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Consolidated Financial Results for the Nine Months Ended October 31, 2023 [Japanese GAAP]



December 13, 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: December 13, 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 Nine Months Ended October 31, 2023 (February 1, 2023–October 31, 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	%
Nine months ended								
October 31, 2023	4,956	11.1	1,083	12.7	1,150	9.3	826	16.8
October 31, 2022	4,462	1.9	960	(3.0)	1,052	(3.3)	707	(4.6)

(Note) Comprehensive income: Nine months ended October 31, 2023: ¥816 million [4.7%]

Nine months ended October 31, 2022: ¥780 million [(0.2)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
October 31, 2023	55.66	55.55
October 31, 2022	47.45	47.34

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of October 31, 2023	8,393	6,170	73.4
As of January 31, 2023	8,025	5,727	71.2

(Reference) Equity: As of October 31, 2023: ¥6,161 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	—	0.00	—		
Fiscal year ending January 31, 2024 (Forecast)				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
	6,570	9.4	1,128	(9.1)	1,201	(10.0)	832	2.4	56.11

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

* 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):

October 31, 2023: 14,914,800 shares

January 31, 2023: 14,914,800 shares

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

October 31, 2023: 85,565 shares

January 31, 2023: 223 shares

3) Average number of shares during the period:

Nine months ended October 31, 2023: 14,849,053 shares

Nine months ended October 31, 2022: 14,910,387 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 nine months ended October 31, 2023 saw signs of gradual recovery given the improving trend in personal consumption and capital investment. 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, unstable exchange rate fluctuations, and the situation in the Middle East, the outlook remains uncertain.

The IT industry, to which the Group belongs, witnesses an 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 September 2023, we released desknet's NEO version 8.0 and business chat tool ChatLuck version 6.0, which enable secure and stable adoption of generative AI in the workplace, through integration with ChatGPT provided by OpenAI Inc.

In addition, our three principal products (desknet's NEO, ChatLuck, and AppSuite) received ten awards in the respective three categories in the BOXIL SaaS AWARD Autumn 2023 (September 2023), which recognizes the most valued SaaS of the moment and is organized by SMARTCAMP Co., Ltd., while AppSuite, a tool for creating apps with no coding, received six awards, followed by the six awards it received at the BOXIL SaaS AWARD Summer 2023. Our three principal products also received awards in the ITreview Grid Award 2023 Fall, organized by IT product comparison and review website ITreview in October 2023. Groupware desknet's NEO and our business chat tool ChatLuck were awarded as "LEADER" for the 19th consecutive year and 6th consecutive year, respectively, while AppSuite, a tool for creating apps with no coding was awarded for the 4th consecutive year.

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. Based on these results, in October 2023 we began providing the City of Yokohama with a system to help the city prepare evacuation security plans to ensure the safety of facility users requiring special consideration. Going forward, we will strive to provide the similar function to other local governments, in addition to the City of Yokohama.

With regard to the advertising investments scheduled for the fiscal year under review to increase awareness of our products and services, we aired TV commercials as originally scheduled and spent about ¥150,000 thousand for the six months ended July 31, 2023. The TV commercials planned for the second half of the fiscal year under review will be broadcast in the fourth quarter of the fiscal year under review, and we plan to spend approximately ¥200,000 thousand.

As a result, for the nine months ended October 31, 2023, the Company posted net sales of ¥4,956,605 thousand (up 11.1% year on year), operating profit of ¥1,083,029 thousand (up 12.7% year on year), ordinary profit of ¥1,150,267 thousand (up 9.3% year on year), and profit attributable to owners of parent of ¥826,542 thousand (up 16.8% year on year).

Operating results for the nine months ended October 31, 2023 by segment are as follows.

(Software business)

The status by business sector is indicated as follows.

Business sector	For the nine months ended October 31, 2022		For the nine months ended October 31, 2023		
	Net sales (Thousand yen)	Percentage breakdown (%)	Net sales (Thousand yen)	Percentage breakdown (%)	Change (%)
Cloud services	1,997,811	63.4	2,191,329	63.5	9.7
Packaged products	1,094,617	34.8	1,209,116	35.0	10.5
Technological development	56,561	1.8	52,620	1.5	(7.0)
Total	3,148,989	100.0	3,453,066	100.0	9.7

1) Cloud services

Net sales by principal cloud service are as follows.

