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Consolidated Financial Results for the Nine Months Ended October 31, 2024 [Japanese GAAP]



December 10, 2024

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3921
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 Scheduled date of commencing dividend payments: –
 Preparation of supplementary materials on financial results: Yes
 Schedule of financial results briefing session: No

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Nine Months Ended October 31, 2024 (February 1, 2024–October 31, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
October 31, 2024	5,286	6.6	1,378	27.3	1,456	26.7	983	19.0
October 31, 2023	4,956	11.1	1,083	12.7	1,150	9.3	826	16.8

(Note) Comprehensive income: Nine months ended October 31, 2024: ¥1,024 million [25.5%]
 Nine months ended October 31, 2023: ¥816 million [4.7%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
October 31, 2024	69.70	69.55
October 31, 2023	55.66	55.55

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of October 31, 2024	8,426	5,886	69.8
As of January 31, 2024	8,622	6,339	73.4

(Reference) Equity: As of October 31, 2024: ¥5,878 million
 As of January 31, 2024: ¥6,332 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended January 31, 2024	—	0.00	—	23.00	23.00
Fiscal year ending January 31, 2025	—	14.00	—		
Fiscal year ending January 31, 2025 (Forecast)				17.00	31.00

(Note) Revision to the dividend forecast announced most recently: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending January 31, 2025 (February 1, 2024–January 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
	7,253	9.6	1,884	45.3	1,925	40.0	1,323	93.98

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Significant changes in the scope of consolidation during the period under review: Yes

Newly included: 1 company (NEOPhilippine Tech Inc.), Excluded: – ()

(2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: Yes

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

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of issued and outstanding shares (common shares)

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

October 31, 2024: 14,068,400 shares

January 31, 2024: 14,914,800 shares

2) Total number of treasury shares at the end of the period:

October 31, 2024: 79,222 shares

January 31, 2024: 85,565 shares

3) Average number of shares during the period:

Nine months ended October 31, 2024: 14,114,438 shares

Nine months ended October 31, 2023: 14,849,053 shares

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

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Group and certain premises that the Group deems to be reasonable, and are not guarantees of future performance. Actual results may differ significantly from these forecasts due to a wide range of factors.

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	7
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information ..	7
2. Quarterly Consolidated Financial Statements and Principal Notes	8
(1) Quarterly Consolidated Balance Sheets	8
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	10
(3) Notes to Quarterly Consolidated Financial Statements	12
(Notes on going concern assumption)	12
(Notes in case of significant changes in shareholders' equity)	12
(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)	12
(Segment information, etc.)	12
(Notes to statements of cash flows)	13
(Revenue recognition accounting)	14

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Japanese economy in the nine months ended October 31, 2024 continued on the gradual path to recovery against a backdrop of improving corporate earnings, employment and income. The economy is expected to continue its gradual recovery; however, there are certain factors which require noting, including rising prices, the situation in the Middle East, and trends in financial markets.

The IT industry, to which the Group belongs, continues to witness an increase in software investment, and is expected to continue to see solid investments in IT on the back of corporate earnings improvement and labor shortages, among other factors.

Under such circumstances, regarding desknet's NEO and AppSuite, we improved our mobile apps, releasing desknet's NEO version 8.5, which added 14 new functions and 80 items, including compatibility with Teams, in March 2024, and version 8.6, which added new functions, including mobile support for AppSuite and an app linked to an alcohol checker made by Elecom Co., Ltd., in September 2024. In addition, regarding the business chat tool ChatLuck, we made a wholesale revamp of the mobile app, which became available in April 2024, and released version 6.5, which added new functions, including conversation log archiving and questions for ChatGPT utilizing images, in August 2024. In this way, we are striving to contribute to the enhancement of our customers' operational efficiency by continuing to improve our services. However, in response to recently soaring energy prices, increasing costs of IT infrastructure due to yen depreciation, and the significant increase in the cost of service provision due mainly to the rise in personnel expenses in development and support systems for functional enhancement and quality maintenance, we revised the price of desknet's NEO cloud and introduced set plans from September 2024.

