

# Results of Operations for FY2025

Headwaters Co., Ltd.

March 2, 2026

Securities code: 4011

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- Improvements

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# 01

## The History of Headwaters



## About Us (As of the end of December 2025)

<b>Name</b>	Headwaters Co., Ltd.
<b>Established</b>	November 2005
<b>Representative</b>	Yosuke Shinoda, Representative Director
<b>Head office</b>	Shinjuku i-Land Tower 4F 5-1, 6-chome, Nishishinjuku, Shinjuku-ku, Tokyo
<b>Capital</b>	389 million yen
<b>Number of employees</b>	389 (all group companies, excluding contract and part-time employees)

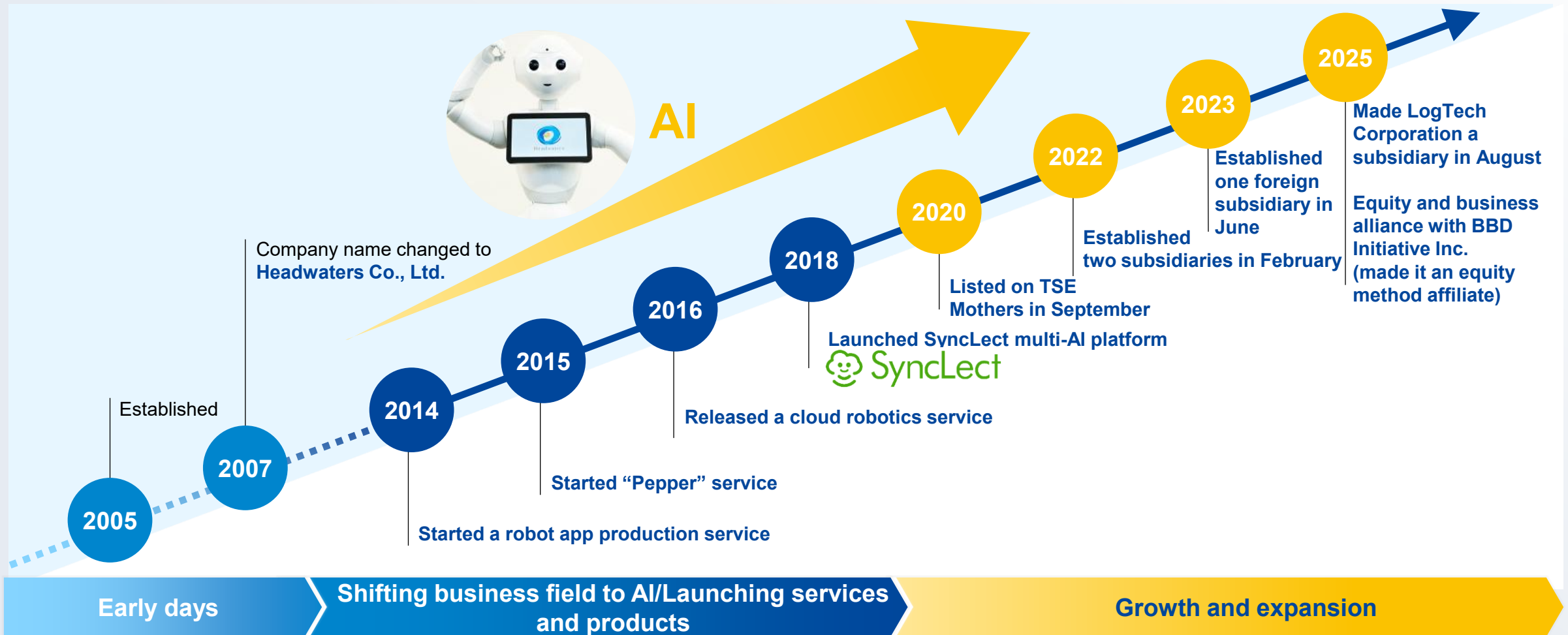
**Becoming  
the center of industry,  
headwaters.**

**Engineering × Business = ∞**

**Implement new technology  
to the society**

## ▶ Our Commitments Since 2005

Headwaters is a front-runner in the field of AI, with abundant data, analytical methods, and development capabilities accumulated since the early days of AI.



# ▶ Our Business

Offering services by dividing our AI solutions business into three service categories and synergistically combining them



# X-Tech FDE Business Model



**A flexible framework that matches needs**

<b>Headwaters Co., Ltd.</b>	01	02	03	04
<b>Headwaters Consulting Co., Ltd.</b>	01	03	05	
<b>Headwaters Professionals Co., Ltd.</b>		02	03	05
<b>DATA IMPACT JOINT STOCK COMPANY</b>		02	03	
<b>LogTech Corporation</b>				05

An organization/development model for the practical use of AI based on the front-line integration of technology, workplaces and businesses.



**X-Tech FDE = A unique Headwaters model**

FDE × X-Tech × Microsoft Ecosystem  
Design premised on Azure, Copilot, GitHub, SLM and Agent  
**Does not stop at the proof-of-concept stage; can be widely used in practical applications**

- ✓ AI that is an integral part of business processes
- ✓ AI incorporates the accumulation of reusable knowledge and templates
- ✓ Ecosystem for updating AI products while working closely with customers to identify workplace needs



- Combines AI, the cloud, data and industry knowledge
- An approach that uses composite technologies for delivering value



- Working as partners with customers for a thorough understanding of their businesses
- A broad-based understanding spanning business activities, data, the organizational culture and IT systems
- Engineers working in front-line positions are responsible for designs, installation and operation

## Fully integrated model



## The X-Tech FDE model

-  Workplaces (Client collaboration using X-Tech FDE)
-  Understanding of business activities, data and the organizational culture
-  Use of AI agents/AI tools (Copilot, etc.)
-  Repeated installation-operation-improvement cycle (AI-driven development)

## X-Tech FDE features

- ✓ X-Tech FDE produces results by taking responsibility for every step from beginning to end.
- ✓ Benefits are business process innovations rather than a system.
- ✓ An ecosystem that allows the use and reuse of knowledge acquired at workplaces in a broad range of applications.
- ✓ Agents are created as products for specific industries.
- ✓ X-Tech FDE is essential for creating products that are essential for customers.



Higher life time value



Growth of recurring income



Benefits for products/SaaS businesses

# ▶ The AI Agent Market Environment



## Drivers of growth

- Help for problems created by Japan’s labor shortage due to aging population
- Faster progress with the digital transformation (DX) and more efficient business activities
- Dramatic improvement in generative AI and foundation models
- Increasing public-sector and manufacturing use of AI agents
- Public sector AI strategies (budgets of about 1.2 trillion yen for AI/semiconductors)

\*FY2026 budget proposal of the Ministry of Economy, Trade and Industry

## Major applications

### AI agents

1. Customer support
2. Financial services (examinations, responses)
3. Business process automation
4. Government/education (information, lessons)

### Physical AI

1. Manufacturing/logistics (detection, optimization)
2. Infrastructure inspections/patrols
3. Mobility/autonomous driving
4. Medical/nursing care (monitoring, support)

Source: Compiled by Headwaters based on “AI Agents Market – Global Forecast to 2030,” “Embodied AI Market – Global Forecast to 2030” by MarketsandMarkets and “Japan AI Agents Market Size & Outlook, 2030” by Grand View Research

# ▶ What Makes Headwaters Different

Much experience and DX expertise since the emergence of the AI/robotics market and a fully integrated collaborative business model. The result is a competitive cost structure, speed, innovative business proposals and other strengths. Furthermore, Headwaters has the skills to determine **the best fit for advanced technologies in the operations of client companies.**

	Processes	Technologies	Applications	Speed	
Consulting companies	Only consulting	Other than development	Mostly large projects	Ordinary	
Major system integrators	Only system development	Relies on partner companies	Medium- to large-scale projects	Slow	
AI engine developers	Only AI development	Mainly AI expertise	Small- to medium-scale projects	Fast	
Headwaters	Integrated from consulting to collaborative development	Broad expertise (AI, DX)	Medium- to large-scale projects	Fast	
Business and technology consultants	Proof of concept analysis	Request for proposal studies	Design	Development	Operation
	Consulting		Development	OPS	

## Multiple Alliances

The goal is to use many alliances to maximize the value of all alliances

### (1) Product Alliances Microsoft/Sony/NVIDIA, etc.

- ✓ Common platform: Azure/Copilot/GitHub/Databricks
- ✓ Joint sales, joint marketing and joint development
- ✓ Quickly obtain information and start activities involving leading-edge technologies
- ✓ Joint activities for attracting customers to create value



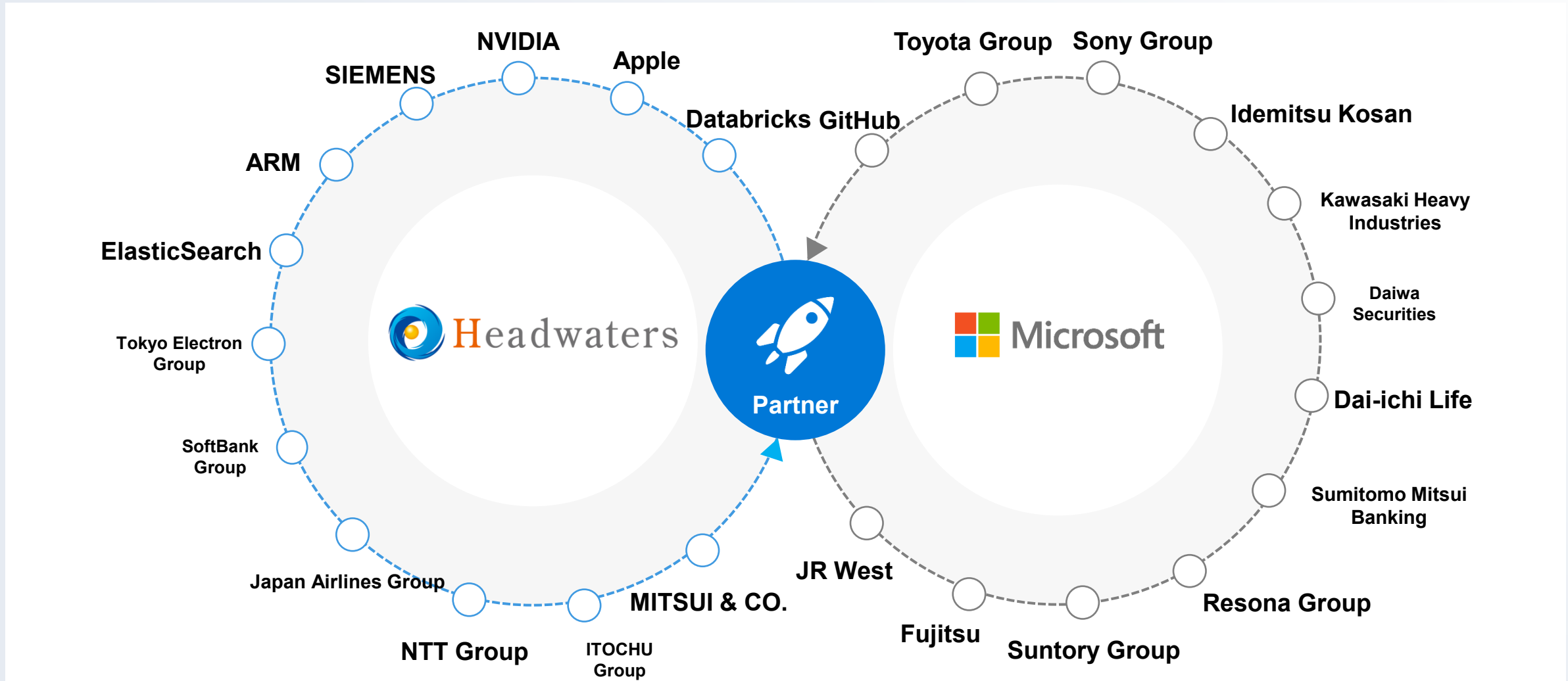
### (2) Industry Alliances Fujitsu, Daiwa Securities, JR West, ITOCHU, etc.

- ✓ Partnerships with large companies and system integrators
- ✓ Jointly establish sources of competitive superiority
- ✓ Capture projects that Headwaters could not receive on its own

**X-Tech FDE goes beyond mere partnerships to enable co-creation as a value creation partner**

# ▶ Alliance Strategy: Microsoft × Partner To Partner

Accelerating business by leveraging Microsoft's customer base and technology along with our own customer base and technical expertise to build an ecosystem through "**Joint Sales x Joint Marketing x Joint Solutions.**"



## 02 — Highlights of FY2025

- Accomplishments
- Improvements



# FY2025 Consolidated Financial Results Overview

(Thousand yen)

(Thousand yen)

	FY2024 Results		FY2025 Results			
		Pct. to net sales (%)		Pct. to net sales (%)	YoY change (%)	Vs. annual plan (%)
Net sales	2,905,981	100.0	3,900,040	100.0	134.2	97.3
AI	1,451,703	50.0	2,626,396	67.3	180.9	119.4
DX	1,312,035	45.1	1,167,263	29.9	89.0	73.0
Product	142,243	4.9	106,380	2.7	74.8	51.4
Operating profit	307,954	10.6	229,250	5.9	74.4	69.9
Ordinary profit	362,432	12.5	128,516	3.3	35.5	38.7
Profit attributable to owners of parent	272,787	9.4	57,656	1.5	21.1	24.3
Net income per share	72.01 yen		15.13 yen			

**Net Sales**

**3,900** million yen

- YoY change: **+34.2%**  
- Vs. annual plan: 97.3%

**All-time High**

FY2025 Key Performance Indicators: **Sales and Recruiting**

Accomplishments

- We **achieved new record high net sales (up 34.2% YoY)** for the third consecutive quarter by fully tapping into demand for AI
  - AI: **Net sales hit a new record high for the sixth consecutive fiscal year (up 80.9% YoY)**  
Demand for AI agent projects was strong and unit sales per project in each service reached a record high thanks to measures to make customers loyal clients.
  - DX: Given projects in which generative AI technologies are used for DX projects, such as AI-driven development, sales are shifting from the DX to the AI category.
  - Product: Sales are recovering in line with an increase in usage fees for the Azure cloud service.

Operating Profit

**229** million yen

Ordinary Profit

**128** million yen



### Accomplishments

- Gross profit: **Achieved a record high gross profit** for the third consecutive quarter, exceeding the initial plan.

### Improvements

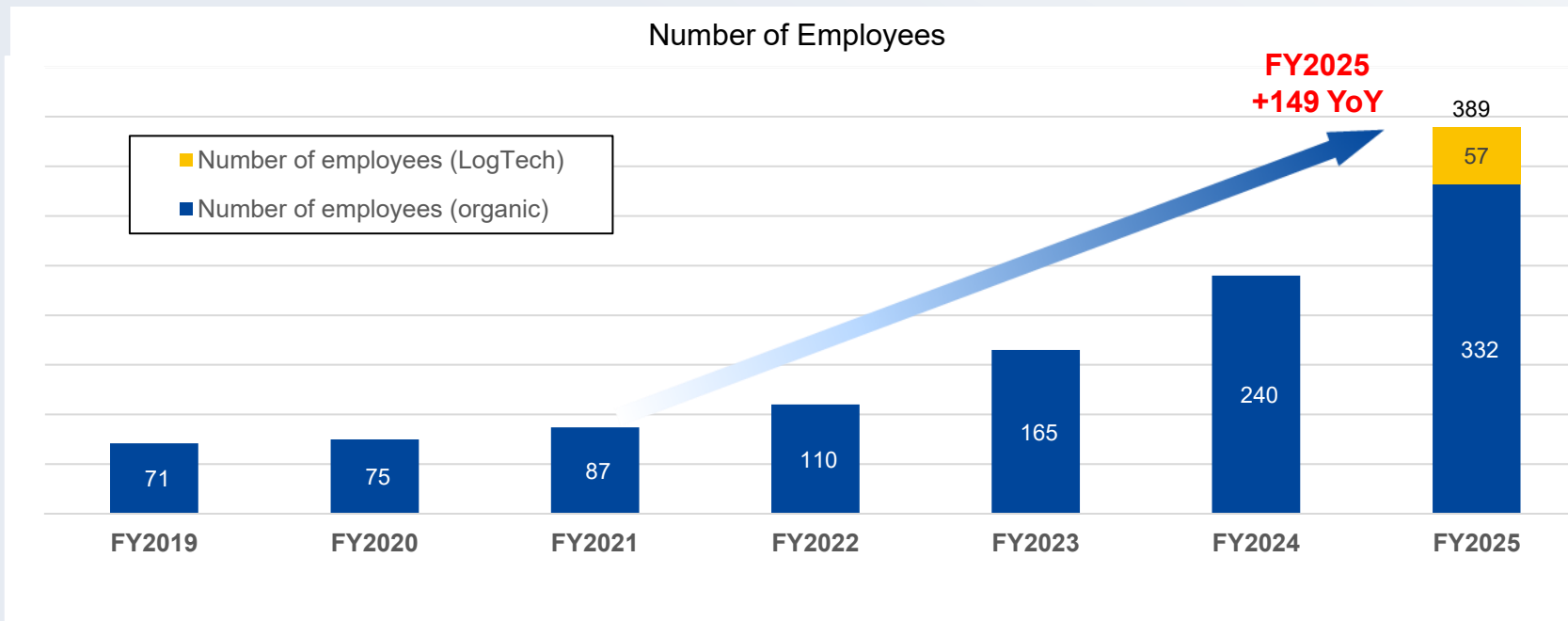
- SG&A expenses: Personnel recruitment expenses and personnel expenses were higher than planned. (up 61.3% YoY)
- Operating profit / Operating profit margin: Operating profit recovered to a record high level but an increase in SG&A expenses led to a deviation from the plan.
- Non-operating loss: Recorded a loss on valuation of derivative and share of loss of entities accounted for using equity method.

**Recruiting**

**Net increase of 149 employees**

Accomplishments

- **Net increase of 92** using organic recruiting, well above the goal of 80.
- Increase of **57 employees** due to the consolidation of LogTech
- A year-on-year **increase of 149 employees**



**Number of employees**

**389**

\*Excluding contract and part-time employees

# FY2025 Business Relationships

**Business portfolio (recurring income)**

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Companies with annual sales over 1 trillion yen on a consolidated basis

# 48

(Client companies: **146**)

\*Excluding group companies of clients

**More new clients with annual sales of more than 1 trillion yen**  
\*Including group companies of clients

<b>FY2023</b> New client companies	<b>14</b>	Sales <b>230</b> million yen
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<b>FY2024</b> New client companies	<b>18</b>	Sales <b>460</b> million yen
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<b>FY2025</b> New client companies	<b>26</b>	Sales <b>700</b> million yen
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- 48 (32.8%) of 146 client companies have annual sales of more than 1 trillion yen (including sales of their group companies)
- Increasing number of client companies with annual sales of more than 1 trillion yen in Japan; more loyal clients by developing new businesses for clients
- In FY2026, planning on more new clients, mainly large companies, and market expansion

\*Number of companies with annual sales of more than 1 trillion yen is based on consolidated sales and does not include their group companies.  
 \*Number of new client companies is based on the start of business relationships including group companies.



