2026年2月26日

各　位

会　社　名　株式会社テリロジーホールディングス
代表者名　代表取締役社長　鈴木　達
（コード番号5133　東証スタンダード市場）
問合せ先
役職・氏名　取締役副社長執行役員グループ経営本部長 廣谷 慎吾
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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

2026年1月13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

別添

COMPANY RESEARCH AND ANALYSIS REPORT

Terilogy Holdings Corporation

5133

Tokyo Stock Exchange Standard Market

26-Feb.-2026

FISCO Ltd. Analyst

Masanobu Mizuta

FISCO

FISCO Ltd.

https://www.fisco.co.jp

Contents

Summary

Significant increases in sales and profit forecast for FY3/26, driven by security products

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 aims 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 in Silicon Valley, Israel, etc. 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 1H FY3/26, operating income returned to profitability and ordinary income grew significantly as each business section performed strongly

In the 1H FY3/26 consolidated results, net sales rose 16.1% year on year (YoY) to ¥4,593mn, operating income increased to ¥181mn (loss of ¥21mn in 1H FY3/25), ordinary income grew 784.8% to ¥197mn, and net income attributable to owners of parent was ¥127mn (loss of ¥43mn). Orders received were up 11.2% to ¥5,470mn, and outstanding orders at the end of 1H rose 37.6% to ¥4,684mn. Net sales performed strongly on the back of high demand, with double-digit growth in all business sections. Operating income returned to profitability, offsetting the rising purchase price of imported products and higher expenses associated with investment in human capital. Ordinary income grew significantly while net profit attributable to owners of parent returned to profitability. By business section, net sales grew 11.5% to ¥898mn in the Network Section, 22.4% to ¥1,884mn in the Security Section, and 12.5% to ¥1,811mn in the Solution Services Section.

3. In FY3/26, significant increases in sales and profit are forecast, in line with initial forecasts

The FY3/26 consolidated results forecasts are for significant increases in sales and profit, in line with the initial forecasts, with 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. Sales in all business sections are expected to grow on the back of high demand, with security products in particular expected to drive the growth. By business section, net sales are projected to rise 3.0% to ¥1,707mn in the Network Section, 22.7% to ¥4,141mn in the Security Section, and 6.4% to ¥3,850mn in the Solution Services Section. 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 Company also plans to revise the prices of some products. The forecast assumes the exchange rate will remain at approximately the same level as the previous fiscal year. Amid high demand, orders received at the end of 1H were up 37.6%, and when the pursuit of price revisions is also taken into consideration, we at FISCO believe that strong results may be expected.

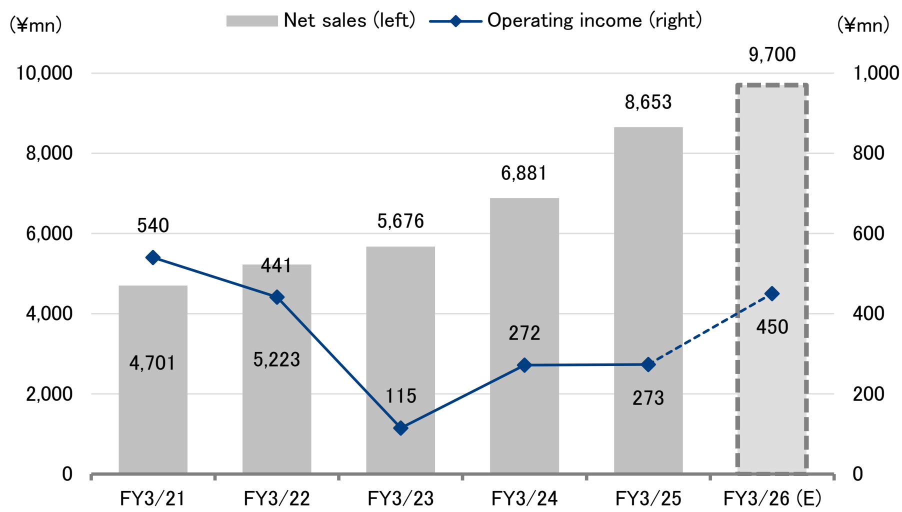
4. Considering asset replacement along with growth investment to realize positive ROE improvement cycle

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 set the following targets for net sales and ordinary income: ¥9,700mn and ¥450mn respectively for FY3/26, ¥11,000mn and ¥600mn for FY3/27, and ¥12,000mn and ¥1,000mn 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. Along with maintaining growth investment, the Company is also considering measures such as asset replacement to realize a positive ROE improvement cycle.

