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July 31, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

Company name: Systena Corporation
Listing: Tokyo Stock Exchange
Securities code: 2317
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Scheduled date to commence dividend payments: –
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: None

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

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	19,746	5.4	2,643	38.4	2,651	48.9	1,816	48.9
June 30, 2023	18,734	6.3	1,909	4.8	1,781	(5.2)	1,220	(5.0)

Note: Comprehensive income For the three months ended June 30, 2024: ¥1,849 million [36.7%]
For the three months ended June 30, 2023: ¥1,352 million [0.3%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	4.73	–
June 30, 2023	3.15	–

(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
June 30, 2024	49,195	35,328	70.8	92.62
March 31, 2024	54,038	38,601	70.5	98.34

Reference: Equity
As of June 30, 2024: ¥34,850 million
As of March 31, 2024: ¥38,099 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
Three months ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
June 30, 2024	1,168	(198)	(5,083)	25,997
June 30, 2023	1,345	(395)	(1,536)	24,231

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	5.00	–	5.00	10.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		6.00	–	6.00	12.00

Note: Revisions to the forecast of cash dividends most recently announced: None

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	10,000 to 12,000	3.0 to 23.6	10,000 to 12,000	0.6 to 20.7	7,000 to 8,400	(3.2) to 16.2	18.98 to 22.78

Notes: Revisions to the earnings forecasts most recently announced: Yes

1. 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.
2. For the consolidated earnings forecasts for the fiscal year ending March 31, 2025, please refer to the “Notice Concerning Upward Revisions to Earnings Forecasts” announced today (July 31, 2024).

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

Note: For details, please refer to "2. Quarterly consolidated financial statements, (4) Notes to the quarterly consolidated financial statements (Notes on changes in accounting policies)" on page 12 of the Attached Materials.

(4) Number of issued shares (common shares)

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

As of June 30, 2024	450,880,000 shares
As of March 31, 2024	450,880,000 shares

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

As of June 30, 2024	74,600,824 shares
As of March 31, 2024	63,439,188 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2024	384,083,745 shares
Three months ended June 30, 2023	387,440,812 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 numbers of treasury shares held by the Trust Account included in the number of treasury shares at the ends of the periods ended June 30, 2024 and March 31, 2024 were both 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 three months ended June 30, 2024 and three months ended June 30, 2023 were as follows: the average numbers of treasury shares of common shares held by the Trust Account for the three months ended June 30, 2024 and three months ended June 30, 2023 were both 1,567,700 shares.

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None

* 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., (3) Forward-looking forecasts, such as consolidated earnings forecasts" on page 5 of the Attached Materials.

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1. Overview of operating results, etc.

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

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

During the three months ended June 30, 2024 (April 1, 2024 to June 30, 2024), the Japanese economy showed signs of moderate recovery amid an improving employment and income environment. The outlook remains uncertain, however, due to rising prices, geopolitical risks, slowdowns in major overseas economies, and movements in domestic and overseas interest rates.

Given these conditions, in addition to improving productivity, the Group is focusing on recurring revenue businesses to secure earnings and promoting the expansion of high value-added businesses such as consulting services and PMO projects supporting DX promotion in the software development business and other businesses.

Furthermore, we will continue to invest proactively in human resources, improve wages and working conditions, and pursue initiatives for the stable acquisition of excellent human resources who will serve as the wellspring of new value creation.

Effective from the current fiscal year, “Reportable Segments” have been reclassified and some names have been changed in accordance with changes in each segment’s content and main fields of business.

In the Solution Design Business, the Group worked to win orders from clients with strong development ambitions on the strength of total solutions able to provide everything from planning, development and testing to IT consulting and IT services, which it has cultivated in each field.

Since the Next Generation Mobility Business is expected to grow significantly in the future, we shifted management resources to this business to further expand orders received and improve profitability.

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

In the IT & DX Service Business, the Group focused on providing PMO services related to the introduction of various tools and business process improvements in response to various IT-related outsourcing demand from companies creating new business models and companies working on reform of work styles.

In the Business Solution Business, in addition to the IT-related products corporate sales business, we focused on the service business and strove to further strengthen its recurring revenue businesses, centered on the subscription business and system development and support.

