

Leading enterprise cloud systems integrator Aiming at share expansion through synergies with NEXTSCAPE

SUMMARY

- ▼ JBS has established a competitive edge in cloud integration by providing integrated system services, from Microsoft cloud implementation to maintenance, operation, and support, aiming for further growth by creating measurable DX effects for clients. JBS engineers are deeply involved in customers' IT teams and promote business innovation from their perspective. JBS is uniquely qualified to lead cloud integration, having top-class engineers with a total of over 3,100 MS certified staff, and having obtained Azure Expert MSP, one of only roughly 130 Microsoft partners worldwide.
- ▼ JBS acquired all shares of NEXTSCAPE Inc. in Dec-2022. Both companies have strong ties with Microsoft, both having been consistently awarded Partner of the Year over the last decade, and where JBS has developed a client base of over 1,700 mainly large enterprises, NEXTSCAPE has strengths with the public sector and the mass-media industry. In terms of technical capability, NEXTSCAPE has complementary strengths in fields JBS has set its sights on future business expansion, including Microsoft Azure, Mixed Reality (MR) devices, video streaming and app development. Through this acquisition, JBS aims to increase market share in the domestic market through realizing synergies from the complementary technical capabilities and customer bases, leveraging both to address developing strategic AI solutions.
- ▼ Since JBS reported 3Q results on 8/4, the share price corrected sharply by -25.6% through 9/14, rebounding by 12.8% on 9/20 on short covering after the revisions. The downward revision to OP was less than expected, and profit ATOP was actually revised up slightly on a lower effective tax rate. The main factor behind the downward revision was due to a lower paid utilization rate in Cloud Integration (CI) due to the skill shift of engineers from M365 to Azure. Robust MTP targets, net sales 3Y CAGR +13% and OP +30%, incorporate JBS realizing synergies with NEXTSCAPE. This attractive scenario likely balances share price risk to the upside going forward, in SIR's view.

JBS is a trusted partner in helping major enterprises achieve strategic DX objectives with its vast and constantly evolving knowledge base and extensive accumulated track record



➔ Irrespective of the cloud DX growth story, JBS has an opportunity to expand market share within a high-growth market through realizing synergies with NEXTSCAPE, given both have top partner status with Microsoft, shifting focus on business app and AI solutions development where MS is a leader, and complementary customer bases.

Initiation

JBS

Focus Points:

Independent cloud integrator that provides consulting and IT services that enable clients to maximize DX strategic objectives, focusing mainly on Microsoft cloud services.

Key Indicators

Share price (10/16)	1,329
YH (23/2/6)	1,970
YL (23/9/14)	992
10YH (22/11/16)	2,115
10YL (22/8/2)	901
Shrs out. (mn shrs)	48.366
Mkt cap (¥ bn)	58.765
EV (¥ bn)	58.298
Equity ratio (6/30)	37.1%
23.9 P/E (CE)	18.2x
23.9 EV/EBITDA (CE)	11.7x
22.9 ROE (act)	16.0%
23.6 P/B (act)	2.67x
23.9 DY (CE)	1.65%

6M daily share price trend



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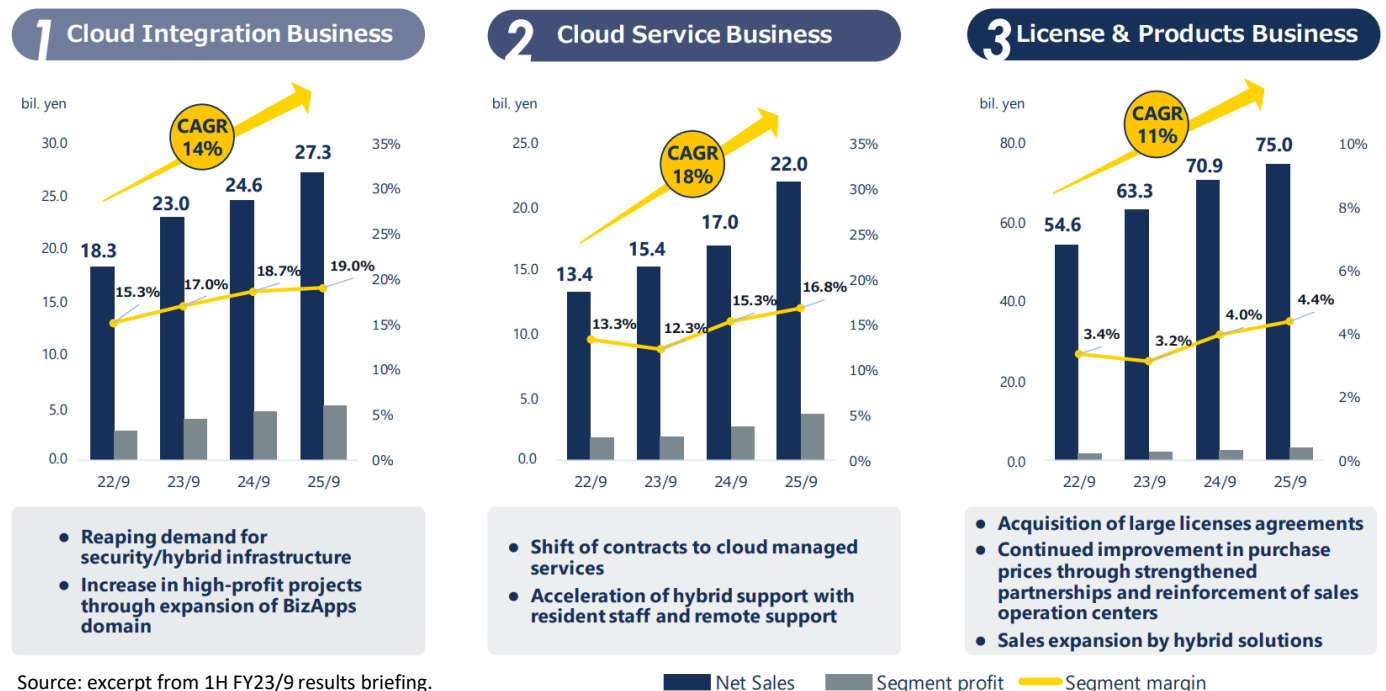


This report was prepared by Sessa Partners on behalf of Japan Business Systems, Inc. Please refer to the legal disclaimer at the end for details.

Japan Business Systems, Inc. (JBS) Non-consol. / Consolidated Financial Summary (pre 9/19 revisions)

JPY mn, % [J-GAAP]	FY20/9 NC act	FY21/9 NC act	FY22/9 NC act	FY23/9 init NC CE 2022.11.11	FY23/9 rev cons CE 2023.5.8	NEXTSCAPE consol. impact	FY24/9 rev cons CE	FY25/9 rev cons CE	MTP 3-Year CAGR
Net sales	68,247	74,954	86,325	99,056	101,703	2,647	112,500	124,300	12.9
YoY*	13.1	9.8	15.2	14.7	17.8	3.1	10.6	10.5	
• Cloud Integration (CI)	16,049	16,961	18,344	21,000	23,000	2,000	24,600	27,300	14.2
• Cloud Service (CS)	10,581	10,745	13,371	15,400	15,400	0	17,000	22,000	18.1
• License & Products (L&P)	41,571	47,225	54,593	62,700	63,300	600	70,900	75,000	11.2
Sales breakdown (%)									
• Cloud Integration (CI)	23.5%	22.6%	21.2%	21.2%	22.6%	1.4%	21.9%	22.0%	
• Cloud Service (CS)	15.5%	14.3%	15.5%	15.5%	15.1%	-0.4%	15.1%	17.7%	
• License & Products (L&P)	60.9%	63.0%	63.2%	63.3%	62.2%	-1.1%	63.0%	60.3%	
Gross profit	8,481	8,497	10,877	13,224	13,788	564			
GPM (%)	12.4%	11.3%	12.6%	13.4%	13.6%	0.2%			
SG&A expenses	6,968	6,223	6,825	8,370	9,120	750			
ratio to sales (%)	10.2%	8.3%	7.9%	8.4%	9.0%	0.5%			
Depreciation & GW amort.	484	507	504	517	764	247			
EBITDA	1,997	2,780	4,556	5,371	5,431	60			
ratio to sales (%)	2.9%	3.7%	5.3%	5.4%	5.3%	-0.1%			
Operating profit	1,513	2,273	4,052	4,854	4,667	(187)		8,900	30.0
YoY*	—	50.2	78.3	19.8	15.2	(4.6)			
OPM (%)	2.2%	3.0%	4.7%	4.9%	4.6%	-0.3%		7.2%	
• Cloud Integration (CI)	1,690	2,087	2,800	3,700	3,920	180	4,600	5,200	22.9
• Cloud Service (CS)	1,222	1,487	1,781	1,900	1,900	0	2,600	3,700	27.6
• License & Products (L&P)	1,300	930	1,835	2,000	2,020	20	2,800	3,300	21.6
adjustments	(2,700)	(2,231)	(2,365)	(2,800)	(3,173)			(3,300)	
OPM before adj. (%)									
• Cloud Integration (CI)	10.5%	12.3%	15.3%	17.6%	17.0%	-0.6%	18.7%	19.0%	
• Cloud Service (CS)	11.5%	13.8%	13.3%	12.3%	12.3%	0.0%	15.3%	16.8%	
• License & Products (L&P)	3.1%	2.0%	3.4%	3.2%	3.2%	0.0%	4.0%	4.4%	
Ordinary profit	1,822	2,363	4,252	4,831	4,722	(109)			
ratio to sales (%)	2.7%	3.2%	4.9%	4.9%	4.6%	-0.2%			
Profit before income taxes	1,406	2,329	4,140						
Total income taxes	572	769	1,492						
Profit ATOP	833	1,560	2,647	2,995	2,880	(115)			

*Note: YoY figures between non-consolidated results and consolidated forecasts are shown as reference values only.
Source: compiled by SIR from registration filing, YUHO (Annual Securities Report) and IR results briefing materials.





FY23/9 Consolidated Full-term Guidance Revisions Announced on 9/19

On Tuesday 9/19 at 15:00, JBS revised FY23/9 full-term consolidated guidance initially disclosed on 5/8 upon 1H results, as shown in the table below (segment net sales and segment profit forecasts were initially disclosed on 5/9 in the 1H results briefing materials). Net sales were revised up by 10.1% (¥10.3bn) to ¥112.0bn due to the significant contribution of acquiring new large-scale projects in License & Products (L&P) Business, raising projected top line growth from +17.8% YoY → +29.7% (YoY figures versus non-consolidated FY22/9 results are provided for reference only). Operating profit was revised down by 9.6% (¥0.45bn) to ¥4.22bn mainly due to the impact of a decline in the utilization rate of engineers in Cloud Integration (CI) Business as a result of skill shift, lowering the projected growth rate from +15.2% YoY → +4.1%. Profit attributable to owners of parent was revised up by 5.6% (¥0.16bn) due to a decline in the effective tax rate, raising the est. growth rate from +8.8% YoY → +14.8%.

By reportable segments, for Cloud Integration (CI) Business, there was a clear shift in demand during the 1H from implementation of Modern Work projects focused on M365 (1H projects below expectations) to full-scale investment in cloud DX through Infrastructure projects based on Azure (see P25 for a comprehensive overview of products and service areas of The Microsoft Cloud), which resulted in a scramble to refocus engineer resources and shift skills in response to the sharp increase in demand for Azure, with lower engineer utilization rates depressing CI margins (segment profit revised down by 7.1%).

Cloud Service (CS) Business segment profit was revised up by 5.3% as a result of steady growth in both the unit price of projects and utilization rate. While net sales of License & Products (L&P) Business was revised up by 16.1% due to winning large-scale global contracts in the mfg. sector and strong performance in the public sector, segment profit was revised down by 5.0% due to an increase in strategic price offer projects.

JBS Revised Full-term FY23/9 Consolidated Financial Forecasts

JPY mn, %, yen	FY22/9	FY23/3	*Pct	FY23/9	Amount	Percent	*Pct
J-GAAP	NC act	consol init CE	YoY	consol rev CE	revised	revised	YoY
	22.11.11	23.05.08		23.09.19			
Net sales	86,325	101,703	17.8	112,000	10,297	10.1	29.7
• Cloud Integration (CI)	18,344	23,000	25.4	23,100	100	0.4	25.9
• Cloud Service (CS)	13,371	15,400	15.2	15,400	0	0.0	15.2
• License & Products (L&P)	54,593	63,300	15.9	73,500	10,200	16.1	34.6
Operating profit	4,052	4,667	15.2	4,220	(447)	(9.6)	4.1
Segment profit							
• Cloud Integration (CI)	2,800	3,920	40.0	3,640	(280)	(7.1)	30.0
• Cloud Service (CS)	1,781	1,900	6.7	2,000	100	5.3	12.3
• License & Products (L&P)	1,835	2,020	10.1	1,920	(100)	(5.0)	4.6
Ordinary Profit	4,252	4,722	11.1	4,280	(442)	(9.4)	0.7
Profit ATOP	2,647	2,880	8.8	3,040	160	5.6	14.8
Basic EPS (¥)	—	¥63.60		¥66.71	¥3.11		

*Note: YoY figures versus non-consolidated results are provided for reference only. Source: compiled by SIR from 9/19 press release.



JBS renewed its brand logo and philosophy Jun-2022

● Since its founding in 1990, JBS has been committed to providing optimal IT solutions by prioritizing working closely with customers. The renewed brand logo and philosophy demonstrate its commitment as a cloud integrator to achieving DX promotion that exceeds expectations and to contributing to sustainable growth through technological innovation. The distinctive yellow curve signifies a smile.

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★ State-of-the-art cloud solutions from design and configuration to operational support



JBS

Part 1

Microsoft Japan Partner of the Year 2023:

11th consecutive year

● JBS was recognized in the two categories of Dynamics 365 Services and Solution Partner Capability. JBS was also recognized as the first in Japan to receive the Microsoft Cloud Partner Program Complete Badge, etc.

New AI initiatives in 2023

● This year JBS launched adoption consulting and app development services designed for use of Enterprise AI, including ChatGPT Adoption Consulting Service and Alplicity Chat Powered by ChatGPT API.



Company Overview: Introduction

Based on its MISSION “Bringing the best technology to everyone, everywhere,” JBS is committed to contributing to the long-term advancement of business and society by working closely with customers to deliver innovative technologies befitting their specific needs and goals. While the world is advancing rapidly due to the pace of technological innovations, and expeditious adoption of new technologies is required to achieve sustainable growth and remain competitive, it is also imperative to judge and determine the appropriate use of these tools and optimize their application in order to ensure realizing the intended benefits.

The Company’s VISION is being the No. 1 Cloud Integrator leading implementation of DX (digital transformation) in society. Across the globe, factors such as shifts in workstyle and increased awareness for diversity are leading to major changes in the socioeconomic landscape. Enterprises and government agencies are being faced with rapidly gaining an understanding of these new technologies, and embracing and implementing their own DX plans, they themselves becoming catalysts for digital transformation.

JBS prides itself on being a pioneer professional organization in the field of cloud use and application. JBS strives to be the preferred partner of customers and the first to be consulted as a trusted source to help them create the systems and frameworks that will enhance their own cloud utilization capabilities to maximize the benefits of the cloud and facilitate digital transformation.

