

baudroie inc.

**Financial Results Briefing Material
for the Fiscal Year Ending February 2025**

April 2025



ole inc.

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board

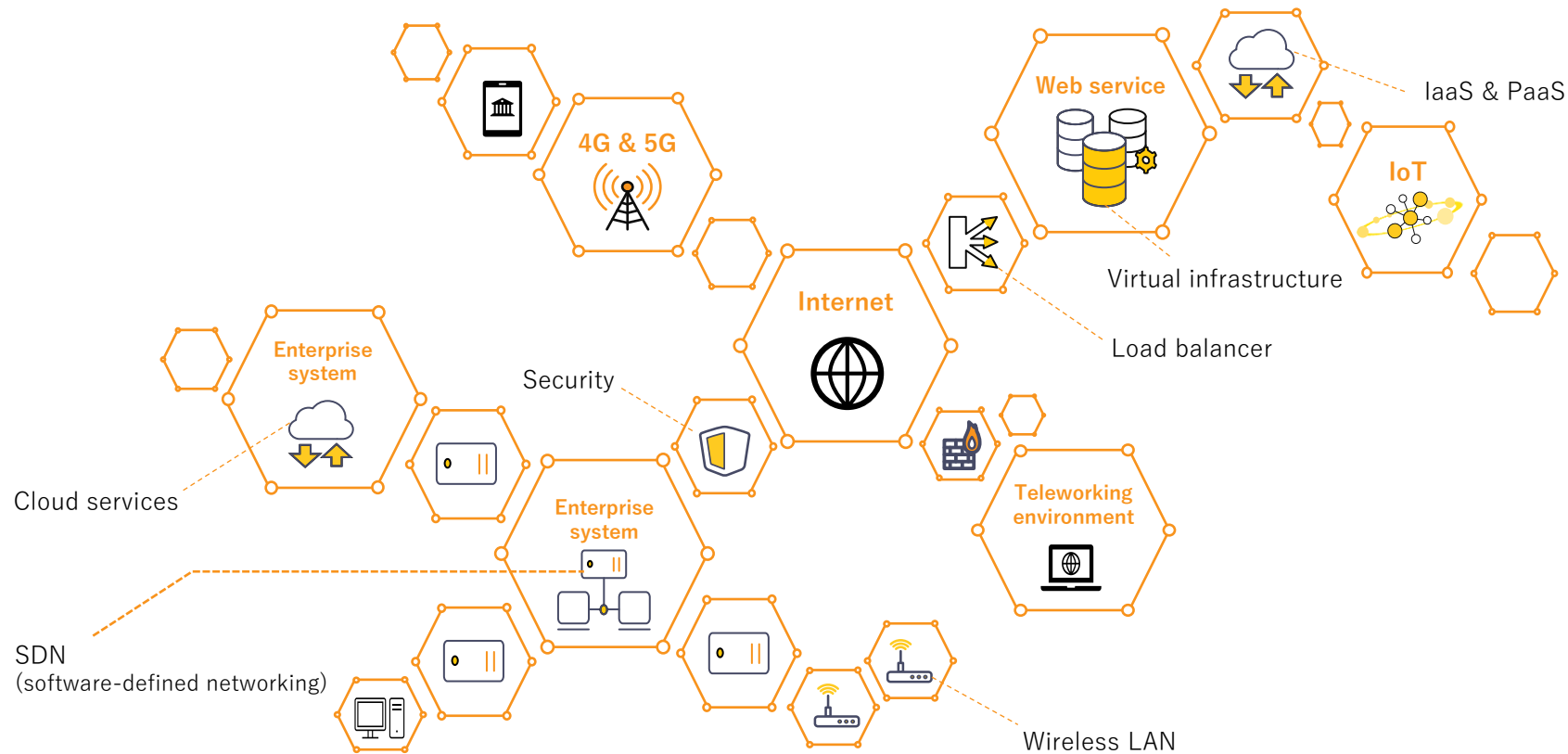
Business Overview

Company Overview

Company name	baudroie inc.	Line of business	IT infrastructure business
Directors	President and Chief Executive Officer Shigehiro Tominaga Representative Director Kazuya Fujii Director Yoshiaki Hodoshima Director (Audit and Supervisory Committee Member) Toshio Okamoto Kiyoko Yagami Anna Seo	Major clients	SoftBank Corp. NTT Communications Corporation Nippon Telegraph and Telephone East Corporation KDDI CORPORATION Mitsubishi Research Institute, Inc. Nomura Research Institute, Ltd. SQUARE ENIX CO., LTD.
Established	April 2007	Subsidiaries	ZOSTEC Inc. ALJOY Inc. FunClock Inc. actias Inc.
Fiscal year-end	February	Head office	Azabudai Hills Mori JP Tower 17F, 1-3-1 Azabudai, Minato-ku, Tokyo
No. of employees	1087 (including full-time and contract employees) *As of February 2025	Second office	BPR Place Kamiyacho 5F, 1-11-9 Azabudai, Minato-ku, Tokyo

What Are IT Infrastructure Services?

IT infrastructure services refer to designing and constructing complex IT infrastructure, including servers that operate systems, networks that connect devices to systems, and security solutions that protect secure communications and information, as well as conducting their operation and maintenance so that a variety of applications and systems can be utilized. These components constitute the IT infrastructure, which has become part of the infrastructure for living.



*Cloud services (IaaS/PaaS): mainly refer to cloud computing services.

*SDN: a technology for creating a virtual network environment using software, allowing flexible setting of network configuration free from physical restrictions.

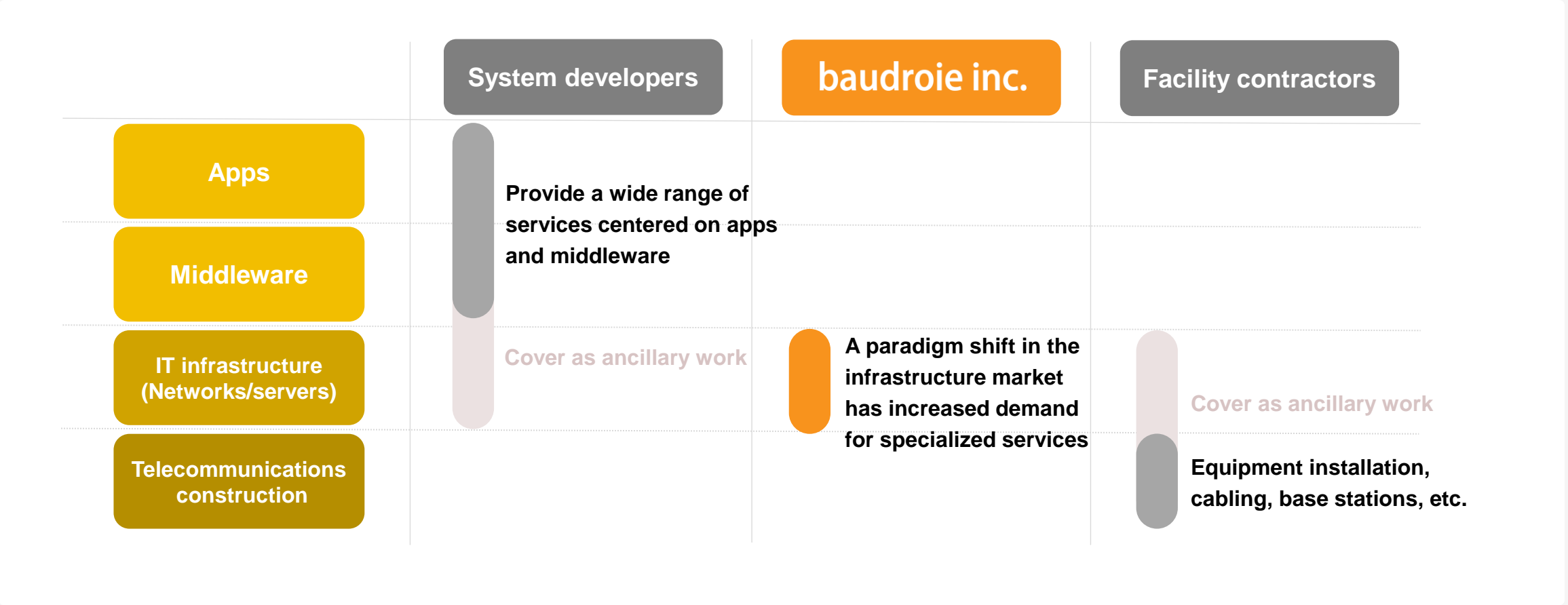
*Virtual infrastructure: a mechanism for operating multiple hosts and operating systems on a single physical device.

*Load balancer: a mechanism for appropriately distributing communication from terminals for each resource (such as CPUs and memories) when a group of servers is used.

*Security solutions: refers to firewall, IPS (intrusion prevention system) / IDS (intrusion detection system), sandbox, web filtering, etc.

What Differentiates Us from System Developers and Facilities Contractors

Due to diversifying social needs, IT systems command advanced knowledge and technologies in broader and deeper areas. As the era evolves in this way, attention is being paid to IT system companies with distinctive features, not covering the entire system. Given this trend, we differentiate ourselves as a company specializing in IT infrastructure.



*Apps (applications): refer to such programs as mission-critical systems (for enterprise resource planning), programs operated by users such as web and smartphone applications, groupware (like Microsoft Office 365), and AI and machine learning. These programs are developed using programming languages like Java, C, and Python.

