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Consolidated Financial Results for the Three Months Ended April 30, 2024 [Japanese GAAP]



June 14, 2024

Company name: NEOJAPAN Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3921
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 Scheduled date of filing quarterly securities report: June 14, 2024
 Scheduled date of commencing dividend payments: —
 Preparation of supplementary materials on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Three Months Ended April 30, 2024 (February 1, 2024–April 30, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended April 30, 2024	1,687	2.6	436	11.0	468	16.8	315	17.2
April 30, 2023	1,645	9.9	393	27.2	401	22.5	269	21.9

(Note) Comprehensive income: Three months ended April 30, 2024: ¥333 million [15.5%]

Three months ended April 30, 2023: ¥288 million [10.1%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended April 30, 2024	21.95	21.91
April 30, 2023	18.09	18.05

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of April 30, 2024	7,660	5,381	70.2
As of January 31, 2024	8,622	6,339	73.4

(Reference) Equity: As of April 30, 2024: ¥5,373 million

As of January 31, 2024: ¥6,332 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended January 31, 2024	—	0.00	—	23.00	23.00
Fiscal year ending January 31, 2025	—				
Fiscal year ending January 31, 2025 (Forecast)		14.00	—	14.00	28.00

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

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

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	7,037	6.4	1,605	23.8	1,619	17.8	1,098	14.8	78.55

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

- (1) Changes in significant subsidiaries during the period under review: Yes
(Changes in specified subsidiaries resulting in change in the scope of consolidation)
Newly included: 1 company (NEOPhilippine Tech Inc.), Excluded: – ()
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None

Notes on changes in accounting policies
- (4) Total number of issued and outstanding shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):

April 30, 2024:	14,914,800 shares
January 31, 2024:	14,914,800 shares
 - 2) Total number of treasury shares at the end of the period:

April 30, 2024:	935,565 shares
January 31, 2024:	85,565 shares
 - 3) Average number of shares during the period:

Three months ended April 30, 2024:	14,375,901 shares
Three months ended April 30, 2023:	14,896,206 shares

Notes on total number of issued and outstanding shares

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

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

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

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Japanese economy in the three months ended April 30, 2024 continued on the gradual path to recovery against a backdrop of improving corporate earnings, employment and income. The economy is expected to continue its gradual recovery; however, there are certain factors which require noting, including global monetary tightening, concerns over stagnation in the Chinese economy, rising prices, and the situation in the Middle East.

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

Under such circumstances, in March 2024, we improved our mobile apps and released desknet's NEO version 8.5, which added 14 new functions and 80 items, including compatibility with Teams. We also made a wholesale revamp of the mobile app for the business chat tool ChatLuck, which became available in April 2024.

In March 2024, desknet's NEO and ChatLuck received three awards across two categories in the BOXIL SaaS AWARD Spring 2024, which recognizes the most valued SaaS of the moment and is organized by SMARTCAMP Co., Ltd. In addition, in April 2024, our three principal products (desknet's NEO, AppSuite, and ChatLuck) were awarded "LEADER," the highest award, across four categories, in the ITreview Grid Award 2024 Spring, organized by IT product comparison and review website ITreview.

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

Elsewhere, in April 2024, we established a subsidiary company in the Philippines, the third ASEAN country in which we now have a subsidiary company. Although its full-scale operation will not get underway until the second quarter of the current fiscal year, we will strive to expand sales of our products and services in the Philippines, a country expected to see strong economic growth and to have higher demand by local businesses for solutions to help transition to IT infrastructures.

As a result, for the three months ended April 30, 2024, the Company posted net sales of ¥1,687,611 thousand (up 2.6% year on year), operating profit of ¥436,395 thousand (up 11.0% year on year), ordinary profit of ¥468,952 thousand (up 16.8% year on year), and profit attributable to owners of parent of ¥315,610 thousand (up 17.2% year on year).

Operating results for the three months ended April 30, 2024 by segment are as follows.

(Software business)

The status by business sector is indicated as follows.

