

Translation

Notice: This document has been translated from the original Japanese document and is only for reference purposes. In the case of any discrepancies between the two documents, the Japanese one shall prevail.

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Based on Japanese GAAP)

May 8, 2024

Company name: CUBE SYSTEM INC.
 Stock exchange listing: Tokyo
 Stock code: 2335 URL <https://www.cubesystem.co.jp/en/>
 Representative: Representative Director and President Masahiro Nakanishi
 Seniority Corporate Officer,
 Inquiries: President's Office Hirofumi Kitagaki TEL 03-5487-6030
 Scheduled date of annual general meeting of shareholders: June 21, 2024
 Scheduled date to commence dividend payments: June 3, 2024
 Scheduled date to file annual securities report: June 21, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2024	18,021	10.4	1,536	5.8	1,590	7.5	1,067	7.8
Fiscal year ended March 31, 2023	16,325	1.4	1,452	2.4	1,480	3.3	989	4.8

Note: Comprehensive income For the fiscal year ended March 31, 2024: ¥1,178 million [(10.0)%]

For the fiscal year ended March 31, 2023: ¥1,309 million [35.0%]

	Earnings per share	Diluted earnings per share	Return on equity	Return on Assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2024	70.39	–	10.8	12.2	8.5
Fiscal year ended March 31, 2023	70.35	–	11.8	13.1	8.9

Reference: Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended March 31, 2024: ¥– million

For the fiscal year ended March 31, 2023: ¥– million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2024	13,487	10,133	75.1	668.41
As of March 31, 2023	12,547	9,616	76.6	634.29

Reference: Equity As of March 31, 2024: ¥10,133 million

As of March 31, 2023: ¥9,616 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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2024	1,044	(259)	(672)	6,815
Fiscal year ended March 31, 2023	891	(304)	1,102	6,703

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2023	–	23.00	–	27.00	50.00	749	71.1	8.6
Fiscal year ended March 31, 2024	–	15.00	–	20.00	35.00	551	49.7	5.4
Fiscal year ending March 31, 2025 (Forecast)	–	20.00	–	20.00	40.00		55.1	

(Note) Breakdown of interim dividend for the six months ended September 30, 2022:

Ordinary dividend of ¥11.00, and 50th anniversary commemorative dividend of ¥12.00

Breakdown of year-end dividend for the fiscal year ended March 31, 2023:

Ordinary dividend of ¥15.00, and 50th anniversary commemorative dividend of ¥12.00

3. Forecast of consolidated financial results 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		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2024	8,800	(2.4)	600	(24.4)	650	(17.6)	440	(12.2)	29.02
Full year	18,800	4.3	1,600	4.2	1,650	3.7	1,100	3.1	72.55

4. Notes

- (1) Significant changes in scope of consolidation during the fiscal year ended March 31, 2024 No
- (2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

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

As of March 31, 2024	15,750,000 shares	As of March 31, 2023	15,750,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2024	588,832 shares	As of March 31, 2023	588,832 shares
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Average number of shares during the period

Fiscal year ended March 31, 2024	15,161,168 shares	Fiscal year ended March 31, 2023	14,067,944 shares
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(Note) The total number of issued shares at the end of the period includes the number of the Company's shares held by the Board Incentive Plan (BIP) trust account (586,100 shares for the fiscal year ended March 31, 2024; 586,100 shares for the fiscal year ended March 31, 2023). The Company's shares held by the BIP trust account (586,100 shares for the fiscal year ended March 31, 2024; 592,683 shares for the fiscal year ended March 31, 2023) are included in the treasury shares that are excluded from the calculation of the average number of shares during the period.

[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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2024	17,158	11.3	1,488	7.8	1,556	10.5	1,058	11.0
Fiscal year ended March 31, 2023	15,415	1.3	1,381	4.9	1,407	5.7	953	8.9

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended March 31, 2024	69.80	–
Fiscal year ended March 31, 2023	67.77	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2024	12,539	9,406	75.0	620.43
As of March 31, 2023	11,586	8,871	76.6	585.17

Reference: Equity As of March 31, 2024: ¥9,406 million

As of March 31, 2023: ¥8,871 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

(Cautions regarding forward looking statements and others)

The forward-looking statements, including earnings forecasts, contained in this report are based on the information currently available to the Company and certain assumptions judged to be reasonable by the Company, and are not intended for the Company to guarantee the attainment thereof. Actual results may turn out to be significantly different due to various factors. As for preconditions underlying the performance forecasts and cautions regarding the use of those performance forecasts, please see “(5) Business forecast” of “1. Overview of Operating Results, Etc.” on page 4 of the attached material.