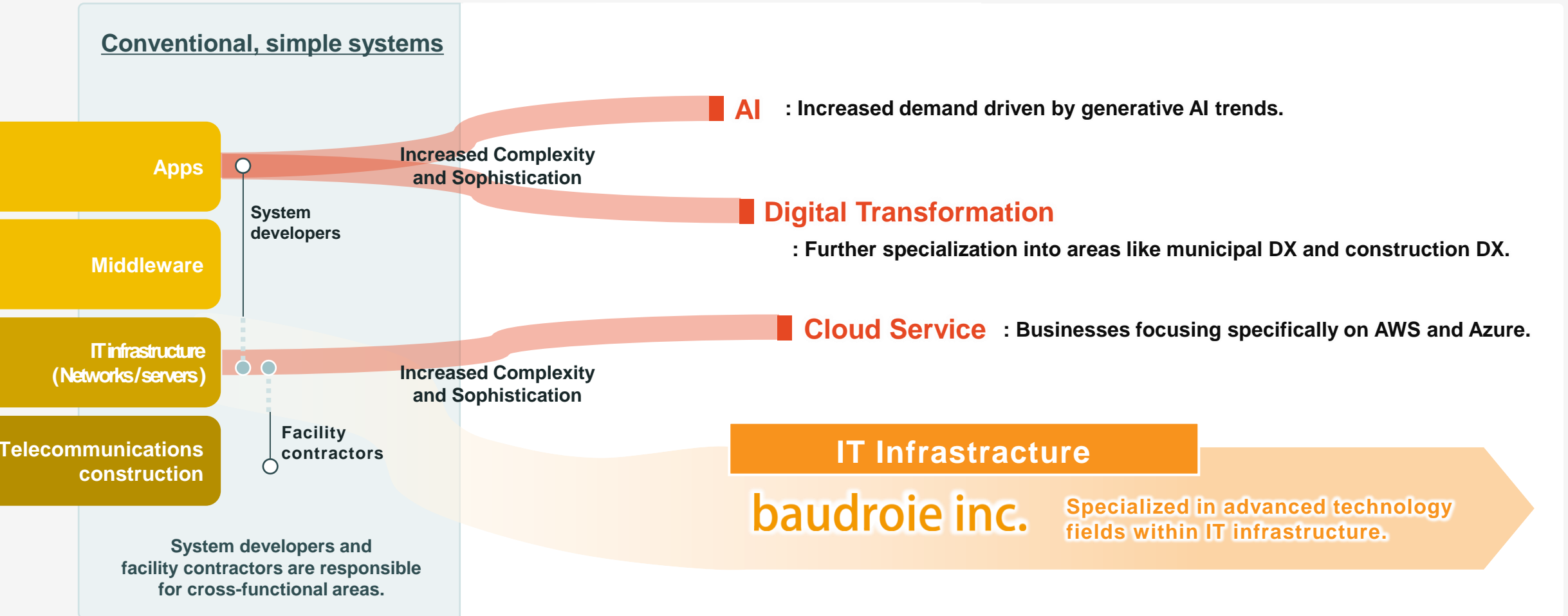
*Middleware: refers to software that runs between applications and the operating system and includes Oracle Database, WebLogic, and Apache HTTP Server.

*Telecommunications construction: LAN wiring, construction of base station facilities, equipment installation, etc.

Specialized Systems Companies

Due to the diversification of societal demands for IT, technologies in various IT fields have become more complex and advanced.

System companies specialized in each field have been gaining increasing attention.

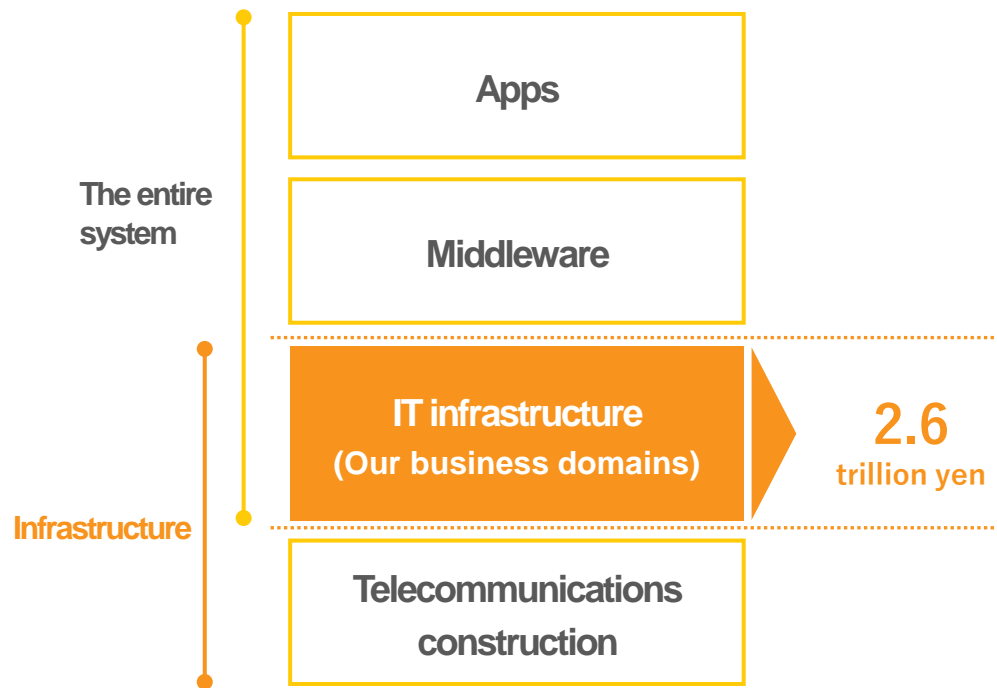


Business Domains

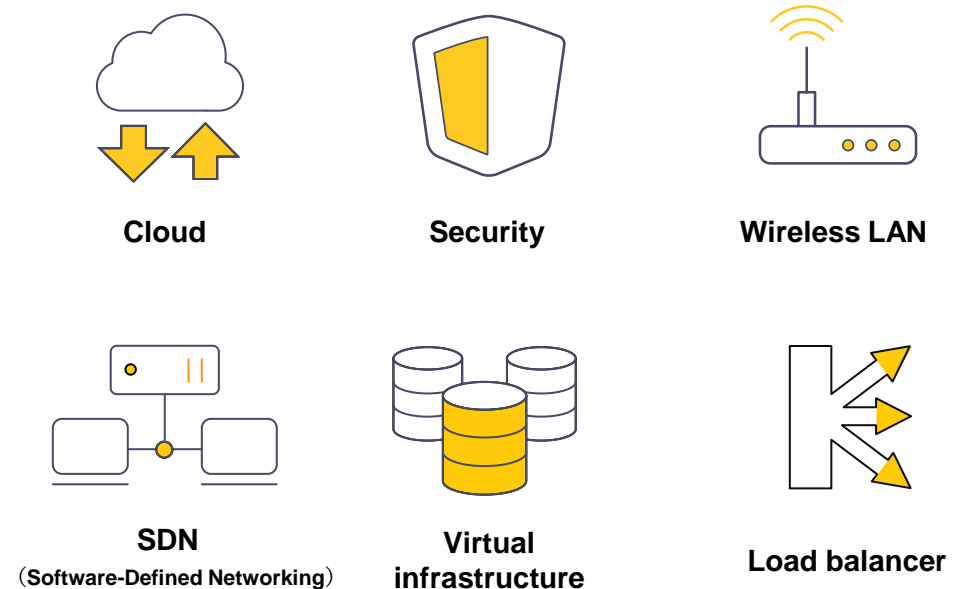
We are a professional operator specializing in IT infrastructure services, especially in advanced technology areas.

Where the IT infrastructure services market is positioned

In 2028, the entire Japanese IT market amounted to 30 trillion yen, of which the IT infrastructure services market accounted for 2.6 trillion yen.



Advanced technology areas that are growing prominently in the IT infrastructure area



*Source: Press release by IDC Japan, "Latest Forecast for the Domestic IT Market by Industry and Employee Size for 2025" (January 15, 2025)

*Source: Press release by IDC Japan, "Announcement of the Domestic IT Infrastructure Services Market Forecast" (October 15, 2024)

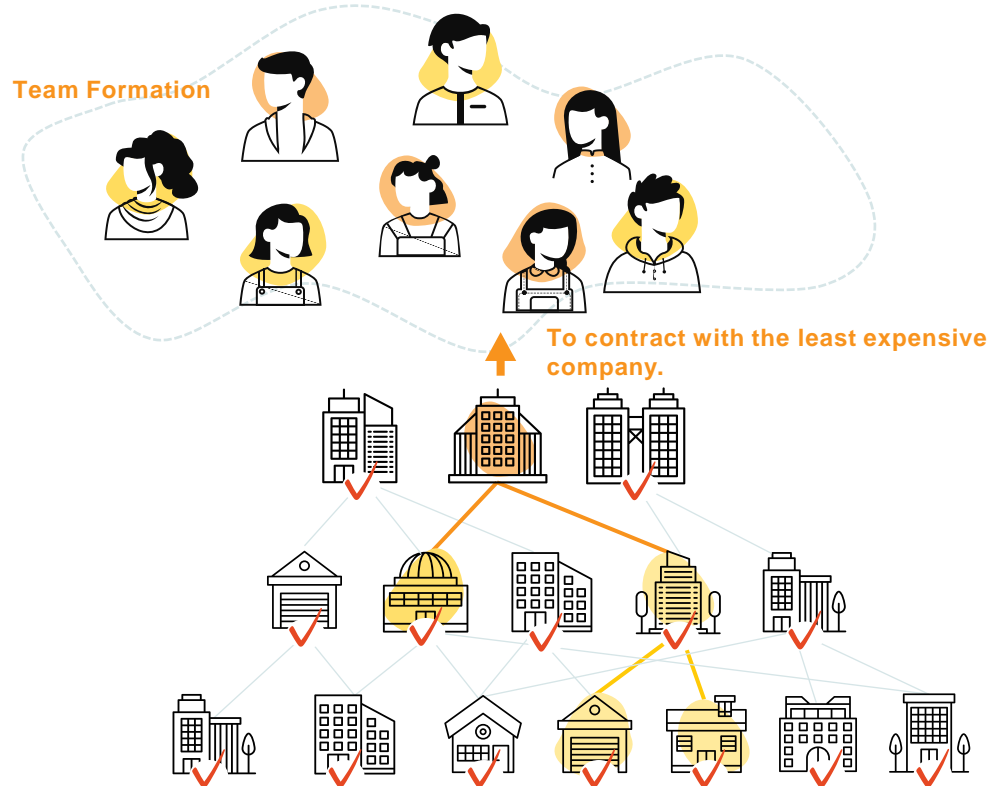
Our Competitive Advantage

A typical case of team formation in general system companies.

A system based on conventional technology

Since many companies have engineers, it is easier to gather people.

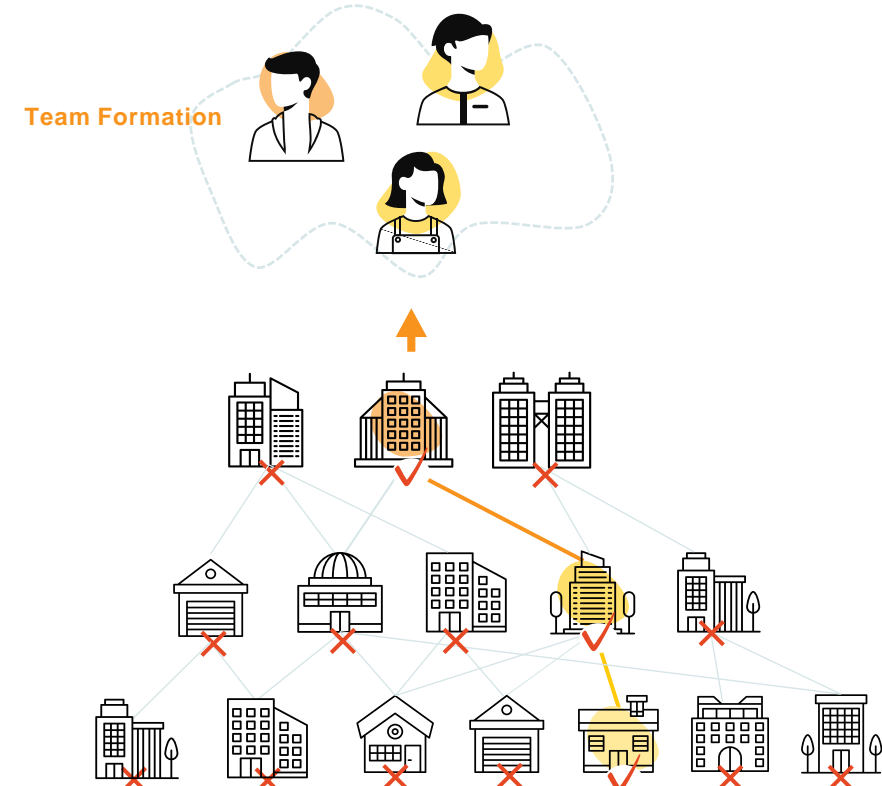
→ The project will involve hiring the most affordable company, resulting in a team composed of multiple firms.



