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October 31, 2024

Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 2317
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 Scheduled date to file semi-annual securities report: November 12, 2024
 Scheduled date to commence dividend payments: December 3, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

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

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

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2024	40,092	6.9	5,573	27.6	5,410	24.8	3,726	25.2
September 30, 2023	37,521	4.8	4,368	(1.5)	4,334	(3.6)	2,976	(3.5)

Note: Comprehensive income For the six months ended September 30, 2024: ¥3,658 million [16.3%]
 For the six months ended September 30, 2023: ¥3,144 million [(1.9)%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended				
September 30, 2024	9.95		-	
September 30, 2023	7.68		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
September 30, 2024	45,324	30,720	66.7	84.41
March 31, 2024	54,038	38,601	70.5	98.34

Reference: Equity
 As of September 30, 2024: ¥30,237 million
 As of March 31, 2024: ¥38,099 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Six months ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
September 30, 2024	3,457	(305)	(11,541)	21,681
September 30, 2023	3,976	(286)	(1,562)	26,938

2. Cash dividends

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

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

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2025	85,000	10.5	11,000	13.3	11,000	10.6	7,700	6.5	21.04
	to 90,000	to 17.0	to 12,000	to 23.6	to 12,000	to 20.7	to 8,400	to 16.2	to 22.95

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

1. The Group has a policy of conducting short-term aggressive investment, which presents numerous elements of uncertainty that make it difficult to calculate forecast figures to any reasonable extent. Accordingly, for the consolidated earnings forecasts for the fiscal year ending March 31, 2025, the forecast figures are presented as ranges.
2. For the consolidated earnings forecasts for the fiscal year ending March 31, 2025, please refer to the “Notice Concerning Revisions to Earnings Forecasts” announced today (October 31, 2024).

* **Notes**

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

Note: For details, please refer to “2. Semi-annual consolidated financial statements, (4) Notes to the semi-annual consolidated financial statements (Notes on changes in accounting policies)” on page 12 of the Attached Materials.

(4) Number of issued shares (common shares)

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

As of September 30, 2024	425,880,000 shares
As of March 31, 2024	450,880,000 shares

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

As of September 30, 2024	67,651,955 shares
As of March 31, 2024	63,439,188 shares

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

Six months ended September 30, 2024	374,578,247 shares
Six months ended September 30, 2023	387,440,812 shares

- Notes: 1 The total number of issued shares decreased by 25,000,000 due to the cancellation of treasury shares on September 20, 2024, based on the resolution of the Board of Directors meeting held on August 21, 2024.
- 2 The Company has introduced a stock compensation plan, and in calculating the number of treasury shares of common shares at the end of the period and the average number of shares outstanding during the period, the number of treasury shares includes shares of the Company held by Japan Custody Bank, Ltd. (the Trust Account) as trust assets for the “Trust for Granting Shares to Directors” and the “Trust for Granting Shares to Executive Officers.” The numbers of treasury shares held by the Trust Account included in the number of treasury shares at the ends of the periods ended September 30, 2024 and March 31, 2024 were 1,552,600 shares and 1,567,700 shares, respectively, and the numbers 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, 2024 and six months ended September 30, 2023 were as follows: the average numbers of treasury shares of common shares held by the Trust Account for the six months ended September 30, 2024 and six months ended September 30, 2023 were 1,563,375 shares and 1,567,700 shares, respectively.

* Semi-annual financial results reports are exempt from 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. Overview of operating results, etc., (3) Forward-looking forecasts, such as consolidated earnings forecasts” on page 5 of the Attached Materials.

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The Company will hold a briefing session for investors as follows. The materials distributed at the briefing will be posted on the Company’s website immediately after this semi-annual financial results announcement.

- November 5, 2024 (Tuesday) Company Information Briefing for Institutional Investors and Analysts

1. Overview of operating results, etc.

Matters discussed here that are not historical fact reflect judgments made as of September 30, 2024.

