

JAPAN TECHNOLOGY: IT SERVICES

Sector investment strategy/overseas earnings: Focus on 4 major system integrators' MTPs; earnings outlook solid even with AI disruption

In this report, we profile the **medium-term business plans of four major system integrators (NEC, Fujitsu, Nomura Research Institute (NRI), and NTT Data)** (Chapter 1), summarize the latest earnings results/orders environment/our earnings estimates (Chapter 2), and examine the read-across from overseas results (IT services/security/networks) (Chapter 3).

Chikai Tanaka, CFA
+81(3)4587-9840 |
chikai.tanaka@gs.com
Goldman Sachs Japan Co., Ltd.

Yuki Sato
+81(3)4587-8536 | yuki.z.sato@gs.com
Goldman Sachs Japan Co., Ltd.

- **Share prices:** While concerns about AI disruption persist, investor sentiment and the US software stock index are showing signs of recovery following strong earnings from Snowflake, comments at Capgemini's IR Day, and remarks in NVIDIA CEO's keynote speech. Share prices in the Japanese IT services sector remain weak due in our view to headwinds from sector rotation. However, taking into account differences in customer in-house development ratios between the Japanese and US markets, we highlight a growing view that major Japanese system integrators are unlikely to be disrupted by AI, and our impression is that excessive concerns over AI disruption are gradually receding. While the headwinds from the aforementioned rotation may continue, underlying fundamental strength suggests it is time to watch for a turning point in the share prices.
- **Medium-term business plans (MTPs):** Companies generally expect strong earnings to continue even under AI disruption during the course of their new MTPs. We expect profit growth in step with margin improvement to continue, driven by higher demand for AI-related business and productivity improvements via AI-led development. In the medium term, however, improved productivity led by AI could reduce the number of workers assigned to projects, putting greater downward pressure on project ASP. From this perspective, we believe Fujitsu and NEC, which are focusing on offering services for which the pricing model changes, and NRI, which has few quasi-mandate contracts and is strong in cloud services, are well positioned to weather these negative impacts.
- **Earnings trends:** Modernization demand continues to drive earnings expansion across sector companies. Margins also remain on an improvement track on a boost from revenue growth and cost pass-throughs. For Fujitsu and Hitachi (covered by Ryo Harada), the uplift from AI-driven development is beginning to

Goldman Sachs does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. For Reg AC certification and other important disclosures, see the Disclosure Appendix, or go to www.gs.com/research/hedge.html. Analysts employed by non-US affiliates are not registered/qualified as research analysts with FINRA in the U.S.

materialize. Although the business environment remains supportive across the industry, we expect FY26 (FY3/27 or FY12/26) to be a year in which the earnings gap between companies widens based on company-specific factors such as upfront investments and the utilization of AI. Companies we expect to see double-digit (%) yoy profit growth include Nomura Research Institute (NRI), NEC, Fujitsu, OBIC, OBIC Business Consultants (OBC), and BIPROGY, while earnings are likely to remain muted due to company-specific factors at the likes of NS Solutions (NSSOL), TIS, Trend Micro, and Otsuka.

- **Read-across from overseas results:** Looking at trends at major global IT services companies, uncertainty over the economic outlook remains, centered on the situation in the Middle East, but revenue growth has been on a gradual recovery since bottoming out in early 2024. On AI disruption, companies generally believe that the negative impacts of AI penetration (increased downward pricing pressure and replacement of some software/services) can be more than offset by the positive impacts (expansion of supply capacity through productivity improvements and the emergence of new AI-related demand). While this provides somewhat of a tailwind for the overseas businesses of these Japanese companies, the market environment remains subdued and a lack of optimism will likely persist until geopolitical tensions subside and/or these tailwinds become more evident in operating results.

As mentioned above, share prices in the IT services sector may continue to face headwinds for the time being given sector rotation and concerns over AI disruption. Considering the strength of fundamentals, however, the uplift from AI (in the form of higher demand for AI-related business and margin improvement from AI-driven development) and changes in sentiment in the US market suggest to us that share prices are increasingly likely to turn around for AI beneficiaries. For stocks where AI disruption risks cannot be dispelled, we think share prices will continue to face upside resistance even if their valuation levels are historically cheap.

Within this environment, we remain Buy rated on **Fujitsu**, **NEC**, and **NRI**, which have a strong presence in backbone systems resistant to AI replacement, and which stand to benefit from AI-related business and AI-driven development. We also maintain our Buy rating on **BIPROGY**, where earnings momentum remains strong, centered on core systems for regional banks, and on **OBC**, which is entering a phase of rising ASP accompanying its shift to the cloud. We maintain Sell on **Otsuka**, for which we expect operating profits to decline as the PC replacement cycle and special demand from the GIGA School initiative run their course, and on **freee**, where earnings have been solid but valuations lack appeal.

Unless otherwise stated, pricing in this report is based on June 10, 2026 closing prices. See [Exhibit 21](#) for ratings and names of covering analysts for overseas companies mentioned in this report.

Exhibit 1: Japan IT services/telecom sector valuations

Ticker	Company	Rating	Market cap (¥bn) 6/10	Share price (¥) 6/10	Target price (¥)	Upside/ downside	P/E (x)		EV/EBITDA (x)		OP growth rate (%)		P/B (x)		ROE	Sharehold er Yield FY1	Trading Value (mn yen)
							FY1	FY2	FY1	FY2	FY1	FY2	FY1	FY2			
Japan IT Service sector																	
2327.T	NS Solutions	Sell	596	3,256	2,670	-18.0%	18.4	17.6	7.8	7.3	7.4%	5.3%	2.1	11.2%	2.7%		845
3626.T	TIS	Neutral	714	3,245	3,850	18.6%	11.9	11.8	6.2	5.8	6.9%	5.5%	2.2	17.8%	7.8%		9,202
4307.T	NRI	Buy	2,671	4,650	5,600	20.4%	21.1	18.6	12.1	10.8	205.5%	11.2%	5.4	28.7%	4.5%		17,419
4478.T	freee K.K.	Sell	119	2,007	2,000	-0.3%	144.8	55.2	31.0	14.2	70.2%	217.3%	6.1	4.1%	0.0%		1,425
4684.T	Obic	Neutral	1,714	3,956	4,500	13.8%	20.4	18.3	11.6	10.4	11.8%	9.6%	3.3	16.2%	5.3%		6,191
4704.T	Trend Micro	Neutral	812	6,217	6,600	6.2%	21.7	20.4	7.1	6.8	-4.8%	5.5%	6.4	29.4%	4.6%		6,819
4733.T	Obic Business Consultants	Buy	449	5,976	9,100	52.3%	22.2	19.4	10.4	8.7	13.7%	15.7%	2.7	11.6%	2.2%		1,369
4768.T	Otsuka	Sell	1,110	2,929	2,650	-9.5%	17.5	16.5	8.6	7.9	-2.2%	5.7%	2.8	15.6%	3.2%		5,748
6701.T	NEC	Buy	5,319	4,010	5,190	29.4%	18.4	16.5	8.8	7.6	16.4%	11.5%	2.4	12.5%	1.1%		30,931
6702.T	Fujitsu	Buy	5,832	3,362	4,330	28.8%	18.6	16.3	11.7	10.1	19.1%	16.4%	2.9	15.1%	4.2%		30,710
8056.T	BIPROGY	Buy	437	4,520	6,300	39.4%	13.0	11.5	6.9	5.8	13.6%	12.8%	2.4	17.8%	3.1%		1,919
Following companies are BBG Consensus-based																	
3697.T	SHIFT	Not Covered	173	675	-	-	16.5	11.9	-	-	14.9%	28.2%	4.4	21.2%	0.0%		6,020
3774.T	IJ	Not Covered	551	3,107	-	-	20.5	18.0	-	-	16.4%	13.4%	3.5	15.1%	1.5%		2,108
3994.T	MoneyForward	Not Covered	221	4,002	-	-	N.M.	67.3	-	-	N.M.	2188.9%	5.4	0.0%	0.0%		2,072
4716.T	Oracle Japan	Not Covered	1,149	8,966	-	-	17.8	16.5	-	-	8.1%	8.9%	7.0	32.7%	2.3%		5,894
6532.T	BayCurrent	Not Covered	885	5,831	-	-	18.2	14.6	-	-	27.1%	25.1%	7.6	36.9%	5.6%		8,691
IT service Sector Average (Coverage: excl. freee)							18.3	16.7	9.1	8.1	28.7%	9.9%	3.3	17.6%	3.9%		11,115
Japan Telecom Sector																	
9432.T	NTT	Buy	12,132	149	179	20.1%	11.4	10.4	7.0	6.6	0.5%	7.8%	1.2	10.6%	5.3%		38,054
9433.T	KDDI	Neutral	10,476	2,752	2,790	1.4%	14.1	13.1	7.4	7.2	10.1%	3.1%	2.1	14.3%	5.9%		26,527
9434.T	SoftBank	Neutral	10,268	215	243	12.9%	18.0	16.8	7.0	6.7	7.4%	6.9%	3.9	19.1%	4.1%		16,587
4755.T	Rakuten Group	Not Rated	1,563	723	-	-	N.M.	N.M.	N.M.	N.M.	N.M.	N.M.	1.6	-3.0%	0.0%		13,472
Telecom Sector Average (ex. Rakuten Group)							14.5	13.4	7.1	6.9	6.0%	5.9%	2.4	14.7%	5.1%		27,056

Target prices are on a 12-month basis. Not Covered company data for SHIFT, IJ, Money Forward, Oracle Japan, and BayCurrent are based on Bloomberg consensus forecasts. Fiscal year-ends are as follows: February for BayCurrent, May for Oracle Japan, June for freee, August for SHIFT, November for Money Forward, and December for Trend Micro, Otsuka, and Rakuten Group; all other companies have a March fiscal year-end. Trading value represents the past 1-month average.

Source: Company data, Goldman Sachs Global Investment Research, Datastream

Chapter 1: Medium-term plans

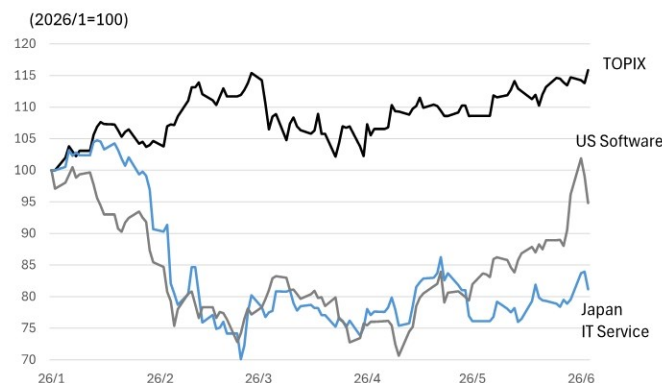
Share price trends

Investors continue to have concerns about AI disruption, where generative AI could replace the functions of specific software. Disruption concerns began to emerge, mainly in the US market, from 2H25, and these concerns grew rapidly in the Japanese market in 2026. However, **in the US, investor sentiment and the US software stock index are showing signs of a recovery, driven by strong earnings from US-based Snowflake (on its rapid growth in AI-related business), comments from France-based Capgemini at its IR Day (abundant AI-related pipeline and a net positive effect even after considering AI disruption impact), and comments from US-based NVIDIA's CEO during a keynote speech ([link](#)) (who stated that the proliferation of AI agents will lead to an expansion of software demand) ([Exhibit 2](#)).**

While the share prices of Japan's IT services sector remain weak, based on our conversations with investors, we believe the recent share price weakness is largely due to the impact of sector rotation toward hardware/tech stocks, rather than a deterioration in fundamentals or heightened AI disruption concerns. Indeed, our impression is that investors are increasingly adopting the view that major Japanese system integrators (SIs) are less susceptible to AI disruption than their global counterparts, considering the differences in client in-house development rates and software customization between the Japanese and US markets ([Exhibit 3](#)). In other words, **the excessive AI disruption concerns that arose in February–March are gradually receding. Considering the aforementioned sector rotation trend, we expect share prices to face headwinds in the short term. However, as fundamentals and medium-term plans are generally favorable (discussed below), we believe it is time to watch for a turning point for share prices.**

Exhibit 2: While the pace of recovery is slow, we think the worst of investor sentiment is passing

Japan IT services sector vs. TOPIX and US software sector (2026 YTD)



Japan IT services based on the total market capitalization of 10 companies: NSSOL, TIS, NRI, OBIC, Trend Micro, OBC, Otsuka, NEC, Fujitsu, and BIPROGY. US Software is the iShares Expanded Tech-Software Sector ETF (IGV).

Source: Data compiled by Goldman Sachs Global Investment Research, Datastream

Exhibit 3: US has a high rate of in-house development with many engineers on the client side, while the opposite is true for Japan

Differences between the US and Japan IT services/software markets

Japan vs US market	Japan	United States
System Customization	High (Adapting systems to fit existing business processes)	Low (Adapting business processes to fit standard systems)
IT Talent Distribution	Concentrated in IT Service Providers (User Companies : Siers=3:7)	Concentrated in User companies (User Companies : Siers=7:3)
In-house-oriented vs Outsourcing in client	Outsourcing (Few engineers and low in-house production rate)	In-house-oriented (Many engineers and high in-house production rate)

Source: Data compiled by Goldman Sachs Global Investment Research

Medium-term plans

The four major system integrators have now released their medium-term plans ([Exhibit 4](#)). Amid strong lingering concerns about AI disruption globally, investors had been focused on what kind of medium-term plans and growth scenarios Japan's major Siers would present. While we need to be mindful of the different timeframes for each company (three years for NRI, five for NEC and NTT Data, and ten for Fujitsu), **we highlight the following five key points: (1) profit/margin targets, (2) AI-related business/offering services, (3) AI-driven development, (4) pricing models, and (5) capital allocation (M&A and shareholder return policies). We discuss these below.**

Exhibit 4: Generally ambitious plans; only NRI presented a conservative outlook but mentioned a potential plan revision
Medium-term plans at four major system integrators

in JPY

	MTP	NEC	Fujitsu	NRI	NTT Data	Hitachi (DSS Business)
Period		FY3/27-FY3/31	FY3/27-FY3/36	FY3/27-FY3/29	FY3/27-FY3/31	FY3/26-FY3/28
		5Years	10Years	3Years	5Years	3Years
Revenue Target		4.4Tn~4.5Tn	6.2Tn~8.3Tn	950Bn	-	3.47Tn~3.67Tn
CAGR(%)		0.0%	6-9%	0.0%	-	7-9%
FY3/26A		3.58Tn	3.5Tn	814.7Bn	5Tn	2.94Tn
Profit Target		800Bn	1.5Tn-2.4Tn	200Bn	1.2Tn	550Bn~590Bn
Profit Definition		Non-GAAP OP (OP+PPA+One-time costs)	Adjusted OP (OP+One-time costs)	OP -	EBITDA (OP+Depreciation)	Adjusted EBITA (OP+PPA)
CAGR(%)		0.0%	14-19%	0.0%	0.0%	12-14%
FY3/26A		397.2Bn	390.6Bn	156.7Bn	803.7Bn	450Bn
Profit Margin Target		Around 18%	25-30%	21.1%	-	16%+
FY3/26A		11.1%	11.2%	19.2%	16.1%	15.3%
CAGR(%pt)		1.4%pt	1.2-1.9%pt	0.6%pt	-	0.7%pt
FY3/26A (in million)						
Revenue		3,582,733	3,502,971	814,708	5,004,614	2,940,000
OP		359,913	348,329	58,273	488,211	315,200
Adjusted OP		386,827	390,589	156,673	543,234	430,000
OP Margin		10.0%	9.9%	7.2%	9.8%	10.7%
Adjusted OPM		10.8%	11.2%	19.2%	10.9%	14.6%
CAGR (FY3/21-FY3/26)						
Revenue		2.6%	1.6%	5.6%	12.8%	7.2%
Adjusted OP		23.5%	16.4%	11.9%	23.4%	16.2%
Adjusted OPM		1.5%	1.2%	1.0%	0.9%	1.0%
Points		Significant profitability improvement expected to continue through revenue growth effects, price pass-through, AI utilization, and structural reform benefits.	A long-term 10-year plan, but growth rates are projected to remain similar over the next 5 years as well. Focus on CPU and quantum computing.	Conservative assumptions as usual. AI-driven development is an upside factor. Overseas operations are bottoming out in profitability through structural reforms.	Overseas: expanding data center investment + considering M&A. Domestic: expanding collaboration with NTT Docomo Business. Actively pursuing AI-driven development.	Lumada revenue ratio to increase from 45% to 65% (FY25/3 → FY28/3). Policy to apply AI-driven development across all SI processes.

