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February 14, 2024

Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (Japanese GAAP)

Name of listed company: DENTSU SOKEN INC.
Listed exchange: Tokyo
Code number: 4812
URL: <https://www.dentsusoken.com/english>
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Date of the general meeting of the shareholders: March 22, 2024
Date of scheduled payment of dividends: March 25, 2024
Date of scheduled filing of securities report: March 22, 2024
Supplementary explanatory documents: Yes
Presentation: Yes (for institutional investors and financial analysts)

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

1. Consolidated Business Performance for the FY2023 (from January 1, 2023 to December 31, 2023)

(1) Consolidated Operating Results

(% of change from previous year)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Net profit (loss) *	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
FY2023	142,608	10.5	21,028	13.1	21,244	15.7	14,663	16.4
FY2022	129,054	15.1	18,590	35.3	18,354	38.8	12,598	40.8

* Profit (loss) attributable to owners of parent

Note: Comprehensive profit: FY2023: 14,924 million yen (up 16.2%); FY2022: 12,842 million yen (up 40.0%)

	EPS	Diluted EPS	ROE	ROA	Ratio of operating profit to net sales
	(yen)	(yen)	(%)	(%)	(%)
FY2023	225.35	–	18.7	16.6	14.7
FY2022	193.51	–	18.1	16.0	14.4

Reference: Equity in earnings of affiliated companies: FY2023: (11) million yen; FY2022: (198) million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	BPS
	(million yen)	(million yen)	(%)	(yen)
FY2023	133,333	82,971	62.2	1,275.10
FY2022	121,892	73,871	60.6	1,134.80

Reference: Total shareholders' equity: FY2023: 82,971 million yen; FY2022: 73,838 million yen

(3) Consolidated Cash Flows

	From operating activities	From investing activities	From financing activities	Cash and cash equivalents at end of period
	(million yen)	(million yen)	(million yen)	(million yen)
FY2023	13,046	(2,359)	(6,702)	57,515
FY2022	11,914	(3,132)	(5,419)	53,305

2. Dividends

	Dividends per share					Total dividends paid (Annual)	Payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	First quarter	Second quarter	Third quarter	Fourth quarter	Total			
FY2022	–	33.00	–	45.00	78.00	5,082	40.3	7.2
FY2023	–	44.00	–	56.00	100.00	6,516	44.4	8.3
FY2024 (forecast)	–	54.00	–	54.00	108.00		44.8	

3. Consolidated Forecasts for FY2024 (from January 1, 2024 to December 31, 2024)

Percentages indicate year-on-year increase/(decrease)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Net profit (loss) *		EPS
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(yen)
First half	74,000	5.9	11,000	3.3	11,000	2.0	7,700	3.4	118.33
Full year	153,000	7.3	22,500	7.0	22,500	5.9	15,700	7.1	241.28

*Profit attributable to owners of parent

Notes

- Changes in the scope of consolidation for significant subsidiaries (Changes in specified subsidiaries resulting in change in the scope of consolidation): None
- Changes in accounting policies, changes in accounting estimates and restatements:
 - Changes in accounting policies in accordance with revision of accounting standards: Yes
 - Changes in accounting policies other than 1) above: None
 - Changes in accounting estimate: None
 - Restatements: None

3. Issued and outstanding common stock

- Number of shares issued and outstanding at end of period, including treasury stock:

FY2023	65,182,480 shares	FY2022	65,182,480 shares
FY2023	112,297 shares	FY2022	114,680 shares
FY2023	65,069,650 shares	FY2022	65,102,705 shares

- Number of treasury stock at end of period:

- Average number of shares outstanding for each period:

(Reference) Summary of Non-consolidated Business Performance

1. Non-consolidated Business Performance for the FY2023 (from January 1, 2023 to December 31, 2023)

(1) Non-consolidated Operating Results

Percentages indicate year-on-year increase/(decrease)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Net Profit (loss)	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
FY2023	123,469	10.5	16,859	14.8	19,287	17.1	14,249	24.0
FY2022	111,779	15.8	14,681	35.9	16,467	29.3	11,490	34.1

	EPS	Diluted EPS
	(yen)	(yen)
FY2023	218.98	—
FY2022	176.49	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	BPS
	(million yen)	(million yen)	(%)	(yen)
FY2023	122,879	73,464	59.8	1,129.00
FY2022	111,415	64,954	58.3	998.25

Reference: Shareholders' equity: FY2023: 73,464 million yen; FY2022: 64,954 million yen

Consolidated financial report is outside the scope of audit procedures by certified public accountants or an audit corporation.

