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Consolidated Financial Results for the Three Months Ended April 30, 2023 [Japanese GAAP]



June 14, 2023

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3921
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 Scheduled date of filing quarterly securities report: June 14, 2023
 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, 2023 (February 1, 2023–April 30, 2023)

(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, 2023	1,645	9.9	393	27.2	401	22.5	269	21.9
April 30, 2022	1,496	9.8	309	12.2	327	(6.3)	221	(6.8)

(Note) Comprehensive income: Three months ended April 30, 2023: ¥288 million [10.1%]

Three months ended April 30, 2022: ¥262 million [5.0%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended April 30, 2023	18.09	18.05
April 30, 2022	14.83	14.79

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of April 30, 2023	7,892	5,666	71.7
As of January 31, 2023	8,025	5,727	71.2

(Reference) Equity: As of April 30, 2023: ¥5,657 million

As of January 31, 2023: ¥5,717 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, 2023	—	0.00	—	20.00	20.00
Fiscal year ending January 31, 2024	—				
Fiscal year ending January 31, 2024 (Forecast)		0.00	—	23.00	23.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending January 31, 2024 (February 1, 2023–January 31, 2024)

(% 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	
	6,359	5.9	937	(24.4)	951	(28.8)	629	(22.6)	42.20

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

* Notes:

(1) Changes in significant subsidiaries during the period under review: None

Newly included: – (), 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: Yes

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

3) Changes in accounting estimates: None

4) Retrospective restatement: None

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

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

April 30, 2023: 14,914,800 shares

January 31, 2023: 14,914,800 shares

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

April 30, 2023: 58,223 shares

January 31, 2023: 223 shares

3) Average number of shares during the period:

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

Three months ended April 30, 2022: 14,908,577 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, 2023 saw signs of gradual recovery given the improving trend in personal consumption and capital investment despite some weakness remaining in exports and production. The economy is expected to continue its recovery thanks to the effect of various government initiatives premised on coexistence with COVID-19. However, as there are certain factors requiring attention, such as global monetary tightening, rising prices and supply constraints, the outlook remains uncertain.

The IT industry, to which the Group belongs, witnesses a moderate increase in software investment, and is expected to continue to see solid investments in IT on the back of improvement in corporate earnings.

Under such circumstances, in March 2023, desknet's NEO version 7.5 was released as an updated version with enhancement of 50 items or more for 15 functions in response to the needs of users.

In addition, in March 2023, our three principal products (desknet's NEO, ChatLuck, and AppSuite) received ten awards in the respective three categories in the BOXIL SaaS AWARD Spring 2023 that recognizes the most valued SaaS of the moment, organized by SMARTCAMP Co., Ltd. They also received awards in the ITreview Grid Award 2023 Spring, organized by IT product comparison and review website ITreview in April 2023. Groupware desknet's NEO, our business chat tool ChatLuck, and AppSuite, a tool for creating apps with no coding were awarded for the 17th consecutive year, 11th consecutive year, and second consecutive year, respectively.

In addition, following the selection as the first demonstration experiment provider for the "YOKOHAMA Hack!" project, which promotes digital transformation of administrative services by utilizing digital technology from the private sector solicited by the City of Yokohama, we implemented a demonstration experiment for "strengthening measures for evacuation security plans to ensure the safety of users of facilities requiring special consideration," utilizing our AppSuite, a tool for creating apps with no coding, and groupware desknet's NEO. We systemized the evacuation security plans and achieved a 41% reduction in the entire workload of concerned parties. Going forward, we will strive to provide the similar function to other local governments, in addition to the City of Yokohama.

As a result, for the three months ended April 30, 2023, the Company posted net sales of ¥1,645,480 thousand (up 9.9% year on year), operating profit of ¥393,303 thousand (up 27.2% year on year), ordinary profit of ¥401,509 thousand (up 22.5% year on year), and profit attributable to owners of parent of ¥269,399 thousand (up 21.9% year on year).

In order to increase awareness of our products and services, we schedule an increase of ¥300,000 thousand in advertising investments for the fiscal year under review, of which ¥150,000 thousand will be expensed in the second quarter of the fiscal year under review for TV commercials to be aired from late May to mid-June 2023. The remaining ¥150,000 thousand is scheduled to be appropriated during the third quarter of the fiscal year under review.

