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Designing Narratives with Data

Financial Results Material for the First Six Months of the 61st Fiscal Year Ending March 31, 2024

ODK Solutions Company, Ltd.

Securities code: 3839





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Executive summary

Summary of financial results

- **Net sales increased YoY** due to securities operations system services WITH-X[®] and KIZUNA-X[®], as well as further transactions by our subsidiary Fplus, Inc. with its existing clients
- **Operating profit also increased YoY** mainly due to decreases in retirement benefit expenses and outsourcing expenses, despite increases in research and development expenses in addition to depreciation

Financial results forecasts

- **Forecasts for consolidated business results remain unchanged** as our performance is largely in line with our initial forecasts

Initiatives to achieve medium-term management plan

- **Pursuing human capital management** by investing in human resources on the basis of non-seniority-based long-term employment, while positioning “people” as our most valuable asset
- **Pursuing new business development** by providing next-generation solutions; started providing career experience platform “Career Port” in addition to Updemy[®], our mainstay solution that demonstrates experience records via NFTs
- **Strengthening business continuity by offering** educational operations **services at fair prices (raised price)**
- **Swiftly responding to changes in various systems (e.g., New NISA)** in terms of securities and deposit/transfer operations

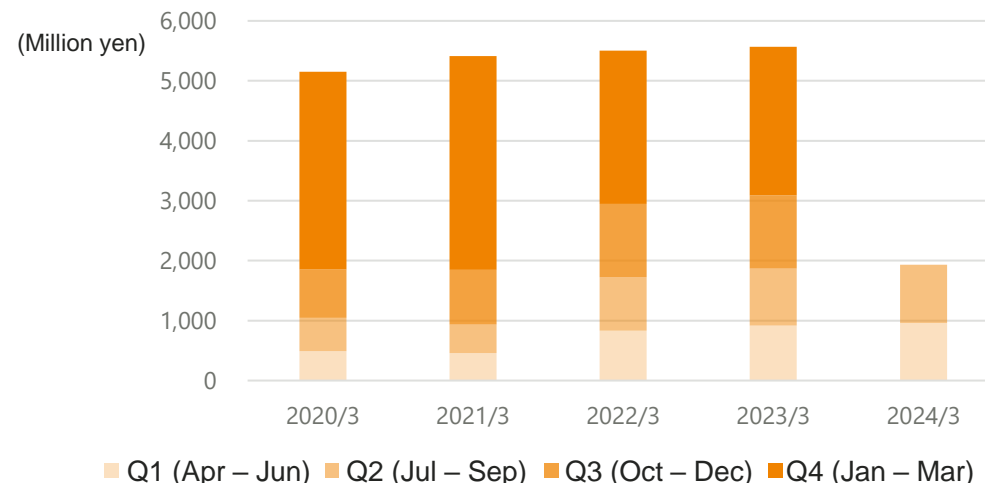
Earnings trends

ODK Group businesses tend to record higher profits in the fourth quarter, mainly due to university entrance exam operations.

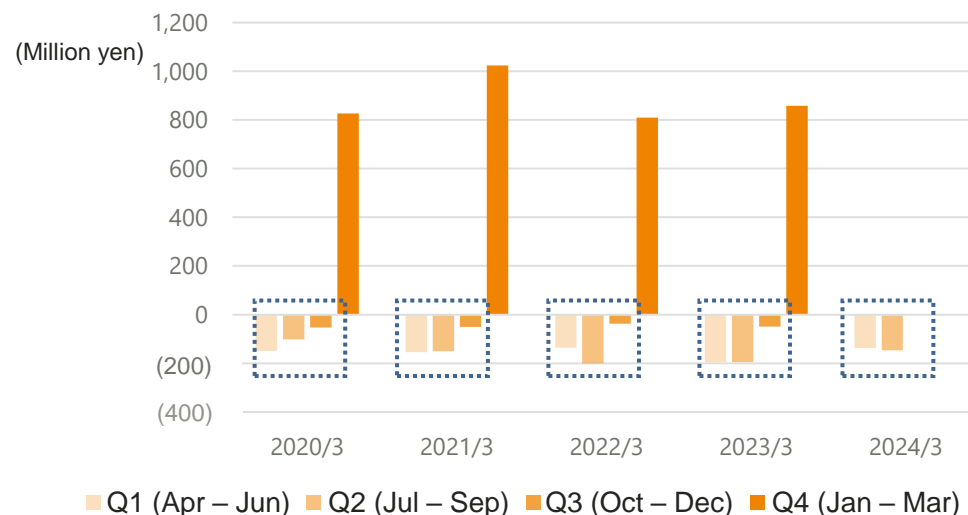
Meanwhile, fixed costs such as personnel expenses, etc. do not change from quarter to quarter. Consequently, in a typical year we usually record losses through the third quarter.

However, these losses are offset on a full-year basis.

Cumulative quarterly net sales (consolidated)



Quarterly operating profit (consolidated)



Consolidated statement of income (First six months of FY 3/2024)

(Million yen, %)

	Consolidated	YoY change	Change (%)	ODK (non-consolidated)	YoY change	Change (%)
Net sales	1,935	63	3.4	1,765	64	3.8
Operating expenses	2,219	(43)	(1.9)	2,045	(45)	(2.2)
Cost of sales	1,581	(46)	(2.9)	1,465	(53)	(3.5)
SG&A expenses	638	2	0.5	580	7	1.3
Operating profit	(284)	106	—	(280)	110	-
Ordinary profit	(270)	105	—	(291)	87	-
Profit attributable to owners of parent	(203)	68	—	(216)	53	-

■ Net sales

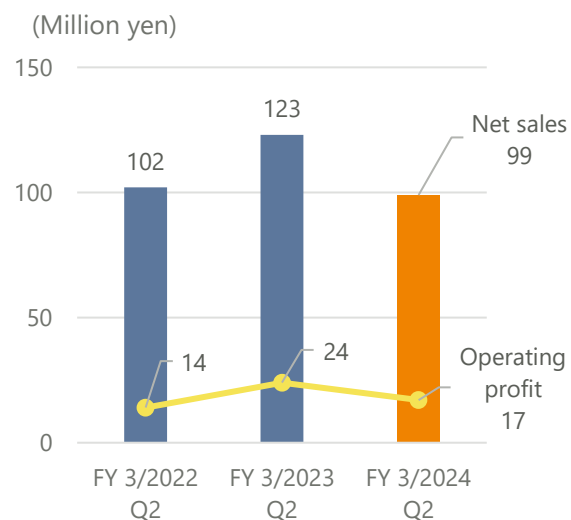
Increased due to securities operations system services WITH-X[®] and KIZUNA-X[®], as well as further transactions by our subsidiary Fplus, Inc. with its existing clients

■ Ordinary profit

Increased mainly due to decreases in retirement benefit expenses and outsourcing expenses, despite increases in research and development expenses in addition to depreciation

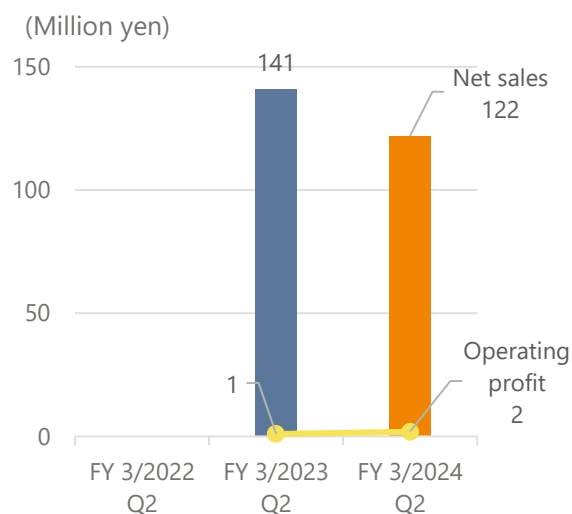
Status of subsidiaries

Fplus, Inc.



