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各 位

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当社の企業調査レポート（英語版）の発行に関するお知らせ

2025年7月24日付で株式会社フィスコより当社の企業調査レポート（日本語版）が発行されておりますが、本日、海外の投資家向けに英訳された当社の企業調査レポート（英語版）が発行されたことをお知らせいたします。

当社の企業調査レポート（英語版）につきましては、添付資料をご参照ください。

以 上

COMPANY RESEARCH AND ANALYSIS REPORT

Terilogy Holdings Corporation

5133

Tokyo Stock Exchange Standard Market

11-Sep.-2025

FISCO Ltd. Analyst

Masanobu Mizuta



FISCO Ltd.

<https://www.fisco.co.jp>

Terilogy Holdings Corporation
5133 Tokyo Stock Exchange Standard Market

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<https://www.terilogy-hd.com/english/index.html>

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Summary

Significant increases in sales and profit forecast for FY3/26

Terilogy Holdings Corporation <5133> (hereafter, also “the Company” and “the Group”) is an independent IT corporate group that contributes to the digital transformation (DX) of companies and society, primarily focusing on network security and solutions services. The Group is working to establish itself as a “unique ICT business company group with independence and self-respect,” actively conducting M&A to achieve this goal.

1. Development in the Network, Security, and Solutions Services sections

The Group’s business is divided into three sections: the Network Section, which handles sales and maintenance of network products; the Security Section, which handles sales and maintenance of network security products including those developed by the Group; and the Solutions Services Section, which handles sales and maintenance of software developed within the Group, IT services, and inbound tourism promotion. The Network and Security Sections mainly handle products from emerging overseas IT companies at the forefront of technology. The features and strengths of the Company include over 30 years of accumulated experience and expertise since its founding, strong market responsiveness through accurate identification of trends of the time, the ability to discover cutting-edge technologies from emerging overseas IT companies, and the capability to deliver optimal solutions by combining imported technologies with the Group’s proprietary technologies.

2. In FY3/25, operating income was flat due to yen depreciation, but sales increased significantly and trended steadily

In the FY3/25 consolidated results, net sales rose 25.8% year on year (YoY) to ¥8,653mn, operating income increased 0.3% to ¥273mn, ordinary income fell 17.6% to ¥327mn, and net income attributable to owners of parent declined 6.7% to ¥176mn. Operating income remained flat due to the impact of yen depreciation, which raised the cost of imported products (license fees), as well as increased expenses stemming from investment in human capital. However, sales remained strong, driven by solid demand across all business sections and the contribution from M&A activities in the Solutions Services Section (through the newly consolidated LogIT Corporation), resulting in a significant increase in net sales and steady overall performance. Looking at net sales by segment, the Network Section increased by 6.2% to ¥1,657mn, the Security Section increased 12.3% to ¥3,375mn and the Solutions Services Section went up 56.4% to ¥3,620mn.

3. In FY3/26, significant increases in sales and profit are forecast, led by the Security Section

The FY3/26 consolidated results forecasts are for net sales increasing 12.1% YoY to ¥9,700mn, operating income increasing 64.7% to ¥450mn ordinary income increasing 37.5% to ¥450mn, and net income attributable to owners of parent increasing 59.1% to ¥280mn. The Company expects significant increases in both sales and profits. Sales in all business sections are expected to grow on the back of high demand, with particularly strong growth in the Security Section expected to lead the overall performance. On the profit front, while personnel costs and other costs will continue to rise due to ongoing investment in human capital, these are expected to be offset by the impact of significant sales growth. The forecast assumes the exchange rate will remain at approximately the same level as the previous fiscal year. Although the direct impact of US tariff policy on the Group is minimal, the Company has adopted somewhat conservative profit forecasts in light of the uncertain outlook for the global economy. Taking into account steady demand and the current appreciation of the yen against the dollar compared to the previous fiscal year, FISCO believes the Company is likely to achieve strong results.

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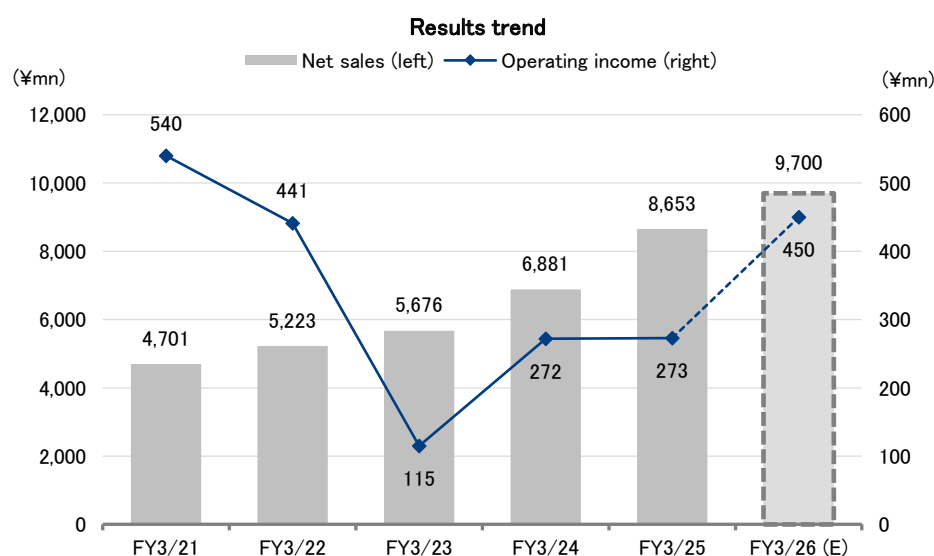
Summary

4. Promoting the enhancement of the Group's business portfolio and transition to a recurring revenue business model

To respond to changes in the business environment, the Group reviews the numerical targets of its medium-term management plan each fiscal year using a rolling approach. In June 2025, it announced the Terilogy Group New Three-Year Medium-Term Management Plan, covering the period from FY3/26 to FY3/28. The plan sets targets of ¥9,700mn in net sales and ¥450mn in ordinary income for FY3/26, ¥11,000mn in net sales and ¥600mn in ordinary income for FY3/27, and ¥12,000mn in net sales and ¥1,000mn in ordinary income for FY3/28. As the priority measures for achieving these targets the Company is promoting: (1) strengthening recurring revenue-type business models and developing human resources through Group cooperation, (2) further expanding and enhancing the Group's business portfolio, and (3) advancing global business development. In addition, it regards return on equity (ROE) as a key indicator and targets achieving ROE of 10.0% in the medium- to long-term.

Key Points

- Development in the Network, Security, and Solutions Services sections
- In FY3/25, operating income was flat due to yen depreciation, but sales increased significantly and trended steadily
- Significant increases in sales and profit are forecast for FY3/26
- Promoting the enhancement of the Group's business portfolio and transition to a recurring revenue business model



Source: Prepared by FISCO from the Company's financial results

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Company profile

Aims to be a “unique ICT business company group with independence and self-respect”

1. Company profile

The Company is a holding company established by Terilogy Co., Ltd. on November 1, 2022, through a sole share transfer. It is an independent IT corporate group that contributes to the DX of companies and society, primarily focusing on network security and solutions services. The Group is working to establish itself as a “unique ICT business company group with independence and self-respect,” actively conducting M&A to achieve this goal. As of the end of FY3/25, the Company’s head office is located in Kudan-kita, Chiyoda-ku, Tokyo. It has total assets of ¥7,109mn, net assets of ¥2,870mn, an equity ratio of 39.7%, and 17,111,742 shares outstanding (including 29,710 treasury shares). In August 2022, it entered into a business and capital alliance with KANEMATSU ELECTRONICS LTD., and in August 2024, it entered into a business and capital alliance with Takachiho Koheki Co., Ltd. <2676>, making them the Company’s second largest shareholders (shareholding ratio of each company: 5.01%).