In order to deliver state-of-the-art cloud solutions to address not only IT issues but also the business needs of customers, JBS focuses on incorporating the latest technologies and methodologies in collaboration with cloud companies such as Microsoft, various hardware and software manufacturers, various research institutes, universities, and others. **JBS responds to customer needs by providing optimal customized solutions through a multi-vendor system since the early 1990s that combines a variety of software solutions, mainly from Microsoft.**

Cloud, Network, Security and Platform Partners with superior global capabilities and track records

<p>CLOUD PARTNERS</p> <p>Gold Microsoft Partner Azure Expert MSP</p> <p>Adobe AvePoint SAP® Concur® Partner</p> <p>GitHub ORACLE Red Hat Advanced Business Partner SAP Partner Veeam</p>	<p>PLATFORM PARTNERS</p> <p>aws Cisco Partner Premier Integrator Citrix Partner Platinum Solution Advisor</p> <p>Dell Technologies PLATINUM PARTNER Hewlett Packard Enterprise</p>
<p>NETWORK PARTNERS</p> <p>ARTERIA colt EQUINIX IIJ Internet Initiative Japan SoftBank</p>	<p>hp HUAWEI Gold Business Partner IBM</p>
<p>SECURITY PARTNERS</p> <p>FORTINET jamf paloalto NETWORKS TANIUM</p> <p>Trellix TREND MICRO zscaler</p>	<p>Lenovo NetApp®</p> <p>OpsRamp a Hewlett Packard Enterprise company VERITAS</p> <p>vmware® αFUSION</p>

Source: FY22/9 IR results briefing materials, JBS company website (all company logos are registered trademarks of the respective companies).

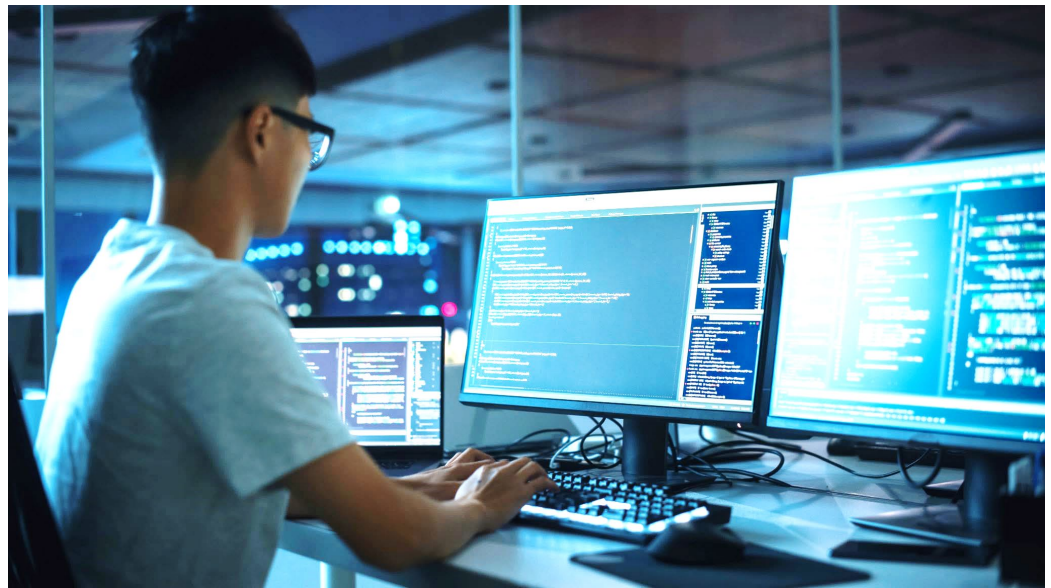


JBS has obtained the "Azure Expert MSP (Managed Services Provider)" certification, which is the highest and most difficult certification that Microsoft can accredit its partners. This program is a global initiative from Microsoft to highlight and promote only the most capable partners, helping companies identify the top partners to work with. As of January 2023, of the hundreds of thousands of Microsoft partners, there are only around 130 Azure Expert MSP (Managed Services Provider) partners worldwide. Stringent standards and requirements for the program include verified proof of excellence in customer delivery and technical expertise, successful completion of an independent audit of managed services, people, processes, and technologies, among others.

Microsoft Cloud Professionals

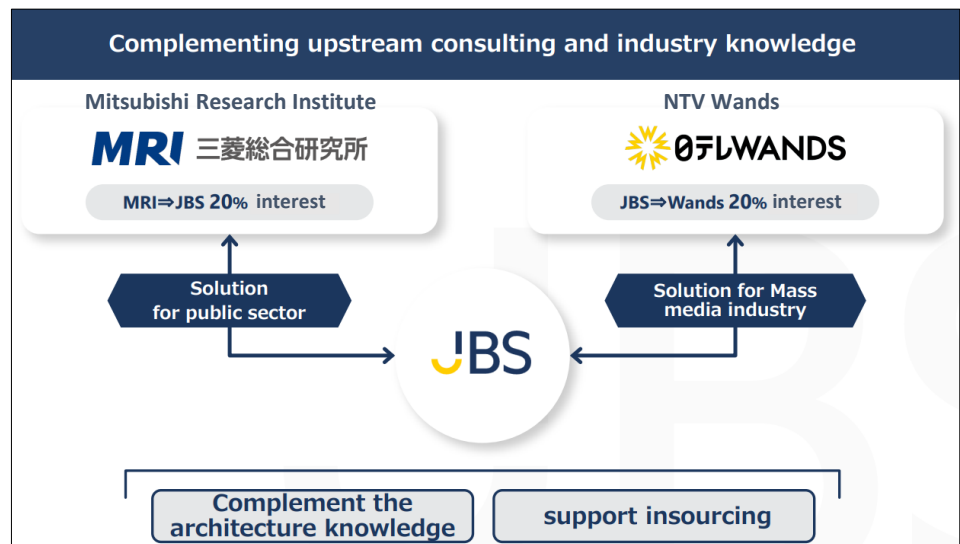
● JBS has an extensive track record of providing Microsoft cloud solutions in the so-called 'three clouds' including Microsoft Azure, Microsoft 365, and Microsoft Dynamics 365 to numerous industries and large companies, mainly in the financial sector, and has top-class certified engineers in Japan.

● JBS announced on July 20, 2023 that 9 of its engineers were recognized in Microsoft Japan's newly created "2023 Top Partner Engineer Award." The awards recognize engineers who have made significant contributions to partner companies, implemented advanced technologies, and promoted Microsoft technologies internally. JBS received awards in all four categories: Security, Modern Work, Business Applications and Azure.



Collaboration with capital and business tie-up partners

JBS entered a capital and business tie-up in 2014 with leading Japan think-tank MRI and its subsidiary DCS (Diamond Computer Service) to collaborate on certain aspects of the MRI Group's Digital Transformation (DX) Initiatives in various fields such as medicine, education, administration, and the public sector. JBS entered a joint venture with Nippon Television in 2006 for ITC business planning and infrastructure integration.



Source: excerpt from FY22/9 IR results briefing materials



Reasons why JBS is the preferred choice of clients:

- Thorough and meticulous customer-oriented approach
- Partnerships with leading global vendors since the early 1990s (multi-vendor model)
- Microsoft Cloud Professionals, top-class certified engineers in Japan
- Alliance with the MRI Group on DX initiatives design, etc.
- Commitment to HR development at the JBS Training Center (in-house)
- Recognition for excellence

JBS Corporate History

Japan Business Systems, Inc. was founded in Oct-1990. After becoming certified as a Microsoft Partner in 1995, in Sep-1997, it established non-consolidated US local subsidiary JAPAN BUSINESS SYSTEMS TECHNOLOGY (JBS USA, Inc.) in Torrance, California to strengthen relations with Microsoft Corporation and to support Japanese companies entering the US market. Subsequently, the Company established non-consolidated subsidiaries in Singapore, China (Shanghai), Mexico, and Hong Kong to support the entry of Japanese companies into those markets.

JBS was first awarded “Microsoft Partner of the Year” by Microsoft Japan in recognition for proposing, and introducing, a quick integrated ID management solution to a client who was looking to reduce the number of issues they were having with user account management administration and compliance. Since 2013, JBS has been awarded “Microsoft Partner of the Year” for 11 consecutive years. In addition to Microsoft, JBS has received similar recognition from many of its other Cloud, Network, Security and Platform Partners with superior global capabilities and track records shown on P5. As described on the previous page, JBS obtained Microsoft’s “Azure Expert MSP (Managed Services Provider)” certification in Apr-2022, one of only roughly 130 worldwide. **JBS successfully listed on the TSE Standard Market on August 2, 2022, and acquired all shares of NEXTSCAPE, Inc. on December 7, 2022.**

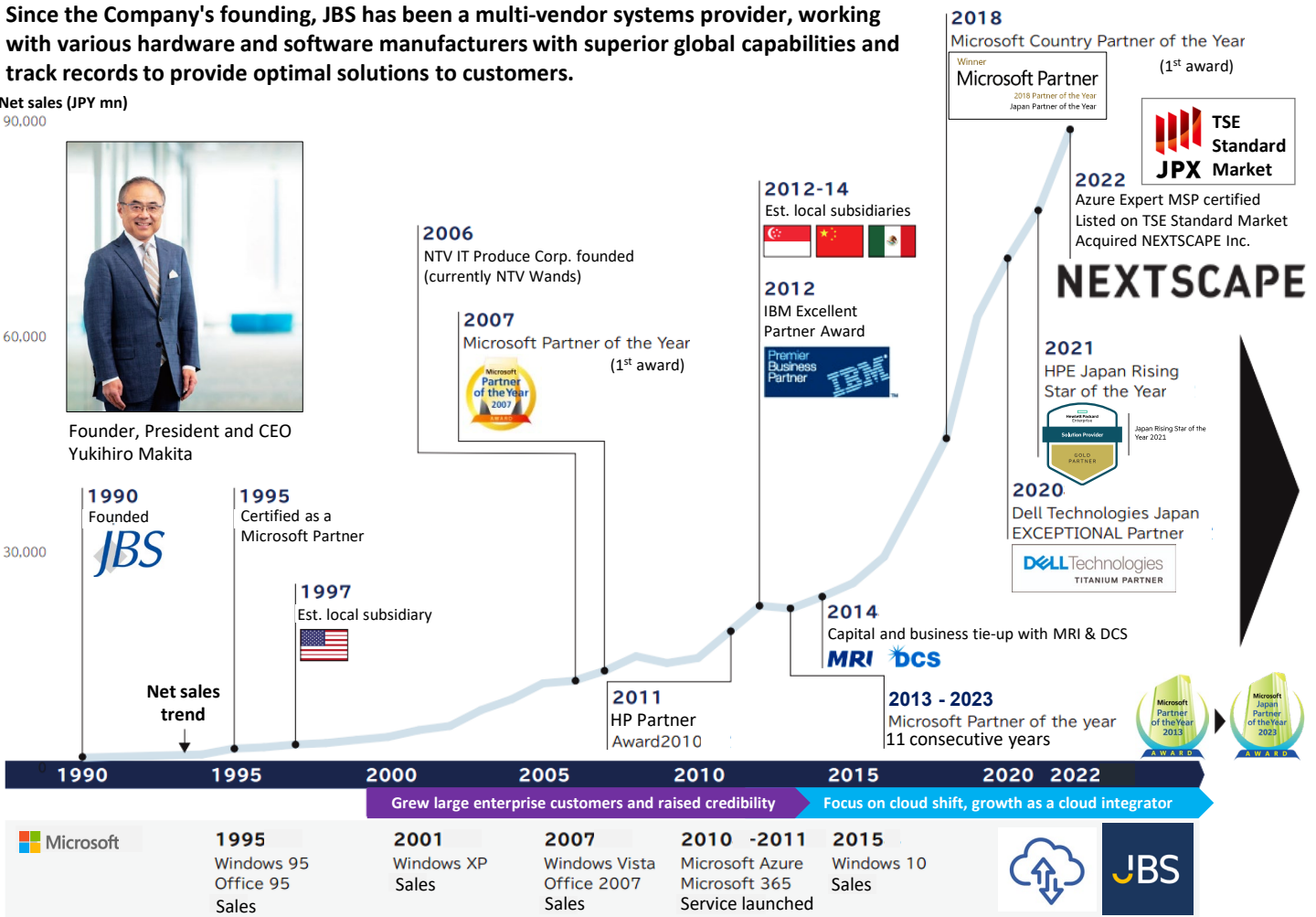
Japan Business Systems, Inc. History of Value Creation

Since the Company's founding, JBS has been a multi-vendor systems provider, working with various hardware and software manufacturers with superior global capabilities and track records to provide optimal solutions to customers.

Net sales (JPY mn)
90,000



Founder, President and CEO
Yukihiko Makita



Source: excerpt from Integrated Report 2022 (Annual Report, Japanese only)



JBS Toranomom Hills Mori Tower
NIKKEI NEW OFFICE AWARD 2015



Japan Business Systems, Inc. Corporate History

Date	Event / milestone
1990.10	Japan Business Systems, Inc. founded in Minato, Tokyo
1997.09	JAPAN BUSINESS SYSTEMS TECHNOLOGY (JBS USA, Inc.) founded
2000.06	Japan Business Systems, Inc. headquarters relocated to Shiba-Koen, Minato, Tokyo
2004.06	JBS Technology, Inc. founded
2005.05	ISO/IEC27001 (ex-BS7799) certification obtained
2006.04	Net One Systems Co., Ltd. took equity stake in JBS Technology NTV IT Produce Corporation founded as a joint venture with Nippon TV
2007.12	Honored as Microsoft Partner of the Year 2007
2008.10	Honored as Microsoft Partner of the Year 2008
2009.04	Capital and business partnership formed with IVIS Solutions, Inc.
2009.06	IVIS Solutions, Inc. renamed as JBS Solutions, Inc.
2009.10	JBS Solutions, Inc. becomes a wholly-owned subsidiary of Japan Business Systems, Inc.
2010.09	Honored as Microsoft Partner of the Year 2010 in two categories
2012.02	Received IBM Excellent Partner Award
2012.04	Western Region (Osaka) office opened
2012.07	Central Region (Nagoya) office opened
2012.10	Local subsidiary established in Singapore
2012.11	Local subsidiary established in Shanghai
2013.08	Dotcom-Service Co., Ltd. became a subsidiary of Japan Business Systems, Inc.
2013.09	JBS, Inc. founded as pure holding company Honored as Microsoft Partner of the Year 2013
2014.02	Capital and business partnership formed with Mitsubishi Research Institute, Inc. & MRI DCS Co., Ltd.
2014.06	Local subsidiary established in Mexico
2014.08	Company headquarters relocated to Toranomom, Minato, Tokyo
2014.09	Honored as Microsoft Partner of the Year 2014 in two categories
2015.01	ISO20000 certification obtained
2015.08	JBS Technology became 100% subsidiary of JBS JBS Toranomom Hills Office Won NIKKEI NEW OFFICE AWARD-Creative Office Award
2015.09	Honored as Microsoft Partner of the Year 2015 in three categories
2015.10	Merged with JBS, Inc. a holding company JBS Technology merges with Dotcom-Service Co., Ltd.
2016.05	Okinawa Office opened
2016.06	Acquired the PrivacyMark System
2016.07	Kyushu Region Office opened
2016.08	Honored as Microsoft Partner of the Year 2016 in two categories
2016.10	Opened JBS Training Center
2017.02	Local subsidiary established in Hong Kong
2017.08	Honored as Microsoft Japan Partner of the Year 2017
2017.12	Vantel System, Inc. became 100% subsidiary of JBS
2018.06	Honored as 2018 Microsoft Country Partner of the Year
2018.08	Honored as Microsoft Japan Partner of the Year 2018
2019.04	Japan Business Systems, Inc. merged JBS Technology, Inc., Vantel System, Inc. and JBS Solutions, Inc. Hokkaido Office opened.
2019.08	Honored as Microsoft Japan Partner of the Year 2019
2020.08	Honored as Microsoft Japan Partner of the Year 2020 Honored as Dell Technologies Japan EXCEPTIONAL Partner
2021.06	Honored as HPE Japan Rising Star of the Year
2021.08	Honored as Microsoft Japan Partner of the Year 2021
2022.04	Azure Expert Managed Service Provider (MSP) certification obtained
2022.07	Honored as Microsoft Japan Partner of the Year 2022 in two categories
2022.08	Listed on the Tokyo Stock Exchange Standard Market
2022.12	NEXTSCAPE Inc. became 100% subsidiary of JBS
2023.06	Honored as Microsoft Japan Partner of the Year 2023 in two categories
2023.07	9 JBS engineers received the newly created Microsoft Top Partner Engineer Award in all 4categories

Source: compiled by SIR from company website



JBS Founder, President and CEO Yukihiro Makita Profile

Born in 1957, Mr. Makita graduated from Keio University, Faculty of Law, Department of Political Science, and joined IBM Japan, Ltd. in 1979. After working in sales of computer-related products, he established his own company, Japan Business Systems, Inc., in 1990. He was one of the first to recognize the potential of personal computers and signed a sales partnership agreement with Microsoft in 1995. He has been leading the Company to become the "No. 1 Cloud Integrator" that supports customers' DX strategy promotion and positive results creation through the use of cloud systems.