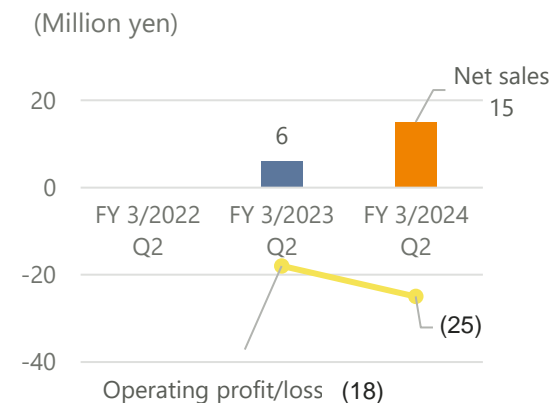
ECS Co., Ltd.

Note: Subject to consolidation from FY 3/2022 Q3



Pottos, Inc.

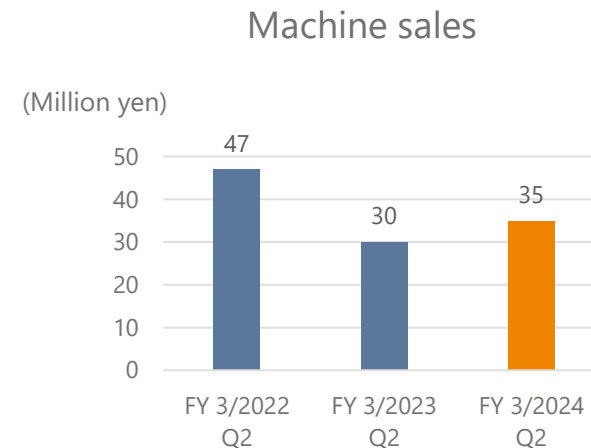
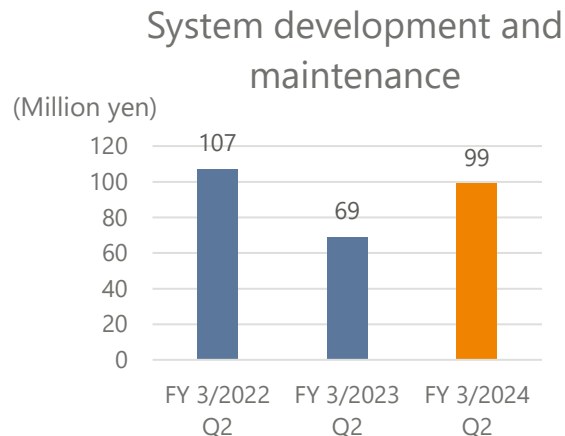
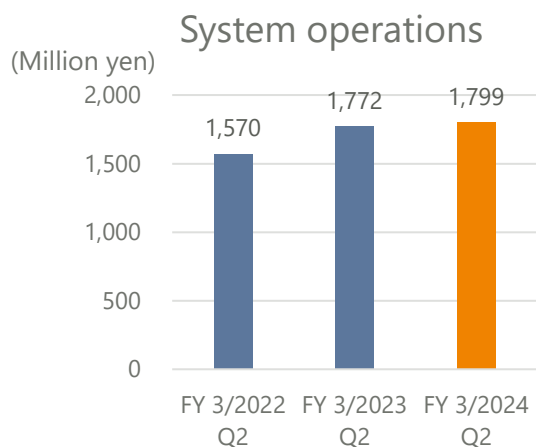
Note: Subject to consolidation from FY 3/2022 Q2



■ Consolidation of ECS Co., Ltd.

For FY 3/2023, we adopted an **irregular accounting period of 14 months from February 1, 2022 to March 31, 2023** for ECS. This was due to the end of ECS's accounting period being changed from January 31 to March 31.

Net sales by business category (Consolidated)



■ System operations

Increased mainly due to an increase in sales of securities operations system services WITH-X® and KIZUNA-X® resulting from further transactions with existing clients, as well as sales in the human resource training support business acquired in FY 3/2023 Q2

■ System development and maintenance

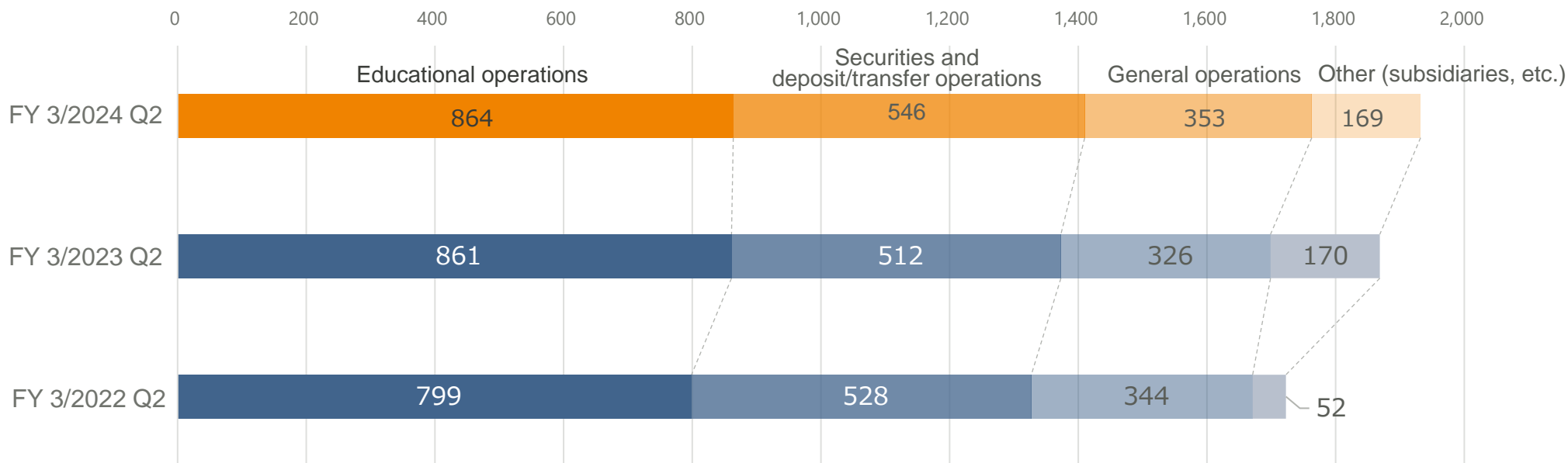
Increased mainly due to development of securities operations system service KIZUNA-X® and other systems

■ Machine sales

Increased mainly due to sales of tablet products for medical systems

Net sales by service category (Consolidated)

(Million yen)



■ Educational operations

Increased due to securing of contracts for entrance exam outsourcing services from new university clients

■ Securities and deposit/transfer operations

Increased mainly due to sales of WITH-X[®] and KIZUNA-X[®] resulting from further transactions with existing clients

