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October 26, 2023

Consolidated Financial Results for the Six Months Ended September 30, 2023 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 2317
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 Scheduled date to file quarterly securities report: November 7, 2023
 Scheduled date to commence dividend payments: December 5, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

(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	%
Six months ended								
September 30, 2023	37,521	4.8	4,368	(1.5)	4,334	(3.6)	2,976	(3.5)
September 30, 2022	35,805	16.0	4,435	14.9	4,497	20.3	3,084	22.5

Note: Comprehensive income For the six months ended September 30, 2023: ¥3,144 million [(1.9)%]
 For the six months ended September 30, 2022: ¥3,204 million [27.5%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	7.68	-
September 30, 2022	7.96	-

(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
September 30, 2023	50,360	36,239	71.0	92.30
March 31, 2023	48,879	34,650	69.9	88.19

Reference: Equity
 As of September 30, 2023: ¥35,759 million
 As of March 31, 2023: ¥34,168 million

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, 2023	–	4.00	–	4.00	8.00
Fiscal year ending March 31, 2024	–	5.00			
Fiscal year ending March 31, 2024 (Forecast)			–	5.00	10.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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, 2024	80,386	7.9	10,610	7.8	10,644	6.9	7,233	(1.1)	18.67

Note: Revisions to the earnings forecasts most recently announced: None

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): 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: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None
- (4) Number of issued shares (common shares)

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

As of September 30, 2023	450,880,000 shares
As of March 31, 2023	450,880,000 shares

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

As of September 30, 2023	63,439,188 shares
As of March 31, 2023	63,439,188 shares

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

Six months ended September 30, 2023	387,440,812 shares
Six months ended September 30, 2022	387,404,850 shares

Note: The Company has introduced a stock compensation plan, and in calculating the number of treasury shares of common shares at the end of the period and the average number of shares outstanding during the period, the number of treasury shares includes shares of the Company held by Japan Custody Bank, Ltd. (the Trust Account) as trust assets for the “Trust for Granting Shares to Directors” and the “Trust for Granting Shares to Executive Officers.” The number of treasury shares held by the Trust Account included in the number of treasury shares at the end of the period ended September 30, 2023 and March 31, 2023 were 1,567,700 shares, and the number of treasury shares held by the Trust Account excluded from the calculation of the average number of shares outstanding during the six months ended September 30, 2023 and six months ended September 30, 2022 is as follows: the average number of treasury shares of common shares held by the Trust Account for the six months ended September 30, 2023 and six months ended September 30, 2022 were 1,567,700 shares and 1,603,662 shares, respectively.

* Quarterly financial results reports are exempt from quarterly review by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Forward-looking statements in this material, including earnings forecasts, are based on information currently available to the Company and on certain assumptions deemed reasonable. Actual results may differ significantly due to various factors. For assumptions underlying the forecast and cautions regarding the use of earnings forecasts, please refer to “1. Qualitative information on quarterly financial results, (3) Forward-looking forecasts, such as consolidated earnings forecasts” on page 5 of the Attached Materials.

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1. Qualitative information on quarterly financial results

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) Operating results for the period under review

During the first half of the fiscal year under review (April 1, 2023 to September 30, 2023), the Japanese economy was on a gradual recovery trend, particularly individual consumption, as economic and social conditions returned to normal following the COVID-19 pandemic. However, central banks in various countries are continuing with monetary tightening to combat global inflation caused by surging resource and raw materials prices, and the downturn in the overseas economy has been a downward risk on the economy in Japan.

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

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

In the Solution Design Business, the Group continued to focus on expansion in the in-vehicle, Internet business, products, and DX fields, where significant growth is expected. Here, the Group worked to increase orders 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 distribution/services sectors, and worked to increase orders in the business application development and infrastructure (cloud) architecture operations.

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

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

In the Cloud Business, which is responsible for promoting the subscription business 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 half of the fiscal year under review were net sales of ¥37,521 million (up 4.8% year on year). However, the impact of unprofitable projects in the Solution Design Business could not be absorbed by other businesses, which resulted in operating profit of ¥4,368 million (down 1.5% year on year), ordinary profit of ¥4,334 million (down 3.6% year on year), and profit attributable to owners of parent of ¥2,976 million (down 3.5% year on year).

(*) Canbus. and Cloudstep are Systema’s original services.

