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November 11, 2024

Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under Japanese GAAP)



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 Listing: Tokyo Stock Exchange
 Securities code: 9753
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 Scheduled date to file semi-annual securities report: November 11, 2024
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2024	11,114	1.5	935	7.2	980	6.8	667	8.5
September 30, 2023	10,948	–	872	–	918	–	615	–

Note: Comprehensive income For the six months ended September 30, 2024: ¥648 million [(15.2)%]
 For the six months ended September 30, 2023: ¥765 million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2024	69.83	–
September 30, 2023	63.77	–

Note: The Company started preparing consolidated financial statements from the end of the fiscal year ended March 31, 2023. Therefore, year-on-year changes for the six months ended September 30, 2023 are omitted.

During the fiscal year ended March 31, 2024, the Company finalized the provisional accounting treatment for business combinations. The figures for the six months ended September 30, 2023 reflect the finalization of the provisional accounting treatment.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	14,053	9,243	65.8
March 31, 2024	13,652	8,813	64.6

Reference: Equity As of September 30, 2024: ¥9,243 million
 As of March 31, 2024: ¥8,813 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	0.00	—	30.00	30.00
Fiscal year ending March 31, 2025	—	0.00			
Fiscal year ending March 31, 2025 (Forecast)			—	40.00	40.00

Note: Revisions to the forecast of cash dividends most recently announced: None

Breakdown of the fiscal year-end dividend for the fiscal year ending March 31, 2025: Common dividend of 35.00 yen and commemorative dividend of 5.00 yen (for the 25th anniversary of the Company's inception)

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	22,231	2.2	1,752	5.9	1,817	4.5	1,216	(4.6)	127.22

Note: Revisions to the financial results forecast most recently announced: None

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None

Newly included: –

Excluded: –

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements:
Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

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

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of September 30, 2024	10,800,000 shares
As of March 31, 2024	10,800,000 shares

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

As of September 30, 2024	1,235,856 shares
As of March 31, 2024	1,238,465 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2024	9,561,367 shares
Six months ended September 30, 2023	9,650,423 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

The forecast figures stated above are projections based on currently available information and contain many uncertainties. Actual results may differ from the forecast figures above due to changes in business conditions and other factors.

For matters related to the above forecasts, please see page 3 of the Attachments.

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- * The Company plans to hold a financial results briefing for institutional investors and analysts on Tuesday, November 26, 2024. Materials distributed at the briefing will be posted on the Company's webpage immediately after the briefing.

1. Qualitative Information on Semi-annual Financial Results

(1) Explanation of Operating Results

During the six months ended September 30, 2024 (the “six-month period under review”), the Japanese economy was on a gradual recovery track due in part to improvements in employment conditions and the income environment and recovery in consumption mainly driven by inbound tourism demand. Meanwhile, there are concerns over possible impacts of price increases caused by foreign exchange trends, geopolitical risks, and other factors, and thus the economic outlook remains uncertain.

In the domestic information services market, companies’ continuing efforts on digital transformation (DX) to promote business transformation and work-style reforms led to strong demand for IT services that support these initiatives. However, given uncertainties remaining in the economic landscape, their impacts on IT investments by companies need to be closely monitored.

Under these circumstances, the Group has established its Group Purpose, “Connecting people one world,” aimed at fostering a corporate culture that develops a group-wide management system in order to connect IT and society through co-creation and create a prosperous future. Under this Group Purpose, the Group has added non-financial perspectives, such as human capital that contributes to improving corporate value, to its medium-term management policy, centered on the three pillars of expanding core businesses, creating next growth businesses, and strengthening business foundations, and has worked to expand its capabilities through sustainability management by combining financial and non-financial aspects.

Specifically, the Group strove to expand its core businesses by enhancing the ability to deal with cloud-native development through cross-sectional human resources development and operational support by the Company’s special unit, as well as by strengthening the Group’s sales system and collaboration with partner companies to respond to diversifying customer needs. In addition, the Group advanced efforts on business innovation utilizing cutting-edge digital technologies through co-creation with its customers and partner companies. Further, the Group promoted additional initiatives by positioning investments in businesses through alliances and M&A, which it had long been working on, as a means of strengthening its business foundations over the medium to long term.