Key Points

- Development in the Network, Security, and Solutions Services sections
- In 1H FY3/26, operating income returned to profitability and ordinary income grew significantly as each business section performed strongly
- In FY3/26, significant increases in sales and profit are forecast, in line with initial forecasts
- Considering asset replacement along with growth investment to maintain positive ROE improvement cycle

Results trend



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

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 1H FY3/26, the Company’s head office is located in Kudan-kita, Chiyoda-ku, Tokyo. It has total assets of ¥8,899mn, net assets of ¥3,093mn, an equity ratio of 34.2%, and 17,111,742 shares outstanding (including 5,510 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: 5.00%). Furthermore, it entered into a business and capital alliance with SAXA <6675> in May 2025 and is the Company’s third-largest shareholder (shareholding ratio of 4.83%).

The Group was made up of 10 companies in total, including the Company (the holding company), six consolidated subsidiaries and three equity-method affiliates. As of November 1, 2025, the Group had 377 employees (including executives, employees, contract personnel, temporary personnel, dispatched personnel, and partner companies). 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. The equity-method affiliates are: VNCS Global Solution Technology Joint Stock Company, a Vietnamese joint venture; ITM Inc., a consolidated subsidiary of SAKURA internet Inc. <3778>; and PeaSoft Vietnam Joint Stock Company (hereafter, “PeaSoft”), a Vietnamese company with which CRESEED entered into a business and capital alliance in May 2025.

In addition, in September 2021, the Company entered into a business and capital alliance with CBA Inc., an environmental DX venture. 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.

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 cloud 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.

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 the Company through a sole share transfer, and the Company was newly listed on the TSE Standard Market (while Terilogy was delisted after becoming a wholly owned subsidiary).

Company history

Date	Event
July 1989	Established Terilogy Co., Ltd. in Kanda, Chiyoda-ku, Tokyo
November 1999	Signed distribution contract with US-based Redback Networks, Inc.
January 2003	Signed DNS/DHCP server distribution contract with US-based Infoblox Inc.
October 2004	Signed domestic (Japan) master reseller contract with US-based TippingPoint Inc. (now Trend Micro Inc.)
December 2004	Listed on the JASDAQ Securities Exchange
September 2005	Acquired ISO 27001 information security management system (ISMS) certification
February 2007	Signed distribution contract with Belgium-based VASCO Data Security, Inc. (now OneSpan Inc.)
March 2007	Acquired ISO 14001 environmental management system (EMS) certification
April 2010	Following merger of JASDAQ Securities Exchange and Osaka Securities Exchange (OSE), Terilogy listed on OSE
June 2012	Launched momentum, a probe software product developed in-house at Terilogy
September 2012	Signed distribution contract with US-based Lastline Inc. (now VMware, Inc.)
July 2013	Listed on Tokyo Stock Exchange (TSE) JASDAQ market following merger of OSE and TSE
July 2015	Launched CloudTriage, a cloud-based operations monitoring service developed in-house by Terilogy
March 2017	Established Terilogy Worx Corporation (now Constella Security Japan Inc.) (wholly owned subsidiary)
December 2017	Acquired shares in company involved in corporate ICT service business from ITX Corporation and established Terilogy Serviceware Corporation (wholly owned subsidiary)
April 2018	Signed distribution contract with US-based Nozomi Networks Inc.
July 2018	Launched EzAvater, a unique robotic process automation (RPA) tool developed in-house by Terilogy
June 2019	Entered into business alliance with US-based Sumo Logic, Inc.
March 2020	Signed distributor contract with Israel-based Radware Ltd.
April 2020	Established a joint venture in Vietnam through a business alliance with Vietnam Cyberspace Security Technology Joint Stock Company, a subsidiary of Vietnam-based Hanoi Telecom
June 2020	Terilogy Serviceware acquired shares in IGLOOO Inc. and made it a subsidiary
March 2021	Acquired 90% of the shares of CRESEED Corp. and made it a consolidated subsidiary
September 2021	Entered into a capital and business alliance (subscribed to share acquisition rights) with CBA Inc., an environmental DX venture
October 2021	Started offering cyber threat hunting solution developed by Terilogy Worx
April 2022	Transferred to the TSE Standard Market following the TSE's market segment revisions
August 2022	Entered into a business and capital alliance with KANEMATSU ELECTRONICS LTD (implemented third-party allocation of shares and disposal of treasury shares to KANEMATSU ELECTRONICS)
September 2022	The industry categorization on the TSE Standard Market was changed from the wholesale industry to the information and communications industry
November 2022	Terilogy established Terilogy Holdings Corporation through a sole share transfer Terilogy Holdings Corporation was newly listed on the TSE Standard Market (Terilogy, which became a wholly owned subsidiary, was delisted)
February 2023	Signed agreement to invest in Israel-based venture investment fund ILV PFUND, LIMITED PARTNERSHIP
May 2023	Entered into a business and capital alliance with ITM Inc. (converted to equity-method affiliate), a subsidiary of Sakura internet Inc.
August 2023	Made 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	CRESEED absorbed effestep through merger
June 2024	Changed name of Terilogy Worx Corporation to Constella Security Japan Inc.
July 2024	Involved in Japan's first cyber security fund, the Nippon Cyber Security Fund 1 Investment Limited Partnership, as an investor
August 2024	Entered into capital alliance with Takachiho Koheki Co., Ltd.
May 2025	Entered into a business and capital alliance with SAXA, Inc. CRESEED entered into a business and capital alliance with Vietnam-based PeaSoft Vietnam Joint Stock Company (converted to equity-method affiliate with 20% stake)
November 2025	Terilogy Serviceware acquired translation, interpreting, and instruction dispatch business from World City, Ltd. and WonderPlanet Inc.