In May 2024, we began operation of a system for evacuation security plans and a system for evacuation drills utilizing our products (desknet's NEO and AppSuite), following the implementation of demonstration experiments of the systems in the "YOKOHAMA Hack!" project, which promotes digital transformation of administrative services by utilizing digital technology from the private sector and has been implemented by the City of Yokohama since the previous fiscal year, as part of "strengthening measures for evacuation security plans to ensure the safety of users of facilities requiring special consideration." In addition, in October 2024, we began the demonstrative operation of a "system for sharing information on casualties with medical institutions in emergency activities" (tentative name), which is also in the "YOKOHAMA Hack!" project. We were ranked No.1 in the groupware and business chat category of Local Government IT System Satisfaction Survey 2024-2025 announced at Nikkei BP Government Technology 2024, Autumn, by Nikkei Business Publications, Inc., in which we scored more than five points above the average for "reliability." We believe that this high level of reliability and the measures described above will enable us to contribute to the digital transformation of local governments and to local disaster prevention and mitigation through the rolling out of systems that use our products and services to local governments nationwide.

In October 2024, our three principal products (desknet's NEO, AppSuite, and ChatLuck) were awarded "LEADER," the highest award, across four categories, in the ITreview Grid Award 2024 Fall, organized by IT product comparison and review website ITreview. Now desknet's NEO has received the award 22 consecutive times since 2019.

Also in June 2024, the Company was certified as a digital transformation (DX)-certified operator based on the DX Certification initiative established by the Ministry of Economy, Trade and Industry. We will continue striving to achieve both economic development and solutions to social issues by supporting our customers' new work styles and digitalization through the making of excellent products.

In addition, we have concluded a sub-license agreement for FanVoice AI, a service offered by a U.S. company FanKave Inc., and started providing the service in Japan in March 2024. This is the first instance where we made locally offered service available for sale in Japan, a feat achieved through the market research activities of our U.S. subsidiary.

Furthermore, in April 2024, we established a subsidiary company in the Philippines, the third ASEAN country in which we now have a subsidiary company. We will strive to expand sales of our products and services

in the Philippines, a country expected to see strong economic growth and to have higher demand by local businesses for solutions to help transition to IT infrastructures.

As a result, for the nine months ended October 31, 2024, the Company posted net sales of ¥5,286,073 thousand (up 6.6% year on year), operating profit of ¥1,378,817 thousand (up 27.3% year on year), ordinary profit of ¥1,456,928 thousand (up 26.7% year on year), and profit attributable to owners of parent of ¥983,744 thousand (up 19.0% year on year).

Operating results for the nine months ended October 31, 2024 by segment are as follows.

(Software business)

The status by business sector is indicated as follows.

Business sector	For the nine months ended October 31, 2023		For the nine months ended October 31, 2024		
	Net sales (Thousand yen)	Percentage breakdown (%)	Net sales (Thousand yen)	Percentage breakdown (%)	Change (%)
Cloud services	2,191,329	63.5	2,437,474	64.9	11.2
Packaged products	1,209,116	35.0	1,257,088	33.5	4.0
Technological development	52,620	1.5	58,500	1.6	11.2
Total	3,453,066	100.0	3,753,062	100.0	8.7

1) Cloud services

Net sales by principal cloud service are as follows.

	For the nine months ended October 31, 2023	For the nine months ended October 31, 2024	Change (Thousand yen)	Change (%)
	Net sales (Thousand yen)	Net sales (Thousand yen)		
desknet's NEO cloud (*1)	1,820,130	2,045,428	225,297	12.4
AppSuite cloud (*1)	128,296	174,206	45,910	35.8
ChatLuck cloud (*1)	54,200	61,090	6,890	12.7
Other monthly recurring revenue	150,869	134,432	(16,436)	(10.9)
Total monthly recurring revenue	2,153,497	2,415,158	261,661	12.2
Other services, etc.	37,832	22,315	(15,517)	(41.0)
Cloud services total	2,191,329	2,437,474	246,144	11.2

(*1) Regarding the set plan introduced from September 1, 2024, the revised price of the previous plan is used to calculate the prorated amount for each service.

Net sales of desknet's NEO cloud for the nine months ended October 31, 2024 increased by ¥225,297 thousand year on year to ¥2,045,428 thousand (up 12.4% year on year), due to an increase in the number of users, and the effect of the price revisions implemented from September 2024. The average number of users of the service remained roughly in line with the previous year, at 84 users per company. The monthly churn rate (*2) is at a low level of 0.38%. Although the monthly churn rate for the two months since the announcement of the price revisions for September 2024 onward has slightly increased to 0.54%, the increase is within our expectations, and we will continue working to keep the rate at a low level. Net sales of AppSuite cloud increased by ¥45,910 thousand year on year, increasing again by over 30% year on year to ¥174,206 thousand (up 35.8% year on year), due to an increase in the number of users and the effect of the price revisions implemented from September 2024. As of October 31, 2024, the number of users of the service accounted for about 14% of the number of desknet's NEO cloud users, increasing by 2.0 percentage points since July 31, 2024. Regarding the set plan for combined use with desknet's NEO cloud, which was introduced in September 2024, the price setting will make it easy to also use AppSuite cloud, and we will continue striving to make the plan more appealing and increase the number of users. Net sales of ChatLuck cloud increased by ¥6,890 thousand year on year to ¥61,090 thousand (up 12.7% year on year). Although this accounts for a small proportion of overall net sales, growth is expected in the field. We will therefore strive to expand the number of ChatLuck users who also use desknet's NEO by continuously working to enhance functions. Other monthly recurring revenue decreased by ¥16,436 thousand year on year to