As described earlier, since the early 1990s, JBS has developed its business under a multi-vendor model that provides customers with optimal system environments. JBS has established a competitive edge by providing integrated system services from Microsoft cloud implementation to maintenance, operation, and support, aiming for further growth by creating measurable DX effects for clients.

By the numbers, JBS provides support for over 1,700 mainly major enterprises in a wide variety of industries. One of the Company's strengths is that JBS engineers are deeply involved in the customer's IT team and promote business innovation from the client's perspective. JBS has earned a high reputation for its meticulous focus on customer feedback and its relentless pursuit of customer satisfaction.

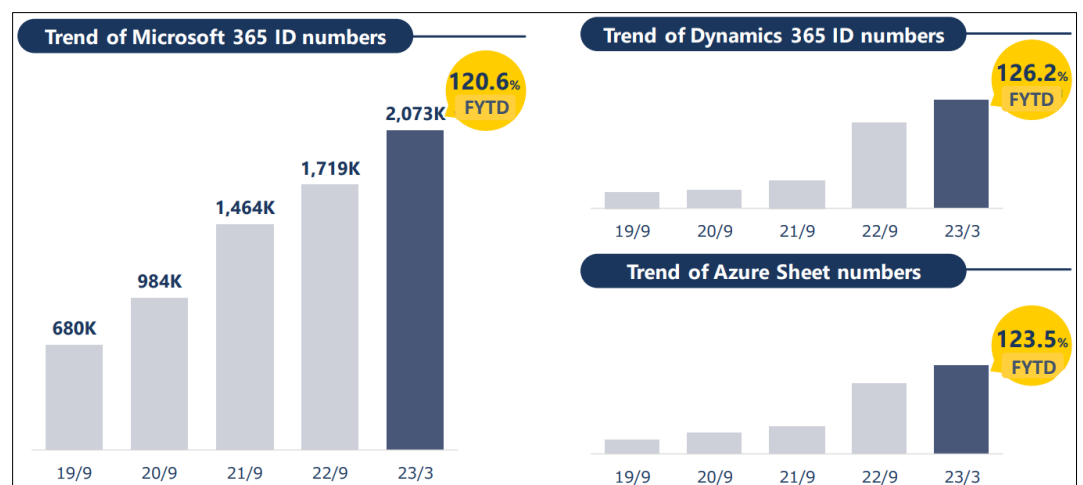
As can be seen from the JBS History of Value Creation chart on the bottom of P6, while the focus of the early stage of the Company's development through the early 2010s was on penetrating share with major enterprises and raising corporate credibility, next stage development has focused specifically on supporting implementation of customer DX strategies through cloud services use and application, pursuing growth as a cloud integrator. As of the end of 1H FY23/9 (March-end), Microsoft 365 ID numbers have reached nearly 2.1 million, with even higher growth in Dynamics 365 and Azure Sheets.

VISION: No.1 Cloud Integrator leading the world of DX

VALUE: Customer First, Diversity & Inclusion, Integrity, Passion for Technology and Commitment to Growth



Major KPI (ID nos.)



Source: excerpt from 1H FY23/9 IR results briefing.



Human Capital Management

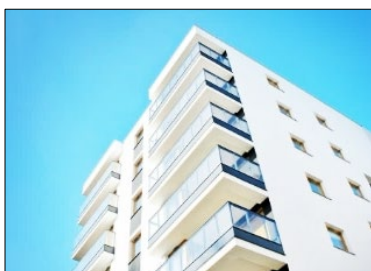
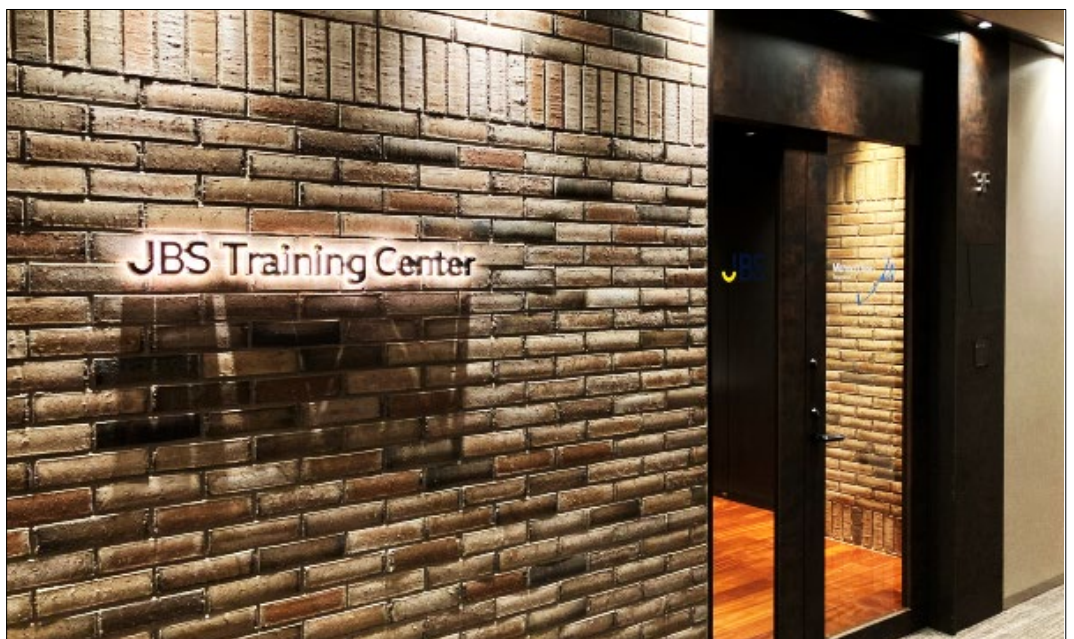
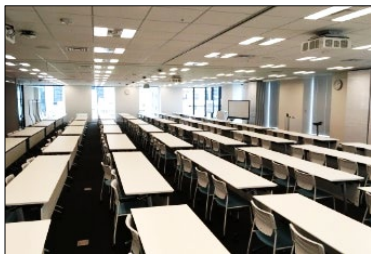
Against the backdrop of the chronic labor shortage of IT engineers, one of the core tenets of JBS management policy is to provide a good working environment and continue to support the growth and advancement of JBS Group employees. CEO Makita believes that JBS cannot provide good service to customers without a high level of employee satisfaction, so JBS places special emphasis on training and welfare programs.

In addition to providing a state-of-the-art IT environment for each employee, the JBS Training Center is a dedicated training facility for employees to improve their skills. In addition to training at the time of joining the company, employees can freely take at any time a variety of training courses to improve their IT, business, and people skills. Recently, JBS has been offering a hybrid of the training center and online training. JBS also operates a company cafeteria, "Lucy's CAFE & DINING," which mainly serves dinner to stimulate communication among employees, and JBS also provides company owned condominium apartments in a convenient central Tokyo location for young, single employees.

On June 8, 2023, JBS announced that it ranked 39th overall in the "IT Industry 2024 New Graduate Job Hunting Ranking," up significantly from 88th in 2022. Every year on its website "Rakuten MINSHU (job hunting for everyone)," Rakuten in cooperation with NIKKEI Computer publishes an overall ranking of the most popular companies in the IT industry for new graduates (this year's survey through online and paper questionnaires at events had 2,876 valid responses). In addition, among attractiveness ratings, company attractiveness ranked 4th (favorable toward management and VISION), and attractiveness of work style (training and education seem enhanced) 3rd, and (culture/comfortable atmosphere) 10th.



- JBS Training Center
- Lucy's CAFE & DINING
- Company owned housing





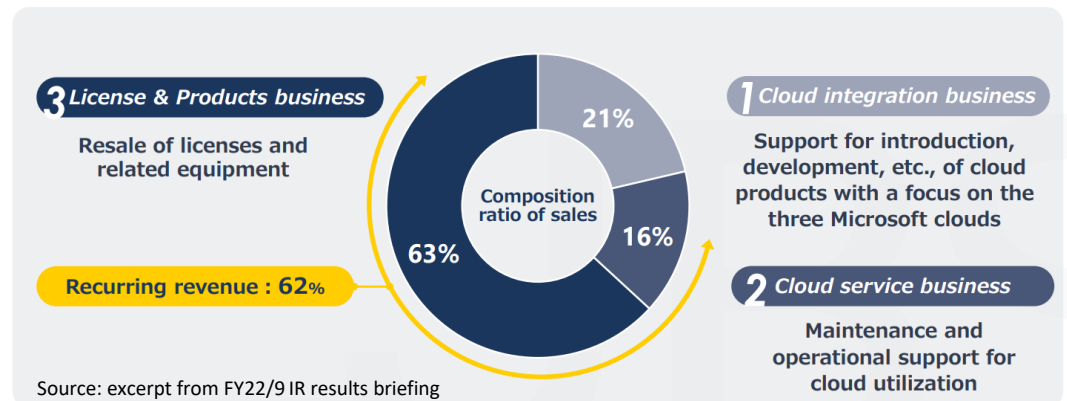

Microsoft Cloud Adoption Framework (CAF) for Azure

Business Description

As a leading cloud integrator, JBS provides consulting and IT services that enable customers to implement strategic DX plans and development by leveraging mainly Microsoft Cloud products and solutions, as well as other state-of-the-art technologies by other leading global vendors, based on the Cloud Adoption Framework (CAF), which is a collection of documentation, implementation guidance, best practices, and tools from Microsoft, Amazon Web Services, etc. designed to accelerate cloud adoption.

In the IT domain, the JBS business model is to provide integrated services from DX planning to the creation of benefits from cloud use and application. Business consists of the three segments of Cloud Integration Business (CI), which undertakes cloud infrastructure design and construction from planning, Cloud Services Business (CS), which provides operational support for cloud utilization, and the License & Products Business (L&P), which handles licenses and related products necessary for cloud operation and utilization.

FY22/9 Net Sales Breakdown by Segments



1 Cloud Integration Business (CI)

This segment mainly supports introduction of Microsoft's so-called '3 clouds' including Microsoft Azure, Microsoft Dynamics 365, and Microsoft 365. Specifically, JBS provides integrated services related to the configuration of cloud environments, including customer cloud DX planning, agile development of platforms mainly for the introduction of operating environments for business applications through D365 (CRM, ERP, etc.) on SaaS/PaaS and Azure on IaaS, from consulting on work styles and communications optimization, modern workplace solutions that support the introduction of M365 (Teams, Outlook, etc.), to the demonstration stage (proof of concept) in each area of required security and devices, including design, construction, sustained adoption and effect monitoring.

2 Cloud Services Business (CS)

This segment provides integrated support by undertaking maintenance, operation, and improvement of cloud utilization, mainly for Microsoft's Azure/M365/D365. In addition, JBS develops and provides its own managed services such as highly convenient user portal functions for billing and invoice management for Microsoft cloud licenses etc.

3 License & Products Business (L&P)

This segment handles resale of licenses for mainly Microsoft Cloud products and solutions, as well as resale of related hardware and equipment. JBS also provides resale of related hardware and equipment for hybrid cloud environments consisting of on-premise infrastructure, private clouds, and public clouds.



SWOT analysis of the three business segments

1 Cloud Integration Business (CI)

Strengths

- Engineers in all three Microsoft cloud areas
- High utilization rate of engineers through optimization of human resources
- Solid customer base in a wide range of industries

Weaknesses

- Securing sufficient IT personnel in growth areas
- Development of value-added in-house solutions/services

Opportunities

- Expanding demand for Microsoft projects
- Growing interest in the shift to cloud and data security
- Increased demand for IT investment due to changes in work styles

Threats

- Intensifying competition in the engineer recruitment market
- Reduction in IT investment due to economic fluctuations and changes in industry trends

2 Cloud Services Business (CS)

Strengths

- Extensive enterprise operations experience
- Track record of maintenance, operation, and improvement in cloud use and application
- Obtained Azure Expert MSP certification

Weaknesses

- Enhancement of managed services
- Expanding stable contractual relationships with business partners

Opportunities

- Expanding customer cloud shift
- IT investment shift from investments in existing facilities to those in new areas
- Expanding IT investment for remote work and raising operational efficiency

Threats

- Talent shortage and intensifying competition for talent in the IT Market
- Further cost reduction on IT investment in existing areas
- Intensifying competition due to competitors' service enhancement

3 License & Products Business (L&P)

Strengths

- High Microsoft share of application licenses in the enterprise market
- Well established partnership with Microsoft
- Proposal and provision of optimal system configurations through multi-vendor model

Weaknesses

- Breaking away from resale reliance by providing added value
- Training sales staff for the shift in services

Opportunities

- High growth potential of Microsoft Cloud
- Growing customer needs for DX support
- Invigoration and diversification of data utilization

Threats

- Supply chain disruption due to semiconductor shortages and the pandemic
- Slowdown of the global economy due to the Ukraine crisis, etc.
- Fluctuations in customer earnings due to rapid exchange rate fluctuations

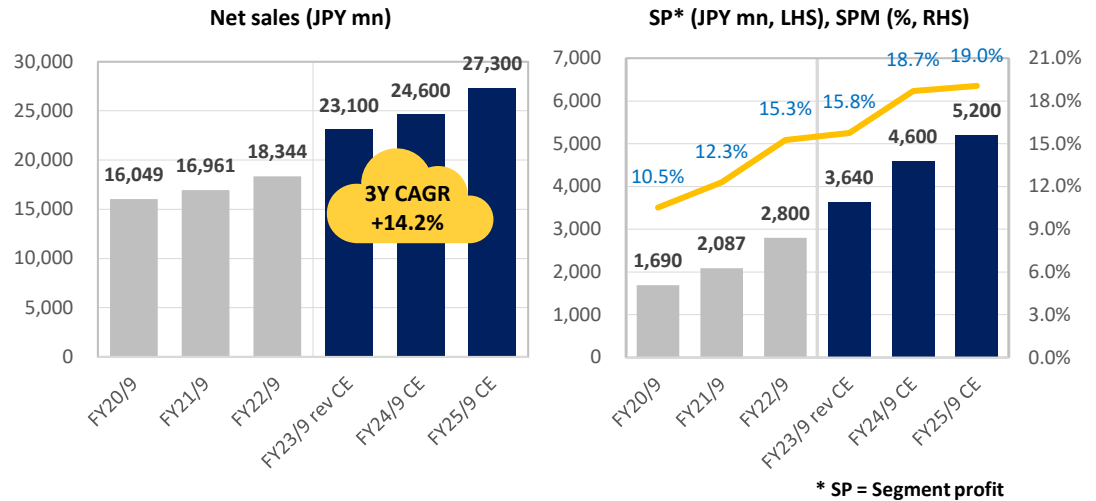
Source: compiled by SIR from 2022 Integrated Report (Annual Report, Japanese only).