# Our Trusted Clients & Alliance Partners

Upgraded alliances and used web-based pull marketing for business with leading firms in many industries and fields

## Manufacturing/Machinery/ Semiconductor

- Sony Group Corporation
- Panasonic Connect Co., Ltd.
- Mitsubishi Materials Corporation
- ROHM Co., Ltd.
- Fujitsu Limited
- Tokyo Electron Limited \*
- Oki Electric Industry Co., Ltd.\*
- Hitachi Construction Machinery Co., Ltd.
- Kubota Corporation
- Sumitomo Construction Machinery Co., Ltd. \*
- TOPPAN Holdings Inc.\*
- Pioneer Corporation\*

## Finance/Insurance

- Daiwa Securities Group Inc.
- The Dai-ichi Life Insurance Company, Limited \*
- Sumitomo Mitsui Banking Corporation \*
- Resona Holdings, Inc. \*
- Meiji Yasuda Life Insurance Company
- DAIDO LIFE INSURANCE COMPANY \*
- Prudential Life Insurance Co., Ltd.
- SOMPO Digital Ventures Co., Ltd.
- Tokio Marine dR Co., Ltd.
- Seven Bank, Ltd.
- Mizuho Leasing Company, Limited \*

## Transportation/Mobility

- East Japan Railway Company \*
- West Japan Railway Company
- Japan Airlines Co., Ltd. \*
- Toyota Tsusho Corporation
- TOYOTA MOTOR KYUSHU INC. \*
- DENSO TEN Limited \*
- Nissan Motor Co., Ltd. \*
- Kawasaki Heavy Industries, Ltd.
- BRIDGESTONE CORPORATION \*
- Keio Corporation
- Hankyu Corporation \*

## Retail/Distribution

- YAMATO TRANSPORT CO., LTD. \*
- ITOCHU Corporation
- MITSUI & CO., LTD. \*
- Lawson, Inc.
- Seven-Eleven Japan Co., Ltd.
- BIC CAMERA INC.
- NITORI Co., Ltd.
- Takashimaya Company, Limited
- JP DIGITAL Co., Ltd. (Japan Post Group) \*

## Consumer goods/Food/Beverage

- Suntory Holdings Limited
- Nisshin Flour Milling Inc.
- ITO EN, LTD.
- Sapporo Holdings Limited
- Lion Corporation
- NISSIN FOODS HOLDINGS CO.,LTD.
- Asahi Kasei Corp.
- YKK CORPORATION
- MIZUNO CORPORATION \*

## Communication/Entertainment

- Apple Inc.
- SoftBank Corp.
- SoftBank Robotics Corp.
- NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION
- Cisco Systems G.K.
- Konami Digital Entertainment Co., Ltd. \*

## Government/Public Sector

- Ministry of Economy, Trade and Industry
- GovTechTokyo
- National Institute of Information and Communications Technology
- National Agriculture and Food Research Organization
- Waseda University
- Kobe University

## Real Estate/Construction

- Mitsui Fudosan Co., Ltd.
- SHIMIZU CORPORATION
- TAISEI CORPORATION
- DAIWA HOUSE INDUSTRY CO., LTD.
- JGC CORPORATION
- JDC Corporation
- MAINICHI COMNET CO.,LTD.
- OKUMURA CORPORATION
- CBRE K.K.

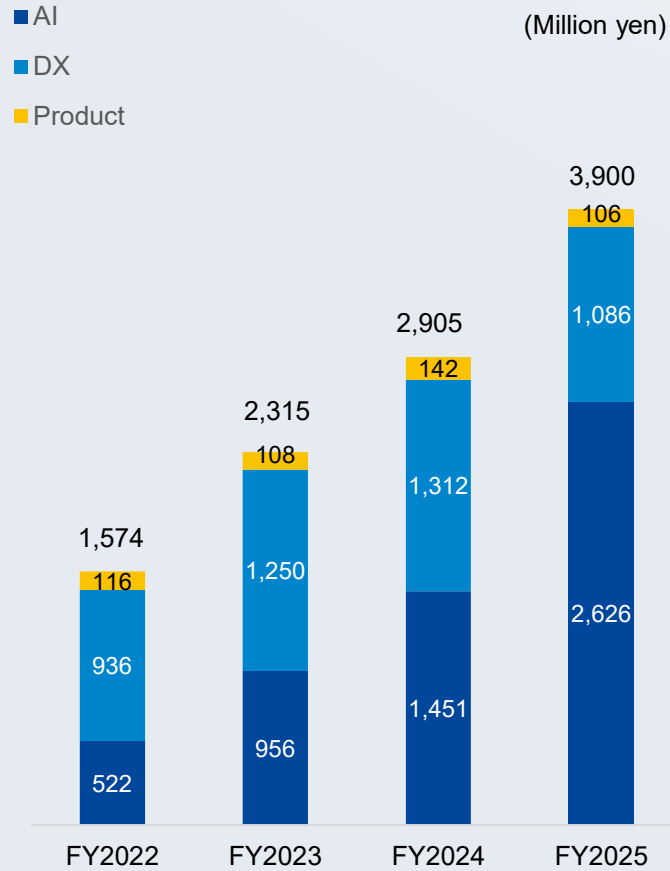
## Energy/Chemical

- Idemitsu Kosan Co.,Ltd. \*
- Electric Power Development Co.,Ltd. \*
- J-POWER Business Service Co., Ltd. \*
- INPEX CORPORATION
- The Kansai Electric Power Company, Incorporated
- Mitsubishi Chemical Corporation
- Mitsubishi Chemical Research Corporation \*
- FUJIFILM Holdings Corporation

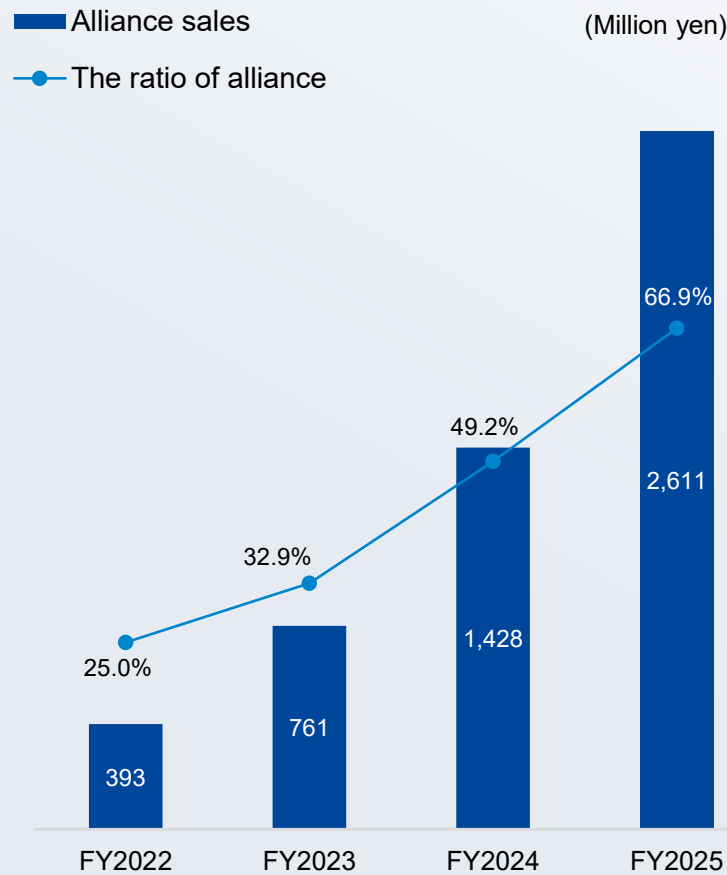
(In no particular order; an asterisk denotes a new client acquired within the past six months.)



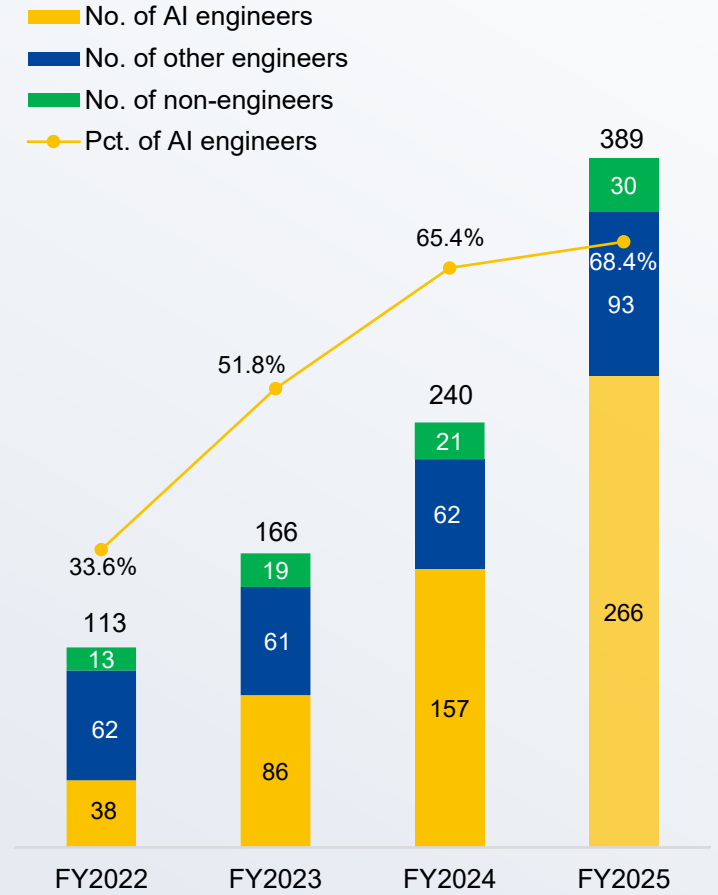
## Net Sales by Service Category



## Alliance Strategy-Related Sales

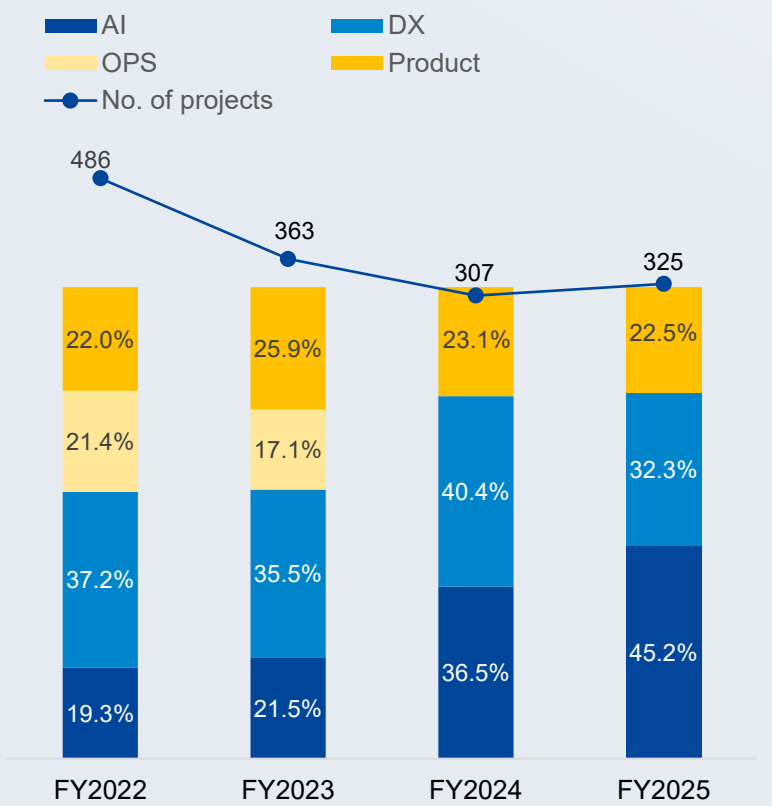


## No. of Employees and AI Engineers

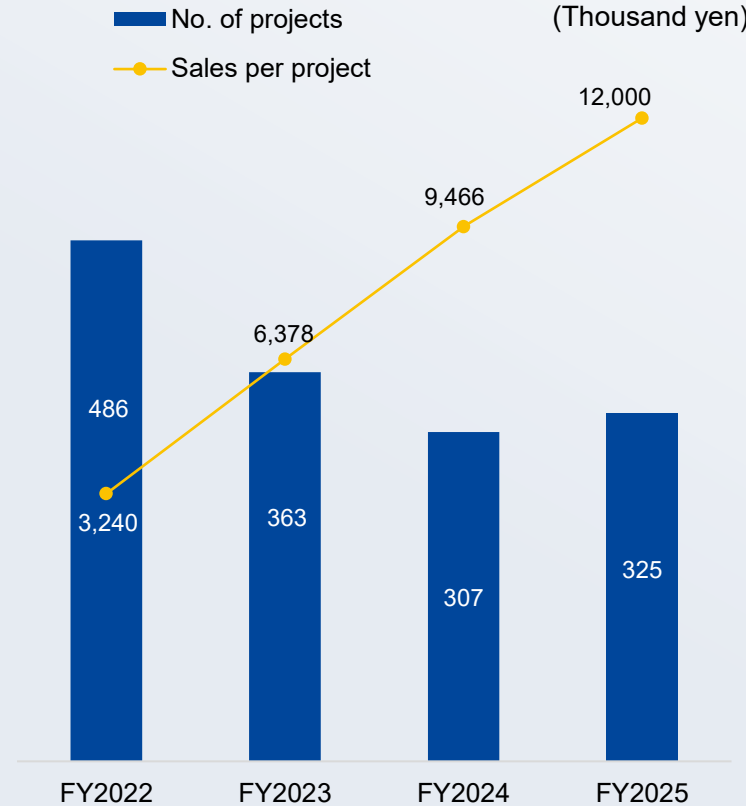


\*Excluding contract and part-time employees

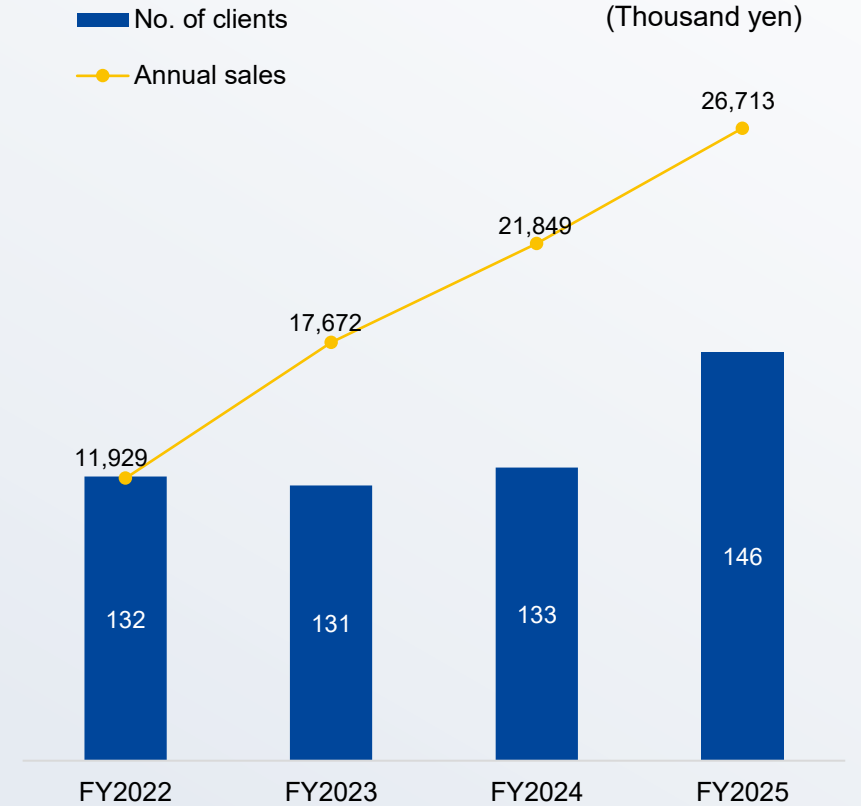
### No. of Projects and the Ratio of Projects by Service Category



### Sales per Project



### Annual Sales per Client



\*The OPS services category was terminated from FY2024.

