Japan Technology: IT Services: June BOJ Tankan data: Supply/demand tightness eases slightly, gap may widen in margin improvement on AI

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The Bank of Japan (BOJ) announced detailed data (software fixed investment, DIs) by industry from the June 2026 Tankan survey at 08:50 JST on July 2 (the summary was released on July 1). FY26 (FY3/27) software investment plans (all industries, including financials) were revised up sharply to +12.4% yoy (+5.3 pp from the March survey), led by manufacturers, and the favorable demand environment is expected to continue, centered on modernization. At present, demand is beginning to emerge for consulting, network building, and cybersecurity, driven by growing corporate appetite for AI adoption, and we believe this trend could accelerate going forward. Furthermore, excluding quarterly fluctuations, the trends of engineer shortages and rising unit prices generally remain unchanged, based on the DIs. However, we expect the effects of AI-driven development to gradually become apparent at some major system integrators going forward, which we think could have a slight impact on supply/demand trends in the industry. From the perspective of AI-related businesses and AI-driven development, we highlight Buy-rated NEC, Baycurrent, Nomura Research Institute (NRI), and Fujitsu. However, for Fujitsu and NEC, we note the need to watch the impact of higher memory prices (Fujitsu has a higher sales mix of related products based on FY3/26 results).

DIs

The June 2026 employment conditions DI (all enterprises; excessive - insufficient, %) for the information services industry was -41 (+9 qoq), with the figure improving mainly for mid-sized and SMEs. However, the DI for large enterprises (major system integrators) was close to its average over the past year, indicating no change in the situation, with supply/demand remaining tight. Also, reflecting the tight supply/demand, both the output (sales) price DI (rise - fall, %) and input price DI (rise - fall, %) remain at high levels, and the outlook DIs for September suggest both will rise further. Overall, excluding quarterly fluctuations, the trends of engineer shortages and rising unit prices remains unchanged. However, we expect the effects of AI-driven development to gradually become apparent at some major system integrators going forward, which we think will have a slight impact on supply/demand trends in the industry. Our impression is that Fujitsu in particular is leading these initiatives, followed by NRI and NEC. With the exception of these few companies, efforts toward AI-driven development across the industry as a whole are still slow. In Japan, where the working population is declining, this is not yet expected to have a significant enough impact to fundamentally resolve the current shortage of engineers. However, depending on the progress of these efforts, a significant

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disparity in the pace of productivity improvements could emerge among companies.

Software investment

The BOJ released a detailed breakdown of software investment plans by industry. FY26 (FY3/27) software investment plans (all industries, including financials) call for growth of +12.4% yoy (+5.3 pp from the March survey), including +21.0% yoy for manufacturers (+10.7 pp), +9.6% yoy for non-manufacturers (+4.7 pp), and +9.5% yoy for financials (+1.5 pp). The plans were thus revised up considerably, led by manufacturers. When the initial plans were announced, market sentiment had worsened due to factors such as rising tensions in the Middle East, but the easing of this situation likely led to the upward revisions. By subsector, growth (in value terms) on a yoy basis is expected to be driven by machinery, electrical machinery, motor vehicles, retailing, transport & postal services, telecommunications, information services, and banks. While modernization continues to drive investment expansion, demand is beginning to emerge at present for consulting, network building, and cybersecurity, driven by growing corporate appetite for AI adoption, and we believe this trend could accelerate going forward.

Exhibit 1: BOJ Tankan: Information services business conditions DI, employment conditions DI, and output price DI (June 2026 survey)