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

As a result of the above, consolidated results for the first quarter of the fiscal year under review were net sales of ¥19,746 million (up 5.4% year on year), operating profit of ¥2,643 million (up 38.4% year on year), ordinary profit of ¥2,651 million (up 48.9% year on year), and profit attributable to owners of parent of ¥1,816 million (up 48.9% year on year).

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

(i) Solution Design Business

This business was previously divided into five categories: “In-Vehicle,” “Social Infrastructure,” “Internet Business,” “Products,” and “DX Services,” but as of this fiscal year, “In-Vehicle” has become a new segment, “Next Generation Mobility Business.” In addition, operations related to in-house services were moved from “DX Services” to the “DX & Subscription Business” segment.

In the period under review, the Company worked to win orders from clients with a strong development ambitions in order to meet the demand for software development, such as for digital transformation. In addition, we will continue endeavoring to secure more orders by leveraging the strengths we have cultivated in each field in offering total solutions covering planning, development and testing, IT consulting and IT services. Although sales have decreased due to the convergence of development projects at some customers, inquiries in the AI and IoT fields are increasing and so we are actively addressing these areas.

In the social infrastructure field, proposals utilizing embedded and web development capabilities led to further system replacement and DX projects in fields including electric power, transportation, satellite, and defense. We expect to receive more orders in the future through expansion into testing.

In the Internet business field, sales declined due to the convergence of development at some customers, but inquiries in the cashless payment and Fintech fields, where customer demand is high, increased as a result of testing and IT service proposals taking advantage of our strength in server development.

In the products field, in addition to the development of home appliances, robots, and payment terminals, we received many inquiries related to AI and IoT, and proposed IT consulting and IT services, which led to an increase in orders.

In the DX services field, as demand increases for undertaking corporate DX, orders expanded as a result of proposals for flexible and scalable systems from planning to optimization of business processes and visualization of data usage as well as business efficiency improvement through AI and automation.

As a result, net sales in this business amounted to ¥4,455 million (down 5.1% year on year) and operating profit was ¥711 million (up 125.2% year on year).

(ii) Next Generation Mobility Business

This business, which mainly provides engineering and in-house services such as MaaS to the automotive industry, mainly finished vehicle manufacturers and suppliers, saw an increase in inquiries for "electrification," "automation," "connectedness," and "sharing" admit what is a once-in-a-century revolution. Orders increased due to every-increasing demand for the development of systems related to in-vehicle cockpit and information displays such as IVI[*1], HUD[*2] and CDC[*3], in which the company is particularly strong. Going forward we will continue to use the Group's technical capabilities in software development cultivated in the mobile field to meet demand from Japanese finished vehicle manufacturers and Tier-1 suppliers in the automotive industry.

As a result, net sales in this business amounted to ¥986 million (up 95.5% year on year) and operating profit was ¥325 million (up 310.9% year on year).

*1: IVI: In-Vehicle Infotainment (integrated in-vehicle systems that provides both information and entertainment)
*2: HUD: Head-Up Display (a display device that projects superimposed information onto the surrounding scene wearer's field of vision)
*3: CDC: Cockpit Domain Controller (integrates various cockpit functions into a single electronic control unit)

(iii) Framework Design Business

This business focuses on business application development, providing core system development, cloud and DX solution implementation support, and technical consulting on various advanced technologies for financial, public, and corporate clients.

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 for projects have continued particularly from central government ministries and agencies, and the system renewal, infrastructure construction, and operation and maintenance business areas have expanded. During the three months ended June 30, 2024, there was an increase in demand for system development stemming from the My Number identification card.

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). We aim to further improve our capabilities by strengthening our competitiveness and expanding our track record of system development using generative AI by providing total system support through our lab system which spans the system planning stage through to post-development operation and maintenance.

As a result, net sales in this business amounted to ¥1,885 million (up 16.4% year on year) and operating profit was ¥368 million (up 4.6% year on year).

(iv) IT & DX Service Business

The name of this segment was changed from "IT Service Business" to "IT & DX 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, amid increased IT investment appetite from companies hoping to increase their competitiveness, there are a lot of inquiries related to 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 support further business development, we strengthened our proposals for clients' IT investment plans and IT events, and worked to develop new departments within our clients.