# 03 — Consolidated Forecasts for FY2026



# Consolidated Forecasts for FY2026

(Thousand yen)

(Thousand yen)

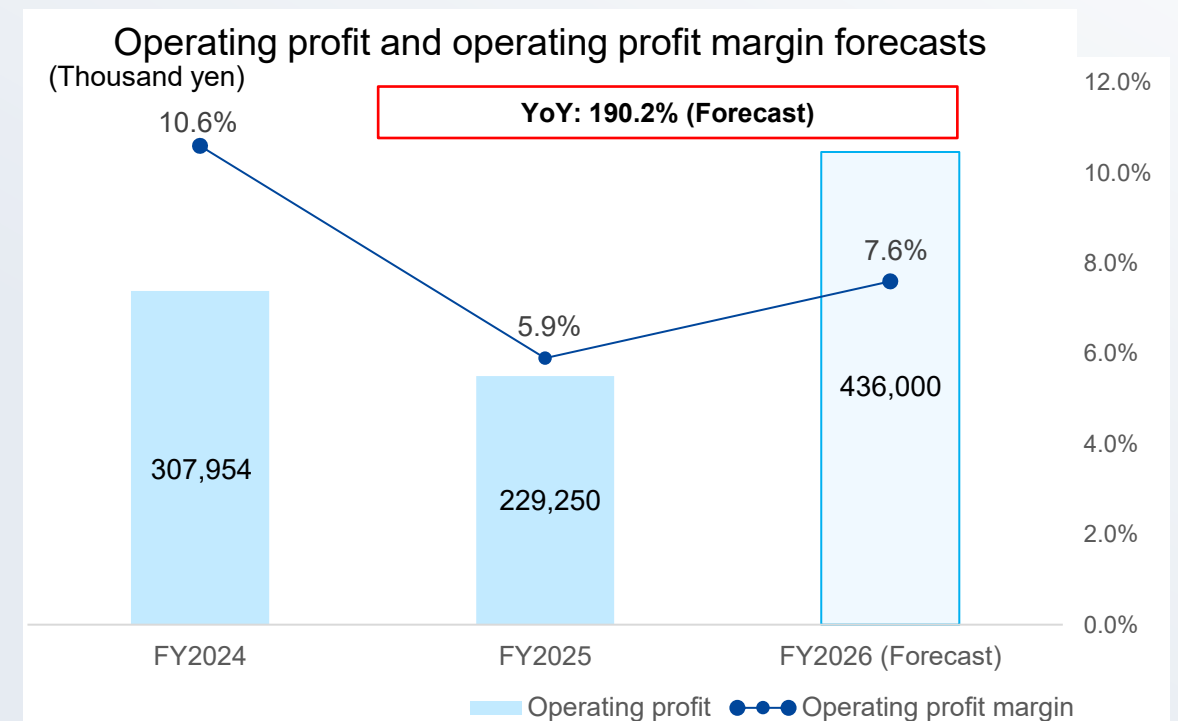
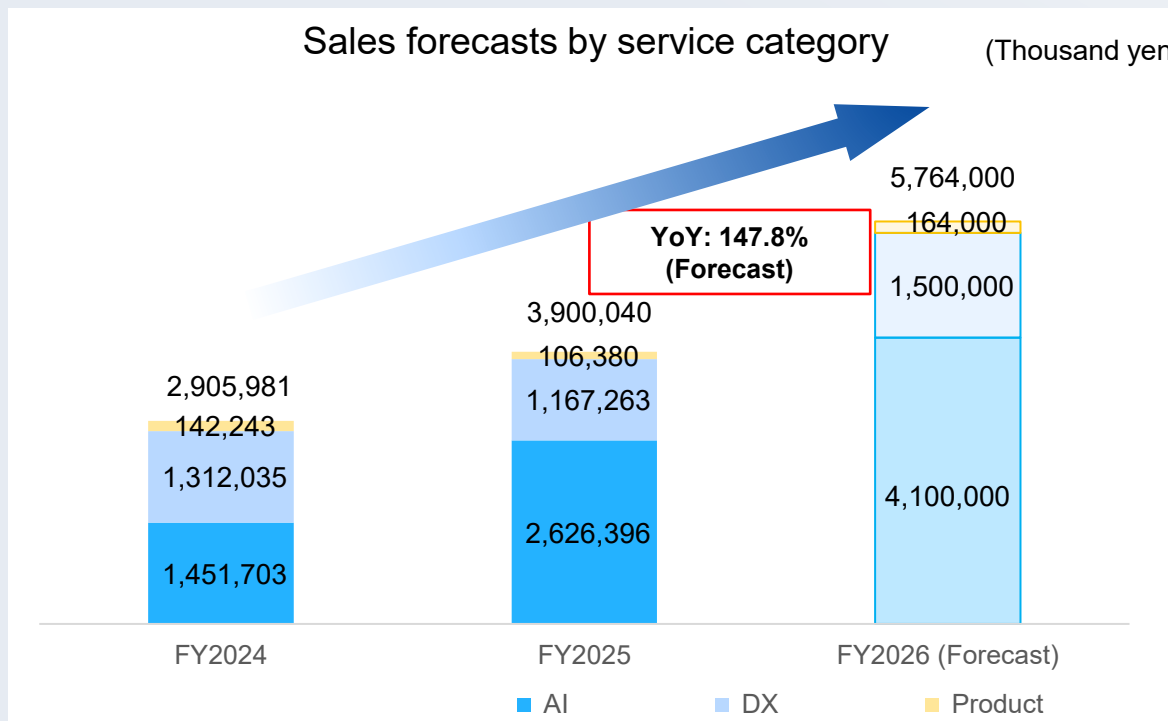
	FY2025 <b>Results</b>	
		Pct. to net sales (%)
<b>Net sales</b>	<b>3,900,040</b>	<b>100.0</b>
<b>AI</b>	<b>2,626,396</b>	<b>67.3</b>
<b>DX</b>	<b>1,167,263</b>	<b>29.9</b>
<b>Product</b>	<b>106,380</b>	<b>2.7</b>
<b>Operating profit</b>	<b>229,250</b>	<b>5.9</b>
<b>Ordinary profit</b>	<b>128,516</b>	<b>3.3</b>
<b>Profit attributable to owners of parent</b>	<b>57,656</b>	<b>1.5</b>
<b>Net income per share</b>	<b>15.13 yen</b>	

	FY2026 <b>Forecasts</b>		
		Pct. to net sales (%)	YoY change (%)
<b>Net sales</b>	<b>5,764,000</b>	<b>100.0</b>	<b>147.8</b>
<b>AI</b>	<b>4,100,000</b>	<b>71.1</b>	<b>156.1</b>
<b>DX</b>	<b>1,500,000</b>	<b>26.0</b>	<b>128.5</b>
<b>Product</b>	<b>164,000</b>	<b>2.8</b>	<b>154.2</b>
<b>Operating profit</b>	<b>436,000</b>	<b>7.6</b>	<b>190.2</b>
<b>Ordinary profit</b>	<b>411,000</b>	<b>7.1</b>	<b>319.8</b>
<b>Profit attributable to owners of parent</b>	<b>231,000</b>	<b>4.0</b>	<b>400.7</b>
<b>Net income per share</b>	<b>60.09 yen</b>		

# FY2026 Forecast

Headwaters sees FY2026 as a period in which the AI market will continue to expand through AI agents. In response to this market environment, Headwaters has positioned FY2026 as a year for establishing a sound Group-wide foundation through PMI, in which it aims to significantly increase the volume of sales to further accelerate the growth it has been recording.

- KPI: **Sales and recruiting**
- Net sales: **Sales target of 5.76 billion yen** with year-on-year growth of 47.7%, exceeding the growth rate in FY2025.
- Recruiting: Necessary investments will be made for **a net increase of 130 employees** and a turnover rate of 10% or less.
- Sales strategy: Efforts will be made to win orders for more projects by allocating organized sales resources to each business headquarters.
- Operating profit: While investments will be prioritized with a view toward the expansion of the volume of sales, **operating profit is expected to reach a record high.**
- Ordinary profit: **Both sales and profit are projected to increase**, despite the impact of derivatives and equity-method affiliates.



\* Forecast figures may change as they are as of the time of disclosure of these materials. The performance of the company to be merged with Headwaters is not included.

# 04 – Merger and Absorption of BBD Initiative



# Management Integration with BBD Initiative Inc. (Background/Purpose)

The most significant purpose of the management integration

- Facilitate the fusion of **technological capabilities and market development capabilities** by bringing together the two companies' management resources.
- Achieve sustainable growth and establish the leading position in the AI/DX market in both Japan and abroad.

## Changes in the market environment

The AI/DX market is growing drastically due to the rapid advancement of generative AI technologies, while simultaneously making its competitive environment increasingly sophisticated.

Measures should be taken quickly to **drive AI-based business transformation** from simple DX.

Seeing the capital and business alliance established in August 2025 as an opportunity, we set out to transform business models with a firm belief in AI's potential.

### Headwaters



Expert in the provision of AI implementation services

- ✓ Offers advanced technological strengths and implementation capabilities in the AI area
- ✓ Covers a range of tasks from cloud base establishment to operational efficiency
- ✓ Provides strong technological support for the digital transformation of companies

### BBD Initiative



Undertakes the automation of operations through SaaS and BPO

Facilitates a significant change in the focus of the business

**DX (SaaS) → AX (AI Transformation)  
Service → AI as a Service**

Headwaters Co., Ltd. will merge with BBD Initiative Inc. on May 1, 2026 and will move forward to the next stage of growth as the new Headwaters.

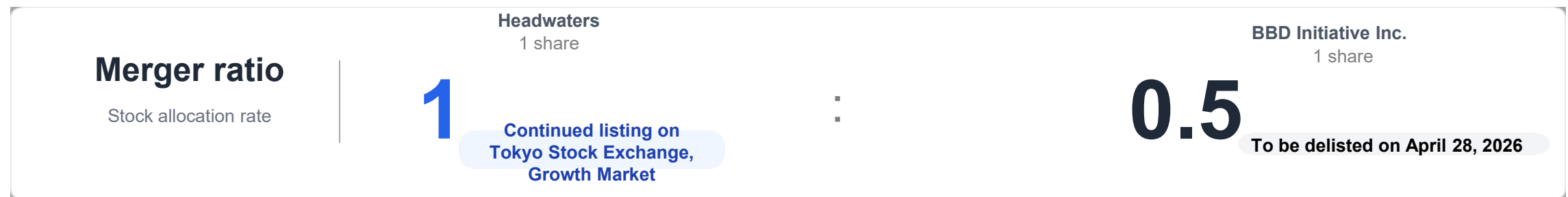
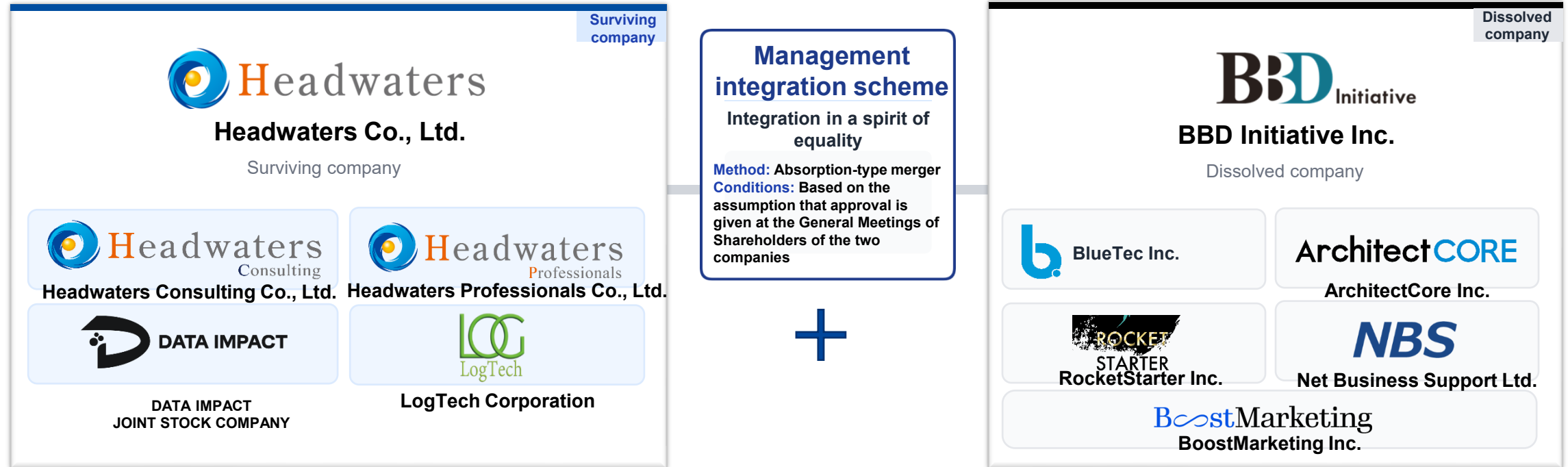
This merger is for a strategic integration to increase business scalability and establish more resilient and highly profitable business portfolios, based on the Headwaters' strengths of AI implementation and engineering capabilities.

The fusion of the two companies' technologies, human resources and customer bases will create medium- to long-term growth opportunities. The new company will provide shareholders with the new value created by this integration.

<b>Announcement date</b>	<b>January 26, 2026</b>
<b>Scheduled effective date of the merger</b>	<b>May 1, 2026</b>
<b>Scheduled date of stock de-listing (BBD Initiative)</b>	<b>April 28, 2026</b>



# Management Integration with BBD Initiative Inc. (Overall Picture of the Integration)



\* Number of shares to be allotted: 2,260,412 shares of common stock  
\* Fractional shares: The purchase system may be used and cash payment will be made for any fraction.



01

## Ensuring independence

Special committees are used to ensure that the evaluation process is objective. Eliminating the input of parties with conflicting interests for reaching decisions makes the entire process fair.

✓ Special committees



02

## Due diligence and adviser

The rigorous due diligence process encompasses finance, legal matters and business operations. An independent third party is used to assess and confirm risk factors from many perspectives.

✓ Use of specialists



03

## Approach for determining the merger ratio

The DCF, market value and other methods are used to determine a theoretical valuation. To confirm the suitability of the resulting valuation, a third-party value determination firm is used to receive an opinion about fairness.

✓ Third-party evaluation organizations

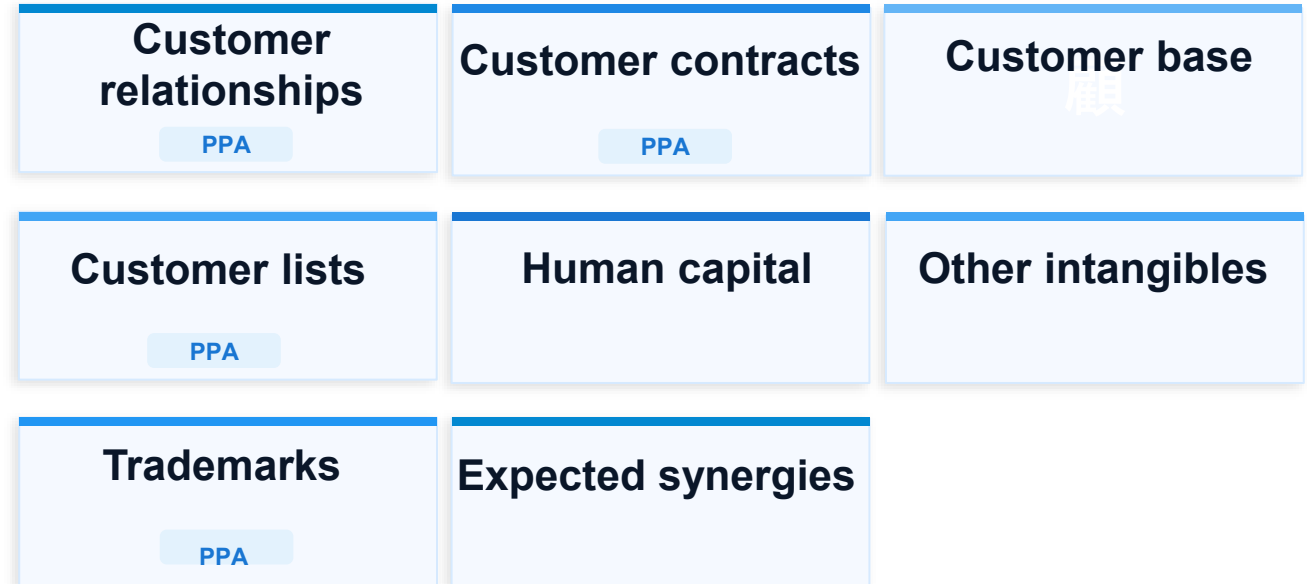


**Protect minority shareholder interests  
and maximize corporate value**

Assets	Liabilities/Net assets
Headwaters	Headwaters Liabilities
Goodwill and PPA	Headwaters Net assets
	Headwaters Net assets increase due to stock issued for the merger
BBD initiative	BBD initiative Liabilities

Expected balance sheet after merging with BBD Initiative

## BBD Initiative assets expected to generate future earnings

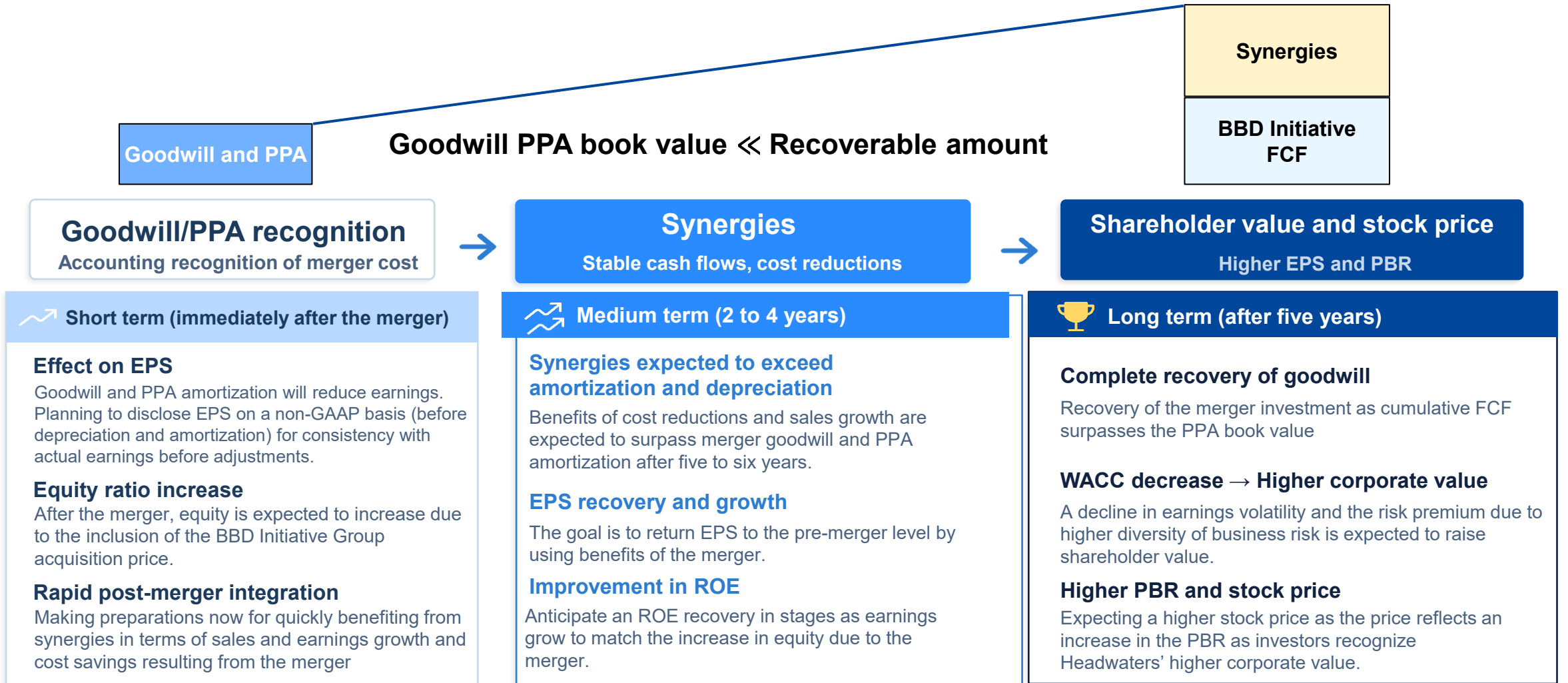


### Benefits of merging with BBD Initiative

Headwaters believes that this merger will add assets that increase the speed of corporate value growth and will significantly increase the equity ratio.

Note: Goodwill and other financial effects of the merger in this presentation are estimates based on business plans and preliminary calculations. These figures are prior to the determination of purchase price allocation (PPA). Headwaters will announce final figures after the purchase price allocation process has been completed. Final figures may differ from the current estimates due to a change in the business climate after the merger or for other reasons.