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

(i) Solution Design Business

The Solution Design Business is divided into five categories: in-vehicle, social infrastructure, internet business, products, and DX services. In this business, while the Group was working to win orders from clients with robust development motivation, development projects concluded for some of our clients, and the focus has been on launching new projects.

Given these conditions, although unprofitable projects from the first quarter were nearing conclusion in the second quarter, with the opportunity cost impacts and lost sales opportunities as resources were allocated in response to those projects, as well as delays in assigning staff, net sales in this segment were ¥10,453 million (down 3.8% year on year), and operating profit was ¥944 million (down 44.6% year on year).

In this business, we will work to rebuild through proactive sales and other measures in the second half of the fiscal year and beyond, as unprofitable projects are brought to a conclusion.

(In-Vehicle)

In the in-vehicle category, the importance of mobility software is increasing in the automobile industry, and there is robust development demand for in-vehicle infotainment, integrated cockpit systems and electric vehicles. Using the Group’s technical capabilities in software development cultivated in the

mobile field, we are strengthening our development system to meet the demand of Japanese finished vehicle manufacturers and Tier-1 suppliers. New project launches are progressing, and going forward we will focus on expanding mobility development orders received for next-generation applications.

(Social Infrastructure)

In the social infrastructure category, which supports the mechanisms of society, including telecommunications infrastructure, payment infrastructure, transportation infrastructure, power grids, and more, and enriches people's lives, the Group used our experiences in embedded systems and web design developed in the in-vehicle and products categories to increase orders received related to power grids and aerospace. While continuing to focus on projects related to power grids and aerospace, the Group will also promote expansion into local governments and the public sector.

(Internet Business)

In fields related to the Internet business category, such as Internet services and e-commerce, large-scale development projects using 5G in the Internet services field concluded, and demand is also settling. Meanwhile, the Group is receiving inquiries from companies looking to strengthen their services further and is focusing on strengthening total solutions that can provide everything from planning, to development and evaluation, to IT consulting and services. Moreover, while there were unprofitable projects in this category, they were nearing conclusion in the first half of the fiscal year under review.

(Products)

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

(DX Services)

In the DX service field, the Group has received an increasing number of orders for system development with superior flexibility and expandability such as the optimization of work processes and data use and operational streamlining through AI and automation as demand increases for undertaking DX (the concept of improving all aspects of life and business through permeation of information technologies). In addition, the Group will continue to actively promote the development of its in-house services, such as Remo-oTe, which utilizes the Group's business experience and total solution strengths cultivated in various fields, TimeTapps, a cloud attendance management system, and Palette.Link, a groupware that enhances the quality of relationships, as they have been receiving many inquiries.

(ii) Framework Design Business

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

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

In the public sector, orders were received for new projects, primarily related to central government ministries and agencies, and the respective business areas of system development, infrastructure construction, and operation and maintenance remain firm. In the second quarter, orders received for projects for local governments made progress, and the Group intends to further expand this area as one of the pillars of this business.

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

As a result, net sales in this business amounted to ¥3,314 million (up 12.8% year on year) and operating profit was ¥806 million (up 39.3% year on year).

(iii) IT Service Business

In this business, which mainly operates a variety of IT-related outsourcing services, including system operation and maintenance, helpdesk and user support services, and PMO, to respond to IT outsourcing demand from companies that are creating new business models and working on work style reform, the Group focused on provision of PMO services for implementing a variety of tools including cloud solutions and improving business processes.

In the software testing services business, the Group worked to increase orders and improve profitability based on its service track record provided in each process, from software testing consulting to debugging, not only for customers who provide consumers with web apps and mobile games but also customers who provide business systems to companies.

Regarding promoting engagement of persons with disabilities, the Group moved forward with placing the right person in the right position to take advantage of their strengths by focusing on building a system and environment that allows them to experience growth.

As a result, net sales in this business amounted to ¥8,949 million (up 2.2% year on year) and operating profit was ¥1,367 million (up 11.0% year on year).

(iv) 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 high prices of resources and commodities. Even so, the number of projects related to the use of DX to increase productivity, reduce costs, and increase competitiveness is gradually trending upward.

Specifically, the Group was able to win a number of orders in the system integration business for various services including lift and shift, which is a type of the method of cloud migration, and server relocations.

Furthermore, the Group is now gradually becoming able to ship the servers and network products whose shipment had been delayed due to semiconductor shortages, and progress has been made in recording sales of services projects.

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 released last period, increasing the number of orders received.

As a result, net sales in this business amounted to ¥13,637 million (up 11.4% year on year) and operating profit was ¥1,026 million (up 41.8% year on year).