A system incorporating advanced technology

Since there are few engineers with advanced technical skills, the difficulty of gathering people and forming a team increases.

→ The rarer the skills, the more time and cost it takes to form a team.



Our Competitive Advantage

Efficient team formation is possible through specialization and the development of young talent.

baudroie inc.

We can form a team using only our company.

So we can create teams with consideration of the compatibility of the members.



Our engineers build their experience solely in IT infrastructure, from training through project assignments, which enables them to learn various technologies related to IT infrastructure.

→ **The number of people forming the team becomes relatively small.**

Our engineers specialize in building experience in IT infrastructure, so even engineers with the same skills as those from other companies tend to have a lower average age.



Our engineers
(32 years old)

Years of experience

IT Infrastructure  **10 years**

Middleware 

Application 

General engineers*1
(40 years old)



IT Infrastructure  **9 years**

Middleware  **4 years**

Application  **5 years**

Compared to our company, general engineers tend to have a higher average age, leading to higher costs.
Inefficient team composition.

*1 Years of experience for a typical engineer is just a guess.

Highlights of Consolidated Financial Results

Executive Summary

FY2025 Full-year Results

Revenue

11.65 billion yen

(up **58.9%** YoY)

Operating profit

2.46 billion yen

(up **55.2%** YoY)

✓ While keeping both our profit forecast and the market consensus in mind, we proceeded with upfront investments, especially by strengthening recruitment.

✓ FunClock Inc. and actias Inc. were acquired as subsidiaries.

When actias Inc. was consolidated, the full-year forecast was revised upwards, but the actual results exceeded the revised forecast.

Operational transfers to each subsidiary are proceeding smoothly, while we continue to closely track performance indicators.

FY2026 Full-year Forecast

Revenue

15.5 billion yen

(up **33.1%** YoY)

Operating profit

3.25 billion yen

(up **32.1%** YoY)

✓ Changed listing to the Prime Market (3/10)

Preparations toward sustained high growth from FY2026 onward are well underway, and continued strong performance is targeted following the change of listing.

✓ Initiation of dividends

Refer to pages 18–20 for details on our approach to dividends.

Summary of Consolidated Financial Results

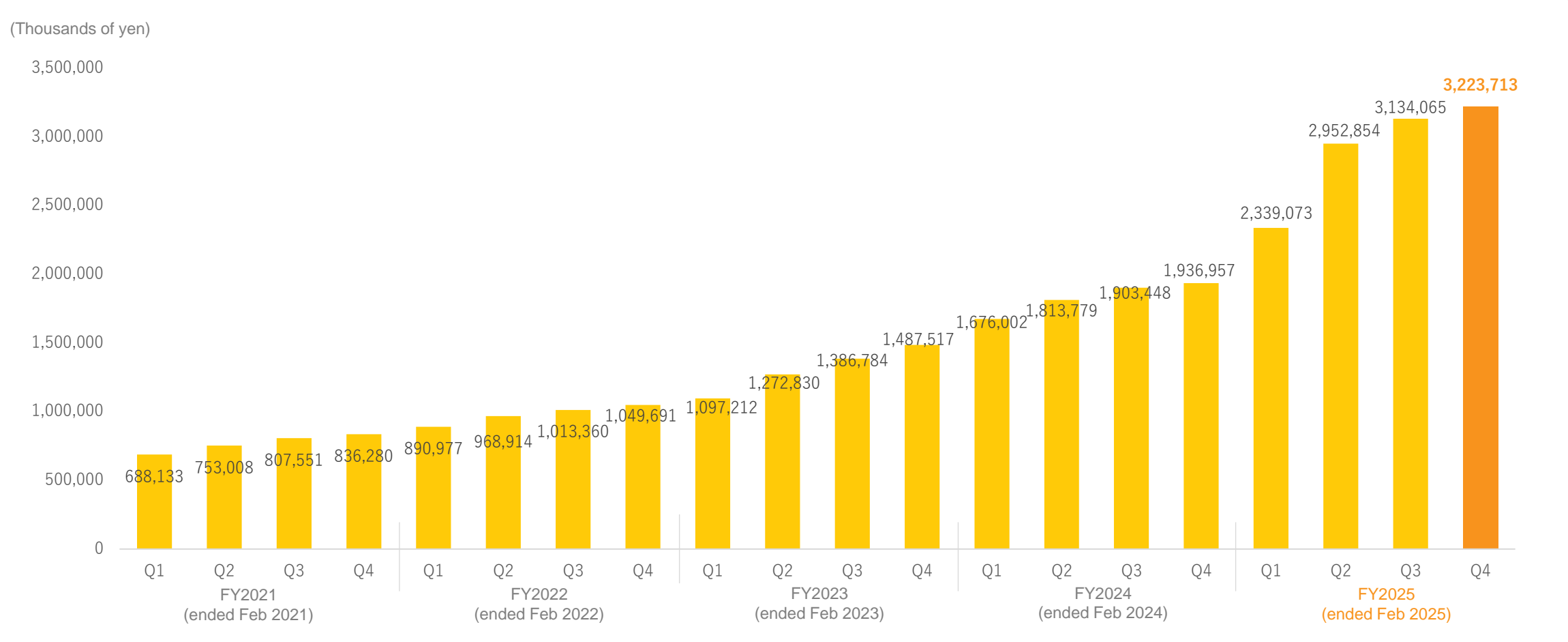
✓ In FY2025, FunClock Inc. was consolidated from Q1, and actias Inc. was consolidated from Q2.

*Adjustment from Japanese GAAP to IFRS figures.

(Thousands of yen)	FY2024 Full-year Results *	FY2025 Full-year Results	YoY (First half-year)	FY2025 Full-year Forecast (Revised)	YoY (Full year)
Revenue	7,330,186	11,649,705	+58.9%	11,400,000	+55.5%
Operating profit	1,585,945	2,460,813	+55.2%	2,300,000	+45.0%
Profit before tax	1,574,727	2,461,226	+56.3%	2,302,000	+46.2%
Profit	1,161,035	1,799,365	+55.0%	1,644,000	+41.6%

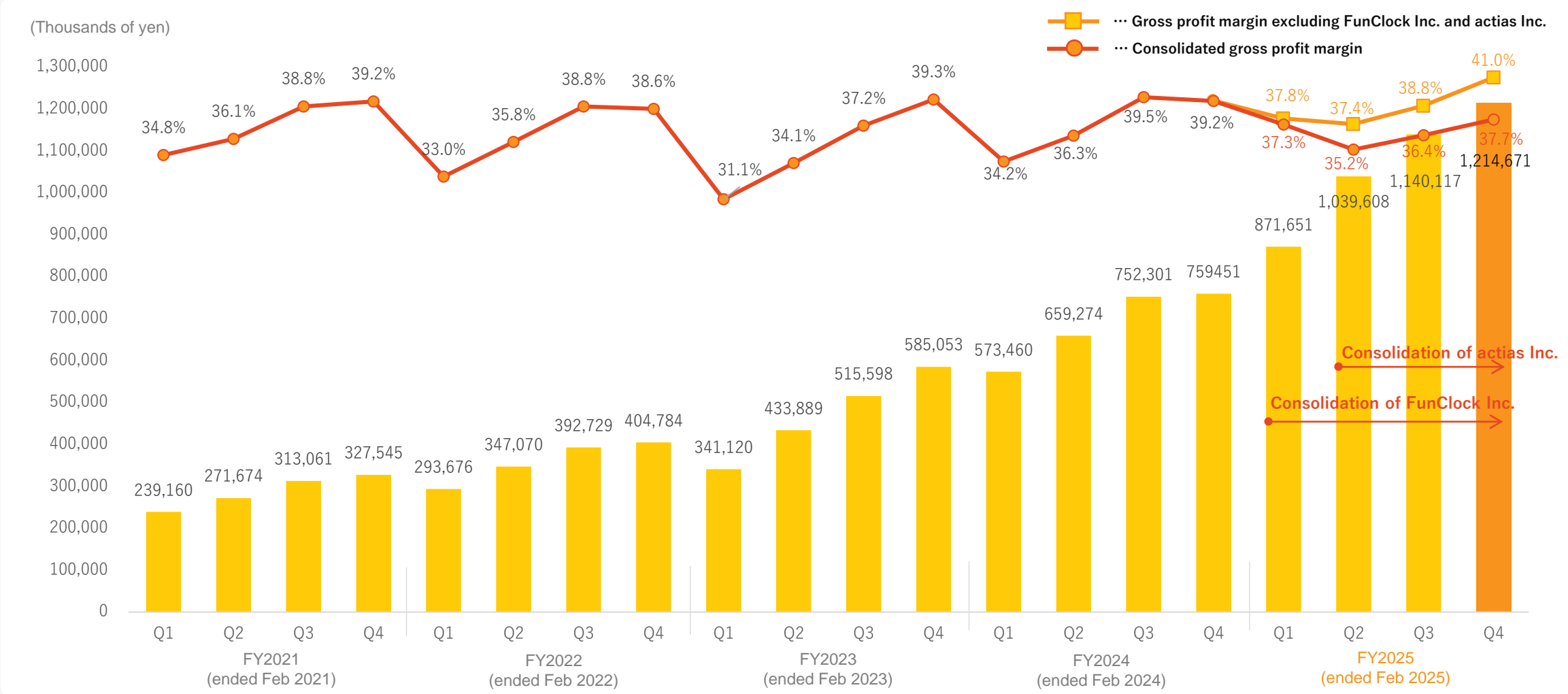
Trends in Quarterly Consolidated Revenue

- ✓ As before, an increasingly larger proportion of sales is projected in the remaining quarters of FY2025 for the following reasons.
- The number of acceptance inspections will further rise in Q2 through the end of the fiscal year.
 - With engineers (new graduate employees in the second or more year of employment) becoming capable of conducting actual work, reassignment of specialized talents (new graduate employees in the third or more year of employment) and highly specialized talents will be conducted in Q2 through the end of the fiscal year.



