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May 13, 2024

Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Under Japanese GAAP)

Company name: Systena Corporation
Listing: Tokyo Stock Exchange
Securities code: 2317
URL: https://www.systena.co.jp/
Representative: Yoshichika Hemmi, Representative Director and Chairman
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Scheduled date of annual general meeting of shareholders: June 21, 2024
Scheduled date to commence dividend payments: June 7, 2024
Scheduled date to file annual securities report: June 21, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	76,940	3.2	9,713	(1.3)	9,942	(0.1)	7,232	(1.2)
March 31, 2023	74,526	14.2	9,844	8.1	9,955	16.1	7,317	22.1

Note: Comprehensive income For the fiscal year ended March 31, 2024: ¥7,451 million [1.5%]
For the fiscal year ended March 31, 2023: ¥7,340 million [20.5%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2024	18.67	–	20.0	19.3	12.6
March 31, 2023	18.89	–	22.9	21.6	13.2

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended March 31, 2024: ¥51 million
For the fiscal year ended March 31, 2023: ¥35 million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	54,038	38,601	70.5	98.34
March 31, 2023	48,879	34,650	69.9	88.19

Reference: Equity
As of March 31, 2024: ¥38,099 million
As of March 31, 2023: ¥34,168 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	9,036	(251)	(3,504)	30,092
March 31, 2023	7,648	(2,016)	(2,854)	24,792

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2023	–	4.00	–	4.00	8.00	3,112	42.4	9.7
Fiscal year ended March 31, 2024	–	5.00	–	5.00	10.00	3,890	53.6	10.7
Fiscal year ending March 31, 2025 (Forecast)	–	6.00	–	6.00	12.00		78.8	

Note: As ranges have been presented for the consolidated earnings forecasts for the fiscal year ending March 31, 2025, the stated payout ratio for the fiscal year ending March 31, 2025 is based on the minimum value in that range. If presenting this value based on the maximum value in that range, the dividend payout ratio would be 63.7%.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2025	85,000 to 100,000	10.5 to 30.0	8,500 to 10,500	(12.5) to 8.1	8,500 to 10,500	(14.5) to 5.6	5,900 to 7,300	(18.4) to 0.9	15.23 to 18.84

Note: The Group has a policy of conducting short-term aggressive investment, which presents numerous elements of uncertainty that make it difficult to calculate forecast figures to any reasonable extent. Accordingly, for the consolidated earnings forecasts for the fiscal year ending March 31, 2025, the forecast figures are presented as ranges. For more details, please refer to "1. Overview of operating results, etc., (1) Overview of operating results for the period under review, (ii) Forecast for the next fiscal year" on page 5 of the Attached Materials.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatement
  (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
  (ii) Changes in accounting policies due to other reasons: None
  (iii) Changes in accounting estimates: Yes
  (iv) Restatement: None

(3) Number of issued shares (common shares)

  (i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2024	450,880,000 shares
As of March 31, 2023	450,880,000 shares

  (ii) Number of treasury shares at the end of the period

As of March 31, 2024	63,439,188 shares
As of March 31, 2023	63,439,188 shares

  (iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2024	387,440,812 shares
Fiscal year ended March 31, 2023	387,422,095 shares

Note: The Company has introduced a stock compensation plan, and in calculating the number of treasury shares of common shares at the end of the period and the average number of shares outstanding during the period, the number of treasury shares includes shares of the Company held by Japan Custody Bank, Ltd. (the Trust Account) as trust assets for the "Trust for Granting Shares to Directors" and the "Trust for Granting Shares to Executive Officers." The number of treasury shares held by the Trust Account included in the number of treasury shares at the ends of the fiscal years ended March 31, 2024 and March 31, 2023 were 1,567,700 shares, and the numbers of treasury shares held by the Trust Account excluded from the calculation of the average number of shares outstanding during the fiscal years ended March 31, 2024 and March 31, 2023 were as follows: the average numbers of treasury shares of common shares held by the Trust Account for the fiscal years ended March 31, 2024 and March 31, 2023 were 1,567,700 shares and 1,586,417 shares, respectively.

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	67,603	2.7	8,725	(2.4)	8,887	(1.0)	6,503	(2.1)
March 31, 2023	65,855	13.3	8,936	5.1	8,979	6.2	6,641	19.3

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2024	16.79	–
March 31, 2023	17.14	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	48,440	34,474	71.2	88.98
March 31, 2023	44,130	31,362	71.1	80.95

Reference: Equity
As of March 31, 2024: ¥34,474 million
As of March 31, 2023: ¥31,362 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Forward-looking statements in this material, including earnings forecasts, are based on information currently available to the Company and on certain assumptions deemed reasonable. Actual results may differ significantly due to various factors. For assumptions underlying the forecast and cautions regarding the use of earnings forecasts, please refer to "1. Overview of operating results, etc., (1) Overview of operating results for the period under review, (ii) Forecast for the next fiscal year" on page 5 of the Attached Materials.

Attached Materials Table of Contents

The Company will hold a briefing session for investors as follows. The materials distributed at the briefing will be posted on the Company's website immediately after the briefing.

・May 15, 2024 (Wednesday)　Company Information Briefing for Institutional Investors and Analysts

1. Overview of operating results, etc.

Matters discussed here that are not historical fact reflect judgments made as of the end of the fiscal year under review.

(1) Overview of operating results for the period under review

(i) Operating results for the period under review

During the fiscal year under review (April 1, 2023 to March 31, 2024), the Japanese economy saw a moderate recovery centered on personal consumption, as economic and social activities normalized after the COVID-19 pandemic. However, prolonged global monetary tightening employed to curb the inflation caused by surging resource and raw materials prices and the downturn in overseas economies resulting from the uncertain international situation continue to present a downward risk on the economy in Japan.

Given these conditions, the Group recognizes that improving productivity is a key issue in securing earnings amid high inflation. In addition to focusing more on recurring revenue businesses, the Group continued to expand businesses with high added value such as consulting operations and PMO projects aimed at the support of promoting DX in the software development business.

Furthermore, we continued to invest proactively in human resources and improve wages and working conditions to pursue initiatives for the stable acquisition of excellent human resources.

In the Solution Design Business, the Group focused on expanding orders in the in-vehicle and DX service fields, where significant growth is expected.

In the Framework Design Business, the Group deployed its system development expertise from the financial sector to customers in the public and distribution/services sectors, and worked to increase orders in the business application development and infrastructure (cloud) architecture operations.

In the IT Service Business, the Group focused on providing PMO services, a growth field, in response to demand for the introduction of various tools and business process improvements aimed at corporate digitalization as opposed to conventional IT support business, including system operations and help desks.

In the Business Solution Business, the Group focused on service businesses, not product-oriented businesses, and strove to further strengthen its recurring revenue businesses, centered on the subscription business and system development and support.

In the Cloud Business, which is responsible for promoting the subscription business, the Group expanded the functionality of its in-house products Canbus. and Cloudstep and actively offered a “DX Design Lab” that supports DX promotion starting at the project stage.

As a result of the above, consolidated results for the period under review were net sales of ¥76,940 million (up 3.2% year on year), operating profit of ¥9,713 million (down 1.3% year on year), ordinary profit of ¥9,942 million (down 0.1% year on year), and profit attributable to owners of parent of ¥7,232 million (down 1.2% year on year).

The following describes performance by segment. Note that net sales for each segment include inter-segment net sales or transfers.

a. Solution Design Business

The Solution Design Business is divided into five categories: in-vehicle, social infrastructure, internet business, products, and DX services. In this business, the Group is working to win orders from clients with robust development motivation.

Given these conditions, although unprofitable projects from the first quarter were nearing conclusion in the second quarter, with the opportunity loss impacts and lost sales opportunities as resources allocated in response to those projects as well as delays in assigning staff, net sales in this segment were ¥21,267 million (down 5.0% year on year), and operating profit was ¥2,717 million (down 30.8% year on year).

(In-Vehicle)

In the in-vehicle category, the importance of mobility software is increasing in the automobile industry, and orders expanded due to the robust development demand for in-vehicle infotainment, integrated cockpit systems and electric vehicles. Using our technical capabilities in software development cultivated in the mobile field, we strengthened our development system to meet the demand of Japanese finished vehicle manufacturers and Tier-1 suppliers. Going forward, we will focus on expanding mobility development orders received for next-generation applications.

(Social Infrastructure)

In the social infrastructure category, which supports the mechanisms of society, including telecommunications infrastructure, payment infrastructure, transportation infrastructure, power grids, and more, and enriches people’s lives, the Group used its technical capabilities in the fields of embedded systems and web design developed in the in-vehicle and products categories to work on solutions. Given the increased number of inquiries regarding the replacement and digital transformation (DX) of power, transportation, disaster prevention, satellite, defense, and other systems, the Group will continue to promote expansion into local governments and the public sector.

(Internet Business)

In fields related to the Internet business category, such as Internet services and e-commerce, the Group also received an increased number of inquiries due to an increase in demand for cashless payment settlement, the development of services and generative AI in Fintech domains, and development utilizing Web3 technologies. We will continue endeavoring to secure more orders by leveraging the strengths we have cultivated over the years in offering total solutions covering planning, development and verification, IT consulting and IT services.

(Products)

In the products category, which engages in development, including smartphones, home appliances, robotics, and payment terminals, the Group has numerous inquiries related to the keywords "AI," "IoT," and "mobile," which are strengths of the Group, leading to expanded orders received. The Group's one-stop support for the entire product lifecycle of not only product development and quality evaluation, but also infrastructure environment construction, CI/CD environment construction, and support, has been well received. The Group will continue to expand orders received while striving to differentiate itself from its competitors.

(DX Services)

As demand increases for undertaking corporate DX, the Group has continued to expand orders received for system development with superior flexibility and expandability such as the optimization of work processes and data use and operational streamlining through AI and automation as well as development utilizing low-code and no-code tools. In addition, the Group will continue to actively promote the development of new services, such as TimeTapps, a cloud attendance management system, and Palette.Link, a groupware that enhances the quality of relationships, as orders for these services have been strong.

b. Framework Design Business

In this business, the Group harnessed its track record in application development in the financial sector to expand the scope of its offerings to customers in the public and corporate sectors, leading to an increase in orders for system development projects.

In the financial sector, the Group provides core system development services for customers in the banking industry and life and non-life insurance industries. In addition to long-term system development work in areas such as contract management systems and accounts systems, sales remained steady due to increased inquiries for DX projects such as cloud migration and the development of new services aimed at CX improvement.

In the public sector, orders were received for new projects, primarily related to central government ministries and agencies, and the respective business areas of system development, infrastructure construction, and operation and maintenance remained firm. In the period under review, orders received for projects for local governments made progress, and the Group's corresponding area expanded.

In addition, in the corporate sector, the Group received increased orders for technical support services using low-code development tools and system rebuilding focused on system renewal for digital transformation (DX). The Group's "laboratory system" for total system support, from proof of concept support in the system planning stages to operations and maintenance after system development, has led to increased competitiveness.

As a result, net sales in this business amounted to ¥6,901 million (up 13.2% year on year) and operating profit was ¥1,642 million (up 28.3% year on year).

c. IT Service Business

In this business, which mainly operates a variety of IT-related outsourcing services, including system operation and maintenance, helpdesk and user support services, and PMO, economic activities that had stagnated due to the COVID-19 pandemic resumed, which resulted in increased IT investment appetite from companies hoping to increase their competitiveness as well as a lot of inquiries related to modernization aimed at business standardization and automation.

