Q3 FY2025 Consolidated Financial Results

for the nine months ended Nov 30, 2024

Terrasky Co., Ltd.

3915:JP

January 14, 2025


Q3 FY2025
Consolidated Financial Statement

Q3 FY2025 Consolidated Financial Summary

- Robust orders for Salesforce implementation projects, coupled with enhanced recruitment and training initiatives, led to improved project execution and a high utilization ratio.
- Segment profit in the product business improved due to the launch of mitoco X, an independent service based on DataSpider Cloud.
- Despite ongoing losses from subsidiaries Quemix and TerraSky Thailand, the solution business performed well. This strong performance, along with the reduced deficit in the Products business, contributed to an overall increase in sales and profit.

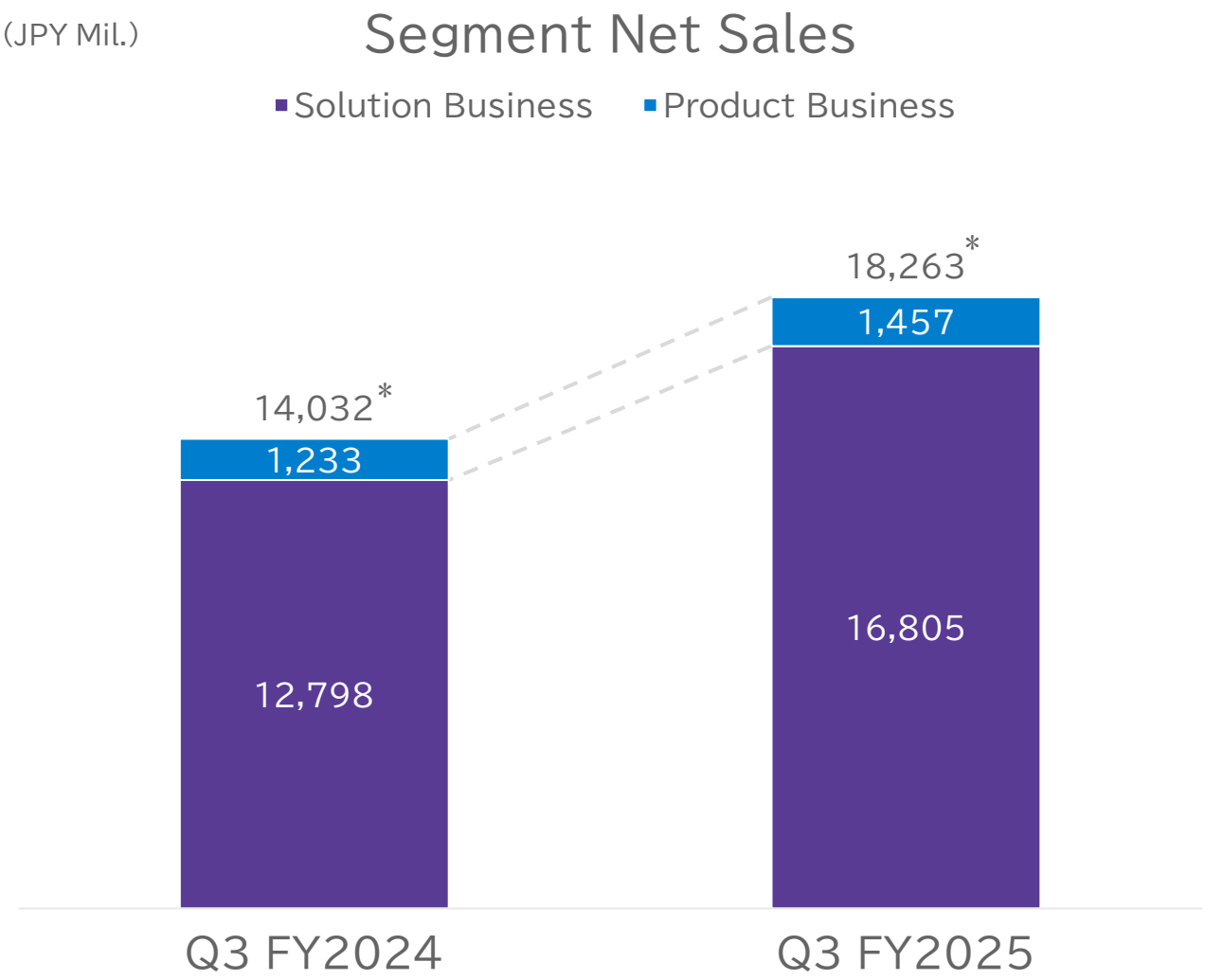
(JPY/Mil.)	Q3 FY2024 Results	Q3 FY2025 Results	YoY Change JPY	YoY Change %	FY2025 Forecast Original released Apr.14	FY2025 Forecast Revised released Jan.14	Progress Q1	Progress Q2	Progress Q3	Progress
Net Sales	13,890	＊18,102	+4,212	+30.3%	24,024	＊24,040	Q1 5,809	Q2 6,119	Q3 6,173	75.3%
Operating income	279	＊938	+658	+235.6%	905	＊1,167	Q1 297	Q2 312	Q3 328	80.4%
Margin	2.0%	5.2%	-	+3.2pp						
Ordinary income	379	＊1,038	+658	+173.6%	1,000	＊1,282	Q1 327	Q2 349	Q3 361	81.0%
Margin	2.7%	5.7%	-	+3.0pp						
Net income	114	＊564	+449	+391.5%	565	＊745	Q1 176	Q2 191	Q3 196	75.8%
Margin	0.8%	3.1%	-	+2.3pp						
EPS(円)	8.94	43.79	+34.85	+389.8%	44.02	57.76				- -

＊ Record High

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Q3 FY2025 Sales by Segment

(JPY Mil.)



Product business

+18.1% YoY

- Subscription sales showed a steady growth.

Solution business

+31.3% YoY

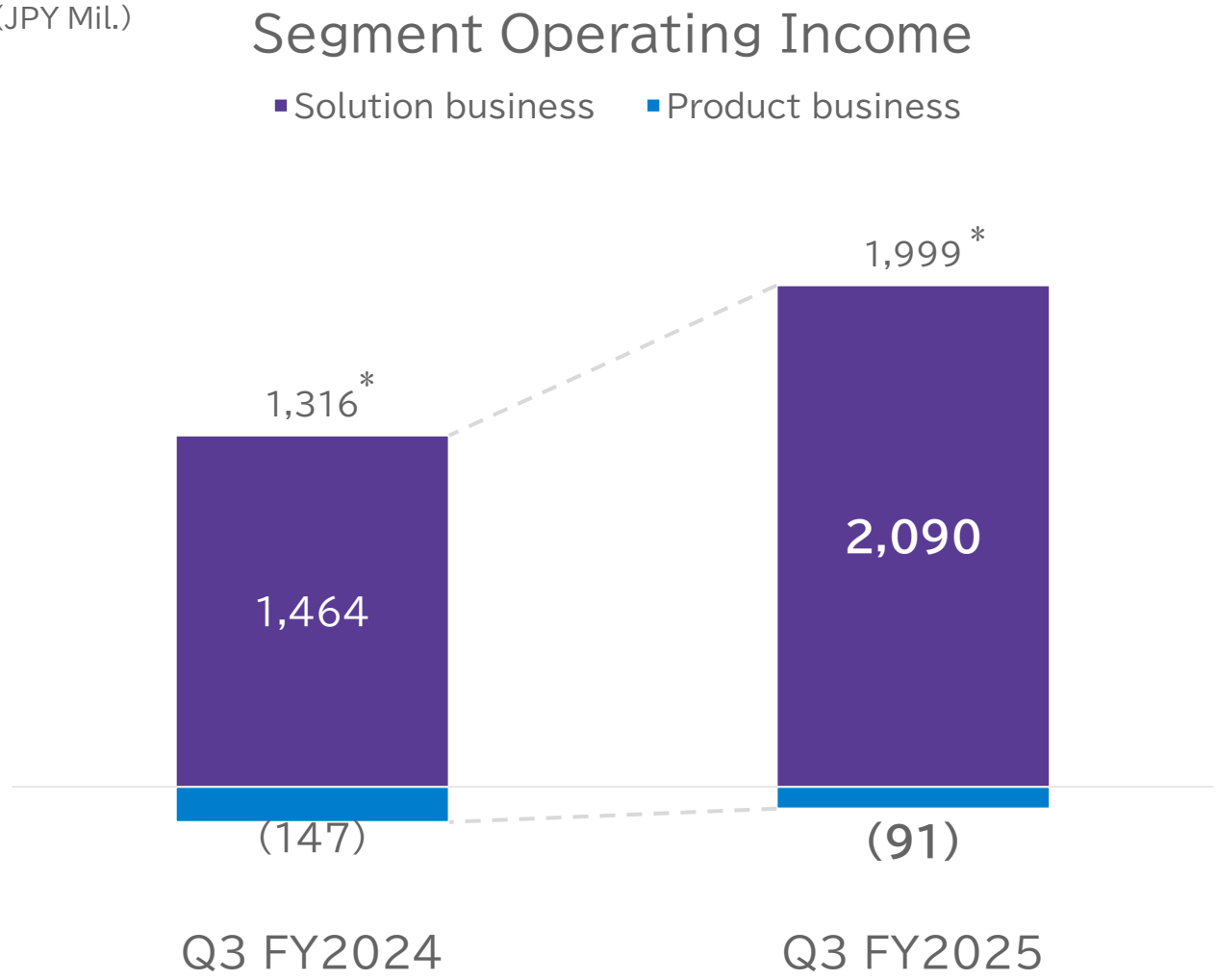
- TerraSky and TerraSky Technologies saw a significant increase in orders for their Salesforce-related business.
- BeeX's cloud migration business grew significantly compared to the previous year.