(How to obtain supplementary information on financial results and the contents of the financial results investor meeting)

The Company plans to hold a financial results meeting for investors and analysts on Monday, May 20, 2024.

The video and materials for the financial result meeting will be available on the IR Information section of the Company’s website

(<https://www.cubesystem.co.jp/en/ir/library/results/>) promptly after the meeting.

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1. Overview of Operating Results, Etc.

(1) Overview of operating results for the fiscal year under review

During the fiscal year under review, the Japanese economy showed a gradual recovery as the restrictions due to COVID-19 were resolved and socioeconomic activities gradually expanded. The economic outlook, however, remains uncertain due to factors including a global surge in resource and raw material prices, rising prices accompanying the yen's depreciation, increasing tensions in international affairs, and a series of disasters in various regions.

Under these circumstances, the information service industry is seeing increased demand for digital transformation (business transformation and process transformation) against a backdrop of higher value-added customer services and a shortage of human resources, as well as active investment in informatization and IT due to the application of regulations limiting overtime work in the construction, transportation, and postal service industries. IT investment is expected to continue to grow due to strong needs for migrating aging mission-critical systems to the cloud (Lift) and for building systems to improve convenience (Shift). On the other hand, there are concerns that the profit environment will deteriorate due to lost order opportunities arising from an increasingly severe shortage of IT personnel and increased labor costs resulting from intensified competition for human resources.

In the SI Business, the Group has therefore worked to optimize resources and secure development organization and facilities amid growing orders in various industries, including the financial sector and the distribution sector. In addition, we strengthened and improved our management foundation by developing human resources in accordance with career fields and investing in informatization and IT for business management as well as working on other measures. As a result of these activities, the Company achieved increased revenue and profits for the fiscal year under review, increasing net sales to ¥18,021 million (a year-on-year increase of 10.4%), operating profit to ¥1,536 million (a year-on-year increase of 5.8%), ordinary profit to ¥1,590 million (a year-on-year increase of 7.5%) and profit attributable to owners of parent to ¥1,067 million (a year-on-year increase of 7.8%).

In addition, the Group has been engaged in the following activities to achieve sustainable growth.

- Reinforcement of development organization and facilities

In order to realize our Medium- to Long-Term Management Vision “VISION 2026,” we are working to expand the development organization and facilities and the businesses of our near-shore bases. In the fiscal year under review, the Company opened the Fukuoka Office and increased the floor space at HOKKAIDO CUBE SYSTEM INC. to strengthen the development organization and facilities.

- Diversity

We are expanding our systems, improving our environment, and raising awareness so that our diverse workforce can work and grow in ways that suit their circumstances. We are building a workplace environment where employees with disabilities can feel fulfilled in their work. In the fiscal year under review, we expanded our activities in various fields of expertise, including participation by our employees in the National Abilitylympics (National Skill Competition for Persons with Disabilities) as representatives of Tokyo.

- Environmental management

CDP, an evaluation organization internationally committed to the disclosure of information on environmental assessments, evaluated the Company as having recognized and acted on its own environmental risks and impacts in its FY2023 climate change survey. The environmental policy of the Company is “to practice environmentally friendly management through our business activities and to contribute to the reduction of environmental impact and the realization of a sustainable society.” We will continue to promote activities and make improvements to achieve environmental considerations in our business activities and the numerical targets we have set, aiming for sustainable corporate management.

- Human capital enhancement

Regarding human capital, which is the key to the growth of the Company, we have built a new human resource (HR) system, launched in April 2024, to enable each employee to participate as a diverse professional human resource. In the fiscal year under review, all employees were briefed on the objectives of the new HR system, career paths according to the system, goal setting, and the evaluation system so that each employee can envision his/her future growth. We will continue to strengthen our human capital through systems and operations that respect individual abilities and values and that enable employees to experience even greater job satisfaction.

Performance results by service segments are as shown below.

System Integration Services

Net sales was to ¥13,998 million (a year-on-year increase of 16.0%) due to the expansion of system development projects for regional and Internet banks, megabanks, financial institutions, central government ministries and agencies, and apparel business companies.

System Outsourcing Services

Net sales decreased to ¥1,636 million (a year-on-year decrease of 6.2%) because of the decrease in system projects for stock exchanges.

Professional Services

Net sales decreased to ¥2,386 million (a year-on-year decrease of 5.1%) because of the decrease in system projects for telecommunications carriers.

