZ
(Unit: JPY mn)	Q2 FY24 (Apr. to Sep.)	Q2 FY25 (Apr. to Sep.)	YoY change		Major changes	
			Amount	Rate		
Revenue	12,558	12,558	0	+0%	<ul style="list-style-type: none"> Decrease in outsourcing due to the sequential go-live of large-scale projects Delay in commencement of new projects 	
Cost of revenue	6,910	6,609	-301	-4%	<ul style="list-style-type: none"> Decrease in outsourcing expenses Reversal of provision for bonuses from previous fiscal year 	
Gross profit (Gross profit margin)	5,647 (45.0%)	5,949 (47.4%)	301	+5%	<ul style="list-style-type: none"> Decrease in cost of revenue 	
SG&A expenses	2,810	2,750	-59	-2%	<ul style="list-style-type: none"> Reversal of provision for bonuses from previous fiscal year 	
Operating profit	2,837	3,198	361	+13%	<ul style="list-style-type: none"> Increase in gross profit 	
Ordinary profit (Ordinary profit margin)	3,002 (23.9%)	3,380 (26.9%)	378	+13%		
Profit before income taxes	2,946	3,318	372	+13%	<ul style="list-style-type: none"> Gain on sale of shares of SXF Inc. Recognition of extraordinary loss due to impairment of investee companies 	
Profit	2,292	2,264	-27	-1%	<ul style="list-style-type: none"> Increase in income taxes 	
Comprehensive income	2,178	2,373	194	+9%		

Here is the Consolidated Statement of Income. Although revenue was flat year-on-year, the gross profit margin improved from 45.0% to 47.4% as cost of revenue decreased due to lower outsourcing expenses and a reversal of the provision for bonuses from previous fiscal year.

SG&A expenses were also controlled by reversal and control of corporate expenses, and both operating profit and ordinary profit increased 13% year on year. On the other hand, profit for the semi-annual period was slightly down 1% year on year due to an increase in income taxes.

Consolidated Balance Sheet for Q2 FY25 (Semi-annual Period)

Consolidated Balance Sheet for Q2 FY25 (Semi-annual Period)		SIGMAXYZ		
(Unit: JPY mn)	End of FY24	End of Q2 FY25	Change	Major changes
Current assets	14,073	8,965	-5,108	<ul style="list-style-type: none"> Decrease in cash and deposits Decrease in operational investment securities
Cash and deposits	6,945	6,115	-830	<ul style="list-style-type: none"> Decrease due to dividend payments Decrease due to income taxes paid
Operational investment securities	3,797	—	-3,797	<ul style="list-style-type: none"> Inherited assets recorded as investment securities due to absorption-type merger of investment business
Non-current assets	5,666	9,097	3,430	<ul style="list-style-type: none"> Increase in investment securities
Investment securities	3,024	6,203	3,178	<ul style="list-style-type: none"> In Q1, fully divested one investee company and recorded impairment loss for one listed investee company
Total assets	19,740	18,062	-1,677	
Current liabilities	4,781	3,152	-1,629	<ul style="list-style-type: none"> Decrease in provision for bonuses due to reversal of previous fiscal year's amount Decrease in accounts payable
Non-current liabilities	687	453	-233	
Total liabilities	5,468	3,606	-1,862	<ul style="list-style-type: none"> No borrowings
Total net assets	14,272	14,456	184	
Equity ratio	72%	80%		

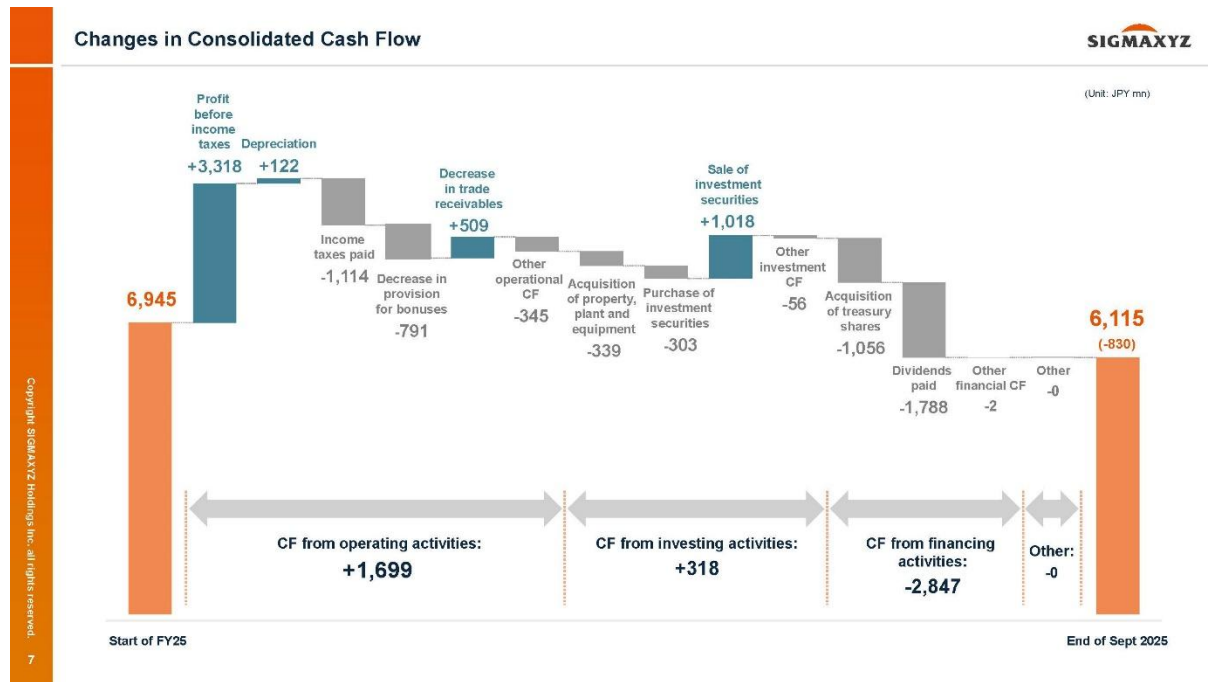
This is the Consolidated Balance Sheet. Total assets amounted to 18,062 million yen. Cash and deposits decreased to 6,115 million yen due to dividend and income tax payments.

