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October 31, 2024

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

Company name: Systema Corporation
 Listing: Tokyo Stock Exchange
 Securities code: 2317
 URL: <https://www.systema.co.jp/>
 Representative: Yoshichika Hemmi, Representative Director and Chairman
 Inquiries: Hiroshi Kotani, Managing Director
 Telephone: +81-3-6367-3840
 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.