* Segment totals exclude eliminations and corporate costs not allocated to segments.

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Q3 FY2025 Operating Income by Segment

(JPY Mil.)



Solution business

+42.8% YoY

- The profit margin improved due to a reduction in man-hours and the elimination of unprofitable projects, achieved through the strengthening of the project management system.

Product business

JPY +55M YoY

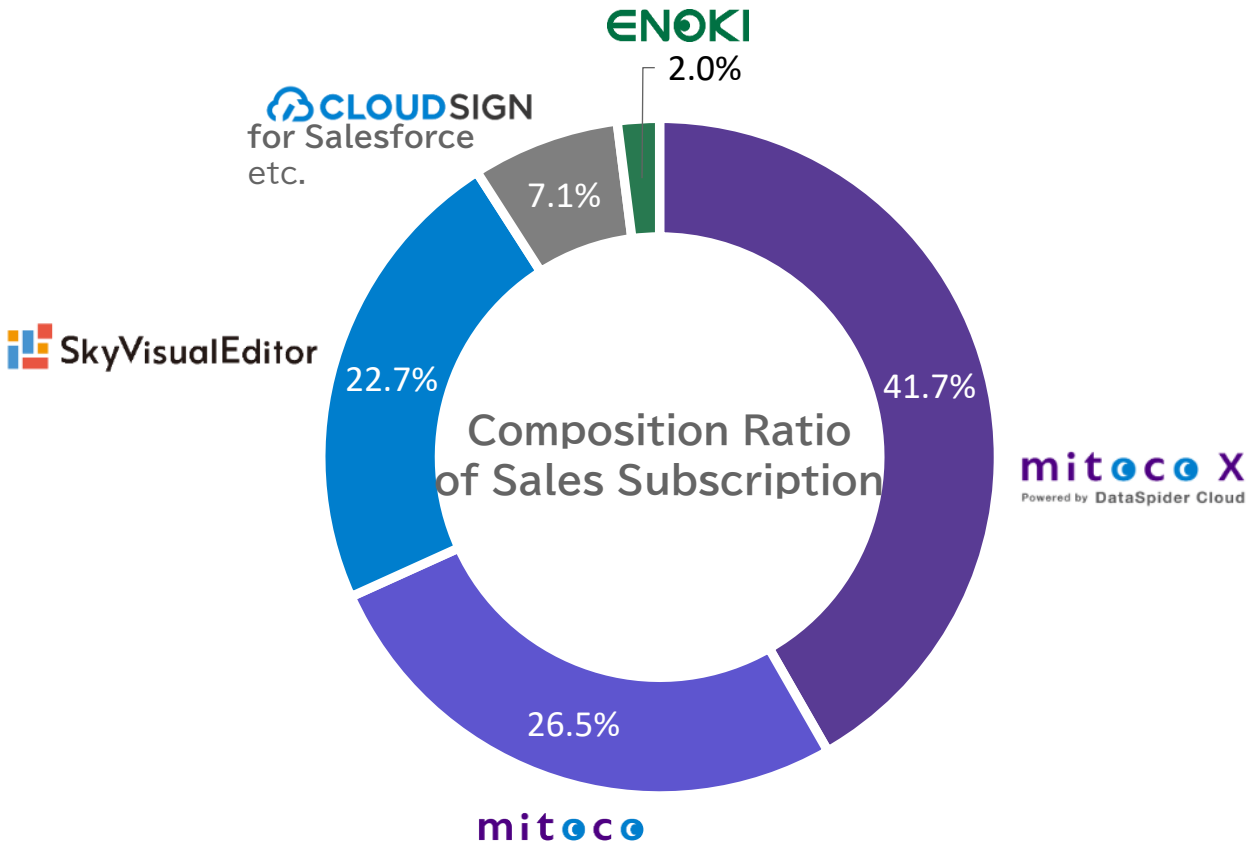
- Profitability increased as a result of higher subscription sales.
- The product profit margin improved due to the conversion of DataSpider Cloud into a stand-alone service (mitoco X).

* Segment totals exclude eliminations and corporate costs not allocated to segments.

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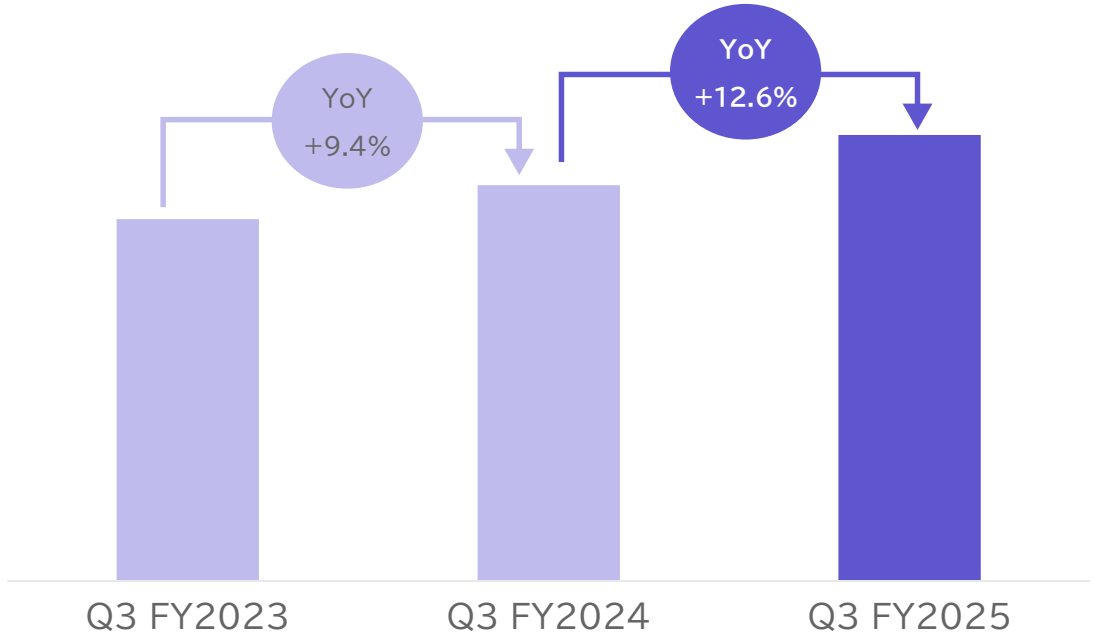
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Q3 FY2025 Subscription Sales Composition Ratio by Product



All products Subscription sales increased by 12.6 % y-o-y.

- Subscription sales of mitocoX (formerly ”DataSpiderCloud”), a data collaboration tool, increased by **9.5 % y-o-y.**
- Subscription sales of mitoco increased by **21.1 % y-o-y.**



Note: Subscription sales are calculated only from monthly sales of each product.

