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April 25, 2024

Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Under IFRS)

Company name: Simplex Holdings, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4373
 URL: <https://www.simplex.holdings/en/>
 Representative: Hideki Kaneko, Representative Director, President and CEO
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 Telephone: +81-3-3539-7370
 Scheduled date to hold ordinary general meeting of shareholders: June 16, 2024
 Scheduled date to commence dividend payments: June 3, 2024
 Scheduled date to file Annual Securities Report: June 17, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and securities analysts)

(Amounts less than a million yen are rounded off to the nearest million yen.)

1. Consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

| Fiscal year ended | Revenue | | Operating profit | | Profit before tax | | Profit | |
|-------------------|-----------------|------|------------------|------|-------------------|------|-----------------|------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| March 31, 2024 | 40,708 | 16.5 | 8,850 | 18.8 | 8,744 | 19.8 | 6,194 | 14.0 |
| March 31, 2023 | 34,946 | 14.3 | 7,451 | 17.1 | 7,298 | 17.9 | 5,432 | 29.2 |

| Fiscal year ended | Profit attributable to owners of parent | | Total comprehensive income | | Basic earnings per share | Diluted earnings per share |
|-------------------|---|------|----------------------------|------|--------------------------|----------------------------|
| | Millions of yen | % | Millions of yen | % | Yen | Yen |
| March 31, 2024 | 6,194 | 14.0 | 6,173 | 11.5 | 107.54 | 103.47 |
| March 31, 2023 | 5,432 | 29.2 | 5,535 | 17.3 | 96.91 | 91.23 |

| Fiscal year ended | Return on equity attributable to owners of parent | Ratio of profit before tax to total assets | Operating profit margin |
|-------------------|---|--|-------------------------|
| | % | % | % |
| March 31, 2024 | 13.9 | 11.7 | 21.7 |
| March 31, 2023 | 13.7 | 10.6 | 21.3 |

Reference: Share of profit (loss) of investments accounted for using equity method
 Fiscal year ended March 31, 2024: 22 million yen
 Fiscal year ended March 31, 2023: –

(2) Consolidated financial position

| As of | Total assets | Total equity | Equity attributable to owners of parent | Ratio of equity attributable to owners of parent to total assets | Equity attributable to owners of parent per share |
|----------------|-----------------|-----------------|---|--|---|
| | Millions of yen | Millions of yen | Millions of yen | % | Yen |
| March 31, 2024 | 79,248 | 47,089 | 47,089 | 59.4 | 809.33 |
| March 31, 2023 | 70,266 | 41,984 | 41,984 | 59.7 | 733.34 |

(3) Consolidated cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|-------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| Fiscal year ended | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| March 31, 2024 | 8,329 | (3,673) | (3,772) | 13,731 |
| March 31, 2023 | 3,733 | (1,441) | (3,435) | 12,832 |

2. Cash dividends

| | Annual dividends per share | | | | | Total dividends (Annual) | Dividend payout ratio (Consolidated) | Ratio of dividends to equity attributable to owners of parent (Consolidated) |
|--|----------------------------|--------|--------|----------|-------|--------------------------|--------------------------------------|--|
| | Q1-end | Q2-end | Q3-end | Year-end | Total | | | |
| Fiscal year ended | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| March 31, 2023 | – | 0.00 | – | 25.00 | 25.00 | 1,431 | 25.8 | 3.6 |
| March 31, 2024 | – | 0.00 | – | 42.00 | 42.00 | 2,444 | 39.1 | 5.4 |
| Fiscal year ending March 31, 2025 (forecast) | – | 0.00 | – | 50.00 | 50.00 | | 40.3 | |