Adjusted operating profit = OP + amortization of intangible fixed assets, etc.; Non-GAAP OP = OP + amortization of intangible fixed assets, etc. + restructuring costs, etc. NEC's figures are GS estimates based on company data. NRI's FY3/26 operating profits exclude one-off expenses (goodwill impairment in overseas business, etc.).

Source: Company data, Goldman Sachs Global Investment Research

Below, we summarise the new medium-term plans announced by the four companies.

- **Summary:** Based on the medium-term plans, **we think our coverage companies expect favorable earnings trends to be sustained despite AI disruption. We look for profit growth accompanied by margin improvement to continue, driven by expanding demand for AI-related businesses and productivity improvements from AI-driven development.** According to NRI, demand for AI implementation support services is already on an expansionary trend, and this is likely to lead to growth in related system integration demand in the future. On the other hand, in the medium term, if productivity improves due to AI and the number of personnel assigned to projects decreases, **downward pressure on project unit prices may increase. From this perspective, the ability to shift from quasi-delegation contracts to all-inclusive contracts or value-based contracts will be important.** We believe that Fujitsu and NEC, which are focusing on offering services (i.e., solutions) that make it easier to change pricing models, and NRI, which has few quasi-mandate contracts and is strong in cloud services, are in a position to be less affected by such potential negative impact. Going forward, in each company's financial results, we will be paying close attention to progress in AI-related business demand trends, the deployment of AI-driven development, and changes in pricing models.
- **NEC's** five-year plan forecasts non-GAAP operating profit CAGR at c.+15%. **The targeted margin improvement may seem ambitious, but we believe it is within an achievable range, as there is significant room for profitability improvement in IT services through the growth for BluStellar and the utilization of AI.** NEC also announced plans to partner with US-based Anthropic and focus on AI-driven development. The growth potential of social infrastructure business (defense and submarine cables) is high, and we expect profit growth to continue to exceed the sector average, centered on IT services, defense, and submarine cables.
- **Fujitsu's** 10-year plan calls for adjusted operating profit CAGR of +14-19%. It is likely difficult for investors to evaluate given the long timeline, but its concrete measures for profitability improvement and for growth in the next-generation computing platform are being well-received. **The outlook is ambitious on the whole, centered on profit targets, but we think targets are within an achievable range, as we expect sustained margin improvement that surpasses other companies through AI-driven development and hiring restraint.** If expansion in CPU/AI servers and quantum computers materializes, backed by Fujitsu's very strong track record in supercomputers, this could become an upside factor to GS forecasts and market consensus.
- **NRI's** three-year plan calls for operating profit CAGR of +8.5%. As with its previous medium-term plans, the outlook appears cautious, particularly in light of recent earnings progress. However, **with the restructuring of its overseas business already completed and domestic business generally remaining strong, we see significant upside potential to the company's targets. Depending on the progress of its proprietary AI-driven development platform, we think the operating profit target could be achieved a year ahead of schedule.** The decision to introduce AI in companies lies not with the IT department but with management,

and as NRI's consulting business enables it to approach client management, we think it is likely to be able to increase its share in the AI-related business, just as it did with its DX business.

- **NTT Data's** five-year plan forecasts EBITDA CAGR at +8%. Compared to other major Slers, the company's overseas business accounts for a high share of sales (c.60% in FY3/26), so it is necessary to be mindful of the severe competitive environment and AI disruption risks. However, **we believe the target is achievable considering the strength of the domestic business, the growth potential of the DC business, and the tapering of upfront costs for the overseas business (in the latter half of the medium-term plan)**. We see further upside potential for the domestic business if collaboration with the NTT Docomo business progresses. On the other hand, NTT Data stated that it is considering M&A for its overseas business, but we believe it will need to be cautious about expanding human resources in the overseas market where AI disruption concerns are high. Based on management commentary, we believe the company is aware of this point.

Below, we look at each company's medium-term plan from five perspectives.

Profit targets

First, **our coverage companies generally expect strong profit growth and margin improvement to continue.** In particular, NEC and Fujitsu, which have achieved rapid profit growth over the past five years, both emphasize there is still significant room for profitability improvement, and both expect to see annual average operating profit growth of around +15%. Both have ambitious profit targets, but we see them as achievable, considering personnel optimization, the deployment of AI-driven development, withdrawal from low-margin projects, and the expansion of offering services (solutions business), leaving significant room for profitability improvement.

NRI's outlook is conservative on the whole, in line with its previous medium-term plans. However, considering the current business environment and the pace of profitability improvement, we see significant upside potential for both profits and margins. The company also acknowledged that its plan is conservative and has mentioned the possibility of revising the current medium-term targets around the time of the FY3/27 earnings announcement (around April 2027) if earnings progress favorably. NTT Data's EBITDA CAGR plan (FY3/26 to FY3/31) is only +8%, but we see this as relatively high growth, given the high starting point on the booking of a ¥129.5 bn gain on the sale of data centers in FY3/26 and the company's top-class profit level in domestic business. While deterioration in the overseas business environment is a risk factor, the hurdle to achieve the target does not appear too high to us.

On an adjusted operating profit basis, we believe all four of the major companies can achieve a double-digit (%) CAGR over FY3/26-FY3/29E, driven by expanding demand for backbone system upgrades and profitability improvement from AI-driven development (Exhibit 5). For NEC and Fujitsu, we see upside potential to our forecasts depending on progress in offering services, AI-driven development, and the defense business. As mentioned above, we believe their medium-term plans are ambitious but within an achievable range.

Exhibit 5: Expect all four companies to see double-digit (%) CAGR profit growth, driven by rising demand for backbone systems and margin improvement

Adjusted operating profit outlook



Using adjusted operating profit excluding one-off gains/losses. NEC is OP + amortization of intangible fixed assets, etc. + restructuring costs, etc. (Non-GAAP OP), Fujitsu and NRI are OP + one-off gains/losses such as restructuring costs, etc., NTT Data is OP + amortization of intangible fixed assets, etc. - gain on sale of data centers.

Source: Company data, Goldman Sachs Global Investment Research

AI-related business/offering services

Second, **expansion of AI-related business is set to be a sales growth driver**. According to NRI, corporate appetite for AI adoption is increasing, and demand for consulting and system integration related to AI implementation is rapidly expanding. Although project sizes are small (small starts), the number of projects is large, resulting in a substantial sales contribution. We think margins are strong on AI-related consulting, as the ASP is higher than for normal business.

While NRI focuses on AI-related consulting and system development mainly for the financial sector, NEC, Fujitsu, and NTT Data provide system development incorporating their own AI agents for a wide range of industries, with a much broader industry base. In particular, NTT Data is developing business models for implementing AI agents across all industries and globally. NEC and Fujitsu are strengthening their product lineups, including industry-specific AI agents and AI platforms, as part of their offering services (BluStellar and Uvance, respectively).

Each company is already offering generative AI functions integrated into a range of major systems. Therefore, although a quantitative effect is difficult to see as sales are not aggregated solely for AI, these are nevertheless driving company-wide performance and will likely continue to be a growth driver. While concerns about AI disruption (replacement of software functions by generative AI) remain high, we think it is unrealistic to assume that generative AI will directly replace the backbone systems that are the mainstay of major Sler companies. Rather, the trend is toward incorporating generative AI functions into backbone systems to enhance their functionality. From this perspective, **the positive impact (price increases from incorporating functions into**

systems, expansion of system renewal needs, and productivity improvement effects from AI-driven development as discussed later) is likely to far outweigh the negative impact (the impact of simple software functions being replaced by generative AI), and the proliferation of generative AI is likely to be a net positive for the business of major SIs.

AI-driven development

Third, **sector companies have indicated their intention to focus on AI-driven development, wherein generative AI is used in system development and testing, as a measure to improve profitability (Exhibit 6).** NEC, Fujitsu, and NRI have all formed business alliances with Anthropic and have announced their plans to fully utilize its AI tools (Claude Code) for AI-driven development. Fujitsu and Hitachi are currently leading the way in AI-driven development initiatives, which are already having a positive profit impact on their overall performance. In the future, we think NRI, which is making progress with the full-scale deployment of its proprietary AI-driven development platform, and NEC, which is advancing the internal use of Claude Code, will also enter a phase where the effects of AI-driven development will become apparent.

NEC sees operational efficiency improvements from generative AI (including AI-driven development) as the biggest factor in improving the profitability of its IT services business, and Fujitsu believes that its gross margin will continue to improve by more than +2 pp per year through the full-scale deployment of AI-driven development and personnel optimization between FY3/26-FY3/36. Given the large scale of their IT services businesses, we think the profit-boosting effect from expanding the scope of AI-driven development will be substantial at both companies. NRI's medium-term plan also assumes a profit increase of c.¥15 bn over the next three years from operational efficiency improvements, including AI-driven development. According to the company, if development automation by AI agents progresses smoothly, this could underpin a further productivity improvement effect of ¥15-20 bn, suggesting significant upside potential for profits.

Exhibit 6: Initiatives at Fujitsu and Hitachi are leading the way; NRI and NEC are also moving toward full-scale deployment

AI-driven development initiatives

Sler	AI-Driven Development Initiatives	Financial Impact
NEC	Full-scale adoption of AI-driven development centered on US-based AI tools; one of the key drivers for improving BluStellar profitability (Non-GAAP OPM: 14.5% in FY26/3 → 25% in FY31/3)	Financial impact expected to gradually materialize from 2027 onward; in addition to cost reduction, the company anticipates revenue growth effects through redeployment of surplus personnel
Fujitsu	Applied across all SI processes, primarily in modernization projects; current generative AI project application rate is approximately 70%, with plans to raise it above 90% at an early stage	The profit improvement effect of several billion yen (mid-to-high range) is materializing in FY2026 (ending March 2026). The company believes its initiatives are more advanced than those of its peers, and expects further expansion from FY2027 (ending March 2027) onward.
NRI	General-purpose AI development tool project application rate to reach 100% by FY29/3; proprietary AI-driven development platform to be fully deployed from FY27/3, targeting 100% application rate by FY31/3	The company projects a cumulative profit improvement effect of approximately ¥15 billion from FY2027 through FY2029 (ending March 2027–2029), with potential additional upside of ¥15–20 billion depending on the utilization of AI agents.
NTT Data	From FY3/27 onward, generative AI will be applied across all phases of SI (Systems Integration) processes (utilizing AI agents)	The company aims to achieve a +40% improvement in productivity by FY3/28 compared to the end of FY3/26
Hitachi (DSS)	Generative AI already applied in manufacturing/unit testing; policy to apply generative AI across all SI processes by FY28/3	Approximately ¥5 billion in cost reduction effects as of FY25/3; targeting 30% productivity improvement + ¥100 billion in application effects by FY28/3

For reference, we have included AI-driven development initiatives in the Digital System & Service business (IT services business) at Hitachi (covered by our Japan industrial electronics analyst, Ryo Harada).

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Pricing model

Fourth, **there is a growing possibility that pricing models will undergo structural changes.** The pricing model for IT services projects is often based on a figure derived by multiplying the number of engineers/labor hours invested in the project by the engineer unit price (man-month unit price). In particular, a contract form in which the project unit price is completely linked to the number of personnel/hours invested, rather than the deliverables, is called a quasi-delegation contract (on the other hand, in an all-inclusive fixed-price contract, completing all the deliverables is important, and the unit price is not determined solely by the number of personnel/hours invested). The pricing models of global Slers have a high ratio of quasi-delegation contracts, but a number of investors have strong concerns about the possibility of generative AI improving development efficiency and leading to a decrease in the number of personnel and hours invested (i.e., a decrease in project unit prices).

In light of this, sector companies are shifting from quasi-delegation contracts to

value-based contract forms or fixed-price contracts. NEC and Fujitsu are already focusing on offering services (consulting + provision of proprietary solutions) and are changing the pricing form from the conventional business model, and their recent commentary indicates that these efforts are progressing smoothly. Contrary to these investor concerns, NRI most commonly uses fixed-price contracts, and the ratio of monthly-fee-based cloud services is high, so we believe the aforementioned risk is not high.

Although it will take some time to transition contract forms and pricing models, we think the negative impact on short-term earnings that some investors fear based on such concerns is likely to be limited in the Japanese market, given the following. (1)

AI-driven development, or development efficiency improvement by generative AI, has just been launched at some vendors, and it is unlikely that the in-house development rate on the client side, which suffers from a shortage of engineers and technology, will rise at once. It is therefore unlikely that downward pressure on project unit prices will increase rapidly, considering the environment of engineer shortages and tight supply/demand in Japan.

(2) If cost efficiency progresses due to AI-driven development, we expect an increase in cases where a portion of the cost savings (decrease in engineering resources) is reflected in the project unit price passed on to the customer. However, since costs are being reduced by more than the decrease in the project unit price, this is poised to have a positive effect on the profit/profit margin per project. The surplus engineering resources can be assigned to other projects, which would increase the total number of projects the company can handle, resulting in a positive effect on company-wide sales. These points are likely to apply in the Japanese market, where supply and demand are tight and the client in-house development rates are low (SICs have pricing power). NEC and NRI have also emphasized these points.

Capital allocation

Fifth, **there are differences in each company's capital allocation policy (Exhibit 7).**

NEC has consistently focused on growth investment rather than shareholder returns, and management appears to be stepping up its focus on acquiring overseas IT services. According to the company, it expects to have growth investment capacity of up to ¥1.2–1.3 tn by the end of FY2030. It has set a target of increasing the operating profit weighting of its overseas business to 50% (from less than 10% at present, by our estimate, based on NEC disclosure materials) in the medium term, via the acquisition of overseas companies.

Fujitsu's capital allocation is well-balanced, and while emphasizing growth investment in focus areas (CPU/sovereign AI servers/quantum computers/physical AI, etc.), it also plans to continue its aggressive shareholder return policy. The company aims for a dividend payout ratio of 30% and a total return ratio of 60%. While the amount of share buybacks may fluctuate in a single year depending on growth investment, Fujitsu plans to increase the amount in line with earnings growth, with an annual average of over ¥150 bn as a target. For M&A, it said that it is considering companies that can contribute to earnings early on, after the amortization of intangible fixed assets is recorded. However, according to the company, prioritization of M&A for the purpose of increasing the number of engineers has decreased compared to the past due to the spread of generative AI and, instead, Fujitsu is putting a priority on companies

that have technologies it does not possess.

NRI has strengthened its shareholder return policy slightly. On the FY3/26 earnings call, they maintained a dividend payout ratio of 40%, raised its ROE target from 20% or more to a 25% level, and is expanding share buybacks (in the past, the annual average was often ¥30-50 bn; ¥70 bn is being executed in FY3/27). It plans to make growth investments centered on AI and security, but given that it has slightly strengthened its shareholder returns policy, the emphasis on M&A may have decreased compared to the past. Since NRI has just implemented restructuring of its overseas business, the possibility of it acquiring overseas companies is likely to be low for the time being. In addition, considering the company's profitability level (high among Slers) and business portfolio (major businesses are already mostly in place), we think acquiring domestic companies is also a low priority for NRI.

Exhibit 7: NEC is keen on overseas acquisitions, Fujitsu has a good balance of growth investment and shareholder returns, and NRI is strengthening shareholder returns

Capital allocation

Capital Allocation	NEC	Fujitsu	NRI	NTT Data
Shareholder Returns				
Policy	Growth investment is prioritized (especially overseas M&A)	Policy to continue aggressive shareholder returns while emphasizing growth investment	Impression that M&A priority has declined, with shareholder return policy somewhat strengthened	-
Dividends Payout Ratio	20%	30%	40%	-
Share Buybacks	Conducted flexibly; however, considering past track record, priority is low	Execution amount may fluctuate depending on growth investment, but annual average of ¥150 billion or more	No explicit policy, but impression of rising priority due to ROE target increase, etc.	-
Total Return Ratio (FY3/27E)	20.6%	78.5%	95.2%	-
M&A				
Policy	Aggressive in corporate acquisitions, primarily in overseas IT services; aims to raise overseas profit composition ratio to 50% in the medium term	Targets companies with technologies Fujitsu lacks and companies that contribute to earnings early; generally cautious stance	Priority for overseas acquisitions has declined immediately after structural reforms; impression that domestic acquisition appetite is also not high	While it depends on the balance with data center (DC) investments, the M&A of overseas IT service companies is presented as a growth strategy.
Track Record	Northgate (UK, 71.3Bn, 2018) KMD (Denmark, 136Bn, 2019) Avaloq (Switzerland, 236Bn, 2020) CSG (US, 440Bn, 2026)	GK Software (Germany, 62Bn, 2023) Brainpad (Japan, 56.5Bn, 2025)	ASG (Australia, 27.4Bn, 2016) CoreBTS (US, 52.3Bn, 2021)	Keane (US, 94.8Bn, 2010) Everis (Spain, 21.7Bn, 2014) Dell Services (US, 350.2Bn, 2016)

Total payout ratio figures are GS estimates. Acquisition amounts are calculated based on the exchange rate at the time.