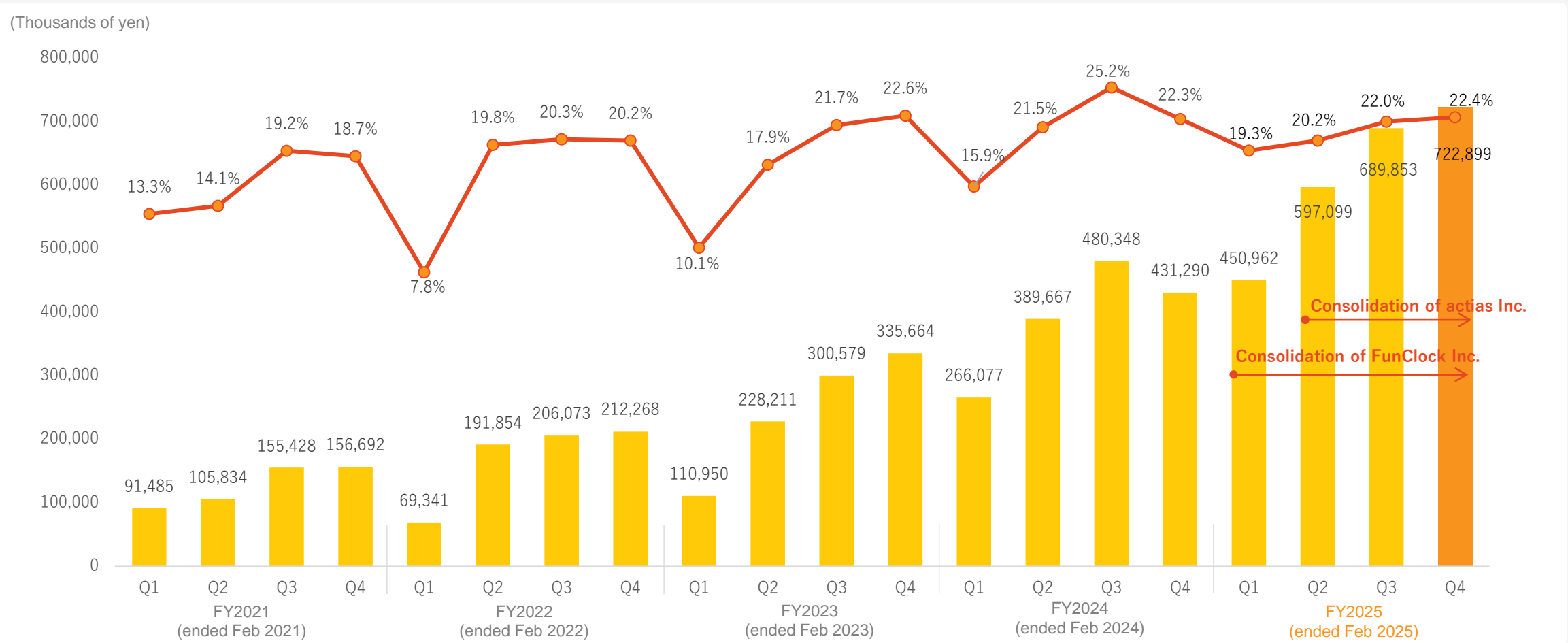
Trends in Quarterly Consolidated Gross Profit

- ✓ Excluding the two companies acquired this fiscal year (FunClock Inc. and actias Inc.), the gross profit margin increased compared to the previous fiscal year.
- ➔ Although there were factors that could have put downward pressure on the gross profit margin—such as project transfers to subsidiaries and increased recruitment efforts—the margin has shown an upward trend, reflecting improved competitive advantage.



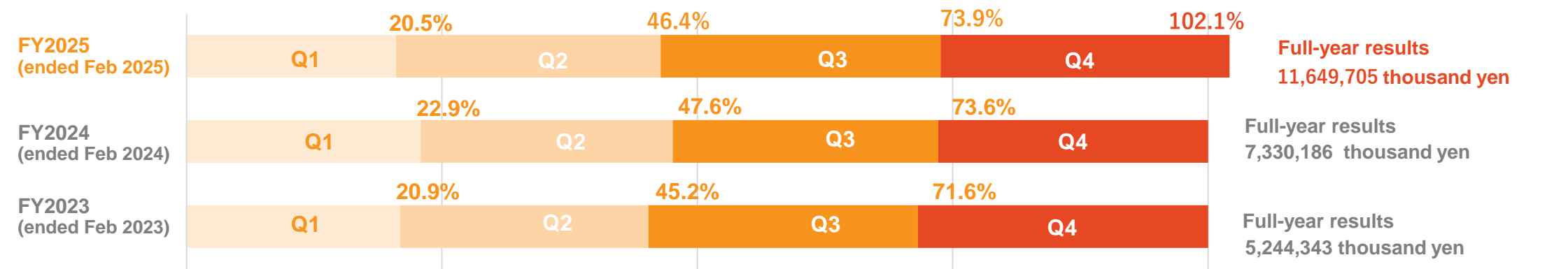
Trends in Quarterly Consolidated Operating Profit

- ✓ As a result of strengthening recruitment to maintain a high growth rate in the coming fiscal years, the net increase in the number of employees exceeded the initial plan by 49 people.
- ✓ Because the offering was moved up to the current fiscal year, a portion of the listing expenses that were originally planned for the next fiscal year was recorded this year. However, we have continued to grow while absorbing those costs.

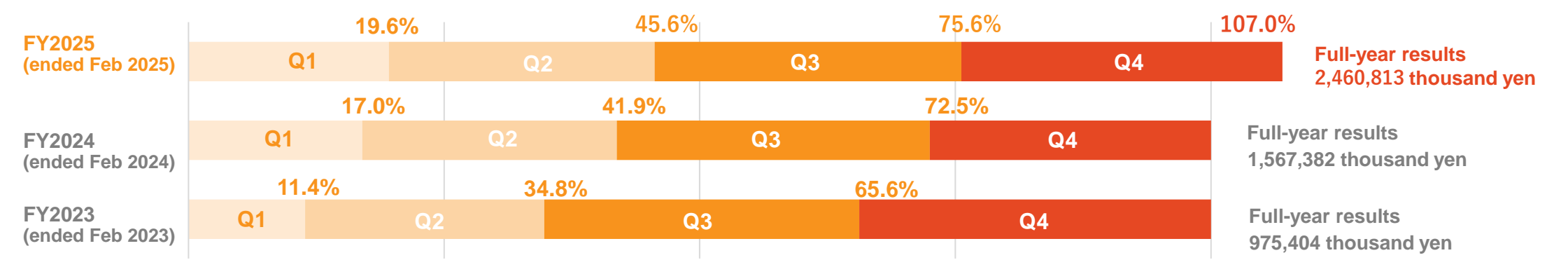


Status of Progress Against the Full-Year Consolidated Earnings Forecast

Revenue



Operating profit



FY2026 Full-year Earnings Forecast

- ✓ The objective is to maintain high growth with a growth rate above 30% moving forward.
- ✓ We had previously stated that we would consider dividends upon transitioning to the Prime Market; accordingly, we are starting dividend payments from FY2026.

	FY2025 Full-year Results	FY2026 Full-year Forecast	YoY
(Thousands of yen)			
Revenue	11,649,705	15,500,000	+33.1%
Operating profit	2,460,813	3,250,000	+32.1%
Profit before tax	2,461,226	3,234,890	+31.4%
Profit	1,799,365	2,345,295	+30.3%

Dividend Forecast

Purpose

The purpose is not shareholder returns, but rather to encourage investment from investors who focus solely on dividend-paying companies, thereby broadening our investor base.

By transitioning from no dividends to dividend payments, there is a possibility of reduced volatility, and we are optimistic about the potential impact of this effect.

Dividend Payout Ratio

10%

Annual Dividend

15.16 yen

Approach to Dividends

- ✓ According to the following materials, it appears that transitioning from no dividend paying to dividend paying may lead to a decrease in volatility.

The Effect of Dividends on Volatility

	Number of companies	90-day volatility median	Dividend payout ratio median
Group 1 total (The highest dividend payout ratio)	303	21.24	101.2%
Group 2 total	303	22.84	56.8%
Group 3 total	303	23.80	46.1%
Group 4 total	303	24.63	39.5%
Group 5 total	303	24.78	34.4%
Group 6 total	303	27.25	30.6%
Group 7 total	304	25.11	27.2%
Group 8 total	304	26.49	22.8%
Group 9 total	304	26.75	18.1%
Group 10 total (The lowest dividend payout ratio)	304	29.33	10.6%
The total number of companies with a positive dividend payout ratio	3034	25.07	32.2%
Non-dividend paying companies	721	45.66	0.0%
The total number of companies with a negative dividend payout ratio	181	26.40	-25.4%

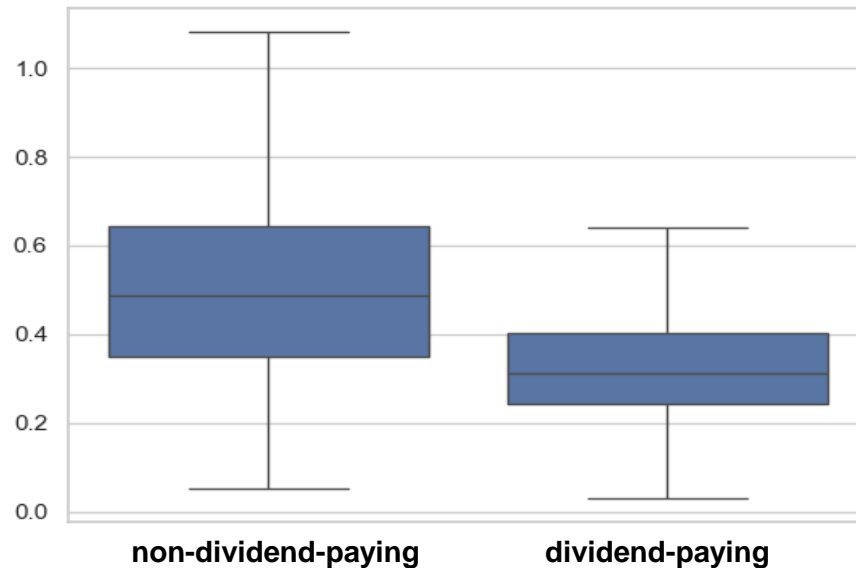
The difference in value is the largest when transitioning from no dividends to dividend payments.

Approach to Dividends

- ✓ There is a tendency for stock price volatility to decrease when a company transitions from being non-dividend-paying to dividend-paying.
- ✓ Accordingly, we are initiating dividend payments not primarily as a means of shareholder returns, but as a management initiative with an awareness of the capital markets.