(1) Overview of operating results for the six months ended September 30, 2024

During the six months ended September 30, 2024 (April 1, 2024 to September 30, 2024), the Japanese economy continued signs of moderate recovery amid an improving employment and income environment. The outlook remains uncertain, however, mainly due to rising energy costs and raw material prices affected by the global situation and exchange rate fluctuations.

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

Consolidated results for the six months ended September 30, 2024 were net sales of ¥40,092 million (up 6.9% year on year), operating profit of ¥5,573 million (up 27.6% year on year), ordinary profit of ¥5,410 million (up 24.8% year on year), and profit attributable to owners of parent of ¥3,726 million (up 25.2% year on year).

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

(i) Solution Design Business

With the strengths of offering total solutions covering planning, development and testing, IT consulting and IT services, this business, which consists of “Social Infrastructure,” “Internet Business,” “Products,” and “DX Services” fields, had partially cumbersome staffing and operation management processes due to a change in major customers’ demand for development and the bloated organization resulting from expansion of operations. However, we promoted optimization of operations and improvement in the structure by transferring projects to other business segments that have a high affinity for them.

As a result of putting in place such a staff redeployment and new business promotion structure by field, we cultivated new demand by efficiently utilizing human resources and pursuing proposals to resolve customers’ challenges.

As a result, net sales in this business amounted to ¥8,957 million (down 4.1% year on year) and operating profit was ¥1,457 million (up 81.2% year on year).

(ii) Next Generation Mobility Business

In this business, which mainly provides engineering and in-house services such as MaaS to the automotive industry, mainly finished vehicle manufacturers and suppliers, we worked to increase orders by advancing the shift of managerial resources. While leveraging the Company’s resources to accommodate customer demand for “electrification,” “automation,” “connectedness,” and “sharing,” which are keywords in the automotive industry, we have proactively recruited human resources who excel in these fields, and been receiving increasing orders with a rise in demand for the development of systems related to in-vehicle cockpit and information displays such as IVI*¹, HUD*² and CDC*³, which is the greatest strength of the business. In addition, we opened a development base in Utsunomiya City, Tochigi Prefecture and Toyota City, Aichi Prefecture, and are reinforcing the structure to materialize demand from customers. As development operations in the U.S. have also started, the business, as software Tier-1 in this field, will respond to demand from Japanese finished vehicle manufacturers and suppliers, using our technical capabilities cultivated in the development of mobile objects and the mobile domain.

As a result, net sales in this business amounted to ¥2,229 million (up 109.3% year on year) and operating profit was ¥812 million (up 300.9% year on year).

*1: IVI: In-Vehicle Infotainment (integrated in-vehicle systems that provides both information and entertainment)

*2: HUD: Head-Up Display (a display device that projects superimposed information onto the surrounding scene wearer’s field of vision)

*3: CDC: Cockpit Domain Controller (integrates various cockpit functions into a single electronic control unit)

(iii) Framework Design Business

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

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

In the public sector, orders have continued particularly from central government ministries and agencies for projects stemming from the My Number identification card, and the system renewal, infrastructure construction, and operation and maintenance business domains have expanded. Inquiries regarding DX projects for local governments have also increased, and this sector is growing as a main field of this business.

In the corporate sector, the Group received increased orders for technical support services using low-code development tools and system rebuilding focused on system renewal for DX. We aim to further improve our capabilities by strengthening our competitiveness and expanding our track record of system development using generative AI by providing total system support through our lab system which spans the system planning stage through to post-development operation and maintenance.

As a result, net sales in this business amounted to ¥3,869 million (up 16.7% year on year) and operating profit was ¥804 million (down 0.2% year on year) due to aggressive investment in acquisition and training of human resources to increase sales.

(iv) IT & DX Service Business

In this business, which mainly operates a variety of IT-related outsourcing services, including helpdesk and user support services, system operation and maintenance, and PMO, amid increased IT investment appetite from companies hoping to increase their competitiveness, there are continuously a lot of inquiries related to business standardization and automation. Meanwhile, companies that have made progress in the introduction of various tools and system renewal are beginning to show a move toward the optimization of operations and resources.

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

In addition, to support further business development, we also started making proposals for new service menus for clients' IT investment plans and IT events, and worked to develop new departments within our clients.