Source: Company data, Goldman Sachs Global Investment Research

Chapter 2: Earnings summary and outlook

Major SI companies' earnings trends

On a combined basis for the four major SI companies, adjusted operating profits came to ¥612.0 bn (+15% yoy) in Jan-Mar 2026, with double-digit (%) yoy growth continuing for the fourth consecutive quarter (the four companies are NEC, Fujitsu, NTT Data, and Hitachi; Hitachi's figure is for its DSS business, which handles IT services; [Exhibit 8](#)). Demand for modernization, mainly in Japan, is driving overall earnings. In addition, profitability continues to improve (operating margin +2.4 pp yoy) on the back of higher sales, price pass-through, and a lower ratio of low-margin projects. At Fujitsu and Hitachi, the effects of AI-driven development are also starting to materialize.

By company, Fujitsu saw a decline in operating profits due to the drop-out of a large hardware project (in line with guidance), but this impact is temporary. Its core IT services business remained strong, driven by Uvance, and profitability improved significantly (IT services operating margin +2.3 pp yoy). NEC continued to post strong earnings that beat guidance, despite the emergence of several large unprofitable projects. At NTT Data, demand is on a recovery track both domestically and internationally, and earnings are also recovering.

Major SI companies' orders environment

Looking at order trends at the four major system integrators (NEC, Fujitsu, NTT Data, and Hitachi (DSS business)) in Jan-Mar 2026 ([Exhibit 12](#)), order growth rates were mixed, partly due to quarterly volatility. **Quarterly order growth at the four majors fluctuates significantly depending on large projects, so it is necessary to monitor underlying trends including inquiries. From this perspective, we believe conditions remain favorable overall.** NEC saw negative growth in orders (-2% yoy) due to the drop-out of a large public-sector project and the impact of a business sale, but excluding these factors, modest positive growth continued, and we expect a recovery centered on the enterprise segment going forward.

Fujitsu's orders fell 5% yoy, but its orders excluding the timing effects of large projects were up +7% yoy, maintaining solid growth on this basis, driven by modernization demand. **NTT Data's** orders are on a recovery track both domestically and internationally and grew 55% yoy in Jan-Mar. In Japan, orders are growing for the public, financial, and manufacturing sectors. Overseas business has been a concern among investors, and trends are mixed by region, but there are signs of recovery in North America, the UK, Spain, and Latin America (on the other hand, Germany and Australia are currently weak).

Exhibit 8: Adjusted OP continues to post strong double-digit (%) yoy growth for the fourth consecutive quarter; trend to continue in Apr-Jun

Major SI companies' quarterly operating profits/orders

(mn yen)

<NEC/Fujitsu/NTT Data/Hitachi>		2024				2025				2026	
Company		1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6E
NEC											
Order (domestic IT service)(y-y)											
Operating Profit		118,197	4,540	40,153	81,473	130,331	35,389	83,181	66,591	174,752	39,000
y-y		4.3%	N.M.	11.2%	94.8%	10.3%	679.5%	107.2%	-18.3%	34.1%	10.2%
OPM		10.9%	0.7%	5.0%	9.8%	11.8%	4.9%	9.7%	7.8%	15.1%	5.3%
Non-GAAP OP		128,188	16,295	48,554	97,486	148,966	39,995	87,494	82,382	187,363	45,000
y-y		1.9%	2784.1%	6.6%	83.0%	16.2%	145.4%	80.2%	-15.5%	25.8%	12.5%
OPM		108.5%	358.9%	120.9%	119.7%	114.3%	113.0%	105.2%	123.7%	107.2%	115.4%
Order (domestic IT service)(y-y)		-1.0%	12.0%	19.0%	8.0%	4.0%	-3.0%	-5.0%	-1.0%	-2.0%	
Fujitsu											
Operating Profit		115,500	14,331	28,669	62,800	159,200	33,486	71,859	105,656	137,328	36,500
y-y		-	N.M.	-25.9%	N.M.	37.8%	133.7%	150.7%	68.2%	-13.7%	9.0%
OPM		11.1%	1.9%	3.6%	7.3%	13.9%	4.5%	8.8%	11.9%	13.1%	4.9%
Adjusted OP		159,264	16,570	49,522	70,989	170,184	35,119	86,208	107,836	161,426	39,000
y-y		-	N.M.	20.5%	9.8%	6.9%	111.9%	74.1%	51.9%	-5.1%	11.1%
OPM		15.3%	2.2%	6.2%	8.3%	14.9%	4.7%	10.6%	12.2%	15.3%	5.3%
Order (domestic IT service)(y-y)		16.0%	-3.0%	1.0%	9.0%	11.0%	1.0%	5.0%	6.0%	-5.0%	
NTT Data											
Operating Profit		112,491	58,626	90,385	86,971	87,881	57,786	211,192	115,225	104,008	60,000
y-y		48.7%	0.6%	42.2%	15.7%	-21.9%	-1.4%	133.7%	32.5%	18.4%	3.8%
y-y (excl. gain on sales of DC)								-9.6%			
OPM		9.4%	5.3%	8.0%	7.4%	7.1%	5.2%	16.8%	9.0%	7.6%	5.1%
Japan		65,305	31,854	54,135	53,888	65,335	35,281	45,196	64,021	80,490	45,000
y-y		40.2%	-20.6%	35.8%	30.0%	0.0%	10.8%	-16.5%	18.8%	23.2%	27.5%
OPM		13.1%	7.7%	11.9%	11.1%	12.2%	7.9%	9.5%	12.8%	13.6%	9.6%
Oversea		53,698	17,480	30,024	23,950	28,794	15,064	160,605	54,075	36,733	15,500
y-y		84.5%	16.4%	56.6%	-14.1%	-46.4%	-13.8%	434.9%	125.8%	27.6%	2.9%
y-y (excl. gain on sales of DC)								3.6%			
OPM		7.8%	2.5%	4.5%	3.5%	4.2%	2.3%	20.7%	6.8%	4.8%	2.2%
Others		-6,512	9,293	6,226	9,133	-6,249	7,442	5,391	-2,871	-13,216	-500
Order		1,224,110	1,464,293	1,036,135	1,163,878	1,297,327	1,125,641	1,624,018	1,252,354	2,008,478	
y-y		43.1%	46.7%	-11.3%	-16.9%	6.0%	-23.1%	56.7%	7.6%	54.8%	
y-y (excl. DC)		30.9%	18.9%	6.7%	2.3%	1.2%	1.8%	21.5%	3.7%	33.8%	
y-y (Japan)		-2.5%	18.6%	-1.0%	2.2%	5.0%	12.4%	21.6%	25.5%	33.1%	
y-y (Overseas)		108.1%	65.4%	-17.2%	-23.2%	7.3%	-39.8%	80.4%	0.9%	70.1%	
y-y (Overseas excl. DC)		16.2%	19.5%	12.9%	2.5%	-1.0%	-6.5%	21.7%	-5.5%	35.5%	
Hitachi (Digital System & Service)											
Adjusted OP		104,400	73,700	85,600	90,900	124,400	61,800	105,200	116,875	159,200	97,011
y-y		4.0%	54.5%	10.7%	11.7%	19.2%	-16.1%	22.9%	28.6%	28.0%	57.0%
OPM		13.5%	11.6%	12.6%	13.0%	15.1%	10.0%	14.8%	16.3%	17.7%	14.5%
Order		701,100	875,000	647,100	689,000	767,600	920,700	686,200	704,900	791,400	
y-y		10.2%	19.6%	-3.3%	3.9%	9.5%	5.2%	6.0%	2.3%	3.1%	
Total (large-size)		450,588	151,197	244,807	322,144	501,812	188,461	471,432	404,347	575,288	232,511
y-y		-0.3%	61.2%	13.5%	62.9%	11.4%	24.6%	92.6%	25.5%	14.6%	23.4%
y-y (excl. gain on sales of DC)								39.7%			
OPM		11.0%	4.7%	7.2%	9.1%	11.7%	5.9%	13.0%	10.8%	12.9%	7.0%
Total (large-size)(Adjusted OP)		504,343	165,191	274,061	346,346	531,431	194,700	360,594	422,318	611,997	241,011
y-y		-	54.6%	20.4%	26.2%	5.4%	17.9%	31.6%	21.9%	15.2%	23.8%
OPM		12.3%	5.2%	8.1%	9.7%	12.4%	6.1%	9.9%	11.3%	13.7%	7.3%

NEC's non-GAAP OP is OP + amortization of intangible assets, etc. + restructuring costs, etc. We show Hitachi's (covered by our Japan industrial electronics analyst, Ryo Harada) Digital System & Service business (IT services business) for reference purposes. NTT Data's Jul-Sep 2025 results included a one-off gain from sale of its data center business of ¥129.5 bn.

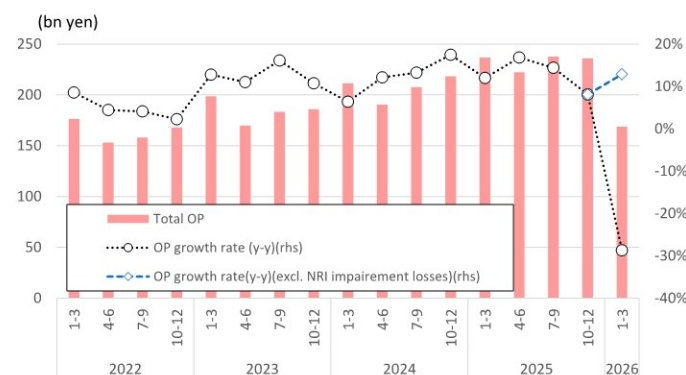
Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Mid-sized SI companies' earnings trends

On a combined basis for 15 major mid-sized SI companies, operating profits came to ¥168.7 bn (-29% yoy) in Jan-Mar 2026, marking a shift to a yoy decline ([Exhibit 9](#); see [Exhibit 11](#) for the 15 companies). **However, this was largely due to the impact of one-off expenses, such as NRI's overseas business restructuring costs (including goodwill impairment totaling ¥98.4 bn). On an underlying basis excluding this impact, profits grew +13% yoy, for an acceleration of growth back to double-digit (%) territory, and indicating a continued favorable business environment. Demand is strong for backbone system construction and network infrastructure enhancement, mainly in the financial, manufacturing, and public sectors.**

By company ([Exhibit 11](#)), operating profits fell at NRI, which incurred the aforementioned restructuring costs, BIPROGY, which was affected by the drop-out of a large project, and SHIFT, which was weighed down by upfront investments such as hiring and AI costs. However, these were all due to one-off factors, and the favorable demand environment is unchanged. In contrast, profits grew by double digits yoy (%) at NSSOL (impact of Infocom consolidation and drop-out of one-off expenses), OBIC (expanding ERP demand + productivity improvement), Otsuka (growing demand for security products), CTC (expansion in enterprise/telecom), IIJ (margin improvement centered on SI), Dentsu Soken (expansion in financial and proprietary software), and BayCurrent Consulting (higher utilization centered on financial sector).

Exhibit 9: Recovery of double-digit (%) yoy profit growth on an underlying basis excluding NRI's restructuring costs
Mid-sized SI companies' operating profits



Combined total for 16 companies until Oct-Dec 2024 (see [Exhibit 17](#)); combined total for 15 companies from Jan-Mar 2025 as SCSK consolidated Net One Systems (SCSK includes Net One Systems figures)

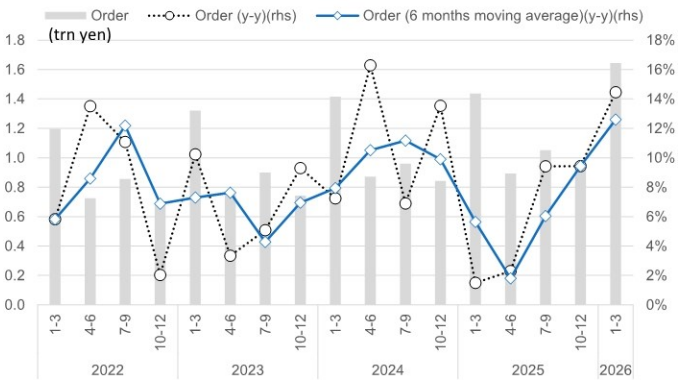
Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Mid-sized SI companies' orders environment

Looking next at the orders environment, on a combined basis for nine major mid-sized system integrators, orders came to ¥1,644.6 bn in Jan-Mar 2026 (+14.5% yoy, or +12.6% yoy on a 6-month moving average basis), with the growth rate accelerating. Despite some impact from the timing of large projects and quarterly volatility, the recovery trend is continuing ([Exhibit 10](#); see [Exhibit 12](#) for the 9 companies; excludes Trend Micro, which no longer discloses pre-GAAP sales). Almost all the companies saw double-digit (%) yoy growth ([Exhibit 12](#)). By industry, growth was

driven by the financial, manufacturing, and public sectors, and by field, growth was led by the development of backbone systems and construction of network infrastructure environments. Investment appetite in the automotive industry is showing some weakness due to the impact of reciprocal tariffs, but the impact on the overall sector is limited. In addition, **some of these companies stated that they have seen almost no decline in customer investment appetite due to the situation in the Middle East, and we think the favorable order environment is likely to continue, in line with past trends (where demand is less susceptible to macro-economic fluctuations due to the high importance of IT investment).**

Exhibit 10: Order growth rate accelerating, led by financial, manufacturing, and public sectors
Mid-sized SI companies' orders



Combined total for 11 companies until Oct-Dec 2024 (see Exhibit 21 for the list of companies); combined total for 10 companies from Jan-Mar 2025 as SCSK consolidated Net One Systems (SCSK includes Net One Systems figures).

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Exhibit 11: Mid-sized SI companies' quarterly operating profits

(mn yen)

