JBS

FY 2024/9 1H

Financial Results

2024 / 5 / 14

Japan Business Systems, Inc.

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The Business Environment for FY2024/9 1H

Customer Trends

Cloud-Enabled DX Intensifies

- M365 adoption projects for major companies have run their course
  ⇒Promotion of cloud utilization
- High expectations for business improvement through generative AI
- Security demand associated with cloud expansion
- Large demand for global support

01

Manufacturer Trends

Generative AI Development Race

- Copilot was launched last Nov. Manufacturers accelerate development of generative AI
- Manufacturers accelerate development of generative AI

02

Areas of Focus

Strengthening Investment in Growth Areas

- Strengthening Investment in Growth Areas
  ⇒ Head office relocation, 189 new graduates joined the company
- Strengthening human resource development
  ⇒ Skill expansion, Implementation of Copilot for all employees
- Strengthening the generative AI support system
  ⇒ Newly established Data&AI Office

03

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FY2024/9 1H
Consolidated Financial Results

FY2024/9 1H Consolidated Financial Results (Summary)

Sales and operating profit increased
Profit decreased due to extraordinary losses resulting from the revision of the NEXTSCAPE's business plan

		FY2023/9 1H Consolidated	FY2024/9 1H Consolidated	Net increase from previous period	Percent change from previous period	FY2024/9 1H Non-Consolidated
Net sales	(Millions of yen)	46,614	53,937	7,323	15.7%	52,843
Gross profit	(Millions of yen)	6,158	7,067	909	14.8%	6,974
Gross margin	(%)	13.2%	13.1%	(0.1 %)	-	13.2%
Selling, general and administrative expenses	(Millions of yen)	3,947	4,560	614	15.6%	4,190
Operating profit	(Millions of yen)	2,211	2,507	296	13.4%	2,783
Operating margin	(%)	4.7%	4.6%	(0.1%)	-	5.3%
non-operating profit and loss	(Millions of yen)	(42)	(36)	5	-	(80)
Ordinary profit	(Millions of yen)	2,168	2,470	302	13.9%	2,703
Profit attributable to owners of parent	(Millions of yen)	1,430	370	(1,060)	(74.1%)	91
EBITDA	(Millions of yen)	2,522	2,942	420	16.7%	3,096

* EBITDA = Operating profit + Depreciation/ Goodwill amortization

Company Performance

Business environment remained robust with both net sales and operating profit increasing

Net Sales

Operating Profit

* FY22 figures are shown for reference only due to non-consolidated results.

FY2024/9 1H Consolidated Financial Results
(Analysis of Factors Contributing to Changes in Operating Profit)

Despite delays in improving profitability in the Cloud Integration Business, sales growth and improved profitability in the Cloud Service Business and License & Products Business compensated for increased costs associated with the expansion of the personnel, resulting in an increase in operating profit

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FY2024/9 1H
Business Status by Segment

FY2024/9 1H Business Status by Segment
(Cloud Integration Business)

Increase in the number of projects due to strengthening the engineer skills system the previous fiscal period
Segment profit growth was sluggish due to the postponement of some projects, but this is expected to be resolved by the end of this fiscal period

Net Sales

Segment Profit

* FY22 figures are shown for reference only due to non-consolidated results.

Efforts to meet new demand: Generative AI

Support for both horizontal and vertical AI technical assistance

First, we will help customers to learn about the usefulness of AI in the horizontal domain, and then we will help them to use AI in the vertical domain as well

Horizontal → *Vertical*

Maturity	STEP 0	STEP 1	STEP 2	STEP 3	STEP 4	STEP 5
	Not in use Prohibited use	Gather information Consider its use Validation	Roll out to employees	Effective use by some employees	Copilot/ChatGPT take root in the business	Innovation happens in each business

Horizontal AI
(industry-wide AI technology)

Example: Copilot / AIplicity

Manufacturing | Insurance | Finance | Media | …

▶

Vertical AI
(AI technologies required by each industry)

FY2024/9 1H Business Status by Segment
(Cloud Service Business)

Sales growth due in part to customers' increasing use of cloud computing
In addition, expansion of managed services contributed significantly to improved profitability

Net Sales

Segment Profit

* FY22 figures are shown for reference only due to non-consolidated results.