# ▶ Effect of the Merger on Shareholder Value



**The goal is a higher medium/long-term shareholder return due to synergies that exceed goodwill and PPA amortization and to corporate value growth.**

\*Figures and outlooks on this page are estimates prior to the finalization of PPA. An announcement will be made after PPA has been finalized.

# Business Growth Strategy Through Management Integration (Intangible Assets Held by BBD Initiative)

Parameters specifically related to sales in the billions of yen, which have been accumulated through SaaS

AI-related data

100 sales partner companies, through which we can accelerate sales

Operating assets

Customer base of approximately 7,000 companies centered on SMBs

Operating assets

One of the largest, fresh and high quality BtoB corporate data in Japan

AI-related data

Approximately 150 outstanding engineers

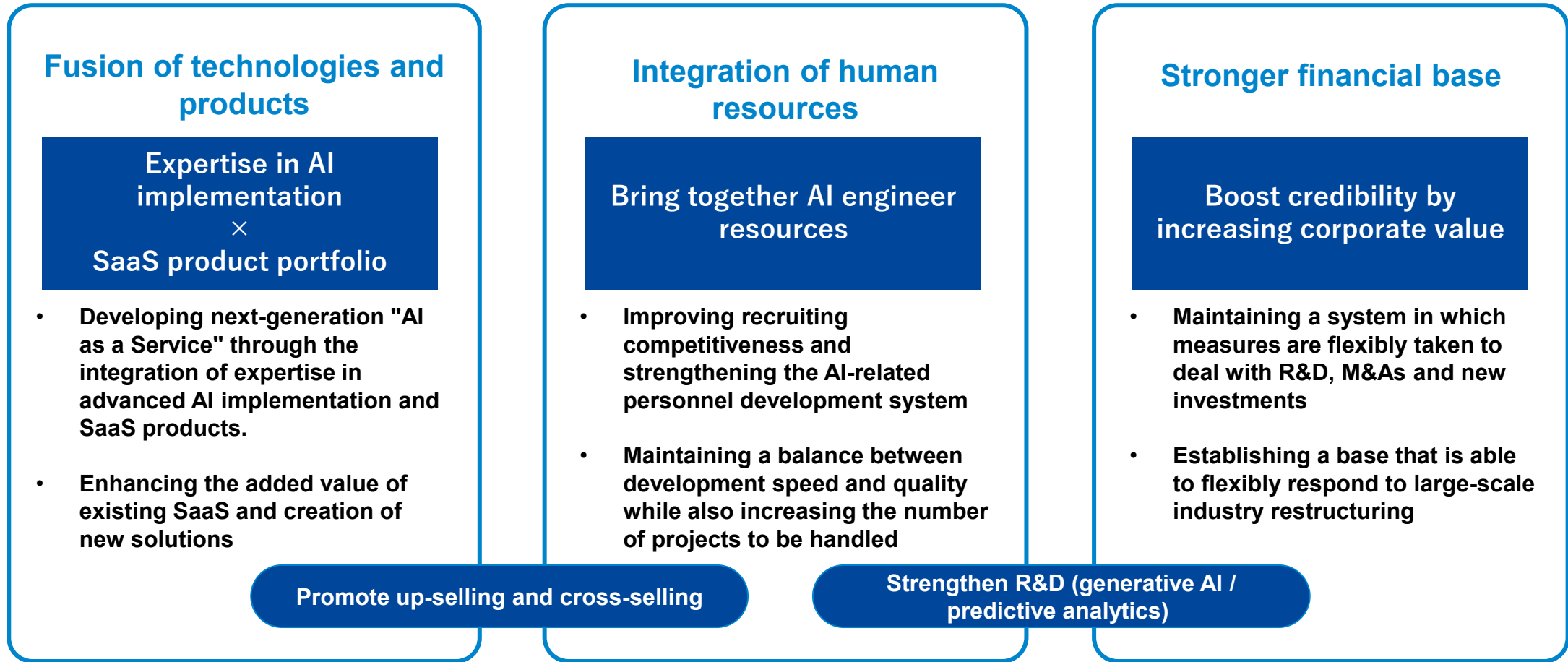
AI engineers



# Business Growth Strategy Through Management Integration (Creation of Three Types of Value: Synergy)

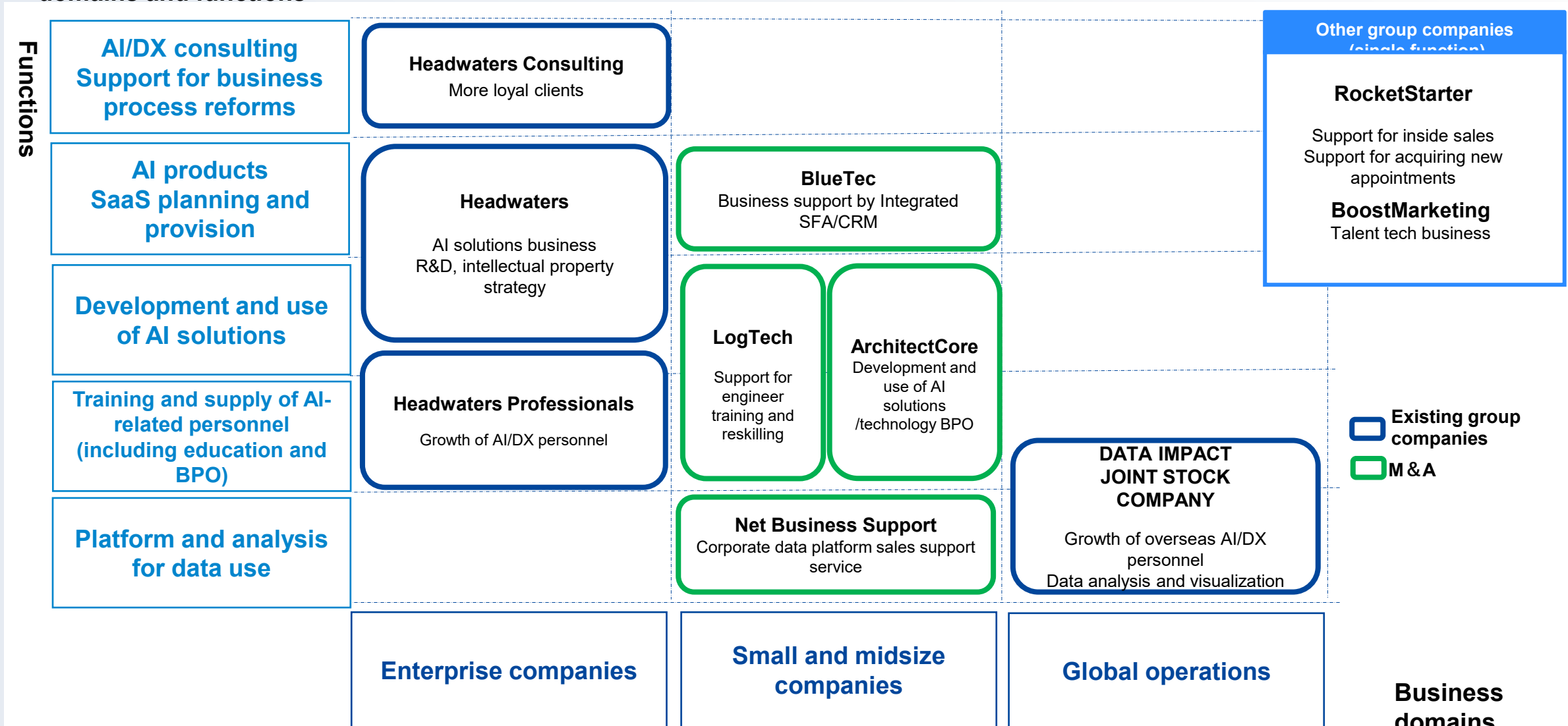
We will achieve sustainable growth through the integration of the two companies' strengths.

## Establish the leading position in the AI and DX market

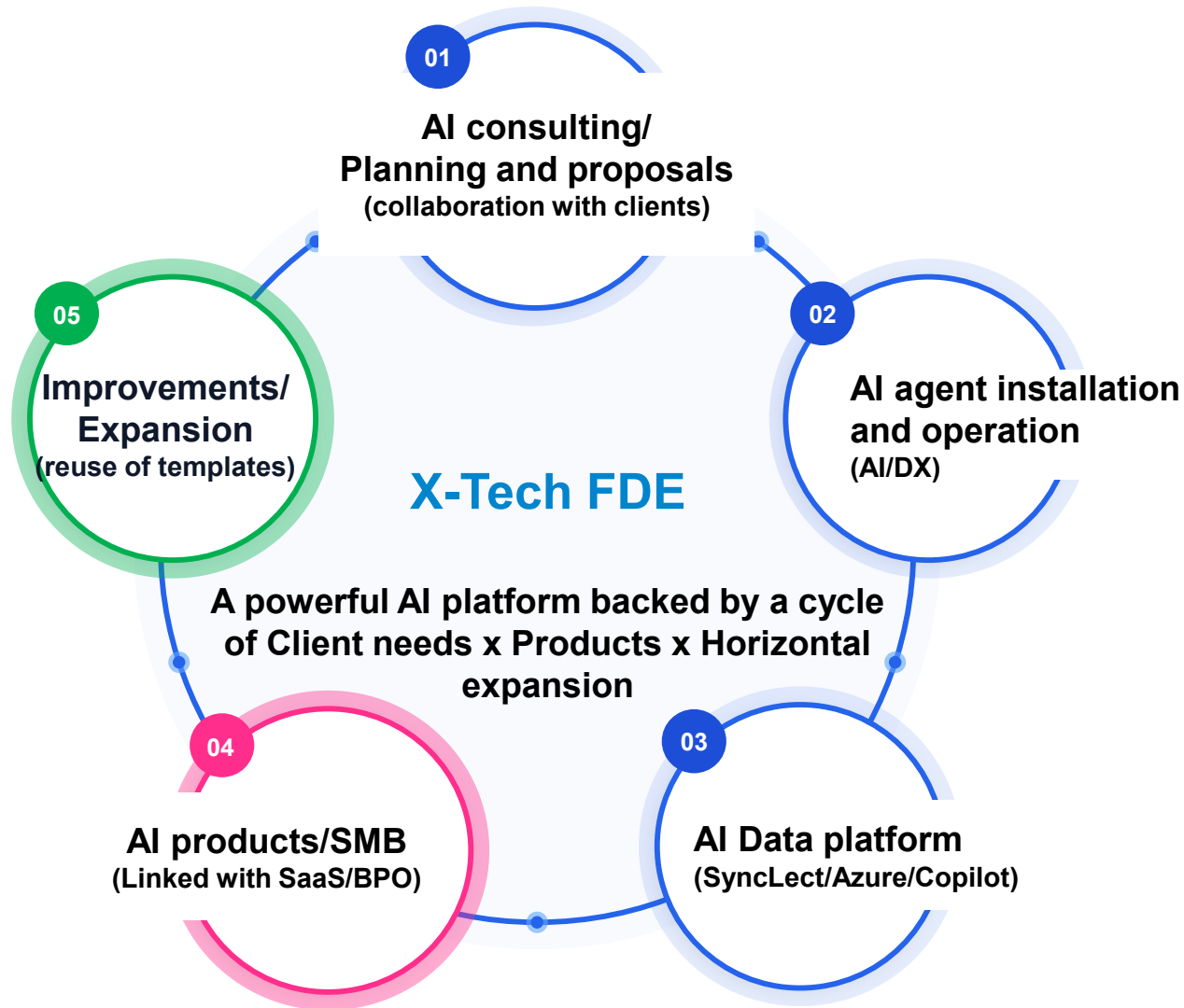


# The Post-merger Business Portfolio (Domains and Functions)

The business portfolio after the merger and roles of businesses from the standpoints of business domains and functions



# Business Evolution due to Management Integration



**01 Client collaboration using X-Tech FDE**

- Identify needs
- Planning/proposals based on new technologies and knowhow

**02 Installation/operation of AI agents**

- AI-driven development and other uses of new technologies
- Volume production of AI agents with updates including peripheral systems

**03 AI data platform**

- Establishment and provision of platforms as the base for AI agents and business data

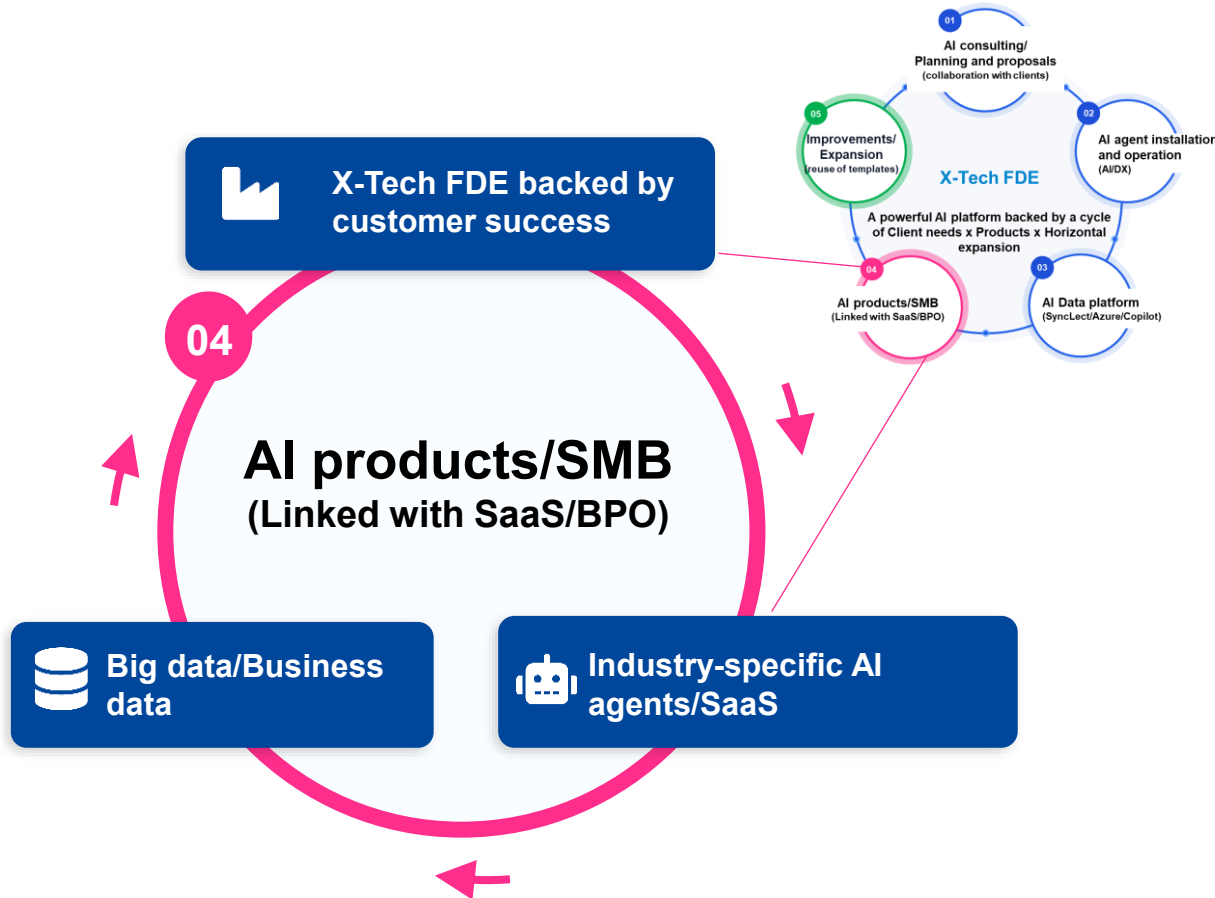
**04 Upgrade SaaS to AI products/Use at small and midsize companies**

- Incorporate in AI products the expertise acquired from activities 01 to 03

**05 Improvements and expansion**

- Use the AI products in 04 in the X-Tech FDE of 01
- Use AI agents with proven effectiveness at large companies in AI products too

## Become an AI platform vendor by using mainly data accumulated using SaaS



An advantage over other companies that have big data

**X-Tech FDE backed by customer success**

Customer success provides support involving AI and the DX for the use of AI products by customers who do not have advanced IT expertise.

**Industry-specific AI agents/SaaS**

Customer success identifies needs, develops AI agents for specific industries, and quickly incorporates these agents in AI products.

**Big data/Business data**

AI products use AI agents (self-reliant business operation AI) for continuous updates while storing business data.



## Basic Policy

- Make large investments in people and a stronger business infrastructure.
- Provide shareholders with capital gains as the stock price climbs due to medium to long-term earnings growth.

## Profit Allocation Priorities

- (1) Investments for growth (recruiting, human resources, products)
- (2) Financial soundness (maintain sufficient liquidity)
- (3) Shareholder distributions in the future

**Dividends/Benefits:** Decisions will be made after the listing is changed to the Prime Market and in consideration of progress concerning financial soundness.

**Stock repurchases:** Repurchasing stock is an effective method for returning earnings to shareholders. Decisions will be made based on the stock price and market conditions

**To accomplish the goal of a Prime Market category listing in the future, the policy is to continue growing steadily while in the Growth Market category and consistently increasing shareholder value.**

# 05 — Strategic Goals



- (1) Need for actions involving businesses using leading edge technologies**
- (2) Measures for increasing life time value (LTV) and profitability**
- (3) Activities for recruiting, retaining and training talented people**
- (4) Stronger corporate governance and internal controls**
- (5) Efficiency of post-merger integration activities**

### Issues for Business Operations

**Growth:** Knowledge acquired from projects is not sufficiently used for products that can alter the profit structure

**Clients:** Currently focusing on large companies; no measures yet for providing AI services to small and midsize companies

**People:** Recruiting is going well but more time will be needed to give people training to meet the strong demand for AI

# ▶ Short-term and Medium/Long-term Strategies for Growth

## Short term

— AI agents  
— AI-driven development

**AI agent/AI-driven development capabilities** are the key to success.

→ R&D activities have already cut the number of steps by 30% to 92%.

— Post-merger integration

Expect sales growth from the integration of human resources, clients and knowledge

— Use external resources

Sales are growing rapidly due to the **strategy of forming alliances**. Strengthening collaborations with Microsoft and other major companies.

(Reference: KPI)  
Service category sales  
Number of projects and composition for individual service categories

(Reference: KPI)  
Sales associated with the alliance strategy  
Annual sales per client

## Medium/Long Term

— More sales from recurring sources

Using X-Tech FDE to improve the sales strategy and contract formats with the goal of establishing a stable base for sales and earnings.

— New sources of earnings

Use R&D involving new technologies and by incorporating AI functions in SaaS products.