Operating profit Company	2024 1-3	4-6	7-9	10-12	2025 1-3	4-6	7-9	10-12	2026 1-3	4-6E
<Mid-sized Slers>										
NS Solutions	11,706	8,815	9,310	11,462	8,910	8,485	9,787	12,718	13,252	8,500
y-y	24.3%	33.9%	15.5%	32.5%	-23.9%	-3.7%	5.1%	11.0%	48.7%	0.2%
OPM	12.9%	11.5%	11.7%	13.7%	9.1%	10.3%	10.2%	13.1%	12.5%	8.9%
TIS	16,989	14,061	16,448	18,375	20,163	16,353	19,200	19,250	21,426	17,200
y-y	-5.0%	-1.7%	2.3%	6.9%	18.7%	16.3%	16.7%	4.8%	6.3%	5.2%
OPM	11.8%	10.5%	11.6%	13.0%	13.0%	11.7%	13.0%	13.0%	13.4%	11.7%
NRI	29,172	32,643	32,991	36,718	32,554	37,246	41,553	39,981	-60,506	41,000
y-y	4.3%	20.8%	3.6%	13.4%	11.6%	14.1%	26.0%	8.9%	N.M.	10.1%
OPM	15.6%	17.4%	17.5%	19.2%	16.6%	19.0%	20.6%	19.5%	-28.5%	19.9%
Obic	17,412	18,648	19,981	19,937	19,812	21,479	22,176	22,610	22,558	24,100
y-y	11.2%	7.0%	11.3%	10.0%	13.8%	15.2%	11.0%	13.4%	13.9%	12.2%
OPM	62.2%	64.8%	65.7%	65.3%	62.9%	66.2%	66.5%	65.9%	64.3%	67.2%
Trend Micro	12,127	12,309	14,801	8,868	15,006	13,466	16,002	13,303	15,558	12,890
y-y	27.0%	42.5%	29.5%	196.7%	23.7%	9.4%	8.1%	50.0%	3.7%	-4.3%
OPM	18.4%	17.9%	21.7%	12.7%	22.2%	20.3%	23.2%	18.2%	21.1%	17.7%
OBC	5,489	5,181	4,930	5,800	5,833	5,570	5,590	6,110	6,311	6,200
y-y	23.3%	38.5%	11.5%	13.8%	6.3%	7.5%	13.4%	5.3%	8.2%	11.3%
OPM	47.6%	46.2%	42.8%	48.2%	47.7%	45.8%	43.7%	47.2%	46.7%	46.4%
Otsuka	17,242	21,601	13,326	22,191	21,175	27,998	17,356	23,414	23,505	27,000
y-y	2.2%	8.9%	24.8%	42.5%	22.8%	29.6%	30.2%	5.5%	11.0%	-3.6%
OPM	6.5%	7.1%	5.3%	7.8%	6.7%	7.4%	5.6%	7.4%	6.8%	7.2%
BIPROGY	9,153	6,578	11,367	7,221	13,900	8,569	12,781	8,998	12,256	8,800
y-y	-8.8%	12.8%	5.2%	-3.7%	51.9%	30.3%	12.4%	24.6%	-11.8%	2.7%
OPM	8.2%	7.4%	11.6%	7.7%	11.1%	8.8%	11.8%	8.8%	9.7%	8.2%
Total (mid-size: coverage 8 compani	119,290	119,836	123,154	130,572	137,353	139,166	144,445	146,384	54,360	145,690
y-y	6.7%	15.9%	10.7%	21.5%	15.1%	16.1%	17.3%	12.1%	-60.4%	4.7%
y-y (excl. impairment losses in NRI)									11.2%	
OPM	13.2%	13.3%	14.2%	14.4%	13.7%	13.8%	14.8%	14.8%	5.1%	13.8%
Itochu Techno-Solutions (CTC)	21,800	10,700	19,600	17,100	20,200	13,400	20,800	16,400	29,800	-
y-y	16.3%	21.9%	60.3%	18.0%	-7.3%	25.2%	6.1%	-4.1%	47.5%	-
OPM	10.6%	6.9%	10.3%	9.6%	9.9%	7.7%	10.9%	9.3%	11.8%	-
SCSK	16,016	12,914	14,044	15,936	23,227	20,111	21,495	21,307	23,347	-
y-y	-1.0%	-0.3%	0.5%	13.3%	45.0%	55.7%	53.1%	33.7%	0.5%	-
OPM	12.4%	10.5%	10.9%	12.0%	11.0%	11.3%	11.1%	11.1%	10.7%	-
IIJ	8,749	4,482	7,300	8,923	9,399	6,031	9,357	9,024	10,423	8,020
y-y	3.8%	-10.4%	3.2%	8.8%	7.4%	34.6%	28.2%	1.1%	10.9%	33.0%
OPM	11.7%	6.2%	9.7%	10.8%	10.7%	7.9%	11.0%	10.3%	10.9%	9.5%
Dentsu Soken	5,757	4,603	4,103	6,576	5,779	4,882	5,616	6,611	6,588	5,521
y-y	1.4%	-7.5%	-16.2%	20.1%	0.4%	6.1%	36.9%	0.5%	14.0%	13.1%
OPM	15.5%	12.4%	10.8%	16.3%	14.4%	12.2%	13.7%	15.1%	15.0%	12.7%
Oracle Japan	19,384	22,115	22,194	19,718	22,306	22,614	21,128	21,531	24,364	25,240
y-y	8.3%	1.5%	20.2%	-0.7%	15.1%	2.3%	-4.8%	9.2%	9.2%	11.6%
OPM	32.6%	32.7%	34.7%	32.1%	33.0%	32.0%	31.9%	31.5%	33.8%	32.8%
Baycurrent	10,025	9,455	8,674	10,618	13,868	12,207	11,063	11,923	15,738	15,023
y-y	11.2%	18.1%	15.8%	22.1%	38.3%	29.1%	27.5%	12.3%	13.5%	23.1%
OPM	38.3%	34.6%	32.4%	36.1%	42.6%	35.6%	32.4%	31.8%	37.1%	35.1%
SHIFT	2,870	2,372	3,482	3,517	4,541	3,848	3,722	2,817	4,090	4,985
y-y	-12.3%	-24.7%	4.5%	94.0%	58.2%	62.2%	6.9%	-19.9%	-9.9%	29.5%
OPM	10.5%	8.2%	11.8%	11.7%	14.4%	11.4%	10.8%	8.1%	11.0%	11.6%
Total (mid-size: 15 companies)	211,329	190,305	207,683	218,314	236,673	222,259	237,626	235,997	168,710	-
y-y	6.4%	12.1%	13.2%	17.5%	12.0%	16.8%	14.4%	8.1%	-28.7%	-
y-y (excl. impairment losses in NRI)									12.9%	
OPM	13.8%	13.1%	14.1%	14.4%	14.1%	13.8%	14.6%	14.5%	9.2%	-

Jan-Mar figures for Oracle Japan (May fiscal year-end), BayCurrent Consulting (February fiscal year-end), and SHIFT (August fiscal year-end) are for Dec-Feb.

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Exhibit 12: Mid-sized SI companies' quarterly orders

(mn yen)

Order Company	2024 1-3	4-6	7-9	10-12	2025 1-3	4-6	7-9	10-12	2026 1-3
<Mid-sized Slers>									
NS Solutions	99,819	86,491	87,165	85,153	96,962	75,195	111,238	108,511	112,351
y-y	4.2%	39.0%	4.2%	13.8%	-2.9%	-13.1%	27.6%	27.4%	15.9%
TIS	188,390	91,391	189,849	101,634	194,217	100,352	193,917	96,834	214,702
y-y	5.1%	2.1%	3.8%	10.3%	3.1%	9.8%	2.1%	-4.7%	10.5%
Software development	84,620	62,124	75,835	70,174	87,705	70,123	79,571	64,313	101,216
y-y	-1.1%	5.2%	2.3%	15.6%	3.6%	12.9%	4.9%	-8.4%	15.4%
NRI	402,499	141,600	122,938	114,113	415,281	154,623	124,272	122,106	455,844
y-y	5.4%	6.3%	3.5%	12.9%	3.2%	9.2%	1.1%	7.0%	9.8%
y-y (Japan)	6.3%	2.7%	7.0%	14.9%	3.4%	11.6%	2.5%	8.4%	10.4%
y-y (Overseas)	-0.6%	25.6%	-11.8%	-0.2%	1.6%	-1.4%	-6.4%	-3.7%	5.3%
Obic	29,739	30,966	32,532	32,416	33,513	34,573	36,133	36,564	37,300
y-y	7.4%	6.8%	6.2%	12.2%	12.7%	11.6%	11.1%	12.8%	11.3%
Trend Micro	65,456	69,296	65,108	102,307	60,499	65,101	68,287	105,118	-
y-y	12.9%	12.3%	1.4%	20.1%	-7.6%	-6.1%	4.9%	2.7%	-
y-y (Constant Currency)	5.0%	4.0%	0.0%	18.0%	-7.0%	-2.0%	3.0%	-2.0%	-
BIPROGY	134,951	88,613	99,158	93,834	122,399	95,317	108,532	98,187	143,726
y-y	1.1%	13.5%	12.5%	10.5%	-9.3%	7.6%	9.5%	4.6%	17.4%
Software development	35,047	32,190	31,898	29,809	37,666	33,964	37,327	33,222	40,597
y-y	1.7%	5.7%	-2.0%	0.9%	7.5%	5.5%	17.0%	11.4%	7.8%
Itochu Techno-Solutions	247,000	174,500	181,600	168,900	238,800	172,000	192,900	193,000	288,600
y-y	12.8%	28.9%	12.5%	12.6%	-3.3%	-1.4%	6.2%	14.3%	20.9%
SCSK	154,427	115,735	132,145	122,310	242,986	173,103	191,005	174,544	267,354
y-y	6.7%	12.4%	9.2%	15.0%	57.3%	49.6%	44.5%	42.7%	10.0%
y-y (SCSK excl. Net One)	-	-	-	-	8.8%	2.4%	2.3%	-1.7%	-
Net One	73,117	61,310	47,420	47,941	75,842	56,647	58,255	52,230	-
y-y	13.1%	22.6%	13.2%	31.6%	3.7%	-7.6%	22.8%	8.9%	-
IIJ (SI segment)	40,065	40,153	32,819	40,616	44,268	45,317	45,499	49,643	66,647
y-y	38.4%	18.7%	-14.3%	13.6%	10.5%	12.9%	38.6%	22.2%	50.6%
Dentsu Soken	45,842	41,206	35,139	36,415	48,518	41,528	47,824	43,475	58,114
y-y	2.4%	15.9%	9.4%	12.4%	5.8%	0.8%	36.1%	19.4%	19.8%
Total (mid-sized Sler)	1,415,849	871,965	960,765	843,332	1,436,944	892,008	1,051,320	922,864	1,644,638
y-y	7.2%	16.3%	6.9%	13.5%	1.5%	2.3%	9.4%	9.4%	14.5%
y-y (6 months moving average)	7.9%	10.5%	11.2%	9.9%	5.6%	1.8%	6.0%	9.4%	12.6%

Fujitsu and NEC only disclose order growth rates (yoy); Trend Micro figures are pre-GAAP sales (sales before deferred earnings are taken into account; undisclosed from Jan-Mar 2026); BIPROGY software development orders are system services business figures. We show Hitachi's Digital System & Service business (IT services business) for reference purposes.

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

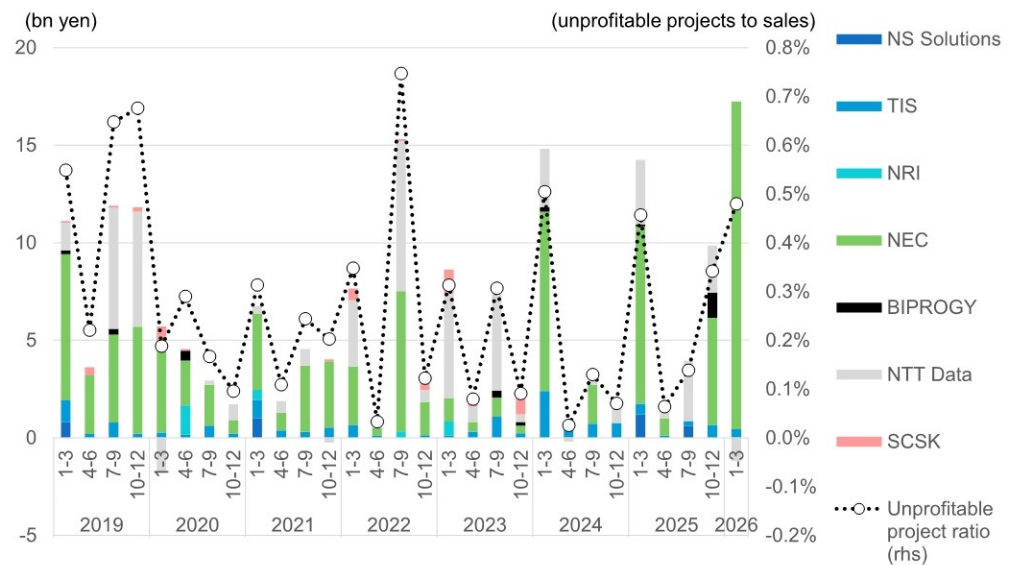
Unprofitable projects

On a combined basis for seven system integrators, unprofitable projects totaled ¥16.0 bn in Jan-Mar 2026 (+¥1.8 bn yoy, +¥6.2 bn qoq; the seven companies are listed in [Exhibit 13](#); only companies for which data were available were included). **The sharp yoy/qoq increases were largely due to the specific impact of NEC (+¥7.7 bn yoy, +¥11.3 bn qoq), and on a basis excluding NEC, the trend is generally one of improvement (NTT Data saw a gain on reversal of reserves).** Looking at the industry as a whole, as supply/demand remains tight, companies do not need to go out of their way to win low-margin or highly difficult projects; rather, they are selectively accepting orders. Therefore, we expect unprofitable projects to remain at a low level for the industry as a whole for the time being.

NEC recorded ¥16.8 bn in unprofitable projects (¥10.7 bn in domestic IT, ¥5.0 bn in overseas IT, and ¥1.1 bn in social infrastructure), up ¥7.7 bn yoy and ¥11.3 bn qoq, and exceeding internal forecasts. Large unprofitable projects occurred in domestic IT for broadcasting/media and electric power, and overseas in Asia. However, the project cutover (system launch) for these projects is expected at the end of 1H3/27, so the risk of a prolonged negative impact should be small. NEC's unprofitable projects totaled ¥23.2 bn for full-FY3/26, which was almost double the usual level. By strengthening project management, the company plans to halve unprofitable projects in FY3/27 (this is in line with historical levels and seems reasonable, in our view).

Exhibit 13: Unprofitable projects expanded at NEC, but remained at a low level for the sector as a whole

Aggregate value of unprofitable projects



The unprofitable project ratio is calculated by dividing unprofitable project value by companywide revenues. The figure can be negative (e.g., NTT Data in Jan-Mar 2020, Jan-Mar 2026) because the calculation takes into account gains on the reversal of reserves for unprofitable projects.

Source: Company data, Data compiled by Goldman Sachs Global Investment Research



Earnings outlook (full-year FY26 basis)

On a full-year basis (FY26: FY3/27 or FY12/26; [Exhibit 14](#)), **we expect the business environment to remain favorable for the industry as a whole, but we forecast that the earnings gap between companies will widen, depending on company-specific factors such as upfront investment and the use of AI.** Companies we expect to see continued strong yoy earnings include NRI (domestic expansion centered on financial, industrial, and security), OBIC (rising share in ERP for large enterprises), OBC (higher unit prices from cloud shift), NEC (growth in defense/submarine cables), Fujitsu (margin improvement centered on Uvance), and BIPROGY (expanding demand for SI/network infrastructure), and we forecast double-digit (%) yoy profit growth for all of them (on an underlying basis for NRI, excluding the drop-out of restructuring costs). We think the major system integrators NRI, NEC, and Fujitsu are leading the way in AI-driven development initiatives, which should contribute to margin improvement.

On the other hand, companies likely to see sluggish earnings continue due to company-specific factors include NSSOL, TIS, Trend Micro, and Otsuka. The main reasons for this are expanding upfront investment and a peak-out in investment by a major customer for NSSOL, an increase in integration costs with Intec for TIS, an increase in personnel and expanding losses at startup subsidiaries for Trend Micro, and the end of the PC replacement cycle for Otsuka. However, these are all one-off impacts for this fiscal year, and earnings are likely to recover from next fiscal year onward.

We expect beats of conservative company guidance by NRI (strong domestic performance), OBIC (margin improvement), and NEC (increased defense demand). On the other hand, we expect guidance misses at Trend Micro (challenges in cost control) and Otsuka (decreased demand for cross-sell products amid a sluggish PC market).

Earnings outlook (Apr-Jun 2026)

We expect tensions in the Middle East to have limited impact on Apr-Jun 2026 earnings, and think the favorable business environment will be sustained. We

forecast continued double-digit (%) yoy profit growth at NRI, which is growing in the financial, industrial, and security sectors; OBIC, which is acquiring new large-enterprise ERP customers; OBC, where cloud orders are strong; and Fujitsu, where domestic IT services are strong, centered on Uvance. At NEC, the drop-out of a large public-sector project in 1H will likely cause a slight slowdown in profit growth, but we expect it to re-accelerate in 2H.

On the other hand, results will likely be somewhat lackluster at NSSOL and Trend Micro, which are expanding upfront investment, at Otsuka, where the peak-out of the PC replacement cycle will become more pronounced, and at BIPROGY, which will be affected by the drop-out of a gain on a business sale. However, BIPROGY is likely to see strong earnings continue excluding this one-off impact, and we expect double-digit (%) profit growth on a full-year basis. In addition, while upfront investment is heavy at Trend Micro, this is in line with guidance, and as the order environment is on a recovery track (mainly overseas), we believe the fundamentals are steadily improving toward a return to profit growth next fiscal year.