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

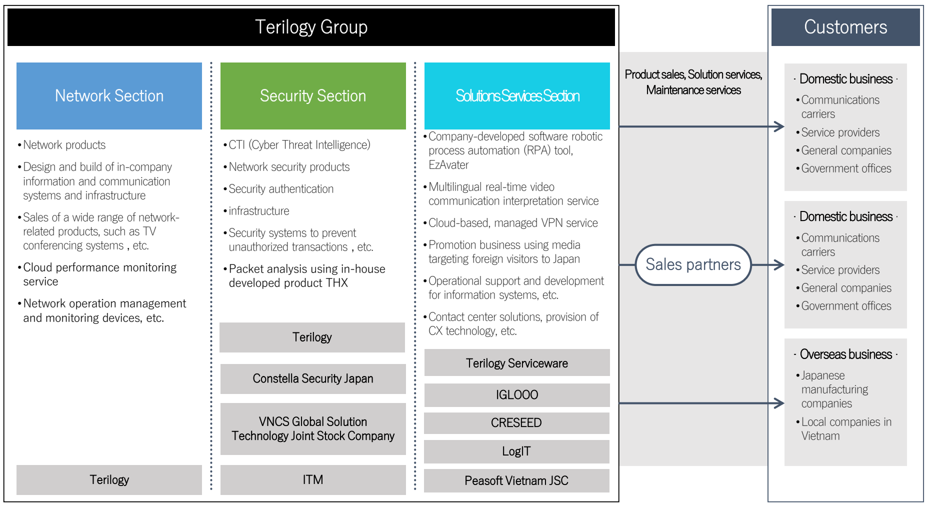
Business overview

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



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) by business segment, while net sales in the Network Section fluctuate based on renewal demand occurring every four to five years, they have remained generally flat due to focusing on renewal and maintenance, with the share of total sales trending downward. Backed by growth in cyber security demand, net sales in the Security Section increased around 2.1 times from ¥1,628mn in FY3/21 to ¥3,375mn in FY3/25. Net sales in the Solutions Services Section grew around 3.9 times from ¥936mn to ¥3,620mn over the same period, with the effects of M&A (making CRESEED a consolidated subsidiary in March 2021 and LogIT a consolidated subsidiary in March 2024) contributing to this. As a result, the latest share of total sales is around 20% for the Network Section, around 40% for the Security Section, and around 40% for the Solution Services Section.