	For the nine months ended October 31, 2022	For the nine months ended October 31, 2023	Change (Thousand yen)	Change (%)
	Net sales (Thousand yen)	Net sales (Thousand yen)		
desknet's NEO cloud	1,656,923	1,820,130	163,206	9.8
AppSuite cloud	97,528	128,296	30,767	31.5
ChatLuck cloud	50,358	54,200	3,842	7.6
Other monthly recurring revenue	147,927	150,869	2,941	2.0
Total monthly recurring revenue	1,952,738	2,153,497	200,758	10.3
Other services, etc.	45,072	37,832	(7,240)	(16.1)
Cloud services total	1,997,811	2,191,329	193,518	9.7

Net sales of desknet's NEO cloud increased by ¥163,206 thousand year on year to ¥1,820,130 thousand (up 9.8% 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 85 users per company, indicating that most of the customers are with less than 100 users. On the other hand, we see a gradual increase in the number of customers choosing the cloud service even among those with the user scale that had traditionally often chosen the packaged version. Since the churn rate (* 1) remains low at 0.23%, we recognize that its sales will remain stable in the future. Net sales of AppSuite cloud increased by ¥30,767 thousand year on year to ¥128,296 thousand (up 31.5% year on year), due to an increase in the number of users. As of October 31, 2023, the number of users of the service accounted for about 10% of the number of desknet's NEO cloud users, and we strive for further sales expansion as there is large room for growth. Net sales of ChatLuck cloud increased by ¥3,842 thousand year on year to ¥54,200 thousand (up 7.6% year on year). We will strive to expand the number of users by continuously working to enhance functions. Other monthly recurring revenue increased by ¥2,941 thousand year on year to ¥150,869 thousand (up 2.0% year on year), almost unchanged from the previous year. Net sales of other services, etc. decreased by ¥7,240 thousand year on year to ¥37,832 thousand (down 16.1% year on year). This was primarily due to lower customization sales to ASP providers.

As a result, the overall net sales of cloud services increased by ¥193,518 thousand year on year to ¥2,191,329 thousand (up 9.7% 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 nine months ended October 31, 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 nine months ended October 31, 2022	For the nine months ended October 31, 2023	Change (Thousand yen)	Change (%)
	Net sales (Thousand yen)	Net sales (Thousand yen)		
desknet’s NEO Enterprise license	136,938	143,148	6,209	4.5
desknet’s NEO Small license	31,940	40,510	8,569	26.8
AppSuite	68,226	101,721	33,495	49.1
ChatLuck	23,034	38,792	15,757	68.4
Other license sales	7,410	7,105	(305)	(4.1)
Total license sales	267,551	331,278	63,727	23.8
Support	596,300	627,845	31,544	5.3
Customization	54,656	93,308	38,652	70.7
Other services, etc.	176,109	156,685	(19,424)	(11.0)
Packaged products total	1,094,617	1,209,116	114,499	10.5

Net sales of desknet’s NEO Enterprise license, which is for large-scale users, increased by ¥6,209 thousand year on year to ¥143,148 thousand (up 4.5% year on year), amid strong sales to government agencies and financial institutions.

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 nine months ended October 31, 2023 increased by ¥8,569 thousand year on year to ¥40,510 thousand (up 26.8% 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 nine months ended October 31, 2023, net sales of AppSuite license increased by ¥33,495 thousand year on year to ¥101,721 thousand (up 49.1% year on year), and net sales of ChatLuck license increased by ¥15,757 thousand year on year to ¥38,792 thousand (up 68.4% year on year), due to additional installations for government agencies and financial institutions among other factors.

Net sales of customization increased by ¥38,652 thousand year on year to ¥93,308 thousand (up 70.7% year on year) mainly because of a year-on-year increase in the number of mid-sized projects. Net sales of support increased by ¥31,544 thousand year on year to ¥627,845 thousand (up 5.3% year on year), mainly because net sales of support for desknet’s NEO increased by ¥12,447 thousand year on year to ¥527,144 thousand (up 2.4% year on year) and net sales of support for AppSuite increased by ¥12,717 thousand year on year to ¥45,318 thousand (up 39.0% year on year).

As a result, the overall net sales of packaged products increased by ¥114,499 thousand year on year to ¥1,209,116 thousand (up 10.5% year on year).