Exhibit 14: IT services sector: Earnings estimates

(mn yen)

Company		Results (FY ended March)		GSE			CoE	CY25				CY26		(mn yen)
		25/3	26/3	27/3	28/3	29/3	27/3	1-3	4-6	7-9	10-12	1-3	4-6E	
【Mid-sized System Integrators】														
2327 NS Solutions (NSSOL)	Sales	338,301	381,340	416,000	431,000	453,000	417,000	98,007	82,684	95,691	97,020	105,945	95,000	
	%y-y	8.9%	12.7%	9.1%	3.6%	5.1%	9.4%	8.3%	7.6%	19.9%	15.9%	8.1%	14.9%	
	OP	38,497	44,242	47,500	50,000	54,000	47,500	8,910	8,485	9,787	12,718	13,252	8,500	
	%y-y	10.0%	14.9%	7.4%	5.3%	8.0%	7.4%	-23.9%	-3.7%	5.1%	11.0%	48.7%	0.2%	
	OP margin	11.4%	11.6%	11.4%	11.6%	11.9%	11.4%	9.1%	10.3%	10.2%	13.1%	12.5%	8.9%	
3626 TIS	Sales	571,687	596,479	622,500	642,500	658,500	620,000	155,126	140,316	148,209	147,726	160,228	146,830	
	%y-y	4.1%	4.3%	4.4%	3.2%	2.5%	3.9%	7.5%	4.7%	4.7%	4.8%	3.3%	4.6%	
	OP	69,047	76,229	81,500	86,000	89,300	81,000	20,163	16,353	19,200	19,250	21,426	17,200	
	%y-y	6.9%	10.4%	6.9%	5.5%	3.8%	6.3%	18.7%	16.3%	16.7%	4.8%	6.3%	5.2%	
	OP margin	12.1%	12.8%	13.1%	13.4%	13.6%	13.1%	13.0%	11.7%	13.0%	13.0%	13.4%	11.7%	
4307 Nomura Research Institute (NRI)	Sales	764,813	814,708	854,200	897,200	941,400	850,000	196,567	195,770	201,295	205,268	212,374	205,900	
	%y-y	3.8%	6.5%	4.8%	5.0%	4.9%	4.3%	5.4%	4.1%	6.7%	7.2%	8.0%	5.2%	
	OP	134,907	58,273	178,000	198,000	219,000	175,000	32,554	37,246	41,553	39,981	-60,506	41,000	
	%y-y	12.0%	-56.8%	205.5%	11.2%	10.6%	200.3%	11.6%	14.1%	26.0%	8.9%	N.M.	10.1%	
	OP margin	17.6%	7.2%	20.8%	22.1%	23.3%	20.6%	16.6%	19.0%	20.6%	19.5%	-28.5%	19.9%	
4684 Obic	Sales	121,240	135,209	149,000	161,800	174,000	148,700	31,517	32,431	33,353	34,329	35,096	35,860	
	%y-y	8.6%	11.5%	10.2%	8.6%	7.5%	10.0%	12.5%	12.7%	9.7%	12.4%	11.4%	10.6%	
	OP	78,378	88,823	99,300	108,800	118,000	98,000	19,812	21,479	22,176	22,610	22,558	24,100	
	%y-y	10.5%	13.3%	11.8%	9.6%	8.5%	10.3%	13.8%	15.2%	11.0%	13.4%	13.9%	12.2%	
	OP margin	64.6%	65.7%	66.6%	67.2%	67.8%	65.9%	62.9%	66.2%	66.5%	65.9%	64.3%	67.2%	
4733 Obic Business Consultants (OBC)	Sales	46,984	51,401	57,650	64,300	71,670	57,500	12,220	12,151	12,781	12,946	13,524	13,370	
	%y-y	12.0%	9.4%	12.2%	11.5%	11.5%	11.9%	6.1%	8.2%	11.0%	7.7%	10.7%	10.0%	
	OP	21,744	23,581	26,800	31,000	35,800	26,500	5,833	5,570	5,590	6,110	6,311	6,200	
	%y-y	16.0%	8.4%	13.7%	15.7%	15.5%	12.4%	6.3%	7.5%	13.4%	5.3%	8.2%	11.3%	
	OP margin	46.3%	45.9%	46.5%	48.2%	50.0%	46.1%	47.7%	45.8%	43.7%	47.2%	46.7%	46.4%	
8056 BIPROGY (ex Nihon Unisys)	Sales	404,010	433,686	484,500	516,200	546,900	470,000	124,745	96,844	108,288	101,712	126,842	107,100	
	%y-y	9.2%	7.3%	11.7%	6.5%	5.9%	8.4%	12.1%	9.6%	10.9%	9.1%	1.7%	10.6%	
	OP	39,066	42,604	48,400	54,600	60,800	48,400	13,900	8,569	12,781	8,998	12,256	8,800	
	%y-y	17.4%	9.1%	13.6%	12.8%	11.4%	13.6%	51.9%	30.3%	12.4%	24.6%	-11.8%	2.7%	
	OP margin	9.7%	9.8%	10.0%	10.6%	11.1%	10.3%	11.1%	8.8%	11.8%	8.8%	9.7%	8.2%	
【Large System Integrators】														
6501 Hitachi Digital Systems & Services (DSS)	Sales	2,832,584	2,940,000	3,291,900	3,579,000	3,890,100	3,190,000	823,300	617,400	708,800	714,900	898,912	668,650	
	%y-y	9.0%	3.8%	12.0%	8.7%	8.7%	8.5%	6.2%	-2.6%	4.5%	2.6%	9.2%	8.3%	
	Adjusted OP	374,700	430,000	477,100	524,700	572,900	480,000	124,400	61,800	105,200	116,875	159,200	97,011	
	%y-y	20.6%	14.8%	11.0%	10.0%	9.2%	11.6%	19.2%	-16.1%	22.9%	28.6%	28.0%	57.0%	
	OP margin	13.2%	14.6%	14.5%	14.7%	14.7%	15.0%	15.1%	10.0%	14.8%	16.3%	17.7%	14.5%	
6701 NEC	Sales	3,423,431	3,582,733	3,596,000	3,755,000	3,916,000	3,500,000	1,101,622	715,658	854,121	858,000	1,160,416	740,000	
	%y-y	-1.5%	4.7%	0.4%	4.4%	4.3%	-2.3%	1.6%	3.7%	7.3%	2.7%	5.3%	3.4%	
	OP	256,497	359,913	419,000	467,000	518,000	420,000	130,331	35,389	83,181	66,591	174,752	39,000	
	%y-y	36.4%	40.3%	16.4%	11.5%	10.9%	10.3%	10.3%	679.5%	107.2%	-18.3%	34.1%	10.2%	
	OP margin	7.5%	10.0%	11.7%	12.4%	13.2%	11.8%	11.8%	4.9%	9.7%	7.8%	15.1%	5.3%	
	Non-GAAP OP	311,301	397,234	443,000	490,000	540,000	420,000	148,966	39,995	87,494	82,382	187,363	45,000	
	%y-y	36.8%	27.6%	11.5%	10.6%	10.2%	5.7%	16.2%	145.4%	80.2%	-15.5%	25.8%	12.5%	
	OP margin	9.1%	11.1%	12.3%	13.0%	13.8%	12.0%	13.5%	5.6%	10.2%	9.6%	16.1%	6.1%	
6702 Fujitsu	Sales	3,550,116	3,502,971	3,484,000	3,667,000	3,849,000	3,510,000	1,142,134	749,859	816,683	884,642	1,051,787	738,000	
	%y-y	2.1%	-1.3%	-0.5%	5.3%	5.0%	0.2%	9.6%	-1.2%	3.0%	3.4%	-7.9%	-1.6%	
	OP	265,089	348,329	415,000	483,000	552,000	415,000	159,200	33,486	71,859	105,656	137,328	36,500	
	%y-y	77.5%	31.4%	19.1%	16.4%	14.3%	19.1%	37.8%	133.7%	150.7%	68.2%	-13.7%	9.0%	
	OP margin	7.5%	9.9%	11.9%	13.2%	14.3%	11.8%	13.9%	4.5%	8.8%	11.9%	13.1%	4.9%	
	Adjusted OP	307,265	390,589	425,000	493,000	562,000	425,000	170,184	35,119	86,208	107,836	161,426	39,000	
	%y-y	15.8%	27.1%	8.8%	16.0%	14.0%	8.8%	6.9%	111.9%	74.1%	51.9%	-5.1%	11.1%	
	OP margin	8.7%	11.2%	12.2%	13.4%	14.6%	12.1%	14.9%	4.7%	10.6%	12.2%	15.3%	5.3%	
NTT Data (Global Solution segment in NTT)	Sales	4,638,721	5,004,614	5,206,000	5,451,000	5,682,000	5,190,000	1,230,965	1,104,369	1,256,098	1,283,336	1,360,813	1,166,000	
	%y-y	6.2%	7.9%	4.0%	4.7%	4.2%	3.7%	3.3%	-0.7%	11.4%	9.9%	10.5%	5.6%	
	OP	323,862	488,211	470,000	530,000	590,000	470,000	87,881	57,786	211,192	115,225	104,008	60,000	
	%y-y	4.6%	50.7%	-3.7%	12.8%	11.3%	-3.7%	-21.9%	-1.4%	133.7%	32.5%	18.4%	3.8%	
	OP margin	7.0%	9.8%	9.0%	9.7%	10.4%	9.1%	7.1%	5.2%	16.8%	9.0%	7.6%	5.1%	
	Gain on sales of DC		129,500	70,000	70,000	70,000	70,000			129,500				
	OP (excl. gain on sales of DC)		358,711	400,000	460,000	520,000	400,000			81,692				
	%y-y		10.8%	11.5%	15.0%	13.0%	11.5%			-9.6%				
	OP margin		7.0%	7.6%	8.3%	9.0%	7.5%			6.5%				
Company		Results (FY ended Dec)		GSE			CoE	CY25				CY26		
		24/12	25/12	26/12	27/12	28/12	26/12	1-3	4-6	7-9	10-12	1-3	4-6E	
4704 Trend Micro	Sales	272,638	275,984	300,000	312,500	325,600	301,500	67,501	66,408	68,844	73,231	73,856	72,890	
	%y-y	9.6%	1.2%	8.7%	4.2%	4.2%	9.2%	2.4%	-3.2%	1.1%	4.6%	9.4%	9.8%	
	OP	48,105	57,777	55,000	58,000	61,200	56,400	15,006	13,466	16,002	13,303	15,558	12,890	
	%y-y	47.6%	20.1%	-4.8%	5.5%	5.5%	-2.4%	23.7%	9.4%	8.1%	50.0%	3.7%	-4.3%	
	OP margin	17.6%	20.9%	18.3%	18.6%	18.8%	18.7%	22.2%	20.3%	23.2%	18.2%	21.1%	17.7%	
4768 Otsuka	Sales	1,107,668	1,322,791	1,348,800	1,391,200	1,451,600	1,311,000	315,541	379,591	310,587	317,072	344,753	376,400	
	%y-y	13.3%	19.4%	2.0%	3.1%	4.3%	-0.9%	18.3%	25.3%	23.0%	11.1%	9.3%	-0.8%	
	OP	74,360	89,943	88,000	93,000	99,000	90,000	21,175	27,998	17,356	23,414	23,505	27,000	
	%y-y	18.1%	21.0%	-2.2%	5.7%	6.5%	0.1%	22.8%	29.6%	30.2%	5.5%	11.0%	-3.6%	
	OP margin	6.7%	6.8%	6.5%	6.7%	6.8%	6.9%	6.7%	7.4%	5.6%	7.4%	6.8%	7.2%	

NEC's non-GAAP OP is OP + amortization of intangible assets, etc. + restructuring costs, etc. For reference, we have included Hitachi's (covered by our Japan industrial electronics analyst, Ryo Harada) Digital System & Service business (IT services business). free is not included above because its business scale and earnings trends are significantly different from those of major companies in the IT services sector.

Source: Company data, Goldman Sachs Global Investment Research

See the list of reports below for our earnings outlooks on our coverage companies.

NS Solutions (2327.T, Sell): Raise GSe/TP slightly; continued modest profit growth on large-scale MoD project/Infocom consolidation despite heavy growth investment, but achieving MTP target looks difficult; Sell

TIS (3626.T, Neutral): Raising GSe/TP; expect FY3/27 OP to beat guidance on solid orders, but medium-term growth likely moderate with signs of slower margin improvement; Neutral

Nomura Research Institute (4307.T, Buy): Raise GSe/TP as overseas profits bottoming and domestic business strong; we see upside vs. FY3/27 guidance/MTP targets; Buy

freee (4478.T, Sell): Lowering GSe/TP; sales growing, but cost drag from sales promotions; full-scale recoupment of upfront investments unlikely until FY6/28

OBIC (4684.T, Neutral): Raising GSe/TP on strong ERP demand; new ERP customer acquisition continues, shareholder returns also improving, but largely priced in given P/E levels; Neutral

Trend Micro (4704.T, Neutral): Slightly lowering GSe, but demand recovering, led by overseas; expect benefits from industry-wide demand tailwinds

OBIC Business Consultants (4733.T, Buy): Lower GSe/TP on higher costs, but expect FY3/27 OP growth to accelerate and beat guidance; Buy

Otsuka (4768.T, Sell): Raise GSe/TP, but weaker earnings from 2Q on lower PC volume, high memory prices, and fewer cross-selling opportunities; Sell

NEC (6701.T, Buy): Lower GSe/TP slightly; temporary lull in domestic IT, but high growth to continue led by social infrastructure; substantial upside to profit guidance, mainly in defense; Buy

Fujitsu (6702.T, Buy): Lowering GSe on up-front spending, but IT services remain strong led by Uvance; mindful of higher memory prices, but guidance looks achievable

BIPROGY (8056.T, Buy): Deep Dive: Expect profits to exceed ambitious medium-term plan targets; profit growth to continue outpacing sector on strength in software development and infrastructure construction; Buy

See our NTT report for earnings trends at NTT Data.

NTT (9432.T, Buy): Raising GSe/TP; return to profit growth in FY3/27 ex-DC sale gains for first time in three years, led by IT services and finance/payments, with mobile profits showing signs of bottoming

See the following Deep Dive Reports.

NEC (6701.T, Buy): Deep Dive: Raise GSe/TP; strong profit growth to continue above sector average, led by domestic IT services and defense; Buy

Fujitsu (6702.T, Buy): Japan Transformers: Strong profit growth and further margin improvement from business shift to IT services; Buy (on CL)

BIPROGY (8056.T, Buy): Deep Dive: Expect profits to exceed ambitious medium-term plan targets; profit growth to continue outpacing sector on strength in software

development and infrastructure construction; Buy

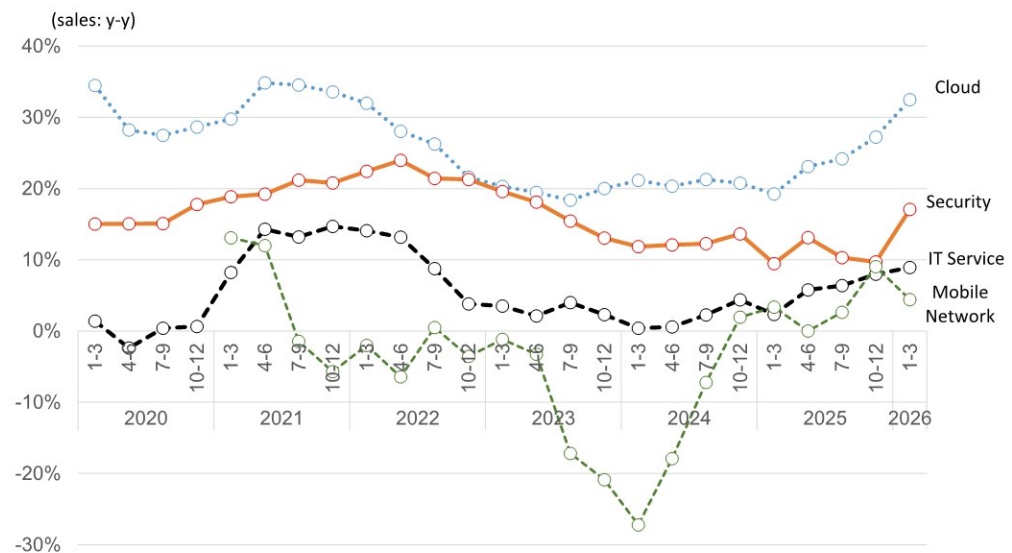
Chapter 3: Read-across from results of overseas peers

We look at the read-across for our coverage based on results from overseas peers. Companies surveyed include five major overseas IT services companies (US-based Accenture, US-based IBM, France-based Capgemini, India-based Tata Consultancy Services (TCS), and US-based Cognizant Technology Solutions), five major global security companies (US-based CrowdStrike, Palo Alto Networks, Fortinet, Check Point, and Cisco Systems (security business)), and two major overseas network equipment companies (Ericsson and Nokia) (see [Exhibit 21](#) for covering analysts and ratings for each stock). See [Exhibit 15](#) for revenue growth momentum in each area. We summarize our read-across below.