Efforts to meet new demand: Security

Provide security services tailored to customers' business challenges

Security Management Challenges

A Unable to make an investment plan

Lack of security knowledge prevents proper investment planning

B Don't know the scope of what needs to be addressed

Threats to the business are changing so rapidly that you don't know what and how much to do

C Inability to operate

Inability to manage security operations due to lack of security personnel

Provide services for each study, implementation, and operation process, covering all challenges

Review Support
Visualizing Risks
A B Solve!

Adoption support
Response and countermeasures
A B Solve!

Operation support
Security monitoring
C Solve!

FY2024/9 1H Business Status by Segment
(License & Products Business)

In license sales, gradual shift from expansion of user IDs to cultivation of existing customers
Revenue and profits also increased from securing large-scale deals in sales, among other factors

Net Sales

Segment Profit

* FY22 figures are shown for reference only due to non-consolidated results.

Efforts to meet new demand: Global

Starting with global licensing and support projects for customers under contract with the head office in Japan, we will connect to local (country-specific) projects including cloud integration, and finally to regional (area) businesses to cover the entire world

★RHQ（Regional Headquarters）

Multi-national based Japanese enterprise

JBS × Crayon

Step 1 Global licensing agreements and support projects with global companies headquartered in Japan

Step 2 Start with an RHQ (★) in each region and expand to local projects, including CI in other countries around the world

Step 3 Increase presence in each country with local projects and expand from local to regional level

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FY2024/9
Consolidated Financial Forecast

FY2024/9 Consolidated Financial Forecast

Full-year forecasts remain unchanged from those disclosed at the beginning of the fiscal year

Profit has been revised downward due to the impact of extraordinary losses

		FY2024 Revised forecast	FY2024 Previous forecast	Net increase from previous forecast	FY2023 Results Consolidated	Net increase from previous period	Percent change from previous period
Net sales	(Millions of yen)	126,800	126,800	-	112,800	14,000	12.4%
Gross profit	(Millions of yen)	15,600	15,600	-	13,077	2,523	19.3%
Gross margin	(%)	12.3%	12.3%	-	11.6%	0.7%	-
Selling, general and administrative expenses	(Millions of yen)	10,500	10,500	-	8,884	1,616	18.2%
Operating profit	(Millions of yen)	5,100	5,100	-	4,192	908	21.6%
Operating margin	(%)	4.0%	4.0%	-	3.7%	0.3%	-
non-operating profit and loss	(Millions of yen)	0	0	-	156	(156)	-
Ordinary profit	(Millions of yen)	5,100	5,100	-	4,349	751	17.3%
Profit attributable to owners of parent	(Millions of yen)	1,500	3,450	(1,950)	3,350	(1,850)	(55.2%)
EBITDA	(Millions of yen)	6,300	6,200	100	4,973	1,227	24.7%

Dividend forecast

In light of business conditions and dividend policy,
the annual dividend forecast of 25 yen (up 5 yen YoY), remains unchanged.
The interim dividend was 12 yen (up 2 yen YoY), as forecasted at the beginning of the fiscal period.

*The Company split one share of common stock into two shares, effective April 1, 2023. In this document, it is assumed that the split was executed at the beginning of the fiscal year ending September 30, 2022.