Comparison of non-dividend-paying and dividend-paying companies

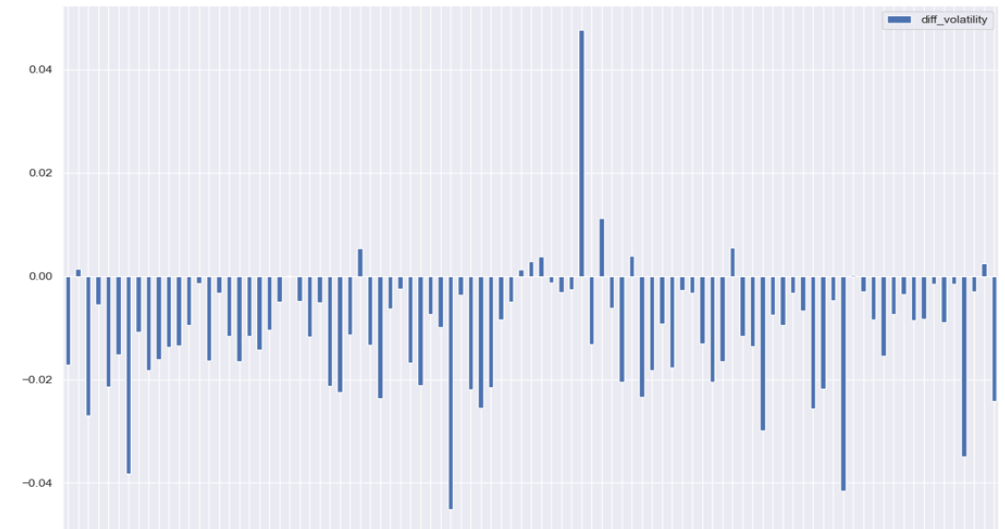
Dividend-paying stocks tend to have lower volatility.



* Daily volatility (annualized) was calculated for the 250 trading days following the forecast dividend announcement date, and aggregated separately for non-dividend and dividend-paying stocks. The analysis covers the period from 2009 to 2024. In the chart, the black line in the center represents the average, while the other lines indicate the maximum, minimum, and quartile values.

The relationship between dividend initiation and stock price volatility

After the initiation of dividends, approximately 90% of the stocks experienced a decrease in volatility.

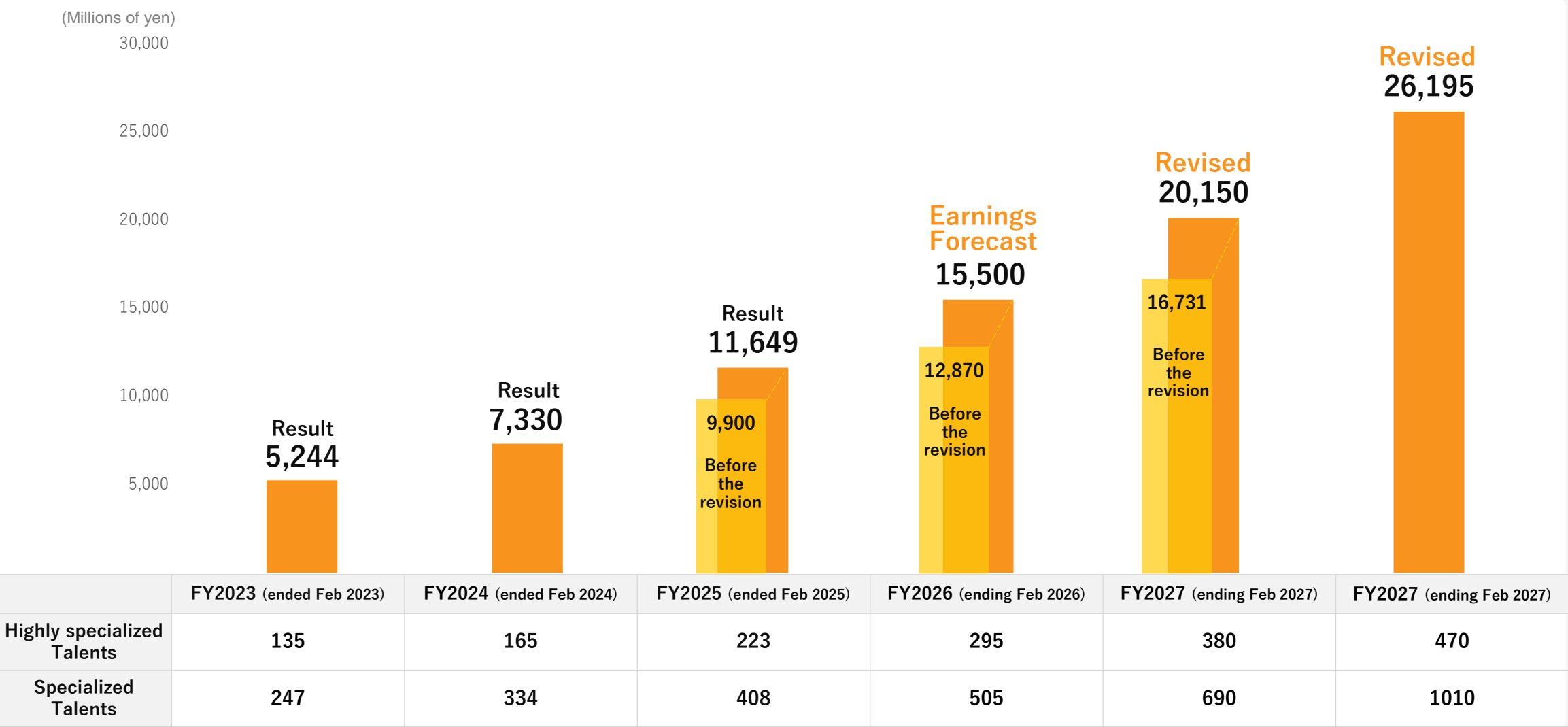


* Among the non-dividend-paying stocks as of 2015, those that issued dividends five or more times by 2024 were selected. For each, the daily volatility (annualized) was calculated for the 250 trading days before and after the first dividend announcement, and the difference was computed. The results were sorted by stock code.

Medium-Term Management Plan

Medium-Term Business Plan: Revenue

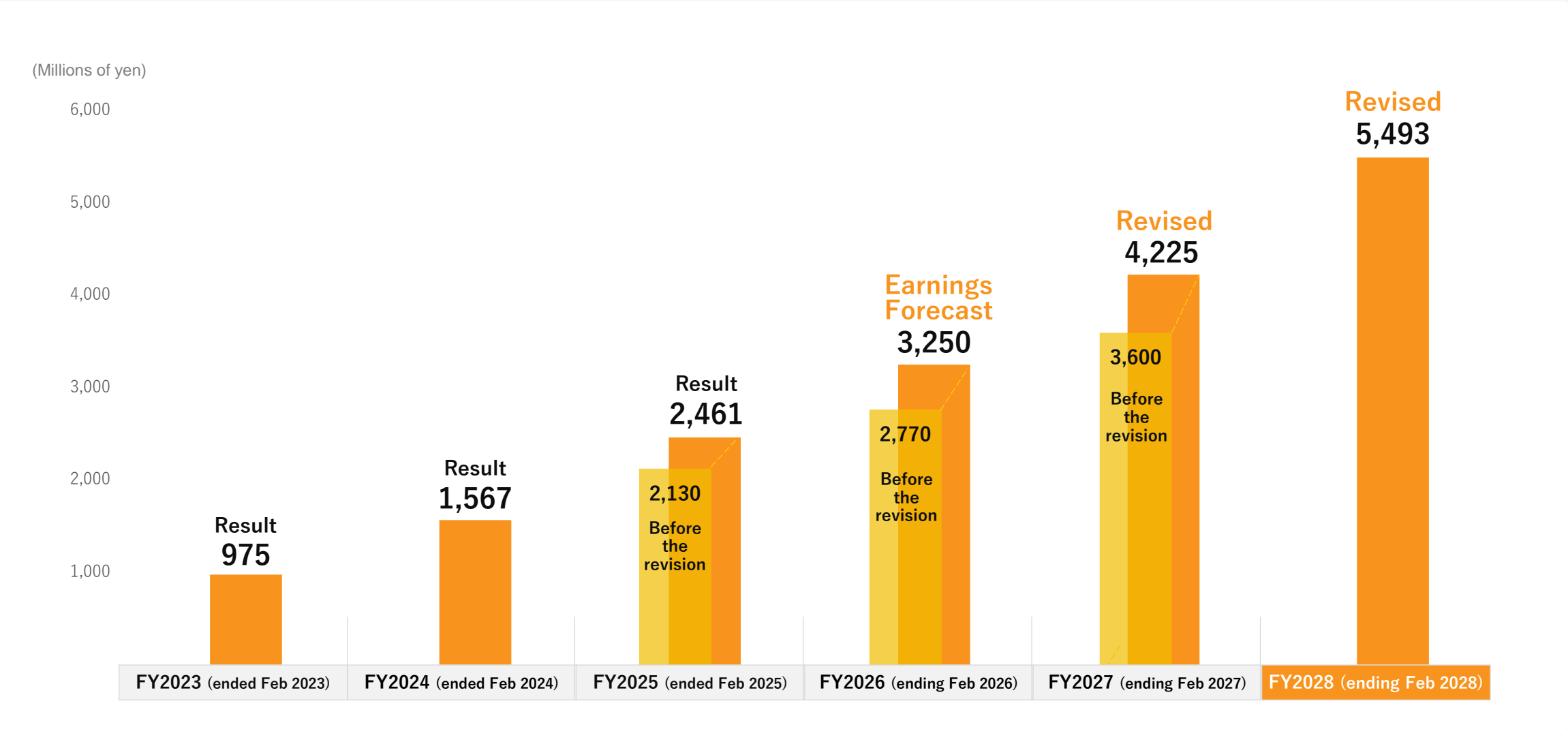
✓ This plan has been exceeding the targets established in the previous fiscal year and has been revised to extend through FY2028.



* Subsidiary personnel are expected to be included in the specialized talents from FY2026 by sharing our skills with those who wish to do. Therefore, it already reflects the approximate number of people.