- **IT services:** Combined revenue (USD basis) for the five major global IT services companies increased by +8.9% yoy in Jan-Mar 2026, for **a fourth consecutive quarter of gradual acceleration. While uncertainty over the economic outlook remains, particularly regarding the situation in the Middle East, revenue growth has been on a gradual recovery trend since the beginning of 2024.** Regarding AI disruption, **companies generally believe that the negative impacts of AI proliferation (such as increased downward pressure on prices and the replacement of some software/services) can be more than offset by the positive impacts (expansion of supply capacity through productivity improvements and the emergence of new AI-related demand).** In terms of read-across for Japanese companies, we think this will be a tailwind for NTT Data, which has a particularly high overseas sales weighting (FY3/26 overseas IT services sales weighting of 60%). However, **although we see improvement in the overseas business trend for Japanese companies, we believe** the overseas market environment remains subdued and a lack of optimism will likely persist until geopolitical tensions subside and/or these tailwinds become more evident in operating results.
- **Security:** Combined revenue (USD basis) for the six major global security companies accelerated to +17% yoy in Jan-Mar 2026. **Overall, the demand environment for enterprise security is showing signs of recovery. With the spread of generative AI, demand for AI security (security measures for AI systems) and authentication security is expanding, in addition to conventional endpoint and network security, and this trend is likely to continue. This expansion in global security demand should also serve as a tailwind for Trend Micro.** Against this backdrop, Trend Micro is seeing a recovery in demand, mainly overseas. While growth in Japan has been lackluster, corporate security investment looks set to expand ahead of the government's planned introduction of a security measures evaluation system, and we expect revenue growth to accelerate gradually from 2Q onward.
- **Networks:** Combined mobile network business revenue (USD basis) at overseas network equipment majors Ericsson and Nokia increased by +4% yoy in Jan-Mar 2026, with the growth rate slowing. Both companies a contraction in North American sales. **According to comments from the companies, the global RAN (Radio Access Network) market is expected to remain roughly flat yoy in 2026, and lackluster growth is likely to continue amid a peak-out in 5G investment.** While the mobile network business as a whole remains challenging, we note that

Fujitsu's base station shipments for US-based AT&T's Open RAN project started in Jan-Mar 2026, and are expected to make a full-year contribution to FY3/27 earnings. Demand for optical transmission systems is also growing on structural factors, driven by rising data traffic associated with AI workloads and the development of optical fiber networks, and we expect Fujitsu to benefit from this market expansion.

Exhibit 15: Demand environment for IT services and security showing signs of recovery
Overseas IT services, security, cloud, and mobile network sales growth (yoy)



(1) IT services: Combined revenue for five companies (US-based Accenture, US-based IBM, France-based Capgemini, India-based Tata Consultancy, and US-based Cognizant Technology). (2) Security: Combined revenue for six companies (US-based CrowdStrike, Palo Alto Networks, Fortinet, Check Point Software, and Cisco Systems (security business), and Trend Micro; Cisco revenue is on an underlying basis that excludes the impact of the Splunk acquisition). (3) Networks: Combined revenue for two companies (Sweden-based Ericsson and Finland-based Nokia). (4) Cloud: Combined revenue for six providers (US-based AWS, US-based Microsoft, US-based Alphabet, US-based Oracle, Germany-based SAP, and US-based Salesforce.com).

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Overseas IT services

Combined revenue (USD basis) for five of the world's leading IT services companies (US-based Accenture, US-based IBM, France-based Capgemini, India-based Tata Consultancy Services (TCS), and US-based Cognizant Technology Solutions) increased by +8.9% yoy in Jan-Mar 2026, with **growth accelerating gradually for the fourth consecutive quarter** (Exhibit 16 and Exhibit 17). **While uncertainty over the economic outlook remains, particularly regarding the situation in the Middle East, revenue growth has been on a gradual recovery track since the beginning of 2024.** On a constant currency (CC) basis, excluding the impact of forex, revenue growth improved at Capgemini, TCS, and Cognizant. In addition, revenues at Accenture, IBM, and Capgemini beat the Bloomberg consensus.

Accenture

By company, Accenture's 2Q8/26 revenue came in at +4% yoy (CC), near the upper end

of guidance, and above the Bloomberg consensus. By region, Asia remained strong, led by Japan and Australia. By industry, demand remained weak in the US government sector, but media, technology, and financial sectors were all strong. Orders were up a modest +1% yoy, but posted positive growth for the third consecutive quarter, with a slight acceleration in order growth for consulting (a leading indicator of SI/development demand) to +8% yoy (USD basis). **According to the company, (1) orders related to generative AI are strong, and AI investment appetite is increasing among mid-sized companies in addition to large corporations; and (2) while current AI projects are mainly focused on efficiency, most of its clients' management feel that there is value in using AI for growth purposes, and projects related to growth applications such as conversational and agent-based commerce are starting to move forward.** Accenture's 3Q revenue guidance is for +1% to +5% yoy growth (local currency basis; +2% to +6% yoy excluding the US government sector), with the company assuming further modest growth despite ongoing macro uncertainty due to the conflict in the Middle East.

Exhibit 16: Revenue growth accelerates for fourth consecutive quarter despite marked uncertainty

Combined revenue for five of the world's largest IT services companies



The five companies are US-based Accenture, US-based IBM, France-based Capgemini, India-based Tata Consultancy, and US-based Cognizant Technology. Fiscal year ends are August for Accenture, March for Tata, and December for the three remaining companies. For Accenture, 1-3, 4-6, 7-9, 10-12 in the above chart refer to 12-2/3-5/6-8/9-11 quarters.

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

IBM/Capgemini/TCS/Cognizant

1Q12/26 consulting revenue at IBM was up a modest +0.9% yoy (CC), with no major change in the situation, while **consulting orders returned to positive growth (+6% yoy on a CC basis) for the first time in five quarters.** The company expects a gradual improvement going forward and looks for full-year consulting revenue to grow in the low- to mid-single-digit (%) yoy range. Software revenue was up +7.9% yoy (CC; +3 pp impact from M&A), with continued solid trends in hybrid cloud and data & AI.

4Q3/26 revenue at TCS was down -0.6% yoy (CC), reflecting ongoing challenges, but declines are gradually narrowing. **According to the company, it has not seen any signs of a decrease in customer investment appetite due to the situation in the Middle East at present.**

1Q12/26 revenue at Capgemini increased by +11% yoy (CC), with the growth rate accelerating for the third consecutive quarter, driven by **improvement across a wide range of geographies, particularly North America**. Orders related to generative AI accounted for c.11% of total orders, with momentum accelerating. 1Q12/26 revenue at Cognizant continued to see modest growth of +3.9% yoy (CC), with no major change, but orders accelerated to +21% yoy.

Views on AI disruption

General views from global IT service companies on AI disruption include the following: (1) downward pricing pressure from customers may increase in light of productivity improvements from the use of AI; (2) at the same time, there are signs that customers are reinvesting funds saved through AI-driven efficiency gains into other IT projects; and (3) the implementation of AI agents is complex and likely to lead to an expansion in IT service demand. **Companies generally believe that the negative impacts of AI proliferation (such as increased downward pressure on prices and the replacement of some software/services) can be more than offset by the positive impacts (expansion of supply capacity through productivity improvements and the emergence of new AI-related demand). Unlike in Japan, the ratio of in-house development by customers is high in the US, and while downward pressure on prices needs to be monitored, we agree that the spread of AI brings the prospect of positive impacts on both the demand and supply sides.**

Exhibit 17: Revenues at five of the world's largest IT services companies

IT Service (mn \$)	2024				2025				2026
	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
Accenture	15,800	16,467	16,406	17,690	16,659	17,728	17,596	18,742	18,044
(y-y)	-0.1%	-0.6%	2.6%	9.0%	5.4%	7.7%	7.3%	6.0%	8.3%
(y-y: CC)	0.0%	1.4%	5.0%	8.0%	8.5%	7.0%	4.5%	5.0%	4.0%
IBM	14,462	15,770	14,968	17,553	14,541	16,977	16,331	19,686	15,917
(y-y)	1.5%	1.9%	1.5%	1.0%	0.5%	7.7%	9.1%	12.2%	9.5%
(y-y: CC)	2.5%	4.0%	2.0%	2.0%	2.3%	5.3%	7.3%	9.0%	6.0%
Capgemini	6,033	6,053	5,841	6,025	5,772	6,204	6,310	6,930	6,978
(y-y)	-1.8%	-2.3%	-2.1%	0.8%	-4.3%	2.5%	8.0%	15.0%	20.9%
(y-y: CC)	-3.3%	-1.9%	-1.6%	-1.1%	-0.4%	0.7%	2.9%	10.6%	11.0%
Tata Consultancy	7,363	7,505	7,670	7,539	7,465	7,421	7,466	7,509	7,621
(y-y)	2.3%	3.9%	6.4%	3.5%	1.4%	-1.1%	-2.7%	-0.4%	2.1%
(y-y: CC)	2.2%	4.4%	5.5%	4.5%	2.5%	-3.0%	-3.2%	-2.6%	-0.6%
Cognizant Technology	4,760	4,850	5,044	5,082	5,115	5,245	5,415	5,333	5,413
(y-y)	-1.1%	-0.7%	3.0%	6.8%	7.5%	8.1%	7.4%	4.9%	5.8%
(y-y: CC)	-1.2%	-0.5%	2.7%	6.7%	8.2%	7.2%	6.5%	3.8%	3.9%
Global IT service Total	48,418	50,645	49,929	53,889	49,553	53,575	53,118	58,201	53,973
(y-y)	0.4%	0.6%	2.3%	4.4%	2.3%	5.8%	6.4%	8.0%	8.9%

(1) For Accenture, which has an August year-end, 1-3, 4-6, 7-9, 10-12 in the above chart refer to 12-2/3-5/6-8/9-11 quarters. (2) CC is Constant Currency.

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Implications

In terms of read-across for Japanese companies, the gradual recovery in global IT services demand should be a tailwind for NTT's wholly owned subsidiary, NTT Data, which has a particularly high overseas sales weighting (FY3/26 overseas IT services sales weighting of 60%). For NRI (13%), while the outlook is not so bright given the company's limited market presence, it has just completed a major restructuring, and we expect profitability to bottom out. For Fujitsu (16%) and NEC (9%), overseas business is focused in Europe, and although the global demand environment lacks strength, the results of structural reforms are gradually materializing at both companies, and profitability is improving. **Overall, while we see improving trends in the overseas businesses of each**

company, we believe broader optimism may require more time to materialize, as the market environment remains subdued.

Overseas security

Combined revenue (USD basis) for the six major global security companies (US-based CrowdStrike, Palo Alto Networks, Fortinet, Check Point, and Cisco Systems (security business), and Trend Micro) increased by +17% yoy in Jan-Mar 2026, with the growth rate accelerating ([Exhibit 18](#) and [Exhibit 19](#)). While revenue at Cisco was sluggish, this was largely due to the effect of the on-premise to cloud shift for its acquired US-based Splunk products (which has a temporary negative impact on sales), and orders excluding Splunk saw double-digit (%) yoy growth.

Overall, the demand environment for enterprise security is showing signs of recovery. With the proliferation of generative AI, demand for AI security (security measures for AI systems) and authentication security is expanding, in addition to conventional endpoint and network security, and this trend is likely to continue. In addition, the emergence of frontier AI models (state-of-the-art, large-scale AI models with the highest level of capability, scale, and performance at present) could lead to an expansion of demand for security measures from companies and governments if many security vulnerabilities are brought to light.

Sales/ARR in 1Q/CY26 beat the Bloomberg consensus at Fortinet, Palo Alto, CrowdStrike, and Trend Micro (only Check Point missed). As the share prices of US security vendors had already risen sharply before their results announcements on expectations of expanding security demand following the emergence of frontier AI models, share prices fell in some cases even with results beating consensus (Fortinet's rose, while Palo Alto's and CrowdStrike's fell). However, we believe the demand environment in absolute terms is on a steady recovery trend, and considering the growing demand for AI security, this trend should be sustainable.

Exhibit 18: Demand environment recovering, revenue growth accelerating

Combined revenue for six of the world's largest security companies



(1) The six companies are US-based CrowdStrike, Palo Alto Networks, Fortinet, Check Point Software, and Cisco Systems (security business), and Trend Micro. Fiscal year ends are January for CrowdStrike, July for Palo Alto and Cisco, and December for the remaining four companies. For CrowdStrike, Palo Alto, and Cisco, 1-3/4-6/7-9/10-12 in the above chart refer to 2-4/5-7/8-10/11-1 quarters. (2) Cisco acquired Splunk in March 2024. The growth rates from Jan-Mar 2024 to Jan-Mar 2025 are on a basis that excludes the impact of this acquisition. (3) Trend Micro figures are for enterprise business (do not include consumer business).

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Implications

The expansion of global security demand should also be a tailwind for Trend Micro, which is seeing a recovery in demand, mainly overseas. Looking at 1Q (Jan-Mar) 2026 regional sales (on a constant currency basis), Japan was +0.3% yoy (slight decline in enterprise, slight increase in consumer), the US was -3% yoy, Europe was +4% yoy, and APAC/MEA was +10% yoy, with growth accelerating in Europe/Asia, the decline narrowing in the US, and growth slowing slightly in Japan. We believe the overseas business is on a recovery trend overall. While the US is still seeing negative growth, we expect a return to modest positive growth from 2H onward as the effects of strengthening its sales force emerge. On the other hand, **while growth in Japan was lackluster, we look for corporate security investment to expand ahead of the government's planned introduction of a security measures evaluation system, and we expect Trend Micro's revenue growth rate to accelerate gradually from 2Q onward.** Although the company's FY12/26 operating profits look likely to decline on an increase in upfront costs (such as increased headcount and new business launches), the recovery in the demand environment suggests to us that a return to operating profit growth should occur in FY12/27, when the increase in upfront costs runs its course.

Exhibit 19: Combined revenue for six of the world's largest security companies

Security (mn \$)	2024				2025				2026
	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3
<Enterprise Security (USD basis)>									
Trend Micro	350	351	364	368	352	366	375	385	378
(y-y)	2.8%	2.2%	4.2%	7.1%	0.5%	4.5%	3.1%	4.4%	7.4%
Crowd Strike	921	964	1,010	1,059	1,103	1,169	1,234	1,305	1,386
(y-y)	33.0%	31.7%	28.5%	25.2%	19.8%	21.3%	22.2%	23.3%	25.6%
CheckPoint Software	599	627	635	704	638	665	678	745	668
(y-y)	5.8%	6.5%	6.5%	6.1%	6.5%	6.0%	6.7%	5.9%	4.8%
Palo Alto Networks	1,985	2,190	2,139	2,257	2,289	2,536	2,474	2,594	3,002
(y-y)	15.3%	12.1%	13.9%	14.3%	15.3%	15.8%	15.7%	14.9%	31.1%
Fortinet	1,353	1,434	1,508	1,660	1,540	1,630	1,725	1,905	1,850
(y-y)	7.2%	10.9%	13.0%	17.3%	13.8%	13.6%	14.4%	14.8%	20.1%
Cisco Systems	1,304	1,787	2,017	2,111	2,013	1,952	1,980	2,018	2,008
(y-y)	36.1%	81.1%	99.7%	117.0%	54.4%	9.2%	-1.8%	-4.4%	-0.2%
(y-y: excl Splunk)	3.2%	5.8%	2.0%	4.4%	-12.8%	-	-	-	-
Enterprise Security Total	6,512	7,353	7,673	8,159	7,935	8,319	8,466	8,952	9,292
(y-y)	17.5%	24.7%	28.9%	31.3%	21.8%	13.1%	10.3%	9.7%	17.1%
(q-q)	4.8%	12.9%	4.4%	6.3%	-2.7%	4.8%	1.8%	5.7%	3.8%
(y-y: excl Splunk)	11.9%	12.1%	12.3%	13.6%	9.5%	-	-	-	-
(q-q: excl Splunk)	-0.3%	6.7%	1.2%	5.6%	-3.9%	-	-	-	-

(1) For CrowdStrike, which has a January year-end, and for Palo Alto and Cisco, which have a July year-end, 1-3, 4-6, 7-9, 10-12 in the above chart refer to 2-4/5-7/8-10/11-1 quarters. (2) Cisco acquired US-based Splunk in March 2024. (3) Trend Micro figures are for enterprise business (do not include consumer business).