Explanation regarding the appropriate use of forecasts of business results

Forecast figures are projections based on information available at the time of release, and are not intended as a guarantee that the Company will achieve these targets. Actual results may differ significantly from the above forecasts as a result of changes in the business environment and other factors.

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I. Overview of Business Results

1. Analysis of Business Results

(1) Results for FY2023 (Ended December 31, 2023)

(Millions of yen)

	FY2022 (cumulative)	FY2023 (cumulative)	YoY	
			Variance	% change
Net sales	129,054	142,608	13,544	10.5
Operating profit	18,590	21,028	2,438	13.1
Operating profit margin	14.4%	14.7%	0.3p	-
Ordinary profit	18,354	21,244	2,890	15.7
Profit attributable to owners of parent	12,598	14,663	2,065	16.4
ROE	18.1%	18.7%	0.6p	-

During the current consolidated fiscal year under review (from January 1, 2023 to December 31, 2023), the Japanese economy continued to show signs of gradual recovery with the normalization of social activities. As for the business environment surrounding our group, although there is a risk that a downturn in overseas economies due to global monetary tightening and other factors could put downward pressure on the Japanese economy, corporates' willingness to invest in utilizing digital technology was strong and remained firm.

Amid these circumstances, our group is promoting long-term management vision, "Vision 2030," and three-year medium-term management plan, "X(Cross) Innovation 2024," which concludes in the fiscal year ending December 31, 2024. Under the current medium-term management plan, we are accelerating business growth and promoting self-transformation under the four action policies of "Business domain expansion," "New capability acquisition," "Earnings model innovation," and "Management foundation innovation."

In the current consolidated fiscal year, which is the second year of the medium-term management plan, we have decided to change our company name to DENTSU SOKEN INC. on January 1, 2024, and implement organizational reforms aimed at strengthening our consulting functions and expanding our think tank functions, to further promote our group's transformation toward 2030. The newly launched Dentsu Soken will evolve into a new corporate group that combines the three functions of system integration, consulting, and think tanks.

In the current consolidated fiscal year, net sales was ¥142,608 million (up 10.5% year on year), operating profit was ¥21,028 million (up 13.1% year on year), ordinary profit ¥21,244 million (up 15.7% year on year) and profit attributable to owners of parent was ¥14,663 million (up 16.4% year on year).

Net sales increased in all four segments. In terms of profit, profit also increased at all levels due to the effect of increase in sales, despite an increase in selling, general and administrative expenses, mainly personnel expenses, sales promotion expenses, and research and development expenses.

As a result, we achieved record highs for the sixth consecutive year for both net sales and profits at each stage.

Net sales, operating profit, and business results by reportable segment are as follows.

Net sales and operating profit (loss) by reportable segment

(Millions of yen)

Reportable segment	FY2022 (cumulative)			FY2023 (cumulative)			YoY Variance	
	Net sales	Operating profit	Operating margin	Net sales	Operating profit	Operating margin	Net sales	Operating profit
Financial Solutions	28,125	1,611	5.7%	30,598	3,498	11.4%	2,473	1,887
Business Solutions	18,608	4,704	25.3%	23,107	5,770	25.0%	4,499	1,066
Manufacturing Solutions	36,453	4,179	11.5%	41,118	5,106	12.4%	4,665	927
Communication IT	45,867	8,095	17.6%	47,784	6,652	13.9%	1,917	(1,443)
Total	129,054	18,590	14.4%	142,608	21,028	14.7%	13,554	2,438

Status of business operations by reportable segment

Financial Solutions

The main business of this segment is providing IT solutions that support various financial operations of financial institutions and other companies.