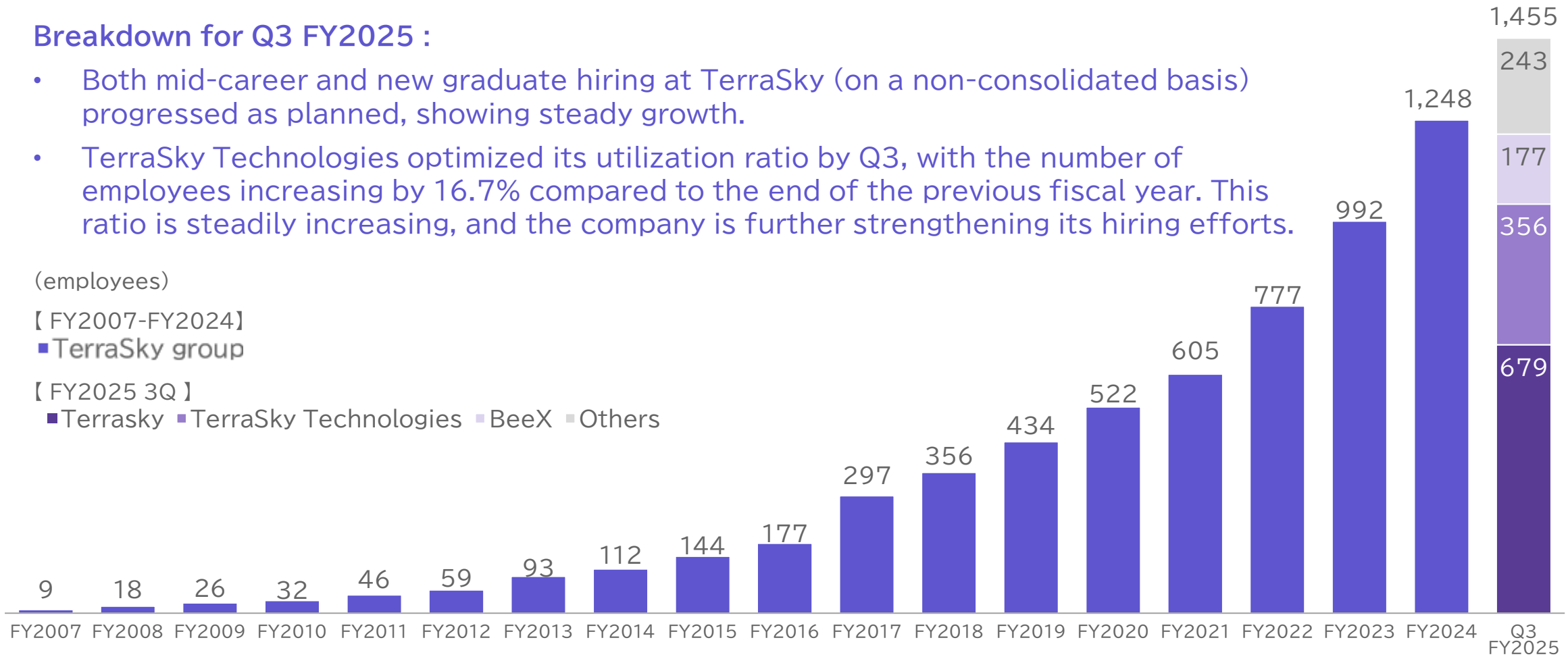
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Number of Group Employees since Establishment

The group hired a total of 112 new graduates in FY2025, bringing the total number of group employees to 1,455 as of the end of Q3 FY2025.

Breakdown for Q3 FY2025 :

- Both mid-career and new graduate hiring at TerraSky (on a non-consolidated basis) progressed as planned, showing steady growth.
- TerraSky Technologies optimized its utilization ratio by Q3, with the number of employees increasing by 16.7% compared to the end of the previous fiscal year. This ratio is steadily increasing, and the company is further strengthening its hiring efforts.



*The above figures are the total number of employees at TerraSky, consolidated subsidiaries, and affiliated companies.

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Appendix / Q3 FY2025 Consolidated Balance Sheet

(JPY Mil.)	Feb 2024	Nov 2024	Change
Current assets	10,642	11,686	+1,044
Property, plant and equipment	308	393	+85
Intangible assets	926	1,165	+239
Investments and other assets	6,569	4,886	(1,683)
Non-current assets	7,804	6,445	(1,359)
Total assets	18,446	18,131	(315)
Current liabilities	4,422	5,048	+626
Non-current liabilities	1,470	942	(528)
Total liabilities	5,892	5,991	+99
Shareholders' equity	7,745	8,379	+634
Total net assets	12,553	12,140	(413)

Details

- **Investments and other assets:** Decreased due to stock price changes.
- **Current liabilities:** Increase in accounts payable driven by higher AWS license transactions.
- **Non-current liabilities:** Decrease in deferred tax liabilities due to stock price changes.
- **Net assets:** Decrease in the valuation difference on available-for-sale securities due to stock price changes.

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Recent Key Announcements

Quemix Enters into a Capital and Business Alliance with SCSK

Quemix Inc., a member of the TerraSky Group and a leader in quantum computing algorithm and software R&D, has entered into a capital and business alliance with SCSK Corporation on November 15, 2024. This alliance aims to accelerate R&D for the societal integration of quantum computing and expand operations in the materials computation market.

By combining their expertise, solutions, and resources, the companies will provide innovative quantum computing solutions for materials computation. SCSK will leverage its diverse customer base and solutions to address a wide range of needs in materials computation, enabling simulations from the nanoscale to the macroscale.

This collaboration will enable Quemix to leverage SCSK's expertise and customer insights to advance its R&D on fault-tolerant quantum computers (FTQC). Quemix will also support the SCSK Group's quantum computing software to drive functional breakthroughs.

Related news release: https://ssl4.eir-parts.net/doc/3915/ir_material8/240938/00.pdf

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Third IPO from TerraSky Ventures Portfolio



GVA TECH

GVA TECH, a portfolio company of TerraSky Ventures (TSV), the corporate venture capital arm of TerraSky, was listed on the TSE Growth Market on December 26.
Founded in 2017, the company offers legal tech solutions.
This marks the third successful IPO from a TerraSky Ventures investment.

Related news release: https://ssl4.eir-parts.net/doc/3915/tdnet/2544163/00.pdf

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A Message from Our CEO: Start of 2025



- This year is crucial for achieving **our goal of 2.5 billion yen in operating income by the fiscal year ending February 2027.** We are committed to taking on this challenge.
- We remain dedicated to empowering our clients through innovative solutions. This includes **developing a robust platform** that enables seamless in-house system integration and streamlined data management, as well as **promoting the adoption of cloud-based ERP systems.**
- Building on the incredible success of ”mitoco copilot,” which earned global recognition at DreamForce DemoJam 2024, we will continue to **expand the mitoco series.**
- Looking ahead, we are **exploring exciting new frontiers in quantum computing.** By collaborating with strategic partners, we aim to **develop innovative business models** that leverage this groundbreaking technology for real-world applications.

Related news release: https://www.terrasky.co.jp/news/2025/01/06/terrasky.php

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Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Assessment of Current Situation	• We recognize that our cost of equity is approximately 7%. • ROE remained below the cost of equity, at 3.8% in FY 2/2023 and 2.9% in FY 2/2024, as we' ve continued to make growth investments. • In the medium to long term, we recognize that it is important to shift from the trend of increased sales during the investment phase to a trend of increased sales and profits. • PER was 80.6 as of the end of February 2024 • PBR was 1.89 as of the end of February 2019, and has remained above 1 times since listing.
Policies and Targets	• We expected to achieve operating income of 2.5 billion yen by FY 2/2027. • By achieving the operating income target, we expect ROE to reach 10% by the same period. • Aiming to disclose more accurate consolidated business forecasts.
Initiatives and Timing of Implementation	• By hiring new graduates and actively reskilling mid-career hires to develop engineers, we will reduce the loss of order opportunities caused by a lack of engineers in Salesforce projects, and strive to further expand the Salesforce business both domestically and overseas. • Realize the effects of the capital and business alliance with NTT Data (announced on April 12) as soon as possible to accelerate the above initiatives. • Aiming to improve profit margin in consolidated basis by monetizing the product business segment. • Aiming to quickly launch the business and make it profitable for subsidiaries that are in the red. • Aiming to Enhance corporate value with the proactive disclosure of information in IR activities.