In connection with the absorption-type merger of the investment business, the inherited assets are recorded as investment securities from the current fiscal year. In Q1, one investee company was fully divested and an impairment loss was recorded for one listed investee company, but there were no sales or other actions in Q2 of the current fiscal year.

Total liabilities amounted to 3,606 million yen, down 1,862 million yen from the end of the previous fiscal year. The main factors were a decrease in accounts payable and a decrease in provision for bonuses due to reversal of previous fiscal year's amount. There are no borrowings.

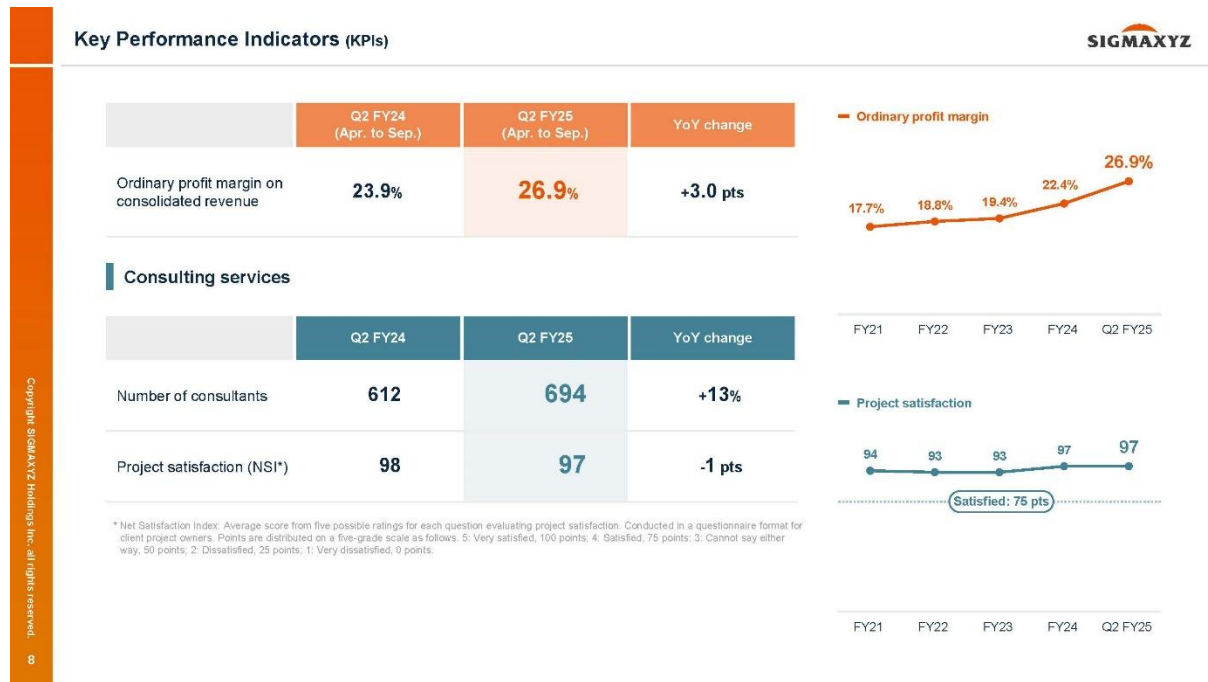
The equity ratio remains high at 80%. After considering market conditions and capital efficiency, the Company decided to increase the amount of treasury shares repurchased. We will continue to provide shareholder returns at appropriate times.

Changes in Consolidated Cash Flow



Here are the consolidated cash flows. While profits increased, cash decreased due to dividend payments, acquisition of treasury shares, and income tax payments, resulting in a balance of 830 million yen less than at the end of the previous period.