Business sector	For the three months ended April 30, 2023		For the three months ended April 30, 2024		
	Net sales (Thousand yen)	Percentage breakdown (%)	Net sales (Thousand yen)	Percentage breakdown (%)	Change (%)
Cloud services	716,769	62.4	768,298	65.0	7.2
Packaged products	415,128	36.1	394,689	33.4	(4.9)
Technological development	17,673	1.5	19,500	1.6	10.3
Total	1,149,572	100.0	1,182,487	100.0	2.9

1) Cloud services

Net sales by principal cloud service are as follows.

	For the three months ended April 30, 2023	For the three months ended April 30, 2024	Change (Thousand yen)	Change (%)
	Net sales (Thousand yen)	Net sales (Thousand yen)		
desknet's NEO cloud	594,876	643,306	48,429	8.1
AppSuite cloud	39,536	52,611	13,075	33.1
ChatLuck cloud	17,329	19,082	1,753	10.1
Other monthly recurring revenue	50,219	46,685	(3,534)	(7.0)
Total monthly recurring revenue	701,961	761,685	59,724	8.5
Other services, etc.	14,808	6,612	(8,195)	(55.3)
Cloud services total	716,769	768,298	51,528	7.2

Net sales of desknet's NEO cloud increased by ¥48,429 thousand year on year to ¥643,306 thousand (up 8.1% year on year), due to an increase in the number of users. The increase in the number of users during the three months ended April 30, 2024 was roughly in line with that in the same period of the previous fiscal year. The average number of users of the service is 85 users per company. Although the monthly churn rate (* 1) remains low at 0.40%, we will work to keep the rate at this level as we move toward price revisions that will come into place from September 2024. Net sales of AppSuite cloud increased by ¥13,075 thousand year on year, increasing again by over 30% year on year to ¥52,611 thousand (up 33.1% year on year), due to an increase in the number of users. As of April 30, 2024, the number of users of the service accounted for about 12% of the number of desknet's NEO cloud users, and we continue to see high growth potential in the service as there is large room for growth. Net sales of ChatLuck cloud increased by ¥1,753 thousand year on year to ¥19,082 thousand (up 10.1% year on year). Although this accounts for a small proportion of overall net sales, growth is expected in the field. We will therefore strive to expand the number of ChatLuck users who also use desknet's NEO by continuously working to enhance functions. Other monthly recurring revenue decreased by ¥3,534 thousand year on year to ¥46,685 thousand (down 7.0% year on year), primarily due to the impact of the termination of a service provided by the Company. Net sales of other services, etc. decreased by ¥8,195 thousand year on year to ¥6,612 thousand (down 55.3% year on year). This was primarily due to a reduction in sales of data migration services.

As a result, the overall net sales of cloud services increased by ¥51,528 thousand year on year to ¥768,298 thousand (up 7.2% year on year).

(* 1) The churn rate for desknet's NEO cloud users is calculated by averaging the figures of "amount of MRR (*2)

decreased during a month caused by cancellation of the service ÷ MRR at the end of the previous month” for the three months ended April 30, 2024.

(* 2) MRR (Monthly Recurring Revenue) is calculated based on the monthly charge for continuously billed users as of the end of the target month or the total amount of 1/12 of the annual charge.

2) Packaged products

Net sales by principal packaged product are as follows.

	For the three months ended April 30, 2023	For the three months ended April 30, 2024	Change (Thousand yen)	Change (%)
	Net sales (Thousand yen)	Net sales (Thousand yen)		
desknet’s NEO (*1)	62,343	49,691	(12,651)	(20.3)
AppSuite	37,974	27,251	(10,722)	(28.2)
ChatLuck	20,773	7,544	(13,229)	(63.7)
Other license sales	3,277	4,533	1,256	38.3
Total license sales	124,369	89,021	(35,347)	(28.4)
Support	206,495	220,302	13,806	6.7
Customization	31,772	16,725	(15,046)	(47.4)
Other services, etc.	52,492	68,640	16,147	30.8
Packaged products total	415,128	394,689	(20,439)	(4.9)

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

Net sales of desknet’s NEO license decreased by ¥12,651 thousand year on year to ¥49,691 thousand (down 20.3% year on year), due mainly to a reduction in new licenses for scales of between 100 and 1,000 users, but were generally in line with the initial plan.