Given these market conditions, the Group focused on expanding accompanying PMO services that support business improvement, including the introduction of various tools and business process rebuilding, based on an accurate understanding of latent customer issues.

In addition, to enhance customer analysis, the Group strived to understand IT investment plans and IT events and pursued horizontal development by conducting proposal activities targeting existing customer divisions with which the Group does not have transactions in order to gain the ability to provide better business development support.

The Group also focused on acquiring new customers in an effort to secure the next group of loyal clients to ensure the Group's future.

In the software testing services business, the Group made use of its knowledge of customers in the Internet Business/gaming domains to pivot to clients in the enterprise domain, thereby acquiring new customers, procuring human resources with an immediate impact, and strengthening relationships with partner companies.

Regarding engagement with persons with disabilities, we have focused our efforts on understanding each person's individuality and placing the right person in the right position, expanding the breadth of work that can allow them to experience growth and improving productivity.

As a result, net sales in this business amounted to ¥18,297 million (up 3.1% year on year) and operating profit was ¥2,922 million (up 15.9% year on year).

d. Business Solution Business

For this business, where the Group is primarily engaged in B2B sales of IT-related products and system integration services mainly for foreign-affiliated and medium-sized companies, the outlook is uncertain because of the weak yen and soaring prices of raw materials and commodities. Even so, the number of projects related to the use of DX to increase productivity, reduce costs, and increase competitiveness is gradually trending upward.

Specifically, the Group received a number of orders in the cloud-related system integration business for various services including lift and shift, which is a type of the method of cloud migration.

Furthermore, from the end of life (EOL) of server groups, we achieved considerable growth in terms of service projects associated with the sales of hardware, including servers, storage, and networking products.

Furthermore, the Group received many inquiries relating to system development and maintenance and operation projects to digitalize corporations' businesses by making use of RPA and data linkage tools, as well as the security services and support services, increasing the number of orders received.

As a result, net sales in this business amounted to ¥28,434 million (up 7.3% year on year) and operating profit was ¥2,054 million (up 16.7% year on year).

e. Cloud Business

In this business, where the Group provides original services and cloud services to companies and other entities, and which is responsible for promoting the subscription business model, the Group received many inquiries regarding its Canbus. no-code DX platform from companies promoting DX, and, because we received many inquiries for generative AI in particular, we proactively promoted related investment and sales reinforcement. Although there were a lot of orders, there were also many projects for which full-scale introduction starting with proof of concept was carried over to the next period.

As a result, net sales in this business amounted to ¥2,119 million (up 5.6% year on year) and operating profit was ¥372 million (down 3.7% year on year).

f. Overseas Business

In the U.S., although there have been specification adjustments for some manufacturing companies and a decrease in system testing work, we received repeat orders from Japanese-affiliated firms located in Silicon Valley for proof of concept development and verification services, which check the effectiveness of elemental technologies of Silicon Valley start-up companies. In addition, the Group continued to receive inquiries related to in-vehicle system development and verification and therefore focused on securing orders.

ONE Tech, Inc., a U.S. company the subsidiary has invested in, focused on sales of its proprietary "MicroAI™" to the manufacturing industry and telecommunications companies. StrongKey, Inc., another U.S.-based company the subsidiary has invested in, focused on sales of security services based on FIDO authentication and the Public Key Infrastructure (PKI) service (public key infrastructure) supporting the new smart home communication standard "Matter."

As a result, net sales in this business amounted to ¥129 million (down 3.4% year on year) and the operating loss was ¥27 million (versus operating loss of ¥29 million in the same period of the previous fiscal year).

g. Investment & Incubation Business

GaYa Co., Ltd., which develops and runs game content for smartphones, runs social media games it has developed and designs and develops business applications for smartphones and tablets. During the period under review, we strived to improve various KPIs by releasing features for the game app "Keiba Densetsu PRIDE" that expand the depth of introducing and developing new racehorses. In addition, in terms of contracted development, both game and business development remained strong, and, regarding game development in particular, we expanded the scope of responsibilities to include PMO support and focused on manpower management as well as negotiation with other teams.

As a result, net sales in this business amounted to ¥187 million (down 39.5% year on year) and the operating profit was ¥33 million (versus operating loss of ¥0 million in the same period of the previous fiscal year).

(ii) Forecast for the next fiscal year

The outlook for the next fiscal year is as follows.

In terms of the fiscal year under review, the Group recognizes that the acquisition of excellent human resources is an urgent issue given the increased prices of commodities and wages due to recent inflation as well as increasingly serious human resource shortages stemming from the declining birthrate and aging population. The Group will therefore continue to improve wages and working conditions while also actively investing in recurring revenue businesses with the aim of identifying partner companies and hiring engineers with high-level technical capabilities in particular as well as achieving M&A and securing earnings.

In addition, aside from increasing productivity, the Group will focus on expanding its high added-value businesses, including consulting operations and PMO projects aimed at supporting the promotion of DX in the software development business, to shift increased costs to the price as soon as possible.

As described above, given the Group's policy of aggressive short-term investment as well as many uncertainties that make it difficult to calculate reasonable numbers, the Group has decided to use the range method for its consolidated earnings forecasts for the fiscal year ending March 31, 2025.

The Group's consolidated earnings forecasts for the fiscal year ending March 31, 2025 are as follows: net sales of ¥85,000 million to ¥100,000 million (up 10.5% to 30.0% year on year), operating profit of ¥8,500 million to ¥10,500 million (down 12.5% to up 8.1% year on year), ordinary profit of ¥8,500 million to ¥10,500 million (down 14.5% to up 5.6% year on year), and profit attributable to owners of parent of ¥5,900 million to ¥7,300 million (down 18.4% to up 0.9% year on year).

(2) Overview of financial position for the period under review

(i) Analysis of assets, liabilities and net assets

Total assets at the end of the fiscal year under review amounted to ¥54,038 million (versus ¥48,879 million at the end of the previous fiscal year), an increase of ¥5,159 million from the end of the previous fiscal year.

Current assets amounted to ¥48,088 million (versus ¥42,275 million at the end of the previous fiscal year), an increase of ¥5,812 million from the end of the previous fiscal year.

This was mainly due to a ¥5,135 million increase in cash and deposits.

Non-current assets amounted to ¥5,950 million (versus ¥6,603 million at the end of the previous fiscal year), a decrease of ¥653 million from the end of the previous fiscal year. Property, plant and equipment amounted to ¥1,395 million (versus ¥1,622 million at the end of the previous fiscal year), a decrease of ¥226 million from the end of the previous fiscal year. Intangible assets amounted to ¥254 million (versus ¥317 million at the end of the previous fiscal year), a decrease of ¥62 million from the end of the previous fiscal year. Investments and other assets amounted to ¥4,299 million (versus ¥4,663 million at the end of the previous fiscal year), a decrease of ¥364 million from the end of the previous fiscal year. This was mainly due to a ¥590 million decrease in investment securities.

Total liabilities amounted to ¥15,437 million (versus ¥14,228 million at the end of the previous fiscal year), an increase of ¥1,208 million from the end of the previous fiscal year. This was mainly due to a ¥411 million increase in provision for bonuses and a ¥341 million increase in accounts payable - trade.

Net assets amounted to ¥38,601 million (versus ¥34,650 million at the end of the previous fiscal year), an increase of ¥3,950 million from the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent of ¥7,232 million and dividends of surplus of ¥3,501 million.

As a result, the equity-to-asset ratio increased 0.6 percentage points from the end of the previous fiscal year to 70.5%.

(ii) Analysis of cash flows

Cash and cash equivalents ("net cash") at the end of the fiscal year under review amounted to ¥30,092 million, up ¥5,300 million from the end of the previous fiscal year.

The following outlines the status and underlying change factors of each classification of cash flows for the fiscal year under review.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥9,036 million (versus ¥7,648 million provided in the previous fiscal year). The main inflows were profit before income taxes of ¥9,942 million, depreciation of ¥576 million, an increase in provision for bonuses of ¥411 million, and an increase in trade payables of ¥341 million. The main outflows were income taxes paid of ¥2,674 million.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥251 million (versus ¥2,016 million used in the previous fiscal year). The main outflows were ¥10,546 million for purchase of investment securities, ¥6,720 million for purchase of securities, and ¥341 million for purchase of property, plant and equipment and intangible assets. The main inflows were ¥11,231 million in proceeds from sale of investment securities and ¥6,064 million in proceeds from sale of securities.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥3,504 million (versus ¥2,854 million used in the previous fiscal year). The main outflow was dividends paid of ¥3,504 million.

Trends in the Group's cash flow indicators are shown below.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Equity-to-asset ratio (%)	68.5	69.9	70.5
Equity-to-asset ratio on a market value basis (%)	384.0	229.9	195.0
Ratio of interest-bearing debt to cash flows (%)	28.0	20.3	17.2
Interest coverage ratio (times)	777.6	1,077.8	1,244.4

Equity-to-asset ratio: Shareholders' equity/Total assets
Equity-to-asset ratio on a market value basis: Market capitalization/Total assets
Ratio of interest-bearing debt to cash flows: Interest-bearing debt/Cash flows
Interest coverage ratio: Cash flows/Interest payments

* For each indicator, all calculations are based on consolidated financial figures.
* Market capitalization is calculated by multiplying the number of shares outstanding minus the number of treasury shares by the closing stock price, both as of the end of the fiscal year.
* Interest-bearing debt is all debt on the consolidated balance sheet for which interest is paid.
* Cash flows and interest payments refer to "Cash flows from operating activities" and "Interest paid" as reported in the consolidated statement of cash flows.

(3) Basic policy on profit distribution and dividends for the fiscal year under review and the next fiscal year

The Company recognizes that returning profits to shareholders is an important management issue, and its basic policy is to distribute profits in accordance with business performance, with a foundation of ongoing, stable dividends.

The Company will be proactive in targeting a consolidated dividend payout ratio of 40% or more, taking into consideration its business performance and financial position for each fiscal year, as well as the strengthening of its management base and future business development.

The Company will also flexibly implement share repurchases as part of its profit return policy, taking into consideration such factors as its financial condition and stock price trends.

For the fiscal year under review, the Company plans to pay an annual dividend of ¥10 per share, consisting of a year-end dividend of ¥5 per share and an interim dividend of ¥5 per share.

Retained earnings will be effectively used for investment in business fields where growth is expected, research and development of in-house products, and strengthening of recruitment and training of human resources in line with business expansion.

For the next fiscal year, the Company plans to pay an annual dividend of ¥12 per share (consisting of an interim dividend of ¥6 per share and a year-end dividend of ¥6 per share).

Note that the Company's Articles of Incorporation stipulate that the Company may pay dividends from surplus, etc. by resolution of the Board of Directors pursuant to Article 459, Paragraph 1 of the Companies Act.

(4) Business and other risks

The following is a list of major risk factors that may affect the Group's business development. While it is the Group's policy to recognize the possibility of the occurrence of these risks and to make every effort to avoid their occurrence and to address any that may occur, the Group believes that investment decisions regarding this stock should be made after careful consideration of the following content provided in this section as well as other matters listed.

This section includes forward-looking statements reflecting judgments made as of the end of the fiscal year under review.

(i) Management of confidential information

Since many of the Company's operations require a high degree of confidentiality in terms of both technology and sales strategy and information security is becoming increasingly important, the Company has obtained ISO 27001 certification, the international standard for information security management, and is taking rigorous action to ensure this certification is applied and enforced.