Note: The year-end dividend for the fiscal year ended March 31, 2024 will be proposed for approval at the Board of Directors' meeting of the Company to be held on May 22, 2024.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

| | Revenue | | Operating profit | | Profit before tax | | Profit | | Profit attributable to owners of parent | | Basic earnings per share |
|------------------|-----------------|------|------------------|------|-------------------|------|-----------------|------|---|------|--------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| First six months | 22,000 | 12.6 | 4,725 | 18.1 | 4,707 | 19.3 | 3,247 | 21.9 | 3,247 | 21.9 | 55.54 |
| Fiscal year | 46,000 | 13.0 | 10,600 | 19.8 | 10,554 | 20.7 | 7,280 | 17.5 | 7,280 | 17.5 | 123.97 |

* **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: Yes

(ii) Changes in accounting policies due to reasons other than (i) above: None

(iii) Changes in accounting estimates: None

(3) Number of shares issued (ordinary shares)

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

| | |
|----------------------|-------------------|
| As of March 31, 2024 | 58,182,950 shares |
| As of March 31, 2023 | 57,250,675 shares |

(ii) Number of treasury shares at the end of the period

| | |
|----------------------|------------|
| As of March 31, 2024 | 147 shares |
| As of March 31, 2023 | 113 shares |

(iii) Average number of shares outstanding during the period

| | |
|----------------------------------|-------------------|
| Fiscal year ended March 31, 2024 | 57,593,635 shares |
| Fiscal year ended March 31, 2023 | 56,059,053 shares |

Reference: Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Non-consolidated operating results (Percentage indicates year-on-year changes.)

| | Revenue | | Operating profit | | Ordinary profit | | Profit | |
|-------------------|-----------------|------|------------------|-------|-----------------|-------|-----------------|-------|
| Fiscal year ended | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| March 31, 2024 | 7,207 | 26.4 | 3,480 | 36.2 | 3,480 | 28.9 | 3,351 | 29.0 |
| March 31, 2023 | 5,700 | 41.6 | 2,554 | 105.5 | 2,699 | 117.3 | 2,599 | 113.2 |

| | Basic earnings per share | Diluted earnings per share |
|-------------------|--------------------------|----------------------------|
| Fiscal year ended | Yen | Yen |
| March 31, 2024 | 58.19 | 55.98 |
| March 31, 2023 | 46.35 | 43.64 |

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------|-----------------|-----------------|--------------|----------------------|
| As of | Millions of yen | Millions of yen | % | Yen |
| March 31, 2024 | 34,662 | 32,616 | 94.1 | 560.57 |
| March 31, 2023 | 31,845 | 30,345 | 95.3 | 530.04 |

Reference: Equity (Shareholders' equity + Valuation and translation adjustments)

As of March 31, 2024: 32,616 million yen As of March 31, 2023: 30,345 million yen

* A financial results report is exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecast, and other special matters

We calculated basic earnings per share for the first six months and fiscal year specified in the forecast of consolidated financial results for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025) based on the assumption that the average number of shares outstanding during the period will increase by 279,301 shares for the first six months and by 541,084 shares for the fiscal year from the total number of shares issued as of March 31, 2024 (excluding treasury shares) through the exercise of share acquisition rights.

The forward-looking statements including earnings forecast contained in this document are based on information currently available to us and certain assumptions that we believe to be reasonable. Accordingly, the Company does not guarantee the achievement of the forecast, and the actual results may differ materially due to various factors.

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1. Overview of Consolidated Financial Results

(1) Operating results

Operating results for the fiscal year ended March 31, 2024 (the current fiscal year) are summarized as follows:

| | | | |
|---|--------|-------------|-------------------------|
| Revenue | 40,708 | million yen | (up 16.5% year-on-year) |
| Operating profit | 8,850 | million yen | (up 18.8% year-on-year) |
| Profit before tax | 8,744 | million yen | (up 19.8% year-on-year) |
| Profit attributable to owners of parent | 6,194 | million yen | (up 14.0% year-on-year) |

Matters worthy of note with respect to earnings for the current fiscal year are as follows:

- i) Revenue again reached a record high of 40,708 million yen (up 16.5% from 34,946 million yen for the previous fiscal year), driven by strong sales in System Integration and Operation Service and new contracts won by Strategy/DX Consulting.