In addition, as a measure to expand sales and value, we have begun to expand the areas covered by our IT outsourcing business.

In the DX 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, to strengthen our efforts to deepen our existing client base and cultivate new ones as well as to procure human resources with immediate impact and develop new partner companies in this area.

In addition, regarding promoting engagement of persons with disabilities, the Group made progress with placing the right personnel in the right positions and expansion of range of work to take advantage of their strengths by focusing on building a system and environment that allows them to experience growth. This led to orders for a wide range of service projects, primarily in business process outsourcing (BPO).

As a result, net sales in this business amounted to ¥4,702 million (up 6.2% year on year) and operating profit was ¥579 million (down 5.4% year on year).

(v) 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 and AI 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, 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.

In the client business, although there are some replacement projects ahead of the end of support for Windows 10 (support ends in October 2025), these have a tendency to be pushed back and are not expected to begin in earnest until the second half of the fiscal year, and so we are further strengthening our business activities.

As a result, net sales in this business amounted to ¥7,049 million (up 1.7% year on year) and operating profit was ¥597 million (up 16.6% year on year).

(vi) DX & Subscription Business

In adding in-house service-related operations within the DX service field of the Solution Design Business to the existing Cloud Business, we have changed the name of this segment from the "Cloud Business" to the "DX & Subscription 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 has not only seen an increase in inquiries regarding Canbus. its no-code DX platform from companies promoting DX, it has also expanded the scope of its business to include direction of DX promotion.

This business matches our customers' needs to support shortages in their DX human resources by leveraging our experience in systems development and systems integration. We will continue to promote DX, primarily through Canbus. and promote customers' digital transformations not only by selling licenses, but also by providing PMO services and direction, and by strengthening services that integrate Canbus. and AI, work to create a recurring revenue business.

As a result, net sales in this business amounted to ¥516 million (up 16.1% year on year) and operating profit was ¥58 million (up 111.5% year on year).

(vii) Other Businesses

In the overseas field, our U.S. subsidiary is expanding its sales activities in cooperation with the "Next Generation Mobility Business," focusing on in-vehicle infotainment-related testing business, and orders received have increased. In addition, we received a new order from a major Japanese food company to develop a system to handle a new business in the U.S., as well as orders for PoC development and testing work to confirm the effectiveness of underlying technologies possessed by startup companies and mobile application-related development work. Furthermore, 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 supporting the new smart home communication standard "Matter," resulting in expanded sales.

In the investment cultivation field, GaYa Co., Ltd., operates the horse racing game "Keiba Densetsu" for PCs and smartphones and designs and develops business applications for smartphones and tablets. In the first quarter of the current fiscal year, we moved to the next in-game season in the smartphone game "Keiba Densetsu PRIDE," held a new event, and released a gorgeous campaign and gacha at the end of June to celebrate the second anniversary of its release. In the contracted game development field, we are focusing on PMO support for projects in progress, overall work-hour management, and development for release. In the non-game field, contracted development for existing clients is remained steady, and we will continue to promote its stabilization.

As a result, net sales in this business amounted to ¥238 million (up 14.6% year on year) and operating profit was ¥3 million (down 70.8% year on year).

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

(Assets)

Total assets at the end of the first quarter of the fiscal year under review amounted to ¥49,195 million (versus ¥54,038 million at the end of the previous fiscal year), a decrease of ¥4,843 million from the end of the previous fiscal year. Current assets amounted to ¥43,828 million (versus ¥48,088 million at the end of the previous fiscal year), a decrease of ¥4,259 million from the end of the previous fiscal year. This was mainly due to a ¥5,802 million decrease in cash and deposits. Non-current assets amounted to ¥5,366 million (versus ¥5,950 million at the end of the previous fiscal year), a decrease of ¥583 million from the end of the previous fiscal year. Property, plant and equipment amounted to ¥1,352 million (versus ¥1,395 million at the end of the previous fiscal year), a decrease of ¥43 million from the end of the previous fiscal year. Intangible assets amounted to ¥223 million (versus ¥254 million at the end of the previous fiscal year), a decrease of ¥31 million from the end of the previous fiscal year. Investments and other assets amounted to ¥3,791 million (versus ¥4,299 million at the end of the previous fiscal year), a decrease of ¥508 million from the end of the previous fiscal year. This was mainly due to a ¥461 million decrease in deferred tax assets.