Operating results for the three months ended April 30, 2023 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, 2022		For the three months ended April 30, 2023		
	Net sales (Thousand yen)	Percentage breakdown (%)	Net sales (Thousand yen)	Percentage breakdown (%)	Change (%)
Cloud services	643,676	61.4	716,769	62.4	11.4
Packaged products	385,264	36.8	415,128	36.1	7.8
Technological development	19,150	1.8	17,673	1.5	(7.7)
Total	1,048,090	100.0	1,149,572	100.0	9.7

1) Cloud services

Net sales by principal cloud service are as follows.

	For the three months ended April 30, 2022	For the three months ended April 30, 2023	Change (Thousand yen)	Change (%)
	Net sales (Thousand yen)	Net sales (Thousand yen)		
desknet's NEO cloud	539,217	594,876	55,658	10.3
AppSuite cloud	30,150	39,536	9,385	31.1
ChatLuck cloud	17,313	17,329	15	0.1
Other monthly recurring revenue	49,215	50,219	1,004	2.0
Total monthly recurring revenue	635,897	701,961	66,064	10.4
Other services, etc.	7,779	14,808	7,029	90.4
Cloud services total	643,676	716,769	73,093	11.4

Net sales of desknet's NEO cloud increased by ¥55,658 thousand year on year to ¥594,876 thousand (up 10.3% year on year), due to an increase in the number of users and price revisions following the termination of campaign pricing that had been offered in anticipation of the termination of services which allowed users to bring in their own license. The average number of users of the service is 84 users per company, indicating that most of the customers are with less than 100 users. On the other hand, we see an increasing trend in the number of customers using the cloud service with 1,000 users or more, and there is also a gradual increase in the number of customers choosing the cloud service even among those with the user scale that had often chosen the packaged version. Since the churn rate (* 1) remains low at 0.29%, we recognize that its sales will remain stable in the future. Net sales of AppSuite cloud increased by ¥9,385 thousand year on year to ¥39,536 thousand (up 31.1% year on year), due to an increase in the number of users. Although the number of users of the service has been increasing steadily, we strive for further sales expansion as it is about 10% of the number of desknet's NEO cloud users as of April 30, 2023. Net sales of ChatLuck cloud remained almost same level from the previous year, ¥17,329 thousand (up 0.1% year on year). We will strive to expand the number of users by working on collaboration with ChatGPT and other measures. Other monthly recurring revenue increased by ¥1,004 thousand year on year to ¥50,219 thousand (up 2.0% year on year), almost unchanged from the previous year. Net sales of other services, etc. increased by ¥7,029 thousand year on year to ¥14,808 thousand (up 90.4% year on year). This was primarily due to an increase in the service provision such as data migration.

As a result, the overall net sales of cloud services increased by ¥73,093 thousand year on year to ¥716,769 thousand (up 11.4% 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, 2023.

(* 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, 2022	For the three months ended April 30, 2023	Change (Thousand yen)	Change (%)
	Net sales (Thousand yen)	Net sales (Thousand yen)		
desknet's NEO Enterprise license	58,053	43,237	(14,815)	(25.5)
desknet's NEO Small license	10,104	19,105	9,001	89.1
AppSuite	21,635	37,974	16,338	75.5
ChatLuck	12,424	20,773	8,349	67.2
Other license sales	3,168	3,277	108	3.4
Total license sales	105,386	124,369	18,982	18.0
Support	194,824	206,495	11,670	6.0
Customization	16,037	31,772	15,734	98.1
Other services, etc.	69,015	52,492	(16,523)	(23.9)
Packaged products total	385,264	415,128	29,864	7.8

Net sales of desknet's NEO Enterprise license, which is for large-scale users, decreased by ¥14,815 thousand year on year to ¥43,237 thousand (down 25.5% year on year), due mainly to a decrease of two customers of 5,000 users or more, but were generally in line with the initial plan.

Net sales of desknet's NEO Small license, which is for small- and medium-scale users, had been on the decline due to the increasing trend in the number of customers choosing cloud services, however, net sales for the first quarter of the fiscal year under review increased by ¥9,001 thousand year on year to ¥19,105 thousand (up 89.1% year on year). This is deemed to result from the switch to our products away from competing products that terminated provision of the packaged versions. We recognize the trend of decrease in desknet's NEO Small license sales as a result of the widespread use of the cloud services.