As of the end of May 2025, the Group was made up of 10 companies in total, including the Company (the holding company), six consolidated subsidiaries and three equity-method affiliates. The consolidated subsidiaries are Terilogy Co., Ltd., Constella Security Japan Inc., (name changed on June 1, 2024 from Terilogy Worx Corporation), Terilogy Serviceware Corporation, IGLOOO Inc., CRESEED Corporation, and LogIT Corporation (which became a consolidated subsidiary in March 2024). The equity-method affiliates are VNCS Global Solution Technology Joint Stock Company, a Vietnamese joint venture, and ITM Inc., a consolidated subsidiary of SAKURA internet Inc. <3778>, and PeaSoft Vietnam Joint Stock Company (hereafter, “PeaSpft”), a Vietnamese company with which CRESEED entered into a business and capital alliance in May 2025. Additionally, effestep Inc., which the Company made a subsidiary in October 2023, was absorbed into CRESEED on April 2024.

In addition, in September 2021, the Company entered into a business and capital alliance with CBA Inc., an environmental DX venture. In March 2022, Terilogy Worx (now Constella Security Japan) entered into a business and capital alliance with Nihon Cyber Defence Co., Ltd., followed by an additional share acquisition in May 2023 to increase its equity stake. In February 2023, the Company signed an investment agreement with ILVP FUND, LIMITED PARTNERSHIP, a venture capital fund based in Israel. In July 2024, the Company became an investor in the Nippon Cyber Security Fund 1 Investment Limited Partnership, which was established in April of the same year with KANEMATSU <8020> and others as founding sponsors. In May 2025, the Company entered into a business and capital alliance with SAXA <6675> (with the Company’s investment ratio at approximately 0.16%, and SAXA’s shareholding ratio below 5%).

2. History

Terilogy was established in July 1989 and has expanded its operations primarily through handling products from emerging overseas IT companies at the forefront of network security. In addition, the Group has developed and launched original products, including ‘momentum,’ a software-based probe product, in June 2012; CloudTriage, an operations monitoring service, in July 2015; and EzAvater, a robotic process automation (RPA) tool, in July 2018. In recent years, the Group has also actively pursued M&A to expand its presence in the contract-based system development field—making CRESEED a consolidated subsidiary in March 2021 and LogIT a consolidated subsidiary in March 2024.

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Company profile

Regarding shares, Terilogy first listed on the JASDAQ Securities Exchange in December 2004. Following the merger of the JASDAQ Securities Exchange and Osaka Securities Exchange (OSE) in April 2010, Terilogy listed on OSE JASDAQ (currently called the Osaka Exchange), and then after the merger of the OSE and Tokyo Stock Exchange (TSE) in July 2013, it listed on TSE JASDAQ Standard. In April 2022, it transferred to the TSE Standard Market following the TSE's market segment revisions. Then on November 1, 2022, Terilogy established Terilogy Holdings through a sole share transfer, and Terilogy Holdings was newly listed on the TSE Standard Market (while Terilogy was delisted after becoming a fully-owned subsidiary).

Company history

Date	Event
July 1989	Terilogy established in Kanda, Chiyoda-ku, Tokyo. Enterprise networks business launched
April 1991	Maintenance outsourcing contract signed with Toshiba Engineering Corporation (now Toshiba IT-Services Corporation) and maintenance service business launched
May 1996	Outsourcing contract signed with Tokyo NTT Data Communication Systems Corporation (now NTT Data Business Systems Corporation) and customer solutions business launched
November 1999	Distribution contract signed with American company Redback Networks, Inc. and broadband network business launched
January 2003	DNS/DHCP servers distribution contract signed with Infoblox Inc. <BLOX> of the US
October 2004	Domestic (Japan) master reseller contract signed with American company TippingPoint Inc. (now Trend Micro Inc. <4704>)
December 2004	Listed on the JASDAQ Securities Exchange
September 2005	Certified under ISO 27001 information security management system (ISMS) standards
November 2005	Basic agreement on business collaboration signed with UNIADDEX, Ltd. based on a capital tie-up agreement
December 2006	Domestic (Japan) master reseller contract signed with American company NETSCOUT Systems, Inc.
February 2007	Distribution contract signed with Belgian company VASCO Data Security, Inc. (now OneSpan Inc. <OSPN>)
March 2007	Certified under ISO 14001 environmental management system (EMS) standards
April 2010	Following merger of JASDAQ Securities Exchange and Osaka Securities Exchange, Terilogy listed on Osaka Securities Exchange JASDAQ (OSE)
August 2010	Domestic (Japan) reseller contract signed with American company APCON, Inc.
February 2011	Asia-Pacific distribution contract signed with American company SevOne, Inc.
June 2012	Sales begun of momentum, a unique probe software product developed in-house at Terilogy
September 2012	Distribution contract signed with Lastline Inc. of the US (now VMware, Inc. <VMW>)
July 2013	Following merger of the OSE and Tokyo Stock Exchange (TSE), Terilogy listed on TSE JASDAQ Standard. Fullflex ZG master reseller contract signed with Accense Technology, Inc. (now 144Lab, Inc.)
July 2015	Sales begun of CloudTriage, a unique, cloud-based operations monitoring service by Terilogy
December 2015	Distribution contract signed with American company RedSeal, Inc.
April 2016	Distribution contract signed with Taiwanese system integration company SYSCOM
October 2016	Exclusive domestic reseller contract signed with American company Tempered Networks, Inc.
November 2016	Distribution contract signed with Israeli company KELA
January 2017	Basic agreement on business collaboration signed with NCXX Group Inc. <6634> based on a capital tie-up agreement Basic agreement on joint marketing for security products signed with FISCO Ltd. <3807> Basic agreement on business collaboration in the area of transaction security with Fisco Cryptocurrency Exchange Inc. (now Zaif Inc.) Basic agreement on business collaboration in the area of joint product development for blockchain technology applications signed with SJI Ltd. (now CAICA Inc. <2315>)
March 2017	Wholly owned subsidiary Terilogy Worx Corporation (now Constella Security Japan Inc.) was established
December 2017	Shares required for ICT business corporation establishment acquired by ITX Corporation, and wholly owned consolidated subsidiary Terilogy Serviceware Corporation established
April 2018	Distribution contract signed with American company Nozomi Networks Inc.
July 2018	Sales begun of EzAvater, Terilogy's unique robotic process automation (RPA) tool
January 2019	Business tie-up agreement signed with Israeli company Harel-Hertz Investment House Ltd.
May 2019	Launched security risk assessment services for industrial control systems involving critical infrastructure, factory, and building management jointly with BroadBand Security, Inc. <4398>
June 2019	Business tie-up with American company Sumo Logic, Inc.
July 2019	Consolidated subsidiary Terilogy Worx concluded distribution contract with American company BitSight Technologies, Inc.
August 2019	Distribution contract concluded with Israeli company TechSee Augmented Vision Ltd.
March 2020	Consolidated subsidiary Terilogy Serviceware Corporation concluded a business tie-up with Towa Engineering Corporation. Distributor contract concluded with Israeli company Radware Ltd. <RDWR>
April 2020	Established a joint venture with Vietnam Cyberspace Security Technology JSC, a subsidiary of Vietnamese telecom provider Hanoi Telecom, based on a strategic business tie-up