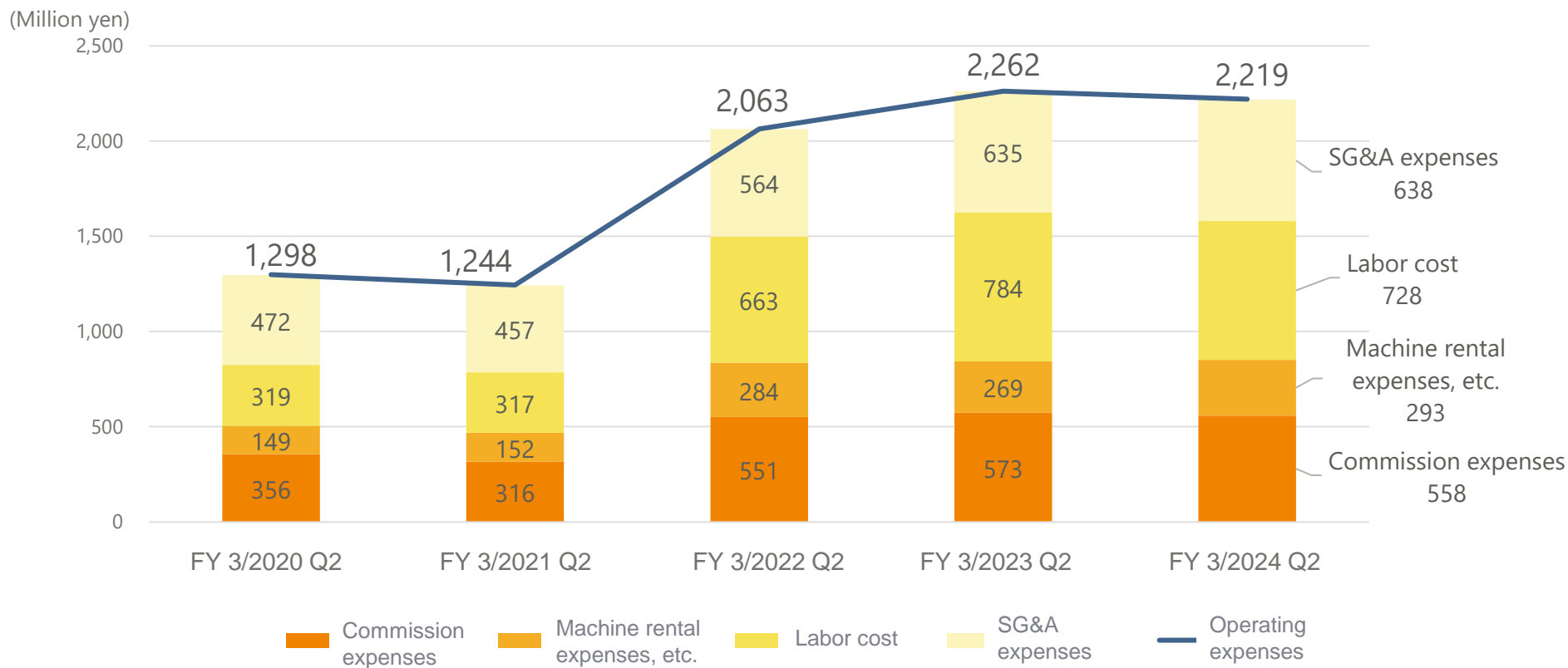
■ General operations

Increased mainly due to consolidation of human resources training support business acquired in FY 3/2023 Q2 and sales of tablet products for medical systems

■ Other

Decreased mainly due to irregular accounting period of ECS Co., Ltd. (14 months) in the previous fiscal year, despite an increase in sales resulting from further transactions by Fplus, Inc. with existing clients and other factors

Operating expenses (Consolidated)



Labor cost

Decreased mainly due to a decrease in retirement benefit expenses

Commission expenses

Decreased mainly due to a decrease in outsourcing expenses

SG&A expenses

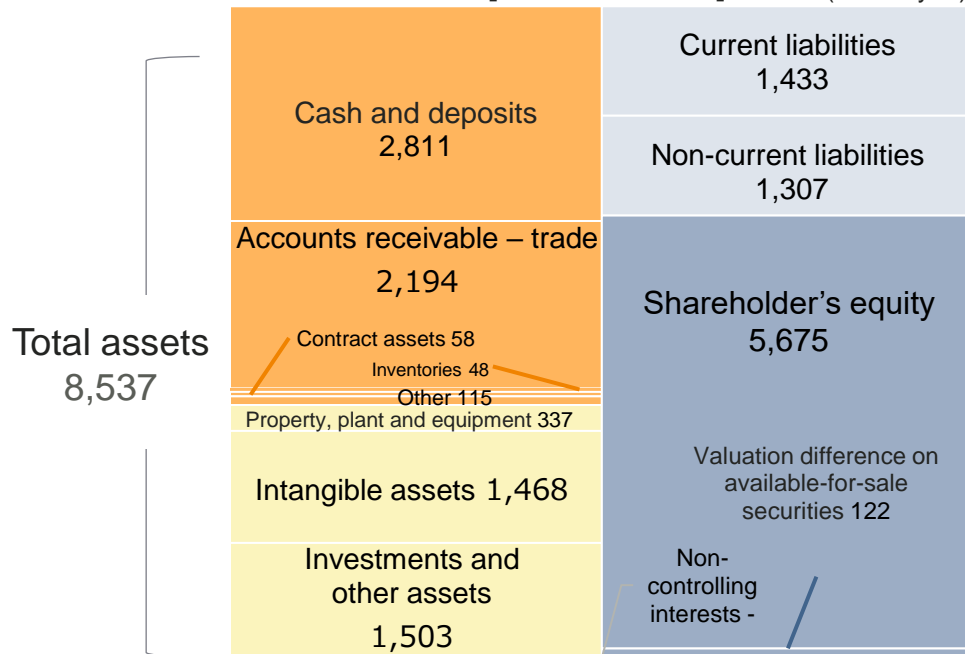
Increased due to recording of research and development expenses for new businesses, despite decreases in other selling expenses and advertising expenses

Machine rental expenses, etc.

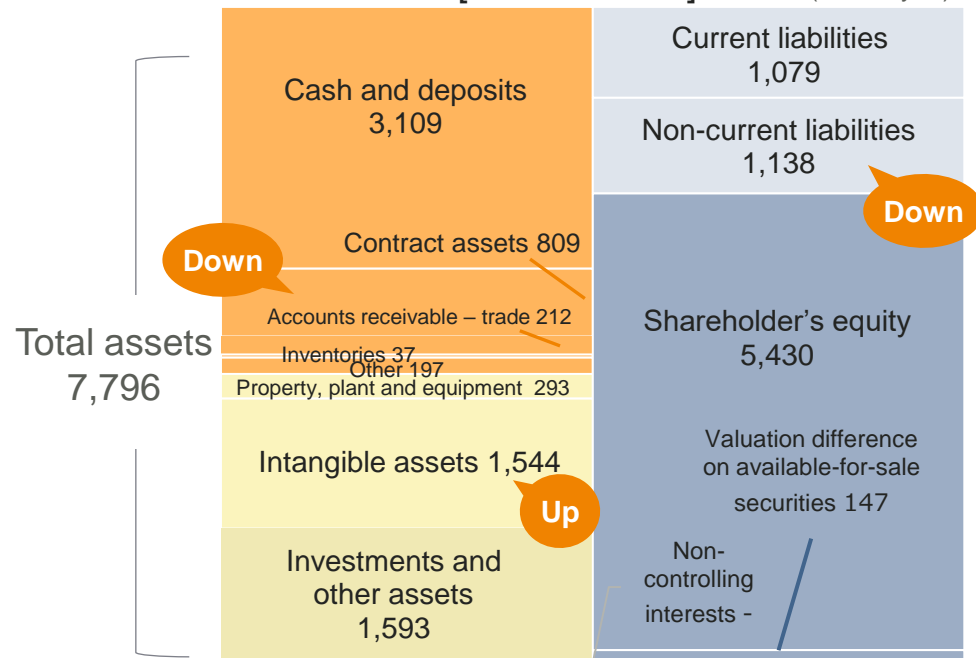
Increased mainly due to an increase in AWS usage fees for educational operations resulting from forex impact

Financial conditions as of September 30, 2024

Balance sheet as of March 31, 2023
[Consolidated] (Million yen)



Balance sheet as of September 30, 2024
[Consolidated] (Million yen)



■ Total assets

Total assets decreased 741 million yen from the end of the previous fiscal year mainly due to a decrease in trade receivables, despite an increase in intangible assets associated with development for transitioning to the UCARO® university entrance exam application system, an increase in contract assets related to university entrance exam system development and other factors

■ Liabilities and net assets

Liabilities decreased 522 million yen from the end of the previous fiscal year mainly due to repayment of long-term borrowings
Net assets decreased 218 million yen from the end of the previous fiscal year mainly due to a decrease in retained earnings



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Earnings forecasts (Consolidated)

(Million yen, %)

	FY 3/2024 forecast*	FY 3/2023 actual	YoY change	Change (%)
Net sales	6,200	5,566	633	11.4
Operating profit	340	420	(80)	(19.2)
Ordinary profit	360	449	(89)	(19.9)
Profit attributable to owners of parent	240	236	3	1.4

* Forecasts are figures announced on April 28, 2023

■ Net sales

Expect to record an increase in sales from entrance exam outsourcing services, human resources training support-related services and other activities

■ Operating profit / Ordinary profit

Expect a decrease in profits on a single-fiscal-year basis due to measures to restore profitability of existing operations and R&D investments in new businesses