If, despite these actions, information leaks were to occur, the Company could face compensation for damages, decreasing business orders due to loss of trust, and other significant effects on the business, which could affect the Group's performance and financial position.

(ii) Legal regulations

The legal regulations surrounding the Group's business are as follows.

a. Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors

This law specifies the obligation to deliver an order form, to prepare and preserve documents, to specify a due date for payment of subcontract proceeds (the obligation to pay within 60 days after delivery or provision of services), to pay interest on late payment, etc., when a corporation with capital of over ¥300 million subcontracts to a corporation with capital of ¥300 million or less.

The law was amended in June 2003 (effective April 1, 2004) to add subcontracting for the creation of information-based products (programs, broadcast programs, etc.), provision of services, and manufacture of metal dies to the scope of the law. As a result, subcontracting transactions for the creation of information-based products (programs) related to the Group are covered and subject to legal regulations.

b. Act on Securing the Proper Operation of Worker Dispatching Businesses and Protecting Dispatched Workers ("Worker Dispatching Act")

The purpose of this act is "to take measures for securing proper operation of a worker dispatching business for the proper adjustment of labor demand and supply, in conjunction with the Employment Security Act, as well as measures for protecting dispatched workers, and thereby to contribute to the stability of employment and otherwise to the promotion of the welfare of dispatched workers" (Article 1). In accordance with this act, the Group has been licensed for general worker dispatching business. Reasons for disqualification of license for general worker dispatching are stipulated in the items of Article 6 of this act. Furthermore, Article 14 of this act stipulates that if a general worker dispatching business operator (including its officers) falls under any of the items of Article 6 of the act after license registration, the Minister of Health, Labour and Welfare may rescind the license granted to said general worker dispatching business operator. Article 14 also stipulates that, when a general worker dispatching business operator violates the provisions of the act or the Employment Security Act, or any orders or dispositions based on these provisions, the Minister of Health, Labour and Welfare may order the operator to suspend all or part of the relevant worker dispatching business for a designated period of time.

In addition, the Group submits business reports and settlements of accounts associated with worker dispatching to the Minister of Health, Labour and Welfare in accordance with this act.

Since the Group has established a system that complies with laws and regulations, and its officers are also committed to compliance with laws and regulations, there are currently no factors present that could hinder business activities. Although the Group will continue to make every effort to comply with laws and regulations, any violation of laws and regulations may lead to restrictions on its business, which could affect the Group's performance.

(5) Issues to be addressed

Matters discussed here that are not historical fact reflect judgments made by the Group as of the end of the fiscal year under review.

As the global situation rapidly changes, including the end of the COVID-19 pandemic, the Ukrainian war, the Israeli-Palestinian war in Gaza, and carbon neutrality, supply shortages stemming from supply chain disruptions, increasing transportation costs, and inflation due to decreasing interest rates are causing major changes in the global economy.

Meanwhile, Japan, which has faced deflation for thirty years, has been struck by a major wave requiring a complete withdrawal from cost-cutting management, and only companies that can ride that wave will survive this turning point.

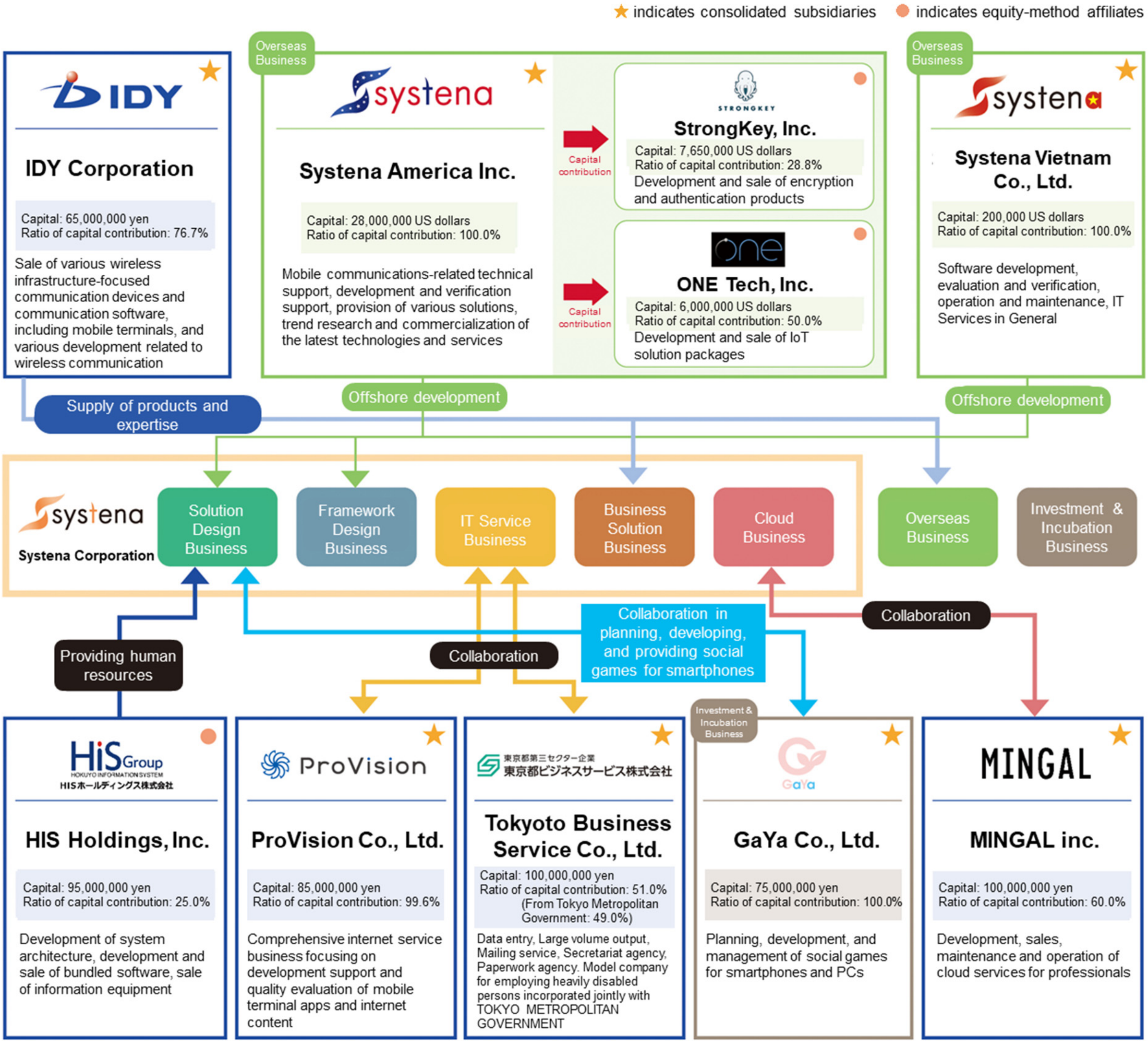
Given this economic situation, the Group is dramatically altering its course to adopt an inflationary-period corporate management style. More specifically, the Group is undergoing a self-transformation from the survival-oriented management of the deflation period to value-creating management as the Group shifts to dynamic management.

The Group also considers human capital management to be of the utmost importance.

In order to respond to the expectations of many clients in various industries in spite of the chronic shortage of IT human resources, the Group will actively invest in human capital, including ongoing wage increases aimed at acquiring excellent human resources who will serve as the wellspring of new value creation.

The Systena Group will make a concentrated effort to grow and resolve various social issues through customers, thereby contributing to the development of the Japanese—and by extension the global—economy.

2. Corporate group



3. Basic approach to the selection of accounting standards

Since most of the Group's stakeholders are domestic shareholders, creditors, business partners, etc., and there is little need to raise funds from overseas, the Group applies accounting standards that are generally accepted in Japan (J-GAAP).

4. Consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	25,033	30,168
Notes receivable - trade	799	783
Accounts receivable - trade	13,600	13,576
Contract assets	599	557
Securities	–	727
Merchandise	1,501	1,216
Work in process	–	4
Other	743	1,054
Allowance for doubtful accounts	(2)	–
Total current assets	42,275	48,088
Non-current assets		
Property, plant and equipment		
Buildings	1,143	1,171
Accumulated depreciation	(399)	(468)
Buildings, net	743	702
Vehicles	67	63
Accumulated depreciation	(33)	(41)
Vehicles, net	33	22
Tools, furniture and fixtures	2,416	2,479
Accumulated depreciation	(1,671)	(1,907)
Tools, furniture and fixtures, net	745	572
Land	97	97
Other	11	11
Accumulated depreciation	(9)	(10)
Other, net	1	0
Total property, plant and equipment	1,622	1,395
Intangible assets		
Software	310	251
Software in progress	4	–
Other	3	3
Total intangible assets	317	254
Investments and other assets		
Investment securities	*1 2,136	*1 1,546
Long-term loans receivable from subsidiaries and associates	538	498
Leasehold and guarantee deposits	1,588	1,649
Deferred tax assets	905	974
Other	33	129
Allowance for doubtful accounts	(538)	(498)
Total investments and other assets	4,663	4,299
Total non-current assets	6,603	5,950
Total assets	48,879	54,038

(Millions of yen)

		As of March 31, 2023		As of March 31, 2024
Liabilities				
Current liabilities				
Accounts payable - trade		6,096		6,438
Short-term borrowings	*2	1,550	*2	1,550
Accounts payable - other, and accrued expenses		2,459		2,463
Income taxes payable		1,524		1,656
Accrued consumption taxes		794		926
Provision for bonuses		1,460		1,872
Other		203		366
Total current liabilities		14,088		15,273
Non-current liabilities				
Long-term accounts payable - other		16		13
Provision for share-based payments		114		141
Other		10		9
Total non-current liabilities		140		164
Total liabilities		14,228		15,437
Net assets				
Shareholders' equity				
Share capital		1,513		1,513
Capital surplus		6,023		6,023
Retained earnings		31,709		35,440
Treasury shares		(5,022)		(5,022)
Total shareholders' equity		34,223		37,955
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		(91)		17
Foreign currency translation adjustment		36		125
Total accumulated other comprehensive income		(54)		143
Non-controlling interests		481		501
Total net assets		34,650		38,601
Total liabilities and net assets		48,879		54,038

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Millions of yen)

		Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024
Net sales	*1	74,526	*1	76,940
Cost of sales		56,132		58,862
Gross profit		18,393		18,078
Selling, general and administrative expenses	*2*3	8,549	*2*3	8,364
Operating profit		9,844		9,713
Non-operating income				
Interest income		28		30
Dividend income		5		11
Gain on sale of securities		–		86
Gain on sale of investment securities		31		–
Share of profit of entities accounted for using equity method		35		51
Subsidy income		35		39
Gain on investments in investment partnerships		–		42
Other		54		42
Total non-operating income		190		304
Non-operating expenses				
Interest expenses		7		7
Loss on valuation of securities		–		14
Loss on sale of investment securities		–		41
Loss on investments in investment partnerships		28		–
Office relocation expenses		17		–
Other		27		12
Total non-operating expenses		80		76
Ordinary profit		9,955		9,942
Profit before income taxes		9,955		9,942
Income taxes - current		2,661		2,806
Income taxes - deferred		(58)		(117)
Total income taxes		2,603		2,688
Profit		7,351		7,253
Profit attributable to non-controlling interests		34		20
Profit attributable to owners of parent		7,317		7,232

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit	7,351	7,253
Other comprehensive income		
Valuation difference on available-for-sale securities	(66)	109
Foreign currency translation adjustment	72	115
Share of other comprehensive income of entities accounted for using equity method	(16)	(26)
Total other comprehensive income	*1 (11)	*1 198
Comprehensive income	7,340	7,451
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,306	7,431
Comprehensive income attributable to non-controlling interests	34	20