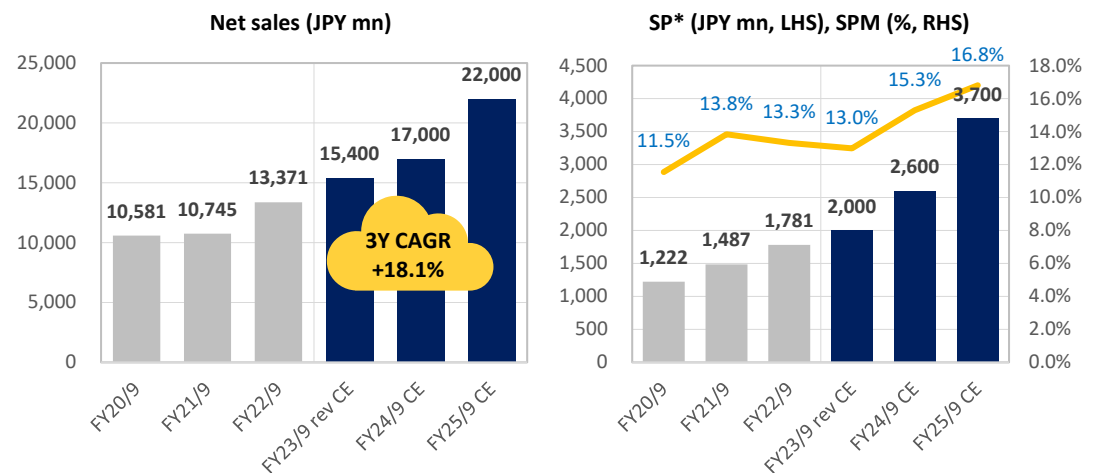
Trend of segment net sales, segment profit and SPM (before adj.)

Note: non-consolidated results in grey, consolidated MTP forecasts in navy, OPM before adj. in yellow.

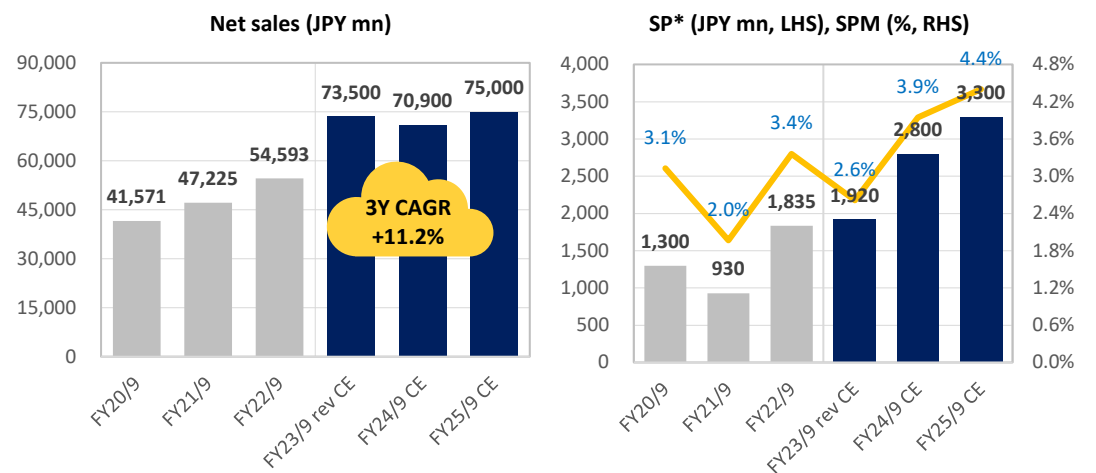
1 Cloud Integration Business (CI)



2 Cloud Services Business (CS)

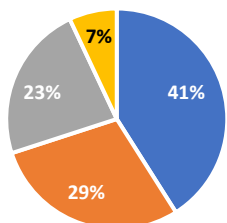


3 License & Products Business (L&P)





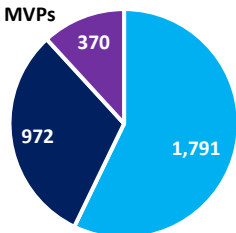
FY22/9 sales breakdown by industry/sector



- Manufacturing & Distribution
- Telecom, Media, Services, and Public Sector
- Finance & Insurance
- Others

FY22/9 Microsoft certified IT staff: 3,133 total

★ 3 MVPs



- Fundamentals
- Associate
- Expert

Source: both compiled by SIR from 2022 Integrated Report (Annual Report, Japanese only).



Source of JBS competitive advantage: 3 capital formations

JBS has dramatically improved its competitiveness by focusing on fostering social, human, and intellectual capital, creating new social and corporate value, and continuing to work on system reforms to maximize the power of the organization and human resources.

Social Capital

- **Partnerships:** with the world's leading tech companies, recognized with numerous awards from partners for excellence
- **Design from upstream consulting:** capital and business alliance with Mitsubishi Research Institute, Inc. for collaboration on various aspects of MRI DX initiatives
- **Wide range of industries and business sectors:** ongoing business transaction relationships with enterprises representing a wide range of industries and sectors through a track record of over 30 years of IT support

Human Capital

- **Cloud native:** large number of staff with a wide range of qualifications who contribute to cloud native expertise
- **Training programs:** dedicated in-house training facilities and unique system for obtaining qualifications based on the IT Skill Standards (ITSS) "Career framework and map for certification exams and qualifications"
- **High level of expertise:** encouragement to move up the ranks to higher qualifications in order to meet customer expectations and solve more difficult issues (creating an environment for professional development and increasing the number of higher qualification holders)



Intellectual Capital

- **Technical verification:** take the initiative in introducing and utilizing technologies and cloud services that have not yet been widely introduced in Japan in the JBS in-house environment, allowing JBS to make highly feasible proposals to customers. *Examples for hybrid work:* 1) Devices & Security – Zero Trust and Internet Breakout implementation, 2) Communications – achieve active collaboration even when working remotely, 3) Operations and Core Systems – realization of paperless, location-independent, full cloud computing
- **New business development:** latest technology × business development based on employee ideas
- **Asset assimilation:** Accumulate and leverage partner solutions and in-house developed services. **JBS Cloud Suite** (main brand) – an integrated solution brand that enables enterprises and organizations to promote cloud DX using frameworks such as the CAF (Cloud Adoption Framework) advocated by Gartner and proven worldwide; **Cloud Premium Services** (sub brand 1) – a one-stop solution brand for design, planning, implementation, and management policy development to support strategy formulation through the cloud and maximize positive results through a combination of carefully selected solutions; **Smart Cloud Controller** (sub brand 2) – a service brand that provides visualization and analysis of various cloud services, including Microsoft Azure, in addition to assistance with license purchasing and operations management.



Management Growth Strategies

As cloud demand continues to grow robustly against the backdrop of the enterprise DX shift, JBS will continue to add value in the cloud domain while maintaining current growth rates with Microsoft Cloud at the core of the Company's business. In Cloud Integration Business, JBS will aim to strengthen profitability in the areas of cloud security and application development, where demand is growing, and in Cloud Services Business, the Company will shift from resident-type maintenance and operation to managed services. In the Licensing & Products business, JBS will aim to raise profitability by improving procurement terms of Microsoft licenses by maintaining Azure Expert MSP certification and by promoting sales of merchandise tied to solutions.

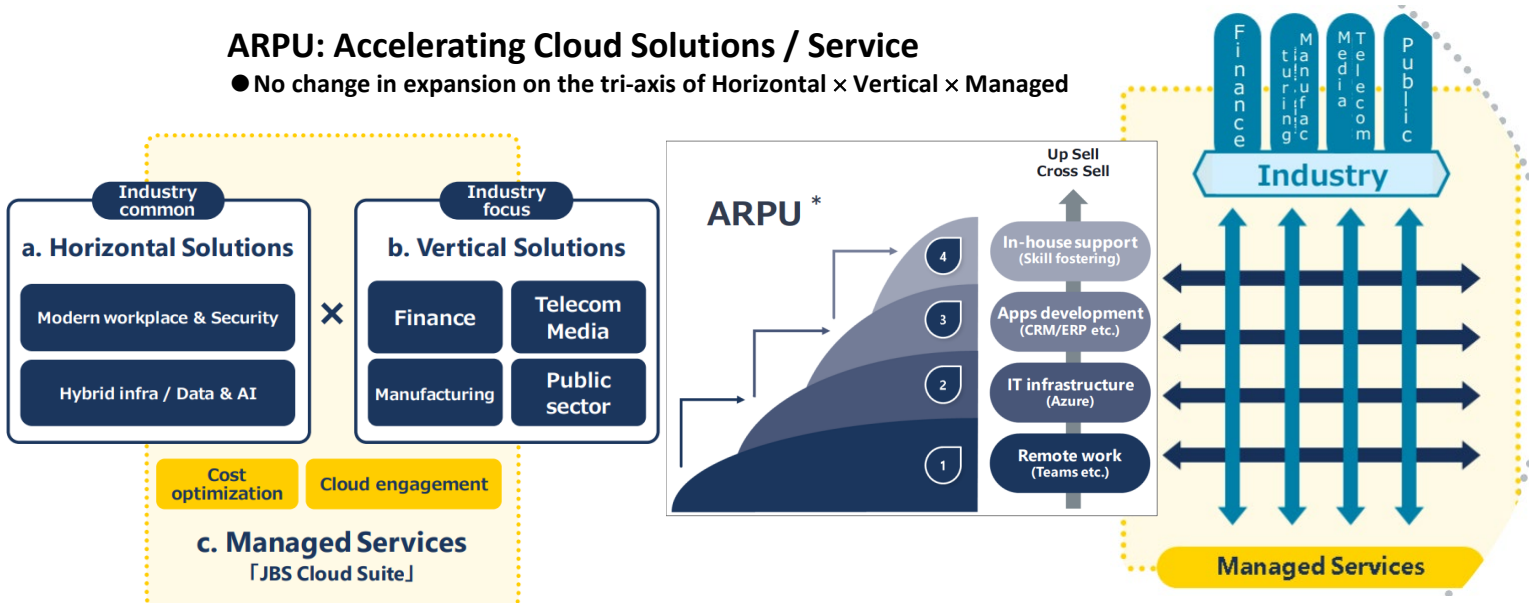
① Continue to promote cloud utilization through IDs × ARPU

The Company's basic strategy is to increase the number of M365 IDs (see the trend on the bottom of P8) and to expand Cloud ARPU (Average Revenue Per User, FY22/9 act ¥50,282). In terms of increasing the number of IDs, JBS will further increase its share of M365 license contracts mainly for enterprises, which are the gateway to cloud adoption by enterprises. In terms of ARPU expansion, the Company plans to capture the steadily growing demand for M365 in the modern workplace area, which is the gateway to cloud adoption, and then expand into the Data & AI area in the office work environment by linking cloud security and various systems data connected to M365.

JBS Cloud Suite, the Company's proprietary solution brand, enables JBS to provide one-stop support for cloud infrastructure from introduction planning to maintenance and operation, including support for in-sourcing and infrastructure construction necessary for application development, as well as for Lift & Shift (see note) demand for Azure in the cloud infrastructure, and JBS will expand ARPU by linking the cycles of introduction, operation and maintenance, and further introduction. (Note) Lift & Shift is a cloud migration method that minimizes the time and effort required for migration by taking the two steps of bringing the existing on-premise system directly to the cloud environment (Lift) as is, and then gradually optimizing the operations system to the cloud environment (Shift). ARPU for FY22/9 was ¥50,282.

ARPU: Accelerating Cloud Solutions / Service

● No change in expansion on the tri-axis of Horizontal × Vertical × Managed

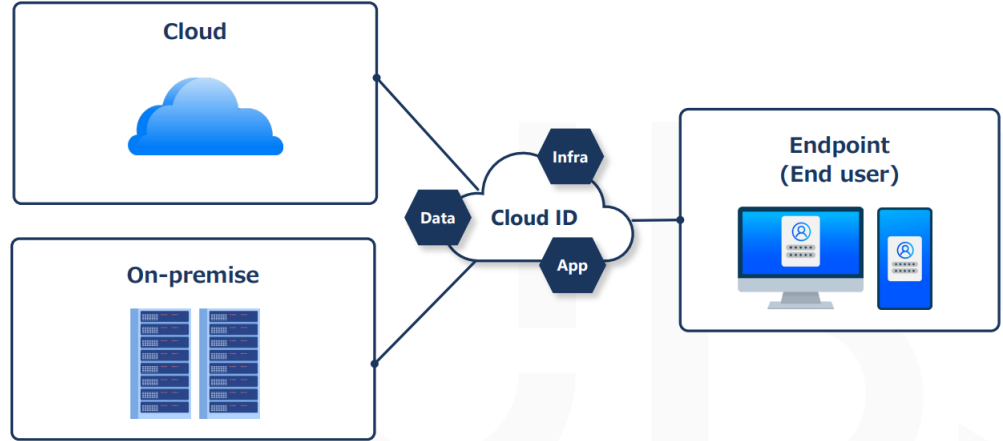


Source: excerpts from 1H FY23/9 IR results briefing materials.



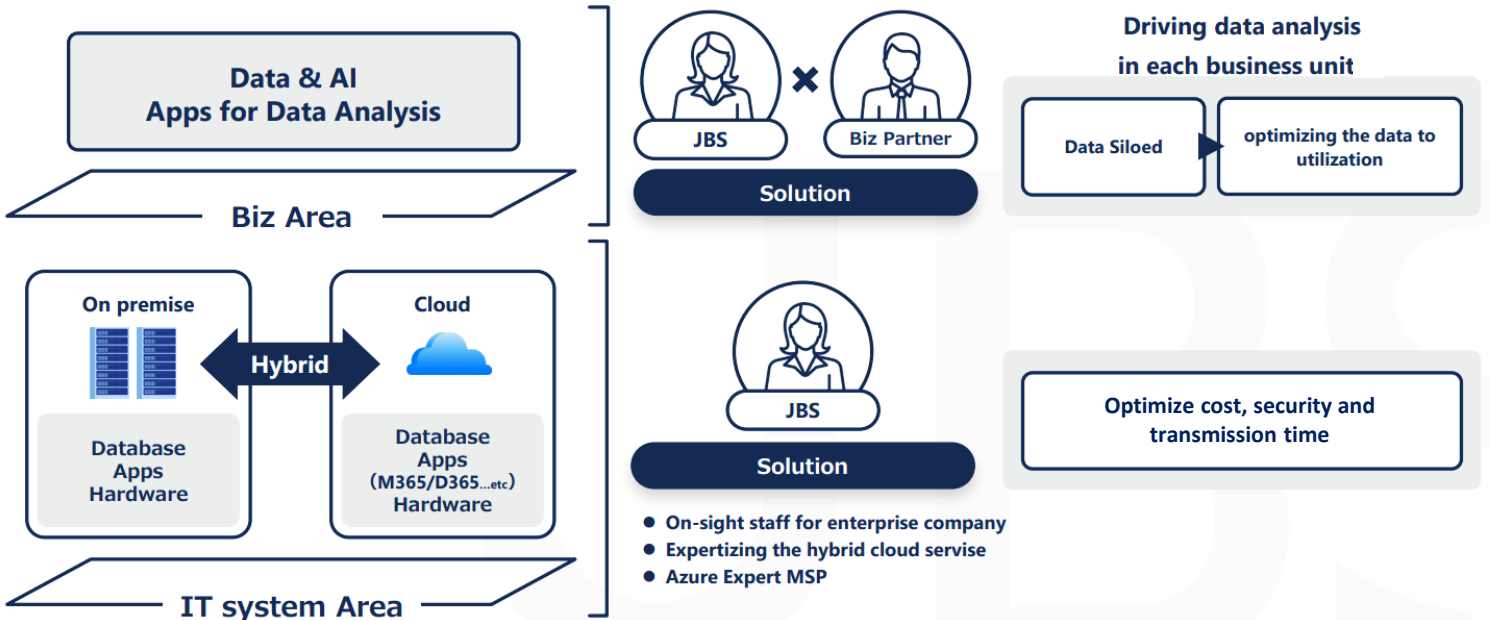
Cloud ID: Key to connecting the infrastructure and app environments of cloud and on-premise