Net sales and operating profit increased due to the expansion of the sales and introduction of third-party software in the core banking area, centered on accounting, and the customer contact reform area, mainly to the banking industry.

Business Solutions

The main business of this segment is providing IT solutions for business management operations, centered on accounting and human resources.

Net sales and operating profit increased due to the expansion of the sales and introduction of four key solutions, the POSITIVE, human resource management solution, the STRAVIS, consolidated accounting solution, the Ci*X, accounting solution and the CCH Tagetik, a business management solution, mainly in trading and manufacturing industries.

Manufacturing Solutions

The main business of this segment is providing IT solutions for the entire product lifecycle, from product development and production to sales and maintenance in the manufacturing industry.

Net sales and operating profit increased due to expansion of consulting services to support system grand design and engineering, and 3D CAD "NX", PLM solution "Teamcenter" and conceptual design solution "iQUAVIS", etc., mainly in transportation equipment and machinery industries.

Communication IT

The main business of this segment is providing IT solutions that support companies optimize their value chains and business processes, from marketing to core business areas.

Net sales increased due to an expansion of projects for the implementation of SAP solutions, mainly in the manufacturing industry. Operating profit decreased due to a lower profitability of custom system development, outsourcing and operation and maintenance services, etc.

(2) Forecasts for FY2024 (Ending December 31, 2024)

In the next fiscal year, IT investment demand is expected to increase further, backed by the progress of DX initiatives by society and companies. We will strive for business growth while strengthening various investments to realize the transformation of our group, such as the strengthening of human resources and various solutions such as In-house software.

Based on these conditions, the forecast of consolidated financial results for the next fiscal year is as follows.

Consolidated Earnings Forecasts for FY 2024 (from January 1, 2024 to December 31, 2024)

(Millions of yen)		
	Amount	YoY % change
Net sales	153,000	7.3
Operating profit	22,500	7.0
Ordinary profit	22,500	5.9
Profit attributable to owners of parent	15,700	7.1

Note: Forecast figures are projections based on information available at the time of release, are not intended as a guarantee that we will achieve these targets. Actual results may differ significantly from the above forecasts as a result of changes in the business environment and other factors.

2. Analysis of Financial Position

(1) Status of Assets, Liabilities and Net Assets

Assets

Total assets at the end of the current consolidated fiscal year increased by ¥11,441 million from the end of the previous consolidated fiscal year to ¥133,333 million. Current assets increased by ¥11,714 million from the end of the previous consolidated fiscal year to ¥114,813 million, due to an increase in trade receivables and contract assets because of expansion of business transactions, an increase in deposits paid due to increased contract liabilities, and an increase in advance payments related to subscription and maintenance contracts for services for customers. Non-current assets decreased by ¥273 million from the end of the previous consolidated fiscal year to ¥18,520 million, due to a decrease because of progress in depreciation and a decrease in deferred tax assets, despite an increase due to new acquisition of tangible lease assets and software.

Liabilities

Total liabilities at the end of the current consolidated fiscal year increased by ¥2,341 million from the end of the previous consolidated fiscal year to ¥50,362 million. Current liabilities increased by ¥1,935 million from the end of the previous consolidated fiscal year to ¥47,622 million, mainly due to an increase in purchase payables and an increase in contract liabilities associated with the provision of maintenance and subscription-type services. Non-current liabilities increased by ¥406 million from the end of the previous consolidated fiscal year to ¥2,739 million, mainly due to an increase in lease obligations due to increase in tangible lease assets.

Net assets

Net assets at the end of the current consolidated fiscal year increased by ¥9,099 million from the end of the previous consolidated fiscal year to ¥82,971 million, mainly as a result of an increase in retained earnings due to the recording of profit attributable to owners of parent, despite the payment of dividends from retained earnings.

(2) Status of Cash Flows

Cash and cash equivalents (hereinafter referred to as "cash") on a consolidated basis at the end of the fiscal year under review increased by ¥4,210 million from the end of the previous consolidated fiscal year to ¥57,515 million.