Medium-Term Business Plan: Operating Profit

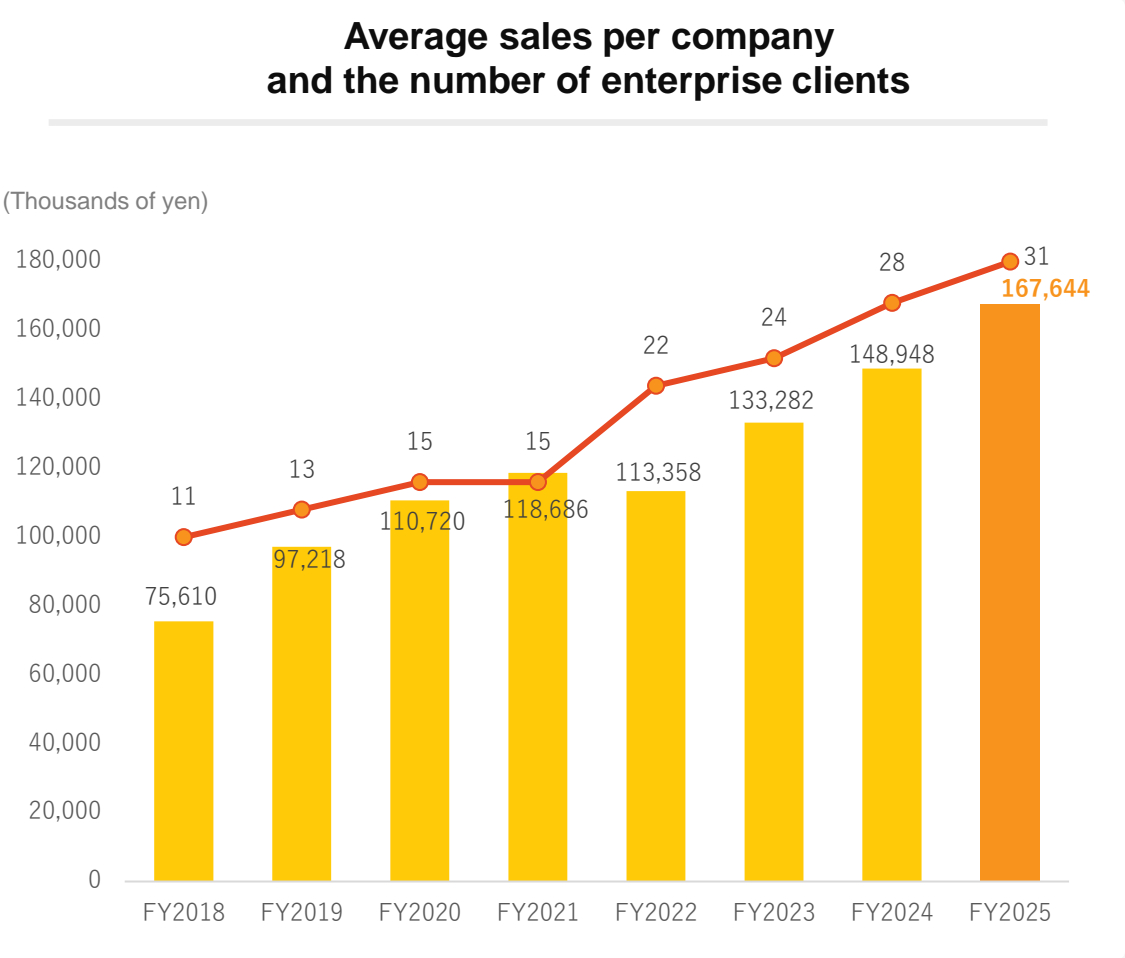
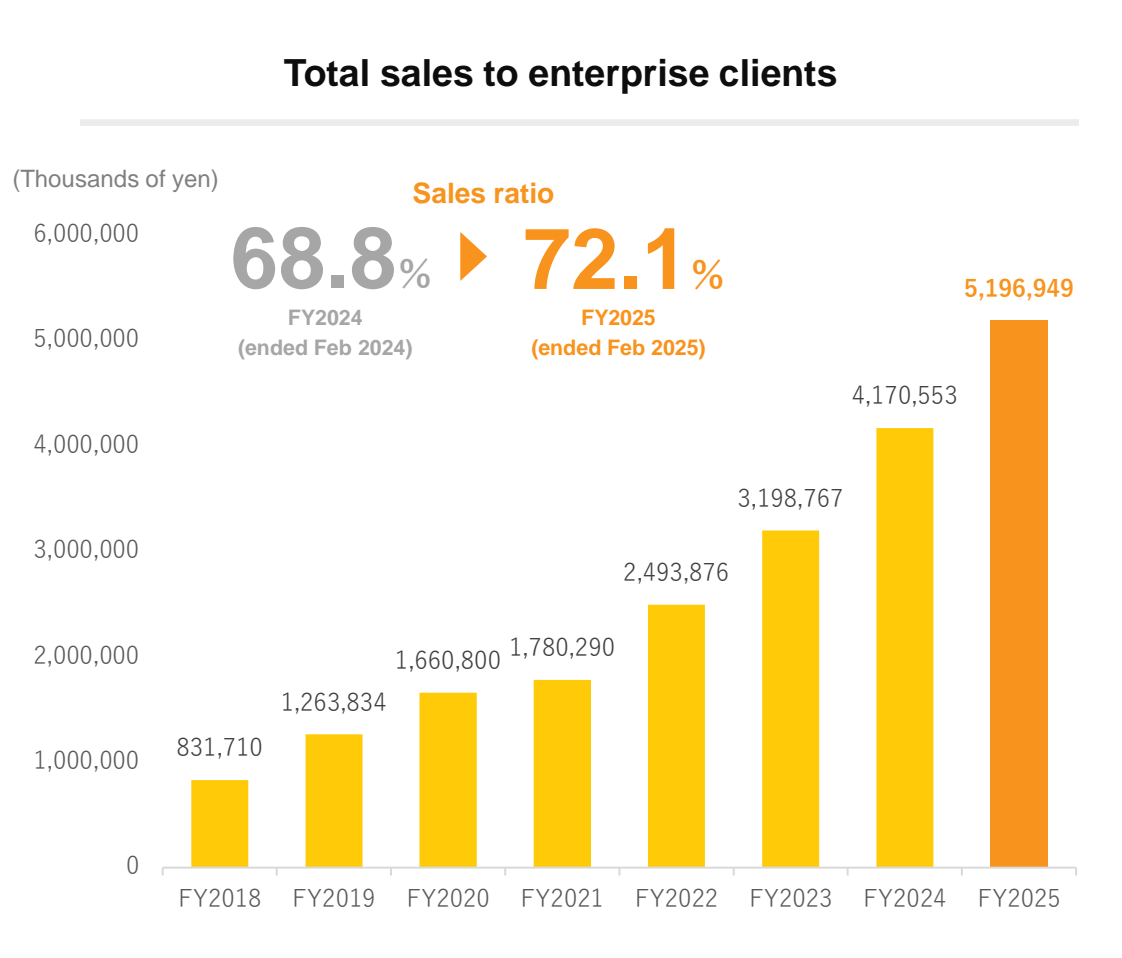
✓ Even after the transition to the Prime Market, we aim to maintain strong growth.



Highlights of Non-Consolidated Financial Results

Sales to Enterprise Clients

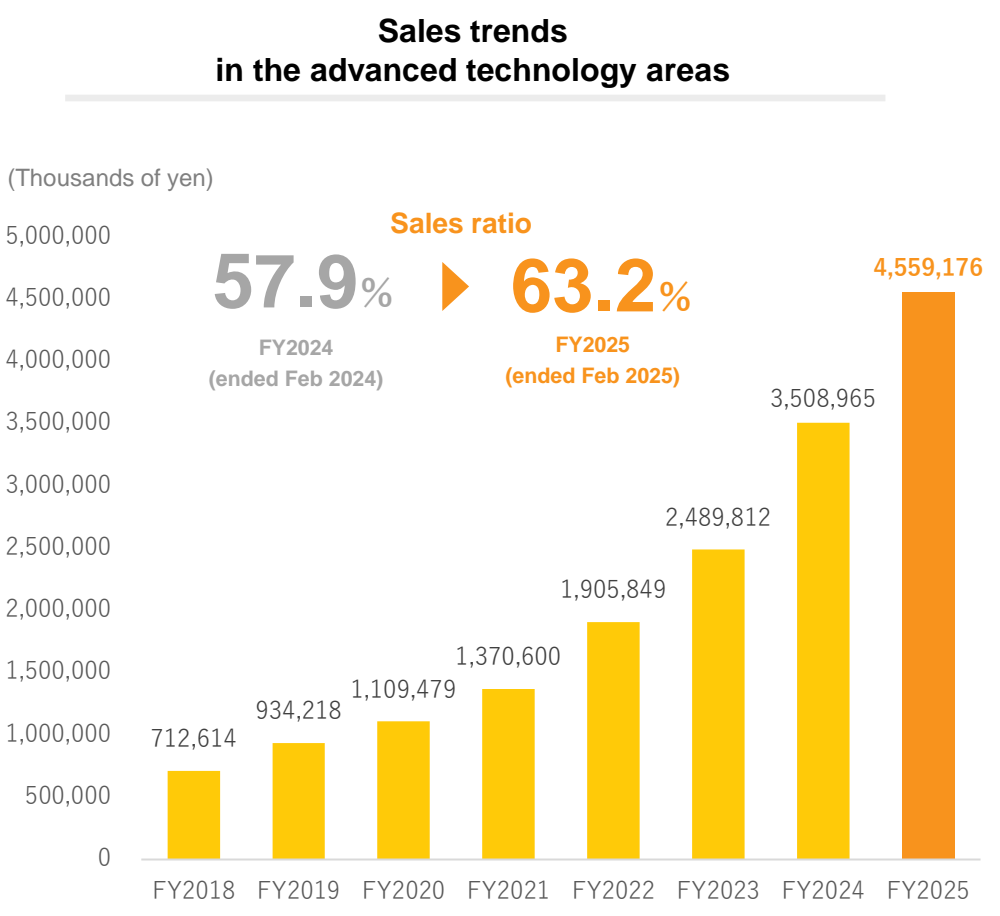
- ✓ Both combined sales and average sales grew strongly, as selective order receptions to prioritize projects for more promising enterprise clients were smoothly conducted.
- ✓ Focus on increasing average sales per company and total sales percentage.



*Enterprise clients are defined as companies selected for either the Nikkei 225, Nikkei 400, or Nikkei 500, or companies with sales of 50 billion yen or more.

Sales in Advanced Technology Areas

✓ Sales ratio of advanced technology field is increasing due to selective orders.



*Advanced technology areas: technology areas where we are deemed to have high specialty and that are related to any of the wireless, load balancer, SDN, cloud, security, or server virtualization technologies.

Advanced technology areas expected to have high growth potential			
	Forecasted market size	CAGR of the market	Our sales ratio ※6
Wireless (global market)	US\$130.6 billion (2026)*1	15%	18% ↑1p
Load balancer (global market)	US\$8.9 billion (2027)*2	13%	22% ↓1p
Network virtualization (domestic market)	Approx. ¥50 billion (2026) *3	3%	10% ↓1p
Cloud (domestic market)	¥4.3 trillion (2026)※4	21%	26% ↓1p
Security (Domestic market: software, appliances)	¥531.7 billion (2026) *5	4%	18% ↑2p

*1 Source: "Global Wireless Connectivity Market" by BCC Research (provided by Global Information, Inc. as agent)
*2 Source: "Load Balancer Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast" by IMARC Services Private Limited (provided by Global Information, Inc. as agent)
*3 Source: Press release by IDC Japan, "Announcement of Domestic Network Virtualization/Automation Market and NFV Market Forecasts" (May 11, 2022)
*4 Source: Press release by IDC Japan, "Announcement of Domestic Public Cloud Service Market Forecast" (September 15, 2022)
*5 Source: Press release by IDC Japan, "Announcement of Latest Domestic Information Security Market Forecasts" (May 26, 2022)
*6 The changes in "our sales ratio" (indicated by arrows) show comparison with FY2024 results and include overlapping sales in two or more areas.