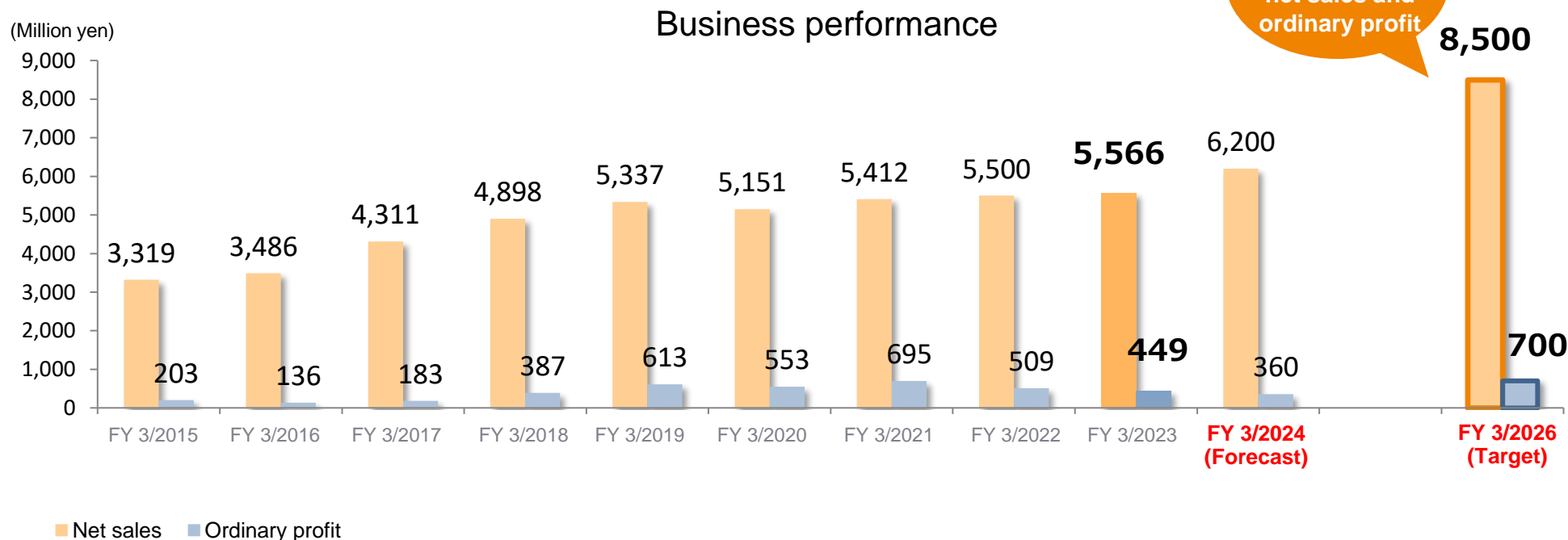


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Consolidated performance targets (FY 3/2024 – FY 3/2026)

	Net sales	Ordinary profit	Dividend
Performance targets	8,500 million yen	700 million yen	Pay 10 yen per year stably



Basic policy, strategy and key issues (Group strategy)

Basic policy

Expand ODK Group



Basic strategy

Promote growth strategy for Group as a whole



Key issues

1

**Promote new
business portfolio**

2

**Generate group
synergies**

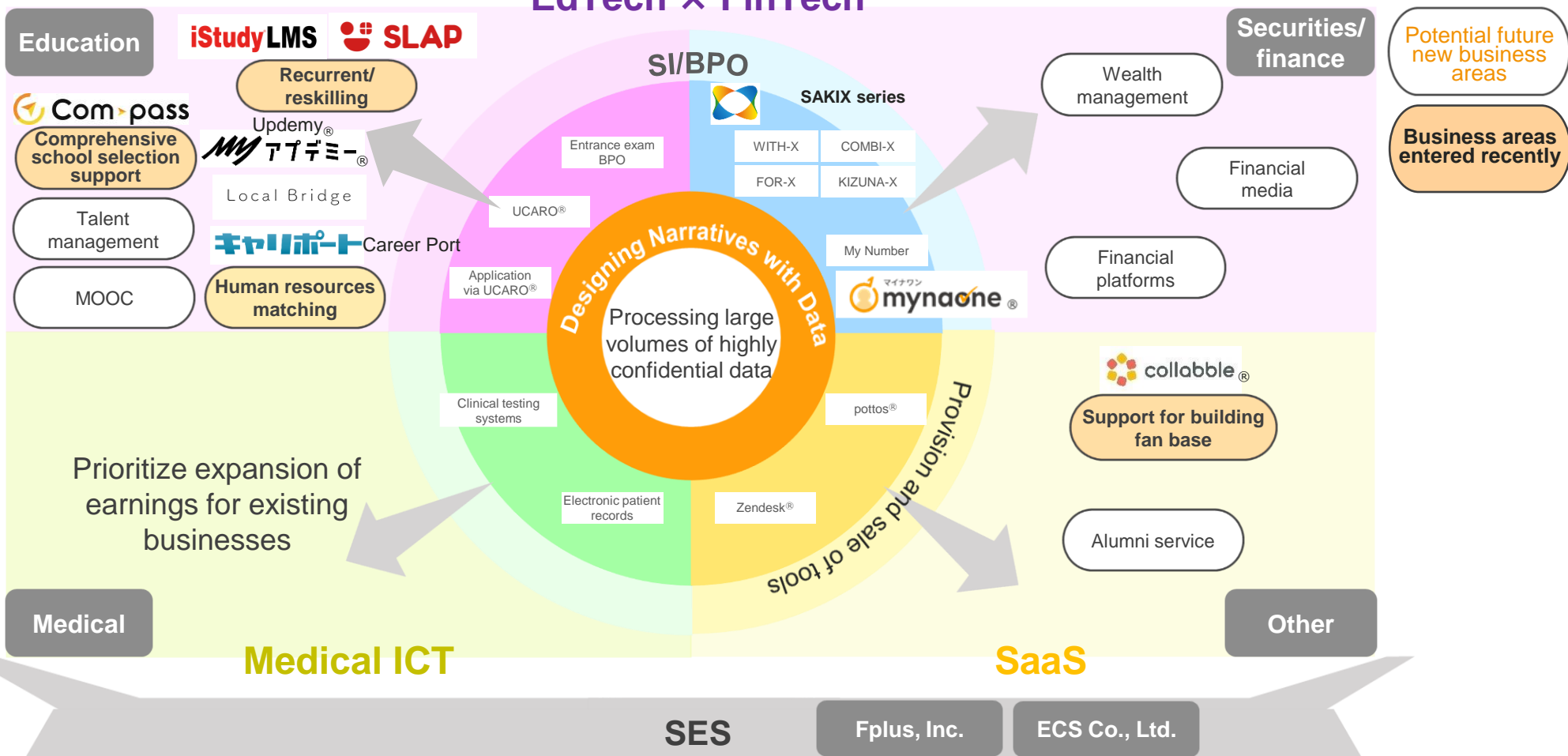
3

**Promote M&A
and alliances**

Key issues (Promote new business portfolio)

- Aim to swiftly monetize business areas entered during previous fiscal year and expand net sales
- Launch new services centered on career development (Education area)

EdTech × FinTech



Basic policy, strategy and key issues (Non-consolidated)

Basic policy

Create new value by strengthening expertise

Basic strategy

Restructure core businesses

Accumulate know-how toward data utilization

Key issues

1 Tighten management of individual revenue sources

2 Demonstrate consulting capabilities

3 Promote R&D



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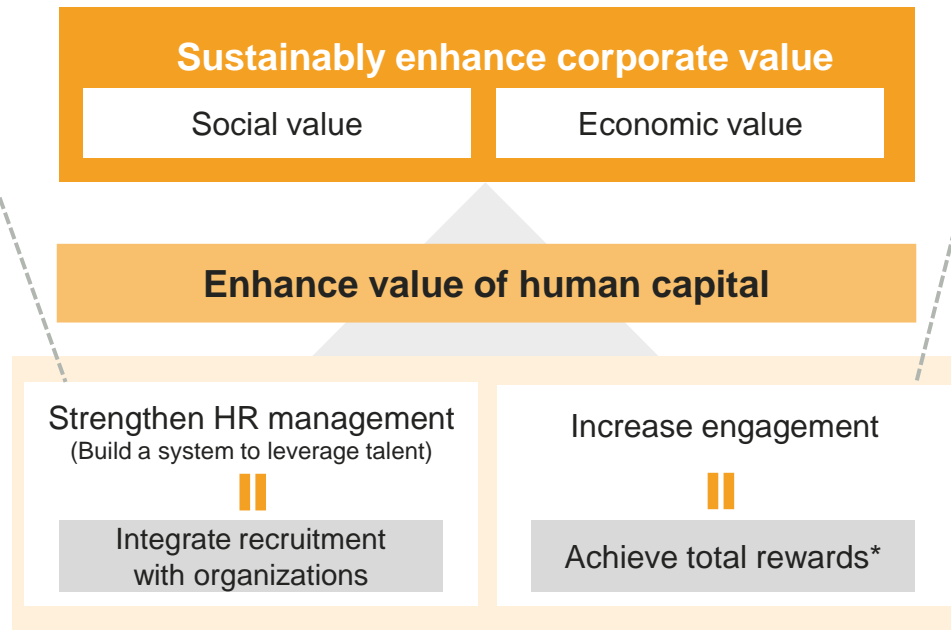