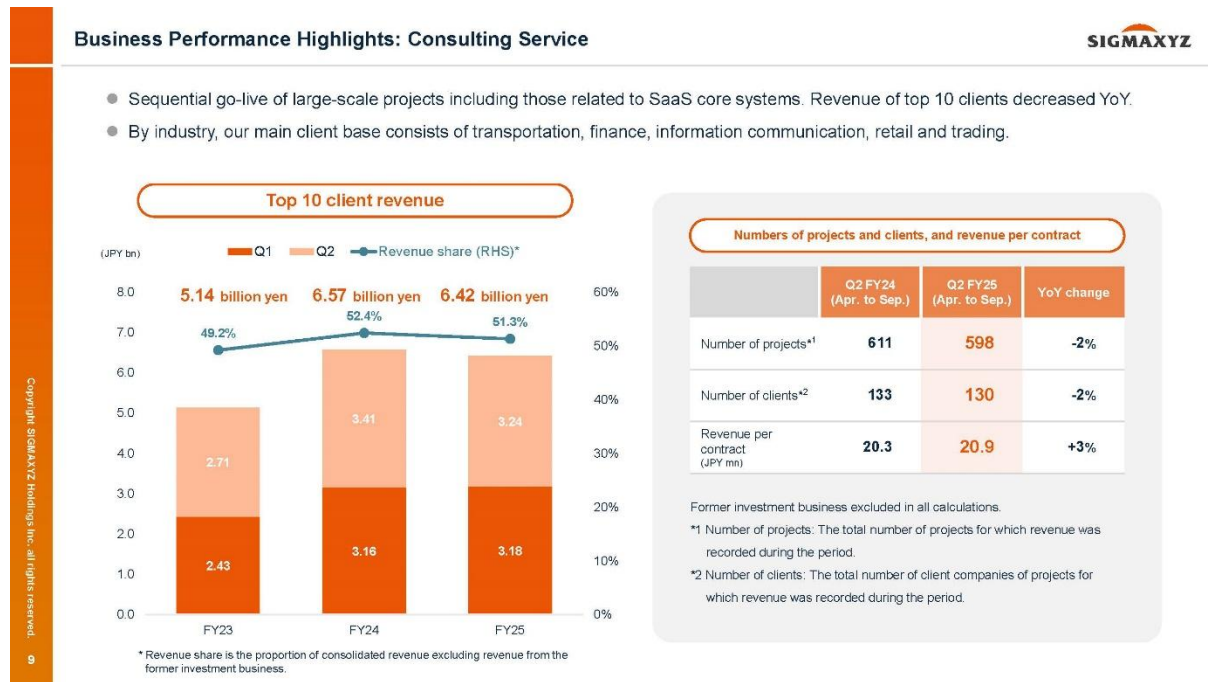
Key Performance Indicators (KPIs)



This is about Key Performance Indicators. The increase in gross profit and the curbing of SG&A expenses contributed to an ordinary profit margin on consolidated revenue of 26.9%, up +3.0 points year on year. The number of consultants was 694, up 13% year on year.

Project satisfaction, a measure of delivery quality, remains high at 97 points.

Business Performance Highlights: Consulting Service

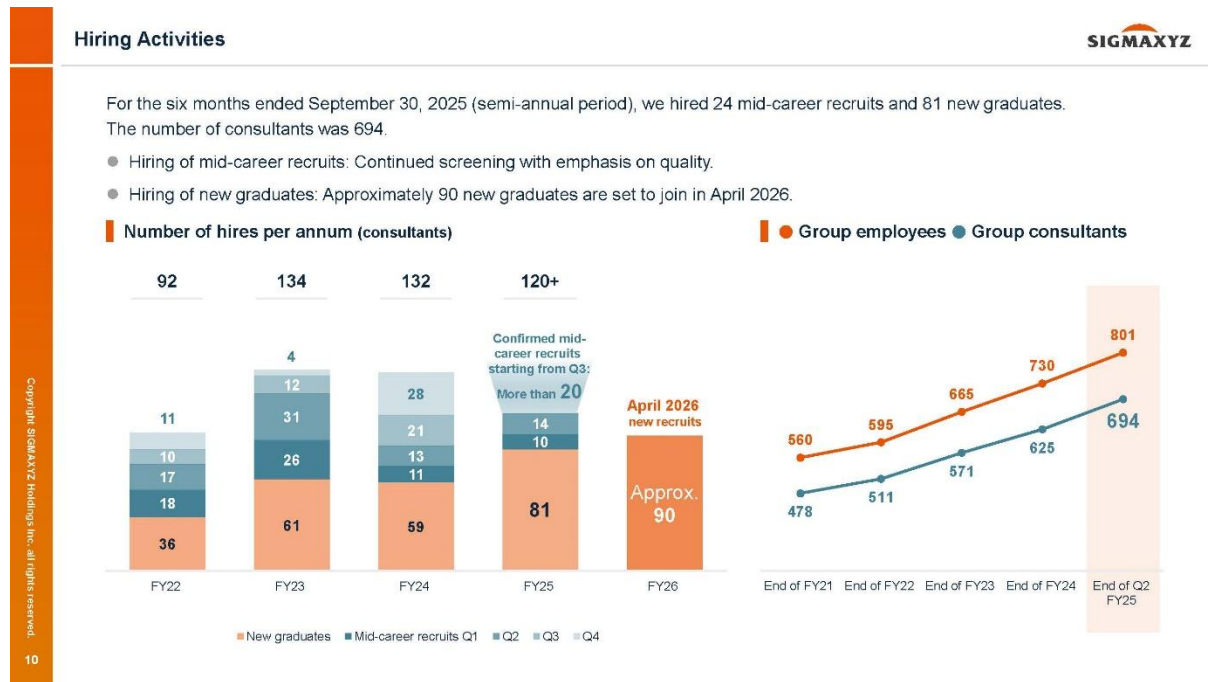


Here are the performance highlights. In consulting services, large-scale projects centering on SaaS core systems have sequentially gone live, while revenue from our top 10 clients decreased year on year. By industry, our main client base consists of transportation, finance, information communication, retail and trading.