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,513	6,025	27,309	(5,042)	29,806
Changes during period					
Dividends of surplus			(2,917)		(2,917)
Profit attributable to owners of parent			7,317		7,317
Disposal of treasury shares				20	20
Change in ownership interest of parent due to transactions with non-controlling interests		(2)			(2)
Net changes in items other than shareholders' equity					
Total changes during period	–	(2)	4,399	20	4,417
Balance at end of period	1,513	6,023	31,709	(5,022)	34,223

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	(25)	(18)	(43)	411	30,173
Changes during period					
Dividends of surplus					(2,917)
Profit attributable to owners of parent					7,317
Disposal of treasury shares					20
Change in ownership interest of parent due to transactions with non-controlling interests					(2)
Net changes in items other than shareholders' equity	(66)	55	(11)	70	59
Total changes during period	(66)	55	(11)	70	4,476
Balance at end of period	(91)	36	(54)	481	34,650

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,513	6,023	31,709	(5,022)	34,223
Changes during period					
Dividends of surplus			(3,501)		(3,501)
Profit attributable to owners of parent			7,232		7,232
Net changes in items other than shareholders' equity					
Total changes during period	–	–	3,731	–	3,731
Balance at end of period	1,513	6,023	35,440	(5,022)	37,955

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	(91)	36	(54)	481	34,650
Changes during period					
Dividends of surplus					(3,501)
Profit attributable to owners of parent					7,232
Net changes in items other than shareholders' equity	109	88	198	20	218
Total changes during period	109	88	198	20	3,950
Balance at end of period	17	125	143	501	38,601

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	9,955	9,942
Depreciation	478	576
Increase (decrease) in allowance for doubtful accounts	(9)	(2)
Increase (decrease) in provision for bonuses	112	411
Increase (decrease) in provision for share-based payments	16	27
Interest and dividend income	(33)	(42)
Interest expenses	7	7
Loss (gain) on sale of securities	–	(86)
Loss (gain) on valuation of securities	–	14
Loss (gain) on investments in investment partnerships	28	(42)
Loss (gain) on sale of investment securities	(31)	41
Share of loss (profit) of entities accounted for using equity method	(35)	(51)
Decrease (increase) in trade receivables	(672)	86
Decrease (increase) in inventories	(349)	281
Decrease (increase) in advance payments to suppliers	25	(19)
Increase (decrease) in trade payables	398	341
Increase (decrease) in accounts payable - other, and accrued expenses	418	52
Increase (decrease) in accrued consumption taxes	2	132
Increase (decrease) in advances received	1	(23)
Other, net	(15)	20
Subtotal	10,297	11,667
Interest and dividends received	41	50
Interest paid	(7)	(7)
Income taxes paid	(2,683)	(2,674)
Net cash provided by (used in) operating activities	7,648	9,036
Cash flows from investing activities		
Payments into time deposits	(386)	(101)
Proceeds from withdrawal of time deposits	–	100
Purchase of property, plant and equipment and intangible assets	(1,158)	(341)
Proceeds from sale of property, plant and equipment and intangible assets	27	4
Purchase of securities	–	(6,720)
Proceeds from sale of securities	–	6,064
Purchase of investment securities	(19,745)	(10,546)
Proceeds from sale of investment securities	19,300	11,231
Payments of leasehold and guarantee deposits	(81)	(91)
Proceeds from refund of leasehold and guarantee deposits	6	30
Proceeds from distributions from investment partnerships	27	121
Other payments	(7)	(5)
Other proceeds	1	1
Net cash provided by (used in) investing activities	(2,016)	(251)

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from financing activities		
Proceeds from share issuance to non-controlling shareholders	40	–
Purchase of treasury shares of subsidiaries	(5)	–
Proceeds from sale of treasury shares	20	–
Dividends paid	(2,908)	(3,504)
Net cash provided by (used in) financing activities	(2,854)	(3,504)
Effect of exchange rate change on cash and cash equivalents	49	19
Net increase (decrease) in cash and cash equivalents	2,827	5,300
Cash and cash equivalents at beginning of period	21,964	24,792
Cash and cash equivalents at end of period	*1 24,792	*1 30,092

(5) Notes to the consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Significant matters that serve as the basis for preparing consolidated financial statements)

1. Matters concerning scope of consolidation

(1) Number of consolidated subsidiaries: 9 companies

Names of consolidated subsidiaries

ProVision Co., Ltd.
Tokyoto Business Service Co., Ltd.
GaYa Co., Ltd.
IDY Corporation
TBSOPERATION CO., LTD.
Systena America Inc.
Systena Vietnam Co., Ltd.
MINGAL inc.
and one other company

For the fiscal year under review, e-Pet S.S.Insurance, Inc. and ONE Tech Japan, Inc. have been excluded from the scope of consolidation with the completion of liquidation.

(2) Names of unconsolidated subsidiaries

No items to report.

2. Matters concerning the application of the equity method

(1) Number of associates accounted for by the equity method: 3 companies

HIS Holdings, Inc.
StrongKey, Inc.
ONE Tech, Inc.

(2) Names of significant associates not accounted for by the equity method

No items to report.

(3) Of the companies accounted for by the equity method, three companies (HIS Holdings, Inc., StrongKey, Inc. and ONE Tech, Inc.) have a different account closing date from the consolidated account closing date. The fiscal year end for HIS Holdings, Inc. is August 31, and in preparing the consolidated financial statements, the Company uses financial statements based on a provisional settlement of accounts conducted as of February 29. Necessary adjustments are made for significant transactions that occurred between this date and the consolidated account closing date. The fiscal year end for StrongKey, Inc. and ONE Tech, Inc. is June 30 and December 31, respectively. In preparing the consolidated financial statements, the Company uses financial statements based on a provisional settlement of accounts conducted on the consolidated account closing date.

(4) Treatment of amounts equivalent to goodwill

The amount of goodwill resulting from the application of the equity method for U.S. associates is amortized on a straight-line basis over a period not exceeding 10 years.

3. Matters concerning fiscal year, etc. of consolidated subsidiaries

The account closing date of consolidated subsidiaries is the same as the consolidated account closing date.

4. Matters concerning accounting policies

(1) Valuation standards and valuation methods for significant assets

(i) Securities

Trading securities

Stated at fair value (The selling cost is calculated by the moving average method)

Available-for-sale securities

Securities other than stocks and other securities with no market price

Stated at fair value (All valuation differences are processed by the direct net assets method, and selling cost is calculated by the moving average method)

Stocks and other securities with no market price

Stated at cost determined by the moving average method

Investments in limited liability investment partnerships are accounted for based on the most recent financial statements available according to the financial reporting date stipulated in the partnership agreement, and the amount equivalent to the Company's equity interest in the partnerships is included at the net amount.

(ii) Inventories

Merchandise

Stated at cost determined by the moving average method (Calculated by writing down book values based on decreased profitability)

(2) Method of depreciation and amortization of significant depreciable assets

(i) Property, plant and equipment (excluding leased assets)

Declining-balance method (However, the straight-line method is adopted for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016)

The useful lives and residual values of assets are determined based on the standards stipulated in the Corporation Tax Act. Assets with an acquisition cost of ¥100,000 or more but less than ¥200,000 are amortized equally over three years.

(ii) Intangible assets (excluding leased assets)

Straight-line method

Software for internal use is amortized by the straight-line method over the estimated useful life (5 years). Software intended for market sale is amortized by the larger of amortization based on the estimated sales revenue over the estimated sales period (within 3 years) or equal amortization over the remaining salable period.

(iii) Long-term prepaid expenses

Amortized based on the straight-line method

(3) Standards for recognition of significant allowances and provisions

(i) Allowance for doubtful accounts

The estimated irrecoverable amount based on historical default rates for general receivables and individual assessments of recoverability for doubtful and other specific receivables is posted to provide for losses on default of receivables.

(ii) Provision for bonuses

To provide for payment of bonuses to employees, an amount is recorded based on the accrued burden for the respective fiscal year in question that is the portion of the estimated amount of bonuses to be paid.

(iii) Provision for share-based compensation

To provide for the future delivery of Company shares to Directors and Executive Officers in accordance with the Company's rules on share delivery, the estimated payment amount is recorded based on the points allotted to Directors and Executive Officers as of the end of the fiscal year under review.

(4) Standards for recognition of significant revenue and expenses

The following is a description of the major performance obligations related to revenue arising from contracts with customers of the Company and its consolidated subsidiaries in their major businesses, and the normal point in time at which such performance obligations are satisfied (the normal point in time at which revenue is recognized).

(i) Software and system development, and IT services

In the Solution Design Business, Framework Design Business, Overseas Business, and Investment & Incubation Business, the Group mainly provides planning, design, development, and verification support for software and system development.

In the IT Service Business, the Group mainly provides IT outsourcing services such as operation, maintenance, and monitoring of systems and networks, as well as helpdesk services.

Contracts in this business involve transactions under contract or quasi-mandate contract, and performance obligations are recognized as follows depending on the contract.

For transactions entered into under contract, the Company recognizes revenue based on the degree of progress made in satisfying the performance obligation over a specified period of time.

For transactions under quasi-mandate contract, the Company recognizes revenue as a prorated portion of the amount promised in the contract with the customer over the period the services are provided, based on the judgment that the performance obligation is satisfied over time, since the Company generally provides a certain level of services over the term of the contract.

The consideration for performance obligations is received primarily within one year after performance obligations are satisfied, and does not include significant financial components.

(ii) Sales of merchandise

In the Business Solution Business, the Group mainly sells servers, computers, peripherals, software, and other IT-related products to enterprises. For these sales of merchandise, revenue is recognized when the merchandise is delivered to the customer or at the time the customer completed inspection.

For sales of merchandise deemed as revenue for which the Company and its consolidated subsidiaries are agent, revenue is recognized at the net amount received in exchange for goods provided by the third party less the amount paid to said third party.

In addition, consideration for performance obligations is received primarily within one year after performance obligations are satisfied, and does not include significant financial components.

(iii) License sales

In the Cloud Business, the Group mainly sells licenses for its in-house services, Canbus., Cloudstep, and Web Shelter, as well as for cloud-based services such as Google Workspace and Microsoft 365. For sales of licenses for in-house services, the Company recognizes revenue over the license period specified in the contract, based on the judgment that the performance obligation will be satisfied over a certain period of time. For other license sales, revenue is recognized when the license is granted to the customer.

The consideration for performance obligations is received primarily within one year after performance obligations are satisfied, and does not include significant financial components.

(5) Standards for translating significant foreign currency denominated assets or liabilities into Japanese currency

Receivables and payables denominated in foreign currencies are converted into yen at the spot exchange rate on the consolidated account closing date and translation differences are posted as profit or loss. Note that the assets and liabilities of overseas subsidiaries, etc. are converted to yen at the spot exchange rate on the day of the consolidated account closing, while related revenues and expenses are converted to yen at the average rate during the period. These translation differences are posted as foreign currency translation adjustments and non-controlling interests under net assets.

(6) Scope of funds in the consolidated statement of cash flows

Cash and cash equivalents comprise cash on hand and demand deposits, and short-term investments with a maturity of 3 months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.