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Company profile

Date	Event
May 2020	Consolidated subsidiary Terilogy Serviceware Corporation acquired shares of IGLOOO Inc., making it a subsidiary
November 2020	Terilogy and VNCS Global Solution Technology Joint Stock Company signed a memorandum of understanding with BroadBand Security regarding business development in Vietnam Consolidated subsidiary IGLOOO formed a business alliance with unbot inc., a digital marketing business serving China, whereby IGLOOO acts as an exclusive partner for promoting European, US, and Australian tourism in the Chinese market
December 2020	RICOH JAPAN Corp. and NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION began handling Mieru-Tsuyaku, a video communication interpretation service of consolidated subsidiary Terilogy Serviceware Corporation
March 2021	Acquired certification as a DX certified business Acquired 90% of the shares of CRESEED Corp. and made it a subsidiary
April 2021	Consolidated subsidiary Terilogy Worx concluded a distribution contract with GitGuardian of France
June 2021	Consolidated subsidiary IGLOOO formed a business alliance with American company ADARA to strengthen digital marketing support in the field of inbound tourism in Japan Consolidated subsidiary Terilogy Worx signed a distribution contract with Singaporean company Uppsala Security
July 2021	Company engineer won the Grand Prize in the Network Division at the TREND MICRO Partner Engineer Award 2020
September 2021	Signed a capital and business tie-up (underwrote share options) with CBA Inc., an environmental DX venture
October 2021	Consolidated subsidiary Terilogy Worx began offering in-house-developed cyber threat hunting solution. Signed a distribution contract with Collabos Corporation <3908> for TechSee, a product handled by the Company
November 2021	Consolidated subsidiary Terilogy Worx signed a sales partnership contract with Information Development Co., Ltd. for its in-house developed product, THX Capital and business tie-up partner CBA Inc began offering CBA-wellfest, an industrial waste treatment cloud service
December 2021	Consolidated subsidiary Terilogy Serviceware signed a business tie-up agreement with WELL ROOM Co., Ltd., and began offering its multilingual service for medical institutions
February 2022	Consolidated subsidiary Terilogy Worx concluded a partnership with American company Synack
March 2022	Consolidated subsidiary Terilogy Worx concluded a capital and business alliance with Nihon Cyber Defence (accepted a third-party allocation of shares)
April 2022	Transferred to the TSE Standard Market following the TSE's market segment revisions
May 2022	Concluded a distribution agreement with US-based SecurityGate to enter the risk management market in the OT security field Signed a distribution contract with KDDI Evolva, Inc. (now Altius Link, Inc.) for TechSee, a visual support tool
August 2022	Entered into a business and capital alliance with KANEMATSU ELECTRONICS LTD (implemented a third-party allocation of shares to KANEMATSU ELECTRONICS and disposal of treasury shares)
October 2022	Changed its sector on the TSE Standard Market from Wholesale Trade to Information & Communication
November 2022	Terilogy established Terilogy Holdings Corporation through a sole share transfer Terilogy Holdings Corporation was newly listed on the Tokyo Stock Exchange Standard Market (Terilogy was delisted and became a wholly owned subsidiary)
February 2023	Consolidated subsidiary Terilogy concluded a distribution agreement with American company Rapid7, and launched the provision of a comprehensive security service Invested in the Israeli venture investment fund IL Ventures
May 2023	Entered into a business and capital alliance with ITM Inc. (converted to equity-method affiliate), a subsidiary of Sakura internet Inc. <3778>
June 2023	Terilogy Worx increased its stake in Nihon Cyber Defence
August 2023	Made consolidated subsidiary CRESEED Corporation a wholly-owned subsidiary
October 2023	Acquired all shares of effestep Co., Ltd. and made it a consolidated subsidiary
March 2024	Acquired all shares of LogIT Corporation and made it a consolidated subsidiary
April 2024	Consolidated subsidiary effestep Co., Ltd. absorbed into consolidated subsidiary CRESEED Corporation Consolidated subsidiary Terilogy Serviceware Corporation concluded distribution contract for RPA tool EzAvater with Chuo Computer Service Inc. Business partnership agreement concluded between Terilogy Holdings Corporation, Terilogy, and Takachiho Koheki Co., Ltd. <2676>
June 2024	Name of consolidated subsidiary Terilogy Worx Corporation changed to Constella Security Japan Inc.
August 2024	Capital alliance with Takachiho Koheki Co., Ltd. Terilogy Co., Ltd. concluded a sales agency agreement with Salvador Technologies of Isreal and launched sales of a cyber recovery unit
May 2025	Entered into a business and capital alliance with SAXA, Inc. <6675> CRESEED entered into a business and capital alliance with PeaSoft Vietnam Joint Stock Company in Vietnam (converted to equity-method affiliate)

Source: Prepared by FISCO from the Company's securities report and website

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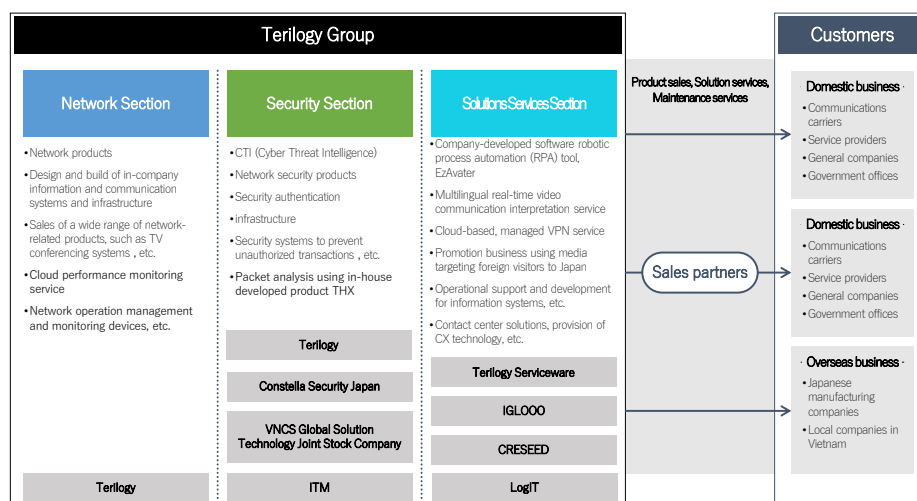
Business overview

Overall expansion in the Security and Solutions Services sections

1. Business overview

The Company's business is divided into three sections. The Network Section handles sales and maintenance of network products, the Security Section handles the sales and maintenance of security products including those developed by the Group, and the Solutions Services Section handles the sales and maintenance of software developed in-house, IT services, and inbound tourism promotion business. The Network and Security sections mainly handle products from cutting-edge overseas IT companies in places like Silicon Valley in the US or Israel. The Company provides solutions covering a wide range of areas, including through the Solutions Services Section. This includes solutions related to networks, IT security, OT/IoT security, cloud security, cyber threat intelligence (CTI), and in-Group development, operational management, and monitoring.