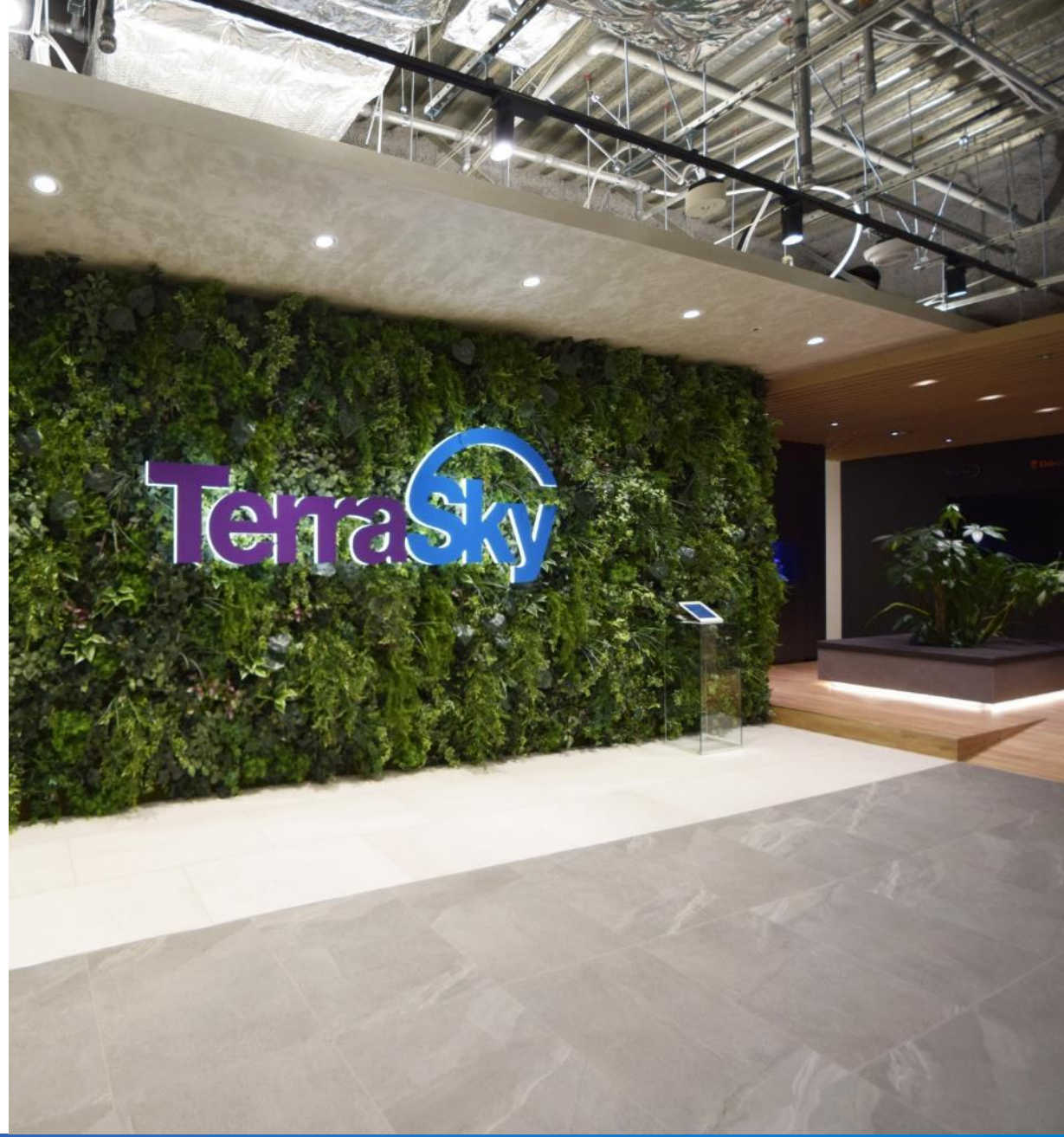
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About TerraSky Group

TerraSky Co., Ltd.

TSE prime market, stock code 3915

Head office	: Taiyo Life Nihonbashi Building 15-17Fl. 11-2 Nihonbashi, Chuo-ku, Tokyo	Japan
Offices	: Osaka, Nagoya, Fukuoka, Joetsu, Akita and Matsue Thailand and United States
Establishment	: March 2006
Capital	: JPY 1,256 M (As of the end of Nov 2024)
Representative	: Sato Hideya, President & CEO
Information Security Management	: ISO 27001/ IS 561777



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Our business consists of the following two segments:

Cloud integration business
(Solution business)

Optimal system development using the cloud,
Development and provision of specific solutions

salesforce PARTNER

powered by aws

Google Cloud

Microsoft Azure

Product business

Development and provision of cloud-specific services and products

SkyVisualEditor

mitoco

mitoco X
Powered by DataSpider Cloud

IAS

OMLINE-I

OMLINE-O

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TerraSky

Cloud integration business (Solution business)

Salesforce

Salesforce is a cloud-based CRM/customer management and SFA/sales support system used by over 150,000 companies worldwide. We help businesses connect with customers in sales, marketing, and customer service.
As the No. 1 implementation partner, TerraSky supports customers' implementation and expansion of Salesforce.

Heroku

Heroku is a PaaS cloud for web application development provided by Salesforce. You can develop apps efficiently using the latest framework and easily integrate with Salesforce.
In addition to system construction, we provide total support from building data linkages with internal and external systems to post-development operations.

AWS

We select the most suitable service from the many technologies provided by AWS and support the construction of a system that matches your company's needs. We can provide total proposals from construction to operation, including operational support from Sky365, a subsidiary specializing in cloud MSPs. Together with BeeX, which specializes in AWS, we will leverage the comprehensive

SAP migration

In 2016, we established BeeX Co., Ltd., which realizes cloud integration of SAP software platforms. Using our know-how from migrating numerous SAP systems to public clouds, we can quickly and safely migrate core systems from on-premises environments to cloud environments.

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Product business

mitoco

mitoco is next-generation groupware developed cloud-natively. We go beyond simple internal communication and collaborate with customer information to take your business one step further and evolve.

SkyVisualEditor

This is a tool that allows you to develop Salesforce screens without programming.
You can easily generate Visualforce pages just by dragging and dropping your mouse. It also supports Lightning Experience, so you can smoothly migrate your Visualforce pages to

mitoco X

A new iPaaS* that integrates Data Spider, which has been installed by 3,000 companies, and SkyOnDemand, which has the No. 1 SaaS market share in the domestic EAI/ESB market.
*Integration Platform as a Service

OMLINE-I

Link LINE and ServiceCloud.
This service allows for efficient customer support by centrally managing inquiries via LINE with inquiries from various channels such as telephone and SNS.

OMLINE-O

This is a service that links Salesforce and LINE ‘s corporate service “LINE Official Account” allowing you to centrally manage marketing and customer service using LINE, from message distribution to user management, in Salesforce.