The number of projects and clients decreased by 2% each year on year due to the impact of the increased involvement of personnel responsible for proposal activities in large-scale project deliveries of high difficulty and high added value.

Revenue per contract increased 3% year on year to 20.9 million yen. Going forward, we will continue to develop new clients and expand projects while balancing and managing transactions with specific clients.

Hiring Activities



Utilizing Generative AI to Support More Advanced System Maintenance Services

Intec Inc.

Intec Inc. is developing an advanced system analysis methodology that utilizes generative AI to improve its system maintenance services. Since August 2024, SIGMAXYZ has supported this initiative using its generative AI insight and system integration expertise.

Intec's system maintenance services are highly demanding tasks that continuously implement modifications according to business changes while ensuring the stable operation of client's core systems. Because the staff requires a broad range of skills, long-term talent development and maintaining high-quality services were challenges.

SIGMAXYZ provided support from analysis of current status of services to designing optimal methodologies, incorporating generative AI technology, and applying it to actual projects. This methodology applies generative AI in formulating hypotheses about business processes from diverse information assets while clarifying the internal structure of the system through workshops among staff, thereby systematizing the information needed for maintenance work and reducing the workload of impact assessment and analysis during system modifications. In addition, it converts the tacit knowledge of the staff into explicit knowledge, promoting skill development across the entire team.

Intec presented a paper summarizing these results at the International Conference on Quality 2025, and SIGMAXYZ also took part. Going forward, we will support taking on challenges to improve these services.



The supplemental materials include examples of recent projects that clients have consented to disclose. On page 12, we introduce a case study of Intec Inc's support for the advancement of system maintenance services utilizing generative AI.

Supporting Company-Wide Business and System Reforms Through Digitalization

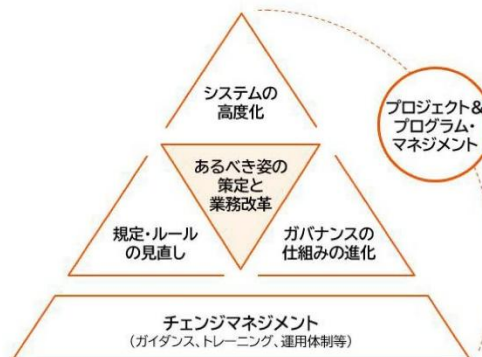
SADENKO Co.,Ltd.

SADENKO Co.,Ltd., a comprehensive facilities construction company based in Kyushu, worked with SIGMAXYZ to implement company-wide business and system reforms through digitalization, aiming to respond to environmental changes in the industry and become a regional leading company.

To address issues specific to the industry, such as complex contracts and ordering processes and high on-site workload, SIGMAXYZ proposed a company-wide business reform to SADENKO, which had been considering a core system renewal, including potential improvements such as internal regulations and a governance framework. In 2021, we launched the project, and after four months of collaboration between management and the frontlines, goals were set and business reforms were promoted. The system was implemented in stages, with full operation of the core system starting in January 2025.

As a result, we reduced the workload of entering data into the system, which was a major burden on the frontlines, and shortened approval lead times. Furthermore, we are advancing the in-house implementation of project management and continue to implement voluntary reforms starting in June 2025.

デジタル化による全社業務・システム改革



On page 13, we introduce a case study of support for company-wide business and system reforms through digitalization at SADENKO Co., Ltd.

Green Transformation Promotion Business Development and Continuous Growth Support Project

ITOCHU Techno-Solutions Corporation

ITOCHU Techno-Solutions Corporation has identified contributing to addressing climate change as a materiality and has positioned its Green Transformation (GX) promotion business as a growth area. Leveraging analysis and system development technologies in the meteorology and renewable energy fields accumulated since the 1990s, the company systemized its services in 2022, including visualizing greenhouse gas emissions, supporting renewable energy adoption, and building related data infrastructure, and began offering them externally. In 2024, the company released the GX Advisory Service Starter Pack that quickly diagnoses current GX efforts and identifies issues, with the aim of expanding application.

Since 2021, SIGMAXYZ has provided integrated support for concept formulation, design, and operation. In addition to designing the service structure, building the framework, formulating business plans, and establishing promotion systems, we work with the company in practical areas such as customer proposals and delivery support, contributing to the growth of the business and achieving carbon neutrality in Japan.