Diagram of the business structure



* Terilogy Worx Corporation changed its name to Constella Security Japan Inc. on June 1, 2024.

Source: The Company's results briefing material

Looking at the trends over the past five fiscal years (FY3/21–FY3/25; figures for FY3/23 and earlier are based on the previous business segment classification), net sales in the Network Section have remained generally flat due to the nature of the business, which is centered on renewal demand and maintenance, and its share of total sales has shown a declining trend. In contrast, the Security Section has seen an upward trend in net sales due to growing demand, while the Solutions Services Section has expanded sales through the effects of M&A—specifically, making CRESEED a consolidated subsidiary in March 2021 and LogIT in March 2024—leading to a rising share of total sales for both sections. The FY3/25 net sales composition was 19.1% for the Network Section, 39.0% for the Security Section, and 41.8% for the Solutions Services Section.

Business overview

Trends in net sales by segment and net sales composition

	(¥mn)				
	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25
Net sales					
Network Section	1,616	1,399	1,286	1,560	1,657
Security Section	1,628	1,726	2,155	3,005	3,375
Solutions Service Section	936	1,710	1,965	2,314	3,620
Monitoring Section	520	387	269	-	-
Total	4,701	5,223	5,676	6,881	8,653
Net sales composition					
Network Section	34.4%	26.8%	22.7%	22.7%	19.1%
Security Section	34.6%	33.1%	38.0%	43.7%	39.0%
Solutions Service Section	19.9%	32.7%	34.6%	33.6%	41.8%
Monitoring Section	11.1%	7.4%	4.8%	-	-
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Notes 1: Figures up to FY3/22 are for Terilogy. From FY3/22, the Company adopted the Accounting Standard for Revenue Recognition.

Notes 2: Business sections revised from FY3/24. Figures prior to and including FY3/23 are before reclassification.

Source: Prepared by FISCO from the Company's financial results and securities report

The Network Section's business includes sales and maintenance of network products

2. Network Section

The Network Section is mainly conducted by Terilogy and its business includes the sale and maintenance of network products (such as switches, routers, wireless LAN, and DNS/DHCP), the design and build of in-company information and communication systems and infrastructure, and sales and maintenance of TV conferencing systems. Net sales breakdown shows that product and subscription sales accounted for approximately 50%, and maintenance services also accounted for approximately 50%.

Its main products are Infoblox IP address management servers (manufactured by US-based Infoblox), Radware products (manufactured by Israel-based Radware) that provide Distributed Denial of Service Attack (DDoS) countermeasures and solves issues faced by corporate networks such as load balancing for WAN lines, and Extreme (formerly Aerohive, manufactured by US-based Extreme Networks) cloud-based wireless LAN products.

The Security Section's business includes cyberattack countermeasures

3. Security Section

The Security Section, centered around Terilogy and Constella Security Japan, conducts business that includes the provision of CTI security services that defend against threats such as cyberattacks and information leaks caused by unauthorized system access, the sale and maintenance of network security-related products (firewalls, intrusion detection and prevention countermeasures, information leakage countermeasures, etc.), the sale and maintenance of security authentication infrastructure (identifying service users on a network), and the sale and maintenance of one-time password products for preventing unauthorized transactions. Net sales breakdown shows that product and subscription sales accounted for around 80% and maintenance service sales around 20% of sales.

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Business overview

The Group's in-house security service focuses on three areas: countermeasures against cybercrime, such as ransomware; defense against attacks on social infrastructure by advanced persistent threat (APT) groups (also known as targeted attacks) and the exploitation of important intellectual property rights information; and detection of disinformation from groups backed by nations (information operations). With the increasing global importance of information and cognitive warfare using social media, there is an expected increase in the need for analysis and countermeasures in this area.

Its main products include Nozomi Networks products (manufactured by US-based Nozomi Networks), which have strengths in security measures for the manufacturing control systems area (OT/IoT systems area) within key infrastructure, including electric power systems, and in the management of factories and buildings; Sumo Logic (manufactured by US-based Sumo Logic), which can quickly and accurately identify threats from log information; TippingPoint unauthorized network intrusion prevention security products (manufactured by US-based TippingPoint, which was acquired by US-based Hewlett-Packard <HPQ> in 2010 and then by Trend Micro Incorporated <4704> in 2015); and OneSpan (manufactured by Belgium-based OneSpan), which prevents unauthorized transactions through one-time password-based user authentication.

Regarding CTI security services, the Company provides BitSight (manufactured by US-based BitSight), which can provide a visualization of supply chain risk and THX Series cyber security threat hunting solutions developed by the Terilogy Group. In October 2023, the Company commenced sales of TrackerIQ that detects insider fraud in cloud application usage (manufactured by Israel-based RevealSecurity). It also commenced the provision of a social media threat intelligence management service using technology from Cyabra (Israel).

In the CTI security service, the Group has a track record that includes a big project for the National Police Agency secured in 2021. In April 2023, Terilogy, KANEMATSU ELECTRONICS, and GLOBAL SECURITY EXPERTS <4417> jointly launched Technical Knowledge Guardian for OT Security, an integrated support service that provides one-stop support ranging from consulting on manufacturing control system (OT system) security to the implementation of network products. Also, in April 2023, NEC <6701> started using Nozomi Networks Guardian (manufactured by US-based Nozomi Networks), a managed security service sold by Terilogy, to oversee control system security in its factories and other locations. Regarding SAXA, with which the Company entered into a business and capital alliance in May 2025, the Group will promote the implementation of its products and services in SAXA's information security business.

The Solutions Services Section includes RPA developed within the Group, a video communication interpretation service and contracted systems development

4. Solutions Services Section

The Solutions Services Section is mainly operated by Terilogy Serviceware, IGLOOO, CRESEED, and LogIT. Its main products include EzAvater, a software robotic process automation (RPA) tool developed by the Terilogy Group, Mieru- Tsuyaku, a real-time video communication interpretation service that breaks down language barriers by enabling smooth communication with foreign visitors to Japan, MORA VPN Zero-Con, a cloud-based managed VPN service for small- to medium-sized enterprises, and Zero-Con SASE, launched in July 2024 to address rising security concerns among small- to medium-sized businesses. IGLOOO operates a promotion business using VOYAPON, an inbound media site targeting visitors to Japan from Europe, North America, and Australia, while CRESEED and LogIT are engaged in contracted systems development.

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Business overview

EzAvater is an RPA tool that is unique in that it enables anyone to easily create robots to automate routine tasks. The use of a distribution partner strategy to increase sales has raised product recognition and as there are no limits to potential customers in terms of industry, type of business, or size, the number of contracts is on an upward trend. Major sales partners include Panasonic Solution Technologies Co., Ltd., Resona Gate Co., Ltd., UCHIDA ESCO Co., Ltd., Hitachi Systems, Ltd., and Computer Engineering & Consulting <9692>, among others.