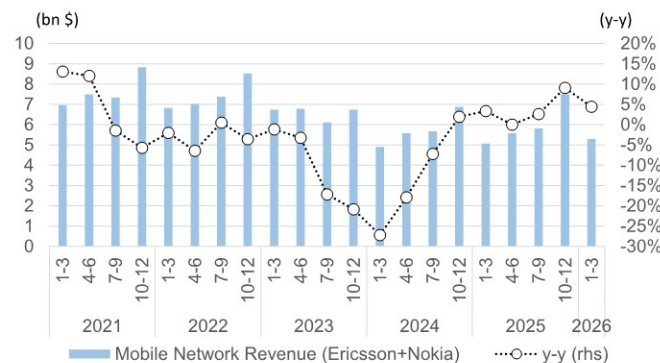
Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Overseas networks

Combined mobile network business revenue (USD basis) at telecom equipment majors Ericsson and Nokia increased by +4% yoy in Jan-Mar 2026, with the growth rate slowing (Exhibit 20). Both companies saw negative growth in North American sales; Ericsson in particular saw a substantial decline due to a high prior-year hurdle. **According to commentary from the companies, the global RAN (Radio Access Network) market is expected to be flat yoy in 2026, and lackluster growth is likely to continue due to a peak-out in 5G investment. In particular, the lack of strength in the North American market, a relatively high-margin region, is leading to a deterioration in the regional mix for both.**

Exhibit 20: Growth rate slowed in Jan-Mar; 2026 global RAN market outlook is for flat yoy growth

Mobile network business revenue (USD basis) at two global network equipment majors



The two companies are Ericsson and Nokia (both have a December fiscal year-end). Figures for Ericsson are for the Networks business. Figures for Nokia are for Radio Networks from 1Q12/25, and for Mobile Access prior to that.

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

While the mobile network business as a whole continues to face challenges, **shipments of base stations for Fujitsu's Open RAN project with AT&T started in Jan-Mar 2026, and we expect this to contribute fully to the company's FY3/27 earnings. In other businesses, demand for optical transmission systems is growing structurally, driven by rising data traffic associated with AI workloads and the development of optical fiber networks. We expect Fujitsu, which is strong in optical transmission systems for North America, to benefit from this market expansion, and we expect this trend to continue for the time being.** NEC has already announced its withdrawal from the highly competitive base station hardware business, and plans to focus its network business on software, mainly vRAN/Open RAN, and optical transmission systems.

Our coverage

Exhibit 21: Ratings and coverage analysts for overseas stocks mentioned in the main text and exhibits

Company	Ticker	Price 6/10	Target Price	Rating	Analyst
Capgemini	CAPP.PA	€100.5	€165	Buy	Mohammed Moawalla
SAP	SAPG.DE	€154.7	€230	Buy	Mohammed Moawalla
Tata Consultancy Services Ltd.	TCS.BO	Rs2149.6	Rs2710	Buy	Manish Adukia, CFA
Microsoft Corp.	MSFT	\$403.41	\$610	Buy	Gabriela Borges, CFA
Oracle Corp.	ORCL	\$205.8	\$228	Buy	Gabriela Borges, CFA
Salesforce Inc.	CRM	\$175.35	\$242	Buy	Gabriela Borges, CFA
Alphabet Inc.	GOOGL	\$364.3	\$450	Buy	Eric Sheridan
Amazon.com Inc.	AMZN	\$244.2	\$325	Buy	Eric Sheridan
Palo Alto Networks	PANW	\$260.5	\$330	Buy	Gabriela Borges, CFA
Check Point	CHKP	\$127.4	\$168	Neutral	Gabriela Borges, CFA
Fortinet	FTNT	\$138.4	\$116	Buy	Gabriela Borges, CFA
CrowdStrike	CRWD	\$644.9	\$726	Buy	Gabriela Borges, CFA
Cisco Systems Inc.	CSCO	\$120.4	\$125	Neutral	Michael Ng, CFA
Nokia	NOKIA.HE	€12	€8.9	Neutral	Alexander Duval
Ericsson	ERICb.ST	Skr111.5	Skr93	Sell	Alexander Duval
Accenture Plc	ACN	\$173.5	\$270	Buy	James Schneider, Ph.D.
International Business Machines	IBM	\$277.5	\$335	Buy	James Schneider, Ph.D.
Cognizant Technology Solutions	CTSH	\$52.9	\$75	Neutral	James Schneider, Ph.D.
AT&T Inc.	T	\$22.7	\$35	Buy	Michael Ng, CFA

Stock prices and target prices are as of June 10, 2026. Target prices are on a 12-month basis.

Source: Goldman Sachs Global Investment Research, Datastream

Exhibit 22: IT service sector coverage: TP methodology and risks

Ticker	Company	Rating	TP	Methodology	Risks
2327.T	NS Solutions	Sell	2,670	PER	Key upside risks include (1) stronger-than-expected improvement in the demand environment and the acquisition of large-scale projects, (2) greater-than-expected cost controls (curbed SG&A expense), and (3) enhanced shareholder returns aimed at ROE target achievement
3626.T	TIS	Neutral	3,850	PER	Key risks include (1) the emergence of large unprofitable projects, (2) investment trends in core businesses, especially credit cards, and/or at major customers, and (3) increased downward pressure on project unit prices due to the spread of generative AI
4307.T	NRI	Buy	5,600	PER	Key risks include (1) investment at major customers, (2) overseas demand, and (3) unprofitable projects.
4478.T	freee K.K.	Sell	2,000	DCF	Key risks include (1) fee increases, (2) market growth accompanying a stronger-than-expected increase in the cloud penetration rate, and (3) larger-than-expected market share gains on changes in the competitive landscape.
4684.T	Obic	Neutral	4,500	DCF	Key risks include (1) investment trends at mid-sized businesses and SMEs, which are sensitive to business sentiment, (2) a larger-than-expected share of demand for large corporate groups, and (3) the unexpected emergence of unprofitable projects (especially at large corporate groups).
4704.T	Trend Micro	Neutral	6,600	70% of PER 30% of M&A	Key risks include (1) acceleration of security market growth due to an increase in cyber attacks, (2) loss of market share due to the emergence of new technologies and intensifying competition, and (3) increased cost burden due to changes in cost strategy.
4733.T	Obic Business Consultants	Buy	9,100	DCF	Key downside risks include (1) investment trends at mid-sized businesses and SMEs, (2) upgrade demand cycle peaks and troughs, and (3) stiffer competition in the cloud accounting market.
4768.T	Otsuka	Sell	2,650	PER	Key upside risks include (1) increased investment at mid-sized companies and SMEs, (2) a larger- or longer-than-expected PC upgrade cycle (including from the GIGA School program), and (3) strengthened shareholder returns.
6701.T	NEC	Buy	5,190	PER	Key risks include (1) a weaker demand environment for the global business, (2) weak telecom carrier capex, and (3) the emergence of unprofitable projects.
6702.T	Fujitsu	Buy	4,330	PER	Key risks include (1) deterioration in overseas IT services and electronic component demand, (2) weaker telecom carrier capex, and (3) the emergence of unprofitable projects.
8056.T	BIPROGY	Buy	6,300	85% of PER 15% of M&A	Key downside risks include (1) deterioration in demand for the company's products and services; (2) the emergence of unprofitable projects; and (3) delays in internal system upgrades.
9432.T	NTT	Buy	179	SOTP	Key risks include the impact of government pressure to lower mobile phone rates and various regulations, mobile telecom price competition among carriers, tougher competition in the global IT business, and greater-than-expected market contraction in the regional telecom business.

Source: Goldman Sachs Global Investment Research

Disclosure Appendix

Reg AC

We, Chikai Tanaka, CFA and Yuki Sato, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

Contributing Authors: Chikai Tanaka, CFA Goldman Sachs Japan Co., Ltd., Yuki Sato Goldman Sachs Japan Co., Ltd..

Unless otherwise stated, the individuals listed in the Contributing Authors disclosure of this report are analysts in Goldman Sachs' Global Investment Research division.

GS Factor Profile

The Goldman Sachs Factor Profile provides investment context for a stock by comparing key attributes to the market (i.e. our universe of rated stocks) and its sector peers. The four key attributes depicted are: Growth, Financial Returns, Multiple (e.g. valuation) and Integrated (a composite of Growth, Financial Returns and Multiple). Growth, Financial Returns and Multiple are calculated by using normalized ranks for specific metrics for each stock. The normalized ranks for the metrics are then averaged and converted into percentiles for the relevant attribute. The precise calculation of each metric may vary depending on the fiscal year, industry and region, but the standard approach is as follows:

Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

M&A Rank

Across our global coverage, we examine stocks using an M&A framework, considering both qualitative factors and quantitative factors (which may vary across sectors and regions) to incorporate the potential that certain companies could be acquired. We then assign a M&A rank as a means of scoring companies under our rated coverage from 1 to 3, with 1 representing high (30%-50%) probability of the company becoming an acquisition target, 2 representing medium (15%-30%) probability and 3 representing low (0%-15%) probability. For companies ranked 1 or 2, in line with our standard departmental guidelines we incorporate an M&A component into our target price. M&A rank of 3 is considered immaterial and therefore does not factor into our price target, and may or may not be discussed in research.

Quantum

Quantum is Goldman Sachs' proprietary database providing access to detailed financial statement histories, forecasts and ratios. It can be used for in-depth analysis of a single company, or to make comparisons between companies in different sectors and markets.

Disclosures

The rating(s) for BIPROGY, Fujitsu, NEC, NS Solutions, NTT, Nomura Research Institute, OBIC, OBIC Business Consultants, Otsuka, TIS, Trend Micro Inc. and freee K.K. is/are relative to the other companies in its/their coverage universe: BIPROGY, Fujitsu, KDDI, NEC, NS Solutions, NTT, Nomura Research Institute, OBIC, OBIC Business Consultants, Otsuka, Softbank Corp., TIS, Trend Micro Inc., freee K.K.

Company-specific regulatory disclosures

Compendium report: please see disclosures at <https://www.gs.com/research/hedge.html>. Disclosures applicable to the companies included in this compendium can be found in the latest relevant published research

Distribution of ratings/investment banking relationships

Goldman Sachs Investment Research global Equity coverage universe

	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	50%	34%	16%	65%	60%	45%

As of April 1, 2026, Goldman Sachs Global Investment Research had investment ratings on 3,074 equity securities. Goldman Sachs assigns stocks as Buys and Sells on various regional Investment Lists; stocks not so assigned are deemed Neutral. Such assignments equate to Buy, Hold and Sell for the purposes of the above disclosure required by the FINRA Rules. See 'Ratings, Coverage universe and related definitions' below. The Investment Banking Relationships chart reflects the percentage of subject companies within each rating category for whom Goldman Sachs has provided investment banking services within the previous twelve months.

Price target and rating history chart(s)

Compendium report: please see disclosures at <https://www.gs.com/research/hedge.html>. Disclosures applicable to the companies included in this compendium can be found in the latest relevant published research

Target price history table(s)**freee K.K. (4478.T)**

Date of report	Target price (¥)	Closing price (¥)
26-May-26	2,000	2,190
02-Mar-26	2,100	2,034
28-Aug-25	2,900	3,140
29-May-25	2,800	3,670
27-Feb-25	2,470	4,100
28-Nov-24	2,220	2,847
02-Sep-24	2,110	2,864
28-May-24	2,500	2,582
29-Feb-24	2,800	3,460
29-Nov-23	2,700	3,535
30-Aug-23	2,500	2,965

Fujitsu (6702.T)

Date of report	Target price (¥)	Closing price (¥)
22-May-26	4,330	3,307
24-Feb-26	4,500	3,313
21-Nov-25	5,000	4,129
25-Aug-25	4,300	3,571
02-Jun-25	4,030	3,461
28-Feb-25	3,570	2,879
22-Nov-24	3,230	2,757
28-Aug-24	3,240	2,590
22-May-24	2,740	2,322
22-Feb-24	27,200	2,271
22-Nov-23	23,700	2,058
24-Aug-23	22,000	1,799

BIPROGY (8056.T)

Date of report	Target price (¥)	Closing price (¥)
28-May-26	6,300	4,577
02-Mar-26	6,100	4,503
25-Nov-25	7,300	6,064
27-Aug-25	7,600	6,337
26-May-25	7,200	5,711
30-Aug-24	5,700	4,709
27-May-24	5,200	4,179
28-Feb-24	5,500	4,647
28-Nov-23	4,820	4,142
29-Aug-23	4,260	3,729

NEC (6701.T)

Date of report	Target price (¥)	Closing price (¥)
22-May-26	5,190	4,105
25-Feb-26	5,200	3,760
21-Nov-25	6,500	6,074
25-Aug-25	5,250	4,582
02-Jun-25	4,160	3,809
28-Feb-25	17,300	2,893
22-Nov-24	15,300	2,453
28-Aug-24	14,600	2,444
22-May-24	12,300	2,240
22-Feb-24	11,500	1,976
22-Nov-23	8,900	1,617
24-Aug-23	9,100	1,499

OBIC (4684.T)

Date of report	Target price (¥)	Closing price (¥)
21-May-26	4,500	4,156
26-Feb-26	4,200	4,097
26-Nov-25	5,120	5,183
26-Aug-25	5,270	5,259
28-May-25	5,230	5,154
26-Feb-25	4,770	4,387
26-Nov-24	5,100	4,828
02-Sep-24	25,600	4,972
24-May-24	23,000	4,049
26-Feb-24	24,600	4,563
27-Nov-23	25,100	4,443
28-Aug-23	26,200	5,031

TIS (3626.T)

Date of report	Target price (¥)	Closing price (¥)
27-May-26	3,850	3,472
24-Feb-26	3,590	2,924
25-Nov-25	5,710	5,131
27-Aug-25	5,560	4,904
27-May-25	5,250	4,668
25-Feb-25	4,410	3,882
25-Nov-24	3,820	3,642
29-Aug-24	3,520	3,639
23-May-24	3,340	2,899
27-Feb-24	3,600	3,386
24-Nov-23	3,270	3,144
25-Aug-23	3,560	3,344

OBIC Business Consultants (4733.T)

Date of report	Target price (¥)	Closing price (¥)
26-May-26	9,100	6,009
27-Feb-26	9,400	6,320
27-Nov-25	10,900	8,778
28-Aug-25	11,100	8,369
29-May-25	9,700	8,094
26-Feb-25	9,600	7,578
28-Nov-24	8,800	7,292
02-Sep-24	9,000	7,079
28-May-24	8,700	6,382
29-Feb-24	8,300	7,150
29-Nov-23	7,300	6,543
30-Aug-23	6,700	6,110

Trend Micro Inc. (4704.T)

Date of report	Target price (¥)	Closing price (¥)
25-May-26	6,600	6,356
25-Feb-26	6,200	5,028
08-Dec-25	7,700	7,111
26-Nov-25	8,500	7,772
26-Aug-25	9,100	7,925
30-May-25	10,500	10,825
18-Feb-25	10,000	11,680
26-Nov-24	8,800	8,308
02-Sep-24	8,500	8,890
24-May-24	6,200	7,314
26-Feb-24	6,150	7,350
27-Nov-23	5,860	7,295

OBIC Business Consultants (4733.T)

Date of report	Target price (¥)	Closing price (¥)
----------------	------------------	-------------------

NS Solutions (2327.T)

Date of report	Target price (¥)	Closing price (¥)
----------------	------------------	-------------------

27-May-26	2,670	3,566
13-Mar-26	2,640	3,675
25-Nov-25	3,030	3,785
27-Aug-25	2,970	3,518
26-May-25	3,330	3,858
25-Feb-25	3,430	4,011
27-Nov-24	3,240	4,113
03-Sep-24	2,930	3,735
27-May-24	4,760	2,500
28-Feb-24	5,100	2,520
28-Nov-23	4,460	2,333
29-Aug-23	4,140	1,985

Trend Micro Inc. (4704.T)

Date of report	Target price (¥)	Closing price (¥)
----------------	------------------	-------------------

28-Aug-23	5,470	6,142
-----------	-------	-------

Nomura Research Institute (4307.T)

Date of report	Target price (¥)	Closing price (¥)
----------------	------------------	-------------------

21-May-26	5,600	4,681
26-Feb-26	5,200	4,161
06-Nov-25	6,500	5,712
25-Aug-25	6,000	5,936
28-May-25	5,800	5,764
25-Nov-24	5,300	4,485
29-Aug-24	5,400	4,930
23-May-24	5,100	4,186
26-Feb-24	5,030	4,179
24-Nov-23	4,720	4,165
25-Aug-23	4,660	4,102

Otsuka (4768.T)

Date of report	Target price (¥)	Closing price (¥)
----------------	------------------	-------------------

25-May-26	2,650	2,850
27-Feb-26	2,620	3,149
26-Nov-25	2,950	3,125
26-Aug-25	2,870	2,999
30-May-25	2,710	2,966
26-Feb-25	3,110	3,487
26-Nov-24	3,780	3,697
30-Aug-24	3,410	3,466
24-May-24	2,900	2,946
27-Feb-24	6,150	3,295
27-Nov-23	5,940	2,990
28-Aug-23	5,900	3,168

NTT (9432.T)

Date of report	Target price (¥)	Closing price (¥)
----------------	------------------	-------------------

29-May-26	179	150
03-Mar-26	176	152
28-Nov-25	184	156
01-Sep-25	187	158
03-Jun-25	173	159
03-Mar-25	181	147
29-Nov-24	186	153
03-Sep-24	180	159
29-May-24	175	152
01-Mar-24	224	181
30-Nov-23	200	173
31-Aug-23	190	168

Price targets shown in table(s) are unadjusted for corporate actions.