Illustration provided by ITOCHU Techno-Solutions Corporation

ITOCHU Techno-Solutions Corporation press release: Supporting Corporate Green Transformation (GX) (August 31, 2022) <https://www.ctc-o.co.jp/en/company/release/20220831-01488.html>
 ITOCHU Techno-Solutions Corporation press release: Launch of GX Support Service with Simplified Menu Options (October 15, 2024) <https://www.ctc-o.co.jp/en/company/release/20241015-01840.html>
 Nikkei ESG: Tatsushi Shingu, President & CEO of ITOCHU Techno-Solutions Corporation, "Accelerating the Challenge to Solve Issues with IT" (July 9, 2024) <https://project.nikkeibp.co.jp/ESG/atl/column/00006/07100433/>

On page 14, we present a case study of the Green Transformation (GX) Promotion Business Development and Continuous Growth Project of ITOCHU Techno-Solutions Corporation.

Collaboration with ITOCHU Techno-Solutions Corporation

CIO × Compass powered by Co-CIO Service (CIO-Compass)

SIGMAXYZ collaborated with ITOCHU Techno-Solutions Corporation (CTC) on the rollout of the CIO × Compass powered by Co-CIO Service (CIO-Compass), the first offering under CIO-Partners Service, which CTC has begun providing.

Since the 1970s, CTC has introduced cutting-edge technology from North America to the Japanese market, leveraging its global partnership of over 300 companies to build optimal systems for businesses. In 2023, SIGMAXYZ began providing Co-CIO Service, which supports CIOs in addressing challenges and advancing initiatives across seven key domains, thereby supporting CIOs in a wide range of industries.

Through this collaboration between the two companies, we provide comprehensive and practical support for customer transformations, from analyzing the current state of IT and digital operations to strategy formulation, organizational management, and IT investment management.



ITOCHU Techno-Solutions Corporation press release: Launch of CIO-Partners Service, Providing Comprehensive Support for Corporate CIOs and Offering End-to-end Assistance from Strategy Formulation to Execution <https://www.ctc-c.co.jp/company/release/20231015-01983.html>

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On page 15, we introduce a new collaboration announced: the CIO x Compass powered by Co-CIO Service (CIO-Compass).

Strengthening Dissemination of Customer Case Studies

Strengthening Dissemination of Customer Case Studies



Nikkei Business online

- "How is a cruise business for a new age created?," MOL Cruises, Ltd.
- "Clean core strategy: Leading to next-generation management," NTT ADVANCED TECHNOLOGY CORPORATION, SOLIZE Holdings Corporation
- "The future of customer-based retailing," H2O Retailing



<https://special.nikkeibp.co.jp/atct/cb/25/sigmaxyz0325/>



<https://special.nikkeibp.co.jp/atct/cb/25/sigmaxyz0818/>




<https://special.nikkeibp.co.jp/atct/cb/25/sigmaxyz0829/>


We are also working to strengthen the dissemination of information on customer case studies.

Information Dissemination Activities Conducted by Professionals in Various Fields (Main Seminar Presentations in Apr. - Sep. 2025)

Information Dissemination Activities Conducted by Professionals in Various Fields (Main Seminar Presentations in Apr. – Sep. 2025)





The Future of Logistics **Yuichiro Ikeda** Director, SIGMAXYZ




- April 10 Logistics Dialogue Kansai Edition (KANSAI LOGIX 2025)
- May 21 Thailand Advanced Logistics Seminar (Sasin Graduate Institute of Business Administration, Chulalongkorn University)
- July 18 6th Logistics Dialogue
- July 24 TOYO KEIZAI Transform Summit 2025
- September 11 Fourth Innovation Expo, International Logistics Exhibition 2025
- September 26 First CLO Council 2025 (Facilitator)

Utilization of Generative AI **Akihiro Mizohata** Senior Executive Officer, SIGMAXYZ
Katsuto Arai Director, SIGMAXYZ

- July 23 (Arai)
AI Agents Transforming the Workplace: AI Implementation Strategies You Can Implement Tomorrow
- July 25 (Mizohata & Arai)
Nikkei BP seminar: Practical Course on Adopting Generative AI and AI Agents and How to Utilize Them in Your Business


Foodtech **Hikaru Miyo** Principal, SIGMAXYZ



- May 14 Japanese Society for Biomaterials 2025 Educational Seminar
- July 7 Shimadzu 4th Global Food Summit 2025
- July 8 CULTIVATED MEAT JOURNEY 2025, Expo 2025 Osaka Kansai (Event PMO)

SIGMAXYZ Group News: <https://www.sigmaxyz.com/ja/news.html>

Manufacturing Industry of the Future **Shinya Kirihara** Senior Executive Officer, SIGMAXYZ



- May 20
FY2025 First Committee Meeting of the Japanese Institute of Additive Manufacturing
- September 2
First Lecture Conference of the Japanese Institute of Additive Manufacturing


DX **Yosuke Arai** Director, SIGMAXYZ

Lectured at numerous seminars on Computer System Validation (CSV)

DX **Keisuke Akimoto** Principal, SIGMAXYZ

September 27 Future Vision Summit 2025, Innovation Starts Here!


Foodtech **Akiko Fukuyo** Principal, SIGMAXYZ



- May 29
Hokkaido Food Innovation Summit 2025
- September 9
Food Loss and Cryogenic Energy Expo Conference
- September 19
HIGASHIMIKAWA FOOD DAYS 2025

Information about the dissemination of information by our professionals is also available. Please read on.