(2) Overview of financial position for the fiscal year under review

Assets

The current assets at the end of the fiscal year under review amounted to ¥9,978 million, an increase of ¥275 million compared with the end of the previous fiscal year. This result is mainly attributed to an increase of ¥261 million in accounts receivable - trade, a decrease of ¥100 million in securities, and an increase of ¥86 million in cash and deposits. The total non-current assets at the end of the fiscal year under review amounted to ¥3,509 million, an increase of ¥664 million compared with the end of the previous fiscal year. This result is mainly attributed to increases of ¥434 million in investment securities, ¥126 million in retirement benefit asset, and ¥63 million in leasehold.

Consequently, the total assets amounted to ¥13,487 million, an increase of ¥940 million compared with the end of the previous fiscal year.

Liabilities

The current liabilities at the end of the fiscal year under review amounted to ¥2,459 million, an increase of ¥270 million compared with the end of the previous fiscal year. This result is mainly attributed to increases of ¥94 million in accrued consumption taxes, ¥84 million in accrued expenses, and ¥43 million in deposits received. The non-current liabilities at the end of the fiscal year under review amounted to ¥894 million, an increase of ¥152 million compared with the end of the previous fiscal year. This result is mainly attributed to increases of ¥85 million in deferred tax liabilities and ¥57 million in provision for share-based compensation.

Consequently, the total liabilities amounted to ¥3,353 million, an increase of ¥422 million compared with the end of the previous fiscal year.

Net assets

The net assets at the end of the fiscal year under review amounted to ¥10,133 million, an increase of ¥517 million compared with the end of the previous fiscal year. This result is mainly attributed to increases of ¥405 million in retained earnings and ¥137 million in valuation difference on available-for-sale securities.

Consequently, the equity ratio was 75.1% (76.6% at the end of the previous fiscal year).

(3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents (hereafter, "net cash") at the end of the fiscal year under review increased to ¥6,815 million, an increase of ¥111 million compared with the end of the previous fiscal year.

Status and factors for each cash flow category are as follows.

Cash flows from operating activities

Net cash provided from operating activities was ¥1,044 million (a year-on-year increase of 17.1%). This result is mainly attributed to a decrease in the amount reported as profit before income taxes of ¥1,590 million and a decrease in the net cash of ¥524 million due to income taxes paid.

Cash flows from investing activities

Net cash used in investing activities was ¥259 million (a year-on-year decrease of 14.7%). This result is mainly attributed to the purchase of investment securities of ¥251 million.

Cash flows from financing activities

Net cash used in financing activities was ¥672 million (¥1,102 million provided by financing activities in the previous

fiscal year). This result is mainly attributed to the dividends paid of ¥661 million.

Changes in cash flow metrics for the Group are as shown below.

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Equity ratio (%)	76.6	75.1
Market-value-based equity ratio (%)	143.3	129.0
Cash flow to interest-bearing debt ratio (years)	0.3	0.2
Interest coverage ratio (times)	873.5	817.4

* Equity ratio: Equity capital / Total assets

Market-value-based equity ratio: Market capitalization / Total assets

Cash flow to interest-bearing debt ratio: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flow / Interest

(Notes) 1. All the metrics were calculated with consolidated financial statement values.

2. The market capitalization was calculated by multiplying the stock price at the end of the fiscal year under review with the total number of issued shares at the end of the fiscal year under review.
3. The cash flow refers to the cash flow from operating activities.
4. The interest-bearing debt refers to all of the liabilities on the consolidated balance sheet on which interest has been paid. The amount paid as stated on the consolidated statement of cash flows was used as the amount of the interest.

(4) Profit distribution policy and dividends for the fiscal year under review and the next fiscal year

We understand that returning profits to our shareholders is a fundamental responsibility to fulfill as a listed company and overriding management objective. We are determined to improve our business performance in order to maintain stable dividend payments and increase the Company's aggregate market value and thereby contribute to heightening the value of assets owned by our shareholders.

We made it our basic policy to aim at a consolidated dividend payout ratio of 40%, so we could ensure internal reserves needed for the Company to keep growing while maintaining stable dividend payments. However, the Board of Directors' meeting held on April 24, 2024 resolved to set the dividend policy for FY2024 through FY2026 at a target payout ratio of 50%. Regarding the year-end dividend for the fiscal year under review, we will apply this policy ahead of schedule and pay a dividend of ¥20 per share, an increase of ¥5 from the most recent forecast. That will make the total dividends for the fiscal year under review to be ¥35 per share, which includes the interim dividend of ¥15 per share that was paid out in December 2023.