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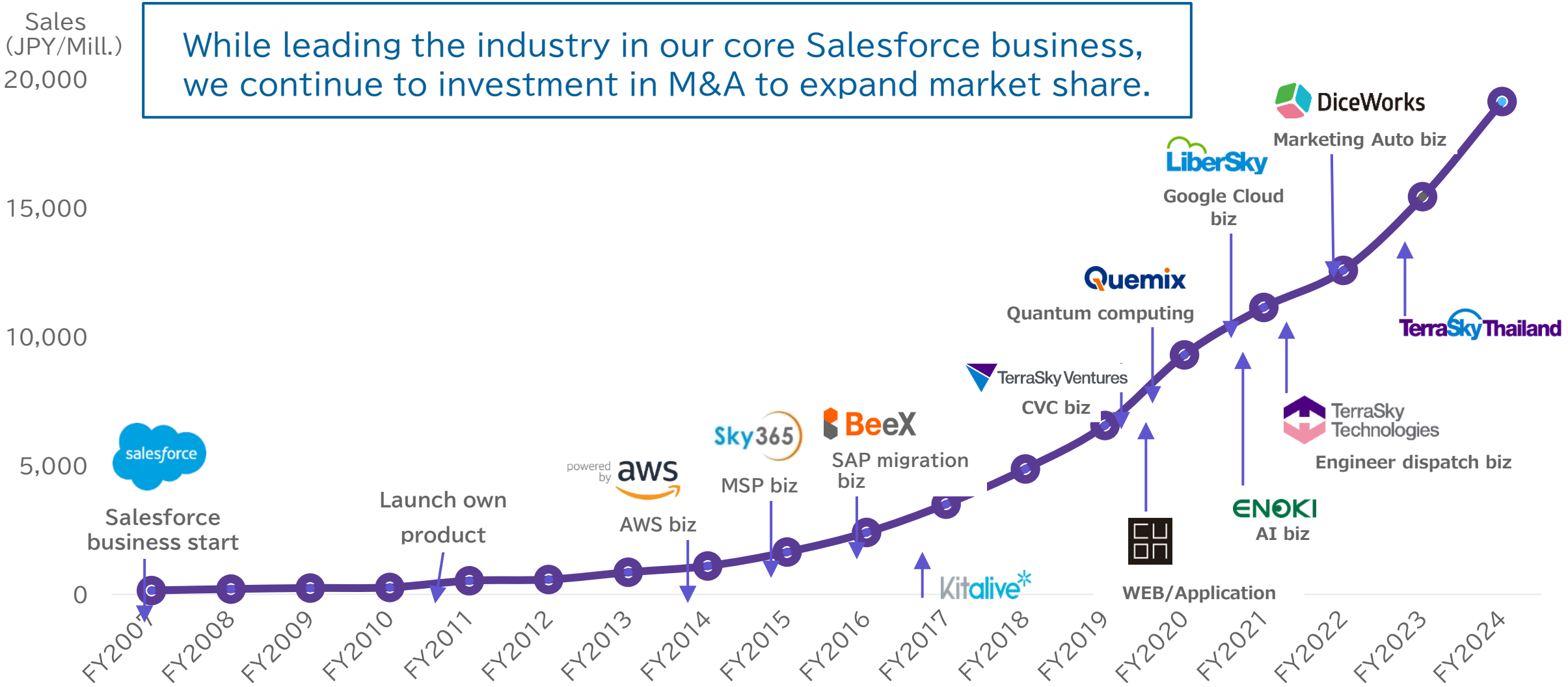
In the growing cloud integration market, we expect to expand our business with the following 3 strengths:

1 Familiarity with multi-cloud platforms	● Expand Horizontally into surrounding cloud fields with Salesforce as the core. ● Each group company explores business on each cloud platform. (Specialization/mobility)
2 Reskilling	● Full support for employees to obtaining cloud professional certifications. ● Establishing a unique method for educating and developing cloud human resources.
3 Investment strategy based on cloud knowledge	● Improving productivity through the development of in-house products and integration using them ● Establishment of subsidiaries, M&A, early business expansion, and track record of profitability. ● CVC fund creation to create value across the portfolio companies and realize IPO.

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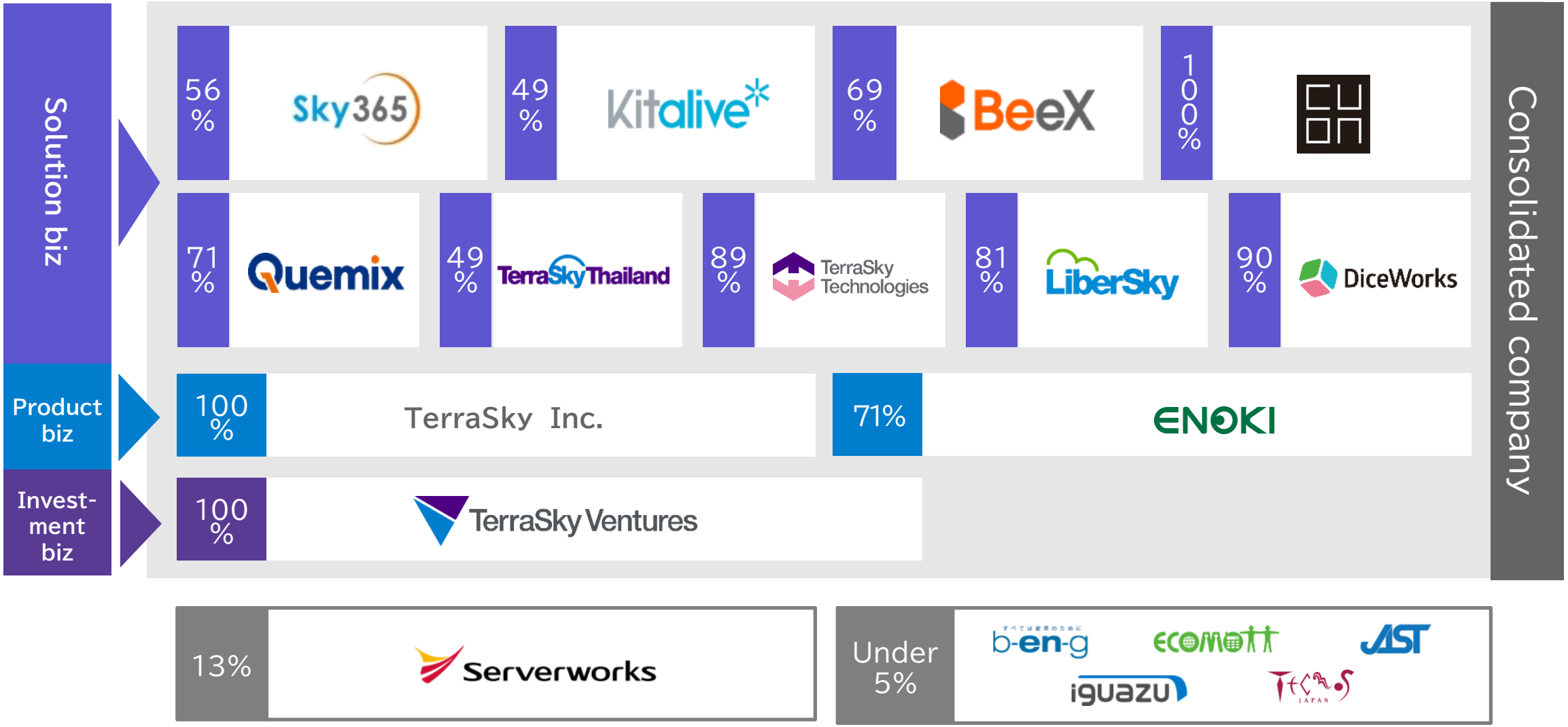
Establishment of Subsidiary (M&A) and Sales Growth

While leading the industry in our core Salesforce business, we continue to investment in M&A to expand market share.



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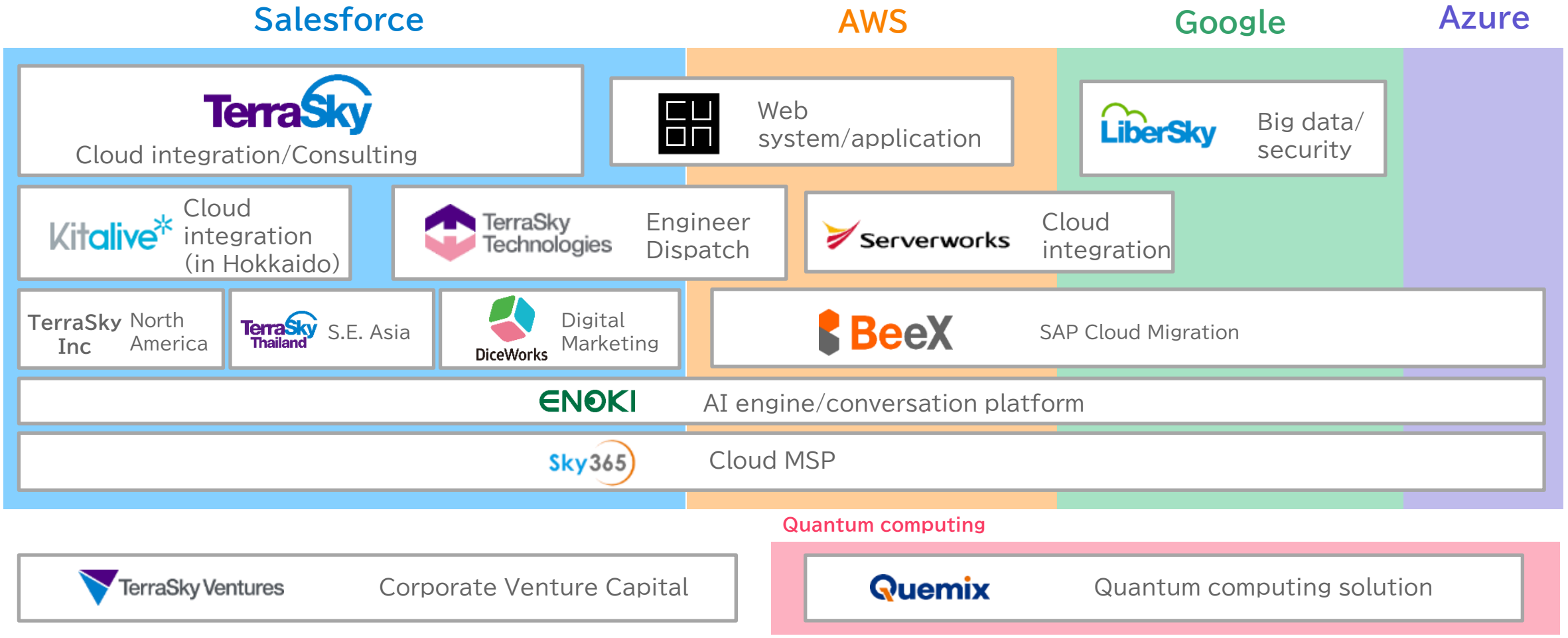
Invested Companies and Shareholding Ratio