(Liabilities)

Total liabilities amounted to ¥13,866 million (versus ¥15,437 million at the end of the previous fiscal year), a decline of ¥1,571 million from the end of the previous fiscal year. This was mainly due to a ¥1,185 million decrease in income taxes payable, a ¥953 million decrease in provision for bonuses, and a ¥427 million increase in accounts payable - other, and accrued expenses.

(Net assets)

Net assets amounted to ¥35,328 million (versus ¥38,601 million at the end of the previous fiscal year), a decrease of ¥3,272 million from the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent of ¥1,816 million, dividends of surplus of ¥1,945 million, and purchase of treasury shares of ¥3,176 million. As a result, the equity-to-asset ratio increased 0.3 percentage points from the end of the previous fiscal year to 70.8%.

(3) Forward-looking forecasts, such as consolidated earnings forecasts

For the full-year consolidated earnings forecasts for the fiscal year ending March 31, 2025, please refer to the "Notice Concerning Upward Revisions to Earnings Forecasts" separately announced today.

2. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	30,168	24,366
Notes and accounts receivable - trade, and contract assets	14,917	14,640
Securities	727	950
Merchandise	1,216	1,018
Work in process	4	17
Other	1,054	2,835
Total current assets	48,088	43,828
Non-current assets		
Property, plant and equipment		
Buildings, net	702	686
Tools, furniture and fixtures, net	572	546
Land	97	97
Construction in progress	–	0
Other, net	23	20
Total property, plant and equipment	1,395	1,352
Intangible assets		
Software	251	219
Software in progress	–	0
Other	3	3
Total intangible assets	254	223
Investments and other assets		
Investment securities	1,546	1,536
Long-term loans receivable from subsidiaries and associates	498	506
Leasehold and guarantee deposits	1,649	1,619
Deferred tax assets	974	512
Other	129	121
Allowance for doubtful accounts	(498)	(506)
Total investments and other assets	4,299	3,791
Total non-current assets	5,950	5,366
Total assets	54,038	49,195

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	6,438	6,147
Short-term borrowings	1,550	1,550
Accounts payable - other, and accrued expenses	2,463	2,891
Income taxes payable	1,656	470
Provision for bonuses	1,872	918
Other	1,293	1,714
Total current liabilities	15,273	13,693
Non-current liabilities		
Provision for share-based payments	141	150
Other	22	22
Total non-current liabilities	164	172
Total liabilities	15,437	13,866
Net assets		
Shareholders' equity		
Share capital	1,513	1,513
Capital surplus	6,023	6,023
Retained earnings	35,440	35,312
Treasury shares	(5,022)	(8,198)
Total shareholders' equity	37,955	34,651
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17	19
Foreign currency translation adjustment	125	179
Total accumulated other comprehensive income	143	199
Non-controlling interests	501	478
Total net assets	38,601	35,328
Total liabilities and net assets	54,038	49,195

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	18,734	19,746
Cost of sales	14,397	14,828
Gross profit	4,336	4,917
Selling, general and administrative expenses	2,427	2,274
Operating profit	1,909	2,643
Non-operating income		
Interest income	8	18
Dividend income	2	5
Share of profit of entities accounted for using equity method	12	15
Subsidy income	17	5
Other	17	11
Total non-operating income	58	56
Non-operating expenses		
Interest expenses	1	2
Loss on sale of securities	–	5
Loss on valuation of securities	–	33
Loss on sale of investment securities	183	2
Other	1	3
Total non-operating expenses	187	47
Ordinary profit	1,781	2,651
Extraordinary losses		
Loss on liquidation of subsidiaries and associates	–	9
Total extraordinary losses	–	9
Profit before income taxes	1,781	2,642
Income taxes - current	258	388
Income taxes - deferred	318	460
Total income taxes	577	849
Profit	1,204	1,793
Loss attributable to non-controlling interests	(15)	(23)
Profit attributable to owners of parent	1,220	1,816

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	1,204	1,793
Other comprehensive income		
Valuation difference on available-for-sale securities	90	1
Foreign currency translation adjustment	74	66
Share of other comprehensive income of entities accounted for using equity method	(17)	(13)
Total other comprehensive income	148	55
Comprehensive income	1,352	1,849
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,368	1,872
Comprehensive income attributable to non-controlling interests	(15)	(23)