For the next fiscal year, we are planning to pay dividends of ¥40 per share, which includes an interim dividend of ¥20 and a year-end dividend of ¥20 per share.

Internal reserves will be allocated to hiring and training employees, expenses for R&D activities aimed at acquiring new technologies and developing solutions, and the expansion of development bases.

(5) Business forecast

The Company established the "Sustainability Management Basic Policy" in November 2021, and has been carrying out sustainability management to both improve corporate value and resolve social issues. And each and every employee contributes to society through our business activities, aiming to enhance our corporate value.

The Group is currently working under this management policy to develop its business and management foundations to realize its Medium- to Long-Term Management Vision "VISION 2026," and to achieve exponential business growth under its Second Medium-Term Management Plan from FY2024 to FY2026.

The Japanese economy today continues to show signs of gradual recovery as socioeconomic activities in the post-COVID-19 have been revitalized. On the other hand, the rise in raw material prices and constraints in the supply of various resources continue, and the risks of fluctuations in financial and capital markets are exposing the direction of the economy to an uncertain situation. In such a business environment, companies are required to respond flexibly to risks, in addition to addressing medium- to long-term challenges.

Against this backdrop, the Company has considered priority issues and measures to be taken and is working to resolve them through the implementation of these measures.

1) The aim of the Second Medium-Term Management Plan

Under the First Medium-Term Management Plan, the Group has been building its business foundation through the three business models of the Digital Business, the SI Business and the System Enhancement Business by increasing brand value, expanding the scale of orders, and improving profitability, respectively. In addition, as a management foundation, we have worked to revitalize DX initiatives, strengthen quality, enhance human capital, and strengthen

corporate governance, including internal controls.

Based on the results of the First Medium-Term Management Plan, we aim to achieve the goals of the V2026 Second Medium-Term Management Plan, which are to (1) increase customer trust and improve the quality of services we provide by practicing “business activities faithful to the basics,” and (2) achieve “dramatic growth” and maximize corporate value by enhancing our financial and non-financial capital.

We have set the following financial and non-financial targets as the numerical objectives of the Second Medium-Term Management Plan, and will work to resolve the issues that need to be addressed in order to achieve them.

Financial targets (FY2026)

- ROE: 14.0%
- Net sales per capita: ¥30,000 thousand
- Net sales CAGR: 9%
- Operating margin: 10.5%

Non-financial targets (FY2026)

- Ratio of women among section managers*1: 30.0%
- Overtime hours*2: 25 hours
- Engagement score*3: 71 or higher
- Days of education/training per person: 10 days/year
- GHG emissions target: Scopes 1 and 2, 227 t-CO₂; Scope 3, 4,004 t-CO₂

*1 Ratio of all leadership positions in the Company on a standalone basis held by female employees under the Company’s HR system since its renewal in April 2024

*2 Calculated based on hours worked in excess of regular hours (7.5 h). Average for all employees, including those under the discretionary labor system, managers and supervisors

*3 Engagement index satisfaction level surveyed among Cube System stand-alone employees using Wevox, an engagement analysis tool provided by Atrae, Inc.

2) Challenges to achieve the Second Medium-Term Management Plan

(i) Business growth

The Company is driving business forward with three main cores, the Digital Business, the SI Business and the System Enhancement Business established based on the expertise and experience we have developed so far.

In the Second Medium-Term Management Plan, we will accelerate business growth by providing value to our customers through the following three business styles of the Company’s business model.

- Contract business
 - Contract Business to system integrators
 - Direct-contract Business to customers
- Service-providing business

In the contract business, we will promote collaboration with major clients in the “Contract Business to system integrators” and aim to continuously and stably expand earnings by increasing the size of projects and developing new clients. We will strive to leverage our competitive advantage in “software engineering,” which is one of our strengths, and strive to further develop our strengths by taking on the challenges of various industries/businesses and new technologies in the projects for which we receive orders. In addition, by reviewing and improving the current contractual arrangements for contracted development, we will be able to provide value that meets the increasingly sophisticated and diverse needs of our customers.

In the “Direct-contract Business to customers,” we aim to expand both the scale of orders (larger projects) and revenues in our conventional SI business. We will expand orders through aggressive proposal activities using AI technology, programming automation technology, and other advanced technologies to address challenges such as DX projects directly related to customers’ business growth and management system efficiency improvement through business process improvement. In addition, we will use our expertise and intellectual capital to acquire customers and develop businesses in new areas, and strive to form a customer base that will serve as the axis for our growth.