In the DX Testing Services Business, while situations of clients in the Internet Business/gaming domains are difficult, the Group has been strengthening our efforts to procure human resources with immediate impact, and pursuing deepening our existing client base and cultivating new ones to make use of our knowledge accumulated to date and pivot to clients in the enterprise domain.

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

As a result, net sales in this business amounted to ¥9,489 million (up 6.0% year on year) and operating profit was ¥1,187 million (down 13.1% year on year).

(v) Business Solution Business

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

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

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

For replacement projects ahead of the end of support for Windows 10 (October 2025) which were pushed back overall, the numbers of both proposals and orders received have been increasing significantly as well, since the beginning of the second quarter. As we also have many plans in sight for the second half, we will enhance proposal activities.

As a result, net sales in this business amounted to ¥13,812 million (up 3.8% year on year) and operating profit was ¥1,081 million (up 11.7% year on year).

(vi) DX & Subscription Business

In this business, which is responsible for promoting the subscription business model, we enhanced proposals that integrate direction services to accompany and support DX promotion in accordance with customers' needs in relation to shortages in their DX human resources and Canbus. no-code DX platform, by leveraging our experience in systems development and systems integration, and there were a lot of inquiries. We will conduct planning and development of services focused on industries and uses for customers' challenges which become apparent in supporting DX promotion, using Canbus. and AI, and work to create a recurring revenue business.

As a result, net sales in this business amounted to ¥1,494 million (up 20.5% year on year) and operating profit was ¥224 million (up 40.5% year on year).

(vii) Other Businesses

In the overseas field, our U.S. subsidiary received orders for new projects through its sales activities in cooperation with the "Next Generation Mobility Business," focusing on in-vehicle infotainment-related business. In addition, testing work for proof-of-concept (PoC) development to confirm the effectiveness of underlying technologies possessed by startup companies also expanded. ONE Tech, Inc., a U.S. company the subsidiary has invested in, focused on sales of its proprietary "MicroAI™," an edge AI solution, to the manufacturing industry and telecommunications companies. StrongKey, Inc., another U.S.-based company the subsidiary has invested in, newly introduced security services based on FIDO authentication to payment companies in the U.S., and the introduction of the Public Key Infrastructure (PKI) service supporting the new smart home communication standard "Matter" to smart device companies in Europe expanded.

In the investment cultivation field, GaYa Co., Ltd., operates the horse racing game "Keiba Densetsu" for PCs and smartphones and designs and develops business applications for smartphones and tablets.

In the period under review, the Company focused on vitalization in the smartphone game "Keiba Densetsu PRIDE" by continuously holding events and releasing new horses in the game. In contracted game development, we have carried out PMO support for projects in progress and overall manpower management. Contracted development from existing customers in the non-gaming field remained steady. We will continue to promote the expansion of orders received.

As a result, net sales in this business amounted to ¥428 million (down 16.7% year on year) and operating profit was ¥6 million (down 88.8% year on year).

(2) Overview of financial position for the six months ended September 30, 2024

(Assets)

Total assets as of September 30, 2024 amounted to ¥45,324 million (versus ¥54,038 million at the end of the previous fiscal year), a decrease of ¥8,714 million from the end of the previous fiscal year. Current assets amounted to ¥39,687 million (versus ¥48,088 million at the end of the previous fiscal year), a decrease of ¥8,400 million from the end of the previous fiscal year. This was mainly due to a ¥9,175 million decrease in cash and deposits. Non-current assets amounted to ¥5,636 million (versus ¥5,950 million at the end of the previous fiscal year), a decrease of ¥313 million from the end of the previous fiscal year. Property, plant and equipment amounted to ¥1,368 million (versus ¥1,395 million at the end of the previous fiscal year), a decrease of ¥27 million from the end of the previous fiscal year. Intangible assets amounted to ¥206 million (versus ¥254 million at the end of the previous fiscal year), a decrease of ¥48 million from the end of the previous fiscal year. Investments and other assets amounted to ¥4,061 million (versus ¥4,299 million at the end of the previous fiscal year), a decrease of ¥237 million from the end of the previous fiscal year.