(Reference: KPI)  
Service category sales

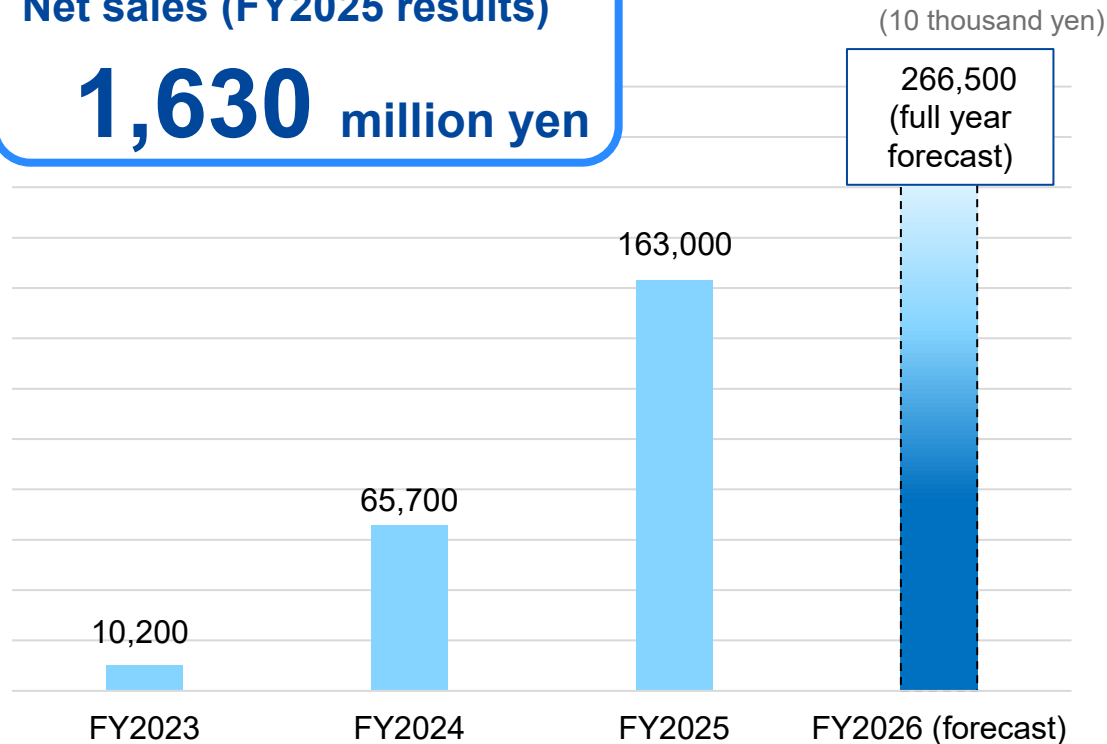
# ▶ AI Agent (Performance and Outlook)

- Headwaters sales in the generative AI / AI agent category are climbing as the entire generative AI / AI agent market grows.
- In FY2025, generative AI sales were about 1,630 million yen, which was 62% of total AI sales of about 2,620 million yen.

## AI Agent Sales

Net sales (FY2025 results)

**1,630 million yen**



\* Forecasts are as of the date of this presentation and may be revised afterward.

## Outlook for the Generative AI Market

- Full-scale use of AI agents
  - Advancing to execution-style AI that can handle everything from decisions for complex tasks to conducting business operation
  - AI is acquiring the capability to understand instructions from people and to perform business processes autonomously
- Use of MCP (Model Context Protocol)
  - Standardization of linkage of different systems for higher efficiency and a more powerful data integration analysis capability
- Increasing importance of multi-AI agents
  - Multi-AI use for handling of complex tasks and the optimal use of specialized AI
- Faster integration with the operations of clients
  - Progress with mobile and smart devices and with physical AI integration, including robotics and the IoT
  - Upgrading the user interfaces (UI) to the level of business use
  - More investments for the fusion of AI with actual spaces in the mobility, manufacturing, communications, finance and other industries
- Progressing to specialized models
  - Rapid increase of specialized generative AI models for the medical, legal, financial and other sectors
  - Specialized AI with outstanding accuracy regarding knowledge and rules of specific industries
  - Self-reliant AI tools: Auto-coding (AI-driven development) of development tasks

### Issues

Energy efficiency, cost efficiency, trust issues, privacy issues, need for a platform for the AI decision making process, intellectual property rights, and other issues

# ▶ Examples of AI Agents: Daiwa Securities Group

## More collaboration with the Daiwa Securities Group

— AI operator → App development → DX support → Faster creation of a loyal client



**Customer experience (CX) innovation**

### Daiwa Securities AI Operator

AI agent created a new customer experience

- ✓ The first conversational AI operator at a Japanese financial institution
- ✓ Real time responses for stock prices, NISA, administrative procedures and other items
- ✓ Multi-agent structure automates even complex tasks
- ✓ Upgrades service quality by handling the growing number of customers with the new Nippon Individual Savings Account (NISA)



▲「生成AIとDXの最前線」のヘッドフォース発表資料より



**New business**

### Daiwa Lens Beta Version

- ✓ Displays stock information for company linked to a photo (GPT-4o mini)
- ✓ Can be used for educational programs for finance and economics
- ✓ Encompasses the Daiwa Securities Group headquarters, QUICK and Headwaters



**DX training**

### Copilot Studio Hands-on Workshop

- ✓ More than 400 Daiwa Securities Group employees have participated
- ✓ A place to learn AI agent development and operation skills
- ✓ Linked with DX progress in the “Passion for the Best 2026” medium-term plan

### Actions for creating a loyal client

- ✓ CX innovation (AI operator) → New business co-creation (Daiwa Lens) → DX training (Copilot Studio WS) collaboration domain expansion
- ✓ Build a framework where Headwaters handles the implementation of a strategic partnership between the Daiwa Securities Group and Microsoft Japan

# ▶ Examples of AI Agents: Fujitsu x JAL

## On-device generative AI created for airline cabin crew tasks— — More efficient production of reports during a flight —

Higher work efficiency

### 📱 Developed an in-flight AI app that functions without an internet link

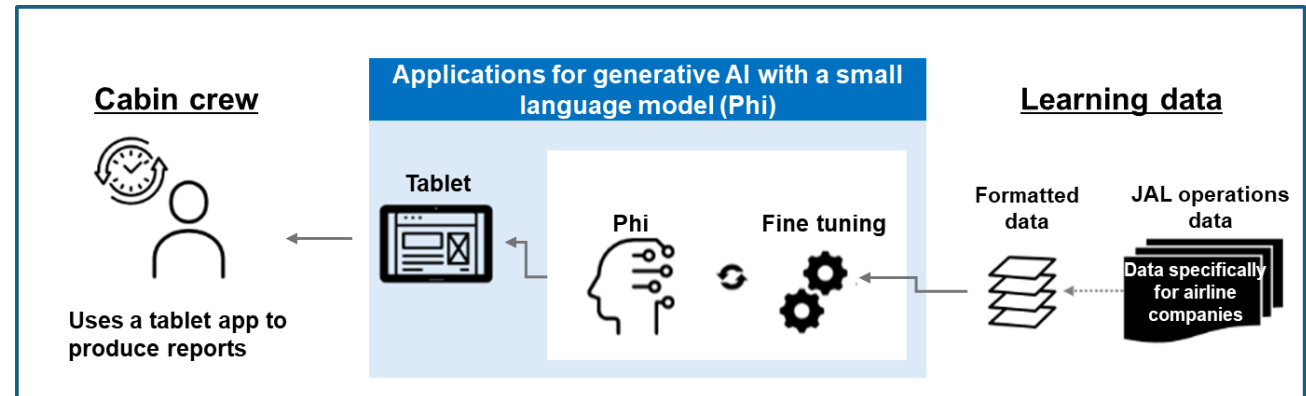
- ✔ The AI app can be used without the internet
- ✔ Automatic report production using the chat function on a tablet

### 🕒 Big reduction in report production time lowers crew workload

- ✔ Automatic production of reports for the next crew; fewer corrections
- ✔ Allows cabin crew to spend more time serving passengers

### 🌐 Global Microsoft AI Tour included app information

- ✔ Microsoft CEO Satya Nadella talked about the JAL-AI Report in his keynote speech.
- ✔ A large project is under way in partnership with Fujitsu.



### 🤝 Proof of the benefits of using multiple alliances

This project combines strengths of three partners: Fujitsu (a major system integrator), Microsoft Japan (platformer), and Headwaters (AI agent specialist).  
— The result is the first on-device AI in the airline industry, an accomplishment beyond the reach of a single company. This app is an excellent example of a business made possible by a strategic multi-alliance.

# ▶ Examples of AI Agents: Remote Robotics

Support for the development of a **vocal command prototype** for **Remote Robotics Inc.** (owned jointly by Sony Group Corporation and Kawasaki Heavy Industries, Ltd.) that uses **HWS Agent Camp**

The Microsoft AI Co-Innovation Lab KOBE has produced a prototype of a real time remote control system for robots and cameras. Instructions are given in the form of vocal commands that utilize Azure AI Speech/Azure OpenAI (GPT-4o/GPT-5).






 **Creation of vocal command prototype**

 **AI assistant with Remolink**

 **Optimize low-latency architecture**

## ■ Upcoming activities

-  Using Agentic RAG as the base, develop next-generation UX technologies suitable for the remote control of robots and industrial equipment.
-  Create physical AI solutions that integrate digital twins, multimodal AI, and an edge/cloud platform.
-  Use this technology to increase productivity and workplace safety and to facilitate a variety of working styles.

# ▶ Medium/Long-term Growth Plan with a Prime Market Listing Goal

A growth strategy centered on (1) one-stop solutions in the AI/data platform domain, (2) the use of AI-driven development for higher profitability, and (3) investments in our people. The goals are growth much faster than the average expansion of the AI market and a Prime Market listing.

Expansion using business integration



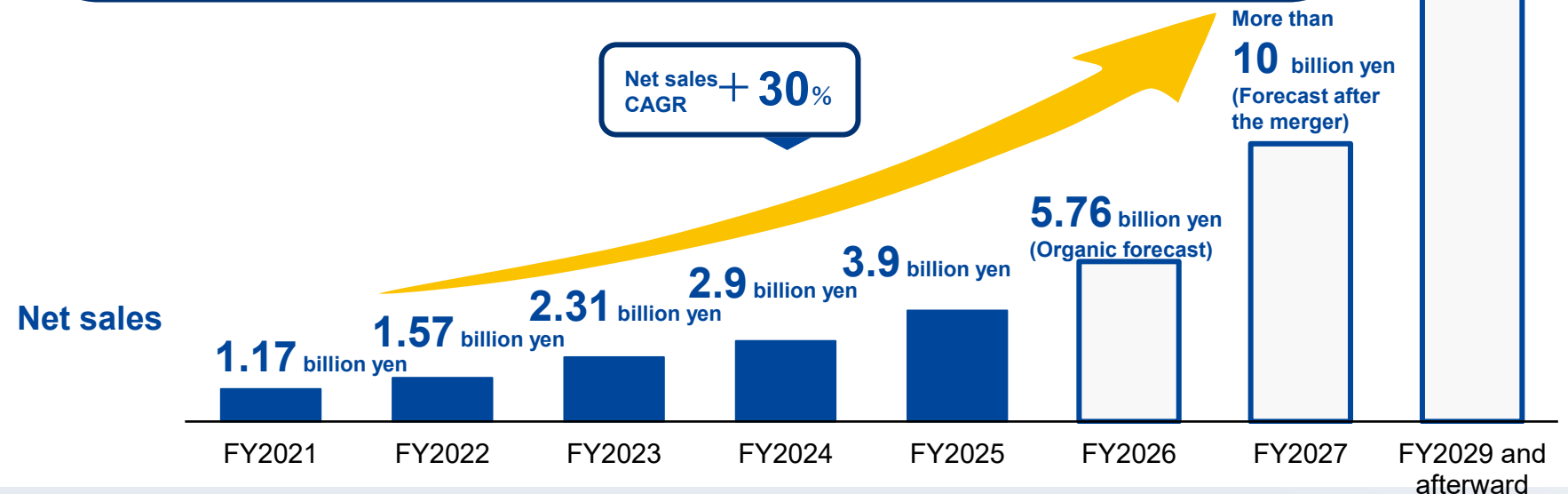
Organic business growth



Plan for medium/long-term growth

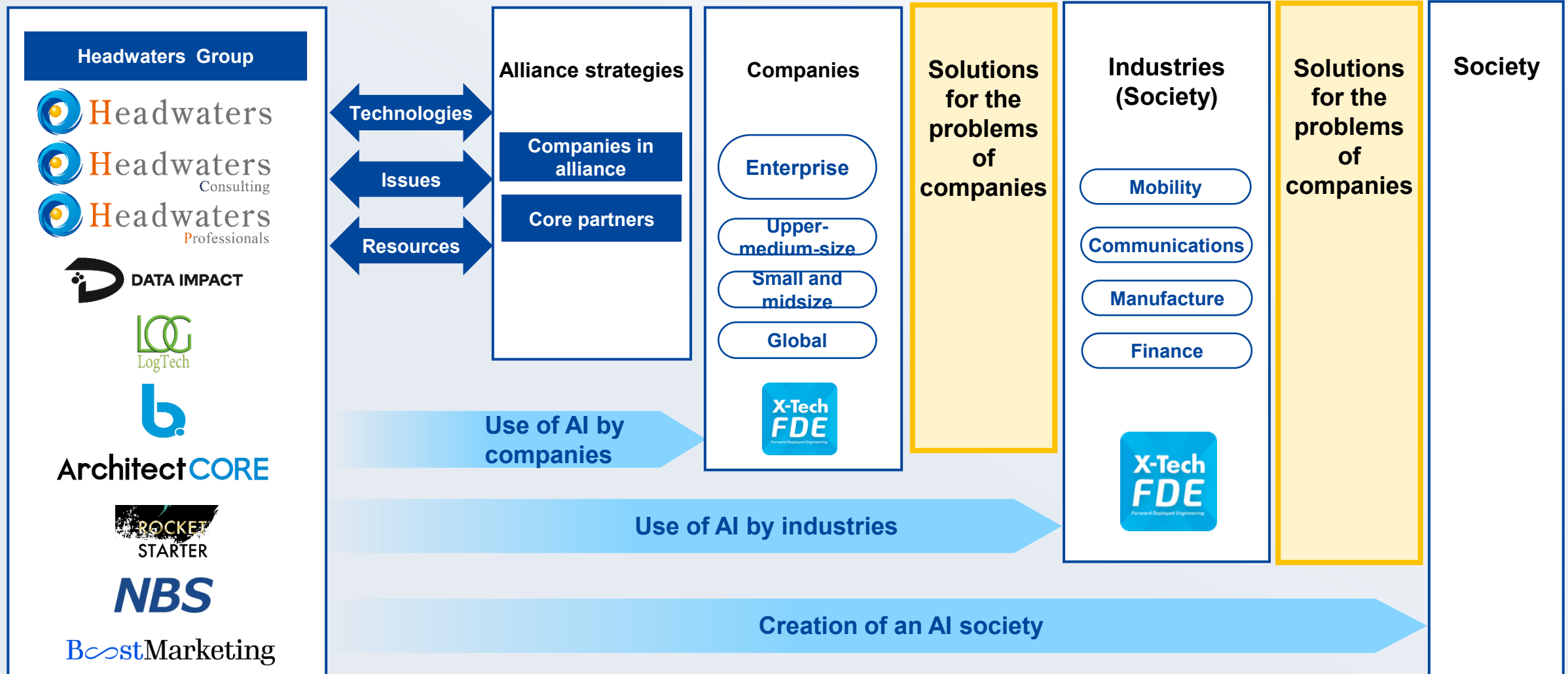
## Expansion using strategic alliances

- Strengthen AI for specific industries; more joint business activities
- More M&A/partnerships for even faster growth
- Use the loyal client strategy to add more clients and develop new businesses for existing clients
- Use joint activities to build a stronger organizational platform (HR and product development)
- 2026: Post-merger integration and business foundation strengthening phase
- 2027-2028: Compliance with Prime Market listing requirements, including for corporate governance



# ▶ Medium/Long-term Actions: Strategy Map for Creating an AI Society

Play a role in creating an AI society by supplying AI platforms combining AI and data for industries and companies



# Appendix



### ■ Headwaters launches an AI agent solution using NTT's "tsuzumi" LLM on Microsoft Azure (January 6)

- Headwaters started providing to clients an AI agent solution that uses the NTT "tsuzumi" large language model on Microsoft Azure. With excellent Japanese language processing capabilities, this solution can meet the needs of companies that require a Japanese model.
- Due to the increasing use of generative AI in Japan, demand is increasing for precise Japanese language capabilities and a Japanese model that companies can use with confidence. To meet this demand, the decision was made to use "tsuzumi" on a platform consisting of technologies created by the Azure OpenAI Service. Using NTT's natural language processing technology backed by 40 years of experience made it possible to provide a small yet multimodal AI agent solution.
- This solution has a RAG structure with embedded business process knowledge, chunking processing and fine tuning for greater precision, a multi-AI agent, a dialogue agent with voice compatibility, and an LLMOps for coverage extending to operational support. The result is more efficient business processes and higher quality.

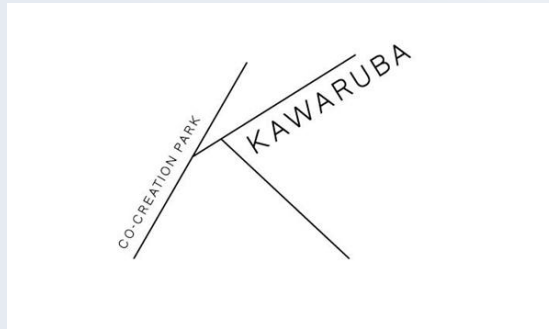
### ■ Launch of the "SyncLect AI Agent" next-generation AI agent service (January 22)



- Headwaters started providing "SyncLect AI Agent" to clients on January 22. This multi-AI agent compatible platform is the successor to "SyncLect Generative AI."
- This new AI agent meets the need for the autonomous processing of complex business tasks that is difficult using a single model and the need for higher efficiency and lower expenses and the need for higher efficiency and lower expenses through 24-hour operation.
- Linking this complex AI agent with AutoGen allows outstanding customization, such as the reuse of templates stored in an Azure Cosmos DB.

## FY2025 Main Topics (2)

- **Announcement of support for KAWARUBA, the Social Innovation Co-creation Park of Kawasaki Heavy Industries. Demonstration of solutions with a view toward realizing a hydrogen society and facilitating social robot-based social transformation (April 16)**



- Headwaters announced the support for Co-Creation Park-KAWARUBA, the social innovation co-creation base of Kawasaki Heavy Industries. Many companies work together at this location to develop next-generation technologies and demonstrate the ability of these technologies to solve social issues.
- KAWARUBA has the vision of creating a hydrogen society and a society that uses social robots. Headwaters plans to use AI technologies to play a role in the creation of a sustainable society.
- By using its AI solutions and services, Headwaters participate in demonstration trials and the development of solutions at the co-creation park for the purpose of assisting with creating innovative ideas for industrial and social infrastructures.