Information Services DI		2022				2023				→New Definition 2024				2025				→New Definition 2026		
		1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9
Business Conditions (Diffusion index of "Favorable" minus "Unfavorable")																				
Information services	F	14	21	24	25	26	28	29	28	31	36	37	34	34	37	33	36	36	32	31
All Enterprises	A	28	30	31	28	34	33	31	37	41	40	39	41	40	39	42	41	44	38	-
Information services	F	25	29	34	34	36	39	41	38	40	47	51	47	45	47	42	46	47	45	39
Large Enterprises	A	38	37	36	40	42	45	42	43	54	54	53	53	46	51	55	51	52	52	-
Information services	F	10	20	21	25	31	34	34	28	33	35	36	35	36	37	34	36	37	38	37
Medium-sized Enterprises	A	26	29	31	27	40	36	31	40	37	37	35	40	45	43	45	47	51	46	-
Information services	F	9	17	21	19	15	12	14	17	21	29	29	24	23	27	25	28	24	20	19
Small Enterprises	A	24	26	27	21	21	20	23	29	35	33	31	33	30	26	28	26	33	21	-
Employment Conditions (Diffusion index of "Excessive employment" minus "Insufficient employment")																				
Information services	F	-38	-38	-44	-42	-46	-50	-50	-53	-50	-51	-54	-53	-56	-52	-53	-53	-56	-48	-42
All Enterprises	A	-37	-43	-42	-46	-48	-45	-49	-49	-48	-49	-49	-52	-49	-51	-51	-53	-50	-41	-
Information services	F	-25	-27	-27	-27	-29	-28	-30	-36	-39	-35	-33	-37	-38	-35	-39	-39	-39	-40	-34
Large Enterprises	A	-25	-27	-27	-27	-33	-32	-36	-37	-33	-35	-37	-38	-33	-39	-36	-38	-43	-38	-
Information services	F	-42	-43	-49	-48	-53	-64	-57	-58	-54	-58	-64	-59	-63	-59	-60	-62	-66	-56	-48
Medium-sized Enterprises	A	-42	-49	-48	-50	-52	-51	-55	-53	-56	-59	-58	-59	-55	-56	-60	-61	-56	-46	-
Information services	F	-42	-41	-50	-46	-50	-52	-54	-59	-53	-54	-57	-57	-61	-56	-56	-54	-56	-46	-40
Small Enterprises	A	-41	-46	-47	-53	-53	-48	-53	-53	-48	-48	-47	-54	-55	-53	-50	-54	-48	-39	-
Change in Output Prices (Diffusion index of "Rise" minus "Fall")																				
Information services	F	-2	1	2	6	8	17	16	16	17	22	23	24	24	29	26	29	29	33	33
All Enterprises	A	0	0	5	3	9	11	14	14	20	24	26	26	26	29	23	24	29	28	-
Information services	F	4	6	12	15	21	30	31	27	33	40	35	38	36	42	37	40	40	43	37
Large Enterprises	A	8	6	13	13	19	24	27	31	33	35	40	38	38	40	33	36	41	39	-
Information services	F	-5	-1	0	3	5	17	13	14	15	22	26	25	26	32	30	31	31	39	39
Medium-sized Enterprises	A	-3	-4	3	2	4	5	11	10	15	24	26	24	24	30	22	22	29	32	-
Information services	F	-3	0	-2	3	2	8	9	9	8	9	12	13	14	18	14	20	18	21	25
Small Enterprises	A	-3	0	3	-1	7	7	9	7	16	16	15	20	19	20	17	16	23	18	-

Based on new definitions from Jan-Mar 2026

Source: BOJ Tankan, Data compiled by Goldman Sachs Global Investment Research

Exhibit 2: BOJ Tankan: Software investment plans (June 2026 survey)