Gross profit significantly increased year-on-year to 17,450 million yen (up 19.5% from 14,597 million yen for the previous fiscal year) with the gross profit margin of 42.9% (compared with 41.8% for the previous fiscal year).

Selling, general and administrative expenses increased year-on-year to 6,354 million yen (up 18.2% from 5,374 million yen for the previous fiscal year) due primarily to factors such as higher personnel expenses resulting from the increase in new graduate employees and enhancement of recruitment and training. Research and development expenses increased year-on-year to 1,858 million yen (up 29.2% from 1,438 million yen for the previous fiscal year).

In addition, we recognized 356 million yen in amortization of identifiable assets (446 million yen for the previous fiscal year), 60 million yen in other income, and 93 million yen in other expenses.

As a result, operating profit amounted to 8,850 million yen (up 18.8% from 7,451 million yen for the previous fiscal year), and the operating profit margin came in at 21.7% (compared with 21.3% for the previous fiscal year). Profit before tax increased year-on-year to 8,744 million yen (up 19.8% from 7,298 million yen for the previous fiscal year), with 34 million yen, 162 million yen, and 22 million yen recognized as finance income, finance costs, and share of profit of investments accounted for using equity method, respectively.

Income tax expense amounted to 2,551 million yen (compared with 1,866 million yen for the previous fiscal year) and profit attributable to owners of parent increased year-on-year to 6,194 million yen (up 14.0% from 5,432 million yen for the previous fiscal year).

- ii) By service category, revenue from Strategy/DX Consulting amounted to 4,206 million yen (compared with 2,172 million yen for the previous fiscal year), significantly exceeding the result for the previous fiscal year. However, the gross profit margin fell short of the margin for the previous fiscal year, coming in at 48.8% (compared with 50.6% for the previous fiscal year).

Revenue from System Integration amounted to 24,417 million yen (compared with 21,712 million yen for the previous fiscal year), with the gross profit margin of 43.8% (compared with 42.4% for the previous fiscal year), both having increased year-on-year.

Revenue from Operation Service increased year-on-year to 12,078 million yen (compared with 11,056 million yen for the previous fiscal year), with the gross profit margin of 39.0% (compared with 38.7% for the previous fiscal year), both having increased year-on-year.

(Reference)

Breakdown of revenue by service category

(Millions of yen, unless otherwise indicated)

| | Previous fiscal year (from April 1, 2022 to March 31, 2023) | | | Current fiscal year (from April 1, 2023 to March 31, 2024) | | | |
|---------------------------|--|---------------------------------------|-------------------------------|---|---------------------------------------|-------------------------------|------------|
| | Revenue | Percentage of total revenue (%) | Gross profit margin (%) | Revenue | Percentage of total revenue (%) | Gross profit margin (%) | YoY change |
| Strategy/DX Consulting | 2,172 | 6.2 | 50.6 | 4,206 | 10.3 | 48.8 | 2,034 |
| System Integration | 21,712 | 62.1 | 42.4 | 24,417 | 60.0 | 43.8 | 2,705 |
| Operation Service | 11,056 | 31.6 | 38.7 | 12,078 | 29.7 | 39.0 | 1,022 |
| Other | 7 | 0.0 | 100.0 | 7 | 0.0 | 100.0 | 0 |
| Total | 34,946 | 100.0 | 41.8 | 40,708 | 100.0 | 42.9 | 5,761 |

(2) Financial position

Assets

As of the end of the current fiscal year, total assets amounted to 79,248 million yen (up 8,981 million yen from the end of the previous fiscal year). This is primarily attributable to an increase of 2,406 million yen in right-of-use assets associated with office expansion, an increase of 895 million yen in other financial assets due to leasehold and guarantee deposits, an increase of 1,761 million yen in investments accounted for using equity method due to the acquisition of shares of CIRCULATION Co., Ltd. to make it an equity-method associate, and an increase of 1,273 million yen in trade and other receivables due to an increase in the scale of projects won.