Trends in net sales by segment

(¥mn)

	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	1H FY3/26
Net sales						
Network Section	1,616	1,399	1,286	1,560	1,657	898
Security Section	1,628	1,726	2,155	3,005	3,375	1,884
Solutions Services Section	936	1,710	1,965	2,314	3,620	1,811
Monitoring Section	520	387	269	-	-	-
Total	4,701	5,223	5,676	6,881	8,653	4,593
Net sales composition						
Network Section	34.4%	26.8%	22.7%	22.7%	19.2%	19.6%
Security Section	34.6%	33.1%	38.0%	43.7%	39.0%	41.0%
Solutions Services Section	19.9%	32.7%	34.6%	33.6%	41.8%	39.4%
Monitoring Section	11.1%	7.4%	4.7%	-	-	-
Total	100.0%	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 results briefing materials

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 around 50%, and maintenance services also accounted for around 50%.

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

3. Security Section

The Security Section is mainly operated by Terilogy and Constella Security Japan. It 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.

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), whose strengths are OT/IoT security measures for key infrastructure such as electric power systems and the manufacturing control systems area, such as factory and building management; Sumo Logic (manufactured by US-based Sumo Logic), a log management and analysis cloud security service; 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 <4704> in 2015); and OneSpan (manufactured by Belgium-based OneSpan <OSPN>), 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> launched Technical Knowledge Guardian for OT Security, an integrated support service jointly created by the three companies that provides one-stop support ranging from consulting on manufacturing control system (OT system) security to the implementation of OT and network products. Also, in April 2023, NEC <6701> started using Nozomi 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.

Recent topics of note include Constella Security Japan signing a domestic master distributor agreement with France-based Filigran SAS (Filigran) in June 2025. Filigran develops the proprietary eXtended Threat Management (XTM) suite comprising the OpenCTI and OpenBAS open source threat intelligence platforms, which are renowned around the world. In September 2025, the Nippon Cyber Security Fund 1 Investment Limited Partnership invested in Constella Security Japan as its second investee. In November 2025, Terilogy signed a distribution agreement for Japan with US-based Obsidian Security, Inc. (Obsidian Security), a leading SaaS security company. Obsidian Security ranked 95th in the 2025 Deloitte Technology Fast 500 list of the 500 fastest-growing companies in North America.

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. Terilogy Serviceware's 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, which addresses rising security concerns among small- to medium-sized businesses. Furthermore, IGLOOO operates a promotion business using VOYAPON, an inbound media site targeting visitors to Japan from Europe, North America, Australia, and the Middle East, CRESEED engages in information system DX support and contracted systems development, and LogIT engages in information systems business such as contact center solutions for companies focusing on customer experience (CX). In November 2025, Terilogy Serviceware acquired translation, interpreting, and instructor dispatch business from World City Ltd. and WonderPlanet Inc. It will strengthen the highly specialized business interpreting field, such as supporting companies in communicating information for overseas audiences and interpreting services for online meetings with foreign participants.

EzAvater 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.

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 NIPPON, 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. Examples include retailers such as the general retailer AEON Retail Co., Ltd., AOKI Holdings Inc., which sells men's and women's clothing, and eyewear retailer Zoff Co., Ltd., hotel facilities such as Seibu Prince Hotels Worldwide Inc., Tokyo Dome Hotel Co., Ltd., and Kyoritsu Maintenance Co., Ltd. <9616>, local governments such as Kita Ward in Tokyo, Bunkyo Ward in Tokyo, and Azumino City, healthcare institutions such as St. Marianna University School of Medicine, and others such as The Bank of Fukuoka, Ltd. (a subsidiary of Fukuoka Financial Group, Inc. <8354>), The Kumamoto Bank, Ltd, The Juhachi-Shinwa Bank, Ltd., Tokyo Zoological Park Society, and Nagaoka Fireworks Foundation.

IGLOOO operates a tourism-related promotion business targeting Europe, North America, Australia, and the Middle East. 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. Furthermore, in July 2025, it acquired a travel business license, and in September 2025, it officially released VOYAPON+, a new function for the VOYAPON inbound media site for visitors to Japan. With the future arrival of the Web3 era in mind, the Company will evolve it from a media site into a platform and comprehensively support tourists visiting Japan in the planning and execution phases.

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 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 profit.

The Company has built the business value chain to practice its corporate philosophy. It will strengthen its adaptation to technological innovation

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.