(v) Cloud Business

In this business, where the Group provides original services and cloud services to companies and other entities, and which is responsible for promoting the subscription business model, the Group received many inquiries regarding its Canbus. no-code DX platform from companies promoting DX. Moreover, the Group began providing not only Canbus. for system overhauls, but also the "DX Design Lab" that can be used in spot applications from project consulting to management in PMO and BPO in promoting DX. By facilitating total solutions aimed at DX in addition to systematizing in Canbus., the Group received many inquiries. We have received many inquiries for generative AI in particular, and will continue to proactively promote investment and sales reinforcement.

In addition, inquiries for the Cloudstep groupware, integrated with Google Workspace and Microsoft 365, have been increasing for rebuilding groupware architecture suited to post-COVID-19 office environments. At the same time, system integration, an area of strength for the Group, differentiates the Group from its competitors and results in orders.

As a result, net sales in this business amounted to ¥1,192 million (up 10.5% year on year) and operating profit was ¥222 million (down 2.1% year on year).

(vi) Overseas Business

In the U.S., against the backdrop of continuing rising interest rates and inflation having fallen from its peak but still remaining at high levels, the corporate environment remains difficult for all but the largest technology companies where large layoffs have abated. Under such circumstances, despite experiencing a temporary decline in system testing work for some manufacturing companies, our U.S. subsidiary is performing well due to strong orders from Japanese-affiliated firms located in Silicon Valley for proof-of-concept (PoC) development and verification services to verify the effectiveness of elemental technologies owned by start-up companies, in addition to steady growth of new orders for system development and verification services from other manufacturing companies.

In addition, ONE Tech, Inc., a U.S. company the subsidiary has invested in, is focusing on sales of its proprietary “MicroAI™” mainly to the manufacturing industry.

StrongKey, Inc., another U.S.-based company the subsidiary has invested in, has progressed security services based on FIDO authentication to adoption by and delivery to a major U.S. telecommunications carrier, and also continues to receive inquiries from smart home IoT device and other related companies in relation to the Public Key Infrastructure (PKI) service (public key infrastructure) supporting the new smart home communication standard “Matter.”

As a result, net sales in this business amounted to ¥68 million (down 2.4% year on year) and the operating loss was ¥10 million (versus operating loss of ¥12 million in the same period of the previous fiscal year).

(vii) Investment & Incubation Business

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 half of the fiscal year under review, we released functionality expanding the depth of the in-game cycle by scrutinizing and optimizing each KPI, including advertising, in the smartphone game “Keiba Densetsu PRIDE.” In contracted game development, we have expanded the scope of responsibilities for projects in progress to include PMO support, and focused on manpower management as well as negotiation with other teams. In addition, contracted development from existing customers in the non-gaming field remained steady.

As a result, net sales in this business amounted to ¥94 million (down 47.0% year on year) and the operating profit ¥12 million (versus operating loss of ¥19 million in the same period of the previous fiscal year).

(2) Financial position

(Assets)

Total assets at the end of the second quarter of the fiscal year under review amounted to ¥50,360 million (versus ¥48,879 million at the end of the previous fiscal year), an increase of ¥1,481 million from the end of the previous fiscal year. Current assets amounted to ¥43,857 million (versus ¥42,275 million at the end of the previous fiscal year), an increase of ¥1,582 million from the end of the previous fiscal year. This was mainly due to a ¥2,292 increase in cash and deposits and a ¥1,037 million decline in notes and accounts receivable - trade, and contract assets. Non-current assets amounted to ¥6,502 million (versus ¥6,603 million at the end of the previous fiscal year), a decrease of ¥101 million from the end of the previous fiscal year. Property, plant and equipment amounted to ¥1,499 million (versus ¥1,622 million at the end of the previous fiscal year), a decrease of ¥122 million from the end of the previous fiscal year. Intangible assets amounted to ¥284 million (versus ¥317 million at the end of the previous fiscal year), a decrease of ¥32 million from the end of the previous fiscal year. Investments and other assets amounted to ¥4,718 million (versus ¥4,663 million at the end of the previous fiscal year), an increase of ¥54 million from the end of the previous fiscal year.

(Liabilities)

Total liabilities amounted to ¥14,121 million (versus ¥14,228 million at the end of the previous fiscal year), a decline of ¥107 million from the end of the previous fiscal year. This was mainly due to a ¥314 million decrease in accounts payable - trade and a ¥197 million increase in accounts payable - other, and accrued expenses.