The real-time video interpretation service Mieru-Tsuyaku can be used on a tablet or smartphone. With just one touch, it provides support from a call operator anytime, anywhere, for situations such as customer service. In June 2024, it was awarded a place in the OMOTENASHI Selection chosen by OMOTENASHI NIPPPON, an organization managed by ENGAWA Co., Ltd. With the increase in inbound tourism to Japan, the service has been introduced at facilities with a high ID count per unit, such as department stores, retailers, stations, airports, and accommodation facilities, and the number of IDs is trending upward. Recent introductions include: 27 domestic hotels under THE CELESTINE HOTELS, Mitsui Garden Hotels, and sequence brands, operated by Mitsui Fudosan Hotel Management Co., Ltd. in May 2024; 12 flood evacuation shelters in Kita-ku Tokyo in June 2024; 25 Lexus dealerships in Tokyo operated by TOYOTA Mobility Tokyo Inc. in November 2024; 17 Seibu Prince Hotels & Resorts facilities nationwide operated by Seibu Prince Hotels Worldwide Inc. in April 2025; and 26 branches frequently used by foreign nationals across Fukuoka Bank, Kumamoto Bank, and Juhachi-Shinwa Bank, all part of Fukuoka Financial Group <8354> in June 2025.

IGLOOO operates a tourism-related promotion business. With the increase in inbound tourism to Japan, requests for the production of PR videos for tourist destinations are on the rise. Since 2023, IGLOOO has produced PR videos introducing the attractions of areas such as Yamanashi Prefecture, Oita Prefecture, and Shikoku. In October of the same year, it also started a PR service targeting the Middle East, aimed at businesses and local governments seeking to promote inbound tourism to the Middle East market.

CRESEED provides support for corporate information system processes and contracted systems development. LogIT develops an information system business focused on customer experience (CX) that includes contact center solutions for corporations. Regarding PeaSoft, with which the Company entered into a business and capital alliance in May 2025, CRESEED will utilize PeaSoft's IT personnel in its systems development solutions business and work to expand system development services for Japanese companies operating in Vietnam. Going forward, the companies plan to cultivate the IT services field, including systems development, as a new pillar of profits.

The Company has built the business value chain to practice its corporate philosophy

5. Features and strengths

The Group's features and strengths include a wealth of experience and expertise accumulated since Terilogy's founding over 30 years ago, the ability to respond to the market by accurately ascertaining the trends of the times, the ability to find the latest technologies of cutting-edge overseas IT companies, and the ability to combine imported technologies with the Group's proprietary technologies to deliver solutions optimized to meet customer needs.

Business overview

(a) Building the business value chain to practice its corporate philosophy of “focus on the customer”

The Group considers the creation of the value chains required to put its corporate philosophy of “focus on the customer” into practice to be one of the features and strengths of its business model. That, in short, is the business value chain centered around processes designed to meet the needs of the customer (technology, product research and discovery, etc.), and processes aimed at ensuring full customer satisfaction (offering solutions combining multiple products, having a maintenance structure in place, etc.), as well as the use of a partnering strategy in each of the processes along the value chain.

To build a business model and value chain backed by a corporate philosophy, the Company needs to establish the Group’s mission and vision based on that philosophy, and then incorporate those in an action plan designed to achieve them. Specifics of that action plan include (1) ongoing research and discovery activities regarding advanced, cutting-edge technology trends in Silicon Valley in the US, and Israel; (2) ongoing research, inquiry and validation activities to determine the compatibility of technology discovered with the Japanese market and with issues faced by customers, (3) development of solutions for market introduction by combining multiple technologies and through adaptive development arrangements, (4) building of delivery and support systems, (5) training in high-value proposal sales, and (6) new market creation activities.

(b) Core competencies include the “ability to find emerging technologies and marketable products” and “ability to respond to the market”

The base of these business value chains that put its corporate philosophy into practice are its (1) competence in “finding emerging technologies and marketable products” and its “ability to respond to the market” which is the discernment required to find and identify progressive, leading-edge technologies and deploy them in markets in ways adapted specifically to local customers; (2) wide selection of security and safety solutions for varying applications, encompassing everything from network infrastructure to communication endpoints; (3) flexible provision of diverse services and products supported by a product lineup covering everything from products utilizing leading-edge technologies through to maintenance services, software products developed by the Group, and new services; (4) stable and proven technical capabilities rooted in experience since its founding through over three decades of reliable, customer-tailored service provision; and (5) global response capabilities, including the rapidly growing markets of emerging nations in Asia. Its core competencies include the “ability to find emerging technologies and marketable products” and “ability to respond to the market,” which involves accurately ascertaining the technological trends and cutting-edge technologies of overseas companies that it should precisely focus on, and then introducing and promoting these.

(c) Examples demonstrating the “ability to find emerging technologies and marketable products”

Here we introduce some examples that demonstrate the Group’s “ability to find emerging technologies and marketable products,” including the discovery of US-based companies Wellfleet and Infoblox in the broadband field, US-based TippingPoint (now Trend Micro Inc.) in the security field, Belgium-based OneSpan (OSPN, formerly VASCO Data Security), and US-based Lastline (acquired by US-based VMware (VMW) in 2020).

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Business overview

Terilogy's corporate IP network business began in 1990 when it entered into a distribution contract with Wellfleet of the US and started to provide routers, which are one of the main products to build IP networks. Wellfleet was founded in 1986, and was acquired by Nortel Networks (Canada), the world's second largest computer network device company, in 1998 to compete against Cisco Systems (CSCO) of the US, which was the largest company back then. The discovery of Wellfleet in 1990 can be said to be a good example of its "ability to find emerging technologies and marketable products." In the broadband area, in 1999, the Company started to provide ADSL-connection software, and subsequently it developed hit products with more than 10 million users, which became a bridgehead into a business for major telecommunication companies. Also, it concluded a distribution contract with Redback Networks of the US, and through the introduction of broadband access servers and other products, it contributed to building the FTTH networks of various electric power companies. In mobile-related products, it realized growth for DNS/DHCP servers manufactured by Infoblox of the US, with which it concluded an agreement in 2003 to become its first Japanese agent, and these DNS/DHCP servers have become the de facto standard that are currently being used by a large number of IT companies in Japan.

In the security field, the Company is providing a wide range of solutions which started with the conclusion of a domestic (Japan) master reseller contract with US-based TippingPoint in 2004. This was followed by reseller contracts with Belgium-based OneSpan (formerly VASCO Data Security) in 2007, US-based Lastline in 2012, and US-based Nozomi Networks in 2018. TippingPoint specializes in IPS (intrusion prevention systems) and was acquired by Trend Micro in 2015. However, Terilogy had already concluded a domestic master reseller contract with TippingPoint in 2004 and, having built up a strong track record, remains a trusted business partner of Trend Micro. Regarding Belgium-based OneSpan, Terilogy was the first company in Japan to introduce its one-time password technology in 2007. Since then, the technology has become essential to internet banking and is used by all of Japan's megabanks. The introduction of US-based Lastline's cloud-based targeted attack countermeasure service is another example of the Group's "ability to find emerging technologies and marketable products," as it anticipated the growing trend of targeted email attacks in recent years. In addition, in March 2020, Terilogy signed a distributor agreement with Israel-based Radware, a global leader in network virtualization and cybersecurity solutions.