(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"

These value chains include: (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 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. In other words, its core competencies include the "ability to find emerging technologies and marketable products" and "ability to respond to the market," which involve 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 (formerly VASCO Data Security), and US-based Lastline (acquired by US-based VMware in 2020).

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. 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 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 concluded a domestic master reseller contract with TippingPoint in 2004 and built up a strong track record. It 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.

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 behind fluctuation in 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. Furthermore, the share of total sales accounted for by the Solution Services Section, which does not depend on purchasing products from overseas, will increase. This is expected to decrease the influence of exchange rate fluctuations on the Company's overall results. 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 2Q (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 1H FY3/26, operating income will return to profitability and ordinary income will increase significantly thanks to significant sales growth

1. Overview of 1H FY3/26 consolidated results

In the 1H FY3/26 consolidated results, net sales rose 16.1% YoY to ¥4,593mn, operating income increased to ¥181mn (loss of ¥21mn in 1H FY3/25), ordinary income grew 784.8% to ¥197mn, and net income attributable to owners of parent was ¥127mn (loss of ¥43mn). Orders received were up 11.2% to ¥5,470mn, and outstanding orders rose 37.6% to ¥4,684mn. The average US dollar exchange rate was ¥146.63 (¥152.62 in FY3/25). Net sales performed strongly on the back of high demand, with double-digit growth in all business sections. Operating income returned to profitability, offsetting the rising purchase price of imported products and higher expenses associated with human capital. Ordinary income grew significantly while net profit attributable to owners of parent returned to profitability.

By business section, net sales grew 11.5% YoY to ¥898mn in the Network Section, 22.4% to ¥1,884mn in the Security Section, and 12.5% to ¥1,811mn in the Solution Services Section. Gross profit increased 21.2%, and the gross profit margin increased 1.3 percentage points (pp) to 32.7%. Along with the effect of higher sales, price revisions for some products contributed to this. SG&A expenses rose 4.8%, but the SG&A ratio fell 3.1pp to 28.8%. As a result, the operating income margin was 4.0%. In non-operating income, equity-method investment gain rose ¥18mn (¥2mn in 1H FY3/25, ¥20mn in 1H FY3/26) and foreign exchange gain or loss worsened by ¥92mn (gain of ¥70mn in 1H FY3/25, loss of ¥22mn in 1H FY3/26). Furthermore, a gain on currency swaps of ¥18mn was recorded in non-operating income, while the ¥26mn loss on valuation of derivatives recorded in non-operating expenses in 1H FY3/25 ended.

Overview of 1H FY3/26 consolidated results

(¥mn)

	1H FY3/25		1H FY3/26		YoY	
	Results	Composition	Results	Composition	Change amount	Change %
Net sales	3,955	100.0%	4,593	100.0%	638	16.1%
Gross profit	1,241	31.4%	1,504	32.7%	263	21.2%
SG&A expenses	1,262	31.9%	1,322	28.8%	60	4.8%
Operating income	-21	-	181	4.0%	202	-
Equity-method investment gain	2	0.1%	20	0.4%	18	-
Foreign exchange gain	70	1.8%	-	-	-70	-
Currency swap gain	-	-	18	0.4%	18	-
Loss on valuation of derivatives	26	0.7%	-	-	26	-
Exchange loss	-	-	22	0.5%	22	-
Ordinary income	22	0.6%	197	4.3%	175	784.8%
Net income attributable to owners of parent	-43	-	127	2.8%	170	-
Average exchange rate (US dollar/yen)	152.62	-	146.03	-	-6.6	-
Net sales by segment						
Network Section	805	20.4%	898	19.6%	92	11.5%
Security Section	1,539	38.9%	1,884	41.0%	344	22.4%
Solutions Services Section	1,610	40.7%	1,811	39.4%	201	12.5%
Orders received	4,920	-	5,470	-	550	11.2%
Outstanding orders	3,405	-	4,684	-	1,279	37.6%

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

2. Trends by segment

In the Network Section, sales performed strongly overall, increasing 11.5% YoY. Looking at it by main product, sales for Extreme Networks (formerly Aerohive) decreased, but with demand for network security measures remaining at a high level, sales of Infoblox and Radware grew considerably. Replacement projects for Infoblox, an IP address management server product, increased in conjunction with the transition to a new model. In light of the rapid increase in damage from cyberattacks in Japan, the Company strove to acquire new customers for Radware, a DDoS attack countermeasure solution, through measures such as holding online seminars and exhibiting at trade shows, which led to an increase in inquiries. Sales of Extreme Networks, a cloud-based wireless LAN system, decreased, but inquiries about replacing existing wireless LAN environments or adding systems remained stable.