Development of Specialized and Highly Specialized Talent

- ✓ Develop highly specialized talents based on our education and training systems dedicated to IT infrastructure.
- ✓ The increase in the number of highly specialized talents are becoming larger as a result of intensified recruitment prior to the listing.

	Specialized talents	Highly specialized talents
FY2021 (ended Feb 2021)	122	97
FY2022 (ended Feb 2022)	174	109
FY2023 (ended Feb 2023)	247	135
FY2024 (ended Feb 2024)	334	165
FY2025 (ended Feb 2025)	408	223

*For the definition of specialized and highly specialized talents, refer to the Appendix.

Past M&A Results and Future M&As Utilizing Treasury Shares

Company Name	ZOSTEC Inc.	ALJOY Inc.	FunClock Inc.	actias Inc.
Business Description	Network and Server Integration	Network and Server Integration	Testing and Validation	Network and Server Integration
Revenue Operating Profit	224 million yen -8 million yen (At the time of acquisition)	389 million yen 6 million yen (At the time of acquisition)	1 billion yen 50 million yen (FY2023 ended in June)	1.7 billion yen -30 million yen (FY2024 ended in January)
Acquisition Date	April 2022	March 2023	March 2024	June 2024



Revenue and Operating Profit Trends of ZOSTEC and ALJOY (Combined Total for Both Companies)

	At the time of acquisition		FY2024 results (full-year)		FY2025 results (full-year)
Net sales	613,703 thousand yen	▶	1,339,199 thousand yen	▶	1,693,779 thousand yen
Operating profit	-2,136 thousand yen	▶	135,273 thousand yen	▶	236,001 thousand yen



Post-merger integration (PMI) is sufficiently conducted even now, but we will achieve more effective PMI by using the following method.

Going forward, we will use part of our treasury shares to acquire companies. By retaining their ownership not only at the management team of the parent company but also at the **management team of the acquired companies**, we will build an organizational structure that can generate **further** added value.

Our Stance for Implementing Future M&As

As an acquisition scheme to deepen collaboration among the Group, we will pay part of the consideration for the acquisition of a subsidiary's shares by using our treasury shares. By doing so, we intend to let the president of the acquired company retain part of its ownership while giving incentives to commit himself or herself to expanding the corporate value of the Group from the perspective of the founder.

	No participation in the Group	Participation in the Group (100% share transfer)	Participation in the Group (Partial share exchange)
Consideration for acquisition	No consideration	<div>Consideration in money only</div> <div>▶ No ownership</div> <div>With a weak sense of unity in the Group, it is difficult to conduct PMI for deeper collaboration.</div>	<div>Cash + Treasury shares</div> <div>▶ Retain ownership</div> <div>With a strong sense of unity in the Group, it is possible to conduct PMI for deeper collaboration.</div>
Company growth	Realistic and achievable growth →	Growth through PMI ↗	Accelerated growth through PMI ⬆

Effective Utilization of Shares

Maximize the benefits of direct financing to increase corporate value

✓ Acquisition of treasury stock

October 2023~January 2024, acquired treasury shares

Number of treasury
shares acquired

224,500



✓ Acquired FunClock Inc. as a subsidiary

900 shares out of 2,000 shares issued were acquired through a share exchange in FunClock Inc.

Number of treasury
shares delivered

99,611

✓ Acquired actias Inc. as a subsidiary

1,420 shares out of 1,900 shares issued were acquired through a share exchange in actias Inc.

Number of treasury
shares delivered

227,312

✓ Share-based compensation

Regularly grant share-based compensation to employees



✓ Call options from major shareholders

Employees purchases call options



Number of eligible
allottees of the share

327

(As of August 31, 2024)

Unrealized profit per
person(approximation)※

8.6million yen

(Calculated based on the closing price
as of August 31, 2024)

* Includes unexercised stock options and call options; does not take into account sales after exercise.

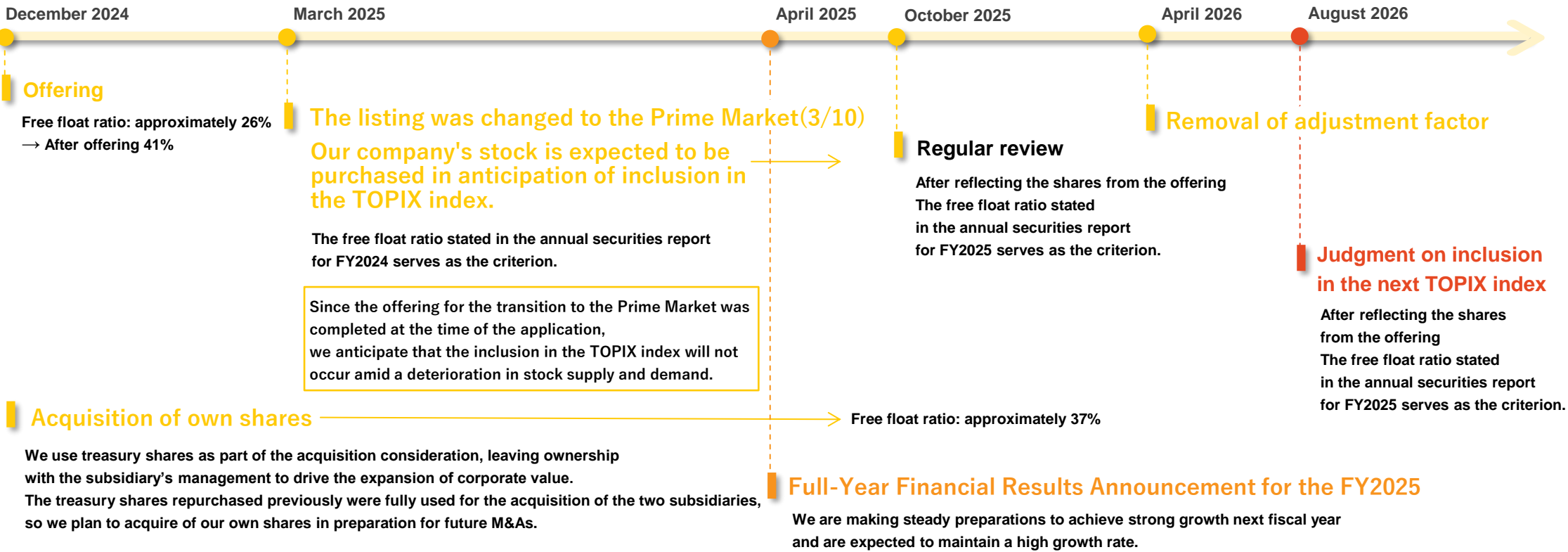
* Call options are traded relative to major shareholders. And are different from share-based compensation plans implemented by the Company itself.

* 1.67% residual potential shares from share acquisition rights; 231,200 call options from major shareholders.

Purpose and Timing of the Offering / Acquisition of Own Shares for the Next M&A

- The offering was conducted in December 2024 to comply with the circulating stock ratio requirement for transitioning to the Prime Market.
 - ➔ Current free float ratio: approximately 26% → After offering: approximately 37% (Excluding the 2.25% for the over-allotment option and the estimated 4% for acquisition of own shares)
- As the number of IR meetings with overseas institutional investors has increased recently, we need to increase liquidity so that new investors can purchase our shares.
- This will also increase the likelihood of inclusion in the **next TOPIX index** (top 97% criterion based on the cumulative free float market capitalization weight).
 - ➔ Since the judgment will be based on the figures from the annual securities report for the FY2025, our company needed to take action within this fiscal year to meet the criteria. Therefore, the offering was carried out simultaneously with the resolution for the market change application.

The idea is to connect supply and demand events for the stock.



Illustrative Drawing of Our Strategy

Prepare for high growth to be achieved in FY2027 and onward.

Transform sales composition

Raise the sales ratio

of advanced technology areas and enterprise clients



Transform talent structure

Raise the ratio of specialized

and highly specialized talents



Highly
specialized
talent

Specialized
talent

New employees
that need up-front investment

Expand the talent base that will
eventually grow into specialized
and highly specialized talent

M&As

Hiring

Summary of Highlights

Expand business in preparation for the planned transfer to the TSE Prime market.

01

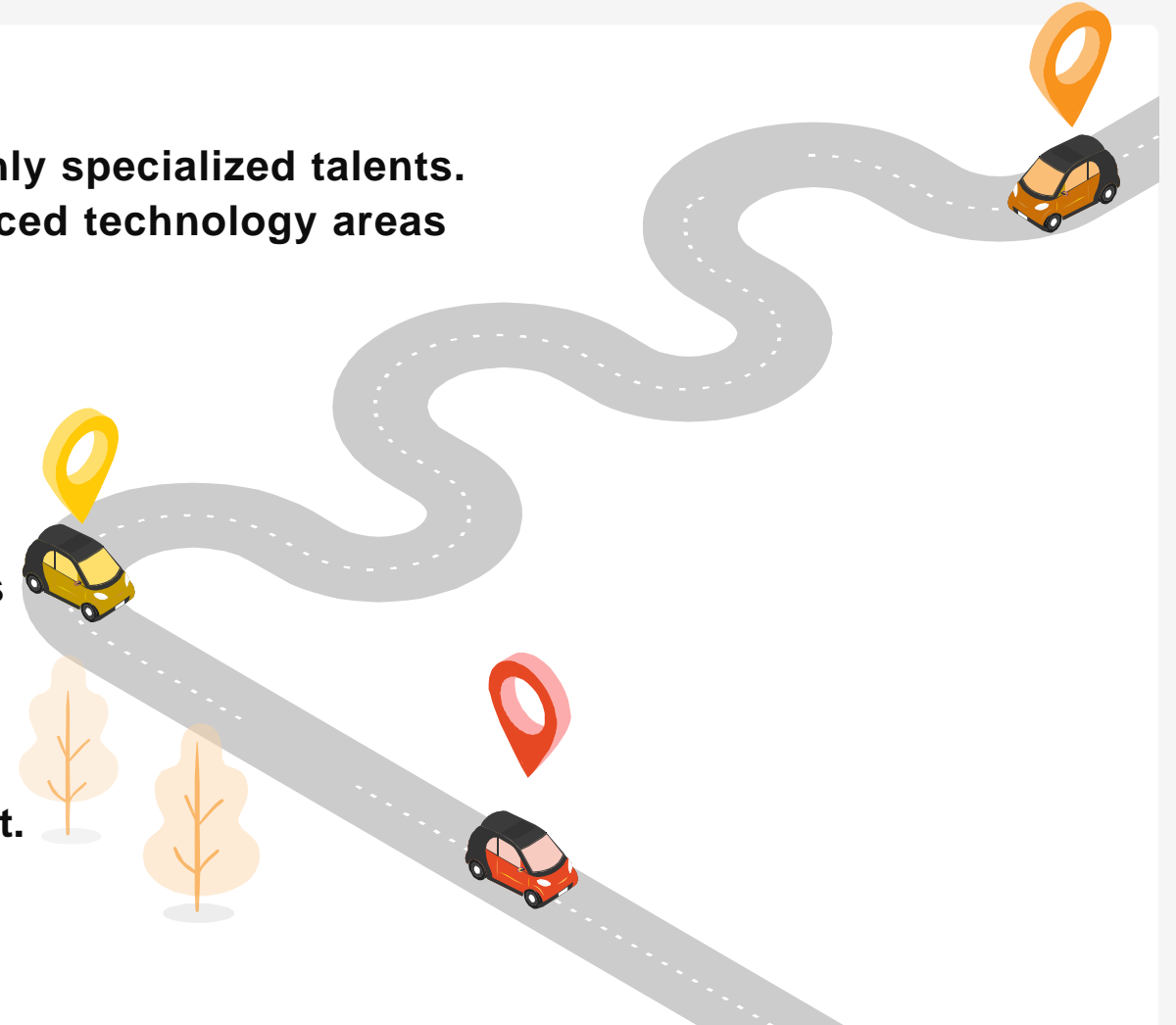
- ✓ Raise the ratio of specialized and highly specialized talents.
- ✓ Expand and deepen projects in advanced technology areas and for enterprise clients.
- ✓ Conduct M&As.