Liabilities

As of the end of the current fiscal year, total liabilities amounted to 32,159 million yen (up 3,876 million yen from the end of the previous fiscal year). This is primarily attributable to an increase of 2,457 million yen in lease liabilities resulting from an increase in right-of-use assets and an increase of 1,332 million yen in income taxes payable.

Equity

As of the end of the current fiscal year, total equity amounted to 47,089 million yen (up 5,105 million yen from the end of the previous fiscal year), and the ratio of equity attributable to owners of parent came in at 59.4% (compared with 59.7% as of the end of the previous fiscal year).

(3) Cash flows

Cash and cash equivalents (“net cash”) as of the end of the current fiscal year amounted to 13,731 million yen (up 898 million yen from the end of the previous fiscal year). The status of cash flows and reasons for changes during the current fiscal year are as follows:

Cash flows from operating activities

Net cash provided by operating activities amounted to 8,329 million yen (compared with 3,733 million yen provided for the previous fiscal year). This is primarily attributable to an increase in cash flow resulting from the recording of profit before tax of 8,744 million yen and amortization of right-of-use assets of 1,594 million yen, and a decrease in cash flow resulting from income taxes paid of 1,963 million yen and an increase in trade and other receivables of 1,273 million yen.

Cash flows from investing activities

Net cash used in investing activities amounted to 3,673 million yen (compared with 1,441 million yen used for the previous fiscal year). This is primarily attributable to purchase of investments accounted for using equity method of 1,739 million yen, purchase of property, plant, and equipment resulting from office expansion of 907 million yen, and payments of leasehold and guarantee deposits of 596 million yen.

Cash flows from financing activities

Net cash used in financing activities amounted to 3,772 million yen (compared with 3,435 million yen used for the previous fiscal year). This is primarily attributable to repayments of lease liabilities of 1,551 million yen, cash dividends paid of 1,431 million yen, and repayments of long-term borrowings of 1,140 million yen.

(4) Future outlook

The consolidated earnings forecast for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025) is as follows:

(Millions of yen, unless otherwise indicated)

| | Fiscal year ended March 31, 2024 (actual) | Fiscal year ending March 31, 2025 (forecast) | YoY change | YoY change (%) |
|---|---|--|------------|-------------------|
| Revenue | 40,708 | 46,000 | 5,292 | 13.0 |
| Operating profit | 8,850 | 10,600 | 1,750 | 19.8 |
| Profit attributable to owners of parent | 6,194 | 7,280 | 1,086 | 17.5 |

On October 26, 2023, Simplex Group announced Vision1000, its long-term growth strategy, and the Medium-Term Business Plan 2027 (MTBP2027) for the three-year period beginning with the fiscal year ending March 31, 2025.

In the midst of the digital transformation (DX) trend, Vision1000 has defined the growth trajectory toward 100 billion yen in revenue and what the Group should aim to be for the Group to have a social impact. During the MTBP2027 period from April 1, 2024 to March 31, 2027, which is positioned as the midway point of Vision1000, we aim to achieve sustainable growth and high profitability by further leveraging group synergies under the themes of “Deep Dive” and “Domain Expansion.”

In the fiscal year ending March 31, 2025, the first year of the MTBP 2027 period, we expect to increase revenue, mainly by capturing strong DX demand. Specifically, Strategy/DX Consulting will promote to expand business with telecommunications and manufacturing sectors, which are considered promising markets. Financial Solutions will advance a new large-scale development project and improve profitability of Operation Service. Non-Financial Solutions will promote to win projects that can leverage our core technologies.