Sales in the Security Section grew significantly, rising 2.4% YoY. Looking at it by main product, sales were flat for TippingPoint, but in light of rising demand for cyber security measures, they grew considerably for Nozomi Networks and the log management and analysis cloud security service Sumo Logic. The introduction of Nozomi Networks, an OT/IoT security solution for the industrial control systems field, progressed steadily at major domestic manufacturing companies and social infrastructure operators. Against the backdrop of the acceleration of DX at factories and the broadening of the OT security measures market's base, inquiries from medium-size manufacturers were also on the rise. CTI security services, the Group's proprietary threat information analysis services, continued to steadily acquire projects from government agencies, and both the number of projects and the amount of sales they generate are trending upward. Furthermore, the activities of Constella Security Japan in the area of cognitive and information warfare were reported by multiple news media outlets, further increasing interest in this field. Inquiries regarding the log management and analysis cloud security service Sumo Logic are increasing in light of the fast-growing use of cloud services.

In the Solutions Section, sales performed strongly, rising 12.5% YoY. Sales grew for EzAvater and Mieru-Tsuyaku, while IGLOOO, CRESEED, and LogIT also performed well. The gross profit margin rose significantly for CRESEED and LogIT, contributing to profit. Awareness of EzAvater, an RPA tool developed proprietarily by the Group, increased, as its adoption expanded across industries, sectors, and companies of all sizes. Mieru-Tsuyaku, a multilingual, real-time video interpretation service, was introduced at more facilities such as department stores, retail stores, and accommodation facilities due to the increase in foreign visitors to Japan and inbound tourism demand. There was growth in network security services for SMEs, including UTM, endpoint, and SASE services. IGLOOO, which operates a promotion business using inbound-focused media for visitors to Japan, saw rising demand for PR services from government agencies, municipalities, and private-sector companies in conjunction with the increase in foreign visitors to Japan and inbound tourism demand. CRESEED, which supports information system DX and pursues systems development, saw growth in network and server replacements, security measure projects, various systems development projects, etc. As for LogIT, which provides audio-focused contact center solutions for corporations, its maintenance business for existing customers and mainstay call recording business for call centers performed steadily, while inquiries about its sentiment analysis business also increased.

3. Financial position

Looking at the Company's financial position, total assets at the end of 1H FY3/26 increased ¥1,790mn compared to the end of the previous fiscal year to ¥8,899mn. This was mainly because cash and deposits increased ¥1,230mn and advance payments rose ¥948mn, although notes and accounts receivable – trade and contract assets decreased ¥536mn. Total liabilities increased ¥1,567mn to ¥5,805mn. This was mainly attributable to a ¥1,680mn rise in advances received. Interest-bearing debt (the total of short- and long-term borrowings) decreased by ¥44mn to ¥233mn. Net assets increased ¥222mn to ¥3,093mn. The main factors were a ¥73mn increase in capital surplus and ¥127mn rise in retained earnings. As a result, the equity ratio fell 5.5pp to 34.2%. While the equity ratio decreased, it is not at a level which is particularly concerning, and on the cash flow statements 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.

Balance sheet and cash flow statement (summary)

(¥mn)

	End of FY3/22	End of FY3/23	End of FY3/24	End of FY3/25	End of 1H FY3/26	Change amount
Total assets	5,991	6,144	6,898	7,109	8,899	1,790
Current assets	4,871	5,068	5,323	5,536	7,241	1,705
Non-current assets	1,119	1,075	1,574	1,572	1,657	84
Total liabilities	3,551	3,698	4,334	4,238	5,805	1,567
Current assets	3,271	3,325	3,993	4,002	5,621	1,618
Non-current assets	279	373	340	235	184	-51
Total net assets	2,439	2,445	2,564	2,870	3,093	222
Equity ratio	40.2%	39.1%	36.7%	39.7%	34.2%	-5.5pp