Initiatives to achieve medium-term management plan (1)

Pursue human capital management

Major initiatives

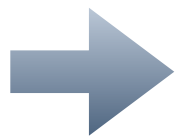
- **Bolster competitive hiring capability**
 - New types of internships
- **Establish a culture of specialization**
 - Establish meister positions
- **Ensure the right people are in the right roles**
 - Utilize skills mapping
- **Ensure diversity in employment**
 - Extend the retirement age to 65
- **Revitalize internal labor market**
 - Early promotion of high performers



Major initiatives

- **Upgrade monetary remuneration system**
 - Raise starting salaries for new grads
 - Raise annual salaries for managers
 - Raise incentive ratio of employee stock ownership plan
- **Offer learning opportunities**
 - Create opportunities for junior employees to grow
 - Training for managers
- **Promote well-being**
 - Review and enrich internal commendation system
 - Change how summer vacation system is operated
 - Encourage childcare leave regardless of gender

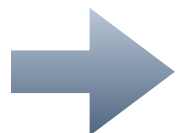
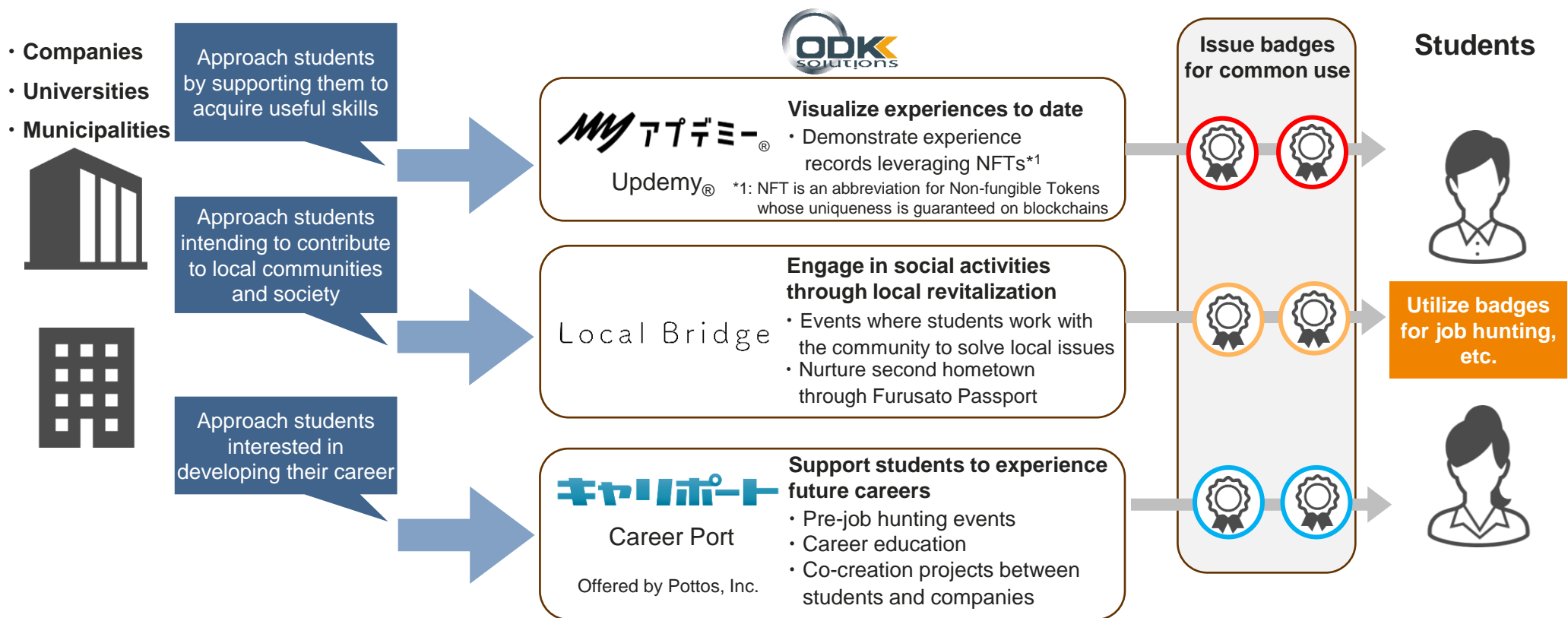
*Total rewards: Concept of considering “remuneration (reward)” given by the company to employees as “rewards,” including not only monetary remuneration but also the working environment of the company. This remuneration system provides rewards to employees in a broad and comprehensive sense, while striking a good balance between monetary and non-monetary remuneration.



Invest in human resources (HR) who will drive further growth on the basis of non-seniority-based long-term employment, while positioning people as our most valuable asset

Initiatives to achieve medium-term management plan (2)

Pursue new business development on basis of next-generation solutions (Updemy®)



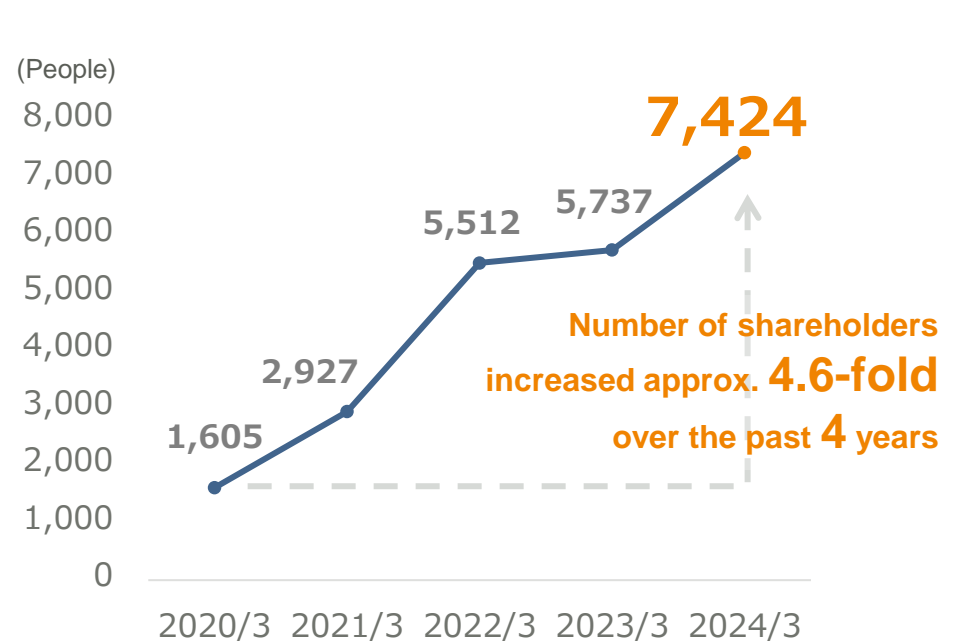
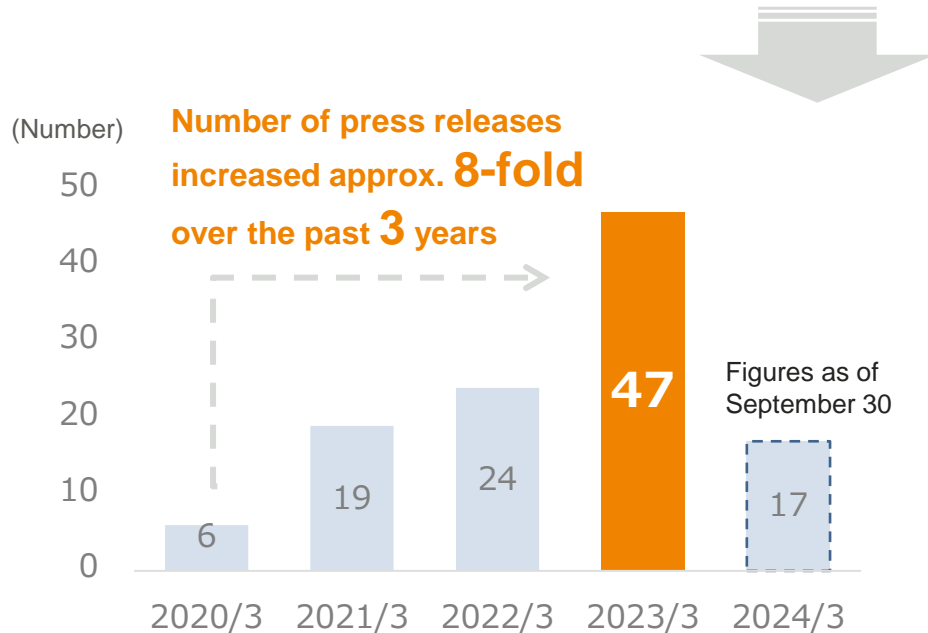
Create bridges between companies/organizations and students through multiple services tailored to different experiences