¥134,432 thousand (down 10.9% year on year), primarily due to the impact of the termination of a service provided by the Company. Net sales of other services, etc. decreased by ¥15,517 thousand year on year to ¥22,315 thousand (down 41.0% year on year). This was primarily due to a reduction in sales of data migration services.

As a result, the overall net sales of cloud services increased by ¥246,144 thousand year on year to ¥2,437,474 thousand (up 11.2% year on year).

- (*2) The churn rate for desknet's NEO cloud users is calculated by averaging the figures of "amount of MRR (*3) decreased during a month caused by cancellation of the service ÷ MRR at the end of the previous month" for the nine months ended October 31, 2024.
- (*3) MRR (Monthly Recurring Revenue) is calculated based on the monthly charge for continuously billed users as of the end of the target month or the total amount of 1/12 of the annual charge.

2) Packaged products

Net sales by principal packaged product are as follows.

	For the nine months ended October 31, 2023	For the nine months ended October 31, 2024	Change (Thousand yen)	Change (%)
	Net sales (Thousand yen)	Net sales (Thousand yen)		
desknet's NEO (*1)	183,658	172,906	(10,752)	(5.9)
AppSuite	101,721	62,395	(39,326)	(38.7)
ChatLuck	38,792	25,980	(12,811)	(33.0)
Other license sales	7,105	8,560	1,454	20.5
Total license sales	331,278	269,842	(61,435)	(18.5)
Support	627,845	697,438	69,593	11.1
Customization	93,308	86,871	(6,436)	(6.9)
Other services, etc.	156,685	202,935	46,250	29.5
Packaged products total	1,209,116	1,257,088	47,971	4.0

- (*1) Following the change to the licensing system in February 2024, desknet's NEO Enterprise license and desknet's NEO Small license, which were reported separately up until the previous period, have been reclassified to desknet's NEO.

Net sales of desknet's NEO license decreased by ¥10,752 thousand year on year to ¥172,906 thousand (down 5.9% year on year), due mainly to a reduction in additional licenses for less than 300 users, although net sales of new large-scale licenses for 5,000 users or more increased.

AppSuite license and ChatLuck license are often purchased simultaneously with desknet's NEO license. However, net sales of AppSuite license decreased by ¥39,326 thousand year on year to ¥62,395 thousand (down 38.7% year on year), due mainly to a decline in the number of large-scale licenses; more specifically, the number of additional licenses for 5,000 users or more decreased by four year on year. Net sales of ChatLuck license decreased by ¥12,811 thousand year on year to ¥25,980 thousand (down 33.0% year on year). As with AppSuite licenses, this was due mainly to a decline in the number of large-sized projects, for example, the number of new licenses for 5,000 users or more decreased by four year on year.

Net sales of customization decreased by ¥6,436 thousand year on year to ¥86,871 thousand (down 6.9% year on year) mainly because of a year-on-year decrease in the number of mid-sized projects. Net sales of support increased by ¥69,593 thousand year on year to ¥697,438 thousand (up 11.1% year on year), mainly because net sales of support for desknet's NEO increased by ¥45,290 thousand year on year to ¥572,435 thousand (up 8.6% year on year). Net sales of other services, etc. increased by ¥46,250 thousand year on year to ¥202,935 thousand (up 29.5% year on year), mainly because sales and services of other companies' ID integrated management systems increased.

As a result, the overall net sales of packaged products increased by ¥47,971 thousand year on year to ¥1,257,088 thousand (up 4.0% year on year).

3) Technological development

Our policy is not to actively accept development contracts. Net sales of technological development increased by ¥5,880 thousand year on year to ¥58,500 thousand (up 11.2% year on year). This was mainly because of the sales associated with ongoing projects from the past.