3) Technological development

Our policy is not to actively accept development contracts. Net sales of technological development decreased by ¥3,941 thousand year on year to ¥52,620 thousand (down 7.0% 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 ¥3,453,066 thousand (up 9.7% year on year) and segment profit of ¥1,020,370 thousand (up 3.6% 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 nine months ended October 31, 2023, a recovery trend in net sales continued from the fourth quarter of the previous fiscal year, and net sales increased by ¥188,541 thousand to ¥1,516,684 thousand (up 14.2% year on year) 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 ¥161,182 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 increased by ¥6,541 thousand due mainly to an increase in personnel expenses.

As a result, the system development service business posted net sales of ¥1,516,684 thousand (up 14.2% year on year) and segment profit of ¥69,542 thousand (up 42.7% 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. In Thailand, we are working to expand sales through such efforts as signing agreements with two new local sales agents in the current 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., services that had been under development since the previous fiscal year based on local market surveys were transferred to the Company during the second quarter of the fiscal year under review.

As a result, the overseas business posted net sales of ¥81,775 thousand (up 1,058.0% year on year) and segment loss of ¥9,008 thousand (segment loss of ¥72,963 thousand for the same period of the previous fiscal year). The increase in net sales in the overseas business is mainly attributable to the transfer of rights to services that had been under development by our U.S. subsidiary to the Company.

(2) Explanation of Financial Position

(Assets)

Total assets as of October 31, 2023 increased by ¥368,454 thousand from the end of the previous fiscal year to ¥8,393,960 thousand. This was mainly due to an increase of ¥51,313 thousand in securities and investment securities resulting mainly from gains on valuation of foreign-currency-denominated securities caused by a weaker yen, as well as increases of ¥211,781 thousand in cash and deposits and of ¥62,132 thousand in accounts receivable – trade and contract assets.

(Liabilities)

Total liabilities as of October 31, 2023 decreased by ¥73,715 thousand from the end of the previous fiscal year to ¥2,223,879 thousand. This was mainly due to a decrease in total liabilities mainly due to a decrease of ¥164,297 thousand in income taxes payable resulting primarily from the interim payment of taxes as well as a decrease of ¥71,605 thousand in other under current liabilities resulting mainly from payment of advertising expenses and other payments in the fourth quarter of the previous fiscal year, despite an increase of ¥109,927 thousand in contract liabilities for cloud services, support services etc. in line with an increase in the number of users and an increase of ¥28,655 thousand in provision for bonuses.

(Net assets)

Total net assets as of October 31, 2023 increased by ¥442,169 thousand from the end of the previous fiscal year to ¥6,170,080 thousand. This was mainly due to an increase of ¥77,098 thousand in treasury shares, as well as the recording of ¥826,542 thousand in profit attributable to owners of parent and an increase of ¥528,251 thousand in retained earnings resulting from the payment of a dividend of surplus of ¥298,291 thousand.

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

Based on the financial results for the nine months through October 31, 2023, the Company has revised 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.

For details, please see the “Notice of Changes to the Consolidated Financial Results Forecast” announced today.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of January 31, 2023	As of October 31, 2023
Assets		
Current assets		
Cash and deposits	4,841,218	5,052,999
Accounts receivable - trade, and contract assets	687,633	749,766
Securities	378,245	188,643
Supplies	2,797	1,104
Other	80,302	89,907
Allowance for doubtful accounts	(1,646)	(1,725)
Total current assets	5,988,551	6,080,695
Non-current assets		
Property, plant and equipment	47,816	50,568
Intangible assets		
Goodwill	92,208	81,835
Other	252,945	273,329
Total intangible assets	345,154	355,164
Investments and other assets		
Investment securities	1,119,398	1,360,313
Other	524,843	547,785
Allowance for doubtful accounts	(258)	(568)
Total investments and other assets	1,643,983	1,907,530
Total non-current assets	2,036,954	2,313,264
Total assets	8,025,505	8,393,960

(Thousand yen)

	As of January 31, 2023	As of October 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	141,938	163,813
Income taxes payable	295,087	130,789
Contract liabilities	999,091	1,109,018
Provision for bonuses	79,133	107,789
Other	386,880	315,275
Total current liabilities	1,902,131	1,826,686
Non-current liabilities		
Retirement benefit liability	367,845	369,602
Other	27,616	27,589
Total non-current liabilities	395,462	397,192
Total liabilities	2,297,594	2,223,879
Net assets		
Shareholders' equity		
Share capital	297,161	297,161
Capital surplus	333,445	334,566
Retained earnings	5,048,037	5,576,288
Treasury shares	(384)	(77,482)
Total shareholders' equity	5,678,260	6,130,534
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23,836	10,538
Foreign currency translation adjustment	15,509	20,794
Total accumulated other comprehensive income	39,345	31,332
Non-controlling interests	10,304	8,213
Total net assets	5,727,911	6,170,080
Total liabilities and net assets	8,025,505	8,393,960