Cash flows from operating activities

Profit before income taxes and depreciation and amortization exceeded the increase in trade receivables and contract assets and the decrease in cash due to income taxes paid. As a result, net cash provided by operating activities increased by ¥13,046 million. Compared with the same period of the previous fiscal year, there was an increase of ¥1,132 million mainly due to an increase in net income before income taxes and other factors.

Cash flows from investing activities

Cash decreased by ¥2,359 million due to the acquisition of fixed assets such as software. Compared with the same period of the previous consolidated fiscal year, net cash used in investing activities decreased by ¥773 million, mainly due to decrease in payments for the acquisition of software and property, plant and equipment and due to decrease in payments for the purchase of investment securities.

Cash flows from financing activities

Net cash used in financing activities decreased by ¥6,702 million due to the payment of dividends and the repayment of lease obligations. Compared with the same period of the previous consolidated fiscal year, cash outflow increased by ¥1,283 million due to an increase in dividend payments.

Major indicators are as follows.

	FY2021	FY2022	FY2023
Equity ratio (%)	60.5	60.6	62.2
Equity ratio based on market value (%)	233.4	209.5	279.2
Interest-bearing debt to cash flow ratio (years)	0.1	0.2	0.2
Interest coverage ratio (times)	489.9	533.1	473.0

Equity ratio = Equity capital/Total assets

Equity ratio based on market value: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt/cash flow

Interest coverage ratio: Cash flows/Interest payments

(Note 1) All figures are calculated based on consolidated financial figures.

(Note 2) Market capitalization is calculated based on the number of shares issued excluding treasury stock.

(Note 3) Cash flow is based on operating cash flow.

(Note 4) Interest-bearing debt includes all liabilities on the consolidated balance sheets for which interest is paid.

3. Basic Policy Regarding Earnings Distribution, and Dividends for FY2023 and FY2024

We recognize that returning profits to shareholders is an important management issue, and we have established a basic policy for continually providing an appropriate and stable dividend, while retaining earnings to realize sustainable growth. Also, we set a target consolidated dividend payout ratio of 40% or more.

We planned to pay year-end dividend of ¥47 per share as announced on July 31, 2023, but based on the above policy and the consolidated results for the current fiscal year, we have increased the dividend by ¥9 from the most recent dividend forecast to ¥56 per share, up ¥11 from the previous year. Together with the already paid second quarter-end dividend, we plan to pay an annual dividend of ¥100 per share, up ¥22 from the previous year, for a consolidated dividend payout ratio of 44.4%.

The dividend forecast for the next fiscal year (ending December 31, 2024) is ¥108 per share (¥54 at the end of the first half and ¥54 at year-end) in order to further strengthen shareholder returns, taking into account the expected higher earnings than the current fiscal year and the current financial and investment situation. The dividend is resulting in a consolidated dividend payout ratio of 44.8%.

II. Basic Approach to Selection of Accounting Standards

Our group applies Japanese GAAP. The Company's policy is to respond to the application of IFRS (International Financial Reporting Standards) after considering various domestic and overseas conditions.

III. Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	4,909	5,626
Notes and accounts receivable - trade, and contract assets	30,377	35,437
Investments in leases	0	0
Merchandise and finished goods	121	65
Raw materials and supplies	29	12
Advance payments to suppliers	17,315	19,611
Deposits paid	48,846	52,406
Other	1,503	1,656
Allowance for doubtful accounts	(3)	(4)
Total current assets	103,099	114,813
Non-current assets		
Property, plant and equipment		
Buildings, net	1,161	1,065
Tools, furniture and fixtures, net	488	414
Land	524	524
Leased assets, net	922	1,370
Construction in progress	0	11
Total property, plant and equipment	3,098	3,386
Intangible assets		
Software	4,680	4,893
Leased assets	983	717
Other	239	147
Total intangible assets	5,903	5,758
Investments and other assets		
Investment securities	3,182	3,071
Long-term loans receivable from subsidiaries and associates	352	—
Deferred tax assets	2,926	2,647
Leasehold and guarantee deposits	3,524	3,512
Other	159	145
Allowance for doubtful accounts	(354)	(1)
Total investments and other assets	9,791	9,375
Total non-current assets	18,793	18,520
Total assets	121,892	133,333