We will steadily establish a foundation for growth toward achieving the goals of MTBP 2027 by investing aggressively in R&D and promoting measures to enhance human capital, which include improvement of the labor share rate, strengthening of the system of talent recruitment and development, and reduction of the turnover rate, as in the previous fiscal year.

Based on the above, for the fiscal year ending March 31, 2025, we expect to increase both revenue and profits with revenue of 46,000 million yen (up 13.0% year-on-year), operating profit of 10,600 million yen (up 19.8% year-on-year), and profit attributable to owners of parent of 7,280 million yen (up 17.5% year-on-year), while continuing to invest in growth and strengthen our human capital strategy from a medium- to long-term perspective.

Disclaimer:

Note that the future outlook above is merely based on our judgment or view at the time of preparation of this document. Actual results of operations, financial position, and other results of the Group may differ materially from those implied by this document due to various factors, including changes in economic conditions in Japan and overseas, changes in the market environment, and competitive landscape.

(5) Basic policy on the distribution of profits and dividends

The Company believes that prioritizing investments for growth that helps strengthen its business foundation will contribute to achieving profit growth and improving its corporate value in a sustainable manner while maintaining its financial soundness based on its strong cashflow-generating capability.

In addition, the Company is committed to pursuing a management approach mindful of capital efficiency and has therefore set an ROE target as one of its KPIs. The Company is also aware that providing shareholder returns, which helps increase capital efficiency, is a key measure in capital allocation.

Based on this belief, the Company seeks to enhance shareholder returns by paying dividends as a fundamental measure, comprehensively considering trends in business performance, ROE level, opportunities of investments for growth, and other factors.

Specifically, the Company has set a dividend policy of stably and sustainably increasing dividend per share through profit growth, with a target dividend payout ratio of 40% on a consolidated basis.

Based on the above dividend policy, the Company has decided to pay 42 yen per share as the year-end dividend for the fiscal year ended March 31, 2024, and plans to pay 50 yen per share as the year-end dividend for the fiscal year ending March 31, 2025.

The Company also intends to buy back its own shares flexibly as part of its shareholder return policy that helps increase capital efficiency, by considering market environment including stock prices on top of the aforementioned considerations to determine dividends.

Note: The year-end dividend for the fiscal year ended March 31, 2024 will be proposed for approval at the Board of Directors' meeting of the Company to be held on May 22, 2024.

2. Basic Policy on the Selection of Accounting Standards

Simplex Group has adopted International Financial Reporting Standard (IFRS) to improve international comparability and usefulness of financial information in capital markets.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated statements of financial position

(Millions of yen)

| | Previous fiscal year (as of March 31, 2023) | Current fiscal year (as of March 31, 2024) |
|---|--|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 12,832 | 13,731 |
| Trade and other receivables | 8,820 | 10,093 |
| Inventories | 17 | 1 |
| Other current assets | 1,245 | 1,787 |
| Total current assets | 22,915 | 25,611 |
| Non-current assets | | |
| Property, plant and equipment | 978 | 1,521 |
| Right-of-use assets | 3,327 | 5,732 |
| Goodwill | 36,476 | 36,476 |
| Intangible assets | 721 | 317 |
| Investments accounted for using equity method | 98 | 1,859 |
| Other financial assets | 4,465 | 5,359 |
| Deferred tax assets | 953 | 1,510 |
| Other non-current assets | 333 | 863 |
| Total non-current assets | 47,351 | 53,637 |
| Total assets | 70,266 | 79,248 |
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 2,335 | 2,837 |
| Borrowings | 1,140 | 16,906 |
| Lease liabilities | 1,249 | 1,909 |
| Other financial liabilities | 1 | 2 |
| Income taxes payable | 911 | 2,243 |
| Provisions | 2,610 | 2,966 |
| Other current liabilities | 956 | 1,082 |
| Total current liabilities | 9,203 | 27,945 |
| Non-current liabilities | | |
| Borrowings | 16,858 | - |
| Lease liabilities | 2,009 | 3,805 |
| Provisions | 213 | 408 |
| Total non-current liabilities | 19,080 | 4,214 |
| Total liabilities | 28,282 | 32,159 |
| Equity | | |
| Share capital | 1,013 | 1,189 |
| Capital surplus | 26,903 | 27,153 |
| Retained earnings | 13,587 | 18,350 |
| Treasury shares | (0) | (0) |
| Other components of equity | 481 | 399 |
| Total equity attributable to owners of parent | 41,984 | 47,089 |
| Total equity | 41,984 | 47,089 |
| Total liabilities and equity | 70,266 | 79,248 |