As a result, the software business posted net sales of ¥3,753,062 thousand (up 8.7% year on year) and segment profit of ¥1,423,985 thousand (up 39.6% year on year).

(System development service business)

The system development service business consists of businesses operated by our subsidiary, Pro-SPIRE Inc., develops engineers based on the cloud integration and system integration know-how it cultivated over the years, and mainly provides system engineering services that meet new customer needs by taking advantage of cutting-edge technologies.

For the nine months ended October 31, 2024, net sales remained roughly in line with the previous fiscal year. Cost of sales increased by ¥24,113 thousand overall, due mainly to an increase in personnel expenses resulting from the increased number of personnel and a raise in salaries. Selling, general and administrative expenses increased by ¥6,852 thousand due to an increase in personnel expenses.

As a result, the system development service business posted net sales of ¥1,523,492 thousand (up 0.4% year on year) and segment profit of ¥45,384 thousand (down 34.7% year on year).

(Overseas business)

The overseas business consists of businesses of four overseas subsidiaries, which include selling desknet's NEO license and providing cloud services to local companies. Further, NEOPhilippine Tech Inc., which was newly established in the Philippines in April 2024, began operations on April 23, 2024.

The main products sold in the ASEAN region are desknet's NEO and AppSuite. In Malaysia and Thailand, we are making efforts such as training our sales staff to enhance their sales capabilities, raising awareness of our products and services on a local level by opening booths at exhibitions, and developing new local sales agents. With regard to our ASEAN subsidiaries (Malaysia and Thailand), we continue to focus our efforts on marketing activities for a steady accumulation of recurring sales. In the U.S., we continue to be engaged in contract development of new services, which were transferred from our U.S. subsidiary to the Company and are currently under development.

For the nine months ended October 31, 2024, there were increases mainly in recruiting and personnel expenses due to the establishment of a development system at our U.S. subsidiary and in start-up costs at the Philippines subsidiary, although our three ASEAN subsidiaries saw an increase in net sales.

As a result, the overseas business posted net sales of ¥89,190 thousand (up 9.1% year on year) and segment loss of ¥91,817 thousand (segment loss of ¥9,008 thousand for the same period of the previous fiscal year).

(2) Explanation of Financial Position

(Assets)

Total assets as of October 31, 2024 decreased by ¥196,753 thousand from the end of the previous fiscal year to ¥8,426,201 thousand. This was mainly due to decreases of ¥634,299 thousand in cash and deposits resulting mainly from the purchase of treasury shares in March 2024, a year-end dividend paid for the fiscal year ended January 31, 2024 and an interim dividend paid for the fiscal year ending January 31, 2025, and income taxes paid, and of ¥362,381 thousand in other under current assets resulting mainly from a decrease in accounts receivable - other associated with the sale of investment securities, while accounts receivable - trade, and contract assets increased by ¥202,637 thousand and securities and investment securities increased by ¥557,474 thousand resulting primarily from the purchase of new bonds (corporate bonds).

(Liabilities)

Total liabilities as of October 31, 2024 increased by ¥256,963 thousand from the end of the previous fiscal year to ¥2,540,097 thousand. This was mainly due to an increase of ¥49,737 thousand in accrued consumption taxes included in other under current liabilities, in addition to an increase of ¥214,713 thousand in contract liabilities for cloud services, support services, etc. mainly associated with an increase in the number of users.

(Net assets)

Total net assets as of October 31, 2024 decreased by ¥453,716 thousand from the end of the previous fiscal year to ¥5,886,104 thousand. This was mainly due to a recording of ¥983,744 thousand in profit attributable to owners of parent, while retained earnings decreased by ¥437,361 thousand in total as a result of the payment of a dividend of surplus of ¥536,921 thousand and a decrease of ¥884,184 thousand in retained earnings due to cancellation of treasury shares.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

Based on the financial results for the nine months through October 31, 2024, the Company has revised the full-year consolidated financial results forecast announced in “Consolidated Financial Results for the Fiscal Year Ended January 31, 2024 [Japanese GAAP]” dated March 13, 2024. For details, please refer to “Notice of Changes to the Consolidated Financial Results Forecast and Year-End Dividend Forecast (Increase)” announced today.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of January 31, 2024	As of October 31, 2024
Assets		
Current assets		
Cash and deposits	5,209,119	4,574,820
Accounts receivable - trade, and contract assets	708,131	910,768
Securities	195,198	144,635
Supplies	2,644	4,355
Other	481,472	119,090
Allowance for doubtful accounts	(1,508)	(1,609)
Total current assets	6,595,058	5,752,061
Non-current assets		
Property, plant and equipment	48,076	43,118
Intangible assets		
Goodwill	78,377	68,003
Other	302,344	328,935
Total intangible assets	380,722	396,938
Investments and other assets		
Investment securities	1,027,093	1,635,131
Other	572,323	599,500
Allowance for doubtful accounts	(319)	(549)
Total investments and other assets	1,599,097	2,234,082
Total non-current assets	2,027,896	2,674,139
Total assets	8,622,954	8,426,201