(as of May 2024)

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Initiatives towards multi-cloud platform

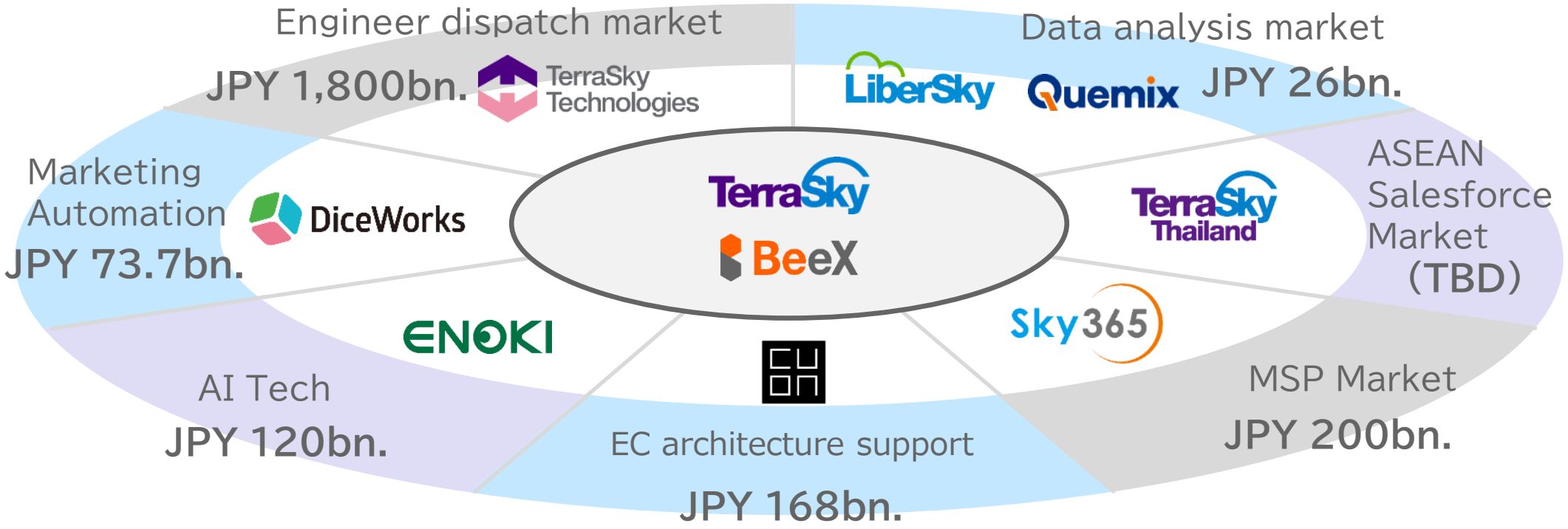


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TerraSky Group's New Business Fields and Market Size

TerraSky and BeeX will expand their core Salesforce and cloud migration businesses, respectively, and will actively pursue M&A and the establishment of new companies to expand market share for the whole group.

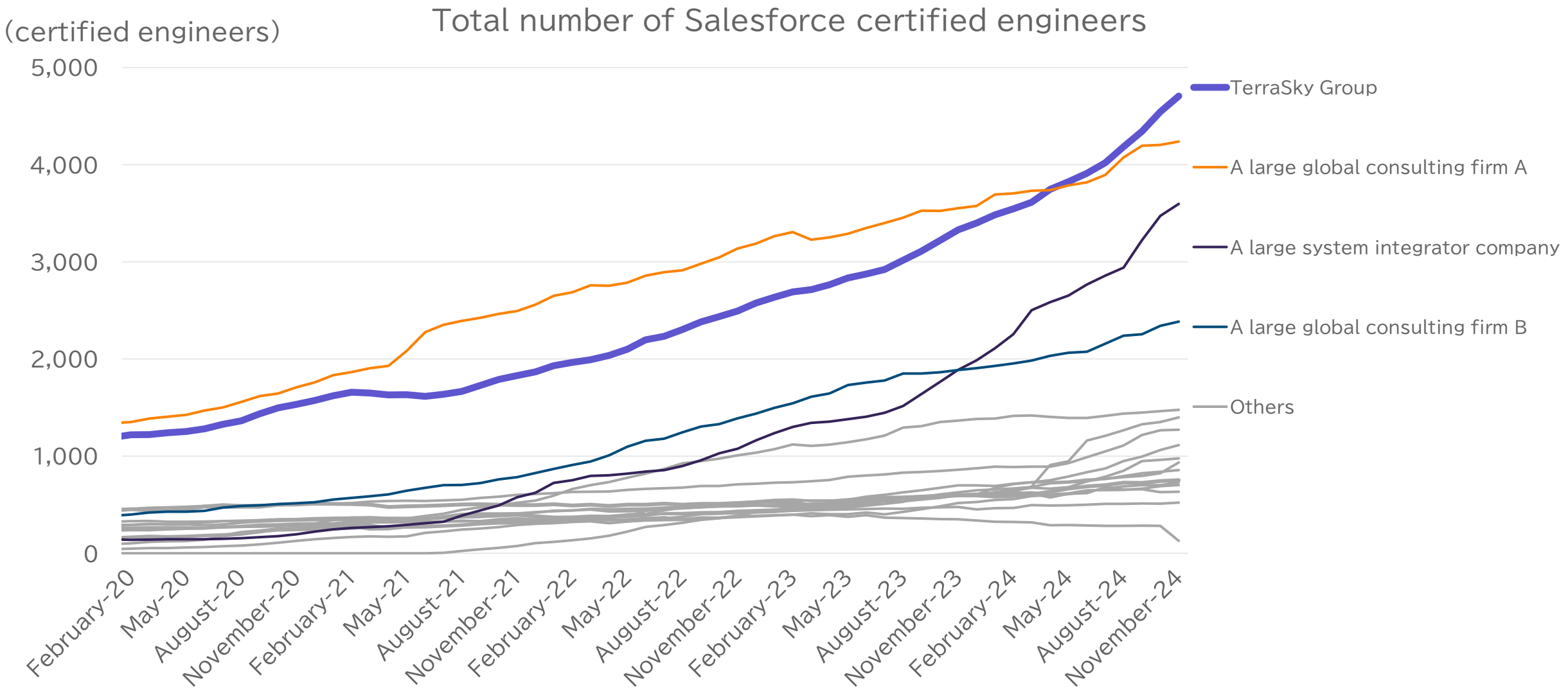
New business areas and market size



※市場規模は当社推計による

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Ranked Top in Japan for Number of Salesforce Certified Engineers



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Overwhelming quality and number of Salesforce certified engineers (employees)

Salesforce MVP

Certified Technical Architect

Highest level of technical qualifications Number of people enrolled in Japan

No.1

Salesforce MVP
・・・3 People enrolled

Certified Technical Architect
・・・ 5 of 19 people enrolled

- Certified Administrator
- Certified Advanced Administrator
- Certified Sales Cloud Consultant
- Certified Service Cloud Consultant
- Certified Field Service Lightning Consultant
- Certified Experience Cloud Consultant
- Certified Platform Developer
- Certified Senior Platform Developer
- Certified Platform Application Builder
- Certified Marketing Cloud Mail Specialist
- Certified Pardot Consultant
- Certified Pardot Specialist
- Certified Sharing and Visibility Architect
- Certified Integration Architect
- Certified Identity and Access Management Architect
- Certified Development Lifecycle and Deployment Architect
- Certified Data Architect
- Certified Tableau CRM and Einstein Discovery Consultant
- Certified System Architect
- Certified Application Architect

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Number of projects in TerraSky Group

18,000 Projects

TerraSky has over 7,000 project on its own.