● Acquiring IDs → increased opportunities for infrastructure/app/data proposals

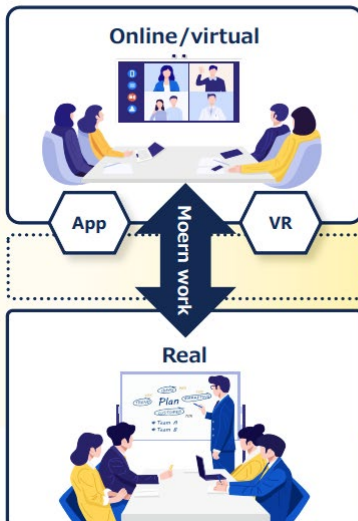


Horizontal Solution (a): Hybrid infra and Data & AI

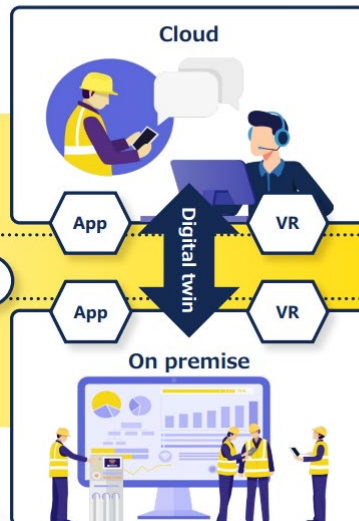
● Siloed data is integrated by the hybrid cloud → use Data & AI



Office Work Horizontal



Field work Vertical



Vertical Solution (b): Cloud ID to industry operation

● Cloud ID to field work / solution with digital twin for each industry



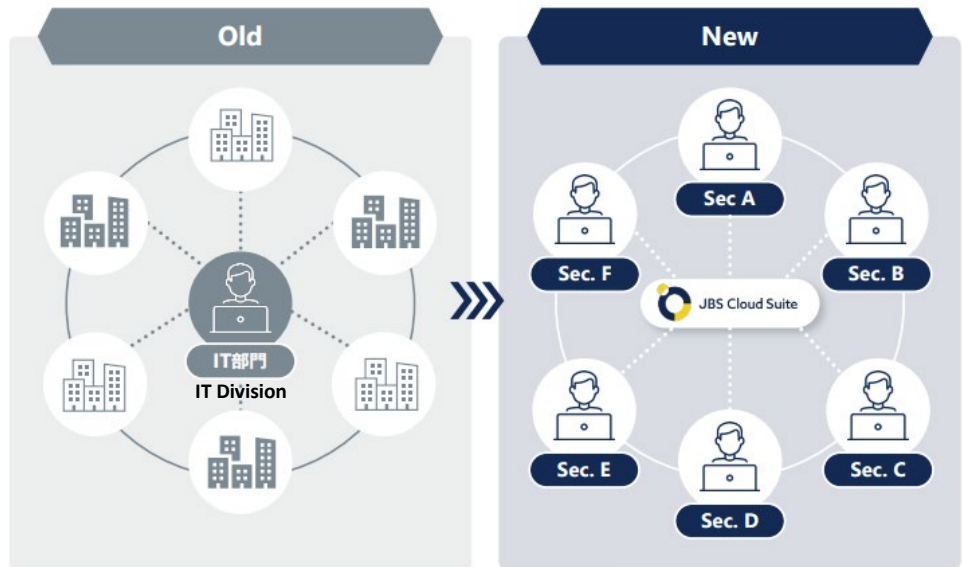
Source: excerpts from FY22/9 IR results briefing materials



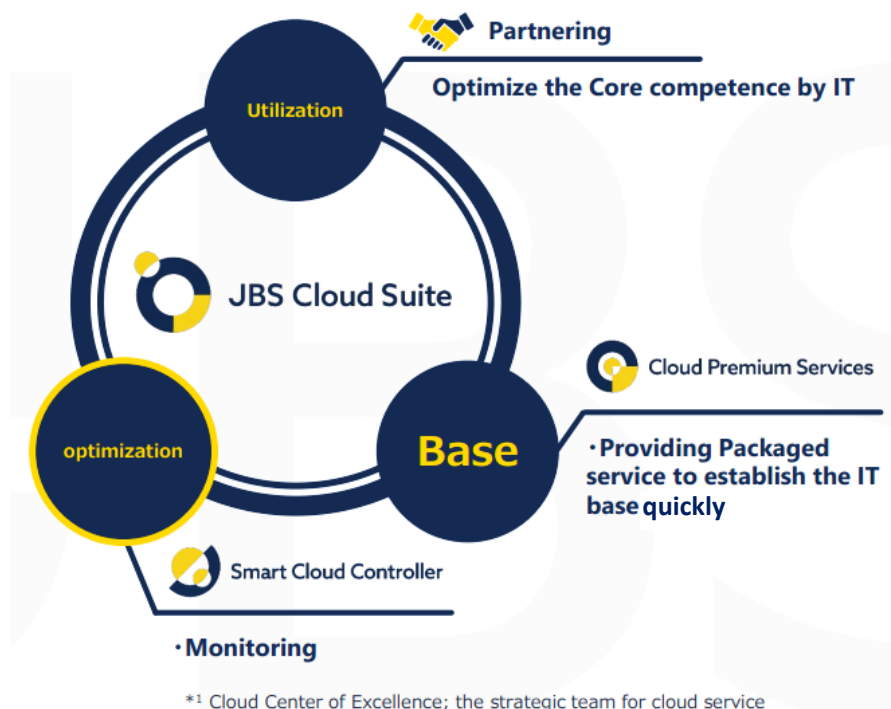
ARPU: Managed Services (c):

★ JBS Cloud Suite supports the trend of the IT control center being shifted from the IT Division to business/administrative sections.

Business/admin sections become the IT control center
 The IT Div (Cloud Center of Excellence*¹) is accelerating cloud strategy



✓ **JBS Cloud Suite supports enhancing governance and optimizing costs by business/admin section**



*¹ Cloud Center of Excellence; the strategic team for cloud service



- JBS Training Center
- Lucy's CAFE & DINING
- Company owned housing

② Strengthen hiring and training/skill-shifting (Human Capital Management)

JBS intends to continue to hire approximately 200 new graduates annually, while increasing the number of mid-career hires from the 70 to 80 per year last term to approximately 100 from this term. Technical training will focus on areas of high customer needs (security, upstream design, app development, etc.) in the M365 technical group, which has the largest number of engineers. In addition, in areas where competition for engineers such as Data & AI is severe, JBS will develop bridge engineers who will be responsible for technical collaboration with partner companies.

Recruitment		Building a framework for growth	
Target number of new graduate	Target number of Mid-career	HR portfolio	Enhancing HR for Architecture/AppDev/Security
 200/year	 100名超/年	Engagement	Keep Low-retirement rate (22/9 : 7.7%) Increasing productivity per employee 109%
		Diversity & Inclusion	Planning the promotion of active participation by women

Source: excerpt from FY22/9 IR results briefing materials.

③ Standardization × support for in-sourcing

System environments are undergoing a period of change with the cloud. Today, rather than building standardized functionality in-house, it is best to leverage cloud services as much as possible, which are constantly being updated, consolidating best practices from around the world. JBS delivers these best technologies in an optimal and friendly methodology and package for customers. Through JBS Cloud Suite, JBS is working to help customers understand best practice-based methodologies so that they can optimize their own use of the cloud and recognize the value in speedy adoption and implementation positive results (see graph on the bottom of the previous page).

④ Creation of Group synergies with capital and business alliance companies

The Company is 20% owned by Mitsubishi Research Institute, Inc. and its subsidiary, Mitsubishi Research Institute DCS, Inc. Within the MRI Group, JBS is seeking to strengthen collaboration in projects related to the practical application of Microsoft Cloud products, and it will work with the Group to develop new customers, particularly in the public sector, regarding the possibility of Azure adoption. In addition, JBS will work with the MRI Group to strengthen joint proposals by leveraging the Group's knowledge of Data & AI, which it has cultivated through transactions with financial institutions and others.

JBS will also deepen its strategic alliance with NTV Wands Inc., an IT strategy subsidiary of Nippon Television Network Corporation (NTV), in which JBS has a 20% equity stake. Through NTV Wands, JBS will provide support for in-sourcing cloud production in the infrastructure area, as well as support for the development of new cloud applications and platform businesses in the application area. JBS also aims to further expand business in the media industry.

⑤ Strive for further growth through the creation of new businesses

JBS will seek further growth through the creation of new businesses, without being restricted to existing businesses.





NEXTSCAPE



Microsoft Partner of the Year 2012 Windows Azure Partner Award



Microsoft Japan Partner of The Year 2022 Device Award in recognition of work in Mixed Reality and DX using Microsoft HoloLens 2.

Acquired all shares of NEXTSCAPE Inc., making it a wholly owned subsidiary
Pursuant to a resolution of its Board of Directors meeting held on November 25, 2022, JBS announced that had agreed to acquire all shares of NEXTSCAPE Inc., the transfer of shares to be completed on December 7, 2022.

JBS leverages Microsoft products such as Microsoft 365 to support enterprise DX by migrating enterprise IT systems to cloud environments. Going forward, the Company aims to capture rising demand for business application development by further strengthening its technical and proposal capabilities in the fields of Microsoft Azure and Dynamics 365.

At the same time, NEXTSCAPE Inc. began developing Microsoft Cloud services early on, winning the Microsoft Partner of the Year 2012 Windows Azure Partner Award with its hybrid cloud multimedia distribution solution. NEXTSCAPE has a track record as an outstanding partner company, receiving the Microsoft Japan Partner of the Year Award 8 times. **In terms of technical capability, NEXTSCAPE has strengths in fields JBS has set its sights on future business expansion, including Microsoft Azure, Mixed Reality (MR) devices, video streaming and app development.**

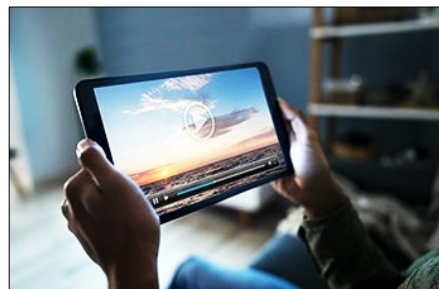
In addition, from a customer perspective, NEXTSCAPE has a strong track record in providing solutions to government agencies and industries such as media and production logistics. Through this acquisition, JBS aims to gain a greater share of the domestic cloud market and create Group synergies by combining its enterprise customer base with NEXTSCAPE's development and technical capabilities in cloud solutions for private and public sectors.

- Developing a wide range of system solutions related to the introduction and development support for **Mixed Reality**, focusing on Microsoft HoloLens 2, in addition to advancing technical research with business robots as an initiative to create agile development, knowledge of cloud collaboration, and device + α value creation.
- **Video streaming DRM** – SaaS-type cloud service DRM (PlayReady/Widevine/FairPlay Streaming) technology to prevent unauthorized copying of proprietary content, such as videos distributed through members-only applications and confidential training videos, from third parties who download them without permission or repost them on video sharing sites.
- **iOS/Android/TV/STB App Development** – Engaged in a variety of devices, including mobile apps, tablet apps, and TV/set-top box app development, using cutting-edge frameworks, such as Flutter and agile development, enable achievement of speedy development.

Mixed Reality focusing on MS HoloLens 2



Video streaming DRM



iOS/Android/TV/STB app development



Source: compiled by SIR from NEXTSCAPE website and JBS press release 2022.11.25.



Strengthening development capabilities through NEXTSCAPE acquisition

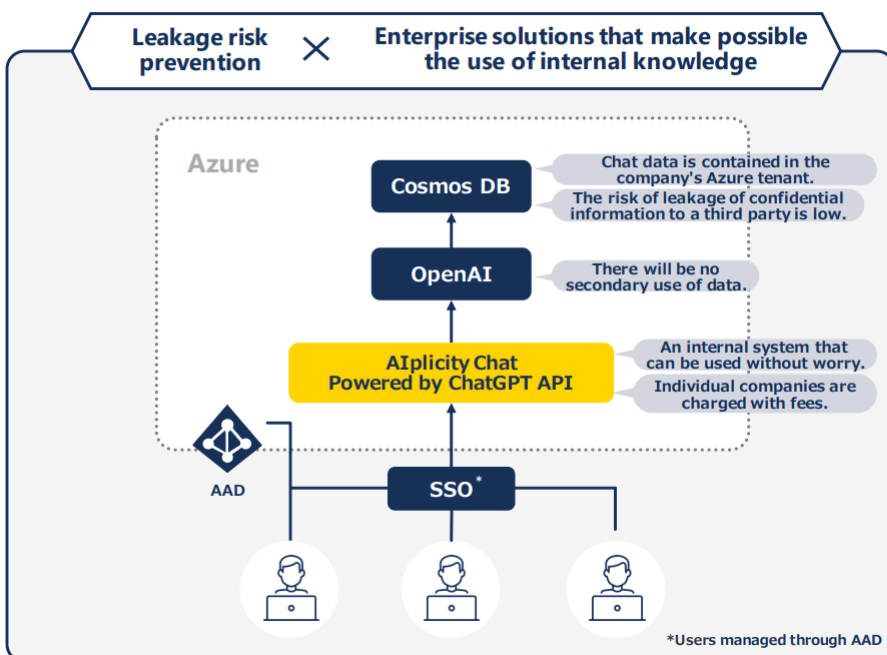
Enhanced capability to meet growing Microsoft Cloud demand with NEXTSCAPE Inc. which is strong in agile development on Microsoft Azure



Priority Theme in 2023: Enterprise AI Initiatives

In addition to ChatGPT adoption consulting and app development services for enterprise use shown below, JBS is aiming for office work productivity innovation and development automation centered on Microsoft Cloud. Earlier this year, Microsoft has already announced Microsoft 365 Copilot, Security Copilot, Dynamics 365 Copilot, and for Azure, GitHub Copilot and Azure Open AI Service.

JBS launched ChatGPT adoption consulting and app development services designed for enterprise utilization.



ChatGPT Adoption Consulting Service

A consulting service to explain the basic mechanisms behind GPT-related technologies and solve issues such as how to avoid the risks of information leaks

"AIplicity Chat Powered by ChatGPT API"

A ChatGPT app that customers can immediately start using in a closed and secure environment inside their company



Source: excerpt from 1H FY23/9 IR results briefing materials. *SSO = single sign-on, AAD = Azure Active Directory.

JBS
Part 2



Key takeaway from market share data divided between IDC's 'Foundational Cloud Services' and SaaS – Applications

Many investors are familiar with the traditional cloud services market share breakdown shown in the left-hand chart. **The key point is that the top 5 account for 75%**, with less room for further consolidation.

At the same time, **the top 5 in the right-hand chart still only account for 35% of SaaS – Applications**, the largest category, leaving room for future consolidation of the remaining fragmented 65%. **One catalyst may be the strong global focus on developing AI solutions**, leaving room for Microsoft to showcase its technical and management prowess.



Microsoft has the top share in worldwide public cloud services of 16.8% (IDC)

According to new data released by IDC in Jul-2023 shown in the table below, revenue from IT spending on worldwide public cloud services surpassed \$500bn in 2022, growing +22.9% YoY. By deployment category, SaaS – Applications, the largest accounting for 45% of the total, increased +18.4%. However, what IDC classifies as Foundational Cloud Services, which consist of categories 1, 2 and 4, grew by +26.7%. Conventional wisdom one year ago was that a certain deceleration following the high growth during the pandemic, combined with economic uncertainties in the wake of high inflation and rising interest rates, the cloud services market would enter a period where a focus on constraining new expenditures and optimizing the use of existing cloud assets would lower growth, but that view was completely wrong.

The assessment and use of AI, triggered by generative AI, is starting to dominate the planning and long-term investment agendas of businesses, and cloud providers will play a significant role in the evaluation and adoption of AI enablement services. Spending with the leading providers of public cloud services further consolidated in 2022 with the combined revenue of **the top 5 public cloud service providers – Microsoft, Amazon Web Services, Salesforce Inc., Google, and Oracle – capturing more than 41% of the worldwide total** and growing 27.3% year over year. With offerings in all four deployment categories, **Microsoft remained in the top position in the overall public cloud services market with 16.8% share in 2022**, followed by Amazon Web Services with 13.5% share.