In terms of trends by item of services for the six-month period under review, in the Consulting and System Integration Services, orders for financial-related system development projects and social and public service-related system development projects received via leading vendors remained strong. In the System Management Services, orders for infrastructure and environment development projects received via leading vendors were also robust.

As a result, for the six-month period under review, net sales were 11,114 million yen, up 1.5% year on year. In terms of profits, an increase in net sales and ongoing efforts to control selling, general and administrative expenses offset losses from unprofitable projects, resulting in operating profit of 935 million yen, up 7.2% year on year, ordinary profit of 980 million yen, up 6.8% year on year, and profit attributable to owners of parent of 667 million yen, up 8.5% year on year.

During the fiscal year ended March 31, 2024, the Company finalized the provisional accounting treatment for business combinations. The figures for the previous fiscal year in comparative information reflect the finalization of the provisional accounting treatment.

(2) Explanation of Financial Position

Assets

Total assets as of September 30, 2024 amounted to 14,053 million yen, an increase of 400 million yen from March 31, 2024. This is mainly attributable to increases in cash and deposits of 315 million yen and notes and accounts receivable - trade, and contract assets of 117 million yen.

Liabilities

Total liabilities as of September 30, 2024 amounted to 4,809 million yen, a decrease of 29 million yen from March 31, 2024. This is primarily attributable to an increase in provision for bonuses of 181 million yen, a

decrease in accounts payable - other of 176 million yen, an increase in income taxes payable of 160 million yen, and decreases in retirement benefit liability of 87 million yen and deposits received, included in other, of 113 million yen.

Net assets

Total net assets as of September 30, 2024 amounted to 9,243 million yen, an increase of 430 million yen from March 31, 2024. This is mainly attributable to an increase in retained earnings of 380 million yen.

As a result, the equity-to-asset ratio increased to 65.8% from 64.6% as of March 31, 2024.

Analysis of cash flow status

Cash and cash equivalents (“net cash”) amounted to 6,089 million yen at the end of the six-month period under review, an increase of 315 million yen (5.5%) from March 31, 2024.

The status of cash flows and their contributing factors during the six-month period under review are as follows.

Cash flows from operating activities

Net cash provided by operating activities was 639 million yen (up 15.0% year-on-year). This increase is mainly due to the cash inflow from the record of profit before income taxes of 980 million yen and an increase in provision for bonuses of 181 million yen, and the cash outflow from a decrease in accounts payable - other of 178 million yen, a decrease in other liabilities of 166 million yen, income taxes paid of 152 million yen, and an increase in trade receivables of 117 million yen.

Cash flows from investing activities

Net cash used in investing activities was 9 million yen (net cash used was 0 million yen in the same period of the previous fiscal year). This increase is mainly due to purchase of securities of 6 million yen.

Cash flows from financing activities

Net cash used in financing activities was 315 million yen (down 0.8% year-on-year). This decrease is due to dividends paid of 285 million yen and repayments of long-term borrowings of 30 million yen.

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

There are no revisions to the full-year financial results forecast for the fiscal year ending March 31, 2025 that was announced on May 10, 2024 at this point. This is because the Company believes that, in view of the financial results for the six-month period under review and the current business conditions and environment, they have been trending within the range of the forecast.

Meanwhile, actual results may differ from the forecast figures due to various factors going forward.

2. Semi-annual Consolidated Financial Statements and Principal Notes

(1) Semi-annual Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	5,798,941	6,114,356
Notes and accounts receivable - trade, and contract assets	3,512,203	3,629,332
Securities	10,000	10,000
Merchandise and finished goods	–	1,134
Other	189,406	142,875
Allowance for doubtful accounts	(225)	(225)
Total current assets	9,510,326	9,897,473
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	78,737	74,852
Land	116,992	116,992
Other, net	12,656	12,186
Total property, plant and equipment	208,386	204,031
Intangible assets		
Software	57,556	44,184
Goodwill	137,129	125,702
Customer-related assets	133,714	122,571
Other	8,835	8,835
Total intangible assets	337,235	301,293
Investments and other assets		
Investment securities	2,672,076	2,744,502
Deferred tax assets	659,820	638,755
Other	264,405	266,984
Total investments and other assets	3,596,302	3,650,243
Total non-current assets	4,141,924	4,155,567
Total assets	13,652,250	14,053,041