(3) Consolidated statement of cash flows

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	1,781	2,642
Depreciation	129	107
Increase (decrease) in allowance for doubtful accounts	0	–
Increase (decrease) in provision for bonuses	(697)	(953)
Increase (decrease) in provision for share-based payments	8	9
Interest and dividend income	(11)	(23)
Interest expenses	1	2
Loss (gain) on sale of securities	–	5
Loss (gain) on valuation of securities	–	33
Loss (gain) on investments in investment partnerships	(6)	–
Loss (gain) on sale of investment securities	183	2
Share of loss (profit) of entities accounted for using equity method	(12)	(15)
Loss (gain) on liquidation of subsidiaries and associates	–	9
Decrease (increase) in trade receivables	1,543	277
Decrease (increase) in inventories	145	184
Decrease (increase) in advance payments to suppliers	1	14
Increase (decrease) in trade payables	(832)	(290)
Increase (decrease) in accounts payable - other, and accrued expenses	237	538
Increase (decrease) in accrued consumption taxes	107	69
Increase (decrease) in advances received	(5)	24
Other, net	207	(19)
Subtotal	2,782	2,620
Interest and dividends received	11	23
Interest paid	(1)	(2)
Income taxes paid	(1,445)	(1,472)
Net cash provided by (used in) operating activities	1,345	1,168
Cash flows from investing activities		
Payments into time deposits	(3)	(100)
Proceeds from withdrawal of time deposits	–	240
Purchase of property, plant and equipment and intangible assets	(205)	(140)
Proceeds from sale of property, plant and equipment and intangible assets	2	–
Purchase of securities	–	(1,327)
Proceeds from sale of securities	–	1,065
Purchase of investment securities	(3,579)	–
Proceeds from sale of investment securities	3,366	33
Payments of leasehold and guarantee deposits	(11)	(2)
Proceeds from refund of leasehold and guarantee deposits	21	32
Proceeds from distributions from investment partnerships	14	–
Other proceeds	0	0
Net cash provided by (used in) investing activities	(395)	(198)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Cash flows from financing activities		
Purchase of treasury shares	–	(3,178)
Dividends paid	(1,536)	(1,905)
Net cash provided by (used in) financing activities	(1,536)	(5,083)
Effect of exchange rate change on cash and cash equivalents	25	18
Net increase (decrease) in cash and cash equivalents	(560)	(4,095)
Cash and cash equivalents at beginning of period	24,792	30,092
Cash and cash equivalents at end of period	24,231	25,997

(4) Notes to the quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Notes on substantial changes in amount of shareholder's equity)

No items to report.

(Notes on changes in accounting policies)

(Application of the "Accounting Standard for Current Income Taxes" and other relevant ASBJ regulations)

The "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the "2022 Revised Accounting Standard") have been applied from the beginning of the first quarter of the current fiscal year.

Revisions to the classification of income taxes (taxation on other comprehensive income) are in accordance with the transitional treatment prescribed in the proviso of Paragraph 20-3 of the 2022 Revised Accounting Standard and the proviso of Paragraph 65-2(2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "Guidance on the 2022 Revised Accounting Standard"). This change has no impact on the quarterly consolidated financial statements.

In addition, the Company has adopted the Guidance on the 2022 Revised Accounting Standard on related to the revision of the treatment of the deferral for tax purposes of gains or losses on sales of investments in subsidiaries among consolidated companies in consolidated financial statements, effective from the beginning of the first quarter of the current fiscal year. The change in accounting policy has been applied retrospectively, and the quarterly consolidated financial statements and consolidated financial statements for the previous quarter and the previous fiscal year have been prepared on a retrospective basis. This change has no impact on the quarterly consolidated financial statements of the previous quarter or the consolidated financial statements of the previous fiscal year.

(Notes on segment information, etc.)