We support a large number of companies, regardless of industry, business type, or company size and provide continuous development, maintenance and operation

TOYOTA
東京海上日動
KDDI
Rakuten
SOMPOシステムズ
りそな銀行
KONICA MINOLTA
BRIDGESTONE
Panasonic
昭和シェル石油株式会社
三井ホーム
EBARA
MIZUHO
日本郵便
HITACHI Inspire the Next
日本経済新聞
Marubeni
明治安田生命
YAMAHA

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Investment Strategy

Cloud Technology



Customers

Cloud Integration

Solution Service Asset

Product Asset

Investment Asset

DiceWorks

Kitalive

Sky365

TerraSky Technologies

BeeX

Serverworks

ENOKI

TerraSky Inc

TerraSky Ventures

LiberSky

TerraSky Thailand

Quemix

Salesforce

SAP

AWS

Azure

Google Cloud

Quantum

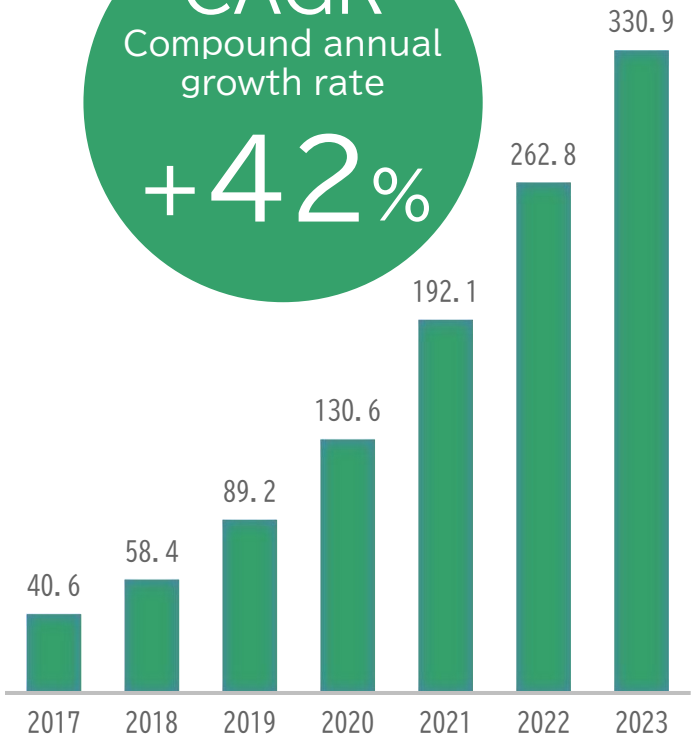

Market Environment

Sales Growth of the Cloud Platform

(USD/bn.)