In the “Service-providing business,” we will collaborate with cloud solution vendors such as “Oracle Cloud Services,” a field in which we excel, and provide high-value-added services through our highly skilled human resources to create a business that will serve as a foundation for growth. Specifically, we will expand orders in the field of multi-cloud (optimizing customer requirements and utilizing various cloud services), where we have expert capabilities, to Lift & Shift* our customers’ management systems. We will also establish our service delivery business by providing solutions for human capital using generative AI cloud services.

* Migrate customers’ systems from legacy environments to cloud ones (Lift), followed by proceeding with system restructuring in stages while optimizing for cloud environments (Shift).

(ii) Enhancement of business foundation

The Group considers the strengthening of its business foundation to accelerate and promote business growth to be an important management priority. In particular, we see the following three items as foundations that are the axes of growth, and will strive to strengthen and promote them.

- Reinforcement of development organization and facilities and of quality
- Promotion of collaboration
- Research investment

In “Reinforcement of development organization and facilities,” we will expand development bases in Japan and overseas, select and concentrate business partners to whom we outsource orders, work to promote collaborative relationships and build relationships of trust. We will strive to establish solid development organization and facilities by promoting productivity improvement measures and investing in production innovation at our existing domestic development bases (Hokkaido, Fukuoka, and Osaka), centered on the new development base headquarters (Head Office: Software Development Division) established in April 2024, while seeking new development bases. In addition, at CUBE SYSTEM VIETNAM Co., Ltd., one of our overseas development bases, we will strive to hire and develop human resources, expand offshore development projects, and utilize on-site appointments of bridge engineers, who intervene offices between Vietnam and Japan, to enhance the Group’s overall capabilities.

In the area of “Reinforcement of quality,” we will strive to strengthen our ability to respond to financial, legal, and security risks in order to further expand the Direct-contract Business to customers, while ensuring our quality control system by accumulating and systematizing quality control know-how in addition to our current proprietary framework. In addition, as the development organization and facilities expand, ensuring process quality in cooperation with group companies and business partners will become an important factor. We will strive to quickly develop human resources engaged in quality control across the organization and across the Group, as well as to retain human resources.

In “Promotion of collaboration,” we will create further synergies with major system integrators and aim for sustainable growth by promoting solutions to various social issues and enhancing and expanding customer services. Specifically, we will expand our development structure over the medium to long term by continuing to hire new graduates and immediately strengthen our structure with experienced and highly skilled personnel by enhancing mid-career hiring. In addition, we will enhance our domestic development bases, led by the Software Development Division at the head office in order to provide strong responses to requests from system integrators. We are also working on software engineering to provide a comprehensive service covering all aspects of the Contract Business to system integrators from upstream to downstream. We will improve our relationships with customers by expanding the scope of our responsibilities, innovating production technology, and improving productivity, and by developing our business activities with a view to post-development enhancement.

With respect to “Research investment,” the Company will aggressively conduct research investments in order to promptly incorporate cutting-edge technologies based on customer needs and market trends. Specifically, we will accelerate efforts toward commercialization by designing, manufacturing, and testing prototypes that utilize and incorporate advanced technologies such as AI and IoT. In addition, we will continue to promote investigation and R&D related to new solution services, and will also seek to enhance our competitive advantage by creating intellectual assets from our software engineering, which is a strength that we have cultivated.

(iii) Strengthening of management foundation

The Group regards the strengthening and building of the management foundation that supports its business as an important management priority, and is engaged in a variety of activities. In the Second Medium-Term Management Plan, we will focus on the following three points to achieve sustainable growth.

- Enrichment of human capital
- Internal control/governance
- Corporate culture reform

In “Enrichment of human capital,” we will expand our structure through recruitment, improve capabilities and skills through human resource development, and foster motivation and job satisfaction through engagement with employees. As a measure to achieve this, we will expand our current channels for both new graduate and mid-career hires (by recruiting in regional areas, introducing the Alumni System, headhunting, etc.), promote the hiring of diverse human resources, and strive to retain human resources. In addition, based on the career fields of “Professional IT-related human resources” and “Corporate staff,” which are defined by the Company, we create development plans for the career directions and goals of each employee and implement the PDCA cycle to strengthen and promote human resource development. Furthermore, while creating opportunities for employees to take on challenges, we strive to further improve engagement with employees by enhancing follow-up and support systems, as well as our reward system.