- **Release of the beta version of the Daiwa Lens App for smartphones in collaboration with the headquarters of Daiwa Securities Group (April 23)**



- Headwaters has released a beta version of the Daiwa Lens smartphone app by working with the headquarters of the Daiwa Securities Group and QUICK.
- The app uses a multimodal generative AI to identify companies associated with objects in photos. This allows immediately displaying stock prices and other information about these companies. Linking investments directly with photos showing ordinary activities of people and products gives even first-time investors an interest in the stock market.
- Highly accurate image analysis is made possible by using GPT-4o mini, a smaller OpenAI model. Matching of images and company information is very fast. Furthermore, the simple UI is easy to use even for beginners. Another feature is the use of a design that is intuitive and easy to understand rather than candlestick stock price charts.

# ▶ FY2025 Main Topics (3)

- **Launch of the customized MCP Server Introduction Hands-on Lab Service for user companies of Microsoft Azure or Microsoft 365 Copilot that have introduced AI agent platforms or installed AI CoE (May 22)**



- Headwaters has launched a hands-on lab service for the use of customized MCP servers. The new service uses Microsoft Azure and Microsoft 365 Copilot.
- Many companies are seeking the best practice for starting the use of an AI agent. However, their understanding of MCP (Model Context Protocol) is often insufficient. As a result, there is a growing demand for the knowledge and technological assistance required to use an AI agent.
- Engineers and consultants specializing in this field work together to provide support extending from a basic understanding of MCP to the construction of a customized MCP server using Microsoft Azure. Assistance also extends to compatibility with a GitHub or multi-agent environment.

- **Co-development by Headwaters and Fujitsu of the Fujitsu AI Auto Presentation, a function for automating presentations using declarative agents (June 19)**



- Headwaters and Fujitsu have jointly developed Fujitsu AI Auto Presentation, an AI agent that can be used with Microsoft 365 Copilot.
- This AI agent meets the need for the easy production of presentations using AI avatars and for making business processes more efficient. Using this agent reduces the time needed to produce presentations and give explanations.
- Users can use the chat function to create an AI avatar based on a face and voice. Slides and languages can be designated. The resulting presentation uses an avatar to give explanations based on AI-created text. In addition, presentations can be automatically switched in accordance with time allocations. This service uses 30 languages and supports question-and-answer sessions. Compatibility with Microsoft Teams and PowerPoint is planned.



## ■ Launch of the AI-Driven Development/Vibe Coding CoE Service to support AI agent-based autonomous software development (June 25)



- Headwaters has started a Center of Excellence (CoE) service that assists companies with the use of autonomous software development (AI-driven development/Vibe coding) incorporating AI agents. The service provides assistance for the practical use of GitHub Copilot Coding Agent and other next-generation AI development methods.
- Advances involving generative AI have expanded the use of AI to cover steps from defining requirements to the installation and testing stages. At companies, there are problems regarding operational rules and insufficient governance. As a result, demand is increasing for AI utilization frameworks spanning an entire organization.
- This CoE service establishes guidelines, creates an environment for development operations, trains people, and provides support while working closely with clients. By using AI, this raises the productivity of development operations and upgrades the ability of companies to perform development tasks internally.

## ■ Launch of the Copilot Advanced RAG Service using SharePoint/Microsoft Fabric as a data source for companies who have not been successful using RAG in Copilot (August 19)



- Headwaters started a Copilot Advanced RAG service for internal data linkage at a higher level at companies that use Microsoft 365 Copilot. The service provides support for the establishment of a data infrastructure that uses SharePoint and Microsoft Fabric.
- Many companies that use Copilot have problems with the differing quality of responses caused by search accuracy issues and the dispersion of information. As a result, the need for advanced RAG designs is increasing for the purpose of effectively using Copilot in business processes.
- This RAG service raises productivity by transforming Copilot from simply a method for supporting searches into a business AI that supports decision-making by using semantic searches metadata designs for the integration of information at a company.

# ▶ FY2025 Main Topics (5)

- Headwaters enhanced the AI operator reception service in collaboration with Daiwa Securities Co., Ltd. — Transformed the customer experience (CX) by utilizing leading-edge technologies — (October 20)



- Headwaters and Daiwa Securities have expanded a reception and information service that uses AI agents. The upgraded service will improve responses by financial institutions to questions and other requests from customers.
- In the financial services sector, there are problems involving the need for people to answer calls from customers as well as the inconsistency of the quality of responses. As a result, there is an increasing need to use AI for automated responses and higher efficiency.
- Using an AI operator for customer reception and information services reduces the volume of work while improving the customer experience. Headwaters is using this service as a model for the use of AI agents in the financial services sector.

- Headwaters entered the next-generation physical AI market on a full-scale basis — Provision of the "autonomous thinking physical AI technology" in the enterprise market using the AI agent technology as core competence — (November 18)



- Headwaters has started providing autonomous thinking physical AI solutions that are based on AI agent technology. This step marks the full-scale launch by Headwaters of activities in the next-generation physical AI market, which includes robotics and edge AI.
- Due to generative AI progress, demand is growing rapidly for AI capable of autonomous decisions and actions in the digital domain as well as in the real world.
- Linking several AI agents and using RAG technology allows the use of AI for the workplace digital transformation and in smart industry applications. The goal is to create new categories for the use of AI.



## List of Topics (1)

No.	Title	Category
1	<a href="#">Headwaters launches an AI agent solution using NTT's "tsuzumi" LLM on Microsoft Azure</a>	AI Agent
2	<a href="#">Edge-AI-Based Cargo Handling Time Management Solution co-developed with Sony Semiconductor Solutions exhibited at Smart Logistics EXPO</a>	Physical AI
3	<a href="#">Headwaters and Databricks established Databricks GenAI LAB to strengthen collaboration in generative AI and data infrastructure</a>	Partnerships
4	<a href="#">Launch of the "SyncLect AI Agent" next-generation AI agent service</a>	AI Agent
5	<a href="#">Strengthened collaboration with Secure Inc. to jointly develop AI agent-based surveillance camera solutions</a>	AI Agent
6	<a href="#">Approach and Policy regarding Reduction of Minimum Investment Unit</a>	IR Activities
7	<a href="#">Notice of Difference Between Forecast and Actual Results, and Recording of Non-operating Expenses (Derivative Valuation Gain)</a>	IR Activities
8	<a href="#">Consolidated Financial Results for the Fiscal Year Ended December 31, 2024 (Under Japanese GAAP)</a>	IR Activities
9	<a href="#">Financial Supplementary Materials for FY2024</a>	IR Activities
10	<a href="#">Notice Regarding Change of Certified Public Accountants</a>	IR Activities
11	<a href="#">Conducted edge AI validation using SLM, Microsoft IoT Edge, and Fine-Tuning in collaboration with Tokyo Electron Device</a>	Physical AI
12	<a href="#">Extraordinary Report</a>	IR Activities



## List of Topics (2)

No.	Title	Category
13	<a href="#">Notice of Receipt of Notification Regarding Rejection of Registration of Accounting Auditor on the List of Auditors for Listed Companies, Etc.</a>	IR Activities
14	<a href="#">Launch of Agentic RAG service enabling autonomous AI through the integration of AI agents and business data</a>	AI Agent
15	<a href="#">Result of Operations for FY2024</a>	IR Activities
16	<a href="#">Notice of the Annual General Meeting of Shareholders and Meeting Materials for FY2024</a>	IR Activities
17	<a href="#">Launch of Agentic Voice RAG, an AI agent service powered by GPT-4o Realtime API</a>	AI Agent
18	<a href="#">[Delayed] Financial Supplementary Materials for FY2024</a>	IR Activities
19	<a href="#">[Delayed] Consolidated Financial Results for the Fiscal Year Ended December 31, 2024</a>	IR Activities
20	<a href="#">Supported the operation of Mobile App Contest 2024 organized by the Tokyo Metropolitan Board of Education</a>	DX
21	<a href="#">[Delayed] Results of Operations for FY2024</a>	IR Activities
22	<a href="#">Headwaters and Fujitsu conduct PoC for task-specific on-device generative AI solution to streamline report creation by Japan Airlines cabin attendants</a>	AI Agent
23	<a href="#">Extraordinary Report</a>	IR Activities
24	<a href="#">Securities Report — 20th Fiscal Period (January 1, 2024-December 31, 2024)</a>	IR Activities



## List of Topics (3)

No.	Title	Category
25	<a href="#">Articles of Incorporation (as of January 1, 2025)</a>	IR Activities
26	<a href="#">Matters Concerning Controlling Shareholders, Etc.</a>	IR Activities
27	<a href="#">Business Plan and Growth Potential</a>	IR Activities
28	<a href="#">[Delayed] Fujitsu and Headwaters trial on-device generative AI solution to streamline JAL cabin crew workflows</a>	AI Agent
29	<a href="#">Notice Regarding Issuance of New Shares as Restricted Shares to Directors of the Company</a>	IR Activities
30	<a href="#">Announcement of support for KAWARUBA, the Social Innovation Co-creation Park of Kawasaki Heavy Industries Demonstration of solutions with a view toward realizing a hydrogen society and facilitating social robot-based social transformation</a>	Partnerships
31	<a href="#">Notice regarding certification as 2025 Health &amp; Productivity Management Outstanding Organization (Large Enterprise Category)</a>	Sustainability
32	<a href="#">Introduction of the Resort Worx welfare service to diversify workstyles and improve employee satisfaction</a>	Welfare Program
33	<a href="#">Release of the beta version of the Daiwa Lens App for smartphones in collaboration with the headquarters of Daiwa Securities Group</a>	DX
34	<a href="#">Start of MCP-based collaboration in SyncLect AI Agent, a microservice type AI agent platform, to enable collaboration with external services</a>	AI Agent
35	<a href="#">Notice Regarding Completion of Payment for Issuance of New Shares as Restricted Stock Compensation to Directors of the Company</a>	IR Activities
36	<a href="#">Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2025 (Under Japanese GAAP)</a>	IR Activities

## ▶ List of Topics (4)

No.	Title	Category
37	<a href="#">Financial Supplementary Materials for the First Quarter of FY2025</a>	IR Activities
38	<a href="#">Inclusion of Stripe Agent Tool Kit in the service lineup as an AI-driven payment agent solution —Accelerates DX through a payment agent that facilitate the fusion of AI and payment processes—</a>	AI Agent
39	<a href="#">Provision of support to Tokyo Metropolitan Government in construction of a support system for preparation of environmental reports on buildings —Supports efforts aimed at facilitating administrative DX and environmental measures by leveraging Microsoft Azure / Microsoft Power Platform—</a>	DX
40	<a href="#">Development of an app to support the introduction of management in the Shielding Mulch Cultivation (NARO S. Mulch) high-quality citrus fruit production technology</a>	DX
41	<a href="#">Launch of the customized MCP Server Introduction Hands-on Lab Service for user companies of Microsoft Azure or Microsoft 365 Copilot that have introduced AI agent platforms or installed AI CoE</a>	AI Agent
42	<a href="#">Collaboration with Delivery Consulting —Launched support services to maximize the effectiveness of introduced AI agents based on data literacy engineering—</a>	AI Agent
43	<a href="#">[Delayed] Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31,2025</a>	IR Activities
44	<a href="#">[Delayed] Financial Supplementary Materials for the First Quarter of FY2025</a>	IR Activities
45	<a href="#">Strengthening of the development of industry-specific AI agents, SLM and Agentic RAG through data-centric AI approaches in collaboration with FastLabel</a>	AI Agent
46	<a href="#">Co-development by Headwaters and Fujitsu of the Fujitsu AI Auto Presentation, a function for automating presentations using declarative agents</a>	AI Agent
47	<a href="#">Launch of the AI-Driven Development/Vibe Coding CoE Service to support AI agent-based autonomous software development</a>	AI Agent

## ▶ List of Topics (5)

No.	Title	Category
48	<a href="#">Headwaters launches the Azure AI Foundry Agent Service, a hands-on agentOps lab service for companies considering AI agents on Microsoft Azure</a>	AI Agent
49	<a href="#">Headwaters Co., Ltd. achieves a 99% correct answer rate with Agentic Work Flow featuring the autonomous execution of operations by multiple AI agents using RAG</a>	AI Agent
50	<a href="#">Headwaters announces Computer-Using Agent Solution featuring computer operations done by AI agents— Providing task-specific Agentic RPA and Agentic Web intended for major enterprises —</a>	AI Agent
51	<a href="#">Launch of the AI Agent CoE Support Service accelerating the use of AI agents— Comprehensive support for organizations promoting generative AI strategies within major enterprises—</a>	AI Agent
52	<a href="#">Headwaters Group acquires Silver Certificating in the KENKO Investment for Health Outstanding Organizations Recognition Program for the second consecutive year in recognition of its implementation of Health and Productivity Management</a>	Sustainability
53	<a href="#">Six Headwaters engineers received a Microsoft Top Partner Engineer Award 2025</a>	IR Activities
54	<a href="#">Launch of AI-data-driven BizOps managed services using the Microsoft Fabric/Azure Databricks Platform— Collaborative support for the promotion of data-driven management —</a>	DX
55	<a href="#">Semi-annual Report — 21st Fiscal Period (January 1, 2025-December 31, 2025)</a>	IR Activities
56	<a href="#">Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2025 (Under Japanese GAAP)</a>	IR Activities
57	<a href="#">Notice of Acquisition of Shares of BBD Initiative Inc., (Resulting in It Becoming an Equity-method Affiliate) and Conclusion of a Capital and Business Alliance with the Company</a>	IR Activities
58	<a href="#">Headwaters Co., Ltd. and BBD Initiative Inc. concluded a capital and business alliance agreement — Rebooting Industries in Japan through the Democratization of AI and Data-driven Management —</a>	Partnerships

## ▶ List of Topics (6)

No.	Title	Category
59	<a href="#">Financial Supplementary Materials for the Second Quarter of FY2025</a>	IR Activities
60	<a href="#">Headwaters fully launches AI agent business jointly with BTM— Accelerating the nationwide promotion of DX using AI agents —</a>	Partnerships
61	<a href="#">Six Headwaters teams qualify for the NEDO challenge, quantum computing "Solve Social Issues !," a NEDO program with a cash prize</a>	R&D
62	<a href="#">Launch of the Copilot Advanced RAG Service using SharePoint/Microsoft Fabric as a data source for companies who have not been successful using RAG in Copilot</a>	AI Agent
63	<a href="#">Notice Regarding Acquisition of Shares in LogTech Corporation (Making it a Consolidated Subsidiary)</a>	Partnerships
64	<a href="#">Extraordinary Report</a>	IR Activities
65	<a href="#">Results of Operations for the Second Quarter of FY2025</a>	IR Activities
66	<a href="#">[Delayed] Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2025</a>	IR Activities
67	<a href="#">[Delayed] Financial Supplementary Materials for the Second Quarter of FY2025</a>	IR Activities
68	<a href="#">Headwaters supports Daiwa Securities Group Inc. in the operation of a hands-on workshop using Copilot Studio, a DX promotion measure</a>	DX
69	<a href="#">Hyper-personalization achieved on AI agent platform using Microsoft Entra ID— Providing a safe and highly precise customer experience using a zero trust system and ID management —</a>	AI Agent
70	<a href="#">Launch of the HWS Agent Camp workshop-style program accelerating the use of AI agents by companies— Hosting hands-on hackathons adapted to the multiple agent era —</a>	AI Agent

## ▶ List of Topics (7)

No.	Title	Category
71	<a href="#">[Delayed] Results of Operations for the Second Quarter of FY2025</a>	IR Activities
72	<a href="#">Headwaters and Secure Inc. jointly develop an AI agent solution for issues in the operation of unstaffed stores</a>	AI Agent
73	<a href="#">Supported for the Everyone Can Make an App program of the Tokyo Metropolitan Board of Education — Junior high and high school students, future IT human resources, take on the challenge of developing apps using generative AI —</a>	AI Agent
74	<a href="#">Headwaters enhanced the AI operator reception service in collaboration with Daiwa Securities Co., Ltd. —Transformed the customer experience (CX) by utilizing leading-edge technologies —</a>	AI Agent
75	<a href="#">Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2025</a>	IR Activities
76	<a href="#">Financial Supplementary Materials for the Third Quarter of FY2025</a>	IR Activities
77	<a href="#">Headwaters entered the next-generation physical AI market on a full-scale basis — Provision of the "autonomous thinking physical AI technology" in the enterprise market using the AI agent technology as core competence —</a>	Physical AI
78	<a href="#">Headwaters acquired the Accelerate Developer Productivity with Microsoft Azure Specialization, a higher partner certification in Microsoft</a>	Partnerships
79	<a href="#">[Delayed] Financial Supplementary Materials for the Third Quarter of FY2025</a>	IR Activities
80	<a href="#">[Delayed] Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2025</a>	IR Activities
81	<a href="#">Through the fusion of forward deployed engineers (FDEs), which is a global trend in AI implementation, and X-Tech, Headwaters uniquely provided the "X-Tech FDE" service with an eye toward maximizing ROI in the AI project</a>	FDE

# ▶ Sustainability Policy and Materiality

## — Basic Policy for Sustainability

Headwaters bases operations on the corporate philosophy of “social implementation of new technologies.” We are determined to use AI and digital technologies to contribute to the realization of a sustainable society. Our mission is to use our technological skills to solve social issues and to work with all stakeholders for the creation of a sustainable society.

## — Digital Innovation for Sustainability

By fully utilizing the potential of AI and digital technologies, Headwaters is playing a key role in the digital transformation of society by contributing to the accomplishment of the Sustainable Development Goals.