Regulatory disclosures**Disclosures required by United States laws and regulations**

See company-specific regulatory disclosures above for any of the following disclosures required as to companies referred to in this report: manager or co-manager in a pending transaction; 1% or other ownership; compensation for certain services; types of client relationships; managed/co-managed public offerings in prior periods; directorships; for equity securities, market making and/or specialist role. Goldman Sachs trades or may trade as a principal in debt securities (or in related derivatives) of issuers discussed in this report.

The following are additional required disclosures: **Ownership and material conflicts of interest:** Goldman Sachs policy prohibits its analysts, professionals reporting to analysts and members of their households from owning securities of any company in the analyst's area of coverage. **Analyst compensation:** Analysts are paid in part based on the profitability of Goldman Sachs, which includes investment banking revenues. **Analyst as officer or director:** Goldman Sachs policy generally prohibits its analysts, persons reporting to analysts or members of their households from serving as an officer, director or advisor of any company in the analyst's area of coverage. **Non-U.S. Analysts:** Non-U.S. analysts may not be associated persons of Goldman Sachs & Co. LLC and therefore may not be subject to FINRA Rule 2241 or FINRA Rule 2242 restrictions on communications with a subject company, public appearances and trading in securities covered by the analysts.

Distribution of ratings: See the distribution of ratings disclosure above. **Price chart:** See the price chart, with changes of ratings and price targets in prior periods, above, or, if electronic format or if with respect to multiple companies which are the subject of this report, on the Goldman Sachs website at <https://www.gs.com/research/hedge.html>.

Additional disclosures required under the laws and regulations of jurisdictions other than the United States

The following disclosures are those required by the jurisdiction indicated, except to the extent already made above pursuant to United States laws and regulations. **Australia:** Goldman Sachs Australia Pty Ltd and its affiliates are not authorised deposit-taking institutions (as that term is defined in the Banking Act 1959 (Cth)) in Australia and do not provide banking services, nor carry on a banking business, in Australia. This research, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act, unless otherwise agreed by Goldman Sachs. In producing research reports, members of Global Investment Research of Goldman Sachs Australia may attend site visits and other meetings hosted by the companies and other entities which are the subject of its research reports. In some instances the costs of such site visits or meetings may be met in part or in whole by the issuers concerned if Goldman Sachs Australia considers it is appropriate and reasonable in the specific circumstances relating to the site visit or meeting. To the extent that the contents of this document contains any financial product advice, it is general advice only and has been prepared by Goldman Sachs without taking into account a client's objectives, financial situation or needs. A client should, before acting on any such advice, consider the appropriateness of the advice having regard to the client's own objectives, financial situation and needs. A copy of certain Goldman Sachs Australia and New Zealand disclosure of interests and a copy of Goldman Sachs' Australian Sell-Side Research Independence Policy

Statement are available at: <https://www.goldmansachs.com/disclosures/australia-new-zealand/index.html>. **Brazil:** Disclosure information in relation to CVM Resolution n. 20 is available at <https://www.gs.com/worldwide/brazil/area/gir/index.html>. Where applicable, the Brazil-registered analyst primarily responsible for the content of this research report, as defined in Article 20 of CVM Resolution n. 20, is the first author named at the beginning of this report, unless indicated otherwise at the end of the text. **Canada:** This information is being provided to you for information purposes only and is not, and under no circumstances should be construed as, an advertisement, offering or solicitation by Goldman Sachs & Co. LLC for purchasers of securities in Canada to trade in any Canadian security. Goldman Sachs & Co. LLC is not registered as a dealer in any jurisdiction in Canada under applicable Canadian securities laws and generally is not permitted to trade in Canadian securities and may be prohibited from selling certain securities and products in certain jurisdictions in Canada. If you wish to trade in any Canadian securities or other products in Canada please contact Goldman Sachs Canada Inc., an affiliate of The Goldman Sachs Group Inc., or another registered Canadian dealer. **Hong Kong:** Further information on the securities of covered companies referred to in this research may be obtained on request from Goldman Sachs (Asia) L.L.C. **India:** Further information on the subject company or companies referred to in this research may be obtained from Goldman Sachs (India) Securities Private Limited, Research Analyst - SEBI Registration Number INH000001493, 10th Floor, Ascent-Worli, Sudam Kalu Ahire Marg, Worli, Mumbai-400 025, India, Corporate Identity Number U74140MH2006FTC160634, Phone +91 22 6616 9000, Fax +91 22 6616 9001. Goldman Sachs may beneficially own 1% or more of the securities (as such term is defined in clause 2 (h) the Indian Securities Contracts (Regulation) Act, 1956) of the subject company or companies referred to in this research report. Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. Goldman Sachs (India) Securities Private Limited compliance officer and investor grievance contact details can be found at: <https://www.goldmansachs.com/worldwide/india/documents/Grievance-Redressal-and-Escalation-Matrix.pdf>, and a copy of the annual audit compliance report can be found at this link: <https://publishing.gs.com/content/site/india-annual-compliance-report.html>. **Japan:** See below. **Korea:** This research, and any access to it, is intended only for "professional investors" within the meaning of the Financial Services and Capital Markets Act, unless otherwise agreed by Goldman Sachs. Further information on the subject company or companies referred to in this research may be obtained from Goldman Sachs (Asia) L.L.C., Seoul Branch. **New Zealand:** Goldman Sachs New Zealand Limited and its affiliates are neither "registered banks" nor "deposit takers" (as defined in the Reserve Bank of New Zealand Act 1989) in New Zealand. This research, and any access to it, is intended for "wholesale clients" (as defined in the Financial Advisers Act 2008) unless otherwise agreed by Goldman Sachs. A copy of certain Goldman Sachs Australia and New Zealand disclosure of interests is available at: <https://www.goldmansachs.com/disclosures/australia-new-zealand/index.html>. **Russia:** Research reports distributed in the Russian Federation are not advertising as defined in the Russian legislation, but are information and analysis not having product promotion as their main purpose and do not provide appraisal within the meaning of the Russian legislation on appraisal activity. Research reports do not constitute a personalized investment recommendation as defined in Russian laws and regulations, are not addressed to a specific client, and are prepared without analyzing the financial circumstances, investment profiles or risk profiles of clients. Goldman Sachs assumes no responsibility for any investment decisions that may be taken by a client or any other person based on this research report. **Singapore:** Goldman Sachs (Singapore) Pte. (Company Number: 198602165W), which is regulated by the Monetary Authority of Singapore, accepts legal responsibility for this research, and should be contacted with respect to any matters arising from, or in connection with, this research. **Taiwan:** This material is for reference only and must not be reprinted without permission. Investors should carefully consider their own investment risk. Investment results are the responsibility of the individual investor. **United Kingdom:** Persons who would be categorized as retail clients in the United Kingdom, as such term is defined in the rules of the Financial Conduct Authority, should read this research in conjunction with prior Goldman Sachs research on the covered companies referred to herein and should refer to the risk warnings that have been sent to them by Goldman Sachs International. A copy of these risks warnings, and a glossary of certain financial terms used in this report, are available from Goldman Sachs International on request.

European Union and United Kingdom: Disclosure information in relation to Article 6 (2) of the European Commission Delegated Regulation (EU) (2016/958) supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council (including as that Delegated Regulation is implemented into United Kingdom domestic law and regulation following the United Kingdom's departure from the European Union and the European Economic Area) with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest is available at <https://www.gs.com/disclosures/europeanpolicy.html> which states the European Policy for Managing Conflicts of Interest in Connection with Investment Research.

Japan: Goldman Sachs Japan Co., Ltd. is a Financial Instrument Dealer registered with the Kanto Financial Bureau under registration number Kinsho 69, and a member of Japan Securities Dealers Association, Financial Futures Association of Japan Type II Financial Instruments Firms Association, and Investment Management Association of Japan. Sales and purchase of equities are subject to commission pre-determined with clients plus consumption tax. See company-specific disclosures as to any applicable disclosures required by Japanese stock exchanges, the Japanese Securities Dealers Association or the Japanese Securities Finance Company.

Ratings, coverage universe and related definitions

Buy (B), Neutral (N), Sell (S) Analysts recommend stocks as Buys or Sells for inclusion on various regional Investment Lists. Being assigned a Buy or Sell on an Investment List is determined by a stock's total return potential relative to its coverage universe. Any stock not assigned as a Buy or a Sell on an Investment List with an active rating (i.e., a stock that is not Rating Suspended, Not Rated, Early-Stage Biotech, Coverage Suspended or Not Covered), is deemed Neutral. Each region manages Regional Conviction Lists, which are selected from Buy rated stocks on the respective region's Investment Lists and represent investment recommendations focused on the size of the total return potential and/or the likelihood of the realization of the return across their respective areas of coverage. The addition or removal of stocks from such Conviction Lists are managed by the Investment Review Committee or other designated committee in each respective region and do not represent a change in the analysts' investment rating for such stocks.

Total return potential represents the upside or downside differential between the current share price and the price target, including all paid or anticipated dividends, expected during the time horizon associated with the price target. Price targets are required for all covered stocks. The total return potential, price target and associated time horizon are stated in each report adding or reiterating an Investment List membership.

Coverage Universe: A list of all stocks in each coverage universe is available by primary analyst, stock and coverage universe at <https://www.gs.com/research/hedge.html>.

Not Rated (NR). The investment rating, target price and earnings estimates (where relevant) are removed pursuant to Goldman Sachs policy when Goldman Sachs is acting in an advisory capacity in a merger or in a strategic transaction involving this company, when there are legal, regulatory or policy constraints due to Goldman Sachs' involvement in a transaction, and in certain other circumstances. **Early-Stage Biotech (ES).** An investment rating and a target price are not assigned pursuant to Goldman Sachs policy when this company has neither a drug, treatment or medical device that has passed a Phase II clinical trial nor a license to distribute a post-Phase II drug, treatment or medical device. **Rating Suspended (RS).** Goldman Sachs Research has suspended the investment rating and price target for this stock, because there is not a sufficient fundamental basis for determining an investment rating or target price. The previous investment rating and target price, if any, are no longer in effect for this stock and should not be relied upon. **Coverage Suspended (CS).** Goldman Sachs has suspended coverage of this company. **Not Covered (NC).** Goldman Sachs does not cover this company.

Global product; distributing entities

Goldman Sachs Global Investment Research produces and distributes research products for clients of Goldman Sachs on a global basis. Analysts based in Goldman Sachs offices around the world produce research on industries and companies, and research on macroeconomics, currencies, commodities

and portfolio strategy. This research is disseminated in Australia by Goldman Sachs Australia Pty Ltd (ABN 21 006 797 897); in Brazil by Goldman Sachs do Brasil Corretora de Títulos e Valores Mobiliários S.A.; Public Communication Channel Goldman Sachs Brazil: 0800 727 5764 and / or contatogoldmanbrasil@gs.com. Available Weekdays (except holidays), from 9am to 6pm. Canal de Comunicação com o Público Goldman Sachs Brasil: 0800 727 5764 e/ou contatogoldmanbrasil@gs.com. Horário de funcionamento: segunda-feira à sexta-feira (exceto feriados), das 9h às 18h; in Canada by Goldman Sachs & Co. LLC; in Hong Kong by Goldman Sachs (Asia) L.L.C.; in India by Goldman Sachs (India) Securities Private Ltd.; in Japan by Goldman Sachs Japan Co., Ltd.; in the Republic of Korea by Goldman Sachs (Asia) L.L.C., Seoul Branch; in New Zealand by Goldman Sachs New Zealand Limited; in Russia by OOO Goldman Sachs; in Singapore by Goldman Sachs (Singapore) Pte. (Company Number: 198602165W); and in the United States of America by Goldman Sachs & Co. LLC. Goldman Sachs International has approved this research in connection with its distribution in the United Kingdom.

Goldman Sachs International ("GSI"), authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA, has approved this research in connection with its distribution in the United Kingdom.

European Economic Area: Goldman Sachs Bank Europe SE ("GSBE") is a credit institution incorporated in Germany and, within the Single Supervisory Mechanism, subject to direct prudential supervision by the European Central Bank and in other respects supervised by German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) and Deutsche Bundesbank and disseminates research within the European Economic Area.

General disclosures

This research is for our clients only. Other than disclosures relating to Goldman Sachs, this research is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. The information, opinions, estimates and forecasts contained herein are as of the date hereof and are subject to change without prior notification. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Other than certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgment.

Goldman Sachs conducts a global full-service, integrated investment banking, investment management, and brokerage business. We have investment banking and other business relationships with a substantial percentage of the companies covered by Global Investment Research. Goldman Sachs & Co. LLC, the United States broker dealer, is a member of SIPC (<https://www.sipc.org>).

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and principal trading desks that reflect opinions that are contrary to the opinions expressed in this research. Our asset management area, principal trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

The analysts named in this report may have from time to time discussed with our clients, including Goldman Sachs salespersons and traders, or may discuss in this report, trading strategies that reference catalysts or events that may have a near-term impact on the market price of the equity securities discussed in this report, which impact may be directionally counter to the analyst's published price target expectations for such stocks. Any such trading strategies are distinct from and do not affect the analyst's fundamental equity rating for such stocks, which rating reflects a stock's return potential relative to its coverage universe as described herein.

We and our affiliates, officers, directors, and employees will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives, if any, referred to in this research, unless otherwise prohibited by regulation or Goldman Sachs policy.

The views attributed to third party presenters at Goldman Sachs arranged conferences, including individuals from other parts of Goldman Sachs, do not necessarily reflect those of Global Investment Research and are not an official view of Goldman Sachs.

Any third party referenced herein, including any salespeople, traders and other professionals or members of their household, may have positions in the products mentioned that are inconsistent with the views expressed by analysts named in this report.

This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of investments referred to in this research and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Investors should review current options and futures disclosure documents which are available from Goldman Sachs sales representatives or at <https://www.theocc.com/about/publications/character-risks.jsp> and https://www.goldmansachs.com/disclosures/cftc_fcm_disclosures. Transaction costs may be significant in option strategies calling for multiple purchase and sales of options such as spreads. Supporting documentation will be supplied upon request.

Differing Levels of Service provided by Global Investment Research: The level and types of services provided to you by Goldman Sachs Global Investment Research may vary as compared to that provided to internal and other external clients of GS, depending on various factors including your individual preferences as to the frequency and manner of receiving communication, your risk profile and investment focus and perspective (e.g., marketwide, sector specific, long term, short term), the size and scope of your overall client relationship with GS, and legal and regulatory constraints. As an example, certain clients may request to receive notifications when research on specific securities is published, and certain clients may request that specific data underlying analysts' fundamental analysis available on our internal client websites be delivered to them electronically through data feeds or otherwise. No change to an analyst's fundamental research views (e.g., ratings, price targets, or material changes to earnings estimates for equity securities), will be communicated to any client prior to inclusion of such information in a research report broadly disseminated through electronic publication to our internal client websites or through other means, as necessary, to all clients who are entitled to receive such reports.

All research reports are disseminated and available to all clients simultaneously through electronic publication to our internal client websites. Not all research content is redistributed to our clients or available to third-party aggregators, nor is Goldman Sachs responsible for the redistribution of our research by third party aggregators. For research, models or other data related to one or more securities, markets or asset classes (including related services) that may be available to you, please contact your GS representative or go to <https://research.gs.com>.

Disclosure information is also available at <https://www.gs.com/research/hedge.html> or from Research Compliance, 200 West Street, New York, NY 10282.

© 2026 Goldman Sachs.

You are permitted to store, display, analyze, modify, reformat, and print the information made available to you via this service only for your own use. You may not resell or reverse engineer this information to calculate or develop any index for disclosure and/or marketing or create any other derivative works or commercial product(s), data or offering(s) without the express written consent of Goldman Sachs. You are not permitted to publish, transmit, or otherwise reproduce this information, in whole or in part, in any format to any third party without the express written consent of Goldman Sachs.

This foregoing restriction includes, without limitation, using, extracting, downloading or retrieving this information, in whole or in part, to train or finetune a machine learning or artificial intelligence system, or to provide or reproduce this information, in whole or in part, as a prompt or input to any such system.