(Net assets)

Net assets amounted to ¥36,239 million (versus ¥34,650 million at the end of the previous fiscal year), an increase of ¥1,588 million from the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent of ¥2,976 million and dividends of surplus of ¥1,556 million. As a result, the equity-to-asset ratio increased 1.1 percentage points from the end of the previous fiscal year to 71.0%.

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

There have been no changes to the earnings forecasts for the full-fiscal year ending March 31, 2024 released on May 11, 2023.

If there are revisions in the future, notification will be promptly made.

2. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	25,033	27,325
Notes and accounts receivable - trade, and contract assets	14,999	13,962
Merchandise	1,501	1,685
Work in process	–	7
Other	743	879
Allowance for doubtful accounts	(2)	(1)
Total current assets	42,275	43,857
Non-current assets		
Property, plant and equipment		
Buildings, net	743	708
Tools, furniture and fixtures, net	745	663
Land	97	97
Other, net	35	29
Total property, plant and equipment	1,622	1,499
Intangible assets		
Software	310	266
Software in progress	4	14
Other	3	3
Total intangible assets	317	284
Investments and other assets		
Investment securities	2,136	2,167
Long-term loans receivable from subsidiaries and associates	538	549
Leasehold and guarantee deposits	1,588	1,576
Deferred tax assets	905	833
Other	33	140
Allowance for doubtful accounts	(538)	(550)
Total investments and other assets	4,663	4,718
Total non-current assets	6,603	6,502
Total assets	48,879	50,360

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	6,096	5,781
Short-term borrowings	1,550	1,550
Accounts payable - other, and accrued expenses	2,459	2,656
Income taxes payable	1,524	1,501
Provision for bonuses	1,460	1,457
Other	997	1,019
Total current liabilities	14,088	13,966
Non-current liabilities		
Provision for share-based payments	114	129
Other	26	25
Total non-current liabilities	140	154
Total liabilities	14,228	14,121
Net assets		
Shareholders' equity		
Share capital	1,513	1,513
Capital surplus	6,023	6,023
Retained earnings	31,709	33,129
Treasury shares	(5,022)	(5,022)
Total shareholders' equity	34,223	35,644
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(91)	(1)
Foreign currency translation adjustment	36	117
Total accumulated other comprehensive income	(54)	115
Non-controlling interests	481	479
Total net assets	34,650	36,239
Total liabilities and net assets	48,879	50,360

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

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	35,805	37,521
Cost of sales	27,013	28,776
Gross profit	8,792	8,745
Selling, general and administrative expenses	4,357	4,377
Operating profit	4,435	4,368
Non-operating income		
Interest income	10	15
Dividend income	2	2
Gain on sale of investment securities	15	–
Share of profit of entities accounted for using equity method	13	15
Subsidy income	13	21
Other	28	14
Total non-operating income	84	69
Non-operating expenses		
Interest expenses	3	3
Loss on sale of investment securities	–	82
Loss on investments in investment partnerships	15	14
Other	2	3
Total non-operating expenses	21	103
Ordinary profit	4,497	4,334
Profit before income taxes	4,497	4,334
Income taxes - current	1,394	1,327
Income taxes - deferred	14	32
Total income taxes	1,408	1,359
Profit	3,088	2,974
Profit (loss) attributable to non-controlling interests	4	(1)
Profit attributable to owners of parent	3,084	2,976

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	3,088	2,974
Other comprehensive income		
Valuation difference on available-for-sale securities	4	90
Foreign currency translation adjustment	145	103
Share of other comprehensive income of entities accounted for using equity method	(33)	(23)
Total other comprehensive income	116	170
Comprehensive income	3,204	3,144
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,200	3,146
Comprehensive income attributable to non-controlling interests	4	(1)