### Basic goals

- **Responsible development and provision of AI**
- **Maximization of the value of people**
- **Sustainable operation of businesses**
- **Co-creation with all stakeholders**
- **Help solve social issues**

### Key issues (Materiality)

- **Ethical use of AI and social responsibilities**
- **Recruiting and training of people with technical skills**
- **Ensuring information security and privacy**
- **Actions to combat climate change and to increase energy efficiency**
- **Inclusive workplaces and health management**

**Our goal is to help use AI for social progress and harmony among people, communities and nature.**

<p><b>Ethical AI and social responsibilities</b></p>	<p>The trustworthy use of AI with transparency and responsibility. Contributions to solving social issues.</p>	
<p><b>Create new business value</b></p>	<p>Use new technologies and AI/DX education programs for creating new forms of value in business operations. Offer new services that contribute to society</p>	
<p><b>Diversity/Working style reforms</b></p>	<p>Support diversity and health management, and provide flexibility regarding how people do their jobs More programs to enable employees to do their jobs while taking time off for a birth, child care, elderly parent care or other family responsibilities</p>	
<p><b>Fair and ethical business activities</b></p>	<p>Increase soundness of governance, strict adherence to business ethics Extensive information disclosure and dialogues; compliance with code of conduct; more effective Board of Directors</p>	
<p><b>Co-creation of value with business partners</b></p>	<p>Goals are solving social issues and adding more business domains Strategic investments that use alliances and M&amp;A</p>	
<p><b>Protection of the environment</b></p>	<p>A commitment to supplying services with a small environmental impact and lowering CO2 emissions Support for a diverse workforce with training programs that give people skills to accomplish ambitious goals</p>	
<p><b>Education programs</b></p>	<p>Personnel and training system reforms to enable people to achieve a broad range of career goals Support for earning Headwaters skill certifications</p>	

# ▶ Initiatives

## Climate change / Environment

- Expressed support for the TCFD recommendations
- Participated in the TCFD consortium
- Participated in the OSAKA Zero Carbon Foundation
- Participation in the Basic Concept of the GX League
- Developed the “Tabe nate” app for reduction of food loss

## Working style reforms / Diversity

- Certified as a company that complies with the Telework Tokyo Rules
- Certified as a Shinjuku-ku Work-Life Balance Promotion Company
- Obtained the Kurumin certification
- Obtained the Silver Certification for being healthy companies
- Certification as 2025 Health & Productivity Management Outstanding Organization
- Easy (housework service to support employees)
- Resort Works (a workation program for flexible working styles)

## Next-generation education / Social responsibility

- Participation in Door to the Future events
  - Booth providing first-hand generative AI experience
- Support for the Everyone Can Make an App program of the Tokyo Metropolitan Board of Education
  - Support for workshops and hackathons at Tokyo public schools
  - Activities to increase digital literacy





# Net Sales by Service Category

FY2023 Sales: 2,315,088

FY2024 Sales: 2,905,981

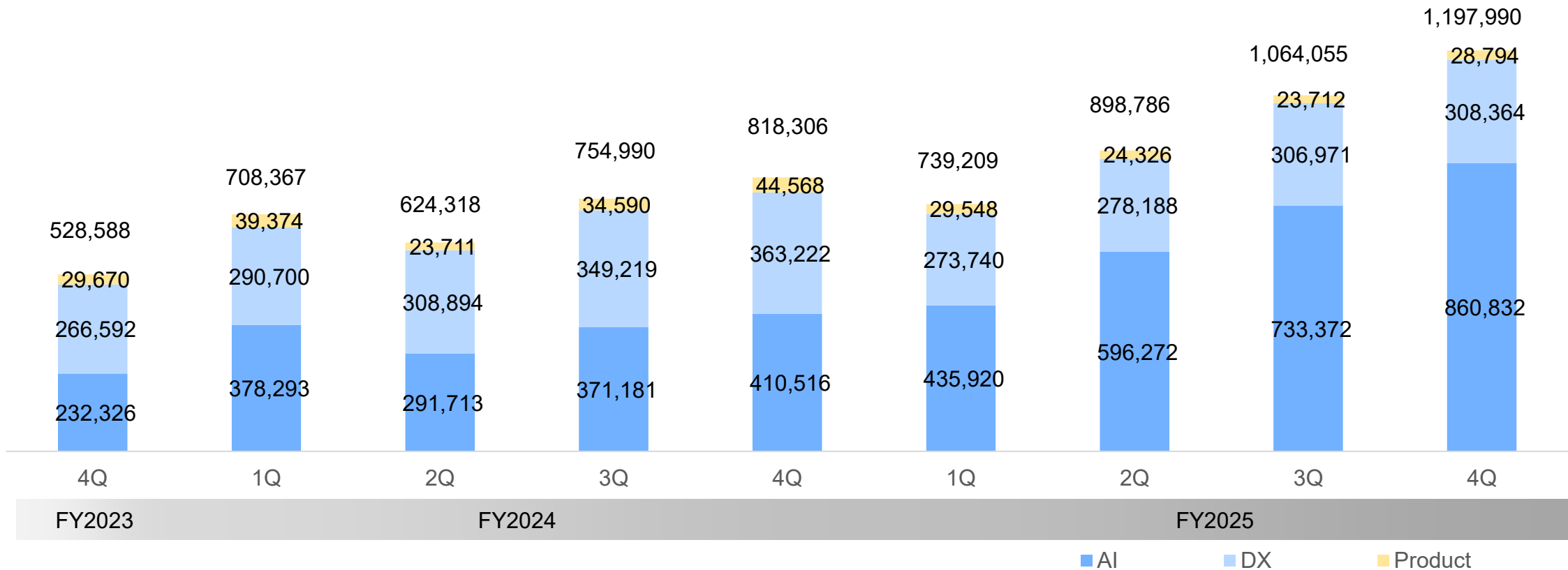
FY2025 Sales: 3,900,040

(Thousand yen)

YoY: 134.2%

YoY for the Quarter: 146.4%

QoQ: 112.6%





# Cost of Sales by Service Category

FY2023 Cost of Sales: 1,459,999

FY2024 Cost of Sales: 1,665,908

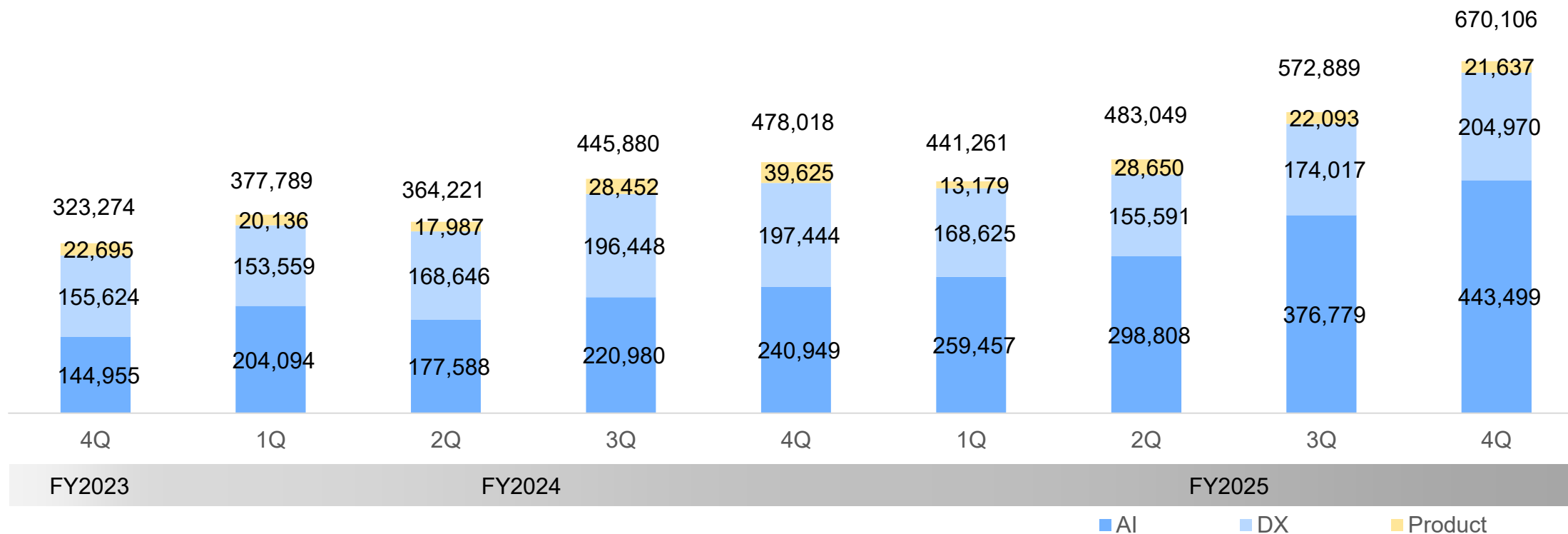
FY2025 Cost of Sales: 2,167,305

(Thousand yen)

YoY: 130.1%

YoY for the Quarter: 140.2%

QoQ: 117.0%





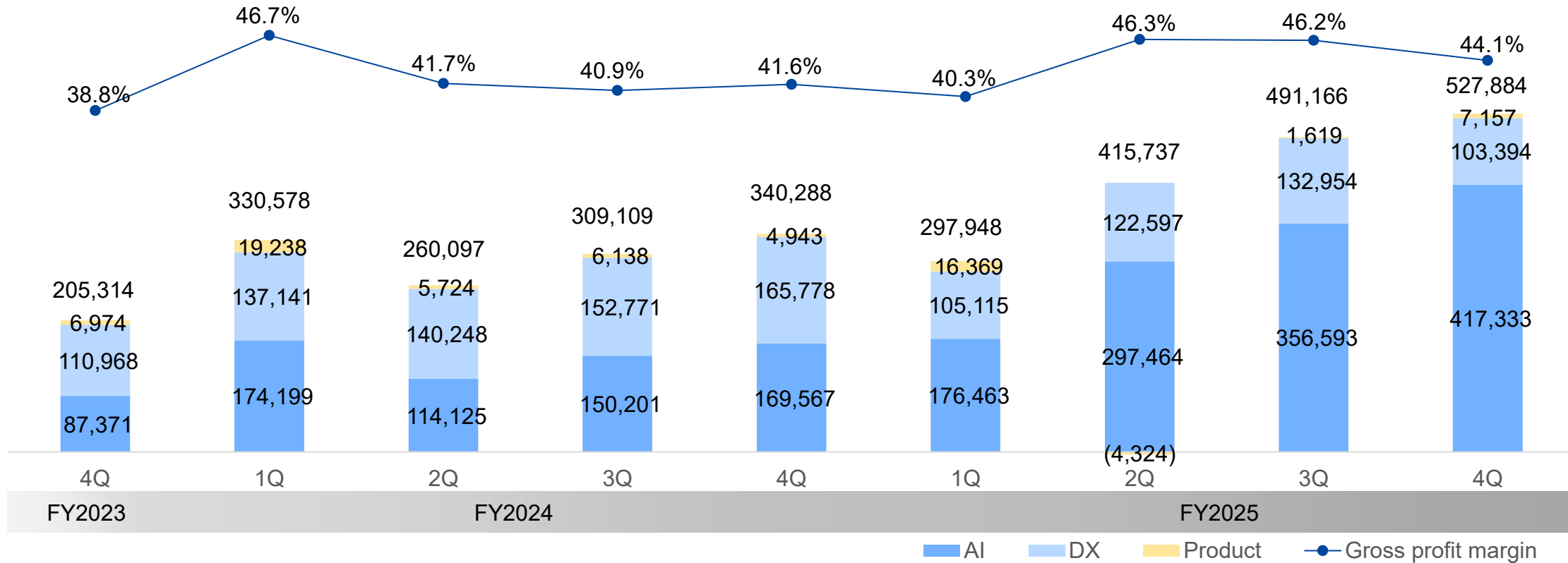
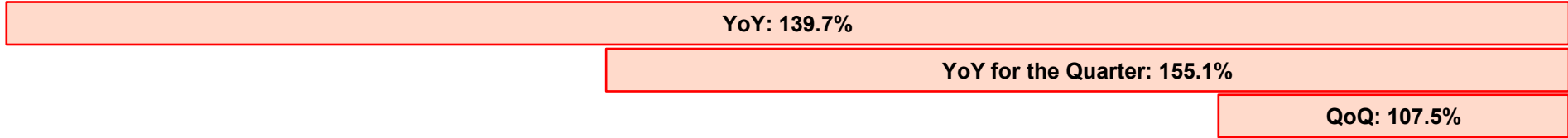
# Gross Profit by Service Category

FY2023 Gross Profit: 855,088

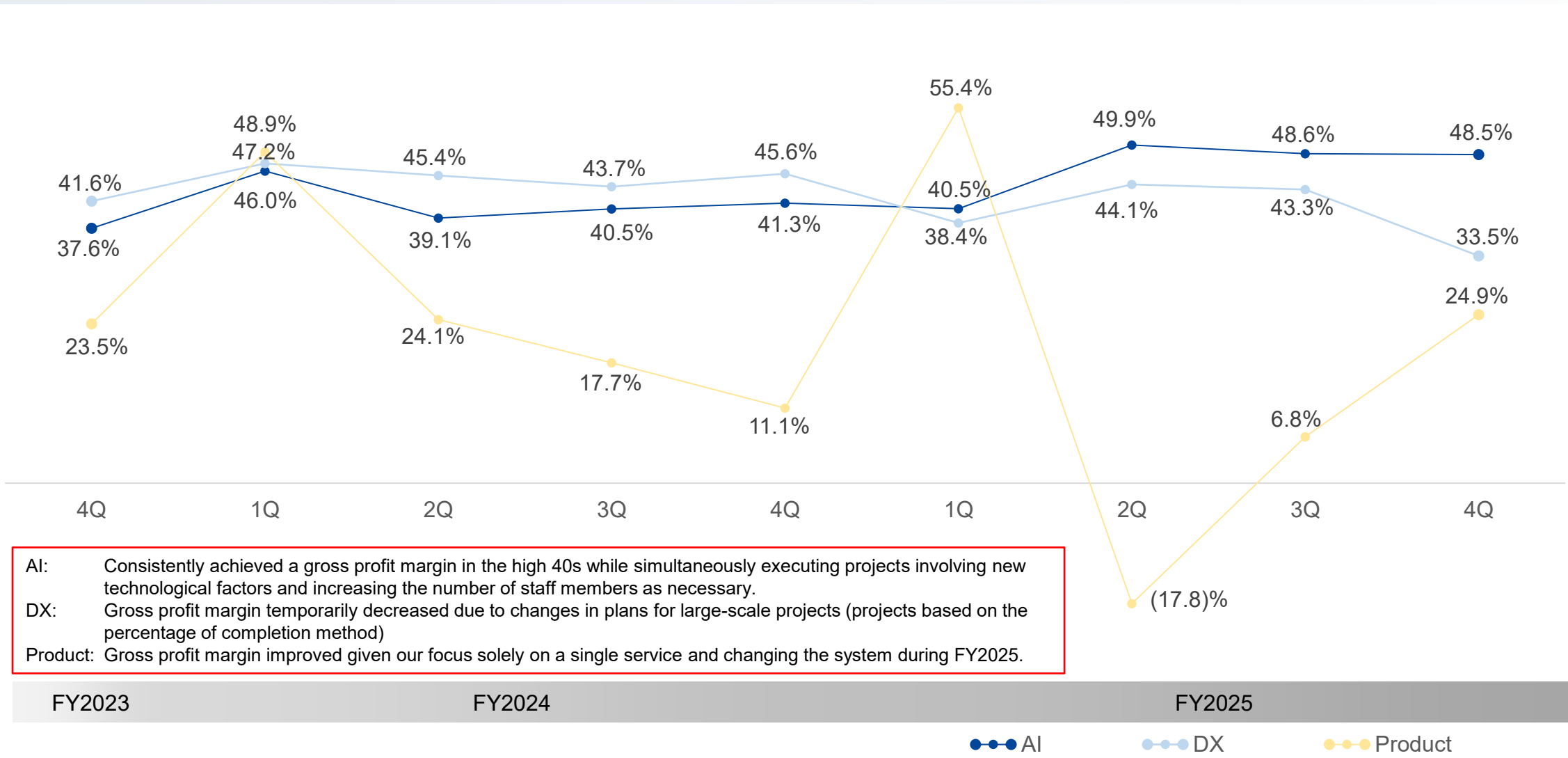
FY2024 Gross Profit: 1,240,073

FY2025 Gross Profit: 1,732,735

(Thousand yen)



# ▶ Gross Profit Margin by Service Category



AI: Consistently achieved a gross profit margin in the high 40s while simultaneously executing projects involving new technological factors and increasing the number of staff members as necessary.

DX: Gross profit margin temporarily decreased due to changes in plans for large-scale projects (projects based on the percentage of completion method)

Product: Gross profit margin improved given our focus solely on a single service and changing the system during FY2025.



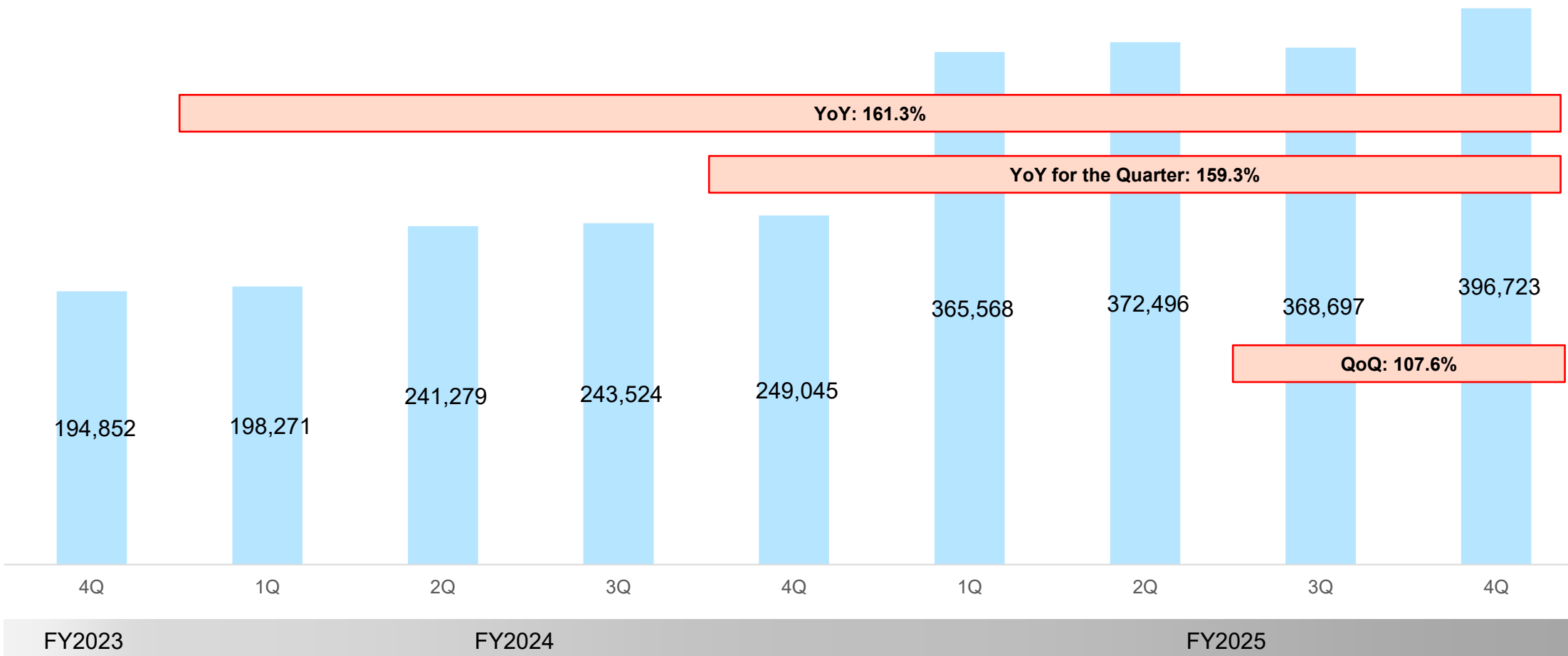
# SG&A Expenses

(Thousand yen)