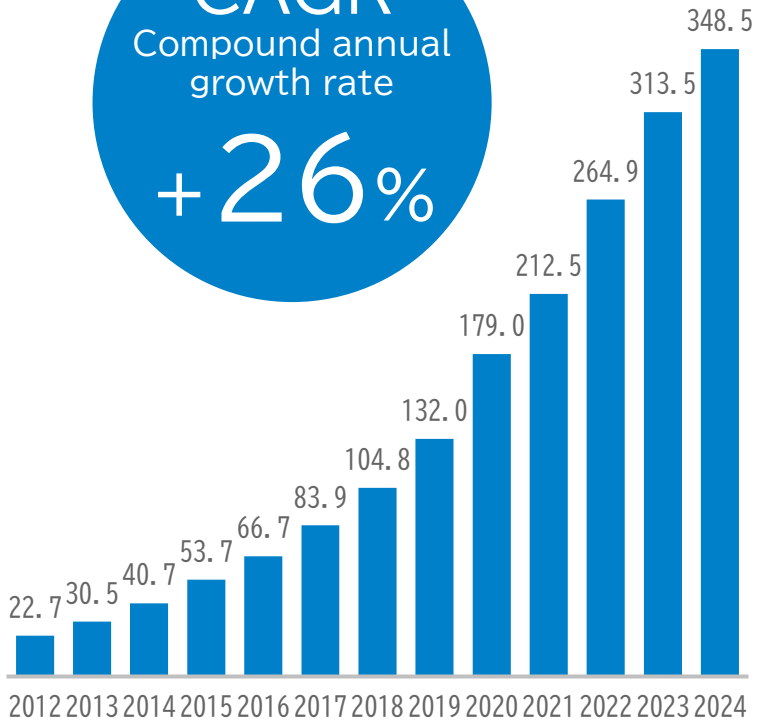
GCP

CAGR
Compound annual growth rate
+42%



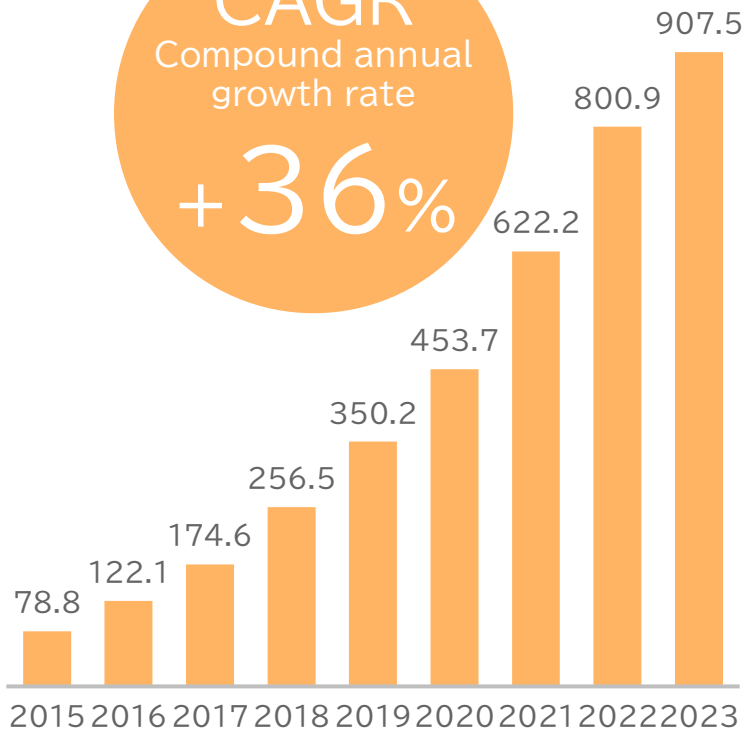
Salesforce

CAGR
Compound annual growth rate
+26%



AWS

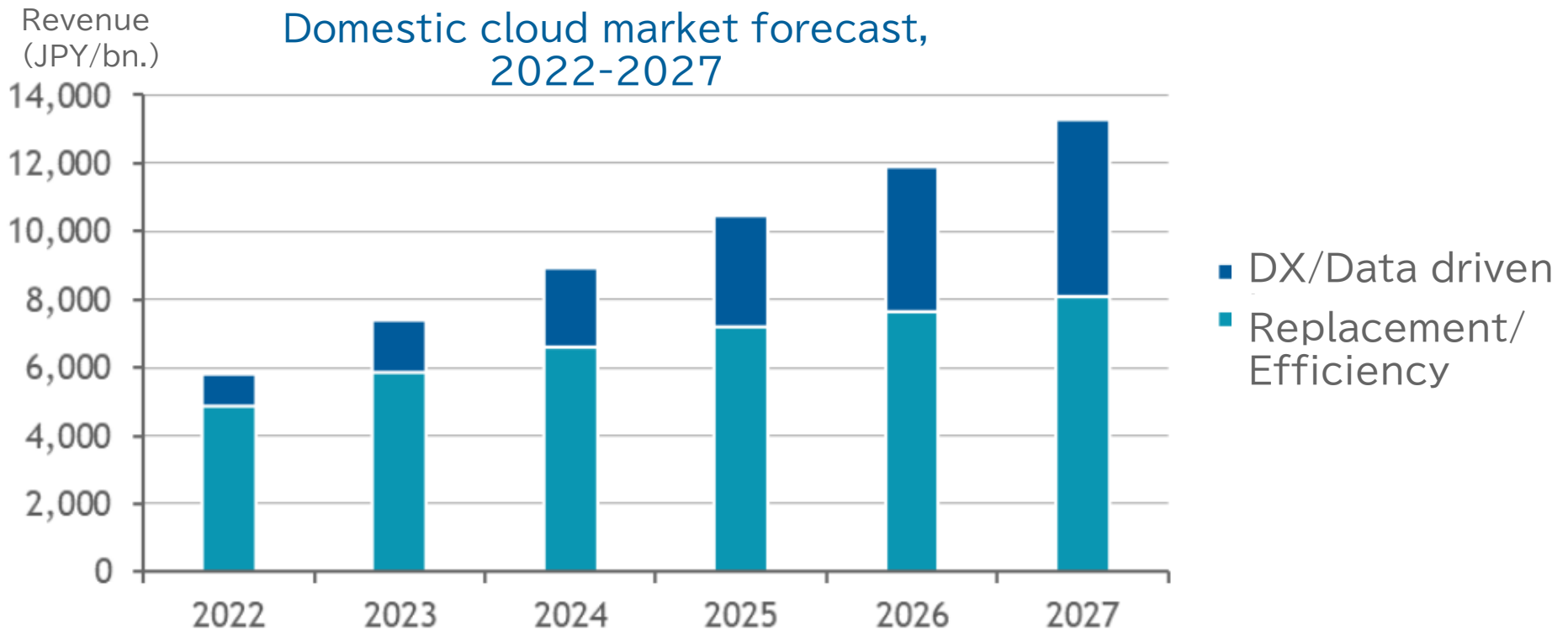
CAGR
Compound annual growth rate
+36%



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Business Growth Opportunity: Growing Domestic Cloud Market

- IDC Japan Co., Ltd. (located in Chiyoda-ku, Tokyo), an IT specialized research company, announced its domestic cloud market forecast.
- The domestic cloud market in 2022 will be 5,814.2 billion yen (revenue-based), an increase of 37.8% y-o-y.
- IDC expects the market to grow at a CAGR of 17.9% from 2022 to 2027, and the market size in 2027 will be 13,257.1 billion yen, approximately 2.3 times the size in 2022.

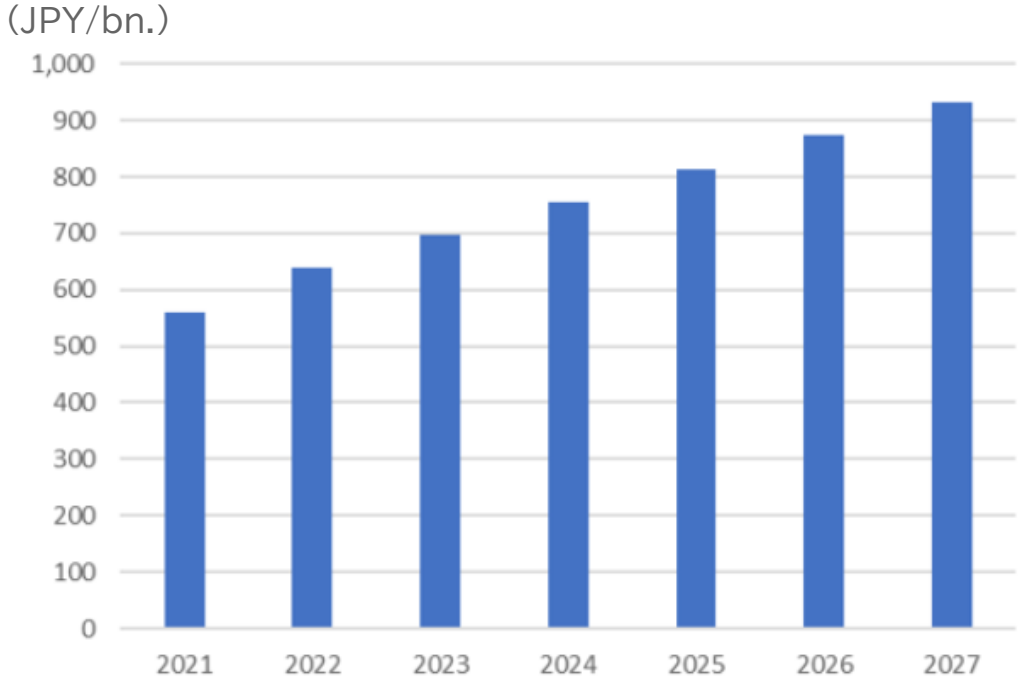


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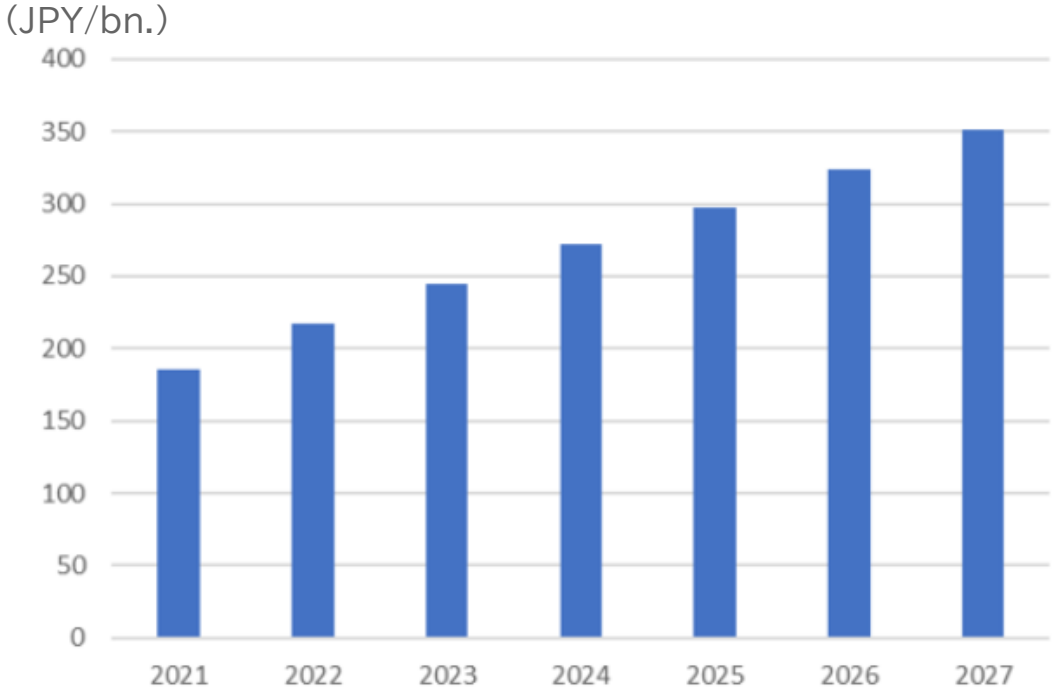
Domestic CX/CRM Market Continues to Grow

IDC Japan Inc. has released forecasts for the domestic customer experience (CX)-related software market and the domestic CRM application market. IDC expects the domestic CX-related software market to grow at a CAGR of 7.8% from 2022 to 2027, reaching 931,743 million yen in 2027. Additionally, IDC expects the domestic CRM application market to grow at a CAGR of 10.1% from 2022 to 2027, reaching 351,074 million yen in 2027.

Domestic customer experience related software market forecast, 2021-2027



Domestic CRM application market forecast, 2021-2027



Source : IT specialized research company IDC Japan Co., Ltd. (Domestic customer experience (CX) related software/CRM application market forecast)

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Achieving the Sustainable Development Goals (SDGs)

Three Guiding Principles for Achieving the SDGs

01



Initiatives through Business



02



Initiatives for the Future of Children and Regions



03



Initiatives through Corporate Activities



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Fly Ahead