This concludes my explanation. Thank you for your attention.



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Q&A: Factors behind the downward revision of full-year revenue

Moderator: The question is, “What are the amounts per factor for the downward revision to full-year revenue?”

Tabata: The first factor behind the downward revision of the revenue forecast is the transfer of all shares of subsidiary SxD Inc. in October 2025. As a result, the Company has excluded SxD Inc. from the scope of consolidation and has excluded the company's revenue forecast for the second half of the fiscal year. As a result, the revenue forecast decreased by about 1.1 billion yen.

Another factor was that the start of projects toward the end of the fiscal year was later than expected, although we had been working on acquiring new projects while responding to the sequential go-live of large-scale projects.

The impact of this delay was a decrease of approximately 1.5 billion yen in outsourcing costs due to the sequential go-live of large-scale projects, and an impact of approximately 3 billion yen on sales due to delays in the start of new projects, which together resulted in a downward revision of revenue of over 5 billion yen.

Q&A: Delays in the commencement of new projects and what to do about it

Moderator: The question is, “What is the impact of the delay in the commencement of new projects toward the end of the fiscal year? How much do you expect to rewind in the third and fourth quarters? Also, when do you anticipate the recovery period to be?”

Takuya Kawasaki (hereinafter, Kawasaki): I am Kawasaki, Corporate Officer. I will answer this one. As the CFO explained earlier, we believe the impact on revenue due to the delay in the commencement of new projects will be approximately 3 billion yen. From now on, we will focus on acquiring large-scale projects by establishing a new dedicated team that specializes in proposal activities for large-scale projects utilizing SaaS. In addition, we intend to invest aggressively in the development of offerings of generative AI in order to acquire projects that incorporate client needs.

Currently, there are several specific pipelines, which we expect to begin in the fourth quarter or next fiscal year.

Q&A: Hiring Policy and New Graduate and Mid-Career Recruits Hiring Initiatives

Moderator: The question is, “Are there any changes to your hiring policies?”

Sono Uchiyama (hereinafter, Uchiyama): I am Uchiyama, Director. Thank you all for your time today. I will answer this question.

There is no change in the basic policy for hiring. The policy of growth through new graduates and replacing turnover with mid-career recruits, both with a focus on quality, remains intact.

As for the hiring of new graduates next April, we can almost see the number of new graduates landing at a level higher than the current fiscal year. In addition, hiring activities for new graduates to join the company in April 2027, the year after that, are now in full swing, and are being carried out with the same candidate requirements and continued emphasis on quality as in previous years.

On the other hand, unlike new graduates who are hired all at once in April, hiring of mid-career recruits can be adjusted throughout the year while monitoring the progress of the business. Currently, we are making more detailed adjustments to the number and timing of hires than ever before, taking into consideration the fact that the start of projects is delayed than expected.

In any case, the project cannot proceed without human assets, and once the project begins, human assets will be needed. In order to meet the needs of our clients, we will continue to place emphasis on quality and will continue to hire excellent human assets.

Q&A: Delays in new projects and plans for recovery

Moderator: The question is, "You mention that 'the downward revision was due to a delay in the commencement of new projects,' but can you give us some specifics on the background to this?"

Kawasawa: In the first half of the year, large-scale projects sequentially went live. This is the reason why human assets for proposal activities were focused on the delivery of large-scale projects of high difficulty and high added value, and this was the background that proposal activities could not be sufficiently conducted. We will now set up a dedicated team to make up for this.

Q&A: Impact of the decrease in the number of clients and projects on high value-added projects

Moderator: The question is, “What's behind the drop in the number of clients and projects compared to the previous quarter?”

Tabata: Regarding the number of projects and clients, as Kawasaki explained earlier, in the previous fiscal year, a lot of time was devoted to delivery operations in order to expand sales and increase orders. As a result, we believe that the number of projects and the number of clients were somewhat delayed, both of which resulted in a -2% decline year on year.

Uchiyama: Let me give you a supplementary explanation of the background behind the concentration of delivery resources on projects of high difficulty and high added value.

We had several large-scale projects underway to solve very complex management issues for a large-scale client. We do not have a clear separation between the sales and delivery teams, but rather our high-seniority consultants acquire projects by making direct proposals to upper-tier management of clients and then form teams to deliver the projects.

In this case, the consultant at the tier leading the proposal was focused on successfully completing highly challenging and high-value projects. This was a necessary initiative for our capability development and future growth, and we intentionally focused on it, but as a result, we were unable to ensure the start of the next project in time .

Although we are in a situation of delayed start, there is no particular problem as long as the workload is properly optimized. Through the projects that have gone live, we have also been able to develop a solid set of competencies that set us apart from other companies. We believe it is important to take advantage of this and how it can lead to future projects.

Q&A: Client Demand Environment

Moderator: The question is, “Do you see any impact from changes in the external environment on your clients' demand environment? Please let us know if there is any change in the investment mindset of your clients.”

Kawasawa: It is true that some industries, e.g., manufacturing, have been somewhat cautious due to the impact of U.S. trade policy and rising prices. However, overall, in terms of client needs, we feel that demand related to digital transformation, SaaS, and AI is very solid.