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	4,497	4,334
Depreciation	204	262
Share of loss (profit) of entities accounted for using equity method	(13)	(15)
Increase (decrease) in allowance for doubtful accounts	(9)	(0)
Increase (decrease) in provision for bonuses	(42)	(3)
Increase (decrease) in provision for share-based payments	6	14
Interest and dividend income	(12)	(17)
Interest expenses	3	3
Loss (gain) on sale of investment securities	(15)	82
Loss (gain) on investments in investment partnerships	15	14
Decrease (increase) in trade receivables	1,252	1,041
Decrease (increase) in inventories	10	(191)
Decrease (increase) in accounts receivable - other	(13)	5
Increase (decrease) in trade payables	(764)	(314)
Increase (decrease) in accounts payable - other, and accrued expenses	291	295
Increase (decrease) in accrued consumption taxes	(172)	(134)
Increase (decrease) in advances received	8	(5)
Other, net	(81)	(59)
Subtotal	5,164	5,313
Interest and dividends received	12	17
Interest paid	(3)	(3)
Income taxes paid	(1,362)	(1,350)
Net cash provided by (used in) operating activities	3,811	3,976
Cash flows from investing activities		
Net decrease (increase) in time deposits	(348)	(0)
Proceeds from withdrawal of time deposits	–	23
Purchase of property, plant and equipment and intangible assets	(803)	(232)
Proceeds from sale of property, plant and equipment and intangible assets	25	2
Purchase of investment securities	(11,178)	(8,705)
Proceeds from sale of investment securities	11,221	8,584
Proceeds from distributions from investment partnerships	9	27
Payments of leasehold and guarantee deposits	(20)	(11)
Proceeds from refund of leasehold and guarantee deposits	3	23
Other payments	(0)	(0)
Other proceeds	–	1
Net cash provided by (used in) investing activities	(1,092)	(286)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from financing activities		
Proceeds from share issuance to non-controlling shareholders	40	–
Purchase of treasury shares of subsidiaries	(5)	–
Proceeds from sale of treasury shares	15	–
Dividends paid	(1,360)	(1,562)
Net cash provided by (used in) financing activities	(1,311)	(1,562)
Effect of exchange rate change on cash and cash equivalents	60	18
Net increase (decrease) in cash and cash equivalents	1,467	2,145
Cash and cash equivalents at beginning of period	21,964	24,792
Cash and cash equivalents at end of period	23,432	26,938

(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.

(Segment information, etc.)

Segment information

I Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

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

(Millions of yen)

	Solution Design Business	Framework Design Business	IT Service Business	Business Solution Business	Cloud Business	Overseas Business	Investment & Incubation Business	Adjustment	Amount on quarterly consolidated statement of income (see Notes)
Net sales									
Net sales to external customers	10,835	2,937	8,530	12,225	1,076	38	162	–	35,805
Inter-segment net sales and transfers	34	–	224	13	2	32	15	(323)	–
Total	10,870	2,937	8,755	12,238	1,079	70	177	(323)	35,805
Segment profit (loss)	1,705	578	1,232	723	226	(12)	(19)	–	4,435

(Note) Segment profit (loss) 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 Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

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

(Millions of yen)

	Solution Design Business	Framework Design Business	IT Service Business	Business Solution Business	Cloud Business	Overseas Business	Investment & Incubation Business	Adjustment	Amount on quarterly consolidated statement of income (see Notes)
Net sales									
Net sales to external customers	10,441	3,314	8,838	13,625	1,186	32	82	–	37,521
Inter-segment net sales and transfers	11	–	111	11	6	35	12	(189)	–
Total	10,453	3,314	8,949	13,637	1,192	68	94	(189)	37,521
Segment profit (loss)	944	806	1,367	1,026	222	(10)	12	–	4,368

(Note) Segment profit (loss) 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.

3. Supplementary information

Production, orders, and sales results

(1) Production results

Production results per business segment for the six months ended September 30, 2023 are as follows.

Business segment	Production (Millions of yen)	Year-on-year change (%)
Solution Design Business	7,639	105.0
Framework Design Business	2,245	108.4
IT Service Business	6,226	99.9
Business Solution Business	748	121.7
Total	16,859	104.1

(Notes) 1. Within the Group, only segments that involve made-to-order activities are shown due to the nature of services.

2. The above amounts are stated at production cost.

(2) Order results

Order results per segment for the six months ended September 30, 2023 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	10,601	95.0	8,008	104.0
Framework Design Business	3,348	100.6	3,147	110.7
IT Service Business	8,947	103.6	6,634	109.0
Business Solution Business	1,014	134.9	563	115.8
Total	23,910	100.2	18,353	107.2

(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 six months ended September 30, 2023 are as follows.

Business segment	Net sales (Millions of yen)	Year-on-year change (%)
Solution Design Business	10,441	96.4
Framework Design Business	3,314	112.8
IT Service Business	8,838	103.6
Business Solution Business	13,625	111.5
Cloud Business	1,186	110.2
Overseas Business	32	86.4
Investment & Incubation Business	82	50.5
Total	37,521	104.8

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