(Liabilities)

Total liabilities amounted to ¥14,604 million (versus ¥15,437 million at the end of the previous fiscal year), a decline of ¥833 million from the end of the previous fiscal year. This was mainly due to a ¥448 million decrease in accounts payable - trade and a ¥136 million decrease in provision for bonuses.

(Net assets)

Net assets amounted to ¥30,720 million (versus ¥38,601 million at the end of the previous fiscal year), a decrease of ¥7,880 million from the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent of ¥3,726 million, dividends of surplus of ¥1,945 million, and purchase of treasury shares of ¥9,601 million. As a result, the equity-to-asset ratio decreased 3.8 percentage points from the end of the previous fiscal year to 66.7%.

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

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

2. Semi-annual consolidated financial statements

(1) Semi-annual consolidated balance sheet

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	30,168	20,993
Notes and accounts receivable - trade, and contract assets	14,917	15,108
Securities	727	704
Merchandise	1,216	947
Work in process	4	–
Other	1,054	1,934
Total current assets	48,088	39,687
Non-current assets		
Property, plant and equipment		
Buildings, net	702	709
Tools, furniture and fixtures, net	572	538
Land	97	97
Other, net	23	22
Total property, plant and equipment	1,395	1,368
Intangible assets		
Software	251	195
Software in progress	–	7
Other	3	3
Total intangible assets	254	206
Investments and other assets		
Investment securities	1,546	1,475
Long-term loans receivable from subsidiaries and associates	498	436
Leasehold and guarantee deposits	1,649	1,618
Deferred tax assets	974	853
Other	129	114
Allowance for doubtful accounts	(498)	(436)
Total investments and other assets	4,299	4,061
Total non-current assets	5,950	5,636
Total assets	54,038	45,324

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	6,438	5,989
Short-term borrowings	1,550	1,550
Accounts payable - other, and accrued expenses	2,463	2,464
Income taxes payable	1,656	1,737
Provision for bonuses	1,872	1,735
Other	1,293	949
Total current liabilities	15,273	14,425
Non-current liabilities		
Provision for share-based payments	141	156
Other	22	22
Total non-current liabilities	164	178
Total liabilities	15,437	14,604
Net assets		
Shareholders' equity		
Share capital	1,513	1,513
Capital surplus	6,023	2,217
Retained earnings	35,440	37,222
Treasury shares	(5,022)	(10,811)
Total shareholders' equity	37,955	30,142
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17	12
Foreign currency translation adjustment	125	82
Total accumulated other comprehensive income	143	94
Non-controlling interests	501	482
Total net assets	38,601	30,720
Total liabilities and net assets	54,038	45,324

(2) Semi-annual consolidated statement of income and semi-annual consolidated statement of comprehensive income

Semi-annual consolidated statement of income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	37,521	40,092
Cost of sales	28,776	30,140
Gross profit	8,745	9,952
Selling, general and administrative expenses	4,377	4,378
Operating profit	4,368	5,573
Non-operating income		
Interest income	15	26
Dividend income	2	5
Gain on sale of securities	–	16
Share of profit of entities accounted for using equity method	15	12
Subsidy income	21	8
Other	14	11
Total non-operating income	69	81
Non-operating expenses		
Interest expenses	3	4
Loss on valuation of securities	–	206
Loss on sale of investment securities	82	2
Loss on investments in investment partnerships	14	12
Other	3	19
Total non-operating expenses	103	245
Ordinary profit	4,334	5,410
Extraordinary losses		
Loss on liquidation of subsidiaries and associates	–	9
Total extraordinary losses	–	9
Profit before income taxes	4,334	5,400
Income taxes - current	1,327	1,570
Income taxes - deferred	32	123
Total income taxes	1,359	1,693
Profit	2,974	3,707
Loss attributable to non-controlling interests	(1)	(19)
Profit attributable to owners of parent	2,976	3,726