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,163	14,358
Lease liabilities	748	741
Accrued expenses	6,572	6,403
Income taxes payable	3,075	3,462
Contract liabilities	14,296	15,872
Provision for loss on orders received	785	180
Provision for share awards	10	18
Other	6,034	6,586
Total current liabilities	45,687	47,622
Non-current liabilities		
Lease liabilities	1,173	1,362
Retirement benefit liability	52	71
Asset retirement obligations	854	849
Provision for share awards	54	147
Other	198	308
Total non-current liabilities	2,333	2,739
Total liabilities	48,021	50,362
Net assets		
Shareholders' equity		
Share capital	8,180	8,180
Capital surplus	15,270	15,270
Retained earnings	50,045	58,909
Treasury shares	(416)	(406)
Total shareholders' equity	73,080	81,953
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	234	285
Foreign currency translation adjustment	524	732
Total accumulated other comprehensive income	758	1,018
Non-controlling interests	32	—
Total net assets	73,871	82,971
Total liabilities and net assets	121,892	133,333

2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

[Consolidated Statements of Income]

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales	129,054	142,608
Cost of sales	82,267	90,827
Gross profit	46,786	51,780
Selling, general and administrative expenses	28,196	30,752
Operating profit	18,590	21,028
Non-operating income		
Interest and dividend income	58	55
Foreign exchange gains	—	50
Dividend income of insurance	44	47
Subsidy income	20	44
Gain on investments in investment partnerships	41	55
Miscellaneous income	23	14
Total non-operating income	188	267
Non-operating expenses		
Interest expenses	22	27
Share of loss of entities accounted for using equity method	198	11
Foreign exchange losses	119	—
Provision of allowance for doubtful accounts	27	—
Miscellaneous losses	57	11
Total non-operating expenses	424	51
Ordinary profit	18,354	21,244
Extraordinary income		
Gain on sale of investment securities	73	135
Compensation for forced relocation	270	—
Gain on change in equity	31	—
Total extraordinary income	374	135
Extraordinary losses		
Impairment losses	—	102
Loss on valuation of investment securities	155	326
Loss on cancellation of rental contracts	922	—
Total extraordinary losses	1,078	429
Profit before income taxes	17,651	20,951
Income taxes - current	5,285	6,046
Income taxes - deferred	(244)	240
Total income taxes	5,040	6,286
Profit	12,610	14,664
Profit attributable to non-controlling interests	12	1
Profit attributable to owners of parent	12,598	14,663

[Consolidated Statements of Comprehensive Income]

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit	12,610	14,664
Other comprehensive income		
Valuation difference on available-for-sale securities	78	51
Foreign currency translation adjustment	152	207
Total other comprehensive income	231	259
Comprehensive income	12,842	14,924
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,829	14,922
Comprehensive income attributable to non-controlling interests	12	1

3. Consolidated Statements of Changes in Net Assets

The previous consolidated fiscal year (from January 1, 2022, to December 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,180	15,285	41,489	(31)	64,925
Cumulative effects of changes in accounting policies			63		63
Balance at beginning of period reflecting changes in accounting policy	8,180	15,285	41,553	(31)	64,988
Changes during period					
Dividends of surplus			(4,105)		(4,105)
Profit attributable to owners of parent			12,598		12,598
Purchase of treasury shares				(384)	(384)
Disposal of treasury shares		0		0	0
Purchase of shares of consolidated subsidiaries		(15)			(15)
Net changes in items other than shareholders' equity					
Total changes during period	-	(15)	8,492	(384)	8,092
Balance at end of period	8,180	15,270	50,045	(416)	73,080

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	155	371	527	19	65,471
Cumulative effects of changes in accounting policies					63
Balance at beginning of period reflecting changes in accounting policy	155	371	527	19	65,535
Changes during period					
Dividends of surplus					(4,105)
Profit attributable to owners of parent					12,598
Purchase of treasury shares					(384)
Disposal of treasury shares					0
Purchase of shares of consolidated subsidiaries					(15)
Net changes in items other than shareholders' equity	78	152	231	12	244
Total changes during period	78	152	231	12	8,336
Balance at end of period	234	524	758	32	73,871