(2) Consolidated statements of profit or loss and consolidated statements of comprehensive income

Consolidated statements of profit or loss

(Millions of yen)

| | Previous fiscal year (from April 1, 2022 to March 31, 2023) | Current fiscal year (from April 1, 2023 to March 31, 2024) |
|--|---|--|
| Revenue | 34,946 | 40,708 |
| Cost of sales | (20,349) | (23,257) |
| Gross profit | 14,597 | 17,450 |
| Amortization of identifiable assets | (446) | (356) |
| Selling, general and administrative expenses | (5,374) | (6,354) |
| Research and development expenses | (1,438) | (1,858) |
| Other income | 148 | 60 |
| Other expenses | (37) | (93) |
| Operating profit | 7,451 | 8,850 |
| Finance income | 14 | 34 |
| Finance costs | (166) | (162) |
| Share of profit of investments accounted for using equity method | - | 22 |
| Profit before tax | 7,298 | 8,744 |
| Income tax expense | (1,866) | (2,551) |
| Profit | 5,432 | 6,194 |
| Profit attributable to: | | |
| Owners of parent | 5,432 | 6,194 |
| Profit | 5,432 | 6,194 |
| Earnings per share | | |
| Basic earnings per share (Yen) | 96.91 | 107.54 |
| Diluted earnings per share (Yen) | 91.23 | 103.47 |

Consolidated statements of comprehensive income

(Millions of yen)

| | Previous fiscal year (from April 1, 2022 to March 31, 2023) | Current fiscal year (from April 1, 2023 to March 31, 2024) |
|---|---|--|
| Profit | 5,432 | 6,194 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Financial assets measured at fair value through other comprehensive income | 94 | (32) |
| Total of items that will not be reclassified to profit or loss | 94 | (32) |
| Items that may be reclassified to profit or loss | | |
| Exchange differences on translation of foreign operations | 9 | 12 |
| Total of items that may be reclassified to profit or loss | 9 | 12 |
| Other comprehensive income, net of tax | 102 | (20) |
| Comprehensive income | 5,535 | 6,173 |
| Comprehensive income attributable to: | | |
| Owners of parent | 5,535 | 6,173 |
| Comprehensive income | 5,535 | 6,173 |

(3) Consolidated statements of changes in equity

Previous fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

| | Equity attributable to owners of parent | | | | |
|---|---|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Other components of equity |
| | | | | | Share acquisition rights |
| Balance at April 1, 2022 | 814 | 26,622 | 9,431 | (0) | 360 |
| Profit | - | - | 5,432 | - | - |
| Other comprehensive income | - | - | - | - | - |
| Comprehensive income | - | - | 5,432 | - | - |
| Exercise and forfeiture of share acquisition rights | 199 | 280 | - | - | (81) |
| Dividends | - | - | (1,277) | - | - |
| Share-based payment transactions | - | - | - | - | 33 |
| Total transactions with owners | 199 | 280 | (1,277) | - | (48) |
| Balance at March 31, 2023 | 1,013 | 26,903 | 13,587 | (0) | 313 |