(Significant accounting estimates)

Progress-based revenue recognition

(1) Amounts recorded in the consolidated financial statements for the fiscal year under review

(Millions of yen)

	Previous fiscal year	Fiscal year under review
Net sales (Portion not completed)	545	507

(2) Details regarding significant accounting estimates for the identified item

(i) Calculation method

For performance obligations within software and system development and IT services to be satisfied over a certain period of time, the Company estimates the degree of progress in satisfying the performance obligation and recognizes revenue over a certain period of time based on this degree of progress in satisfying the performance obligation. The method of estimating the degree of progress in satisfying performance obligations is based on the ratio of the cost incurred (man-hours) to the total project cost (total man-hours) (input method).

(ii) Primary underlying assumptions

Recording sales revenue recognized in accordance with the measured degree of progress in satisfying a performance obligation affects the amount of revenue and profit or loss, depending on the estimate of the total project cost (total man-hours). The total project cost (total man-hours) is initially estimated in the working budget. When preparing a working budget, the total project cost (total man-hours) is estimated by setting assumptions for specifications and work content based on information available at the time of preparation and by estimating in detail the cost (man-hours) of each process required to complete the development plan. After development has begun, the actual cost incurred is managed for each project, and the total project cost (total man-hours) is reviewed in a timely and appropriate manner for changes in work content due to changes in circumstances, including additional development.

(iii) Impact on the consolidated financial statements for the following fiscal year

If the degree of work progress changes due to the occurrence of costs (man-hours) that were not foreseen in the assumptions used to estimate the total project cost, net sales and cost of sales may change in the consolidated financial statements in the following fiscal year or later.

(Changes in accounting estimates)

Due to the decisions related to Nagoya Business Office, Nagoya Sales Office, and Sapporo Development Center relocation during the fiscal year under review, the useful lives of non-current assets not expected to be used after the relocation have been reduced.

Therefore, compared to the conventional method, the operating profit for the fiscal year under review decreased by ¥13 million, while the ordinary profit and profit before income taxes decreased by ¥2 million.

(Additional information)

Stock compensation plan

The Company has introduced a stock compensation plan for the Company's Directors (excluding Outside Directors) and Executive Officers (hereinafter collectively referred to as "Directors, etc.").

1. Outline of transactions

This is a stock compensation plan under which the Company's shares, acquired by a trust using money contributed by the Company, are delivered to Directors, etc. in accordance with the number of points granted in accordance with rules on share delivery established by the Company.

2. Company shares remaining in trust

Company shares remaining in trust are recorded as treasury shares under net assets at the carrying value in trust (excluding the amount of incidental expenses). The book value and number of these treasury shares amounted to ¥706 million and 1,567,700 shares at the end of the previous fiscal year, and ¥706 million and 1,567,700 shares at the end of the fiscal year under review.

(On the consolidated balance sheet)

1. Items pertaining to subsidiaries and associates are as follows.

(Millions of yen)

	Previous fiscal year (March 31, 2023)	Fiscal year under review (March 31, 2024)
Investment securities (shares)	492	550

2. Overdraft agreement

The Company and its consolidated subsidiaries have overdraft agreements with six transacting banks in order to raise working capital efficiently.

The unused portion of the lines of credit based on these agreements is as follows.

(Millions of yen)

	Previous fiscal year (March 31, 2023)	Fiscal year under review (March 31, 2024)
Maximum amount of overdraft	8,260	8,310
Outstanding balance of overdraft	1,550	1,550
Unused amount	6,710	6,760

(On the consolidated statements of income)

1. Revenue arising from contracts with customers

Net sales are not separately presented for revenue from contracts with customers and other revenue.

The amount of revenue from contracts with customers is presented in "Information on breakdown of revenue from contracts with customers" under the revenue recognition section of notes to the consolidated financial statements.

2. Significant items and amounts of selling, general and administrative expenses are as follows.

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Payroll and allowances	2,775	2,864
Rent expenses	1,147	1,132
Provision for bonuses	158	249
Retirement benefit expenses	243	247
Provision for share-based compensation	36	27

3. Research and development expenses included in general and administrative expenses

(Millions of yen)

Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
51	11

(On the consolidated statement of comprehensive income)

1. Reclassification adjustments and tax effects for other comprehensive income

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Unrealized gain and loss on available-for-sale securities		
Incurred during the period	(64)	116
Reclassification adjustments	(31)	41
Before tax effect adjustment	(95)	158
Tax effect amount	(29)	(48)
Unrealized gain and loss on available-for-sale securities	(66)	109
Foreign currency translation adjustment		
Incurred during the period	72	115
Foreign currency translation adjustment	72	115
Share of other comprehensive income of entities accounted for using equity method		
Incurred during the period	(16)	(26)
Share of other comprehensive income of entities accounted for using equity method	(16)	(26)
Total other comprehensive income	(11)	198

(On the consolidated statement of changes in equity)

Previous fiscal year (From April 1, 2022 to March 31, 2023)

1. Type and number of shares issued and treasury shares

(Shares)

	Number of shares at the beginning of the period	Increase in shares during the period	Decrease in shares during the period	Number of shares at the end of the period
Issued shares				
Common shares	450,880,000	–	–	450,880,000
Total	450,880,000	–	–	450,880,000
Treasury shares				
Common shares[1, 2]	63,483,788	–	44,600	63,439,188
Total	63,483,788	–	44,600	63,439,188

(Notes) 1. The 44,600 common shares in treasury shares decreased in the period were delivered from trust to eligible persons under the stock compensation plan for Directors and the stock compensation plan for Executive Officers.

2. The 63,439,188 common shares in treasury shares at the end of the period include 1,567,700 shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.

2. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Date of record	Effective date
May 18, 2022 Board of Directors meeting	Common shares	1,361	3.5	March 31, 2022	June 9, 2022
October 27, 2022 Board of Directors meeting	Common shares	1,556	4.0	September 30, 2022	December 6, 2022

(Notes) 1. The total dividend amount resolved by the Board of Directors meeting on May 18, 2022 includes ¥5 million in dividends paid to shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.

2. The total dividend amount resolved by the Board of Directors meeting on October 27, 2022 includes ¥6 million in dividends paid to shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.

(2) Dividends with a date of record during the fiscal year under review, but an effective date in the following fiscal year

Resolution	Class of shares	Total dividend amount (Millions of yen)	Source of dividend	Dividend per share (Yen)	Date of record	Effective date
May 18, 2023 Board of Directors meeting	Common shares	1,556	Retained earnings	4.0	March 31, 2023	June 7, 2023

(Note) The total dividend amount includes ¥6 million in dividends paid to shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.

Fiscal year under review (From April 1, 2023 to March 31, 2024)

1. Type and number of shares issued and treasury shares

(Shares)

	Number of shares at the beginning of the period	Increase in shares during the period	Decrease in shares during the period	Number of shares at the end of the period
Issued shares				
Common shares	450,880,000	–	–	450,880,000
Total	450,880,000	–	–	450,880,000
Treasury shares				
Common shares[1, 2]	63,439,188	–	–	63,439,188
Total	63,439,188	–	–	63,439,188

(Note) The 63,439,188 common shares in treasury shares at the end of the period include 1,567,700 shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.

2. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Date of record	Effective date
May 18, 2023 Board of Directors meeting	Common shares	1,556	4.0	March 31, 2023	June 7, 2023
October 26, 2023 Board of Directors meeting	Common shares	1,945	5.0	September 30, 2023	December 5, 2023

(Notes) 1. The total dividend amount resolved by the Board of Directors meeting on May 18, 2023 includes ¥6 million in dividends paid to shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.

2. The total dividend amount resolved by the Board of Directors meeting on October 26, 2023 includes ¥7 million in dividends paid to shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.

(2) Dividends with a date of record during the fiscal year under review, but an effective date in the following fiscal year

Resolution	Class of shares	Total dividend amount (Millions of yen)	Source of dividend	Dividend per share (Yen)	Date of record	Effective date
(May 17, 2024) Board of Directors meeting	Common shares	1,945	Retained earnings	5.0	March 31, 2024	June 7, 2024

(Note) The total dividend amount includes ¥7 million in dividends paid to shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.

(On the consolidated statement of cash flows)

1. Relationship between cash and cash equivalents at end of period and the amount of items shown on the consolidated balance sheets

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Cash and deposits account	25,033	30,168
Time deposits with maturities longer than three months	(481)	(537)
Deposits paid account	240	462
Cash and cash equivalents	24,792	30,092

(Lease transactions)

Previous fiscal year (From April 1, 2022 to March 31, 2023)

Notes are omitted due to immateriality.

Fiscal year under review (From April 1, 2023 to March 31, 2024)

Notes are omitted due to immateriality.

(Financial instruments)

1. Matters concerning status of financial instruments

(1) Policy for financial instrument transactions

The Group raises short-term working capital and capital for equipment, etc. as needed through borrowings from banks. Derivative transactions are strictly managed in accordance with internal management rules governing transactions, and the Company's fundamental policy is not to engage in high-risk speculative transactions.

(2) Nature and extent of risks arising from financial instruments and risk management

Notes and accounts receivable - trade, which are trade receivables, are exposed to credit risk from customers. With respect to this risk, the Company conducts credit checks when beginning transactions with customers, continuously monitors the collection status, and periodically reviews credit limits in accordance with the Company's credit management rules. Consolidated subsidiaries conduct similar management as in the Company.

The Company periodically monitors the fair value of securities and investment securities as well as financial condition of their issuers, etc., and continuously reviews its holdings in consideration of market conditions and other factors.

Short-term borrowings and long-term borrowings are mainly used as funding for working capital and capital investment. Although borrowings with floating interest rates are exposed to interest rate fluctuation risk, the Company is able to respond flexibly to interest rate fluctuations by maintaining short borrowing periods.

(3) Supplementary information on fair value, etc. of financial instruments

The fair value of financial instruments reflects variable factors, and is therefore subject to change depending on different assumptions used.

2. Matters concerning fair value, etc. of financial instruments

The amounts recorded on the consolidated balance sheet, fair values, and the differences between them are shown below.

Previous fiscal year (As of March 31, 2023)

(Millions of yen)

	Carrying value on the consolidated balance sheet	Fair value	Difference
Investment securities[2]	796	796	–
Total assets	796	796	–

Fiscal year under review (As of March 31, 2024)

(Millions of yen)

	Carrying value on the consolidated balance sheet	Fair value	Difference
Securities and investment securities[2]	762	762	–
Total assets	762	762	–

(Notes) 1. "Cash and deposits," "Notes receivable - trade," "Accounts receivable - trade," "Accounts payable - trade," "Short-term borrowings," and "Accounts payable - other, and accrued expenses" are omitted as their fair values approximate their book values. This is due to their nature as cash and as accounts settled over the short term.

2. Stocks and other securities with no market price are not included in "Securities and investment securities." The carrying values of these financial instruments on the consolidated balance sheet were as follows.

(Millions of yen)

Classification	Previous fiscal year	Fiscal year under review
Unlisted stocks, etc.	500	558

3. Investments in partnerships and similar entities recorded at the net amount of equity interest on the consolidated balance sheet are omitted. The amount of these investments on the consolidated balance sheet is as follows.