AppSuite license and ChatLuck license are often purchased simultaneously with desknet’s NEO license. Net sales of AppSuite license decreased by ¥10,722 thousand year on year to ¥27,251 thousand (down 28.2% year on year). This was due mainly to a decline in the number of large-sized projects; more specifically, the number of new licenses for 5,000 users or more decreased by three year on year, while the number of new licenses for 1,000 users or more decreased by one year on year, being roughly in line with that in the previous fiscal year. Net sales of ChatLuck license decreased by ¥13,229 thousand year on year to ¥7,544 thousand (down 63.7% year on year). As with AppSuite licenses, this was due mainly to a decline in the number of large-sized projects, for example, the number of new licenses for 5,000 users or more decreased by two year on year. Sales of AppSuite license and ChatLuck license are both exceeding our initial plans.

Net sales of customization decreased by ¥15,046 thousand year on year to ¥16,725 thousand (down 47.4% year on year) mainly because of a year-on-year decrease in the number of mid-sized projects. Net sales of support increased by ¥13,806 thousand year on year to ¥220,302 thousand (up 6.7% year on year), mainly because net sales of support for desknet’s NEO increased by ¥5,863 thousand year on year to ¥180,822 thousand (up 3.4% year on year).

As a result, the overall net sales of packaged products decreased by ¥20,439 thousand year on year to ¥394,689 thousand (down 4.9% year on year).

3) Technological development

Our policy is not to actively accept development contracts. Net sales of technological development increased by ¥1,826 thousand year on year to ¥19,500 thousand (up 10.3% year on year). This was mainly because of the sales associated with ongoing projects from the past.

As a result, the software business posted net sales of ¥1,182,487 thousand (up 2.9% year on year) and segment profit of ¥452,278 thousand (up 9.5% year on year).

(System development service business)

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

For the three months ended April 30, 2024, net sales remained roughly in line with the previous fiscal year. However, cost of sales decreased by ¥3,220 thousand, due mainly to a decrease of ¥5,879 thousand in provision for bonuses recorded in cost of sales, which was mainly the result of reforms to the bonus system (review of bonus allocation for the first and second halves). Selling, general and administrative expenses increased by ¥3,457 thousand due to an increase in personnel expenses.

As a result, the system development service business posted net sales of ¥504,346 thousand (up 0.5% year on year) and segment profit of ¥13,765 thousand (up 21.9% year on year).

(Overseas business)

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

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

As a result, the overseas business posted net sales of ¥24,847 thousand (up 609.8% year on year) and segment loss of ¥29,908 thousand (segment loss of ¥30,950 thousand for the same period of the previous fiscal year).

(2) Explanation of Financial Position

(Assets)

Total assets as of April 30, 2024 decreased by ¥962,941 thousand from the end of the previous fiscal year to ¥7,660,013 thousand. This was mainly due to decreases of ¥1,143,387 thousand in cash and deposits resulting mainly from the purchase of treasury shares in March 2024, dividends paid, and income taxes paid, and of ¥329,048 thousand in other under current assets resulting mainly from a decrease in accounts receivable – other associated with the sale of investment securities, while securities and investment securities increased by ¥492,125 thousand resulting from the purchase of new bonds (corporate bonds).

(Liabilities)

Total liabilities as of April 30, 2024 decreased by ¥4,387 thousand from the end of the previous fiscal year to ¥2,278,745 thousand. This was mainly due to decreases of ¥87,479 thousand in income taxes payable resulting mainly from payment of taxes and of ¥32,131 thousand in provision for bonuses, while contract liabilities for cloud services, etc. increased by ¥102,759 thousand.