Initiatives to achieve medium-term management plan (3)

**Increase recognition and liquidity
by further disseminating information to investors**

Dissemination policy and measures

- ◇ Explain our management plans in clear and simple terms by way of our medium-term management plan
- ◇ Provide business activity progress updates through press releases
- ◇ Proactively take measures to increase recognition, such as IR ad placements, radio program appearances, and holding financial results briefings for investors

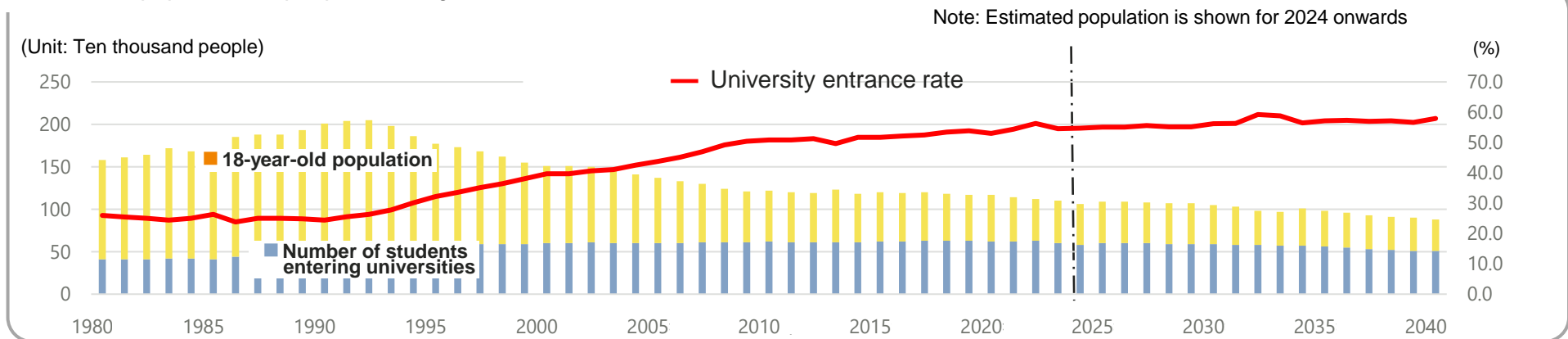


Note: Figures as of September 30 for each fiscal year

Business environment surrounding the education industry

Internal environment		External environment	
<p>Strengths</p> <ul style="list-style-type: none"> ✓ Offering services tailored to individual entrance exams ✓ Track record of securing contracts from large private universities ✓ High entry barrier due to know-how cultivated over many years 	<p>Weaknesses</p> <ul style="list-style-type: none"> ✓ Limited to entrance exam-related operations 	<p>Opportunities</p> <ul style="list-style-type: none"> ✓ Accelerating use of ICT under COVID-19 measures ✓ Expanding AO admissions ✓ Increasing attention on cutting-edge technologies (e.g., AI, blockchains) 	<p>Threats</p> <ul style="list-style-type: none"> ✓ Increasing entry into educational ICT field by players in other industries ✓ Long-term declining birthrate ✓ Increasing costs such as outsourcing expenses

■ Estimated population of people entering universities, etc.



Source: "Basic School Survey," Ministry of Education, Culture, Sports, Science and Technology
"Population Projections for Japan," National Institute of Population and Social Security Research

Strengthen response to **increasing costs such as outsourcing expenses** in the education industry

↳ Measures >> [Educational operations]

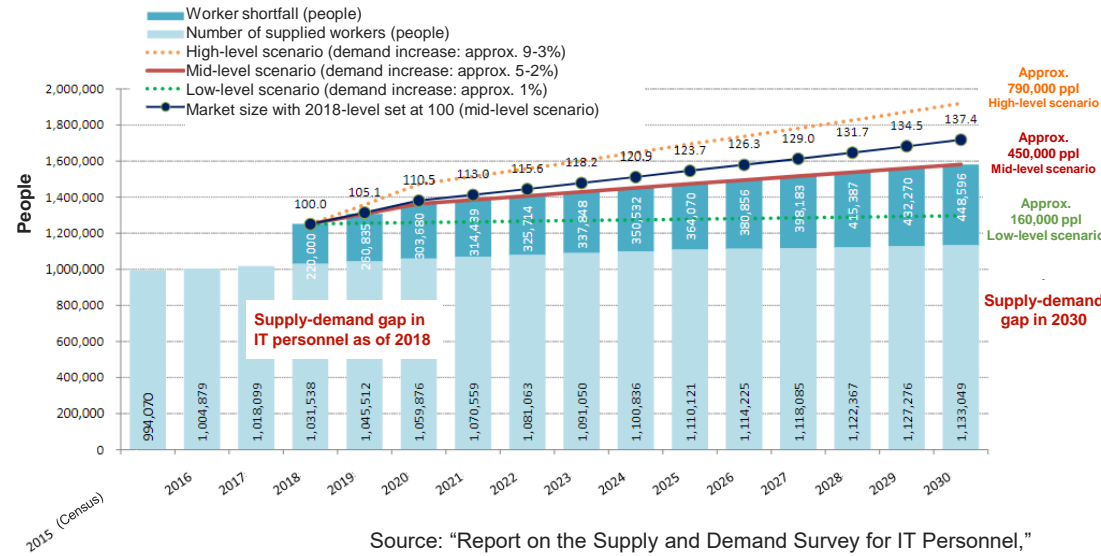
Offer services at fair prices

Background

- ✓ Chronic shortage in IT personnel including 2025 Digital Cliff*
- ✓ Soaring personnel expenses
- ✓ Subcontracting structure of IT industry

*2025 Digital Cliff: The phrase stated in a report published by the Ministry of Economy, Trade and Industry (METI) in 2018. In the report, METI warned that if Japanese companies fail to adequately undertake digital transformation (DX) efforts, Japan may, after 2025, suffer an economic loss of up to 12 trillion yen per year and lose its international competitive edge.