The current consolidated fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,180	15,270	50,045	(416)	73,080
Changes during period					
Dividends of surplus			(5,799)		(5,799)
Profit attributable to owners of parent			14,663		14,663
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares				10	10
Purchase of shares of consolidated subsidiaries		(0)			(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	(0)	8,863	9	8,872
Balance at end of period	8,180	15,270	58,909	(406)	81,953

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	234	524	758	32	73,871
Changes during period					
Dividends of surplus					(5,799)
Profit attributable to owners of parent					14,663
Purchase of treasury shares					(1)
Disposal of treasury shares					10
Purchase of shares of consolidated subsidiaries					(0)
Net changes in items other than shareholders' equity	51	207	259	(32)	226
Total changes during period	51	207	259	(32)	9,099
Balance at end of period	285	732	1,018	-	82,971

4. Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	17,651	20,951
Depreciation	3,103	3,200
Impairment losses	—	102
Increase (decrease) in allowance for doubtful accounts	27	—
Increase (decrease) in retirement benefit liability	(7)	15
Increase (decrease) in provision for loss on orders received	420	(605)
Increase (decrease) in provision for share awards	65	101
Interest and dividend income	(58)	(55)
Interest expenses	22	27
Share of loss (profit) of entities accounted for using equity method	230	55
Loss (gain) on change in equity	(31)	—
Loss (gain) on sale of investment securities	(73)	(135)
Loss (gain) on valuation of investment securities	155	326
Loss (gain) on investments in investment partnerships	(41)	(55)
Decrease (increase) in trade receivables and contract assets	(5,729)	(4,932)
Decrease (increase) in inventories	(69)	73
Decrease (increase) in advance payments to suppliers	(3,244)	(2,251)
Increase (decrease) in trade payables	4,531	135
Increase (decrease) in accrued expenses	510	(196)
Increase (decrease) in contract liabilities	573	1,416
Increase (decrease) in accrued consumption taxes	(990)	474
Other, net	565	71
Subtotal	17,612	18,717
Interest and dividends received	60	49
Interest paid	(22)	(27)
Income taxes paid	(5,735)	(5,693)
Net cash provided by (used in) operating activities	11,914	13,046
Cash flows from investing activities		
Payments into time deposits	(181)	(126)
Proceeds from withdrawal of time deposits	156	81
Purchase of property, plant and equipment	(458)	(184)
Purchase of intangible assets	(2,430)	(2,194)
Payments for asset retirement obligations	(53)	(8)
Purchase of investment securities	(489)	(300)
Proceeds from sale of investment securities	129	207
Purchase of shares of subsidiaries and associates	(15)	—
Proceeds from distributions from investment partnerships	79	142
Payments of leasehold and guarantee deposits	(11)	(16)
Proceeds from refund of leasehold and guarantee deposits	149	24
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	25
Other, net	(7)	(12)
Net cash provided by (used in) investing activities	(3,132)	(2,359)

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from financing activities		
Repayments of lease liabilities	(929)	(875)
Dividends paid	(4,105)	(5,799)
Purchase of treasury shares	(384)	(1)
Proceeds from sale of treasury shares	—	7
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(33)
Net cash provided by (used in) financing activities	(5,419)	(6,702)
Effect of exchange rate change on cash and cash equivalents	194	225
Net increase (decrease) in cash and cash equivalents	3,556	4,210
Cash and cash equivalents at beginning of period	49,748	53,305
Cash and cash equivalents at end of period	53,305	57,515

5. Notes on Consolidated Financial Statement

(Notes regarding Assumption of a Going Concern)

Not applicable

(Changes in Accounting Policies)

(Application of the Accounting Standard for Fair Value Measurement Guidance)

The Accounting Standard for Fair Value Measurement Guidance (ASBJ Statement No.31, June 17, 2021; hereinafter referred to as the “Fair Value Measurement Accounting Standards Implementation Guidance”) has been applied since the beginning of the current consolidated fiscal year. In accordance with the transitional treatment in Paragraph 27-2 of the Fair Value Measurement Accounting Standards Implementation Guidance, the new accounting policy set forth in the Fair Value Measurement Accounting Standards Implementation Guidance is to be applied going forward. Note that this change has no effect on financial statements for the current consolidated fiscal year.