YoY (%)	Actual FY20	Actual FY21	Actual FY22	Actual FY23	Actual FY24	Actual FY25	Jun survey Forecast FY26	Jun survey Revision rate FY26
All industries including Financial institutions	**-7.4**	**5.4**	**14.5**	**12.2**	**3.7**	**8.9**	**12.4**	**5.3**
Financial institutions	**-10.2**	**1.0**	**21.0**	**17.8**	**2.7**	**12.3**	**9.5**	**1.5**
Banks	-11.9	1.8	21.2	20.8	14.7	7.9	19.8	2.6
Financial institutions for cooperative organizations	-22.1	10.1	50.7	19.9	4.3	-1.8	12.0	13.1
Financial products transaction dealers	2.1	-3.7	29.3	6.6	-5.2	17.6	-3.3	-7.6
Insurance companies	-0.7	-0.9	20.4	15.2	-5.3	20.8	2.7	-1.0
Non-deposit money corporations	-34.0	11.0	13.3	30.7	1.8	4.2	4.2	10.0
All industries	-6.2	7.6	11.5	10.0	4.2	7.5	13.5	6.8
Manufacturing	**-5.9**	**9.7**	**16.2**	**11.3**	**7.2**	**5.1**	**21.0**	**10.7**
Textiles	-7.9	17.7	39.1	-9.4	-10.3	26.0	44.8	6.7
Lumber & Wood products	-24.2	16.3	28.9	10.2	22.8	-6.2	38.5	19.7
Pulp & Paper	-15.9	-27.3	44.6	7.7	-31.4	43.6	27.6	9.3
Chemicals	-1.7	-1.3	15.9	4.3	11.5	2.9	6.2	1.3
Petroleum & Coal products	-19.8	70.2	8.0	19.3	45.8	9.7	109.1	99.8
Ceramics, Stone & Clay	15.7	19.3	-10.9	11.7	-7.7	36.1	11.1	-1.4
Iron & Steel	-0.5	91.4	-3.2	-3.8	17.9	0.7	0.1	-2.5
Nonferrous metals	-1.0	-10.2	31.1	-22.4	-7.2	4..9	25.5	-7.9
Food & Beverages	-8.9	-2.8	8.0	29.4	0.9	-2.2	204.5	183.9
Processed metals	-37.1	30.0	7.8	42.3	-9.7	-3.2	31.9	-0.2
General-purpose, Production &Business oriented machinery	-8.6	13.3	16.4	12.6	15.1	9.3	9.3	4.3
General-purpose machinery	-12.6	18.0	-0.1	26.9	4.0	3.0	8.0	-4.4
Production machinery	-5.4	5.6	21.1	11.0	22.4	4.8	6.1	1.1
Business oriented machinery	-9.8	18.8	21.3	5.0	12.9	23.8	15.9	17.2
Electrical machinery	-3.3	6.7	14.9	11.3	3.3	-5.1	7.3	-11.5
Transportation machinery	-6.1	3.8	40.9	20.5	7.6	11.2	12.2	4.7
Shipbuilding, Heavy machinery & Other transportation machinery	4.2	-14.7	41.5	3.2	1.8	39.3	10.7	1.5
Motor vehicles	-7.4	6.6	40.8	22.1	8.1	9.1	12.4	5.0
Other manufacturing	-6.4	11.2	2.4	5.7	11.0	26.3	1.6	15.8
Basic materials	-2.3	15.2	11.6	0.7	7.8	5.8	10.9	2.3
Processing	-7.0	7.7	18.1	15.1	7.0	4.9	24.1	13.2
Nonmanufacturing	**-6.4**	**6.4**	**9.1**	**9.3**	**2.7**	**8.8**	**9.6**	**4.7**
Construction	1.8	30.9	2.4	16.8	3.0	6.2	13.1	9.2
Real estate, Goods rental & Leasing	-40.2	6.5	13.2	18.8	4.0	12.0	11.8	-3.2
Real estate	3.2	-2.1	35.9	8.4	-6.0	27.7	12.3	2.4
Goods rental & Leasing	-63.6	24.8	-24.7	48.6	24.8	-9.4	10.9	-12.7
Wholesaling & Retailing	-2.1	10.6	28.9	5.6	-6.5	6.1	4.0	1.2
Wholesaling	-4.5	5.6	34.7	4.5	-8.9	7.6	-6.4	2.9
Retailing	2.2	18.2	20.7	7.3	-3.0	3.7	20.2	-0.7
Transport & Postal activities	-20.4	20.9	21.7	7.7	3.3	44.0	10.9	16.1
Information communication	1.3	5.0	-1.2	10.1	2.8	2.1	7.3	2.2
Communications	-8.9	5.8	16.3	4.1	11.3	16.6	10.4	13.1
Information services	13.2	10.7	-14.0	4.8	-9.3	-7.6	7.0	-2.6
Other information communication	0.7	-23.4	-4.2	31.4	10.2	-10.9	-1.6	-15.5
Electric & Gas utilities	-13.6	-24.1	-7.7	13.4	29.4	14.8	11.4	16.0
Services for businesses	-10.3	18.3	9.8	-1.3	9.0	9.4	27.3	4.2
Services for individuals	-17.5	-2.8	11.0	27.2	3.7	3.4	6.8	6.0
Accommodations,Eating & Drinking services	-31.5	4.1	53.0	-5.9	18.7	-17.1	38.5	-7.5
Mining & Quarrying of stone and gravel	63.9	-11.7	18.1	-0.5	-5.6	16.7	-63.9	30.5

Revision rate compares with the March survey

Source: BOJ Tankan, Data compiled by Goldman Sachs Global Investment Research

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