Source: "Report on Digital Transformation: Overcoming of '2025 Digital Cliff' Involving IT Systems and Full-fledged Development of Efforts for Digital Transformation"

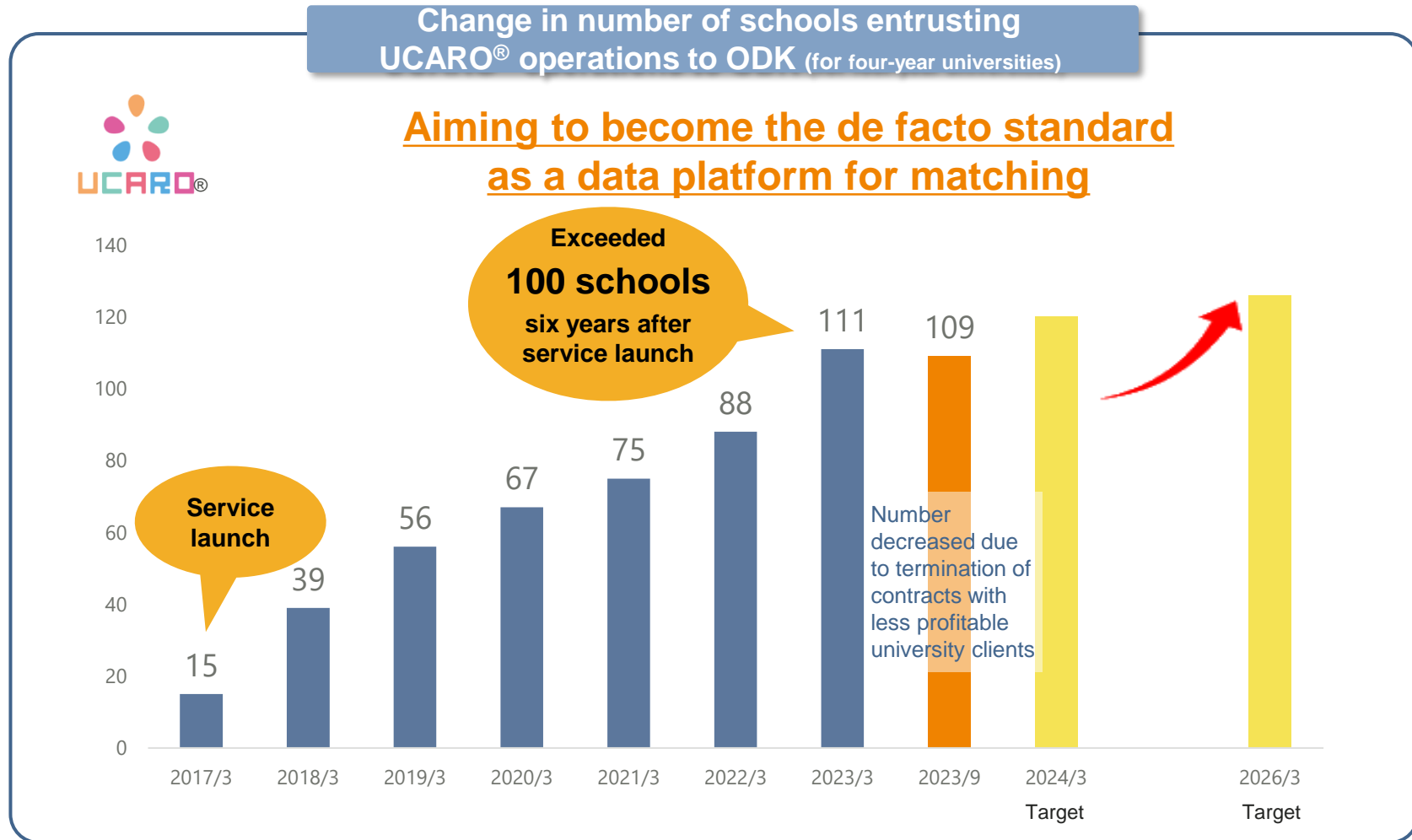


Source: "Report on the Supply and Demand Survey for IT Personnel," Mizuho Information & Research Institute, Inc. https://www.meti.go.jp/policy/it_policy/jinzai/houkokusyo.pdf



- ✓ To fulfill our obligation as a first-tier subcontracting company, we strengthen business continuity by securing personnel and pursuing mutual benefits with subcontractors
- ✓ Engage in price increase negotiations with clients to achieve this end during FY2025
- ✓ Bolster consulting capabilities and solution-based sales to increase selling prices by adding value

Contract and medium-term targets in educational operations



Japan has 807 universities, excluding junior colleges, as of 2022

Source: "Basic School Survey 2022," Ministry of Education, Culture, Sports, Science and Technology

Business environment surrounding the securities industry


Internal environment

Strengths

- ✓ Easy-to-customize system design
- ✓ Backup system with both Tokyo and Osaka, robust system environment
- ✓ Versatile system provision

Weaknesses

- ✓ Low product recognition
- ✓ Low sales capability
- ✓ Small product lineup



External environment

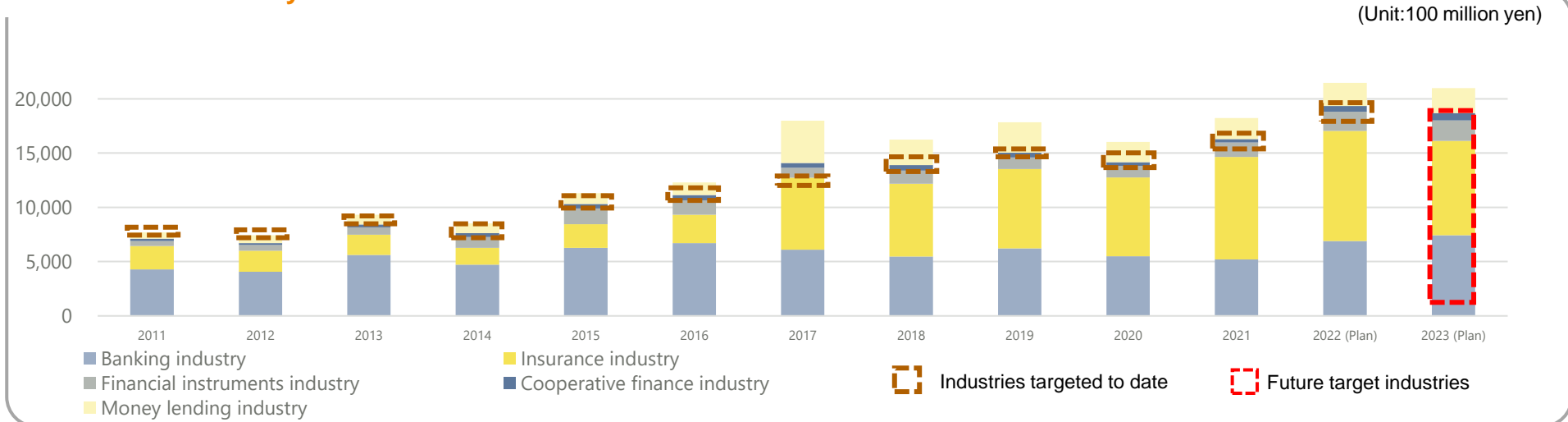
Opportunities

- ✓ Increasing attention on cutting-edge technologies (e.g., AI, blockchains)
- ✓ **Increasing investment needs and expanding asset management market**
- ✓ Growing number of investments via IFAs

Threats

- ✓ Intensifying competition due to emergence of online securities firms / FinTech
- ✓ Entry of mega IT companies (e.g., GAFA) into finance field
- ✓ Security risks such as cyber attacks and data breaches

Trend in financial system investments



ODK has prepared the chart above based on the Bank of Japan's "Short-term Economic Survey (Tankan)"

Strengthen response to **increasing investment needs and expanding asset management market** in the securities industry



Measures >> [Securities and deposit/transfer operations]

Address various new systems including New NISA* system

Status of major system revisions, etc.

- ✓ Lifting of ban on margin trading for US stocks from July 2022
- ✓ Launch of New NISA system by the Financial Services Agency from January 2024
- ✓ Start of incorporation of alphabetic characters into securities codes from January 2024



お客様に寄り添い、先駆けとなるサービスへ。

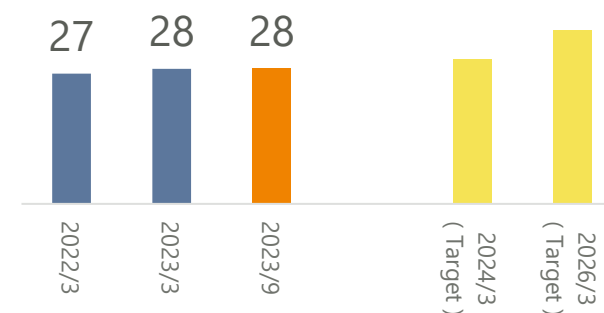
- ✓ **Swiftly address system changes in SAKIX series**
- ✓ **Aim to achieve high system provision client retention rate and deepen relationships with clients by promptly modifying systems based on interviews and other measures to pinpoint clients' needs**

* NISA stands for Nippon Individual Savings Account. Starting from 2024, this system will be expanded to include larger tax exemptions.