Segment information

I Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

1. Information on net sales and profit or loss by reportable segment

(Millions of yen)

	Solution Design Business	Next Generation Mobility Business	Framework Design Business	IT & DX Service Business	Business Solution Business	DX & Subscription Business	Other	Adjustment	Amount on quarterly consolidated statement of income (see Notes)
Net sales									
Net sales to external customers	4,688	504	1,619	4,371	6,924	442	183	–	18,734
Inter-segment net sales and transfers	7	–	–	57	4	2	24	(95)	–
Total	4,695	504	1,619	4,428	6,929	445	208	(95)	18,734
Segment profit	315	79	351	612	512	27	10	–	1,909

(Note) Segment profit is consistent with operating profit in the quarterly consolidated statement of income.

2. Information about impairment loss or goodwill for non-current assets by reporting segment

No items to report.

II Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

1. Information on net sales and profit or loss by reportable segment

(Millions of yen)

	Solution Design Business	Next Generation Mobility Business	Framework Design Business	IT & DX Service Business	Business Solution Business	DX & Subscription Business	Other	Adjustment	Amount on quarterly consolidated statement of income (see Notes)
Net sales									
Net sales to external customers	4,453	986	1,885	4,645	7,045	513	216	–	19,746
Inter-segment net sales and transfers	1	–	–	56	4	3	22	(88)	–
Total	4,455	986	1,885	4,702	7,049	516	238	(88)	19,746
Segment profit	711	325	368	579	597	58	3	–	2,643

(Note) Segment profit is consistent with operating profit in the quarterly consolidated statement of income.

2. Matters related to changes in reportable segments, etc.
   Effective from the first quarter of the current fiscal year, “Reportable Segments” have been reclassified and some names have been changed in accordance with changes in each segment’s content and main fields of business.
   Some businesses previously classified in the “Solution Design Business” segment are now included in a new segment, the “Next Generation Mobility Business” segment. Similarly, some businesses that were classified in the “Solution Design Business” have been reclassified into the “DX & Subscription Business.” In addition, IDY Corporation, which was classified under “Business Solution Business,” “Overseas Business,” and “Investment & Incubation Business” have been reclassified under “Other Businesses.” The “IT Service Business” has been renamed the “IT & DX Service Business” while the “Cloud Business” has been renamed the “DX & Subscription Business.” Segment information for the first quarter of the previous fiscal year is disclosed based on the new reportable segment classifications.

3. Information about impairment loss or goodwill for non-current assets by reporting segment
   No items to report.

3. Supplementary information

Production, orders, and sales results

Effective from the first quarter of the current fiscal year, “Reportable Segments” have been reclassified and some names have been changed in accordance with changes in each segment’s content and main fields of business.

Some businesses previously classified in the “Solution Design Business” segment are now included in a new segment, the “Next Generation Mobility Business” segment. Similarly, some businesses that were classified in the “Solution Design Business” have been reclassified into the “DX & Subscription Business.” In addition, IDY Corporation, which was classified under “Business Solution Business,” “Overseas Business,” and “Investment & Incubation Business” have been reclassified under “Other Businesses.” The “IT Service Business” has been renamed the “IT & DX Service Business” while the “Cloud Business” has been renamed the “DX & Subscription Business.”

Year-on-year comparisons are calculated after reclassification to the new reportable segments.

(1) Production results

Production results per business segment for the three months ended June 30, 2024 are as follows.

Business segment	Production (Millions of yen)	Year-on-year change (%)
Solution Design Business	3,155	91.6
Next Generation Mobility Business	517	176.2
Framework Design Business	1,295	116.7
IT & DX Service Business	3,352	107.5
Business Solution Business	278	103.7
Total	8,599	104.4

(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 business segment for the three months ended June 30, 2024 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	5,023	119.1	6,233	96.0
Next Generation Mobility Business	2,106	324.2	2,028	202.6
Framework Design Business	1,991	133.2	3,371	112.8
IT & DX Service Business	4,773	107.5	6,944	105.3
Business Solution Business	340	101.5	753	149.7
Total	14,235	127.8	19,331	109.9

(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 three months ended June 30, 2024 are as follows.

Business segment	Net sales (Millions of yen)	Year-on-year change (%)
Solution Design Business	4,453	95.0
Next Generation Mobility Business	986	195.5
Framework Design Business	1,885	116.4
IT & DX Service Business	4,645	106.3
Business Solution Business	7,045	101.7
DX & Subscription Business	513	115.9
Other	216	118.1
Total	19,746	105.4

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