Semi-annual consolidated statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	2,974	3,707
Other comprehensive income		
Valuation difference on available-for-sale securities	90	(5)
Foreign currency translation adjustment	103	(54)
Share of other comprehensive income of entities accounted for using equity method	(23)	11
Total other comprehensive income	170	(48)
Comprehensive income	3,144	3,658
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,146	3,677
Comprehensive income attributable to non-controlling interests	(1)	(19)

(3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	4,334	5,400
Depreciation	262	217
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for bonuses	(3)	(136)
Increase (decrease) in provision for share-based payments	14	15
Interest and dividend income	(17)	(32)
Interest expenses	3	4
Loss (gain) on sale of securities	–	(16)
Loss (gain) on valuation of securities	–	206
Loss (gain) on sale of investment securities	82	2
Loss (gain) on investments in investment partnerships	14	12
Share of loss (profit) of entities accounted for using equity method	(15)	(12)
Loss (gain) on liquidation of subsidiaries and associates	–	9
Decrease (increase) in trade receivables	1,041	(195)
Decrease (increase) in inventories	(191)	272
Decrease (increase) in accounts receivable - other	5	18
Increase (decrease) in trade payables	(314)	(448)
Increase (decrease) in accounts payable - other, and accrued expenses	295	85
Increase (decrease) in accrued consumption taxes	(134)	(161)
Increase (decrease) in advances received	(5)	(17)
Other, net	(59)	(404)
Subtotal	5,313	4,819
Interest and dividends received	17	32
Interest paid	(3)	(4)
Income taxes paid	(1,350)	(1,388)
Net cash provided by (used in) operating activities	3,976	3,457
Cash flows from investing activities		
Net decrease (increase) in time deposits	(0)	(100)
Proceeds from withdrawal of time deposits	23	98
Purchase of property, plant and equipment and intangible assets	(232)	(203)
Proceeds from sale of property, plant and equipment and intangible assets	2	–
Purchase of securities	–	(3,403)
Proceeds from sale of securities	–	3,220
Purchase of investment securities	(8,705)	–
Proceeds from sale of investment securities	8,584	33
Proceeds from distributions from investment partnerships	27	18
Payments of leasehold and guarantee deposits	(11)	(5)
Proceeds from refund of leasehold and guarantee deposits	23	35
Other payments	(0)	(0)
Other proceeds	1	0
Net cash provided by (used in) investing activities	(286)	(305)

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from financing activities		
Purchase of treasury shares	–	(9,606)
Proceeds from sale of treasury shares	–	6
Dividends paid	(1,562)	(1,941)
Net cash provided by (used in) financing activities	(1,562)	(11,541)
Effect of exchange rate change on cash and cash equivalents	18	(21)
Net increase (decrease) in cash and cash equivalents	2,145	(8,410)
Cash and cash equivalents at beginning of period	24,792	30,092
Cash and cash equivalents at end of period	26,938	21,681

(4) Notes to the semi-annual consolidated financial statements

(Notes on premise of going concern)

No items to report.

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

The Company acquired 29,277,800 shares of treasury shares based on resolutions at the Board of Directors meetings on May 13, 2024 and August 21, 2024, and treasury shares increased by ¥9,601 million in the six months ended September 30, 2024.

In addition, the Company cancelled 25,000,000 shares of treasury shares based on a resolution at the Board of Directors meeting on August 21, 2024, and capital surplus and treasury shares each decreased by ¥3,805 million in the six months ended September 30, 2024.

As a result, as of September 30, 2024, capital surplus was ¥2,217 million and treasury shares was ¥10,811 million.

(Notes on changes in accounting policies)

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

The “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the “2022 Revised Accounting Standard”) have been applied from the beginning of the six months ended September 30, 2024.

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

In addition, the Company has adopted the Guidance on the 2022 Revised Accounting Standard on related to the revision of the treatment of the deferral for tax purposes of gains or losses on sales of investments in subsidiaries among consolidated companies in consolidated financial statements, effective from the beginning of the six months ended September 30, 2024. The change in accounting policy has been applied retrospectively, and the semi-annual consolidated financial statements and consolidated financial statements for the previous six-months period and the previous fiscal year have been prepared on a retrospective basis. This change has no impact on the semi-annual consolidated financial statements of the previous six-months period or the consolidated financial statements of the previous fiscal year.