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Progress of Medium-Term Management Plan and future measures

Reconsidering operating profit targets for the fiscal year ending Sep. 2025

Although sales are expected to be achieved ahead of schedule, the gap is large in terms of operating profit

Reconsidering the targets to respond to changes in the market environment

Market
- Remote work ⇒ Shift to full-fledged cloud DX and rapid change in customer needs due to generative AI
- Impact of wage increases

Business
- Growth in license sales far exceeding expectations
- underperform of NEXTSCAPE's business and review of plan

FY2022/9
Net Sales
86.3 bil.yen
Operating Profit
4.05 bil.yen
Non-consolidated Results

FY2023/9
Net Sales
112.8 bil.yen
Operating Profit
4.19 bil.yen
Consolidated Results

FY2024/9
Net Sales
126.8 bil.yen
Operating Profit
5.10 bil.yen
Consolidated forecast

Sales growth rate : 12.4%
OP growth rate : 21.6%

Change of business environment

Net Sales
Operating Profit

FY2025/9
Net Sales
124.4 bil.yen
Operating Profit
8.9 bil.yen
Consolidated target

Reconsidering targets for the fiscal year ending Sep. 2025

Major KPIs for Medium-Term Management Plan
(At the time of announcement in Nov. 2022)

Expand business with the two wheels of cloud ID x ARPU*1

Number of cloud IDs in enterprise companies (Microsoft 365)

×

Scope of cloud coverage at enterprise companies (ARPU)

*1 "Average Revenue Per User": An indicator that shows average sales per user.

Progress of Medium-Term Management Plan : IDs

The number of Microsoft 365 IDs is far exceeding the target due to the transfer of domestic contracts and global bulk contracts

Basic Strategy of the Medium-Term Management Plan "ID*"

Based on extensive knowledge and support capabilities for Microsoft 365

Switching to Domestic Contract

Global Bulk Contracts

*JBS's basic strategy is to increase the number of Microsoft 365 IDs and improve ARPU (Average Revenue Per User), which is the unit price per customer

Progress of Major KPI : ARPU

While the areas of support within customers are steadily expanding, Increased project unit price has not yet been achieved
Urgent need to meet new demand

Basic Strategy of the Medium-Term Management Plan "ARPU*"

Up Sell
Cross Sell

In-house support (Skill fostering)	Increased support for Power Platform and Copilot-related applications
Apps Development (CRM/ERP etc.)	Increase in Dynamics 365 / Power Platform, SAP projects
IT infrastructure (Azure)	Increase in hybrid infrastructure projects
Remote work (Teams etc.)	User ID switchovers are strong, while new adoptions are declining

New demand

- Generative AI
- Security
- Multi-Cloud

*JBS's basic strategy is to increase the number of Microsoft 365 IDs and improve ARPU (Average Revenue Per User), which is the unit price per customer

Medium-Term Plan Progress: Business Profit Structure

In the engineer operation business (CI/CS), which has a large profit contribution, improving unit prices is an issue
In parallel with expanding the skills of internal resources, promote skill complementation through partner collaboration

CI / CS

Sales 30%・Profit 50%

Number of engineers × Engineer monthly unit price × Billable utilization rate

- Recruitment was in line with the plan, with a steady increase in engineers and full utilization
- On the other hand, profit improvement from increasing the unit price of projects has not yet been achieved

CS (In-house services)

Sales few%

Number of service contracts × Monthly service fee × Service persistence rate

- Development and sales expansion of services that are expected to be highly profitable are not progressing as planned
  Matching customer needs with producer-driven technology seeds is a challenge

L & P

Sales 70%・Profit 50%

Number of contracts × Contract unit price × Contract persistency rate

- In particular, Microsoft 365 IDs significantly exceeded the 3-year target
  Sales of products are also strong
- Secure profits associated with strategic pricing remains an ongoing issue

Skill expansion | **Partner collaboration**

5 Appendix

Company Performance（Trends in quarterly business performance）

Net Sales

Operating profit

Cloud Integration Business（Trends in quarterly business performance）

Net Sales

Operating profit

Cloud Service Business（Trends in quarterly business performance）

Net Sales

Operating profit

License & Products Business（Trends in quarterly business performance）

Net Sales

Operating profit

Notes concerning forward looking statements

This material contains forward looking statements. These forward-looking statements, including forecasts, are based on the Company's assumptions in light of information available at this moment.

These statements do not guarantee future performance, and involve unpredictable risks and uncertainties. Accordingly, actual performance may differ from the outlook due to such various factors.

The Company is under no obligation to update or revise any forward-looking statements in light of future events, new information or other findings.

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JBS

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