Under “Internal control/governance,” in order to implement the aforementioned high-priority measures, as well as to continue to provide service solutions that meet the needs of the market and customers, we consider corporate

governance, which supports fair and efficient management, to be an important issue and are striving to enhance it. The corporate governance structure of the Company not only contributes to supervision, monitoring, and appropriate and flexible decision-making, but also enhances its effectiveness by providing multifaceted advice to ensure the effective and efficient functioning of the Company's management processes. In particular, we are focusing on the management's approach to important issues such as business strategies, personnel strategies, compliance and security, and contributing to the strengthening and optimizing of measures for these issues. In addition, in order to ensure sustainable business operations, we are also going to improve our business continuity plan (BCP) so it will cover a wider range of risks, including pandemics, disasters and geopolitical threats.

Under the "Corporate culture reform," we understand the duties and roles we must fulfill for the development of society based on our management philosophy, and we will promote awareness reform so that each and every employee aims to realize the improvement of corporate value and the resolution of social issues through our business, community contributions, and other activities. The foundation of this is the practice of compliance, which we have positioned as one of the important management issues. We will strive to foster an awareness that the Company should not only "simply respect and observe laws and regulations" but also "respond to the trust of all of our stakeholders."

Based on this concept, we will strive for "well-being management" in which employees and the company grow together and share the fruits of our efforts. Moreover, we are committed to contributing to the development of local communities, practicing environmentally friendly management, respecting human rights in our corporate activities as well as implementing other initiatives.

For the fiscal year ending March 31, 2025, the Group aims, by focusing on those matters, to post net sales of ¥18,800 million (a year-on-year increase of 4.3%), operating profit of ¥1,600 million (a year-on-year increase of 4.2%), ordinary profit of ¥1,650 million (a year-on-year increase of 3.7%) and profit attributable to owners of parent of ¥1,100 million (a year-on-year increase of 3.1%).

2. Basic Policy Regarding the Adoption of Accounting Standards

The Group has adopted Japanese GAAP, because its shareholders, creditors, customers and most of its other interested parties reside in Japan and hence because the Group has not had a need to finance outside the country.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheet

(Thousands of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	6,748,203	6,835,020
Accounts receivable - trade	2,533,282	2,795,066
Contract assets	168,906	137,679
Securities	100,000	–
Work in process	10,764	3,513
Other	141,995	207,181
Total current assets	9,703,153	9,978,462
Non-current assets		
Property, plant and equipment		
Buildings, net	92,357	120,962
Other, net	32,020	39,494
Total property, plant and equipment	124,378	160,456
Intangible assets	3,330	3,330
Investments and other assets		
Investment securities	1,634,179	2,068,539
Retirement benefit asset	490,358	617,124
Other	592,122	659,834
Total investments and other assets	2,716,660	3,345,498
Total non-current assets	2,844,369	3,509,286
Total assets	12,547,523	13,487,748
Liabilities		
Current liabilities		
Accounts payable - trade	796,239	821,378
Short-term borrowings	240,000	230,000
Income taxes payable	313,954	271,488
Contract liabilities	9,652	14,157
Provision for bonuses	351,565	356,981
Provision for bonuses for directors (and other officers)	8,500	8,000
Provision for loss on orders received	2,291	10,320
Other	466,641	746,982
Total current liabilities	2,188,844	2,459,309
Non-current liabilities		
Provision for share-based compensation	332,222	389,905
Asset retirement obligations	139,065	149,763
Deferred tax liabilities	65,851	150,984
Other	204,989	203,956
Total non-current liabilities	742,130	894,609
Total liabilities	2,930,974	3,353,919

(Thousands of yen)

	As of March 31, 2023	As of March 31, 2024
Net assets		
Shareholders' equity		
Share capital	1,400,228	1,400,228
Capital surplus	1,491,474	1,491,474
Retained earnings	6,459,029	6,864,791
Treasury shares	(503,601)	(503,601)
Total shareholders' equity	8,847,130	9,252,892
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	509,026	646,731
Foreign currency translation adjustment	30,209	43,371
Remeasurements of defined benefit plans	230,182	190,833
Total accumulated other comprehensive income	769,418	880,937
Total net assets	9,616,548	10,133,829
Total liabilities and net assets	12,547,523	13,487,748