Q&A: Delays in new major projects and their impact

Moderator: The question is, "Is the delayed new projects in the second half of the year, -3 billion yen, the story of one company? Also, please let me know if you are a new or existing client.

Tabata: This is mainly related to acquiring projects for "new" clients. There are several target clients, and revenue per client are in excess of 1 billion yen. Please understand that this is a story related to multiple companies.

For the large-scale projects, we knew that we had almost completed the go-live in the first half of the year, and that it was scheduled to come to a close in the second half of the year. Therefore, we have been working to obtain new large-scale projects during the first half of the year, but due to clients' circumstances and other factors, we have not been able to commence these projects as of yet.

Q&A: Turnover Rates and Hiring Plans

Moderator: The question is, “Is there any change in the turnover rate? I hear that competition from other industries has intensified recently, but does your hiring plan for this quarter look okay?”

Uchiyama: There has been no change in the turnover rate. A turnover rate of 10% to 12% is within our expectations, and we see no problems with progress at this time.

Next, regarding hiring, we are not particularly aware of any intensification of the hiring market. It is important to be able to recruit quality human assets well, and we are not feeling particularly anxious at this point.

However, as I mentioned earlier, we are closely monitoring how to adjust the timing of hiring mid-career recruits in response to the delayed commencement of projects.

Q&A: Delays in new projects

Moderator: The question is, “Just to confirm, am I correct in assuming that the delay in new proposals is not due to weak demand from a particular client?”

Kawasawa: This may be due to the client's circumstances, but rather than demand, it may be due to the client's internal decision-making process, which took time, or the fact that we did not have the appropriate human assets to adequately respond to the proposal activity. Therefore, it is not due to weak demand from any particular client.

Q&A: Demand trends and status of proposal activities for DX, SaaS implementation, and AI utilization in the overall market

Moderator: The question is, “You mentioned that the background to this was inadequate proposal activity, but has the client demand environment itself changed?”

Tabata: The market as a whole continues to see solid demand for DX, SaaS implementation, and AI utilization. Although some clients in the manufacturing industry are showing some signs of slowing down, overall the environment of client demand is firm.

There were two reasons for the lack of proposal activity. The first was that we did not have enough workload to put into our proposal, and the second was that the project we were targeting was large and complex. Therefore, the time from proposal to decision took longer than usual.

Q&A: Progress of the service project and the organization's sales-focused team

Moderator: The question is, “Is it correct to understand that the delay in go-live is solely due to internal factors? Also, am I correct in understanding that the composition of the consultants doing both sales and delivery will be separate after the establishment of the dedicated team?”

Uchiyama: First of all, as to your question about the delay in go-live this time, the go-live of the existing project itself has not been delayed. As I explained earlier, there were several projects of high difficulty and high added value, but basically we have been able to have them go-live and commence operation as scheduled, while ensuring client satisfaction. I would like to correct your question itself on this point and then respond.

What has been delayed is the commencement of new projects that were expected to begin. We believe that the delay was caused not only by the client's circumstances and environmental factors as Tabata and Kawasaki explained earlier, but also by our company's inability to fully promote the project to start. Specifically, one reason was that resources were concentrated on large-scale, high-difficulty projects that were nearing go-live. These compounding factors have delayed the commencement of new projects.

However, after such a large-scale project has gone live as scheduled, the consultant workload has been optimized, and we believe that the internal factors are on their way to being resolved.

Secondly, regarding your question, “Will the composition of the consultants doing both sales and delivery be separate after the establishment of the dedicated team?”, SaaS-related services are an area where we have accumulated capabilities and where our strengths can be demonstrated, and there are many needs in this area. We believe this is an area where we can achieve top line growth by focusing on proposals and building a team to develop projects. Creating a dedicated team improves speed, but the team is still led by a consultant. This is consistent with the idea that consultants are to both propose and deliver.

The team's mission will be to increase the speed at which we receive orders, but the basic principles regarding the concept of the organization and the role of our consultants will remain the same.

Q&A: Outlook for business in the second half of the year

Moderator: The question is, “With regard to the outlook for business in the second half of the year, am I correct in assuming that a recovery as of the third quarter will be difficult?”

Tabata: We made a downward revision this time because it became clear that delays in new projects are expected to have an impact through the third quarter to some extent. Therefore, we expect a recovery in the third quarter to be difficult.

We are in the process of acquiring new projects for the fourth quarter or the beginning of the next fiscal year. We recognize that recovery will not occur until the fourth quarter or later.

Q&A: Outlook for utilization rates in the second half of the year

Moderator: The question is, “What is your outlook for utilization rates in the second half of the year?”

Tabata: In line with the downward revision of revenue for the second half of the year, we expect the utilization rate to fall below our target of 70% and remain in the mid-60% range.

Q&A: Composition and activities of the dedicated SaaS team

Moderator: The question is, “How many people do you plan to have on your dedicated SaaS team?”

Uchiyama: The dedicated SaaS team is composed of consultants with relatively high seniority. These are members who can steadily build relationships with clients and fully understand the business. We have started working with about 5 to 6 people.

Q&A: Breakdown of consultants and balance of composition

Moderator: The question is, “The number of consultants is available in the document, but how is the number of consultants capable of making highly challenging proposals trending among them? Has the percentage of this workforce in the number of consultants decreased?”