(d) An "ability to respond to the market" well-regarded by business partners

One of the reasons why overseas IT startup companies regard the Group highly is its "ability to respond to the market," which has been fine-tuned since its foundation. Terilogy has built an excellent customer base (more than 300 companies, most of which are major companies) as it has been highly evaluated by influential customers for its active utilization of a partnering strategy covering the entire value chain, from product development (combining imported technologies with its proprietary technologies) through to maintenance (in which Terilogy itself identifies problems and then outsources the actual maintenance work) and sales (using both direct and indirect agency network sales). In this way, the sources of the Group's "ability to respond to the market" are its ability to combine imported technologies with its proprietary technologies to develop solutions with high levels of customer satisfaction, and its ability to fill-in missing parts by fully utilizing an alliance and M&A strategy.

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Business overview

Strengthening its response to technological innovation

6. Risk factors and earnings characteristics, measures, and challenges

Risk factors faced by the Group include a slow response to technological innovation, fiercer market competition, difficulties securing personnel, and foreign exchange fluctuation. Among these efforts, it is continuously responding to technological innovation by gathering the latest technology-related information, including from overseas, and working to identify companies that possess cutting-edge technology. One factor that impacts its earnings is that a large percentage of the products the Group imports (including license fees) from overseas have been purchased using foreign currencies, so it tends to be affected by exchange rate fluctuations. The Group is seeking to reduce this risk through various measures including forward exchange contracts and sales price revisions. In regard to seasonal fluctuations, in IT and information services-related industries, sales generally tend to be weighted toward the end of the fiscal year due to their relationship with customer receipt and inspection periods. In the Group's case, sales tend to be weighted toward 1H (July–September) and 4Q (January–March), but the adoption of the revised Accounting Standard for Revenue Recognition, etc. is expected to mitigate this tendency.

Results trends

In FY3/25, operating income was flat due to yen depreciation, but net sales increased significantly

1. Overview of FY3/25 consolidated results

In the FY3/25 consolidated results, net sales rose 25.8% YoY to ¥8,653mn, operating income increased 0.3% to ¥273mn, ordinary income fell 17.6% to ¥327mn, and net income attributable to owners of parent declined 6.7% to ¥176mn. Orders received increased 34.2% to ¥10,021mn, and outstanding orders rose 56.1% to ¥3,807mn. The average exchange rate was ¥152.62 (¥8.05 weaker yen than in FY3/24). While operating income remained flat due to the impact of yen depreciation—which raised the purchase price (license fees) of imported products—and higher expenses associated with investment in human capital, sales performance was strong. This was supported by steady demand across all sections, along with the contribution of M&A activity in the Solutions Services Section (through the newly consolidated LogIT), resulting in significant sales growth and steady performance.

By business section, net sales were ¥1,657mn in the Network Section (up 6.2% YoY), ¥3,375mn in the Security Section (up 12.3%), and ¥3,620mn in the Solutions Services Section (up 56.4%). Gross profit increased 22.9%, but the gross profit margin declined 0.7 percentage points (pp) to 32.6%. SG&A expenses rose 25.9%, but the SG&A ratio remained unchanged at 29.4%. The operating income margin declined 0.8pp to 3.2%. In non-operating income and expenses, foreign exchange gain increased ¥7mn YoY (from ¥83mn in the previous fiscal year to ¥91mn in the current fiscal year) due to forward exchange contracts. However, gain/loss on valuation of derivatives worsened by ¥56mn YoY (from a ¥29mn gain to a ¥26mn loss), and a loss on valuation of currency swaps of ¥23mn was also recorded. As a result, both ordinary income and net income attributable to owners of parent decreased.

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Results trends

Overview of FY3/25 consolidated results

	FY3/24		FY3/25		YoY	
	Results	Composition	Results	Composition	Change amount	Change %
Net sales	6,881	100.0%	8,653	100.0%	1,772	25.8%
Gross profit	2,292	33.3%	2,817	32.6%	524	22.9%
SG&A expenses	2,020	29.4%	2,544	29.4%	524	25.9%
Operating income	272	4.0%	273	3.2%	0	0.3%
Foreign exchange gain	83	1.2%	91	1.1%	7	9.3%
Gain on valuation of derivatives	29	0.4%	-	-	-29	-
Loss on valuation of derivatives	-	-	26	0.3%	26	-
Loss on valuation of currency swaps	-	-	23	0.3%	23	-
Ordinary income	396	5.8%	327	3.8%	-69	-17.6%
Net income attributable to owners of parent	188	2.7%	176	2.0%	-12	-6.7%
Average exchange rate (US dollar/yen)	144.57	-	152.62	-	8.05	5.6%
Net sales by segment						
Network Section	1,560	22.7%	1,657	19.1%	96	6.2%
Security Section	3,005	43.7%	3,375	39.0%	369	12.3%
Solutions Services Section	2,314	33.6%	3,620	41.8%	1,305	56.4%
Orders received	7,469	-	10,021	-	2,552	34.2%
Outstanding orders	2,439	-	3,807	-	1,368	56.1%

Source: Prepared by FISCO from the Company's financial results and results briefing materials

High growth in the Security and Solutions Services sections

2. Trends by segment

The Network Section remained generally steady and recorded an increase in sales. In response to recent changes in cyber threats, demand for building secure and reliable network environments, as well as for network security measures to protect websites and servers from DDoS attacks, remained at a high level. Infoblox, the Company's core product for IP address management servers, posted a significant increase in sales due to replacement projects for existing customers, additional deployments, and version upgrade work. Although sales of Radware, which provides DDoS countermeasures and other solutions, declined, the Company strengthened its sales efforts to acquire new customers, and inquiries are on an upward trend. Extreme, a cloud-based wireless LAN system that supports the creation of secure and reliable network environments, recorded a significant increase in sales. In the wireless LAN field, which requires flexible mobility, there was an increase in replacement projects for access points that had been in use for many years.

The Security Section performed well, seeing double-digit profit growth against a backdrop of increasing security needs. In particular, Nozomi Networks, which specializes in OT/IoT security for industrial control systems—including essential infrastructure such as electric power, factory, and building management systems—recorded a major increase in sales, supported by growing efforts to strengthen countermeasures among social infrastructure operators such as power companies. CTI security services also experienced major sales growth, with strong orders from government agencies amid rising concerns over the risk of public opinion manipulation through false information distributed online. Sumo Logic, which can quickly and accurately detect threats from log data, also posted growth. On the other hand, sales were down for TippingPoint, an unauthorized network intrusion prevention security product, and OneSpan, a one-time password product for preventing fraudulent transactions.

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Results trends

The Solutions Services Section recorded significant sales growth, supported in part by the newly consolidated LogIT. EzAvater, an RPA tool developed proprietarily by the Group, continued to see expanding adoption across industries, sectors, and company scale as name recognition increased. Mieru-Tsuyaku, a multilingual, real-time video interpretation service, is being introduced at an increasing number of facilities with high ID counts per site—such as department stores, retail stores, stations, airports, and accommodation facilities—amid growing inbound tourism demand. IGLOOO, which operates a promotion business using inbound-focused media, also saw rising demand for PR services from government agencies, municipalities, and private-sector companies in line with the increase in inbound tourism. CRESEED, which supports information systems operations and provides contracted systems development, recorded growth in projects such as server replacements related to DX promotion and additional network installations. LogIT, which provides contact center solutions for corporations, also performed steadily, including winning new orders for call recording solutions for financial compliance.