(Net assets)

Total net assets as of April 30, 2024 decreased by ¥958,553 thousand from the end of the previous fiscal year to ¥5,381,267 thousand. This was mainly due to a recording of ¥315,610 thousand in profit attributable to owners of parent, while retained earnings decreased by ¥25,461 thousand as a result of the payment of a dividend of surplus of ¥341,072 thousand, treasury shares increased by ¥951,150 thousand due to the purchase of such shares through off-auction own share repurchase trading (ToSTNeT-3), and valuation difference on available-for-sale securities increased by ¥16,072 thousand as a result of the valuation of available-for-sale securities at market value.

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

The Company has made no changes to the full-year consolidated financial results forecast announced in “Consolidated Financial Results for the Fiscal Year Ended January 31, 2024 [Japanese GAAP]” dated March 13, 2024.

The consolidated financial results forecast was prepared based on currently available information, and actual consolidated financial results may vary from the forecast due to various reasons.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of January 31, 2024	As of April 30, 2024
Assets		
Current assets		
Cash and deposits	5,209,119	4,065,731
Accounts receivable and contract assets	708,131	722,731
Securities	195,198	133,544
Supplies	2,644	2,008
Other	481,472	152,423
Allowance for doubtful accounts	(1,508)	(1,449)
Total current assets	6,595,058	5,074,991
Non-current assets		
Property, plant and equipment	48,076	47,131
Intangible assets		
Goodwill	78,377	74,919
Other	302,344	316,176
Total intangible assets	380,722	391,095
Investments and other assets		
Investment securities	1,027,093	1,580,872
Other	572,323	566,271
Allowance for doubtful accounts	(319)	(348)
Total investments and other assets	1,599,097	2,146,795
Total non-current assets	2,027,896	2,585,022
Total assets	8,622,954	7,660,013

(Thousand yen)

	As of January 31, 2024	As of April 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	156,793	144,033
Income taxes payable	248,057	160,577
Contract liabilities	1,033,370	1,136,129
Provision for bonuses	105,341	73,209
Other	340,892	360,739
Total current liabilities	1,884,455	1,874,689
Non-current liabilities		
Retirement benefit liability	371,099	376,487
Other	27,579	27,568
Total non-current liabilities	398,678	404,055
Total liabilities	2,283,133	2,278,745
Net assets		
Shareholders' equity		
Share capital	297,161	297,161
Capital surplus	334,566	334,566
Retained earnings	5,706,096	5,680,634
Treasury shares	(77,482)	(1,028,632)
Total shareholders' equity	6,260,342	5,283,730
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	53,282	69,354
Foreign currency translation adjustment	18,913	20,899
Total accumulated other comprehensive income	72,195	90,254
Non-controlling interests	7,282	7,282
Total net assets	6,339,821	5,381,267
Total liabilities and net assets	8,622,954	7,660,013

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

(Thousand yen)

	For the three months ended April 30, 2023	For the three months ended April 30, 2024
Net sales	1,645,480	1,687,611
Cost of sales	742,142	751,774
Gross profit	903,338	935,837
Selling, general and administrative expenses	510,034	499,441
Operating profit	393,303	436,395
Non-operating income		
Interest income	8,638	17,403
Gain on sale of securities	–	3,904
Foreign exchange gains	1,284	8,983
Other	912	6,348
Total non-operating income	10,834	36,640
Non-operating expenses		
Interest expenses	6	6
Loss on investments in investment partnerships	2,621	1,397
Organization expenses	–	2,572
Other	0	106
Total non-operating expenses	2,628	4,083
Ordinary profit	401,509	468,952
Profit before income taxes	401,509	468,952
Income taxes	133,372	153,342
Profit	268,136	315,610
Loss attributable to non-controlling interests	(1,262)	–
Profit attributable to owners of parent	269,399	315,610

Quarterly Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the three months ended April 30, 2023	For the three months ended April 30, 2024
Profit	268,136	315,610
Other comprehensive income		
Valuation difference on available-for-sale securities	19,644	16,072
Foreign currency translation adjustment	1,077	1,986
Total other comprehensive income	20,721	18,058
Comprehensive income	288,858	333,668
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	290,182	333,668
Comprehensive income attributable to non-controlling interests	(1,324)	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

On March 14, 2024, the Company purchased 850,000 treasury shares based on a resolution of the Board of Directors meeting held on March 13, 2024. Primarily due to this purchase, treasury shares increased by ¥951,150 thousand during the three months ended April 30, 2024, resulting in ¥1,028,632 thousand in treasury shares as of April 30, 2024.