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

(Thousand yen)

	For the nine months ended October 31, 2022	For the nine months ended October 31, 2023
Net sales	4,462,834	4,956,605
Cost of sales	2,095,264	2,225,246
Gross profit	2,367,569	2,731,358
Selling, general and administrative expenses	1,406,716	1,648,329
Operating profit	960,853	1,083,029
Non-operating income		
Interest income	23,706	30,730
Gain on sale of securities	29,149	28,353
Foreign exchange gains	21,259	9,162
Other	18,827	6,175
Total non-operating income	92,942	74,421
Non-operating expenses		
Interest expenses	16	34
Loss on investments in investment partnerships	922	7,129
Other	41	20
Total non-operating expenses	980	7,184
Ordinary profit	1,052,815	1,150,267
Extraordinary income		
Gain on sale of non-current assets	–	4,375
Gain on sale of investment securities	–	7,307
Gain on redemption of investment securities	–	38,463
Total extraordinary income	–	50,146
Profit before income taxes	1,052,815	1,200,413
Income taxes	348,145	375,986
Profit	704,670	824,427
Loss attributable to non-controlling interests	(2,804)	(2,115)
Profit attributable to owners of parent	707,474	826,542

Quarterly Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the nine months ended October 31, 2022	For the nine months ended October 31, 2023
Profit	704,670	824,427
Other comprehensive income		
Valuation difference on available-for-sale securities	56,339	(13,297)
Foreign currency translation adjustment	19,099	5,309
Total other comprehensive income	75,439	(7,988)
Comprehensive income	780,110	816,438
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	782,155	818,529
Comprehensive income attributable to non-controlling interests	(2,045)	(2,091)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

The Company purchased 100,000 treasury shares based on a resolution of the Board of Directors meeting held on March 13, 2023. Primarily due to this purchase, treasury shares increased by ¥77,098 thousand during the nine months ended October 31, 2023, resulting in ¥77,482 thousand in treasury shares as of October 31, 2023.

(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 third quarter of the fiscal year under review, and multiplying profit before income taxes by the estimated effective tax rate.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

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. This application has no impact on the Company's quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

I. For the nine months ended October 31, 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	3,147,339	1,308,432	7,061	4,462,834	—	4,462,834
Intersegment net sales or transfers	1,650	19,709	—	21,359	(21,359)	—
Total	3,148,989	1,328,142	7,061	4,484,194	(21,359)	4,462,834
Segment profit (loss)	985,172	48,725	(72,963)	960,934	(81)	960,853

(Notes) 1. The segment profit (loss) adjustment of ¥(81) 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 nine months ended October 31, 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	3,449,851	1,489,790	16,964	4,956,605	–	4,956,605
Intersegment net sales or transfers	3,215	26,893	64,811	94,921	(94,921)	–
Total	3,453,066	1,516,684	81,775	5,051,526	(94,921)	4,956,605
Segment profit (loss)	1,020,370	69,542	(9,008)	1,080,904	2,125	1,083,029

(Notes) 1. The segment profit (loss) adjustment of ¥2,125 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 nine months ended October 31, 2022

(Thousand yen)

	Reportable segment			Total
	Software business	System development service business	Overseas business	
Recurring revenue (Note 1)	2,556,275	1,046,596	3,144	3,606,015
One-time revenue (Note 2)	591,064	261,836	3,917	856,818
Revenue from contracts with customers	3,147,339	1,308,432	7,061	4,462,834
Net sales to outside customers	3,147,339	1,308,432	7,061	4,462,834

(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 nine months ended October 31, 2023

(Thousand yen)

	Reportable segment			Total
	Software business	System development service business	Overseas business	
Recurring revenue (Note 1)	2,786,650	1,320,781	6,149	4,113,581
One-time revenue (Note 2)	663,200	169,009	10,814	843,023
Revenue from contracts with customers	3,449,851	1,489,790	16,964	4,956,605
Net sales to outside customers	3,449,851	1,489,790	16,964	4,956,605

(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