	FY3/22	FY3/23	FY3/24	FY3/25	1H FY3/26
Net cash provided by/used in operating activities	414	287	324	-54	1,269
Net cash provided by/used in investing activities	-243	34	-578	-234	-158
Net cash provided by/used in financing activities	-428	112	-134	46	121
Cash and cash equivalents at end of 1H	1,867	2,298	1,916	1,681	2,912

Note: Figures up to FY3/22 for Terilogy
Source: Prepared by FISCO from the Company's financial results

Outlook

Forecast for significant increases in sales and profit for FY3/26 remains unchanged

● Overview of FY3/26 consolidated forecast

The FY3/26 consolidated results forecasts are for significant increases in sales and profit, in line with the initial forecasts, with 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. Sales in all business sections are expected to grow on the back of high demand, with security products in particular expected to drive the growth. The Network Section is projected to increase 3.0% to ¥1,707mn, the Security Section to increase 22.7% to ¥4,141mn, and the Solution Services Section to go up 6.4% to ¥3,850mn. The proportion of total sales for each business section is 17.6%, 42.7%, and 39.7%, respectively. 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. However, given that orders received at the end of 1H increased 37.6% YoY with demand at a high level and the Company is also pursuing price revisions, we at FISCO believe that strong results can be expected.

Overview of FY3/26 consolidated forecast

(¥mn)

	FY3/25		FY3/26		YoY		1H	
	Results	Composition	Forecast	Composition	Change amount	Change %	Results	Progress rate
Net sales	8,653	100.0%	9,700	100.0%	1,046	12.1%	4,593	47.4%
Operating income	273	3.2%	450	4.6%	176	64.7%	181	40.4%
Ordinary income	327	3.8%	450	4.6%	122	37.5%	197	43.9%
Net income attributable to owners of parent	176	2.0%	280	2.9%	103	59.1%	127	45.6%
Net sales by segment								
Network Section	1,657	19.2%	1,707	17.6%	50	3.0%	898	52.6%
Security Section	3,375	39.0%	4,141	42.7%	766	22.7%	1,884	45.5%
Solutions Services Section	3,620	41.8%	3,850	39.7%	230	6.4%	1,811	47.0%

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

Growth strategy

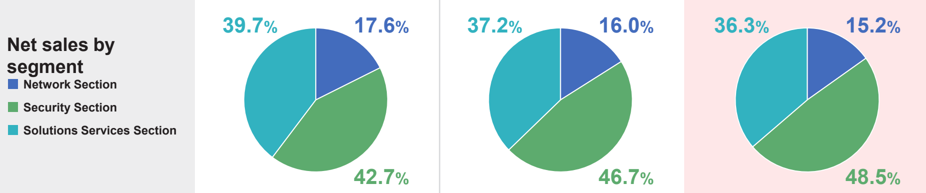
Considering asset replacement along with growth investment to realize positive ROE improvement cycle

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 May 2025, it announced the Terilogy Group New Three-Year Medium-Term Management Plan, covering the period from FY3/26 to FY3/28. The plan set the net sales and ordinary income targets as ¥9,700mn and ¥450mn respectively for FY3/26, ¥11,000mn and ¥600mn for FY3/27, and ¥12,000mn and ¥1,000mn for FY3/28. The plan for the proportion of total sales by business section is as follows: 17.6% for the Network Section, 42.7% for the Security Section, and 39.7% for the Solution Services Section in FY3/26; 16.0%, 46.7%, and 37.2% respectively in FY3/27; and 15.2%, 48.5%, and 36.3% respectively in FY3/28.

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

	FY2025 Target	FYFY2026 Plan	FY2027 Plan
Net sales	¥9,700mn	¥11,000mn	¥12,000mn
Ordinary Income	¥450mn	¥600mn	¥1,000mn
Growth rate	112%	113%	109%
Net sales by segment			