| | Equity attributable to owners of parent | | | |
|---|---|--|-------|---------|
| | Other components of equity | | | Total |
| | Exchange differences on translation of foreign operations | Financial assets measured at fair value through other comprehensive income | Total | |
| Balance at April 1, 2022 | 16 | 50 | 427 | 37,294 |
| Profit | - | - | - | 5,432 |
| Other comprehensive income | 9 | 94 | 102 | 102 |
| Comprehensive income | 9 | 94 | 102 | 5,535 |
| Exercise and forfeiture of share acquisition rights | - | - | (81) | 399 |
| Dividends | - | - | - | (1,277) |
| Share-based payment transactions | - | - | 33 | 33 |
| Total transactions with owners | - | - | (48) | (845) |
| Balance at March 31, 2023 | 25 | 143 | 481 | 41,984 |

Current fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

| | Equity attributable to owners of parent | | | | |
|---|---|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Other components of equity |
| | | | | | Share acquisition rights |
| Balance at April 1, 2023 | 1,013 | 26,903 | 13,587 | (0) | 313 |
| Profit | – | – | 6,194 | – | – |
| Other comprehensive income | – | – | – | – | – |
| Comprehensive income | – | – | 6,194 | – | – |
| Exercise and forfeiture of share acquisition rights | 176 | 250 | – | – | (75) |
| Purchase of treasury shares | – | – | – | (0) | – |
| Dividends | – | – | (1,431) | – | – |
| Share-based payment transactions | – | – | – | – | 12 |
| Total transactions with owners | 176 | 250 | (1,431) | (0) | (62) |
| Balance at March 31, 2024 | 1,189 | 27,153 | 18,350 | (0) | 250 |

| | Equity attributable to owners of parent | | | |
|---|---|--|-------|---------|
| | Other components of equity | | | Total |
| | Exchange differences on translation of foreign operations | Financial assets measured at fair value through other comprehensive income | Total | |
| Balance at April 1, 2023 | 25 | 143 | 481 | 41,984 |
| Profit | – | – | – | 6,194 |
| Other comprehensive income | 12 | (32) | (20) | (20) |
| Comprehensive income | 12 | (32) | (20) | 6,173 |
| Exercise and forfeiture of share acquisition rights | – | – | (75) | 351 |
| Purchase of treasury shares | – | – | – | (0) |
| Dividends | – | – | – | (1,431) |
| Share-based payment transactions | – | – | 12 | 12 |
| Total transactions with owners | – | – | (62) | (1,068) |
| Balance at March 31, 2024 | 37 | 111 | 399 | 47,089 |

(4) Consolidated statements of cash flows

(Millions of yen)

| | Previous fiscal year (from April 1, 2022 to March 31, 2023) | Current fiscal year (from April 1, 2023 to March 31, 2024) |
|---|---|--|
| Cash flows from operating activities | | |
| Profit before tax | 7,298 | 8,744 |
| Depreciation and amortization | 672 | 605 |
| Amortization of identifiable assets | 446 | 356 |
| Amortization of right-of-use assets | 1,411 | 1,594 |
| Finance income | (14) | (34) |
| Finance costs | 166 | 162 |
| Share of loss (profit) of investments accounted for using equity method | - | (22) |
| Decrease (increase) in trade and other receivables | (3,078) | (1,273) |
| Decrease (increase) in inventories | (9) | 16 |
| Increase (decrease) in trade and other payables | 57 | 502 |
| Increase (decrease) in provisions | (362) | 551 |
| Decrease (increase) in other current assets | (332) | (542) |
| Increase (decrease) in other current liabilities | (58) | 126 |
| Other | (0) | (802) |
| Subtotal | 6,199 | 9,984 |
| Interest and dividends received | 14 | 34 |
| Interest paid | (111) | (108) |
| Income taxes paid | (2,676) | (1,963) |
| Income taxes refund | 307 | 383 |
| Net cash provided by (used in) operating activities | 3,733 | 8,329 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (320) | (907) |
| Purchase of intangible assets | (158) | (81) |
| Purchase of investments accounted for using equity method | (98) | (1,739) |
| Purchase of investment securities | (600) | (350) |
| Payments of leasehold and guarantee deposits | (265) | (596) |
| Net cash provided by (used in) investing activities | (1,441) | (3,673) |
| Cash flows from financing activities | | |
| Repayments of long-term borrowings | (1,140) | (1,140) |
| Repayments of lease liabilities | (1,417) | (1,551) |
| Proceeds from exercise of share acquisition rights | 399 | 351 |
| Purchase of treasury shares | - | (0) |
| Cash dividends paid | (1,277) | (1,431) |
| Net cash provided by (used in) financing activities | (3,435) | (3,772) |
| Net increase (decrease) in cash and cash equivalents | (1,142) | 884 |
| Cash and cash equivalents at beginning of period | 13,966 | 12,832 |
| Effect of exchange rate changes on cash and cash equivalents | 9 | 14 |
| Cash and cash equivalents at end of period | 12,832 | 13,731 |