(Reportable Segment and others)

■Reportable Segment

1. The outline of any Reportable Segment

The reportable segments of our group are our constituent units for which separate financial information is available, and which are subject to regular review by the Board of Directors in order to decide how to allocate management resources and evaluate business performance.

Our group is engaged in the information services business, including consulting services, custom system development, sales of in-house software and third-party software, outsourcing and operation and maintenance services, and sales of information equipment. We have business divisions by industry and solution, and each division formulates business strategies on a consolidated basis and develops business activities.

Accordingly, our group consists of segments by industry and solutions based on our business divisions. We have four reportable segments: Financial Solutions, Business Solutions, Manufacturing Solutions, and Communications IT.

The business operations of the four reportable segments are as follows.

Reportable Segment	Business content
Financial Solutions	The main business of this segment is providing IT solutions that support various financial operations of financial institutions and other companies.
Business Solutions	The main business of this segment is providing IT solutions for business management operations, centered on accounting and human resources.
Manufacturing Solutions	The main business of this segment is providing IT solutions for the entire product lifecycle, from product development and production to sales and maintenance in the manufacturing industry.
Communication IT	The main business of this segment is providing IT solutions that support companies optimize their value chains and business processes, from marketing to core business areas.

2. Methods of calculating net sales, profit or loss, assets, liabilities and other items by reportable segment

The fiscal method for reportable segments is the same as the accounting method used for the preparation of the consolidated financial statements.

Income of reportable segments is based on operating profit.

Assets and liabilities are not allocated to reportable segments.

3. Information on net sales, income or loss, assets, liabilities, and other items by reportable segment

The previous consolidated fiscal year (from January 1, 2022, to December 31, 2022)

(Millions of yen)

	Reportable Segment				
	Financial Solutions	Business Solutions	Manufacturing Solutions	Communication IT	Total
Net sales					
Sales to customers	28,125	18,608	36,453	45,867	129,054
Inter-segment sales and transfers	–	–	–	–	–
Total	28,125	18,608	36,453	45,867	129,054
Segment profit	1,611	4,704	4,179	8,095	18,590
Other items					
Depreciation and amortization	484	929	698	989	3,103

Notes: Total values for segment income match those for the operating profit on the “Consolidated Statements of Income.”

The current consolidated fiscal year (from January 1, 2023, to December 31, 2023)

(Millions of yen)

	Reportable Segment				
	Financial Solutions	Business Solutions	Manufacturing Solutions	Communication IT	Total
Net sales					
Sales to customers	30,598	23,107	41,118	47,784	142,608
Inter-segment sales and transfers	–	–	–	–	–
Total	30,598	23,107	41,118	47,784	142,608
Segment profit	3,498	5,770	5,106	6,652	21,028
Other items					
Depreciation and amortization	362	979	753	1,103	3,200

Notes: Total values for segment income match those for the operating profit on the “Consolidated Statements of Income.”

■Related Information

The previous consolidated fiscal year (from January 1, 2022, to December 31, 2022)

Information for each product and service

(Millions of yen)

	Consulting Services	Custom System Development	In-house Software	Third-party Software	Outsourcing, Operation and Maintenance Services	IT Equipment Sales and Others	Total
Sales to customers	7,418	33,107	24,807	40,299	16,052	7,369	129,504

1. Information by region

(1) Net sales

This information is omitted because sales to external customers in Japan account for more than 90% of net sales in the consolidated statements of income.

(2) Tangible fixed assets

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheets.