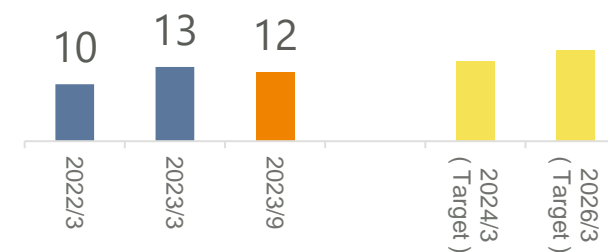
Contract and medium-term targets in securities and deposit/transfer operations



Number of clients



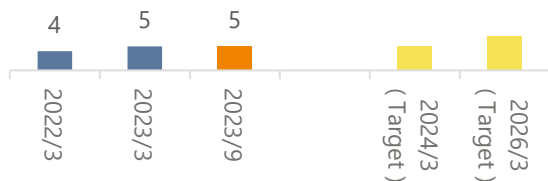
Number of peripheral system clients



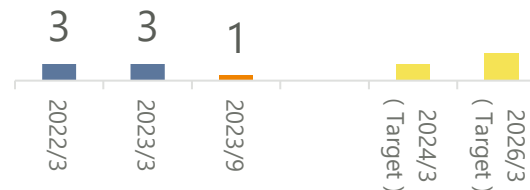
Note:

Peripheral systems includes other securities operations not included as part of "SAKIX" and "mynaone®" (e.g., operations related to reporting transaction balances, inheritance operations)

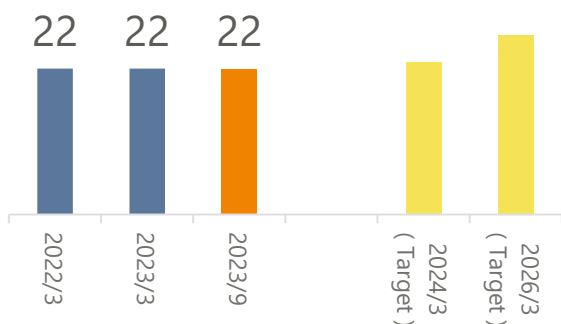
Number of WITH-X® clients



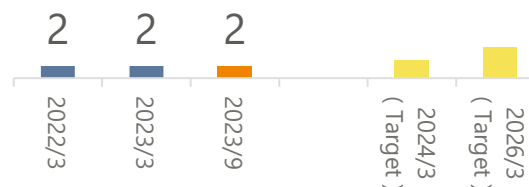
Number of FOR-X® clients



Number of COMBI-X® clients



Number of KIZUNA-X® clients



Note: Service names were changed in March 2023.

"SENS21" was changed to "WITH-X®"; "Watch21" was changed to "FOR-X®"

"JASDEC Connection Service" was changed to "COMBI-X®";

"IFA-dedicated Web Transaction System" was changed to "KIZUNA-X®"



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[Reference] Shareholder returns

FY 3/2023: Record of dividends paid (Full year)

Dividends	Dividend payout ratio (consolidated)
Regular dividend: 10 yen per share (including 5 yen for interim dividend)	34.5%

Shareholder incentives



Total return*1
Less than 3 years Over 3 years
4.18% to 5.86%



Record dates	Number of shares held	Continuous holding period	Shareholder incentive
September 30 and March 31	One trading unit (100 shares) or more	Less than three years	Quo card worth 500 yen
		Three years or more	Quo card worth 1,000 yen

Shareholder incentive for exercising voting rights

Shareholder incentive
Quo card worth 500 yen*2

*2: This incentive is presented to shareholders who exercised voting rights regardless of their approval or disapproval of proposals.

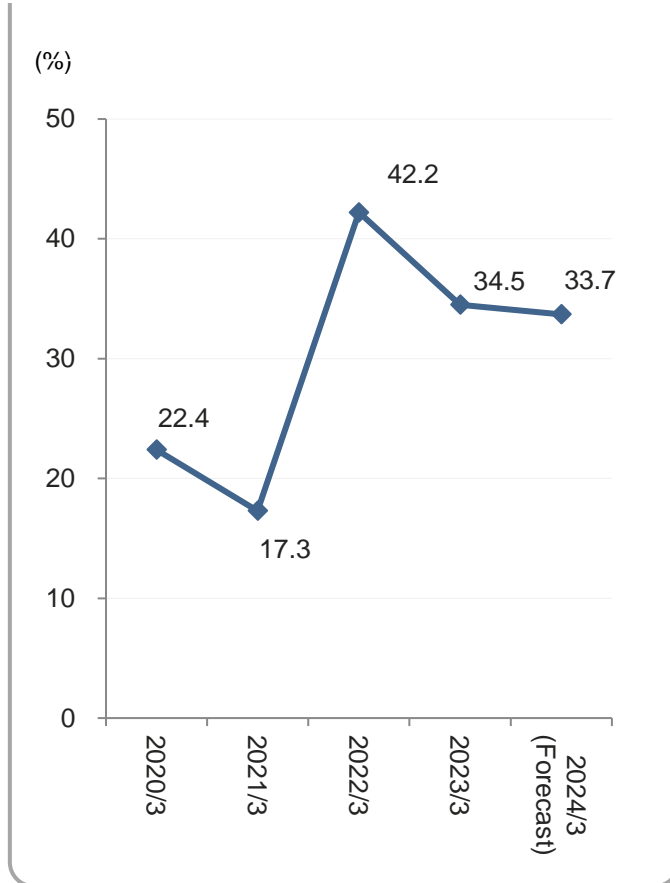
*1: Calculation basis

- In the case of holding one trading unit (100 stocks)
- Total of shareholder incentives (including exercising voting rights) and dividends
- Calculated based on the actual stock price as of March 31, 2023 (597 yen)



[Reference] Dividend payout ratio and turnover

Dividend payout ratio



Note: Dividend payout ratio is on a consolidated basis

ODK stock price and turnover



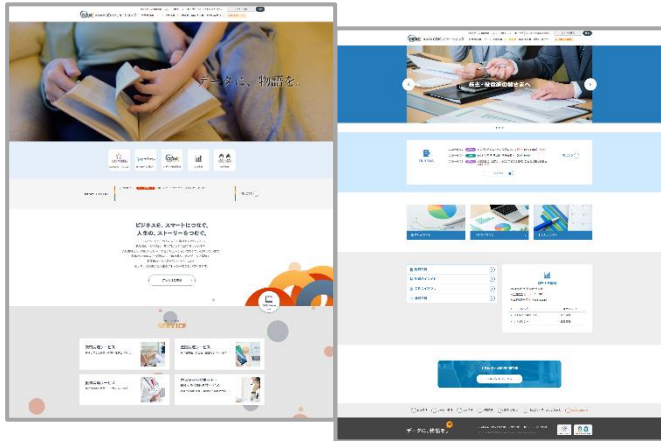
Note: Figures are monthly average figures



[Reference] Information dissemination

■ ODK website

We disseminate the latest information in various ways to inform stakeholders of our current situation and deepen their understanding.



■ Other communication activities

● IR information emails

We introduce our businesses and current situation in addition to announcing updates posted on our official Facebook page and corporate website.



<https://www.odk.co.jp/ir/ir14.html>

● ODK corporate video

We introduce our corporate history and businesses.

<https://www.youtube.com/watch?v=7tn0lcRXh3U> (Japanese only)



■ Corporate brochure

We renewed our brochure to more clearly communicate about our company, businesses and vision.



We will share the latest IR information and other updates!



おとこ ODKちゃん



きゅう Q

Management Philosophy

**Contribute to customer prosperity and
the development of society
through the information service business**

Basic Management Policy

- Consistently aim to improve technology, provide excellent service and enjoy higher levels of customer trust
- Create the future with a global outlook for what lies ahead
- Realize an attractive company life where employees enjoy their work and feel motivated

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Securities code
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Designing Narratives with Data

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