(Thousand yen)

	As of January 31, 2024	As of October 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	156,793	160,749
Income taxes payable	248,057	237,545
Contract liabilities	1,033,370	1,248,083
Provision for bonuses	105,341	101,314
Other	340,892	389,192
Total current liabilities	1,884,455	2,136,885
Non-current liabilities		
Retirement benefit liability	371,099	375,663
Other	27,579	27,548
Total non-current liabilities	398,678	403,211
Total liabilities	2,283,133	2,540,097
Net assets		
Shareholders' equity		
Share capital	297,161	297,455
Capital surplus	334,566	287,455
Retained earnings	5,706,096	5,268,735
Treasury shares	(77,482)	(87,561)
Total shareholders' equity	6,260,342	5,766,084
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	53,282	102,271
Foreign currency translation adjustment	18,913	10,465
Total accumulated other comprehensive income	72,195	112,737
Non-controlling interests	7,282	7,282
Total net assets	6,339,821	5,886,104
Total liabilities and net assets	8,622,954	8,426,201

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income

(Thousand yen)

	For the nine months ended October 31, 2023	For the nine months ended October 31, 2024
Net sales	4,956,605	5,286,073
Cost of sales	2,225,246	2,345,367
Gross profit	2,731,358	2,940,706
Selling, general and administrative expenses	1,648,329	1,561,888
Operating profit	1,083,029	1,378,817
Non-operating income		
Interest income	30,730	51,623
Gain on sale of securities	28,353	3,904
Foreign exchange gains	9,162	15,809
Other	6,175	9,437
Total non-operating income	74,421	80,776
Non-operating expenses		
Interest expenses	34	26
Loss on investments in investment partnerships	7,129	–
Organization expenses	–	2,524
Other	20	113
Total non-operating expenses	7,184	2,664
Ordinary profit	1,150,267	1,456,928
Extraordinary income		
Gain on sale of non-current assets	4,375	–
Gain on sale of investment securities	7,307	–
Gain on redemption of investment securities	38,463	–
Total extraordinary income	50,146	–
Profit before income taxes	1,200,413	1,456,928
Income taxes	375,986	473,183
Profit	824,427	983,744
Loss attributable to non-controlling interests	(2,115)	–
Profit attributable to owners of parent	826,542	983,744

Quarterly Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the nine months ended October 31, 2023	For the nine months ended October 31, 2024
Profit	824,427	983,744
Other comprehensive income		
Valuation difference on available-for-sale securities	(13,297)	48,989
Foreign currency translation adjustment	5,309	(8,448)
Total other comprehensive income	(7,988)	40,541
Comprehensive income	816,438	1,024,286
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	818,529	1,024,286
Comprehensive income attributable to non-controlling interests	(2,091)	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

On March 14, 2024, the Company purchased 850,000 treasury shares based on a resolution of the Board of Directors meeting held on March 13, 2024. In addition, on July 31, 2024, the Company cancelled 850,000 treasury shares based on a resolution of the Board of Directors meeting held on May 30, 2024. Due to this cancellation, the balance of other capital surplus became negative, and therefore, is treated as zero and the negative balance is deducted from retained earnings.

As a result, other capital surplus, retained earnings brought forward, and treasury shares decreased by ¥49,965 thousand, ¥884,184 thousand, and ¥934,150 thousand, respectively, during the nine months ended October 31, 2024, resulting in ¥287,455 thousand in capital surplus, ¥5,268,735 thousand in retained earnings brought forward, and ¥87,561 thousand in treasury shares as of October 31, 2024.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate after the application of tax effect accounting for profit before income taxes in the fiscal year that includes the third quarter of the fiscal year under review, and multiplying profit before income taxes by the estimated effective tax rate.

(Segment information, etc.)