(Millions of yen)

	Previous fiscal year	Fiscal year under review
Investment securities	840	953

4. Scheduled amount of redemption of monetary claims due after the consolidated account closing date

Previous fiscal year (As of March 31, 2023)

(Millions of yen)

	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Notes receivable - trade	799	–	–	–
Accounts receivable - trade	13,600	–	–	–

Fiscal year under review (As of March 31, 2024)

(Millions of yen)

	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Notes receivable - trade	783	–	–	–
Accounts receivable - trade	13,576	–	–	–

5. Scheduled amount of repayment of short-term borrowings and long-term borrowings after the consolidated account closing date

Previous fiscal year (As of March 31, 2023)

(Millions of yen)

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Short-term borrowings	1,550	–	–	–	–	–

Fiscal year under review (As of March 31, 2024)

(Millions of yen)

	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Short-term borrowings	1,550	–	–	–	–	–

3. Matters concerning breakdown per level of fair value, etc. of financial instruments

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated with observable inputs which are quoted prices for identical assets or liabilities for calculation of fair value in active markets.
Level 2 fair value: Fair value calculated with observable inputs other than in Level 1.
Level 3 fair value: Fair value calculated using unobservable inputs.

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is assigned to the level with the lowest applicable priority among the relevant levels.

(1) Financial instruments recorded on the consolidated balance sheet at fair value

Previous fiscal year (As of March 31, 2023)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Stocks	208	–	–	208
Other	587	–	–	587
Total assets	796	–	–	796

Fiscal year under review (As of March 31, 2024)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Stocks	452	–	–	452
Other	309	–	–	309
Total assets	762	–	–	762

(2) Financial instruments other than those recorded on the consolidated balance sheet at fair value

Previous fiscal year (As of March 31, 2023)

No items to report.

Fiscal year under review (As of March 31, 2024)

No items to report.

(Securities)

Previous fiscal year (As of March 31, 2023)

1. Available-for-sale securities

(Millions of yen)

	Type	Carrying value on the consolidated balance sheet	Acquisition cost	Difference
Securities whose carrying values on the consolidated balance sheet exceed acquisition cost	Stocks	–	–	–
	Other	–	–	–
Securities whose carrying values on the consolidated balance sheet do not exceed acquisition cost	Stocks	208	315	(106)
	Other	587	647	(60)
Total		796	963	(167)

(Note) Unlisted stocks, etc. (carrying value of ¥7 million on the consolidated balance sheet) are not included in "Available-for-sale securities" above because they are stocks, etc. without market prices.

2. Available-for-sale securities sold during the fiscal year under review (From April 1, 2022 to March 31, 2023)

(Millions of yen)

Type	Amount of sales	Total gain on sale	Total loss on sale
Stocks	4,613	91	141
Other	14,687	246	165
Total	19,300	338	307

Fiscal year under review (As of March 31, 2024)

1. Trading securities

(Millions of yen)

Classification	Fiscal year under review
Valuation differences included in the profit (loss) for the fiscal year under review	(14)

2. Available-for-sale securities

(Millions of yen)

	Type	Carrying value on the consolidated balance sheet	Acquisition cost	Difference
Securities whose carrying values on the consolidated balance sheet exceed acquisition cost	Stocks	5	5	0
	Other	–	–	–
Securities whose carrying values on the consolidated balance sheet do not exceed acquisition cost	Stocks	28	31	(2)
	Other	–	–	–
Total		34	36	(1)

(Note) Unlisted stocks, etc. (carrying value of ¥7 million on the consolidated balance sheet) are not included in "Available-for-sale securities" above because they are stocks, etc. without market prices.

3. Available-for-sale securities sold during the fiscal year under review (From April 1, 2023 to March 31, 2024)

(Millions of yen)

Type	Amount of sales	Total gain on sale	Total loss on sale
Stocks	5,501	166	22
Other	5,729	43	229
Total	11,231	210	251

(Retirement benefits)

Previous fiscal year (From April 1, 2022 to March 31, 2023)

1. Outline of retirement benefit plans adopted
The Company and some of its consolidated subsidiaries have both a defined contribution pension plan and a prepaid retirement benefit plan.
2. Matters on retirement benefit obligations
Due to adoption of a defined contribution pension plan, there are no retirement benefit obligations.

3. Matters on retirement benefit expenses

	(Millions of yen)
(1) Contributions to defined contribution pension plan	269
(2) Prepaid retirement benefits	1,254
Retirement benefit expenses	1,524

Fiscal year under review (From April 1, 2023 to March 31, 2024)

1. Outline of retirement benefit plans adopted
The Company and some of its consolidated subsidiaries have both a defined contribution pension plan and a prepaid retirement benefit plan.

2. Matters on retirement benefit obligations
Due to adoption of a defined contribution pension plan, there are no retirement benefit obligations.

3. Matters on retirement benefit expenses

	(Millions of yen)
(1) Contributions to defined contribution pension plan	266
(2) Prepaid retirement benefits	1,352
Retirement benefit expenses	1,618

(Tax effect accounting)

1. Deferred tax assets and deferred tax liabilities by major classification

(Millions of yen)

	Previous fiscal year (March 31, 2023)	Fiscal year under review (March 31, 2024)
Deferred tax assets		
Accrued enterprise tax	127	124
Accrued business office tax	19	20
Provision for bonuses	457	581
Provision for share-based compensation	34	43
Loss on valuation of membership	24	24
Unrealized profit	10	8
Loss carried forward	362	323
Unrealized gain and loss on available-for-sale securities	40	–
Allowance for doubtful accounts	287	278
Other	46	43
Subtotal of deferred tax assets	1,410	1,448
Valuation allowance	(505)	(466)
Total deferred tax assets	905	982
Deferred tax liabilities		
Unrealized gain and loss on available-for-sale securities	–	(7)
Total deferred tax liabilities	–	(7)
Net deferred tax assets	905	974

2. Major components of significant differences arising between the effective statutory tax rate and effective income tax rate after application of tax effect accounting

	Previous fiscal year (March 31, 2023)	Fiscal year under review (March 31, 2024)
Effective statutory tax rate	30.6%	30.6%
(Adjustments)		
Share of loss of entities accounted for using equity method	(0.1%)	(0.2%)
Inhabitant tax on per capita basis	0.4%	0.5%
Change in valuation allowance	(0.2%)	(0.1%)
Tax credits for wage increases	(4.9%)	(4.3%)
Other	0.4%	0.5%
Effective income tax rate after application of tax effect accounting	26.2%	27.1%

(Revenue recognition)

1. Information on breakdown of revenue from contracts with customers

Previous fiscal year (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment							Total
	Solution Design Business	Framework Design Business	IT Service Business	Business Solution Business	Cloud Business	Overseas Business	Investment & Incubation Business	
Goods or services transferred over a period of time	22,300	6,095	17,357	702	534	71	282	47,345
Goods or services transferred at a single point in time	–	–	–	25,773	1,407	–	–	27,180
Revenue arising from contracts with customers	22,300	6,095	17,357	26,475	1,942	71	282	74,526
Net sales to external customers	22,300	6,095	17,357	26,475	1,942	71	282	74,526

Fiscal year under review (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable segment							Total
	Solution Design Business	Framework Design Business	IT Service Business	Business Solution Business	Cloud Business	Overseas Business	Investment & Incubation Business	
Goods or services transferred over a period of time	21,246	6,901	18,079	791	501	65	164	47,749
Goods or services transferred at a single point in time	–	–	–	27,613	1,577	–	–	29,190
Revenue arising from contracts with customers	21,246	6,901	18,079	28,404	2,078	65	164	76,940
Net sales to external customers	21,246	6,901	18,079	28,404	2,078	65	164	76,940

2. Fundamental explanation of revenue arising from contracts with customers

The fundamental explanation for revenue is as described in "(Significant matters that serve as the basis for preparing consolidated financial statements) 4. Matters concerning accounting policies (4) Standards for recognition of significant revenue and expenses"

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from these contracts, and the amount and timing of revenue expected to be recognized in subsequent fiscal years from contracts with customers that exist at the end of the fiscal year under review.

(1) Balance of contract assets and contract liabilities, etc.

(Millions of yen)

	Previous fiscal year	Fiscal year under review
Contract assets (Balance at beginning of period)	695	599
Contract assets (Balance at end of period)	599	557
Contract liabilities (Balance at beginning of period)	81	83
Contract liabilities (Balance at end of period)	83	59

Contract assets relate to the rights of the Company and its consolidated subsidiaries to consideration not yet billed, though their contractual performance obligations have been satisfied as of the end of the fiscal year. Contract assets are reclassified to receivables arising from contracts with customers when the Company and its consolidated subsidiaries' rights to the consideration are unconditional.

Contract liabilities mainly relate to advance payments for customer order-based contracts and suspense payments for ongoing orders. Contract liabilities are reversed upon recognition of revenue.

(2) Transaction price allocated to remaining performance obligations

The Company and its consolidated subsidiaries apply the practical expedient method in the notes to transaction prices allocated to remaining performance obligations. Contracts with an initial expected contract term of one year or less are not included in these notes.

(Segment information, etc.)

Segment information

1. Overview of reportable segments

The Company's reportable segments are those components of the Group for which separate financial information is available and are subject to periodic review by the Board of Directors to determine the allocation of management resources and evaluate their performance.

The Group has established business divisions by product and service. These divisions formulate comprehensive strategies for their respective products and services and carry out business activities.

Therefore, the Group consists of segments that are separated by products and services based on business divisions, and the business activities of each are as follows.

Business segment	Businesses
Solution Design Business	Planning, design, development, and verification support for autonomous driving and in-vehicle systems, various products, and telecommunications carrier services. Planning, design, development, and verification support for Internet businesses, business applications, web services, social infrastructure-related systems, IoT, artificial intelligence, and robotics-related services.
Framework Design Business	Development of core systems in the areas of finance (non-life insurance, life insurance, and banking), industry, public sector, and others. Development of infrastructure systems.
IT Service Business	Provision of IT outsourcing services such as PMO services, the operation, maintenance, and monitoring of systems and networks, helpdesk services and user support, development support and quality evaluation related to mobile device apps and Internet contents, data entry, and high-volume output.
Business Solution Business	Sale of servers, computers, peripherals, software, and other IT-related products to enterprises. Provision of services related to IT equipment, including building infrastructure and virtualization. Planning, development, and provision of product implementation services such as RPA and business intelligence (BI) tools.
Cloud Business	Provision of in-house services Canbus., Canbus.IoT, Cloudstep, and Web Shelter. Provision and implementation support of cloud-based services such as Google Workspace and Microsoft 365.
Overseas Business	Provision of mobile communications-related technical support, development and verification support, and various solutions; trend research and commercialization of the latest technologies and services.
Investment & Incubation Business	New businesses, and planning, development, and sale of game content for smartphones and tablets by subsidiaries.

2. Calculation method of net sales, profit or loss, assets, and other items by reportable segment

Accounting methods for reported business segments are the same as those described in "Significant matters that serve as the basis for preparing consolidated financial statements."

Profit by reportable segment is based on operating profit.

Inter-segment net sales and transfers are based on prevailing market prices.

3. Information on net sales, profit or loss, assets, and other items by reportable segment

I. Previous fiscal year (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment							Adjustment 2, 3	Total1
	Solution Design Business	Framework Design Business	IT Service Business	Business Solution Business	Cloud Business	Overseas Business	Investment & Incubation Business		
Net sales									
Net sales to external customers	22,300	6,095	17,357	26,475	1,942	71	282	–	74,526
Inter-segment net sales and transfers	74	–	396	34	65	62	27	(660)	–
Total	22,375	6,095	17,753	26,510	2,007	134	309	(660)	74,526
Segment profit (loss)	3,926	1,279	2,521	1,760	386	(29)	(0)	–	9,844
Segment assets	5,799	908	6,149	7,977	257	677	293	26,815	48,879
Other items									
Depreciation	229	38	161	39	7	1	0	–	478
Increase in property, plant and equipment and intangible assets	187	16	200	105	1	–	–	555	1,067
Investments in equity method associates	387	–	–	–	–	105	–	–	492

(Notes)
1. Segment profit (loss) is consistent with operating profit in the consolidated statement of income.
2. The ¥26,815 million adjustment to segment assets consists wholly of corporate assets that do not belong to any reportable segment, and is mainly cash and deposits and investment securities. Depreciation of property, plant and equipment and intangible assets included in corporate assets is allocated to reportable segments.
3. The adjustment of ¥555 million for increase in property, plant and equipment and intangible assets under other items is mainly capital investment to enlarge Company floor space.