2. Information by major customers

(Millions of yen)

Name of customer	Net Sales	Associated segment name
Dentsu Group Inc. and its subsidiaries	24,081	Communication IT, Manufacturing Solutions, Financial Solutions, and Business Solutions

The current consolidated fiscal year (from January 1, 2023, to December 31, 2023)

Information for each product and service

(Millions of yen)

	Consulting Services	Custom System Development	In-house Software	Third-party Software	Outsourcing, Operation and Maintenance Services	IT Equipment Sales and Others	Total
Sales to customers	8,611	30,913	30,237	48,184	17,108	7,553	142,608

1. Information by region

(1) Net sales

This information is omitted because sales to external customers in Japan account for more than 90% of net sales in the consolidated statements of income.

(2) Tangible fixed assets

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheets.

2. Information by major customers

(Millions of yen)

Name of customer	Net Sales	Associated segment name
Dentsu Group Inc. and its subsidiaries	22,691	Communication IT, Manufacturing Solutions, Financial Solutions, and Business Solutions

■Information on impairment loss on non-current assets by reportable segment

The previous consolidated fiscal year (from January 1, 2022, to December 31, 2022)

Not applicable.

The current consolidated fiscal year (from January 1, 2023, to December 31, 2023)

Impairment loss 102 million yen

(NOTE) Impairment losses are not allocated to business segments.

■Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment

The previous consolidated fiscal year (from January 1, 2022, to December 31, 2022)

This information is omitted because it is not material.

The current consolidated fiscal year (from January 1, 2023, to December 31, 2023)

This information is omitted because it is not material.

■Information on gain on negative goodwill by reportable segment

The previous consolidated fiscal year (from January 1, 2022, to December 31, 2022)

Not applicable.

The current consolidated fiscal year (from January 1, 2023, to December 31, 2023)

Not applicable.

(Per Share Information)

	FY2022	FY2023
Earnings Per Share	¥1,134.80	¥1,275.10
Book-value Per Share	¥193.51	¥225.35

Note

- 1: Diluted net profit per share is not presented because there are no dilutive shares.
- 2: We have introduced the Executive Compensation BIP Trust. Our shares owned by the Executive Compensation BIP Trust are included in treasury shares, which are deducted from the total number of issued shares. (96,000 shares in the previous consolidated fiscal year, 94,000 shares in the current consolidated fiscal year)
- 3: The basis for calculating net profit per share is as follows.

	FY2022	FY2023
Profit attributable to owners of parent (Millions of yen)	12,598	14,663
Net income not applicable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common stock (Millions of yen)	12,598	14,663
Average number of shares outstanding for each period (thousand shares)	65,102	65,069

IV. Others

1. Changes of Officers

(1) Change of Representative Director

•Newly appointed Representative Director

Hirohisa Iwamoto President and Representative Director CEO & COO
(Current position)
Senior Managing Director, Head of Business
President - DX, dentsu Japan

•Retiring Representative Director

Ryoichi Nawa Representative Director
(Planned new position)
Advisor

Note: For details, please refer to the "Notice Concerning Change of Representative Director" published in November30, 2023.

(2) Changes of other Officers

•Candidates for new Directors

Chisato Matsumoto Director who is not an Audit and Supervisory Committee Member
(Current position)
Chief Client Officer, dentsu Japan
Managing Executive Officer, Dentsu Inc.

•Retiring Directors

Takeshi Sano Director who is not an Audit and Supervisory Committee Member
(Current position)
CEO, dentsu Japan
Representative Director, President and CEO, Dentsu Inc.

•Candidates for new alternate Directors

Koichiro Tanaka Substitute Outside Director who is an Audit and Supervisory Committee Member
(Current position)
Certified public accountant
Certified public tax accountant
Founder and Head of Tanaka Sogo Kaikei Jimusho
Outside Audit & Supervisory Board Member of ODAWARA ENGINEERING CO., LTD.
Auditor of Japan Automobile Research Institute
Outside Audit & Supervisory Board Member of Arisawa Manufacturing Co., Ltd.
Outside Audit & Supervisory Board Member of TEN ALLIED CO.,LTD.

(3) Date of appointment and retirement

March 22, 2024

(4) Number of Officers of the Company by gender and ratio of women

Since the appointment of the new Officers, we have a total of nine Officers, including six men and three women. The percentage of women is 33%.