Maintaining financial soundness

3. Financial position

Looking at the Company's financial position, total assets at the end of FY3/25 increased ¥210mn compared to the end of the previous fiscal year to ¥7,109mn. While cash and deposits decreased ¥254mn, notes and accounts receivable – trade and contract assets increased ¥149mn, and advance payments rose ¥286mn. Total liabilities decreased ¥95mn to ¥4,238mn, mainly due to a ¥111mn decrease in income taxes payable. Interest-bearing debt (the total of short- and long-term borrowings) decreased by ¥91mn to ¥277mn. Net assets increased ¥306mn to ¥2,870mn. While capital surplus decreased ¥119mn, retained earnings increased ¥176mn, and treasury shares (a subtraction) decreased ¥255mn. As a result, the equity ratio rose 3.0pp to 39.7%. There were no items with particularly major changes, and on the cash flow statement as well, there was no particular cause for concern. In FISCO's view, the Company is practicing a disciplined strategy to raise corporate value that takes into account financial condition and is maintaining financial soundness.

Consolidated balance sheet and cash flow statement (summary)

	End of FY3/21	End of FY3/22	End of FY3/23	End of FY3/24	End of FY3/25	Change amount
Total assets	5,625	5,991	6,144	6,898	7,109	210
Current assets	4,515	4,871	5,068	5,323	5,536	212
Non-current assets	1,109	1,119	1,075	1,574	1,572	-2
Total liabilities	2,981	3,551	3,698	4,334	4,238	-95
Current assets	2,657	3,271	3,325	3,993	4,002	8
Non-current assets	324	279	373	340	235	-104
Total net assets	2,643	2,439	2,445	2,564	2,870	306
Equity ratio	46.6%	40.2%	39.1%	36.7%	39.7%	3.0pp

	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25
Net cash provided by/used in operating activities	1,131	414	287	324	-54
Net cash provided by/used in investing activities	-256	-243	34	-578	-234
Net cash provided by/used in financing activities	-237	-428	112	-134	46
Cash and cash equivalents at end of period	2,128	1,867	2,298	1,916	1,681

Note: Figures up to FY3/22 for Terilogy

Source: Prepared by FISCO from the Company's financial results

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Outlook

Significant increases in sales and profit forecast for full-year FY3/26

● Overview of FY3/26 consolidated forecast

The FY3/26 consolidated results forecasts are for net sales increasing 12.1% YoY to ¥9,700mn, operating income increasing 64.7% to ¥450mn ordinary income increasing 37.5% to ¥450mn, and net income attributable to owners of parent increasing 59.1% to ¥280mn. The Company expects significant increases in both sales and profits. Sales in all business sections are expected to grow on the back of strong demand, with particularly notable growth in the Security Section expected to lead overall performance. The Network Section is projected to increase by 3.0% to ¥1,707mn (17.6% of overall net sales), the Security Section to increase 22.7% to ¥4,141mn (42.7%), and the Solution Services Section to go up by 6.4% to ¥3,850mn (39.7%). On the profit front, personnel costs will increase due to continued investment in human capital, but this is expected to be absorbed by a significant increase in sales. The Company also plans to implement price revisions for some products. The exchange rate assumption is roughly in line with the previous fiscal year. While the direct impact of US tariff policy on the Group is minimal, the Company has adopted somewhat conservative profit forecasts in light of global economic uncertainty. Given strong demand and the trend toward a stronger yen and weaker dollar compared to the previous fiscal year, FISCO believes that strong results can be expected.

Overview of FY3/26 consolidated forecast

	FY3/25		FY3/26		YoY	
	Results	Composition	Forecast	Composition	Change amount	Change %
Net sales	8,653	100.0%	9,700	100.0%	1,046	12.1%
Gross profit	2,817	32.6%	-	-	-	-
SG&A expenses	2,544	29.4%	-	-	-	-
Operating income	273	3.2%	450	4.6%	176	64.7%
Ordinary income	327	3.8%	450	4.6%	122	37.5%
Net income attributable to owners of parent	176	2.0%	280	2.9%	103	59.1%
Average exchange rate (US dollar/yen)	152.62	-	-	-	-	-
Net sales by segment						
Network Section	1,657	19.1%	1,707	17.6%	50	3.0%
Security Section	3,375	39.0%	4,141	42.7%	766	22.7%
Solutions Services Section	3,620	41.8%	3,850	39.7%	230	6.4%

Source: Prepared by FISCO from the Company's financial results and results briefing materials

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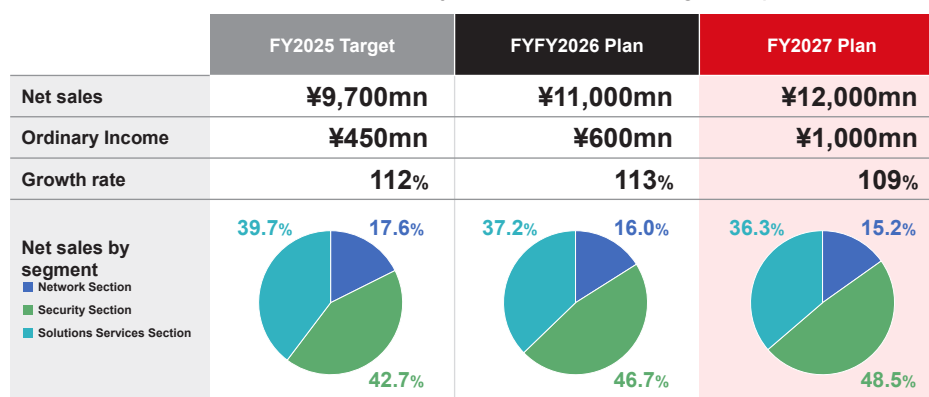
Growth strategy

Promoting the enhancement of the Group's business portfolio and transition to a recurring revenue business model

1. Terilogy Group New Three-Year Medium-Term Management Plan (FY3/26–FY3/28)

To respond to changes in the business environment, the Group reviews the numerical targets of its medium-term management plan each fiscal year using a rolling approach. In June 2025, it announced the Terilogy Group New Three-Year Medium-Term Management Plan, covering the period from FY3/26 to FY3/28. The plan sets targets of ¥9,700mn in net sales and ¥450mn in ordinary income for FY3/26, ¥11,000mn in net sales and ¥600mn in ordinary income for FY3/27, and ¥12,000mn in net sales and ¥1,000mn in ordinary income for FY3/28.

FY2025 to FY2027 new three-year medium-term management plan



Source: The Company's results briefing material

There are no major changes to basic policy and the Group's vision is to "become a corporate group overflowing with professional innovation capabilities, including the ability to create freely, execute steadily, and produce results." In terms of the business environment, the Group is anticipating rapid progress to be made on the digital transformation of industry, including significant changes and advances in industrial structure. It sees this period of digital transformation as a big opportunity and it plans to contribute to advancing the DX of customers in any market, both in Japan and overseas, with a focus on the strategic areas of "providing cybersecurity technology that supports the safe and secure use of digital technology," "providing simple, stress-free cloud-based services," and "providing technologies to manage data from log analysis and management."