II. Fiscal year under review (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable segment							Adjustment 2, 3	Total[1]
	Solution Design Business	Framework Design Business	IT Service Business	Business Solution Business	Cloud Business	Overseas Business	Investment & Incubation Business		
Net sales									
Net sales to external customers	21,246	6,901	18,079	28,404	2,078	65	164	–	76,940
Inter-segment net sales and transfers	20	–	217	30	40	64	23	(396)	–
Total	21,267	6,901	18,297	28,434	2,119	129	187	(396)	76,940
Segment profit (loss)	2,717	1,642	2,922	2,054	372	(27)	33	–	9,713
Segment assets	5,287	817	6,753	8,195	272	786	227	31,699	54,038
Other items									
Depreciation	280	40	182	63	8	1	–	–	576
Increase in property, plant and equipment and intangible assets	93	18	81	49	4	0	–	44	291
Investments in equity method associates	410	–	–	–	–	140	–	–	550

(Notes) 1. Segment profit (loss) is consistent with operating profit in the consolidated statement of income.
2. The ¥31,699 million adjustment to segment assets consists wholly of corporate assets that do not belong to any reportable segment, and is mainly cash and deposits and investment securities. Depreciation of property, plant and equipment and intangible assets included in corporate assets is allocated to reportable segments.
3. The adjustment of ¥44 million for increase in property, plant and equipment and intangible assets under other items is mainly capital investment for corporate site renewal.

Related information

Previous fiscal year (From April 1, 2022 to March 31, 2023)

1. Information by product and service

This information is omitted because the same information is disclosed as segment information.

2. Information by geographic area

(1) Net sales

This information is omitted because net sales to external customers in Japan are in excess of 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in

Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

This information is omitted because there are no customers that account for 10% or more of net sales on the consolidated statement of income.

Fiscal year under review (From April 1, 2023 to March 31, 2024)

1. Information by product and service

This information is omitted because the same information is disclosed as segment information.

2. Information by geographic area

(1) Net sales

This information is omitted because net sales to external customers in Japan are in excess of 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

This information is omitted because there are no customers that account for 10% or more of net sales on the consolidated statement of income.

Information about impairment loss on non-current assets by reportable segment

Previous fiscal year (From April 1, 2022 to March 31, 2023)

No items to report.

Fiscal year under review (From April 1, 2023 to March 31, 2024)

No items to report.

Information about amortization and unamortized balance of goodwill by reportable segment

Previous fiscal year (From April 1, 2022 to March 31, 2023)

No items to report.

Fiscal year under review (From April 1, 2023 to March 31, 2024)

No items to report.

Information about gain on bargain purchase by reportable segment

Previous fiscal year (From April 1, 2022 to March 31, 2023)

No items to report.

Fiscal year under review (From April 1, 2023 to March 31, 2024)

No items to report.

(Information on related parties)

Previous fiscal year (From April 1, 2022 to March 31, 2023)

1. Transactions with related parties

No items to report.

2. Notes on parent company and significant associates

No items to report.

Fiscal year under review (From April 1, 2023 to March 31, 2024)

1. Transactions with related parties

No items to report.

2. Notes on parent company and significant associates
No items to report.

(Per share information)

(Yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Net assets per share	88.19	98.34
Basic earnings per share	18.89	18.67

(Notes) 1. Diluted earnings per share is not shown in the above table, as there are no residual shares with dilutive effects.

2. The basis for calculation of basic earnings per share is as follows.

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	7,317	7,232
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent available to common shares (Millions of yen)	7,317	7,232
Average number of shares during the period (Shares)	387,422,095	387,440,812

3. The Company has introduced a stock compensation plan, and in calculating the average number of common treasury shares during the period, the number of treasury shares includes shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.
The number of treasury shares held by the trust account included in the number of treasury shares at the end of the fiscal year under review and previous fiscal year was 1,567,700 shares. The average number of treasury shares held by the trust account excluded from the calculation of the average number of shares during the fiscal year under review and previous fiscal year were 1,567,700 shares and 1,586,417 shares, respectively.

(Significant subsequent events)

Acquisition of treasury shares

During the Board of Directors meeting held on May 13, 2024, the Company made the following resolution regarding the acquisition of treasury shares pursuant to Article 459, Paragraph 1 of the Companies Act and Article 37 of the Company's Articles of Incorporation.

(1) Reason for acquiring treasury shares
Return more profits to shareholders and enable the implementation of a flexible capital policy in response to business environment changes.

(2) Details of matters related to acquisition

(i)	Class of shares to be acquired	Common shares
(ii)	Total number of shares to be acquired	25,000,000 shares (maximum) (6.4% of total number of issued shares (excluding treasury shares))
(iii)	Total amount of share acquisition costs	¥10.0 billion (maximum)

(iv) Acquisition period	May 14, 2024 to May 13, 2025
(v) Acquisition method	Market purchases on the Tokyo Stock Exchange (discretionary trade by a securities company)

5. Non-consolidated financial statements

(1) Non-consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	21,361	25,863
Notes receivable - trade	798	783
Accounts receivable - trade	12,619	12,576
Contract assets	572	512
Securities	–	727
Merchandise	1,438	1,133
Work in process	–	4
Advance payments to suppliers	1	0
Prepaid expenses	321	355
Short-term loans receivable	0	0
Short-term loans receivable from subsidiaries and associates	0	–
Other	281	529
Total current assets	37,396	42,489
Non-current assets		
Property, plant and equipment		
Buildings	872	896
Accumulated depreciation	(326)	(386)
Buildings, net	545	510
Structures	0	0
Accumulated depreciation	(0)	(0)
Structures, net	0	0
Vehicles	60	55
Accumulated depreciation	(27)	(33)
Vehicles, net	33	22
Tools, furniture and fixtures	1,884	1,877
Accumulated depreciation	(1,314)	(1,480)
Tools, furniture and fixtures, net	569	397
Land	92	92
Total property, plant and equipment	1,240	1,021
Intangible assets		
Software	256	219
Software in progress	4	–
Other	1	1
Total intangible assets	262	220

(Millions of yen)

	As of March 31, 2023		As of March 31, 2024
Investments and other assets			
Investment securities		1,535	856
Shares of subsidiaries and associates		1,429	1,394
Investments in capital		0	0
Long-term prepaid expenses		2	96
Long-term loans receivable		0	1
Long-term loans receivable from subsidiaries and associates		432	370
Leasehold and guarantee deposits		1,323	1,380
Deferred tax assets		766	839
Other		0	0
Allowance for doubtful accounts		(259)	(228)
Total investments and other assets		5,231	4,708
Total non-current assets		6,733	5,951
Total assets		44,130	48,440
Liabilities			
Current liabilities			
Accounts payable - trade		5,974	6,263
Short-term borrowings	*1	1,550	*1 1,550
Accounts payable - other		1,824	1,869
Income taxes payable		1,326	1,495
Accrued consumption taxes		619	759
Accrued expenses		32	47
Advances received		52	39
Deposits received		80	198
Provision for bonuses		1,169	1,568
Other		15	24
Total current liabilities		12,644	13,815
Non-current liabilities			
Long-term lease and guarantee deposited		9	9
Provision for share-based payments		114	141
Total non-current liabilities		123	150
Total liabilities		12,768	13,965

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Net assets		
Shareholders' equity		
Share capital	1,513	1,513
Capital surplus		
Legal capital surplus	1,428	1,428
Other capital surplus	4,623	4,623
Total capital surplus	6,051	6,051
Retained earnings		
Other retained earnings		
General reserve	0	0
Retained earnings brought forward	28,910	31,913
Total retained earnings	28,910	31,913
Treasury shares	(5,022)	(5,022)
Total shareholders' equity	31,454	34,456
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(91)	17
Total valuation and translation adjustments	(91)	17
Total net assets	31,362	34,474
Total liabilities and net assets	44,130	48,440

(2) Non-consolidated statement of income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales		
Service sales	38,518	38,758
Net sales of goods	27,336	28,845
Total net sales	65,855	67,603
Cost of sales		
Cost of service sales	26,844	27,745
Cost of goods sold		
Beginning merchandise inventory	1,104	1,438
Cost of purchased goods	23,450	24,132
Total	24,554	25,571
Ending merchandise inventory	1,438	1,133
Cost of goods sold	23,115	24,437
Total cost of sales	49,959	52,183
Gross profit	15,895	15,420
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	323	314
Payroll and allowances	2,158	2,243
Provision for share-based payments	36	27
Retirement benefit expenses	196	203
Bonuses	56	59
Provision for bonuses	124	219
Legal welfare expenses	389	401
Travel and transportation expenses	107	125
Recruiting expenses	150	167
Advertising expenses	266	106
Supplies expenses	35	19
Taxes and dues	399	419
Commission expenses	870	450
Rent expenses	1,057	1,012
Depreciation	361	441
Research and development expenses	22	–
Provision of allowance for doubtful accounts	(9)	0
Other	413	483
Total selling, general and administrative expenses	6,959	6,694
Operating profit	8,936	8,725

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Non-operating income		
Interest income	4	2
Dividend income	13	19
Gain on sale of securities	–	86
Gain on sale of investment securities	31	–
Gain on investments in investment partnerships	–	51
Compensation income for damage	16	–
Reversal of allowance for doubtful accounts	–	*1 30
Other	31	39
Total non-operating income	*1 96	230
Non-operating expenses		
Interest expenses	7	7
Loss on valuation of securities	–	14
Loss on sale of investment securities	–	41
Loss on investments in investment partnerships	16	–
Provision of allowance for doubtful accounts	*1 4	–
Consumption tax difference	8	4
Office relocation expenses	11	–
Other	6	0
Total non-operating expenses	53	68
Ordinary profit	8,979	8,887
Extraordinary losses		
Loss on liquidation of subsidiaries and associates	–	9
Total extraordinary losses	–	9
Profit before income taxes	8,979	8,877
Income taxes - current	2,361	2,494
Income taxes - deferred	(23)	(120)
Total income taxes	2,337	2,373
Profit	6,641	6,503

(3) Non-consolidated statement of changes in equity

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total share-holders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward			
Balance at beginning of period	1,513	1,428	4,623	6,051	0	25,186	25,186	(5,042)	27,709
Changes during period									
Dividends of surplus						(2,917)	(2,917)		(2,917)
Profit						6,641	6,641		6,641
Disposal of treasury shares								20	20
Net changes in items other than shareholders' equity									
Total changes during period	–	–	–	–	–	3,724	3,724	20	3,744
Balance at end of period	1,513	1,428	4,623	6,051	0	28,910	28,910	(5,022)	31,454

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjust-ments	
Balance at beginning of period	(25)	(25)	27,684
Changes during period			
Dividends of surplus			(2,917)
Profit			6,641
Disposal of treasury shares			20
Net changes in items other than shareholders' equity	(66)	(66)	(66)
Total changes during period	(66)	(66)	3,678
Balance at end of period	(91)	(91)	31,362

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward			
Balance at beginning of period	1,513	1,428	4,623	6,051	0	28,910	28,910	(5,022)	31,454
Changes during period									
Dividends of surplus						(3,501)	(3,501)		(3,501)
Profit						6,503	6,503		6,503
Net changes in items other than shareholders' equity									
Total changes during period	–	–	–	–	–	3,002	3,002	–	3,002
Balance at end of period	1,513	1,428	4,623	6,051	0	31,913	31,913	(5,022)	34,456

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(91)	(91)	31,362
Changes during period			
Dividends of surplus			(3,501)
Profit			6,503
Net changes in items other than shareholders' equity	109	109	109
Total changes during period	109	109	3,112
Balance at end of period	17	17	34,474

(4) Notes to the non-consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Significant accounting policies)

1. Valuation standards and valuation methods for securities

(1) Trading securities

Stated at fair value (The selling cost is calculated by the moving average method)

(2) Shares of subsidiaries and associates

Stated at cost determined by the moving average method

(3) Available-for-sale securities

Securities other than stocks and other securities with no market price

Stated at fair value (All valuation differences are processed by the direct net assets method, and selling cost is calculated by the moving average method)

Stocks and other securities with no market price

Stated at cost determined by the moving average method

Investments in limited liability investment partnerships are accounted for based on the most recent financial statements available according to the financial reporting date stipulated in the partnership agreement, and the amount equivalent to the Company's equity interest in the partnerships is included at the net amount.