(Changes in scope of consolidation or scope of equity method application)

(Important changes in scope of consolidation)

From the first quarter of the fiscal year under review, the newly established NEOPhilippine Tech Inc. is included in the scope of consolidation.

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

(Calculation of tax expenses)

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

(Segment information, etc.)

[Segment information]

I. For the three months ended April 30, 2023

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

(Thousand yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in quarterly consolidated statements of income (Note 2)
	Software business	System development service business	Overseas business	Total		
Net sales						
Net sales to outside customers	1,149,039	492,940	3,500	1,645,480	—	1,645,480
Intersegment net sales or transfers	533	8,693	—	9,227	(9,227)	—
Total	1,149,572	501,634	3,500	1,654,707	(9,227)	1,645,480
Segment profit (loss)	412,910	11,290	(30,950)	393,250	53	393,303

(Notes) 1. The segment profit (loss) adjustment of ¥53 thousand represents the elimination of intersegment transactions.

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

II. For the three months ended April 30, 2024

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

(Thousand yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in quarterly consolidated statements of income (Note 2)
	Software business	System development service business	Overseas business	Total		
Net sales						
Net sales to outside customers	1,181,325	500,446	5,840	1,687,611	–	1,687,611
Intersegment net sales or transfers	1,162	3,900	19,007	24,069	(24,069)	–
Total	1,182,487	504,346	24,847	1,711,681	(24,069)	1,687,611
Segment profit (loss)	452,278	13,765	(29,908)	436,135	259	436,395

(Notes) 1. The segment profit (loss) adjustment of ¥259 thousand represents the elimination of intersegment transactions.

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

(Revenue recognition accounting)

Disaggregation of revenue from contracts with customers

For the three months ended April 30, 2023

(Thousand yen)

	Reportable segment			Total
	Software business	System development service business	Overseas business	
Recurring revenue (Note 1)	910,323	473,731	1,643	1,385,698
One-time revenue (Note 2)	238,715	19,208	1,857	259,782
Revenue from contracts with customers	1,149,039	492,940	3,500	1,645,480
Net sales to outside customers	1,149,039	492,940	3,500	1,645,480

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

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

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

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

For the three months ended April 30, 2024

(Thousand yen)

	Reportable segment			Total
	Software business	System development service business	Overseas business	
Recurring revenue (Note 1)	982,483	477,656	5,500	1,465,640
One-time revenue (Note 2)	198,841	22,790	339	221,971
Revenue from contracts with customers	1,181,325	500,446	5,840	1,687,611
Net sales to outside customers	1,181,325	500,446	5,840	1,687,611

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

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

(Significant subsequent events)

(Cancellation of treasury shares)

At a meeting of the Board of Directors of the Company held on May 30, 2024, the Company resolved to cancel treasury shares in accordance with the provisions of Article 178 of the Companies Act.

1. Reason for the cancellation of treasury shares

As per the resolution of the Board of Directors dated March 13, 2024, the Company shall cancel all of the purchased treasury shares, as notified when we announced the purchase of treasury shares through off-auction own share repurchase trading (ToSTNeT-3).

2. Details of matters pertaining to cancellation

(1) Type of shares to be cancelled	Common shares of the Company
(2) Total number of shares to be cancelled	850,000 shares
(3) Total number of outstanding shares after cancellation	14,064,800 shares
(4) Date of cancellation (scheduled)	July 31, 2024