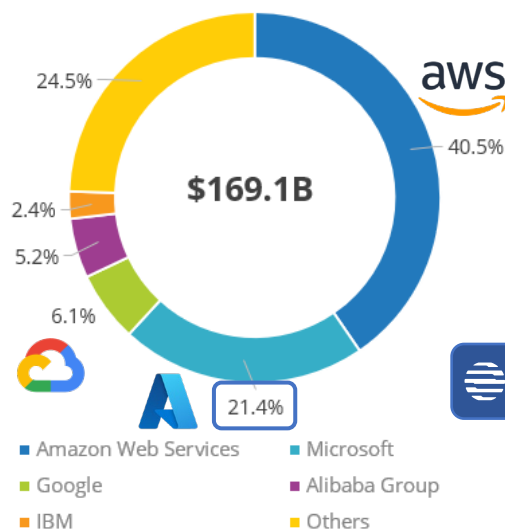
2022 Worldwide Public Cloud Services Revenue Topped \$500bn (+22.9% YoY)

Deployment Category (revenues in USD bn)	CY2021 Revenue	CY2022 Revenue	Market Share	YoY
① IaaS	\$91.5	\$115.2	21.2%	26.2
② PaaS	\$70.1	\$92.6	17.0%	32.1
③ SaaS – Applications	\$208.1	\$246.3	45.1%	18.4
④ SaaS – System Infrastructure Soft	\$74.6	\$91.4	16.7%	22.6
TOTAL	\$444.2	\$545.8	100.0%	22.9

Source: compiled by SIR from 2H 2022 IDC Worldwide Semiannual Public Cloud Services Tracker.

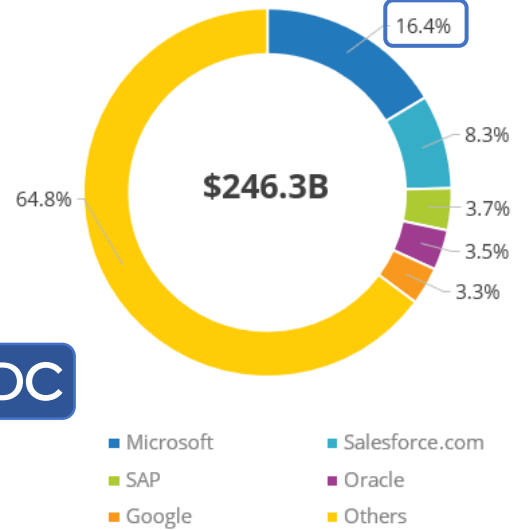
Foundational Cloud Services*

① IaaS + ② PaaS + ④ SaaS – SIS



Software as a Service - Applications

③ SaaS – Applications



Source: compiled by SIR from IDC press release 23.07.06.



Outlook for Global IT Spending on Cloud Implementation

Gartner, Inc. forecasts worldwide end-user spending on public cloud services to grow 21.7% to \$597.3bn in 2023, with cloud computing driving digital business transformation, entering the next phase through emerging technologies including Generative AI (ChatGPT etc.) supported by large language models (LLMs), that help businesses interact more closely and in real time with their customers. Gartner forecasts infrastructure-as-a-service (IaaS) to experience the highest growth, followed by platform as a service (PaaS).

The IT spending figures shown below are slightly different than those of IDC due to minor differences in classification, etc., but the trend is essentially the same. One advantage of the Gartner data freely available to the public is that it formulates and regularly updates its forecast model at regular intervals during the year. Gartner forecasts the highest 2Y CAGR of +30.5% for IaaS, followed by PaaS at +23.3%. According to Gartner, the next phase of IaaS growth will be driven by customer experience, digital and business outcomes and the virtual-first world. Emerging technologies that help businesses interact more closely and in real time with their customers, such as chatbots and digital twins, are reliant upon cloud infrastructure and platform services.



Gartner Worldwide Public Cloud Services End-User Spending Forecasts

USD bn, %	2021	2022	2023	2024	2Y CAGR
Cloud Application Infrastructure Services (PaaS)	89.91	111.98	138.96	170.36	23.3
Cloud Application Services (SaaS)	146.33	167.34	197.29	232.30	17.8
Cloud Business Process Services (BPaaS)	54.95	59.86	65.24	71.06	9.0
Cloud Desktop-as-a-Service (DaaS)	2.06	2.53	3.12	3.54	18.3
Cloud Management and Security Services	28.49	34.49	42.40	51.87	22.6
Cloud System Infrastructure Services (IaaS)	90.89	114.79	150.31	195.45	30.5
Total Worldwide Market	412.63	490.98	597.33	724.57	21.5
YoY	31.4	19.0	21.7	21.3	—

PaaS = platform as a service; SaaS = software as a service; IaaS = infrastructure as a service.

Source: compiled by SIR from Gartner April 19, 2023 press release, 2021 figures from press release archive.





Cloud business is driving overall earnings growth for Microsoft Corporation

The following is an overview of Microsoft reportable segments. **Both JBS and NEXTSCAPE are deeply involved in the first two with top partner status.** The graph at the bottom shows that Intelligent Cloud generated the top revenue from FY20/6, and 3Y CAGR through FY23/6 was +22.0%, versus Productivity & BP +14.3%.

Microsoft AI ambitions

As digital transformation and adoption of AI accelerates and revolutionizes more business workstreams, organizations in every sector across the globe can address challenges that will have a fundamental impact on their success.

For enterprises, digital technology empowers employees, optimizes operations, engages customers, and in some cases, changes the very core of products and services. Being a global-scale cloud, Azure uniquely offers hybrid consistency, developer productivity, AI capabilities, and trusted security and compliance.

Productivity and Business Processes

This segment consists of products and services in the MS portfolio of productivity, communication, and information services, spanning a variety of devices and platforms. Business primarily comprises:

- Office Commercial (Office 365 subscriptions, the Office 365 portion of Microsoft 365 Commercial subscriptions, and Office licensed on-premises), comprising Office, Exchange, SharePoint, Microsoft Teams, Office 365 Security and Compliance, Microsoft Viva, and Microsoft 365 Copilot.
- Office Consumer, including Microsoft 365 Consumer subscriptions, Office licensed on-premises, and other Office services.
- LinkedIn, including Talent Solutions, Marketing Solutions, Premium Subscriptions, and Sales Solutions.
- Dynamics business solutions, including Dynamics 365, comprising a set of intelligent, cloud-based applications across ERP, CRM (including Customer Insights), Power Apps, and Power Automate; and on-premises ERP and CRM applications.

Intelligent Cloud

This segment consists of MS public, private, and hybrid server products and cloud services that can power modern business and developers. Business primarily comprises:

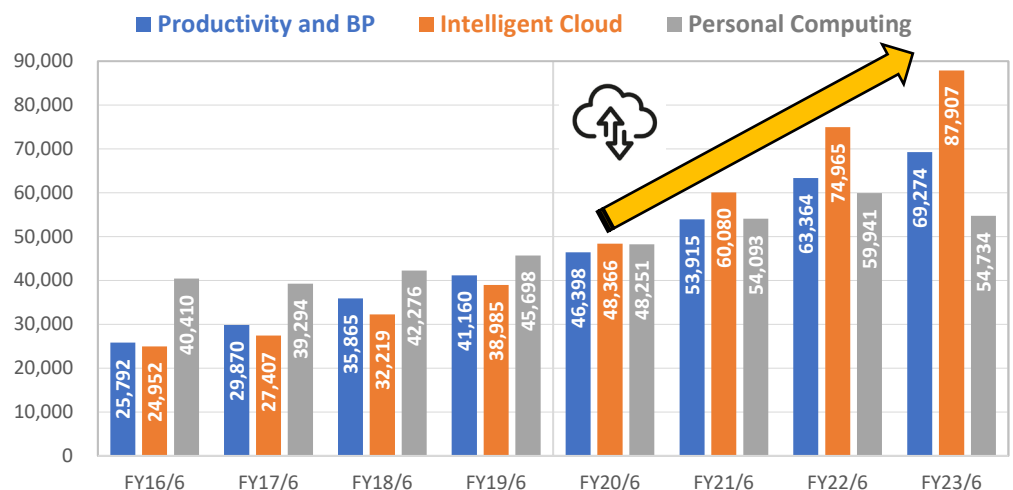
- Server products and cloud services, including Azure and other cloud services; SQL Server, Windows Server, Visual Studio, System Center, and related Client Access Licenses (“CALs”); and Nuance and GitHub.
- Enterprise Services, including Enterprise Support Services, Industry Solutions (formerly Microsoft Consulting Services), and Nuance professional services.

More Personal Computing

This segment consists of products and services that put customers at the center of the experience with our technology. Business primarily comprises:

- Windows, including Windows OEM licensing (“Windows OEM”) and other non-volume licensing of the Windows operating system; Windows Commercial, comprising volume licensing of the Windows operating system, Windows cloud services, and other Windows commercial offerings; patent licensing; and Windows IoT.
- Devices, including Surface, HoloLens, and PC accessories.
- Gaming, including Xbox hardware and Xbox content and services, comprising first- and third-party content (including games and in-game content), Xbox Game Pass and other subscriptions, Xbox Cloud Gaming, advertising, third-party disc royalties, and other cloud services.
- Search and news advertising, comprising Bing (including Bing Chat), Microsoft News, Microsoft Edge, and third-party affiliates.

Microsoft Corporation consolidated revenue by segment (USD in millions)



Source: compiled by SIR from Microsoft Corporation annual Form 10-K filings (similar to YUHO in Japan).



Industry and cloud market developments from Microsoft FY23/6 results

The following is a summary of highlights from recently announced FY23/6 full-term results.

Highlights from FY2023 compared with FY2022 included:

- Microsoft Cloud revenue increased 22% to \$111.6 billion.
- Office Commercial products and cloud services revenue increased 10% driven by Office 365 Commercial growth of 13%.
- Office Consumer products and cloud services revenue increased 2% and Microsoft 365 Consumer subscribers increased to 67.0 million.
- Dynamics products and cloud services revenue increased 16% driven by Dynamics 365 growth of 24%.
- Server products and cloud services revenue increased 19% driven by Azure and other cloud services growth of 29%.

Industry trends

- The investments in cloud and AI infrastructure and devices will continue to increase operating costs and may decrease operating margins. Microsoft continues to identify and evaluate opportunities to expand datacenter locations and increase server capacity to meet the evolving needs of customers, particularly given the growing demand for AI services.

Productivity and Business Processes: revenue increased \$5.9 billion or 9%.

- Office Commercial products and cloud services revenue increased \$3.7 billion or 10%. Office 365 Commercial revenue grew 13% with seat growth of 11%, driven by small and medium business and frontline worker offerings, as well as growth in revenue per user. Office Commercial products revenue declined 21% driven by continued customer shift to cloud offerings.
- Dynamics products and cloud services revenue increased \$750 million or 16% driven by Dynamics 365 growth of 24%.

Intelligent Cloud: Revenue increased \$12.9 billion or 17%.

- Server products and cloud services revenue increased \$12.6 billion or 19% driven by Azure and other cloud services. Azure and other cloud services revenue grew 29% driven by growth in our consumption-based services. Server products revenue decreased 1%.
- Enterprise Services revenue increased \$315 million or 4% driven by growth in Enterprise Support Services, offset in part by a decline in Industry Solutions (formerly Microsoft Consulting Services).

Microsoft Corporation Segment Operating Results Trend

USD in millions	FY16/6	FY17/6	FY18/6	FY19/6	FY20/6	FY21/6	FY22/6	FY23/6	YOY	3Y CAGR
TOTAL REVENUE	91,154	96,571	110,360	125,843	143,015	168,088	198,270	211,915	6.9	14.0
● Productivity and Business Processes	25,792	29,870	35,865	41,160	46,398	53,915	63,364	69,274	9.3	14.3
● Intelligent Cloud	24,952	27,407	32,219	38,985	48,366	60,080	74,965	87,907	17.3	22.0
● More Personal Computing	40,410	39,294	42,276	45,698	48,251	54,093	59,941	54,734	(8.7)	4.3
TOTAL OPERATING INCOME	26,078	29,025	35,058	42,959	52,959	69,916	83,383	88,523	6.2	18.7
● Productivity and Business Processes	11,756	11,389	12,924	16,219	18,724	24,351	29,690	34,189	15.2	22.2
● Intelligent Cloud	9,249	9,127	11,524	13,920	18,324	26,126	33,203	37,884	14.1	27.4
● More Personal Computing	6,183	8,815	10,610	12,820	15,911	19,439	20,490	16,450	(19.7)	1.1
Corporate and Other	(1,110)	(306)	-	-	-	-	-	-	-	-
TOTAL OPM (%)	28.6%	30.1%	31.8%	34.1%	37.0%	41.6%	42.1%	41.8%		
● Productivity and Business Processes	45.6%	38.1%	36.0%	39.4%	40.4%	45.2%	46.9%	49.4%		
● Intelligent Cloud	37.1%	33.3%	35.8%	35.7%	37.9%	43.5%	44.3%	43.1%		
● More Personal Computing	15.3%	22.4%	25.1%	28.1%	33.0%	35.9%	34.2%	30.1%		

Source: compiled by SIR from Microsoft Corporation annual Form 10-K filings (similar to YUHO Annual Securities Reports in Japan).



The Microsoft Cloud

The most trusted and comprehensive cloud

Help your organization reach its full potential by relying on an integrated and open cloud platform that spans six critical areas—security, infrastructure, digital and app innovation, data and AI, business applications, and modern work. Microsoft Cloud products and solutions are industry leaders on their own, but they’re even better when used together. Gain new efficiencies by uniting Azure, Microsoft Security, Microsoft 365, Dynamics 365, and industry solutions.

Modern Work

Empower team members to focus on, build, share, and protect their most important ideas so that they can make the greatest impact possible from anywhere, on any device.

- Microsoft 365
- Microsoft Teams
- Windows 11
- Windows 365
- Microsoft Viva

Security

Help protect and defend your business with security, compliance, identity, and management solutions that work across all of your platforms, clouds, and apps.

- Microsoft Defender
- Microsoft Sentinel
- Microsoft Entra
- Microsoft Purview
- Microsoft Priva
- Microsoft Endpoint Manager

Infrastructure

Improve time-to-value and reduce costs with the most complete tech stack from cloud to edge. Build, monitor, and manage your critical infrastructure using trusted Microsoft cloud technology.

- Windows Server on Azure
- SQL Server on Azure
- Linux on Azure
- SAP on Azure
- Azure VMware Solution
- Azure Virtual Desktop
- Azure Arc

Business Applications

Empower exceptional customer experiences and operational agility with applications that unite people, insights, and processes across every line of business.