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

(Thousands of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	16,325,714	18,021,432
Cost of sales	12,755,607	14,099,242
Gross profit	3,570,107	3,922,190
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	200,880	207,120
Provision for bonuses for directors (and other officers)	8,500	8,000
Salaries and allowances	634,910	666,301
Provision for bonuses	73,664	78,225
Retirement benefit expenses	26,812	7,199
Provision for share-based payments	50,568	57,682
Rent expenses	227,483	295,080
Commission expenses	261,980	335,449
Other	632,813	731,030
Total selling, general and administrative expenses	2,117,612	2,386,089
Operating profit	1,452,495	1,536,100
Non-operating income		
Interest income	3,793	5,606
Dividend income	15,627	20,448
Gain on sale of investment securities	17,873	38,863
Other	16,471	14,475
Total non-operating income	53,766	79,393
Non-operating expenses		
Interest expenses	1,401	1,288
Commission expenses	3,102	3,110
Foreign exchange losses	7,644	11,642
Loss on investments in investment partnerships	6,347	7,484
Share issuance costs	6,813	–
Other	497	1,106
Total non-operating expenses	25,806	24,633
Ordinary profit	1,480,455	1,590,860
Profit before income taxes	1,480,455	1,590,860
Income taxes - current	496,448	485,046
Income taxes - deferred	(5,666)	38,666
Total income taxes	490,782	523,712
Profit	989,672	1,067,147
Profit attributable to owners of parent	989,672	1,067,147

(Consolidated statement of comprehensive income)

(Thousands of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit	989,672	1,067,147
Other comprehensive income		
Valuation difference on available-for-sale securities	138,114	137,705
Foreign currency translation adjustment	8,357	13,162
Remeasurements of defined benefit plans, net of tax	173,501	(39,348)
Total other comprehensive income	319,973	111,518
Comprehensive income	1,309,646	1,178,666
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,309,646	1,178,666

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	768,978	705,435	6,006,514	(759,459)	6,721,467
Changes during period					
Issuance of new shares	631,250	631,250			1,262,500
Dividends of surplus			(537,157)		(537,157)
Gain on disposal of treasury shares		155,382			155,382
Profit attributable to owners of parent			989,672		989,672
Purchase of treasury shares				(42)	(42)
Disposal of treasury shares				255,900	255,900
Change in ownership interest of parent due to transactions with non-controlling interests		(592)			(592)
Net changes in items other than shareholders' equity					—
Total changes during period	631,250	786,039	452,514	255,858	2,125,662
Balance at end of period	1,400,228	1,491,474	6,459,029	(503,601)	8,847,130

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	370,912	21,851	55,932	448,696	44,155	7,214,319
Changes during period						
Issuance of new shares						1,262,500
Dividends of surplus						(537,157)
Gain on disposal of treasury shares						155,382
Profit attributable to owners of parent						989,672
Purchase of treasury shares						(42)
Disposal of treasury shares						255,900
Change in ownership interest of parent due to transactions with non-controlling interests						(592)
Net changes in items other than shareholders' equity	138,114	8,357	174,250	320,721	(44,155)	276,566
Total changes during period	138,114	8,357	174,250	320,721	(44,155)	2,402,228
Balance at end of period	509,026	30,209	230,182	769,418	—	9,616,548

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,400,228	1,491,474	6,459,029	(503,601)	8,847,130
Changes during period					
Issuance of new shares					–
Dividends of surplus			(661,385)		(661,385)
Gain on disposal of treasury shares					–
Profit attributable to owners of parent			1,067,147		1,067,147
Purchase of treasury shares					–
Disposal of treasury shares					–
Change in ownership interest of parent due to transactions with non-controlling interests					–
Net changes in items other than shareholders' equity					–
Total changes during period	–	–	405,761	–	405,761
Balance at end of period	1,400,228	1,491,474	6,864,791	(503,601)	9,252,892

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	509,026	30,209	230,182	769,418	–	9,616,548
Changes during period						
Issuance of new shares						–
Dividends of surplus						(661,385)
Gain on disposal of treasury shares						–
Profit attributable to owners of parent						1,067,147
Purchase of treasury shares						–
Disposal of treasury shares						–
Change in ownership interest of parent due to transactions with non-controlling interests						–
Net changes in items other than shareholders' equity	137,705	13,162	(39,348)	111,518	–	111,518
Total changes during period	137,705	13,162	(39,348)	111,518	–	517,280
Balance at end of period	646,731	43,371	190,833	880,937	–	10,133,829