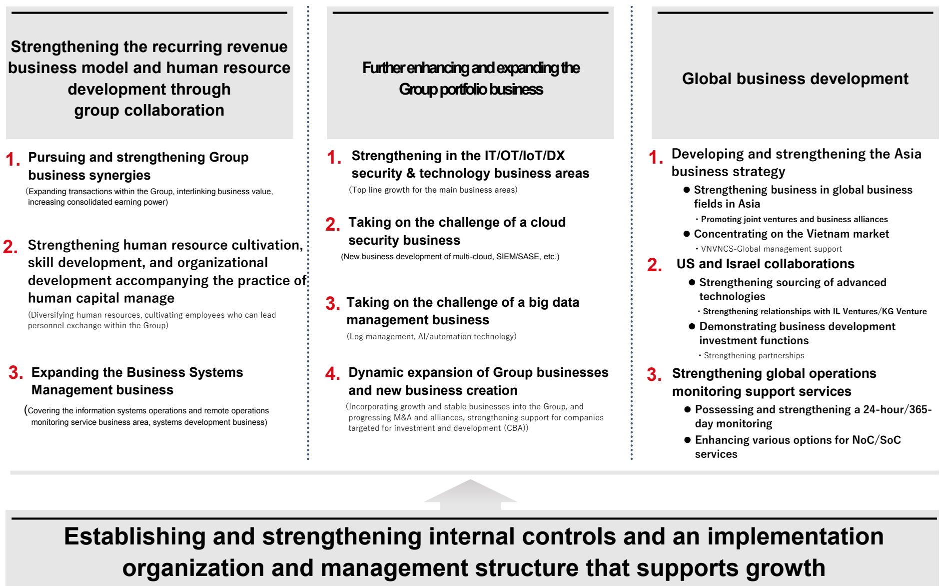


Source: The Company's results briefing material

In terms of basic policy, 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). 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 basic approach to 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, cloud technologies, inbound tourism solutions, the medical information and life sciences field, industrial DX, and generative AI and automation technology. 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.

Priority measures



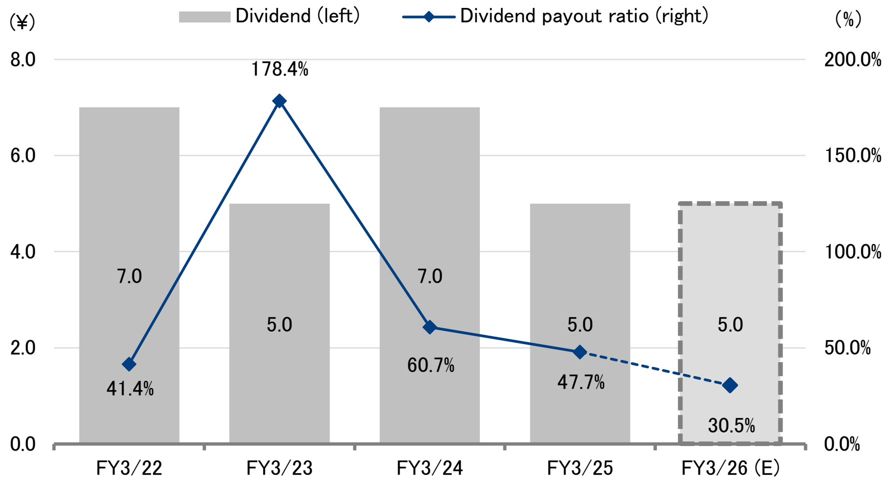
Source: The Company's results briefing material

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 ROE as a key indicator and aims to achieve 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 per-centage of incentives granted through its employee stock ownership association. Along with maintaining growth investment, it is also considering measures such as asset replacement to further realize a positive ROE improvement cycle.

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 FY3/26 is expected to be ¥5.00 per share (to be paid in full at the end of the fiscal year), which is the same as the previous fiscal year. The forecast dividend payout ratio is 30.5%.

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

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. At the same time, however, we at FISCO believe that key challenges for the Group include mitigating foreign exchange risk and achieving sustained profit growth and higher profitability through the expansion of recurring-revenue streams. 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). In 1H FY3/26, the ordinary income margin increased due to the effect of higher sales, price revisions for some products, an improved sales mix, and other factors. The Company will apparently also consider measures such as asset replacement in addition to growth investment in order to further realize a positive ROE improvement cycle. With the business environment in which the Company's group operates remaining favorable, such as security measure-related needs being expected to grow further in the medium- to long-term, FISCO expects it to continue making progress in achieving sustainable profit growth and implementing measures to improve profitability (e.g., measures to reduce foreign exchange risk, strategies to expand recurring-revenue streams, strategies to improve the sales mix).

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