(Notes on segment information, etc.)

Segment information

I 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	Next Generation Mobility Business	Framework Design Business	IT & DX Service Business	Business Solution Business	DX & Subscription Business	Other Businesses	Adjustment	Amount on semi-annual consolidated statement of income (see Notes)
Net sales									
Net sales to external customers	9,329	1,064	3,314	8,838	13,291	1,233	449	–	37,521
Inter-segment net sales and transfers	11	–	–	111	11	6	65	(206)	–
Total	9,341	1,064	3,314	8,949	13,302	1,239	514	(206)	37,521
Segment profit	803	202	806	1,367	967	159	60	–	4,368

(Note) Segment profit (loss) is consistent with operating profit in the semi-annual 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, 2024 (from April 1, 2024 to September 30, 2024)

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

(Millions of yen)

	Solution Design Business	Next Generation Mobility Business	Framework Design Business	IT & DX Service Business	Business Solution Business	DX & Subscription Business	Other Businesses	Adjustment	Amount on semi-annual consolidated statement of income (see Notes)
Net sales									
Net sales to external customers	8,953	2,229	3,869	9,375	13,800	1,485	378	–	40,092
Inter-segment net sales and transfers	3	–	–	114	11	8	50	(188)	–
Total	8,957	2,229	3,869	9,489	13,812	1,494	428	(188)	40,092
Segment profit	1,457	812	804	1,187	1,081	224	6	–	5,573

(Note) Segment profit (loss) is consistent with operating profit in the semi-annual consolidated statement of income.

2. Matters related to changes in reportable segments, etc.

Effective from the six months ended September 30, 2024, “Reportable Segments” have been reclassified and some names have been changed in accordance with changes in each segment’s content and main fields of business.

Some businesses previously classified in the “Solution Design Business” segment are now included in a new segment, the “Next Generation Mobility Business” segment. Similarly, some businesses that were classified in the “Solution Design Business” have been reclassified into the “DX & Subscription Business.” In addition, IDY Corporation, which was classified under “Business Solution Business,” “Overseas Business,” and “Investment & Incubation Business” have been reclassified under “Other Businesses.” The “IT Service Business” has been renamed the “IT & DX Service Business” while the “Cloud Business” has been renamed the “DX & Subscription Business.” Segment information for the six months ended September 30, 2023 is disclosed based on the new reportable segment classifications.

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

3. Supplementary information

Production, orders, and sales results

Effective from the six months ended September 30, 2024, “Reportable Segments” have been reclassified and some names have been changed in accordance with changes in each segment’s content and main fields of business.

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

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

(1) Production results

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

Business segment	Production (Millions of yen)	Year-on-year change (%)
Solution Design Business	6,389	91.8
Next Generation Mobility Business	1,122	170.5
Framework Design Business	2,692	119.9
IT & DX Service Business	6,738	108.2
Business Solution Business	567	119.9
Total	17,509	105.7

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

(2) Order results

Order results per business segment for the six months ended September 30, 2024 are as follows.

Business segment	Order value (Millions of yen)	Year-on-year change (%)	Backlog of orders (Millions of yen)	Year-on-year change (%)
Solution Design Business	9,643	104.0	6,353	91.9
Next Generation Mobility Business	3,592	288.3	2,271	219.0
Framework Design Business	3,906	116.7	3,301	104.9
IT & DX Service Business	9,551	106.8	6,993	105.4
Business Solution Business	723	106.4	776	137.7
Total	27,417	116.7	19,695	107.7

- (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, 2024 are as follows.

Business segment	Net sales (Millions of yen)	Year-on-year change (%)
Solution Design Business	8,953	96.0
Next Generation Mobility Business	2,229	209.3
Framework Design Business	3,869	116.7
IT & DX Service Business	9,375	106.1
Business Solution Business	13,800	103.8
DX & Subscription Business	1,485	120.5
Other Businesses	378	84.3
Total	40,092	106.9

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