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	1,480,455	1,590,860
Depreciation	51,113	43,807
Increase (decrease) in provisions	34,260	69,984
Increase (decrease) in assets and liabilities related to retirement benefits	(45,428)	(183,731)
Interest and dividend income	(19,421)	(26,054)
Interest expenses	1,401	1,288
Share issuance costs	6,813	–
Loss (gain) on investments in investment partnerships	6,347	7,484
Loss (gain) on sale of investment securities	(17,873)	(38,863)
Decrease (increase) in trade receivables	(117,258)	(229,371)
Decrease (increase) in inventories	6,080	7,637
Increase (decrease) in trade payables	42,858	24,838
Increase (decrease) in accrued consumption taxes	(51,310)	94,199
Increase (decrease) in accounts payable - other	(71,406)	36,904
Increase (decrease) in accrued expenses	(16,477)	84,052
Increase (decrease) in deposits received	(9,901)	43,081
Other, net	11,709	23,105
Subtotal	1,291,961	1,549,225
Interest and dividends received	21,052	21,545
Interest paid	(1,021)	(1,277)
Income taxes paid	(421,119)	(524,859)
Income taxes refund	1,086	–
Net cash provided by (used in) operating activities	891,958	1,044,633
Cash flows from investing activities		
Proceeds from redemption of securities	100,000	100,000
Purchase of property, plant and equipment	(12,563)	(69,687)
Purchase of investment securities	(457,889)	(251,443)
Proceeds from sale of investment securities	58,259	2,394
Purchase of membership	–	(13,454)
Proceeds from sale of membership	–	10,965
Payments of leasehold and guarantee deposits	(568)	(63,378)
Other, net	8,047	24,758
Net cash provided by (used in) investing activities	(304,715)	(259,846)
Cash flows from financing activities		
Repayments of short-term borrowings	–	(10,000)
Proceeds from issuance of shares	1,255,686	–
Decrease (increase) in treasury shares	383,757	–
Dividends paid	(535,583)	(661,727)
Dividends paid to non-controlling interests	(700)	–
Repayments of lease liabilities	(839)	(279)
Net cash provided by (used in) financing activities	1,102,321	(672,007)
Effect of exchange rate change on cash and cash equivalents	(1,935)	(1,115)
Net increase (decrease) in cash and cash equivalents	1,687,629	111,664
Cash and cash equivalents at beginning of period	5,015,727	6,703,356
Cash and cash equivalents at end of period	6,703,356	6,815,020

(5) Notes to consolidated financial statements**(Notes regarding going concern)**

Not applicable.

(Segment Information, etc.)

Previous Fiscal Year (April 1, 2022 to March 31, 2023) and the Fiscal Year Under Review (April 1, 2023 to March 31, 2024)

The information is omitted, as the Group has no segment other than the System Solution Service Business.

(Information per share)

(Yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net assets per share	634.29	668.41
Earnings per share	70.35	70.39

(Notes) 1. Diluted earnings per share is not presented, because there are no dilutive shares.

2. The bases of the calculated earnings per share are as shown below.

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Earnings per share		
Profit attributable to owners of parent (thousand yen)	989,672	1,067,147
Amount not attributable to common shareholders (thousand yen)	–	–
Profit attributable to owners of parent pertaining to common shares (thousand yen)	989,672	1,067,147
Average number of common shares during the period (thousand shares)	14,067	15,161

(Note) 3. The bases of the calculated net assets per share are as shown below.

	As of March 31, 2023	As of March 31, 2024
Total net assets (thousand yen)	9,616,548	10,133,829
Amount deducted from total net assets (thousand yen)	–	–
[Of which non-controlling interests (thousand yen)]	[–]	[–]
Net assets attributable to common shares at the end of the period (thousand yen)	9,616,548	10,133,829
Number of common shares at the end of the period used in calculation of net assets per share (thousand shares)	15,161	15,161

(Note) 4. The Company's shares held by the BIP trust account (586,100 shares for the previous fiscal year; 586,100 shares for the fiscal year under review) are included in the treasury shares which are deducted from the year-end total number of issued shares when the "net assets per share" is calculated. The Company's shares held by the BIP trust account (592,683 shares for the previous fiscal year; 586,100 shares for the fiscal year under review) are included in the treasury shares that are excluded from the calculation of the average number of shares during the period when the "earnings per share" is calculated.

(Material subsequent events)

Not applicable.

4. Changes in Officers

(i) Changes in Representative Directors

Not applicable.

(ii) Changes in Other Officers

Candidates for Audit & Supervisory Board Member

(Part-time) Outside Audit & Supervisory Board Member Misato Fukushima

Retiring Audit & Supervisory Board Member

(Full-time) Outside Audit & Supervisory Board Member Kunihiko Fukumoto

(iii) Date of appointment and retirement

June 21, 2024