AppSuite license and ChatLuck license are often purchased simultaneously with desknet's NEO Enterprise license. For the three months ended April 30, 2023, net sales of AppSuite license increased by ¥16,338 thousand year on year to ¥37,974 thousand (up 75.5% year on year), and net sales of ChatLuck license increased by ¥8,349 thousand year on year to ¥20,773 thousand (up 67.2% year on year), due to additional installations for government agencies and financial institutions.

Net sales of customization increased by ¥15,734 thousand year on year to ¥31,772 thousand (up 98.1% year on year) mainly because of a year-on-year increase in the number of mid-sized projects. Net sales of support increased by ¥11,670 thousand year on year to ¥206,495 thousand (up 6.0% year on year), mainly because net sales of support for desknet's NEO increased by ¥6,017 thousand year on year to ¥174,959 thousand (up 3.6% year on year).

As a result, the overall net sales of packaged products increased by ¥29,864 thousand year on year to ¥415,128 thousand (up 7.8% year on year).

3) Technological development

Our policy is not to actively accept development contracts. Net sales of technological development decreased by ¥1,476 thousand year on year to ¥17,673 thousand (down 7.7% 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 ¥1,149,572 thousand (up 9.7% year on year) and segment profit of ¥412,910 thousand (up 28.0% 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, 2023, a recovery trend in net sales continued from the preceding fourth quarter of the previous fiscal year, and net sales increased by ¥46,767 thousand as compared with the same period of the previous fiscal year in which net sales decreased due to the impact of a reduction in the size of systems undertaken by major customers and a decrease in the number of personnel for such reasons as retirement. Cost of sales also increased by ¥42,253 thousand due mainly to an increase in outsourcing expenses paid to partner companies associated with the increase in net sales. Selling, general and administrative expenses were generally on the same level as the previous fiscal year.

As a result, the system development service business posted net sales of ¥501,634 thousand (up 10.3% year on year) and segment profit of ¥11,290 thousand (up 42.9% year on year).

(Overseas business)

The overseas business consists of businesses of three overseas subsidiaries, which include selling desknet's NEO license and providing cloud services to local companies.

The main products sold in the ASEAN region are desknet's NEO and AppSuite. In Malaysia and Thailand where subsidiaries of the Company conduct business activities, we strive to raise awareness of our products and services by enhancing sales staff and opening booths at exhibitions, after resuming full-fledged sales activities in the previous fiscal year. While sales are gradually increasing in the two subsidiaries in the ASEAN region, we focus our efforts on marketing activities for steady accumulation of recurring sales in order to achieve positive profits stably on a monthly basis. In addition, in the U.S., the Company has continued development of new services since the previous fiscal year based on local market surveys.

As a result, the overseas business posted net sales of ¥3,500 thousand (up 321.2% year on year) and segment loss of ¥30,950 thousand (segment loss of ¥21,285 thousand for the same period of the previous fiscal year). The increase in segment loss in the overseas business is attributable to an increase of ¥9,193 thousand in selling, general and administrative expenses posted by our U.S. subsidiary mainly due to an increase in research and development expenses associated with the development of new services.

(2) Explanation of Financial Position

(Assets)

Total assets as of April 30, 2023 decreased by ¥132,637 thousand from the end of the previous fiscal year to ¥7,892,867 thousand. This was mainly due to a decrease of ¥331,511 thousand in cash and deposits caused by payment of taxes, etc., while there were an increase of ¥91,797 thousand in accounts receivable and contract assets, as well as an increase of ¥98,685 thousand in other under current assets resulting mainly from an increase in prepaid expenses for annual insurance premiums and an increase in deposits paid for purchase of treasury shares.

(Liabilities)

Total liabilities as of April 30, 2023 decreased by ¥71,694 thousand from the end of the previous fiscal year to ¥2,225,899 thousand. This was mainly due to an increase of ¥73,691 thousand in contract liabilities for cloud services, etc., despite a decrease of ¥155,037 thousand in income taxes payable resulting mainly from tax payment.

(Net assets)

Total net assets as of April 30, 2023 decreased by ¥60,943 thousand from the end of the previous fiscal year to ¥5,666,968 thousand. This was mainly due to a decrease of ¥28,892 thousand in retained earnings resulting from the payment of a dividend of surplus of ¥298,291 thousand, an increase of ¥51,510 thousand in treasury shares due to market purchase, and an increase of ¥19,644 thousand in valuation difference on available-for-sale

securities as a result of the valuation of securities at market value, while ¥269,399 thousand in profit attributable to owners of parent was recorded.

(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, 2023 [Japanese GAAP]” dated March 13, 2023.