(5) Notes to consolidated financial statements

Going concern assumption

Not applicable

Changes in accounting policies

The Group's significant accounting policies applied in these consolidated financial statements are the same as those for the previous fiscal year except for IAS 12 *Income Taxes* (clarification of accounting for deferred tax related to assets and liabilities arising from a single transaction). These accounting policies have no material impact on the Group's consolidated financial statements.

Segment information, etc.

(1) Overview of reportable segments

The Group's business consists of providing IT solutions related to system consulting, system development, and system operation and maintenance for success of our clients. Because there are no separate segments into which the business should be classified, there is only one reportable segment.

(2) Information concerning revenue and gross profit by service category

Our services are categorized into Strategy/DX Consulting, System Integration, and Operation Service. Revenue and gross profit from each of these services are as follows:

Previous fiscal year (from April 1, 2022 to March 31, 2023) (Millions of yen)

| | Service category | | | | Other | Total |
|--------------|------------------------|--------------------|-------------------|--------|-------|--------|
| | Strategy/DX Consulting | System Integration | Operation Service | Total | | |
| Revenue | 2,172 | 21,712 | 11,056 | 34,940 | 7 | 34,946 |
| Gross profit | 1,099 | 9,208 | 4,284 | 14,590 | 7 | 14,597 |

Current fiscal year (from April 1, 2023 to March 31, 2024) (Millions of yen)

| | Service category | | | | Other | Total |
|--------------|------------------------|--------------------|-------------------|--------|-------|--------|
| | Strategy/DX Consulting | System Integration | Operation Service | Total | | |
| Revenue | 4,206 | 24,417 | 12,078 | 40,701 | 7 | 40,708 |
| Gross profit | 2,051 | 10,685 | 4,707 | 17,444 | 7 | 17,450 |

* System Integration includes system engineering and other services.

Operation Service includes operation and maintenance, subscription services, and licensing.

Other consists primarily of the sale of goods, such as hardware and middleware.

Per share information

Basic earnings per share and diluted earnings per share are calculated based on the following.

| (Millions of yen, unless otherwise indicated) | | |
|---|---|--|
| | Previous fiscal year (from April 1, 2022 to March 31, 2023) | Current fiscal year (from April 1, 2023 to March 31, 2024) |
| Profit attributable to owners of parent | 5,432 | 6,194 |
| Adjusted amount of profit | — | — |
| Profit used for the calculation of diluted earnings per share | 5,432 | 6,194 |
| Average number of shares outstanding during the period (Shares) | 56,059,053 | 57,593,635 |
| Increase in shares | | |
| Share acquisition rights (Shares) | 3,487,771 | 2,268,227 |
| Average number of diluted shares outstanding during the period (Shares) | 59,546,824 | 59,861,862 |
| Basic earnings per share (Yen) | 96.91 | 107.54 |
| Diluted earnings per share (Yen) | 91.23 | 103.47 |

Subsequent events

Not applicable