02

- ✓ Maintain high growth rates.
- ✓ Implement the medium-term business plan.

03

- ✓ Plan to transfer to the TSE Prime market.
- ✓ Investigate implementation of the dividend policy.



Appendix

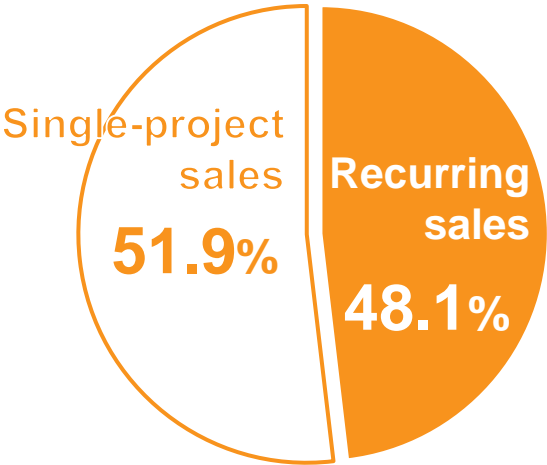
Trends in Financial Results

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
	10th period	11th period	12th period	13th period	14th period	15th period	16th period	17th period	18th period
									※Transitioned to IFRS
Net sales	1,626,968	2,087,013	2,261,561	2,648,008	3,084,973	3,922,944	5,244,343	7,330,186	11,649,705
Operating profit	131,471	230,012	274,696	409,339	509,439	679,536	975,404	1,567,382	2,460,813
Ordinary profit	116,255	217,992	237,982	395,841	542,494	688,011	1,033,662	1,558,439	—
Profit*	79,757	135,544	162,557	278,824	415,711	542,774	793,970	1,171,690	1,799,365
Operating profit margin	8.1%	11.0%	12.1%	15.5%	16.5%	17.3%	18.6%	21.4%	21.1%
Ordinary profit margin(%)	7.1%	10.4%	10.5%	14.9%	17.6%	17.5%	19.7%	21.3%	—
Net sales growth rate (%)	-	28.3%	8.4%	17.1%	16.5%	27.2%	33.7%	39.8%	58.9%
Operating profit growth rate (%)	-	75.0%	19.4%	49.0%	24.5%	33.4%	43.5%	60.7%	55.2%

Recurring Sales through Continuous Services with Retained Clients

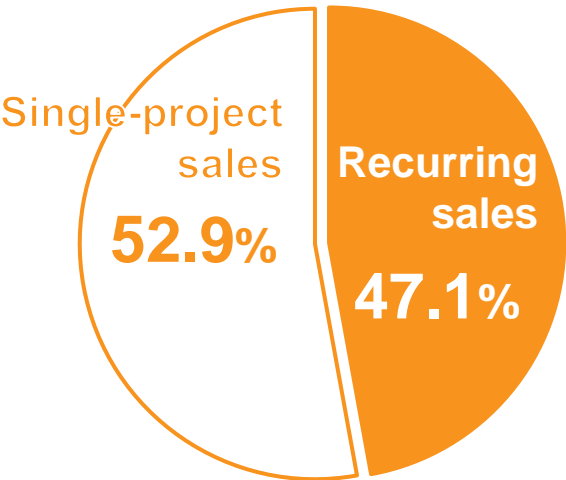
✓ Continued stable earnings from recurring sales.

FY2024 (ended Feb 2024)



Recurring sales: 2,865,916 thousand yen

FY2025 (ended Feb 2025)



Recurring sales: 3,398,923 thousand yen

Definitions of Specialized and Highly Specialized Talents

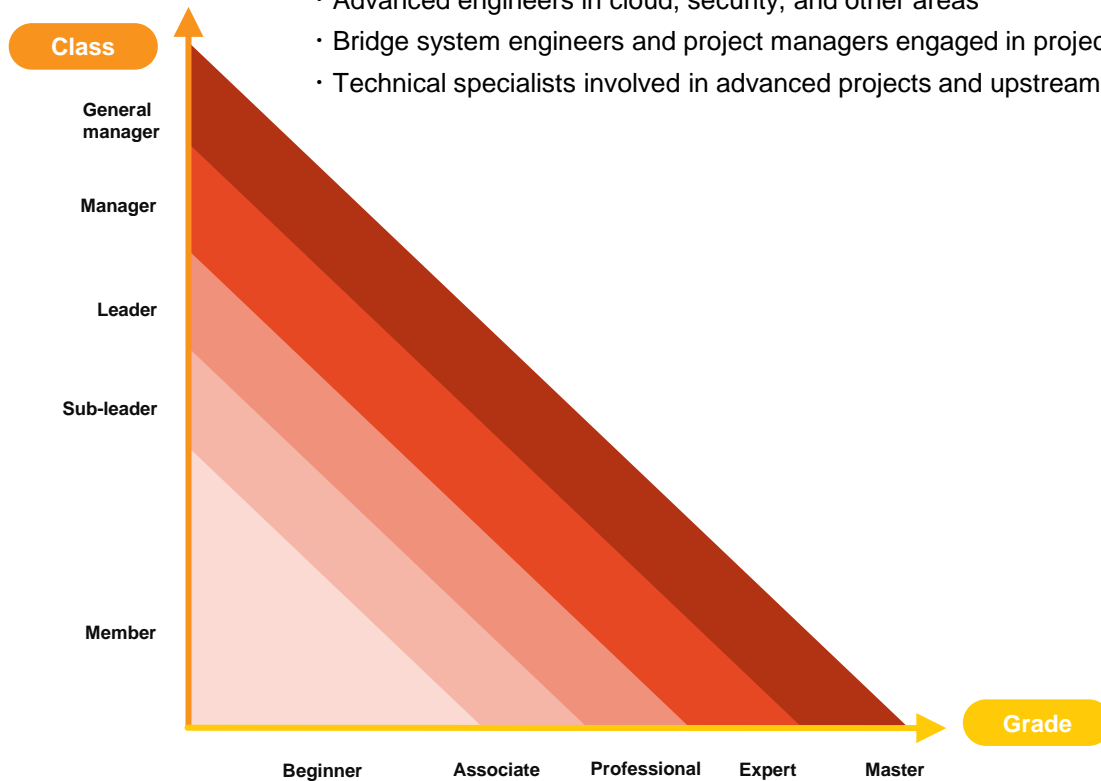
Specialized talents

Employees at sub-leader or higher levels in comprehensive capabilities, which are rated by class, or associate or higher levels in technical capabilities, which are rated by grade, in our personnel assessment and who are certified as CCNP or have passed the in-house certification exam Level 2 or above. (excluding highly specialized talents)

Highly specialized talents

Employees in our personnel assessment at leader or higher levels in comprehensive capabilities, which are rated by class, or professional or higher levels in technical capabilities, which are rated by grade, and who fall under any of the following categories:

- IT consultants, system architects
- Advanced engineers in cloud, security, and other areas
- Bridge system engineers and project managers engaged in project management
- Technical specialists involved in advanced projects and upstream processes



Class

Comprehensive capabilities as a generalist, including such aspects as business improvement, client coordination, guidance, and development of talents.

(classified into 5 levels of member, sub-leader, leader, manager, and general manager)

Leader: can understand the plan for the project in which he or she is engaged, execute it, produce results, and give accurate guidance to juniors.

Grade

Technical capabilities as a player, including knowledge, experience and skills

(classified into 5 levels of beginner, associate, professional, expert and master)

Professional: has basic knowledge and experience in his or her job domain and can handle routine work by himself or herself.

Corporate Social Responsibility



We believe that developing young people who are capable of creating new IT industry areas and down-to-earth young people with advanced IT skills should lead to the development of a sustainable society.

The Company not only conducts education and training for its employees but also provides training for general university students, who will play an active role in society, to acquire IT qualifications.

(More than 150 such university students acquire the qualification annually.)



We propose to our clients that they adopt virtualization of servers and storage devices, etc., and promote the use of such services. Enhancing the use efficiency of IT infrastructure equipment should lead to consolidation of servers and storage devices in terms of their unit numbers, and fewer such units will reduce the amount of heat generated from them and the power required for the equipment to cool them.

We will contribute to energy savings in IT infrastructure equipment with such virtualization technologies.



IT, which has brought convenience to people, is now beginning to play a more important role in protecting people, securing people's lives, and other aspects.

With new IT services being created on a daily basis and gradually becoming a reality all around the world, we want to make the most of the power of IT to create a better future.

Disclaimer

This material contains forward-looking statements. These statements are based only on information available to the Company at the time they were prepared.

Moreover, such statements do not guarantee the future outcomes, and involve risks and uncertainties.

Please note that actual results may differ materially from future projections due to changes in the business environment and other factors.

Such factors that may affect the actual results include, but are not limited to, domestic and overseas economic conditions and trends in industries that are related to the Company.

We assume no obligation to update or revise any forward-looking statements contained in this material if new information arises or any event occurs in the future.

In addition, the information contained in this material with respect to anything other than the Company has been cited from public information, and we have not verified or guaranteed the accuracy or appropriateness of such information.

baudroie inc.