FY2023 SG&A expenses: 760,227

FY2024 SG&A expenses: 932,119

FY2025 SG&A expenses: 1,503,484



■ SG&A expenses



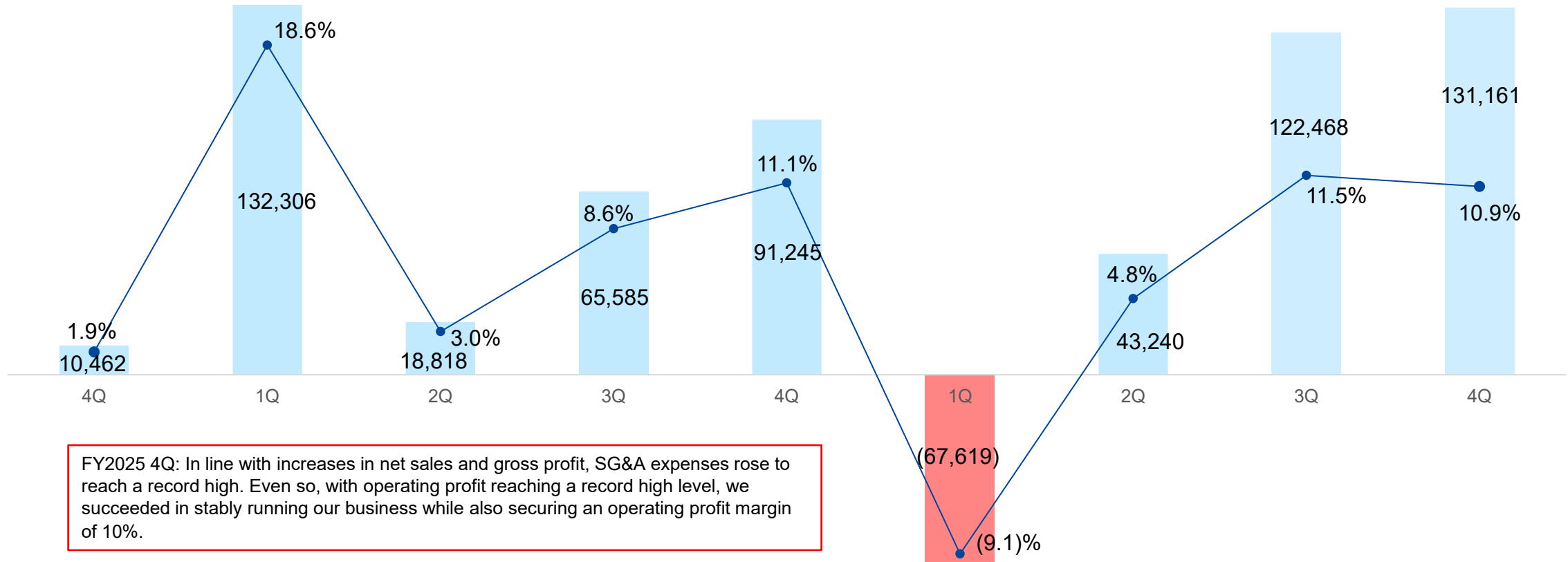
# Operating Profit / Operating Profit Margin

(Thousand yen)

FY2023  
Operating profit: 94,861

FY2024  
Operating profit: 307,954

FY2025  
Operating profit: 229,250



FY2025 4Q: In line with increases in net sales and gross profit, SG&A expenses rose to reach a record high. Even so, with operating profit reaching a record high level, we succeeded in stably running our business while also securing an operating profit margin of 10%.

FY2023

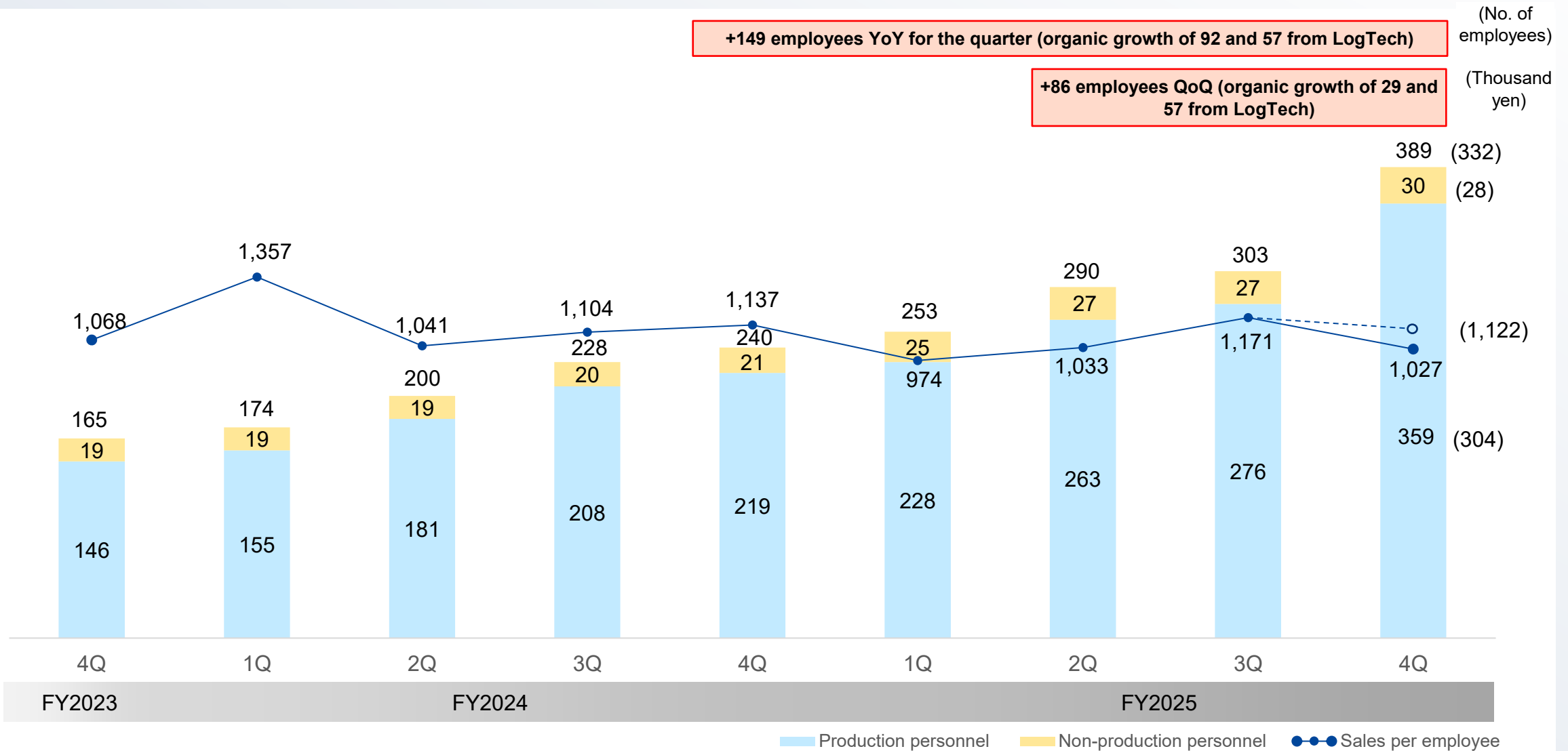
FY2024

FY2025

Operating profit

Operating profit margin

# Employees, Monthly Sales Per Employee

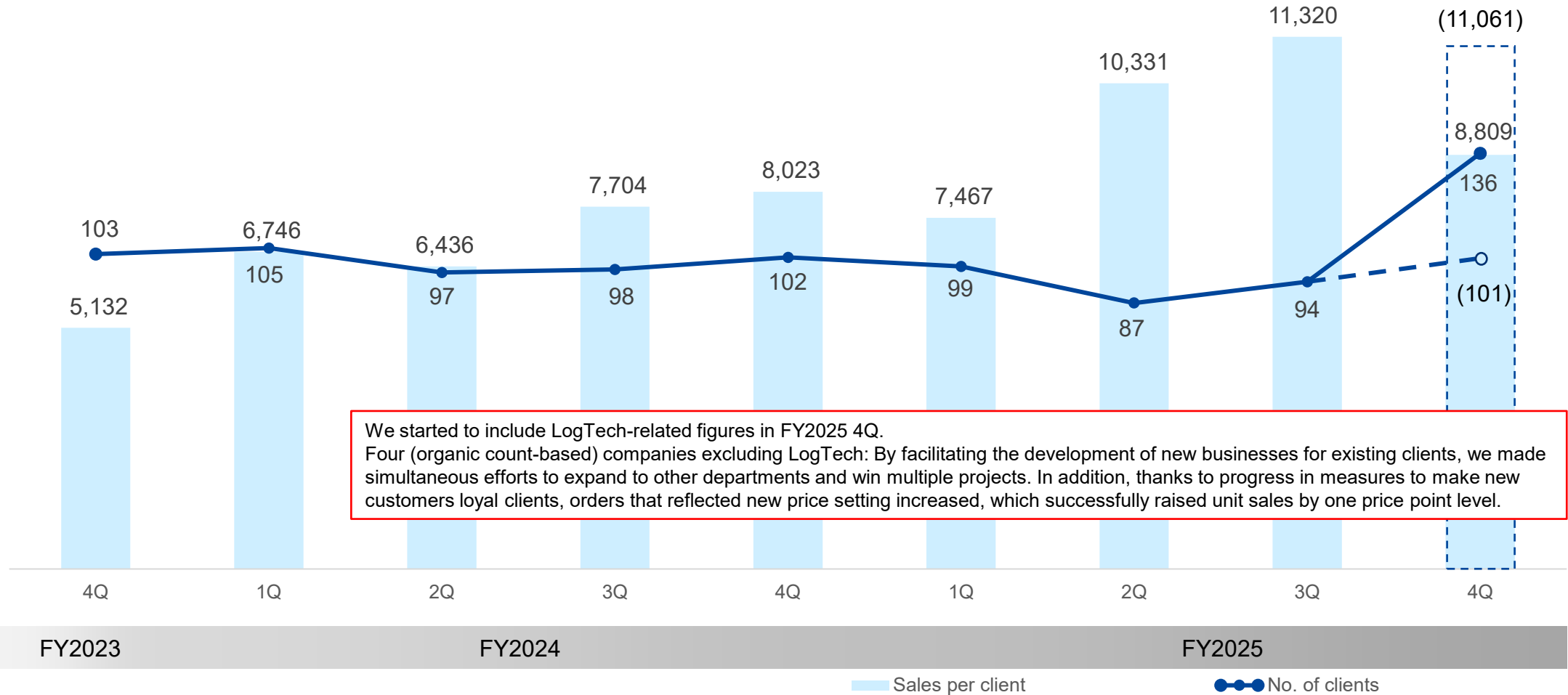


\* Figures in parentheses represent the organic value of four group companies, excluding LogTech.



# Employees, Monthly Sales Per Employee

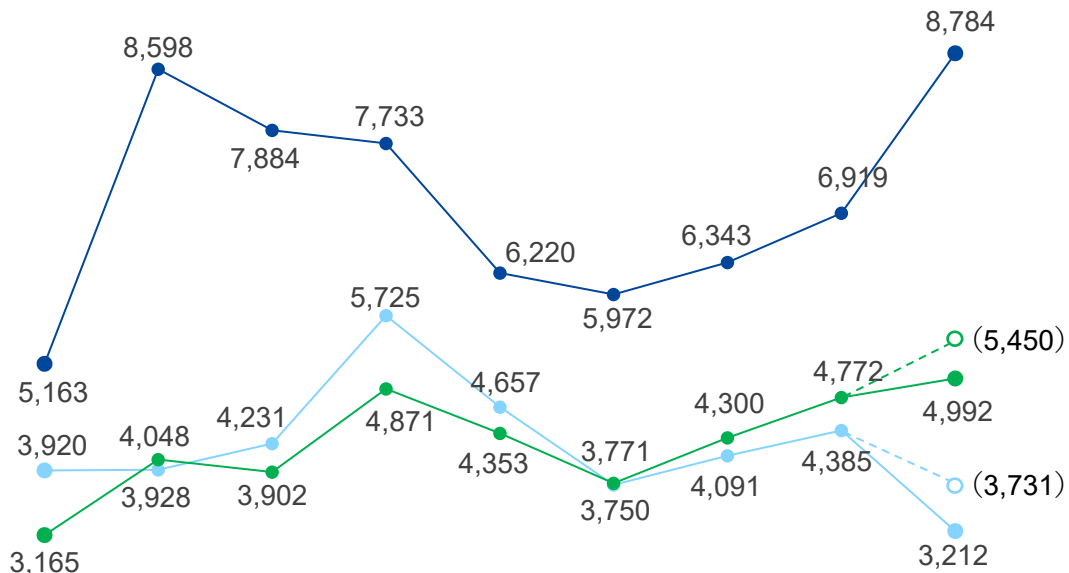
(Companies)  
(Thousand yen)



\* Figures in parentheses represent the organic value of four group companies, excluding LogTech.

# Unit Sales Price, Number of Projects and Contractual Chain Status by Service Category

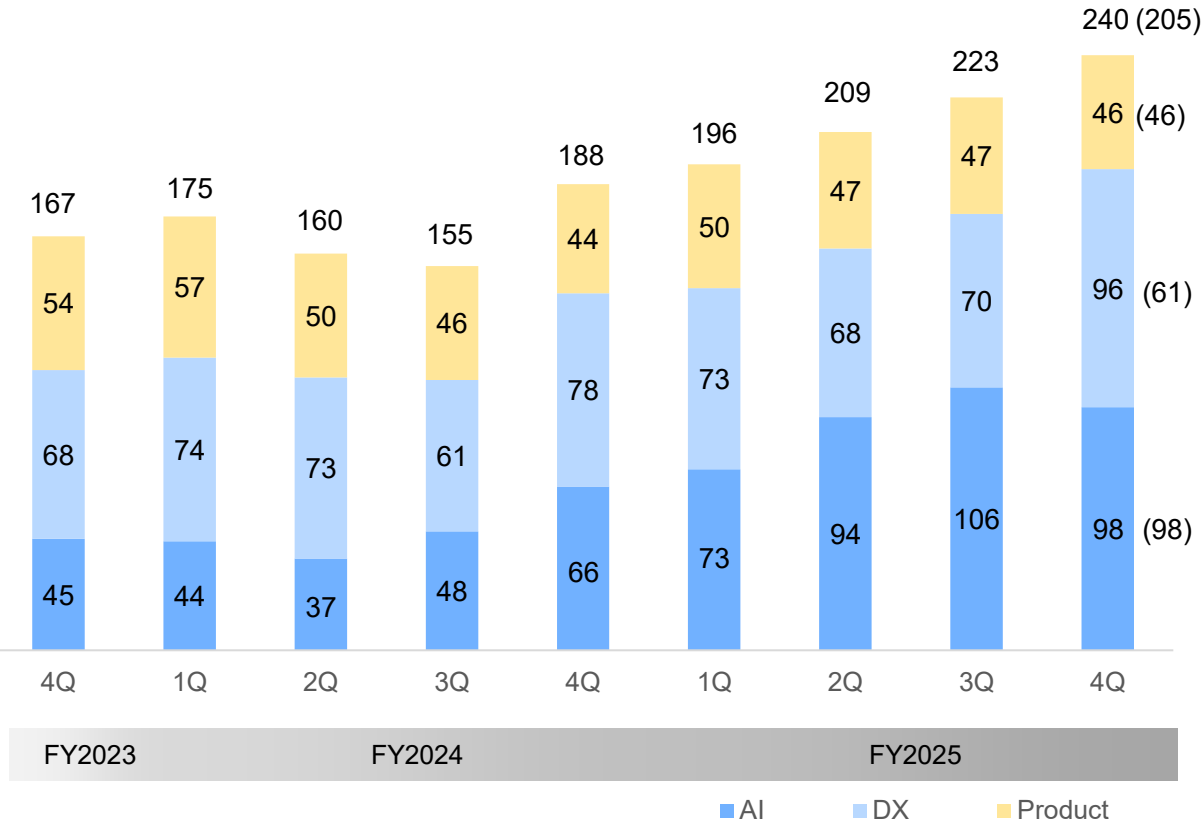
### Unit Sales Price by Service Category (Thousand yen)



In the AI category, the unit sales price per project increased to a record high, raising the average. The DX category reflects the posting of all of LogTech's sales in DX starting from FY2025 4Q and a temporary decline in unit sales price due to changes in plans for large-scale projects (projects based on the percentage of completion method). A recovery or further increase is expected in line with progress in PMI going forward.

### No. of Projects by Service Category

The alliance strategy facilitated progress in measures to make customers loyal clients. The number of projects steadily increased through sustained efforts to accumulate results in projects. The development of new businesses for existing clients facilitated progress in efforts for expanding to other departments and winning multiple projects.



\* Figures in parentheses represent the organic value of four group companies, excluding LogTech



- This document contains outlooks, future plans and management goals related to Headwaters. Descriptions regarding these forward-looking statements are based on assumptions made at the current moment about future events and trends, and there is no guarantee that these assumptions are accurate. Various factors may cause actual performance to significantly differ from what is described in this document.
- Starting from FY2025 4Q, the figures in this document represent consolidated figures for the entire Group, including five companies, namely, Headwaters Consulting, Headwaters Professionals, DATA IMPACT JOINT STOCK COMPANY and LogTech. If LogTech-related figures have an **impact of 10% or higher** in each chart in this document, figures for the entire Group and those for the four Group companies excluding LogTech are stated separately, where the latter is indicated as an organic count.
- Headwaters included BBD Initiative Inc. in the scope of its equity method accounting.
- In this document, numerical comparisons are presented in the following three categories.
  - **QoQ**: A comparison between the figures of the previous quarter and the current quarter
    - Comparison between figures of FY2025 3Q and FY2025 4Q
  - **YoY**: A comparison between the cumulative figures of the previous fiscal year and the current fiscal year
    - Comparison between figures of FY2024 1Q-4Q and FY2025 1Q-4Q
  - **YoY for the Quarter**: A comparison between the figures of the corresponding quarter for the previous fiscal year and the current fiscal year
    - Comparison between figures of FY2024 4Q and FY2025 4Q
- Unless otherwise specified, the financial information in this document is based on generally accepted accounting principles in Japan.
- Information regarding companies other than Headwaters is based on generally known information.