Uchiyama: Proposals of high difficulty and high added value are difficult for junior members. Therefore, members with high seniority are responsible for this.

In delivery, highly challenging projects also require experienced consultants to proceed with stakeholder management of high-level clients. Therefore, this one will also be led by a member with high seniority.

Regarding the ratio of these senior professionals, the number is sufficient. As the organization expands, the base of the pyramid is broadening as we hire more young people, and as a result, the ratio of high-seniority personnel is slightly lower than in the past, but we believe this is an appropriate composition for us.

However, the timing of several high-demand, large-scale projects overlapped at this time, making it difficult to coordinate resource allocation, and this is what led to this result.

Q&A: Current status of consultant utilization and future plans

Moderator: The question is, “Is there any change in your policy regarding consultant utilization? Is it necessary to take measures such as lifting the target utilization rate? Please tell us about your past policies and future plans as well.”

Tabata: Regarding the utilization rate of consultants, in our case, the weighted average of targets for each class is now roughly 70%. The utilization rate is set at about 80%, especially for young consultants as they acquire skills through delivery. On the other hand, a lower utilization rate was set for the upper classes because they include proposal activities, etc., resulting in a weighted average of 70%.

Given the current staffing structure, we do not believe it is necessary to change our target of approximately 70% utilization. However, we expect that this 70% may not be reached in the second half of the year. Therefore, one of our policies is to promote in-house production of those parts of outsourced work that can be replaced by in-house human assets.

In addition, as a new investment, we intend to proceed with assigning individual consultants to activities that will contribute to future expansion, such as the development of AI projects and offerings, to ensure that our consultants are appropriately utilized.

Q&A: Medium-term plan for FY2030 and hiring of human assets and acquisition of projects

Moderator: The question is, "You mentioned the "medium-term plan," the "Blueprint" for the year ending March 31, 2030. If necessary, what would be the impact?"

Tabata: The "Blueprint" is not positioned as a medium-term plan, but rather as a goal point that clearly shows the size of the company that we want to reach after a certain number of years, using a financial model.

The base is the hiring of high quality human resources, and at this point, hiring is proceeding as planned, with no major discrepancies. Therefore, we do not believe it is necessary to change the goal of reaching the "Blueprint".

What is needed is the acquisition of projects to ensure that the hired human assets are properly utilized. As I explained earlier, we believe that the challenge we face is how to reliably acquire large-scale projects and AI-related projects.

Q&A: Growth pace and 50 billion yen revenue target for the next fiscal year and beyond

Moderator: The question is, "Will the delay in the commencement of new projects allow the revenue growth rate for the next fiscal year to return to the average annual growth rate of plus 14% as indicated in the "Blueprint"? Or will they try to make up for it by growing beyond that to reach the 50 billion yen revenue target for the fiscal year ending March 31, 2030?"

Tabata: We believe that it will be difficult to increase orders significantly next year and return to the CAGR indicated in the "Blueprint" all at once.

The revenue target of 50 billion yen is calculated based on the outsourcing ratio to date. Therefore, the degree to which we are able to win large-scale projects will determine whether or not we are able to achieve this goal. We will continue to focus on acquiring large-scale projects in order to make up for the 50 billion yen goal.

Q&A: Maintaining Profitability and Operating Profit Growth Rate

Moderator: The question is, “What is your view of the growth rate for the next fiscal year? Can operating profit continue to grow 25% annually? Please provide any additional information on the profit growth rate.”

Tabata: Regarding profits, operating and ordinary profit margins have relatively improved this fiscal year as well. We intend to maintain this profit margin as long as possible and continue to grow operating profit as sales expand.

Q&A: Positive and negative impacts of generative AI and medium-term demand for consulting services

Moderator: The question is, “What are the positive and negative impacts of the proliferation of generative AI on your business? With your competitors announcing job cuts, how do you see the demand for consulting in the medium term?”

Uchiyama: First, let's talk about positive and negative impacts. One positive impact is that our own productivity has increased. We believe there is still plenty of room for productivity gains.

We have employees of diverse ages and backgrounds, but the younger generation, in particular, is spontaneously taking advantage of the tools simply by giving the tools to them, improving the quality and speed of their output.

Therefore, we have made certain investments to create an environment where employees can freely use the tools and share the results to improve productivity. In this regard, we see a very positive impact.

On the other hand, one negative impact would be the concern that consultants might be replaced. However, we believe that this essentially depends on where the value of the consultant lies.

We are not in the business of replacing workloads or dispatching personnel to relieve labor shortages. Therefore, we are not too concerned about negative impacts that could be directly replaced by AI.

However, it is important to firmly link the AI needs that exist among clients to their business and ours. We believe that AI is characterized by the fact that it is difficult to know how to utilize it to produce results, and it is difficult to link it to business outcomes.

Our policy is to invest a certain amount of money while making concrete efforts to utilize AI in our clients' business operations by getting deeply involved in their operations and trying things out together with them. And we have already begun such activities.

Regarding medium-term demand for consulting services, we believe that through these initiatives we can provide impactful value to our clients, and that we can grow as a result.