- Microsoft Dynamics 365
- Microsoft Power Platform

Data and AI

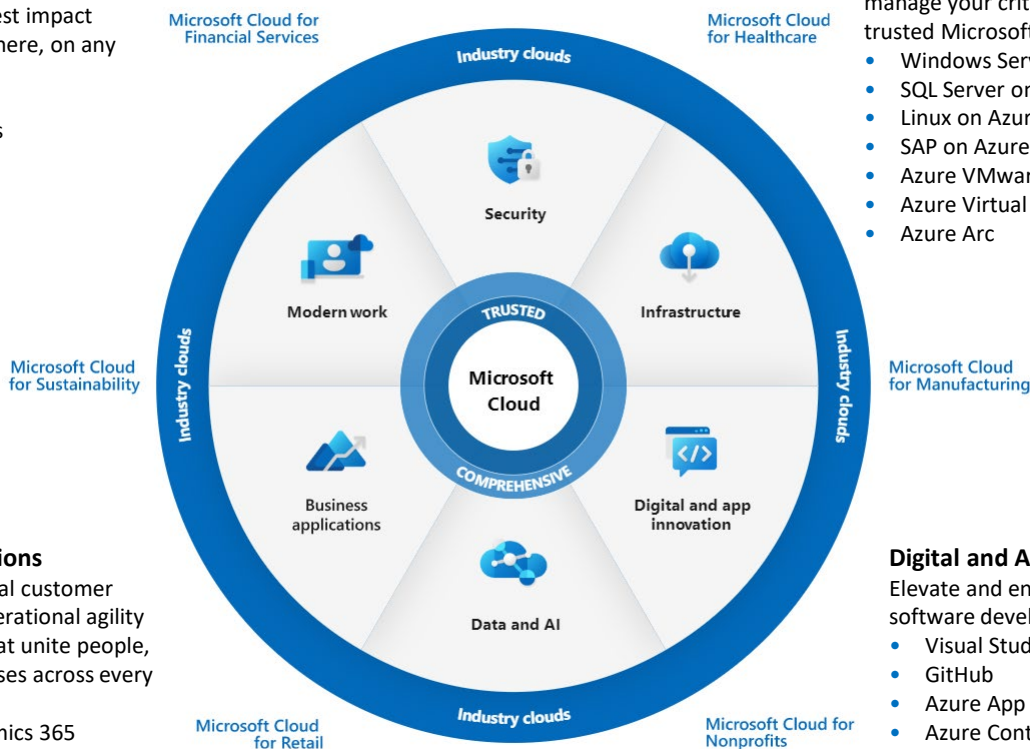
Maximize the value of your data with the Microsoft Intelligent Data Platform, a comprehensive platform for databases, analytics, and data governance..

- Microsoft AI
- Azure SQL
- Azure Cosmos DB
- Azure Synapse Analytics
- Power BI
- Microsoft Purview
- Azure AI

Digital and App Innovation

Elevate and enhance every stage of software development.

- Visual Studio
- GitHub
- Azure App Service
- Azure Container Apps
- Azure Kubernetes Services
- Power Apps



Source: compiled by SIR from Microsoft corporate website.



Part 3



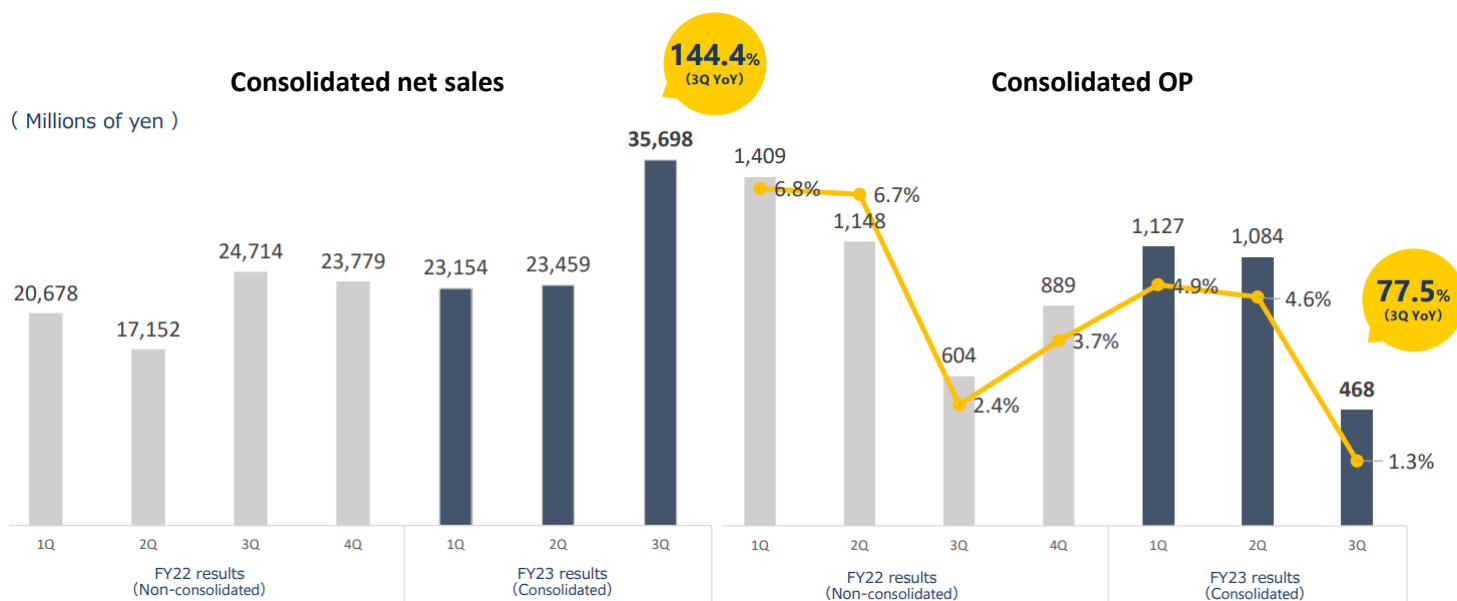
9M Cumulative 3Q FY23/9 Consolidated Financial Results

JBS reported 3Q financial results at 15:00 on Friday 8/4. By accounting convention, consolidated financial results for FY23/9 are not comparable with non-consolidated results for FY22/9. YoY figures mentioned in Part 3 are provided as a reference only, as a general indicator of the overall trend. Headline numbers were net sales +31.6% YoY, GP +14.7%, SG&A +34.2% and OP -15.3%. Segment sales were Cloud Integration +23.2%, Cloud Service +19.1% and License & Products +37.5%. According to JBS, sales got a strong boost from new large Microsoft license agreements for global manufacturing and the public sector. This explains the dip in GPM from 12.8% in the same period of the previous fiscal year to 11.2%.

OP declined due to the sharp increase in SG&A expense from increased recruitment costs as well as the expected impact from recording increased GW associated with the NEXTSCAPE acquisition. These trends were more pronounced when looking at the Apr-Jun 3Q-only. Consolidated net sales were +44.4% YoY, broken down as CI +38.4%, CS +7.5% and L&P +53.5%. GP only increased +25.7% while SG&A increased by +41.4%, resulting in OP declining -22.5%, and OPM dipping to 1.3% (see graph below).

Trends by segments were as follows. CI net sales benefitted from continuous growth in demand for the cloud shift, although demand from current customers for the Microsoft 365 communications platform has peaked. In addition, the consolidation of NEXTSCAPE added to sales growth. CI profits grew due to increased sales. CS net sales grew steadily by focusing on ongoing projects, including large-scale outsourcing projects, resulting in stable profit growth. L&P sales jumped on the back of winning large Microsoft license agreements for global contracts in manufacturing and strong performance in the public sector, with segment profit before adj. effectively flat.

JBS provided a factor analysis for the impact of the NEXTSCAPE consolidation. Net sales increased by ¥1.66bn. OP was negatively impacted by (¥0.175bn), mainly due to the increase in GW and acquisition costs. Recognized issues for addressing profits by segment were: CI 1) ongoing engineer skill shift from M65 to Azure, 2) closely examining customer demand as well as the degree level of business partner utilization; CS 1) acceleration of development for expanding managed services; and L&P 1) ensuring successful acquisition of CI/CS projects after licensing agreements.



Source: excerpt from 3Q FY23/9 IR results materials.



Japan Business Systems, Inc. (JBS) Non-consolidated / Consolidated Financial Summary – Quarterly pre- 9/19 rev.

JPY mn, % [J-GAAP]	FY22/9				FY23/9			
	1Q NC act	2Q NC act	3Q NC act	4Q NC act	1Q cons act	2Q cons act	3Q cons act	4Q cons CE
Net sales	20,678	17,153	24,714	23,780	23,154	23,460	35,698	19,391
YoY*	—	—	—	—	12.0	36.8	44.4	(18.5)
• Cloud Integration (CI)	4,468	4,831	4,184	4,861	4,888	5,928	5,792	6,392
• Cloud Service (CS)	2,927	3,164	3,498	3,782	3,678	3,988	3,759	3,975
• License & Products (L&P)	13,279	9,153	17,029	15,132	14,584	13,540	26,144	9,032
Sales breakdown (%)								
• Cloud Integration (CI)	21.6%	28.2%	16.9%	20.4%	21.1%	25.3%	16.2%	33.0%
• Cloud Service (CS)	14.2%	18.4%	14.2%	15.9%	15.9%	17.0%	10.5%	20.5%
• License & Products (L&P)	64.2%	53.4%	68.9%	63.6%	63.0%	57.7%	73.2%	46.6%
Gross profit	2,894	2,706	2,431	2,846	2,934	3,224	3,055	4,575
GPM (%)	14.0%	15.8%	9.8%	12.0%	12.7%	13.7%	8.6%	23.6%
SG&A expenses	1,484	1,558	1,827	1,956	1,806	2,141	2,587	2,586
ratio to sales (%)	7.2%	9.1%	7.4%	8.2%	7.8%	9.1%	7.2%	13.3%
Operating profit	1,409	1,149	604	890	1,127	1,084	468	1,988
YoY*	—	—	—	—	(20.0)	(5.7)	(22.5)	123.4
OPM (%)	6.8%	6.7%	2.4%	3.7%	4.9%	4.6%	1.3%	10.3%
• Cloud Integration (CI)	800	876	485	639	723	962	666	1,569
• Cloud Service (CS)	493	495	460	333	503	597	468	332
• License & Products (L&P)	663	274	381	517	531	280	510	699
eliminations	(548)	(495)	(721)	(601)	(630)	(756)	(1,176)	(611)
OPM before elim. (%)								
• Cloud Integration (CI)	17.9%	18.1%	11.6%	13.1%	14.8%	16.2%	11.5%	24.5%
• Cloud Service (CS)	16.8%	15.6%	13.2%	8.8%	13.7%	15.0%	12.5%	8.4%
• License & Products (L&P)	5.0%	3.0%	2.2%	3.4%	3.6%	2.1%	2.0%	7.7%
Ordinary profit	1,415	1,155	769	913	1,106	1,062	636	1,918
ratio to sales (%)	6.8%	6.7%	3.1%	3.8%	4.8%	4.5%	1.8%	9.9%
Profit before income taxes	1,414	1,072	767	887	1,105	1,061	616	—
Total income taxes	546	413	305	228	420	316	240	—
Profit ATOP	868	658	462	659	684	746	375	1,075

Quarterly progress ratios

Net sales	24.0%	19.9%	28.6%	27.5%	22.8%	23.1%	35.1%	19.1%
• Cloud Integration (CI)	24.4%	26.3%	22.8%	26.5%	21.3%	25.8%	25.2%	27.8%
• Cloud Service (CS)	21.9%	23.7%	26.2%	28.3%	23.9%	25.9%	24.4%	25.8%
• License & Products (L&P)	24.3%	16.8%	31.2%	27.7%	23.0%	21.4%	41.3%	14.3%
Operating profit	34.8%	28.4%	14.9%	22.0%	24.1%	23.2%	10.0%	42.6%
• Cloud Integration (CI)	28.6%	31.3%	17.3%	22.8%	18.4%	24.5%	17.0%	40.0%
• Cloud Service (CS)	27.7%	27.8%	25.8%	18.7%	26.5%	31.4%	24.6%	17.5%
• License & Products (L&P)	36.1%	14.9%	20.8%	28.2%	26.3%	13.9%	25.2%	34.6%
Ordinary profit	33.3%	27.2%	18.1%	21.5%	23.4%	22.5%	13.5%	40.6%
Profit ATOP	32.8%	24.9%	17.5%	24.9%	23.8%	25.9%	13.0%	37.3%

Cumulative progress ratios

Net sales	24.0%	43.8%	72.5%	100.0%	22.8%	45.8%	80.9%	100.0%
• Cloud Integration (CI)	24.4%	50.7%	73.5%	100.0%	21.3%	47.0%	72.2%	100.0%
• Cloud Service (CS)	21.9%	45.6%	71.7%	100.0%	23.9%	49.8%	74.2%	100.0%
• License & Products (L&P)	24.3%	41.1%	72.3%	100.0%	23.0%	44.4%	85.7%	100.0%
Operating profit	34.8%	63.1%	78.0%	100.0%	24.1%	47.4%	57.4%	100.0%
• Cloud Integration (CI)	28.6%	59.9%	77.2%	100.0%	18.4%	43.0%	60.0%	100.0%
• Cloud Service (CS)	27.7%	55.5%	81.3%	100.0%	26.5%	57.9%	82.5%	100.0%
• License & Products (L&P)	36.1%	51.1%	71.8%	100.0%	26.3%	40.1%	65.4%	100.0%
Ordinary profit	33.3%	60.4%	78.5%	100.0%	23.4%	45.9%	59.4%	100.0%
Profit ATOP	32.8%	57.7%	75.1%	100.0%	23.8%	49.7%	62.7%	100.0%

Source: compiled by SIR from company financial statements.



Japan Business Systems, Inc. (JBS) Non-consolidated / Consolidated Financial Summary – Quarterly post 9/19 rev.

JPY mn, % [J-GAAP]	FY22/9				FY23/9			
	1Q NC act	2Q NC act	3Q NC act	4Q NC act	1Q cons act	2Q cons act	3Q cons act	4Q cons CE
Net sales	20,678	17,153	24,714	23,780	23,154	23,460	35,698	29,688
YoY*	—	—	—	—	12.0	36.8	44.4	24.8
• Cloud Integration (CI)	4,468	4,831	4,184	4,861	4,888	5,928	5,792	6,492
• Cloud Service (CS)	2,927	3,164	3,498	3,782	3,678	3,988	3,759	3,975
• License & Products (L&P)	13,279	9,153	17,029	15,132	14,584	13,540	26,144	19,232
<i>Sales breakdown (%)</i>								
• Cloud Integration (CI)	21.6%	28.2%	16.9%	20.4%	21.1%	25.3%	16.2%	21.9%
• Cloud Service (CS)	14.2%	18.4%	14.2%	15.9%	15.9%	17.0%	10.5%	13.4%
• License & Products (L&P)	64.2%	53.4%	68.9%	63.6%	63.0%	57.7%	73.2%	64.8%
Gross profit	2,894	2,706	2,431	2,846	2,934	3,224	3,055	
GPM (%)	14.0%	15.8%	9.8%	12.0%	12.7%	13.7%	8.6%	
SG&A expenses	1,484	1,558	1,827	1,956	1,806	2,141	2,587	
ratio to sales (%)	7.2%	9.1%	7.4%	8.2%	7.8%	9.1%	7.2%	
Operating profit	1,409	1,149	604	890	1,127	1,084	468	1,541
YoY*	—	—	—	—	(20.0)	(5.7)	(22.5)	73.1
OPM (%)	6.8%	6.7%	2.4%	3.7%	4.9%	4.6%	1.3%	5.2%
• Cloud Integration (CI)	800	876	485	639	723	962	666	1,289
• Cloud Service (CS)	493	495	460	333	503	597	468	432
• License & Products (L&P)	663	274	381	517	531	280	510	599
eliminations	(548)	(495)	(721)	(601)	(630)	(756)	(1,176)	
<i>OPM before elim. (%)</i>								
• Cloud Integration (CI)	17.9%	18.1%	11.6%	13.1%	14.8%	16.2%	11.5%	19.9%
• Cloud Service (CS)	16.8%	15.6%	13.2%	8.8%	13.7%	15.0%	12.5%	10.9%
• License & Products (L&P)	5.0%	3.0%	2.2%	3.4%	3.6%	2.1%	2.0%	3.1%
Ordinary profit	1,415	1,155	769	913	1,106	1,062	636	1,476
ratio to sales (%)	6.8%	6.7%	3.1%	3.8%	4.8%	4.5%	1.8%	5.0%
Profit before income taxes	1,414	1,072	767	887	1,105	1,061	616	—
Total income taxes	546	413	305	228	420	316	240	—
Profit ATOP	868	658	462	659	684	746	375	1,235