2. Valuation standards and methods for inventories

Merchandise

Stated at cost determined by the moving average method (Writing down book values based on decreased profitability)

3. Method of depreciation of non-current assets

(1) Property, plant and equipment (excluding leased assets)

Declining-balance method (However, the straight-line method is adopted for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016)

The useful lives and residual values of assets are determined based on the standards stipulated in the Corporation Tax Act.

Assets with an acquisition cost of ¥100,000 or more but less than ¥200,000 are amortized equally over three years.

(2) Intangible assets (excluding leased assets)

Straight-line method

Software for internal use is amortized using the straight-line method over the estimated internal useful life (5 years).

(3) Long-term prepaid expenses

Amortized based on the straight-line method

4. Standards for recognition of allowances and provisions

(1) Allowance for doubtful accounts

The estimated irrecoverable amount based on historical default rates for general receivables and individual assessments of recoverability for doubtful and other specific receivables is posted to provide for losses on default of receivables.

(2) Provision for bonuses

To provide for the payment of bonuses to employees, the amount accrued for the fiscal year under review is recorded based on the estimated amount of bonus payments.

(3) Provision for share-based compensation

To provide for the future delivery of Company shares to Directors and Executive Officers in accordance with the Company's rules on share delivery, the estimated payment amount is recorded based on the points allotted to Directors and Executive Officers as of the end of the fiscal year under review.

5. Standards for recognition of revenue and expenses

The following is a description of the major performance obligations related to revenue arising from contracts with the customers in the Company's major businesses, and the normal point in time at which such performance obligations are satisfied (the normal point in time at which revenue is recognized).

(1)Software and system development, and IT services

In the Solution Design Business and Framework Design Business, the Group mainly provides planning, design, development, and verification support for software and system development.

In the IT Service Business, the Group mainly provides IT outsourcing services such as operation, maintenance, and monitoring of systems and networks, as well as helpdesk services.

Contracts in this business involve transactions under contract or quasi-mandate contract, and performance obligations are recognized as follows depending on the contract.

For transactions entered into under contract, the Company recognizes revenue based on the degree of progress made in satisfying the performance obligation over a specified period of time.

For transactions under quasi-mandate contract, the Company recognizes revenue as a prorated portion of the amount promised in the contract with the customer over the period the services are provided, based on the judgment that the performance obligation is satisfied over time, since the Company generally provides a certain level of services over the term of the contract.

The consideration for performance obligations is received primarily within one year after performance obligations are satisfied, and does not include significant financial components.

(2) Sales of merchandise

In the Business Solution Business, the Group mainly sells servers, computers, peripherals, software, and other IT-related products to enterprises. For these sales of merchandise, revenue is recognized when the merchandise is delivered to the customer or at the time the customer completed inspection.

For sales of merchandise deemed as revenue for which the Company is an agent, revenue is recognized at the net amount received in exchange for goods provided by the third party less the amount paid to said third party.

In addition, consideration for performance obligations is received primarily within one year after performance obligations are satisfied, and does not include significant financial components.

(3) License sales

In the Cloud Business, the Group mainly sells licenses for its in-house services, Canbus., Cloudstep, and Web Shelter, as well as for cloud-based services such as Google Workspace and Microsoft 365. For sales of licenses for in-house services, the Company recognizes revenue over the license period specified in the contract, based on the judgment that the performance obligation will be satisfied over a certain period of time. For other license sales, revenue is recognized when the license is granted to the customer.

The consideration for performance obligations is received primarily within one year after performance obligations are satisfied, and does not include significant financial components.

6. Standards for translating significant foreign currency denominated assets or liabilities into Japanese currency

Receivables and payables denominated in foreign currencies are converted into yen at the spot exchange rate at the end of the fiscal year and translation differences are posted as profit or loss.

(Significant accounting estimates)

Progress-based revenue recognition

(1) Amounts recorded in the non-consolidated financial statements for the fiscal year under review

(Millions of yen)

	Previous fiscal year	Fiscal year under review
Net sales (Portion not completed)	520	466

(2) Details regarding significant accounting estimates for the identified item

The method of calculating the amounts in (1) is the same as that described in under “(2) Details regarding significant accounting estimates for the identified item” in the progress-based revenue recognition section of notes (significant accounting estimates) to the consolidated financial statements.

(Changes in accounting estimates)

Due to the decisions related to Nagoya Business Office, Nagoya Sales Office, and Sapporo Development Center relocation during the fiscal year under review, the useful lives of non-current assets not expected to be used after the relocation have been reduced.

Therefore, compared to the conventional method, the operating profit for the fiscal year under review decreased by ¥13 million, while the ordinary profit and profit before income taxes decreased by ¥2 million.

(Additional information)

Stock compensation plan

The Company has introduced a stock compensation plan for the Company’s Directors (excluding Outside Directors) and Executive Officers (hereinafter collectively referred to as “Directors, etc.”).

1. Outline of transactions

This is a stock compensation plan under which the Company’s shares, acquired by a trust using money contributed by the Company, are delivered to Directors, etc. in accordance with the number of points granted in accordance with rules on share delivery established by the Company.

2. Company shares remaining in trust

Company shares remaining in trust are recorded as treasury shares under net assets at the carrying value in trust (excluding the amount of incidental expenses). The book value and number of these treasury shares amounted to ¥706 million and 1,567,700 shares at the end of the previous fiscal year, and ¥706 million and 1,567,700 shares at the end of the fiscal year under review.

(On the non-consolidated balance sheet)

1. Overdraft agreements

The Company has overdraft agreements with six transacting banks in order to raise working capital efficiently.

The unused portion of the lines of credit based on these agreements is as follows.

(Millions of yen)

	Previous fiscal year (March 31, 2023)	Fiscal year under review (March 31, 2024)
Maximum amount of overdraft	8,100	8,100
Outstanding balance of overdraft	1,550	1,550
Unused amount	6,550	6,550

(On the non-consolidated statements of income)

1. The following items related to transactions with subsidiaries and associates are included.

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Provision of allowance for doubtful accounts	4	–
Reversal of allowance for doubtful accounts	–	30

The total amount of non-operating income for subsidiaries and associates was ¥12 million for the previous fiscal year, exceeding 10% of the total amount of non-operating income.

(Securities)

Previous fiscal year (From April 1, 2022 to March 31, 2023)

Shares of subsidiaries and associates (carrying value of ¥1,323 million and ¥105 million on the non-consolidated balance sheet, respectively) are stocks, etc. with no market prices. Accordingly, they are omitted.

Fiscal year under review (From April 1, 2023 to March 31, 2024)

Shares of subsidiaries and associates (carrying value of ¥1,288 million and ¥105 million on the non-consolidated balance sheet, respectively) are stocks, etc. with no market prices. Accordingly, they are omitted.

(Tax effect accounting)

1. Deferred tax assets and deferred tax liabilities by major classification

(Millions of yen)

	Previous fiscal year (March 31, 2023)	Fiscal year under review (March 31, 2024)
Deferred tax assets		
Accrued enterprise tax	108	108
Accrued business office tax	14	15
Provision for bonuses	358	479
Allowance for doubtful accounts	144	135
Provision for share-based compensation	34	43
Loss on valuation of membership	24	24
Loss on valuation of shares of subsidiaries and associates	869	847
Unrealized gain and loss on available-for-sale securities	40	–
Other	36	35
Subtotal of deferred tax assets	1,632	1,689
Valuation allowance	(865)	(842)
Total deferred tax assets	766	846
Deferred tax liabilities		
Unrealized gain and loss on available-for-sale securities	–	(7)
Total deferred tax liabilities	–	(7)
Net deferred tax assets	766	839

2. Major components of significant differences arising between the effective statutory tax rate and effective income tax rate after application of tax effect accounting

	Previous fiscal year (March 31, 2023)	Fiscal year under review (March 31, 2024)
Effective statutory tax rate	30.6%	30.6%
(Adjustments)		
Tax credits for wage increases	(5.0%)	(4.3%)
Other	0.4%	0.4%
Effective income tax rate after application of tax effect accounting	26.0%	26.7%

(Revenue recognition)

Notes have been omitted because the fundamental explanation of revenue arising from contracts with customers is identical to the "(Revenue recognition)" section of notes to the consolidated financial statements.

(Significant subsequent events)

Notes have been omitted because the information on the acquisition of treasury shares is identical to the "(Significant subsequent events)" section of notes to the consolidated financial statements.

6. Other

Production, orders, and sales results

(1) Production results

Production results per business segment for the fiscal year under review are as follows.

Business segment	Fiscal year under review (From April 1, 2023 to March 31, 2024) (Millions of yen)	Year-on-year change (%)
Solution Design Business	15,285	101.9
Framework Design Business	4,730	111.7
IT Service Business	12,620	101.1
Business Solution Business	1,682	134.8
Total	34,319	104.1

(Notes) 1. Within the Group, only segments that involve made-to-order activities are shown due to the nature of services.
2. The above amounts are stated at production cost.

(2) Order results

Order results per segment for the fiscal year under review are as follows.

Business segment	Order value (Millions of yen)	Year-on-year change (%)	Backlog of orders (Millions of yen)	Year-on-year change (%)
Solution Design Business	20,013	87.9	6,615	84.3
Framework Design Business	7,053	104.4	3,265	104.9
IT Service Business	18,370	102.6	6,817	104.5
Business Solution Business	2,496	157.8	834	165.6
Total	47,934	97.8	17,533	97.4

(Note) Within the Group, only segments that involve made-to-order activities are shown due to the nature of services.

(3) Sales results

Sales results per business segment for the fiscal year under review are as follows.

Business segment	Fiscal year under review (From April 1, 2023 to March 31, 2024) (Millions of yen)	Year-on-year change (%)
Solution Design Business	21,246	95.3
Framework Design Business	6,901	113.2
IT Service Business	18,079	104.2
Business Solution Business	28,404	107.3
Cloud Business	2,078	107.0
Overseas Business	65	90.6
Investment & Incubation Business	164	58.1
Total	76,940	103.2

(Note) Inter-segment transactions are offset and eliminated.