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, 2023	As of April 30, 2023
Assets		
Current assets		
Cash and deposits	4,841,218	4,509,706
Accounts receivable and contract assets	687,633	779,431
Securities	378,245	391,766
Supplies	2,797	1,180
Other	80,302	178,988
Allowance for doubtful accounts	(1,646)	(2,086)
Total current assets	5,988,551	5,858,985
Non-current assets		
Property, plant and equipment	47,816	46,624
Intangible assets		
Goodwill	92,208	88,750
Other	252,945	251,935
Total intangible assets	345,154	340,686
Investments and other assets		
Investment securities	1,119,398	1,128,959
Other	524,843	518,083
Allowance for doubtful accounts	(258)	(471)
Total investments and other assets	1,643,983	1,646,571
Total non-current assets	2,036,954	2,033,882
Total assets	8,025,505	7,892,867

(Thousand yen)

	As of January 31, 2023	As of April 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	141,938	148,796
Income taxes payable	295,087	140,049
Contract liabilities	999,091	1,072,782
Provision for bonuses	79,133	76,192
Other	386,880	396,574
Total current liabilities	1,902,131	1,834,396
Non-current liabilities		
Retirement benefit liability	367,845	363,897
Other	27,616	27,605
Total non-current liabilities	395,462	391,503
Total liabilities	2,297,594	2,225,899
Net assets		
Shareholders' equity		
Share capital	297,161	297,161
Capital surplus	333,445	333,445
Retained earnings	5,048,037	5,019,145
Treasury shares	(384)	(51,894)
Total shareholders' equity	5,678,260	5,597,858
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23,836	43,480
Foreign currency translation adjustment	15,509	16,648
Total accumulated other comprehensive income	39,345	60,128
Non-controlling interests	10,304	8,980
Total net assets	5,727,911	5,666,968
Total liabilities and net assets	8,025,505	7,892,867

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

(Thousand yen)

	For the three months ended April 30, 2022	For the three months ended April 30, 2023
Net sales	1,496,923	1,645,480
Cost of sales	723,631	742,142
Gross profit	773,291	903,338
Selling, general and administrative expenses	464,115	510,034
Operating profit	309,176	393,303
Non-operating income		
Interest income	7,266	8,638
Foreign exchange gains	9,034	1,284
Other	2,319	912
Total non-operating income	18,620	10,834
Non-operating expenses		
Interest expenses	3	6
Loss on investments in investment partnerships	–	2,621
Other	25	0
Total non-operating expenses	28	2,628
Ordinary profit	327,767	401,509
Profit before income taxes	327,767	401,509
Income taxes	107,716	133,372
Profit	220,050	268,136
Loss attributable to non-controlling interests	(1,036)	(1,262)
Profit attributable to owners of parent	221,086	269,399

Quarterly Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the three months ended April 30, 2022	For the three months ended April 30, 2023
Profit	220,050	268,136
Other comprehensive income		
Valuation difference on available-for-sale securities	33,037	19,644
Foreign currency translation adjustment	9,311	1,077
Total other comprehensive income	42,348	20,721
Comprehensive income	262,399	288,858
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	263,004	290,182
Comprehensive income attributable to non-controlling interests	(604)	(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)

Not applicable.

(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.

(Changes in accounting policies)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred to as the "Fair Value Measurement Implementation Guidance") from the beginning of the first quarter of the fiscal year under review, and plans to prospectively apply the new accounting policies stipulated by the Fair Value Measurement Implementation Guidance in accordance with the transitional treatment set forth in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance. The application has no impact on the Company's quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

I. For the three months ended April 30, 2022

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	1,047,671	448,420	831	1,496,923	—	1,496,923
Intersegment net sales or transfers	419	6,446	—	6,865	(6,865)	—
Total	1,048,090	454,866	831	1,503,788	(6,865)	1,496,923
Segment profit (loss)	322,550	7,898	(21,285)	309,163	12	309,176

(Notes) 1. The segment profit (loss) adjustment of ¥12 thousand represents 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, 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 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, 2022

(Thousand yen)

	Reportable segment			Total
	Software business	System development service business	Overseas business	
Recurring revenue (Note 1)	833,231	413,009	802	1,247,043
One-time revenue (Note 2)	214,439	35,410	28	249,879
Revenue from contracts with customers	1,047,671	448,420	831	1,496,923
Net sales to outside customers	1,047,671	448,420	831	1,496,923

(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 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, 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
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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