As the priority measures for achieving these targets the Company is promoting: (1) strengthening recurring revenue-type business models and developing human resources through Group cooperation, (2) further expanding and enhancing the Group's business portfolio, and (3) advancing global business development. The plan's direction is not limited to solving the information systems and security-related issues facing customers' businesses, it also includes proactively addressing challenges in new areas that will be essential to the society of the future, such as social issues connected to tourism DX and environmental DX. In addition, regarding services for the manufacturing sector, which had been somewhat of a thin area for the Group, through the alliance with Takachiho Koheki and other measures, the Company will strengthen sales primarily in the area of industrial control systems (OT/IoT systems area).

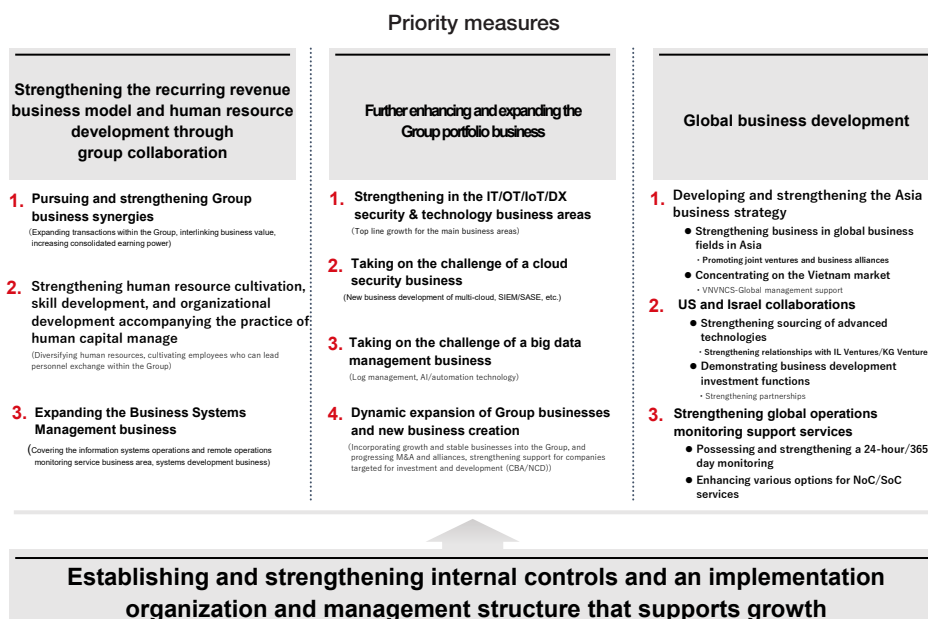
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Growth strategy

The Company also intends to actively introduce new products and make greater use of its human resources, including the promotion of new projects led by younger generations. As for its future M&A and alliance strategy, it has set target areas such as IT technology, specialized trading companies, sales-related domains, Asia-based and emerging IT technology trading firms, security solutions, and cloud technologies. It envisions acquiring businesses with annual sales of around ¥500–1,000mn per deal, with an investment budget in the range of approximately ¥1,000–2,000mn.



Source: The Company's results briefing material

In order to implement management practices that are conscious of capital costs and share price, the Company recognizes the importance of maintaining a sound financial standing. This is crucial for meeting the expectations of all stakeholders, including shareholders and investors, achieving sustainable growth of the Group, and enhancing medium- to long-term corporate value. The Company regards return on equity (ROE) as a key indicator and targets achieving ROE of 10.0% in the medium- to long-term (FY3/25 result: 6.6%). As an initiative for improving employee engagement to accelerate business development, the Company has raised employee wages, as well as the percentage of incentives granted through its employee stock ownership association.

Shareholder return includes a results-based dividend

2. Shareholder return policy

In regard to shareholder return, the Company has positioned the pursuit of a shareholder-friendly management strategy as an important issue, and its basic policy is to work to provide returns to shareholders by dividends based on business results. Based on this policy, the dividend for FY3/25 was set at ¥5.00 per share (to be paid in full at the end of the fiscal year), a ¥2.00 decrease from the previous fiscal year's dividend of ¥7.00 (¥5.00 ordinary dividend + ¥2.00 special dividend). Excluding the special dividend paid exclusively in FY3/24, the regular dividend amount remains the same. The forecast dividend payout ratio is 47.7%. The Company plans to pay a dividend of ¥5.00 per share (year-end only) in FY3/26, the same amount as the previous year, with a projected dividend payout ratio of 30.5%.

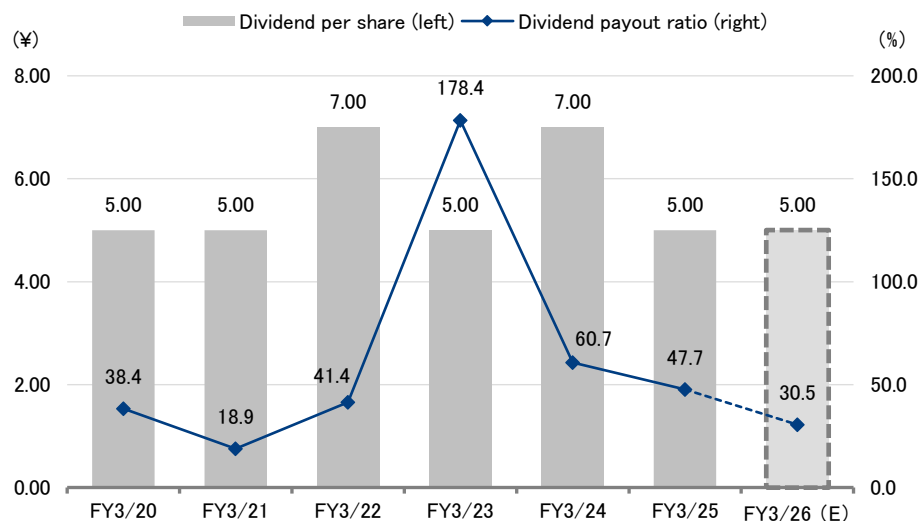
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Growth strategy

Dividend per share and dividend payout ratio



Note: Figures up to FY3/22 for Terilogy. FY3/24 includes a special dividend of ¥2.00.
Source: Prepared by FISCO from the Company's financial results

Expecting sustained profit growth and progress in measures to raise profitability

3. FISCO's view

With the “ability to find emerging technologies and marketable products” and “ability to respond to the market” as its core competencies, the Group has an extensive track record to date of introducing and promoting cutting-edge technologies from overseas. FISCO acknowledges this strength, but, at the same time, we believe that key challenges for the Group include mitigating foreign exchange risk, achieving sustained profit growth through the expansion of recurring-revenue streams, and raising profitability. To address these challenges, the Group is actively pursuing M&A and alliances, with a strategic direction focused on enhancing its business portfolio through group collaboration and expanding recurring-revenue business models. It has also set a target of raising the ordinary income margin to 8.3% in FY3/28 (from 3.8% in FY3/25). With the business environment remaining favorable, particularly as DX advances and security-related needs increase, FISCO expects the Company to make meaningful progress in initiatives for sustained profit growth and improved profitability (such as measures to reduce foreign exchange risk, strategies to expand recurring-revenue streams, and efforts to improve the sales mix).

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