[Segment information]

I. For the nine months ended October 31, 2023

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

(Thousand yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in quarterly consolidated statements of income (Note 2)
	Software business	System development service business	Overseas business	Total		
Net sales						
Net sales to outside customers	3,449,851	1,489,790	16,964	4,956,605	—	4,956,605
Intersegment net sales or transfers	3,215	26,893	64,811	94,921	(94,921)	—
Total	3,453,066	1,516,684	81,775	5,051,526	(94,921)	4,956,605
Segment profit (loss)	1,020,370	69,542	(9,008)	1,080,904	2,125	1,083,029

(Notes) 1. The segment profit (loss) adjustment of ¥2,125 thousand represents the elimination of intersegment transactions.

2. Segment profit (loss) was adjusted based on operating profit reported on the quarterly consolidated statements of income.

II. For the nine months ended October 31, 2024

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

(Thousand yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in quarterly consolidated statements of income (Note 2)
	Software business	System development service business	Overseas business	Total		
Net sales						
Net sales to outside customers	3,748,741	1,512,992	24,339	5,286,073	—	5,286,073
Intersegment net sales or transfers	4,321	10,500	64,851	79,672	(79,672)	—
Total	3,753,062	1,523,492	89,190	5,365,745	(79,672)	5,286,073
Segment profit (loss)	1,423,985	45,384	(91,817)	1,377,552	1,264	1,378,817

(Notes) 1. The segment profit (loss) adjustment of ¥1,264 thousand represents the elimination of intersegment transactions.

2. Segment profit (loss) was adjusted based on operating profit reported on the quarterly consolidated statements of income.

(Notes to statements of cash flows)

Quarterly consolidated statements of cash flows have not been prepared for the nine months ended October 31, 2024. Depreciation (including depreciation related to intangible assets excluding goodwill) for the nine months ended October 31, 2024, are as follows.

(Thousand yen)

	Nine months ended October 31, 2023	Nine months ended October 31, 2024
Depreciation	174,596	203,005
Amortization of goodwill	10,373	10,373

(Revenue recognition accounting)

Disaggregation of revenue from contracts with customers

For the nine months ended October 31, 2023

(Thousand yen)

	Reportable segment			Total
	Software business	System development service business	Overseas business	
Recurring revenue (Note 1)	2,786,650	1,320,781	6,149	4,113,581
One-time revenue (Note 2)	663,200	169,009	10,814	843,023
Revenue from contracts with customers	3,449,851	1,489,790	16,964	4,956,605
Net sales to outside customers	3,449,851	1,489,790	16,964	4,956,605

(Notes) 1. Main contents of recurring revenue are as follows.

Segment	Main contents	When to recognize revenue
Software business and overseas business	Revenue from usage fees for cloud services provided, packaged software support fees, ASP license fees, etc.	Over a certain period of time
System development service business	Revenue from quasi-entrustment contracts and dispatching contracts (including contracts covering 12 months or longer through the renewal of contracts) under which sales are recognized for the same customer for consecutive 12 months or longer immediately before the last day of each accounting period	Over a certain period of time

2. Main contents of one-time revenue are as follows.

Segment	Main contents	When to recognize revenue
Software business and overseas business	Revenue from packaged products license fees	At a point in time
	Revenue from service contracts such as product customization and services including product installation, data migration and education	Over a certain period of time
System development service business	Revenue from quasi-entrustment contracts and dispatching contracts and service contracts, which does not fall under the category of recurring revenue	Over a certain period of time

For the nine months ended October 31, 2024

(Thousand yen)

	Reportable segment			Total
	Software business	System development service business	Overseas business	
Recurring revenue (Note 1)	3,112,989	1,478,826	17,265	4,609,081
One-time revenue (Note 2)	635,752	34,166	7,074	676,992
Revenue from contracts with customers	3,748,741	1,512,992	24,339	5,286,073
Net sales to outside customers	3,748,741	1,512,992	24,339	5,286,073

(Notes) 1. Main contents of recurring revenue are as follows.

Segment	Main contents	When to recognize revenue
Software business and overseas business	Revenue from usage fees for cloud services provided, packaged software support fees, ASP license fees, etc.	Over a certain period of time
System development service business	Revenue from quasi-entrustment contracts and dispatching contracts (including contracts covering 12 months or longer through the renewal of contracts) under which sales are recognized for the same customer for consecutive 12 months or longer immediately before the last day of each accounting period	Over a certain period of time

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Software business and overseas business	Revenue from packaged products license fees	At a point in time
	Revenue from service contracts such as product customization and services including product installation, data migration and education	Over a certain period of time
System development service business	Revenue from quasi-entrustment contracts and dispatching contracts and service contracts, which does not fall under the category of recurring revenue	Over a certain period of time