Quarterly progress ratios

Net sales	24.0%	19.9%	28.6%	27.5%	20.7%	20.9%	31.9%	26.5%
• Cloud Integration (CI)	24.4%	26.3%	22.8%	26.5%	21.2%	25.7%	25.1%	28.1%
• Cloud Service (CS)	21.9%	23.7%	26.2%	28.3%	23.9%	25.9%	24.4%	25.8%
• License & Products (L&P)	24.3%	16.8%	31.2%	27.7%	19.8%	18.4%	35.6%	26.2%
Operating profit	34.8%	28.4%	14.9%	22.0%	26.7%	25.7%	11.1%	36.5%
• Cloud Integration (CI)	28.6%	31.3%	17.3%	22.8%	19.9%	26.4%	18.3%	35.4%
• Cloud Service (CS)	27.7%	27.8%	25.8%	18.7%	25.2%	29.9%	23.4%	21.6%
• License & Products (L&P)	36.1%	14.9%	20.8%	28.2%	27.7%	14.6%	26.6%	31.2%
Ordinary profit	33.3%	27.2%	18.1%	21.5%	25.8%	24.8%	14.9%	34.5%
Profit ATOP	32.8%	24.9%	17.5%	24.9%	22.5%	24.5%	12.3%	40.6%

Cumulative progress ratios

Net sales	24.0%	43.8%	72.5%	100.0%	20.7%	41.6%	73.5%	100.0%
• Cloud Integration (CI)	24.4%	50.7%	73.5%	100.0%	21.2%	46.8%	71.9%	100.0%
• Cloud Service (CS)	21.9%	45.6%	71.7%	100.0%	23.9%	49.8%	74.2%	100.0%
• License & Products (L&P)	24.3%	41.1%	72.3%	100.0%	19.8%	38.3%	73.8%	100.0%
Operating profit	34.8%	63.1%	78.0%	100.0%	26.7%	52.4%	63.5%	100.0%
• Cloud Integration (CI)	28.6%	59.9%	77.2%	100.0%	19.9%	46.3%	64.6%	100.0%
• Cloud Service (CS)	27.7%	55.5%	81.3%	100.0%	25.2%	55.0%	78.4%	100.0%
• License & Products (L&P)	36.1%	51.1%	71.8%	100.0%	27.7%	42.2%	68.8%	100.0%
Ordinary profit	33.3%	60.4%	78.5%	100.0%	25.8%	50.7%	65.5%	100.0%
Profit ATOP	32.8%	57.7%	75.1%	100.0%	22.5%	47.0%	59.4%	100.0%

Source: compiled by SIR from company financial statements and 9/19 press release on revisions to full-term FY23/9 financial forecasts.



MTP: Realizing synergies with NEXTSCAPE

- **Reciprocal customer referrals:** rollout of agile development projects to JBS customers, and rollout of M365/D365 and infrastructure projects to NS customers.
- **Promotion of in-house service and platform development:** building and joint promotion of various Azure-based cloud solutions, apps and platforms.
- **Strengthened collaboration with manufacturers:** pursuing collaboration with various manufacturers at a deeper level, including Microsoft, with whom both companies hold top partner status.



FY23/9 full-term forecasts and Medium-Term Management Plan

Following 3Q results, JBS left full-term guidance unchanged. The quarterly summary table on P27 provides implied 4Q forecasts, subtracting out 9M cumulative results. Largely as a result of the strong surge in L&P large-scale Microsoft license agreements to global manufacturing and the public sector, full-term net sales appear on course for a slight overshoot. Barring some type of external shock, it is highly unlikely that 4Q sales would decline -46% QoQ (nearly half), particularly given seasonality, and net sales were revised up by 10.1% on 9/19 after the close (see P3 for details).

It is well understood in the system integration (SI) sector that the Apr-Jun quarter tends to have the lowest demand of the year as a majority of listed companies have March FY-end settlements, while Jul-Sep and Jan-Mar tend to have strong seasonal demand. However, as can be seen from the red boxes in the table on page P27, low 3Q progress ratios for profits, as well as extremely high implied growth in 4Q profits suggested potential for a shortfall on full-term OP guidance, and the Company revised down full-term consolidated OP by 9.6% on 9/19 after the close (see P3 for details).

Since JBS reported 3Q results on 8/4, the share price corrected sharply by -25.6% through 9/14, rebounding by 12.8% on 9/20 on short covering after the revisions. The downward revision to OP was less than expected, and profit ATOP was actually revised up slightly on a lower effective tax rate. The main factor behind the downward revision was due to a lower paid utilization rate in Cloud Integration (CI) due to the skill shift of engineers from M365 to Azure.

Robust MTP targets shown in the exhibit below, net sales 3Y CAGR +13% and OP +30%, incorporate JBS realizing synergies with NEXTSCAPE. JBS has an opportunity to expand market share in a high growth market, given the trend in the cloud market toward security and AI solutions, and the Group's top partner status with Microsoft. **SIR believes this attractive scenario balances share price risk to the upside going forward.**

Consolidated Medium-Term Management Plan (FY23/9 – FY25/9)

Driving DX in the enterprise market with cloud ID as the axis



JBS
Part 4



Share price near the bottom of trading range

● Low 3Q progress ratios for profits suggested a slight shortfall to full-term guidance, and JBS revised down OP by 9.6% on 9/19. The recent selloff likely discounts this, in our view.

● As is customary on initiating coverage, we examined several peers who also have strong ties with cloud service providers, Serverworks with AWS, and TerraSky with Salesforce. However, **irrespective of the growth story on cloud DX, SIR believes the attractive story for JBS is in realizing Group synergies with NEXTSCAPE, which has yet to be discounted in the current JBS share price trading near a listing low.**

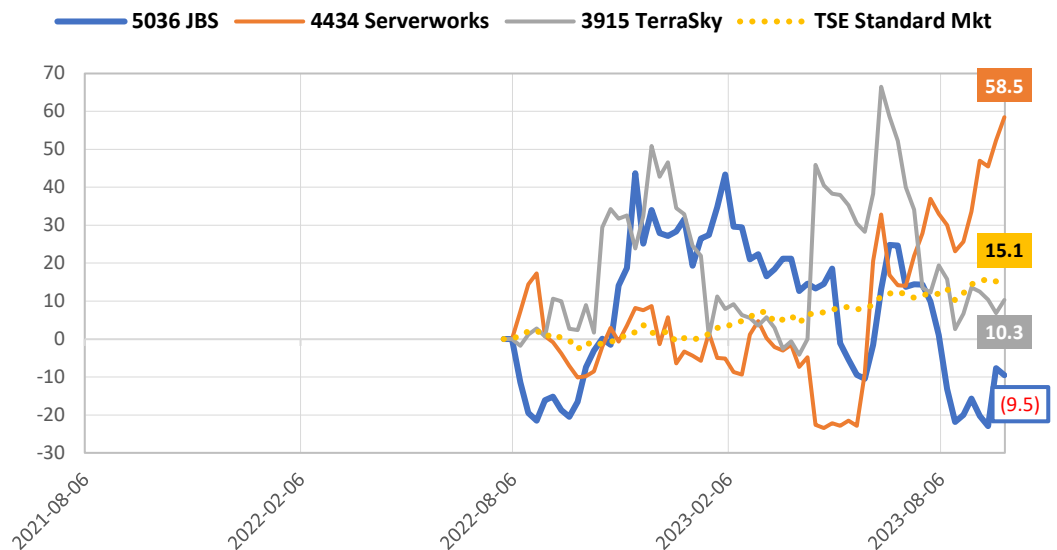


Analyst's view

Weekly candlestick share price chart, 13W/26W/52W MA, volume



Weekly relative performance chart versus selected peers



4434 Serverworks

Serverworks is a cloud integrator that provides integration business and services specialized for Amazon Web Services (AWS) including AWS infrastructure construction, resale, and consigned maintenance and operation (managed service provider). The company has been providing hosting services using AWS since 2010, and in addition to its abundant experience in implementing AWS, its strength lies in the operation automation services it has developed in-house. P/E 104x, P/B 2.84x, DY – %

3915 TerraSky

TerraSky's main business is consulting on the introduction of cloud services centered on the CRM software Salesforce and system construction. The company is one of the top companies in Japan in terms of the number of Salesforce implementations. P/E 32.6x, 2.62x, DY – %



Major shareholders as of March 31, 2023

No.	Name or designation	Shares owned	% owned*
1	Romane Corporation	8,600,000	37.77
2	Mitsubishi Research Institute, Inc.	3,505,600	15.40
3	Yukihiko Makita	1,850,000	8.12
4	Japan Business Systems Employee Shareholding Association	1,269,400	5.57
5	Mitsubishi Research Institute DCS	982,000	4.31
6	Daiichi Realtor Co., Ltd.	762,400	3.35
7	Seven Layers Co., Ltd.	340,000	1.49
8	Kazuya Makita	320,000	1.41
9	GOVERNMENT OF NORWAY (Standing Proxy: Citibank, N.A. Tokyo Branch)	289,000	1.27
10	GOLDMAN SACHS INTERNATIONAL (Standing proxy: Goldman Sachs Japan Co., Ltd.)	186,308	0.82
top 10		18,104,708	79.51

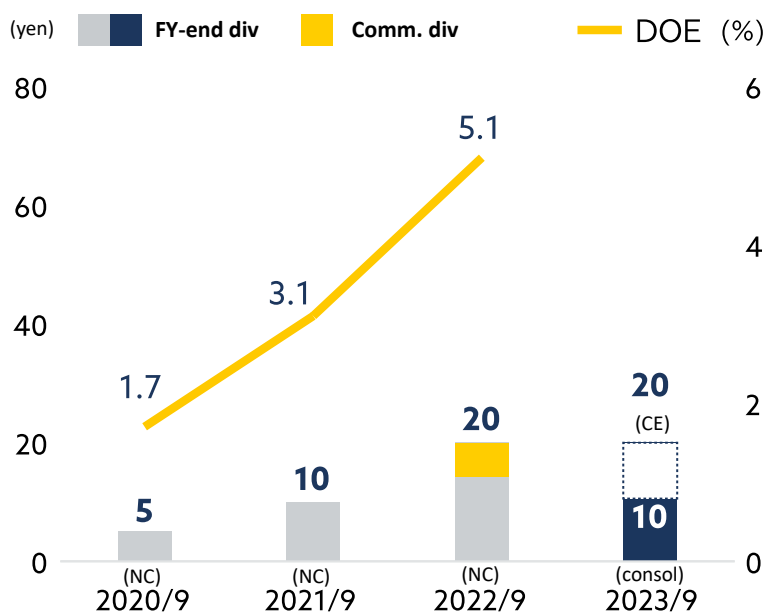
Source: compiled by SIR from 2Q FY23/9 YUHO (Quarterly Securities Report)

*Note: Ratio of shares owned to total number of shares issued (excluding treasury stock)

Shareholder Return Policy: Maintaining a Payout Ratio of 30%

JBS regards the return of profits to shareholders as one of its most important management policies. For the fiscal year ended September 30, 2022, JBS paid a listing commemorative dividend of 5 yen per share in addition to the regular dividend of 35 yen per share. The annual dividend was 40 yen per share, for a payout ratio of 30.3%. The year-end dividend forecast per share for the fiscal year ending September 30, 2023 has been revised to 10 yen per share due to the 2 for 1 stock split on April 1, but there is no change in real terms. Figures below have been adjusted to reflect the split.

Trend of dividends per share (DPS) and dividends on equity (DOE)



Source: JBS corporate website. Note: NC = non-consolidated, consol = consolidated



GLOSSARY OF TERMS

Cloud services

Provide data and software that were previously used by users on their own computers to users as a service via a network.

DX

Abbreviation for Digital Transformation, which is an innovation that transforms people's lives for the better by permeating digital technology and fundamentally overturning existing values and frameworks.

Cloud Adoption Framework (CAF)

Systematic collection of frameworks and architectures provided by cloud providers such as Microsoft Corporation and Amazon Web Services, Inc. for each company, from strategy to practical implementation and operation of cloud computing in various companies around the world, and the methodology and case studies are updated. Companies that use guidelines, assessment sheets, and tools for each phase of cloud implementation, such as strategy definition, planning, implementation preparation, adoption, control, and management, in accordance with this methodology, are given priority in receiving technical support and project introductions from cloud companies.

Microsoft Azure

Often referred to as Azure, is a cloud computing platform run by Microsoft, which offers access, management, and development of applications and services through global data centers. The Azure cloud platform is more than 200 products and cloud services designed to help bring new solutions to life—to solve today's challenges and create the future. Build, run, and manage applications across multiple clouds, on-premises, and at the edge, with the tools and frameworks of choice.

Azure Expert MSP certification

Refers to a program in which Microsoft recognizes partners with a particularly high level of expertise in Azure-related services. For details, please refer to the explanation on the top of P5.

Cloud Managed Services Provider

Refers to an entity that provides process and function maintenance and cost optimization to improve cloud operations management and reduce expenses.

On-premise

A type of system use in which servers, network equipment, software, etc. are installed and operated in facilities managed by the user.

Hybrid cloud

Refers to an operational style that combines on-premise and cloud computing. For example, highly confidential customer information and confidential documents are handled only in the on-premise environment, while only less confidential data is handled in the cloud environment. This enables reduction of fixed costs while ensuring a certain level of security.

**M365**

Abbreviation for Microsoft 365, which integrates Office 365, Windows 10 Enterprise, and Enterprise Mobility + Security, offering Microsoft 365 Business for SMEs, and Microsoft 365 Enterprise for large corporations.

D365

Abbreviation for Dynamics 365, which is an SaaS-type CRM and ERP package offered on Microsoft Azure. It is deployed as a tool to visualize and manage corporate customer information along with core information and management resources.

CRM

Abbreviation for Customer Relationship Management, and refers to a management method that collects and analyzes information on customers to make the most appropriate and efficient approach and to increase the competitiveness of a company's products and services, as well as the tools to achieve this.

ERP

Abbreviation for Enterprise Resource Planning, and refers to a management method and tools for achieving efficient management by building a core business system that processes core information and management resources, including general affairs, accounting, human resources, production, inventory, purchasing, logistics, and sales, in an integrated and real-time manner.

SaaS

Abbreviation for Software as a Service, and refers to services that enable the use of applications that were previously provided as packages over the Internet.

PaaS

Abbreviation for Platform as a Service, and refers to a service that provides a set of software, including middleware, database management systems, programming languages, and web server operating systems necessary for system development.

IaaS

Abbreviation for Infrastructure as a Service, and refers to services that provide hardware and infrastructure such as servers, storage, and networks via the Internet.

Agile development

Unlike conventional Waterfall development, in which development is divided into planning, design, implementation, testing, and other processes, Agile development is a development method that can flexibly respond to changes in specifications and requirements during development and shorten the time until service goes live by repeating development iterations separated by periods of time. The main difference is that Waterfall is a linear system of working that requires the team to complete each project phase before moving on to the next one, while Agile encourages the team to work simultaneously on different phases of the project.

PoC

Abbreviation for Proof of Concept, and refers to the experimental verification process of a new technology, theory, principle, method, or idea to confirm whether it is feasible and whether it will have the desired effect or efficacy.

**CCoE**

Abbreviation for Cloud Center of Excellence, and refers to the know-how and organizations that handle the comprehensive promotion of cloud computing from strategy, implementation, and utilization to the point where it becomes effective.

Adoption and change management

Refers to a management approach that not only accepts new cloud technologies, but also makes them take root, and uses the cloud to change the way business is conducted and promote behavioral change.

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Representative

President & CEO Yukihiro Makita

Number of employees (consolidated)

2,379 (As of March 31, 2023)

Business Offices

Hokkaido, Chubu, Western Japan, Kyushu, Okinawa

Major domestic affiliates

NEXTSCAPE Inc. (JBS 100%)

NTV Wands Inc. (JBS 20%, NTV 80%)

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