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	800,520	863,314
Current portion of long-term borrowings	60,000	60,000
Accounts payable - other	367,777	191,132
Income taxes payable	207,864	367,972
Provision for bonuses	1,130,318	1,311,989
Provision for bonuses for directors (and other officers)	37,625	–
Provision for loss on orders received	62,063	28,436
Other	469,649	405,151
Total current liabilities	3,135,818	3,227,997
Non-current liabilities		
Long-term borrowings	140,000	110,000
Retirement benefit liability	1,428,060	1,340,334
Deferred tax liabilities	40,125	36,270
Asset retirement obligations	65,275	65,321
Other	29,800	29,800
Total non-current liabilities	1,703,260	1,581,726
Total liabilities	4,839,078	4,809,723
Net assets		
Shareholders' equity		
Share capital	1,180,897	1,180,897
Capital surplus	1,106,558	1,106,752
Retained earnings	6,106,689	6,487,512
Treasury shares	(633,730)	(632,329)
Total shareholders' equity	7,760,415	8,142,832
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	878,016	923,428
Remeasurements of defined benefit plans	174,739	177,056
Total accumulated other comprehensive income	1,052,756	1,100,485
Total net assets	8,813,171	9,243,317
Total liabilities and net assets	13,652,250	14,053,041

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income

Semi-annual Consolidated Statements of Income

Six Months Ended September 30

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	10,948,569	11,114,321
Cost of sales	8,712,396	8,824,295
Gross profit	2,236,172	2,290,025
Selling, general and administrative expenses	1,363,593	1,354,511
Operating profit	872,579	935,513
Non-operating income		
Interest income	3,606	3,076
Dividend income	28,234	37,990
Foreign exchange gains	7,473	–
Share of profit of entities accounted for using equity method	3,209	3,863
Miscellaneous income	4,085	5,211
Total non-operating income	46,610	50,142
Non-operating expenses		
Interest expenses	634	594
Foreign exchange losses	–	4,110
Miscellaneous losses	9	51
Total non-operating expenses	643	4,756
Ordinary profit	918,545	980,898
Extraordinary income		
Gain on sale of non-current assets	–	5
Total extraordinary income	–	5
Extraordinary losses		
Loss on abandonment of non-current assets	–	0
Total extraordinary losses	–	0
Profit before income taxes	918,545	980,904
Income taxes	303,186	313,236
Profit	615,359	667,668
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	615,359	667,668

Semi-annual Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	615,359	667,668
Other comprehensive income		
Valuation difference on available-for-sale securities	146,087	(21,327)
Remeasurements of defined benefit plans, net of tax	3,642	2,317
Total other comprehensive income	149,730	(19,009)
Comprehensive income	765,089	648,658
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	765,089	648,658
Comprehensive income attributable to non-controlling interests	—	—

(3) Semi-annual Consolidated Statements of Cash Flows

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	918,545	980,904
Depreciation	21,415	20,461
Amortization of goodwill	11,427	11,427
Amortization of customer relationship	11,142	11,142
Share-based payment expenses	2,662	1,774
Increase (decrease) in retirement benefit liability	(63,799)	(84,385)
Increase (decrease) in provision for bonuses	109,823	181,671
Increase (decrease) in provision for loss on orders received	(43,706)	(33,626)
Interest and dividend income	(31,840)	(41,066)
Interest expenses	634	594
Foreign exchange losses (gains)	(7,473)	4,110
Share of loss (profit) of entities accounted for using equity method	(3,209)	(3,863)
Loss (gain) on sale of non-current assets	–	(5)
Loss on abandonment of non-current assets	–	0
Decrease (increase) in trade receivables	55,605	(117,129)
Decrease (increase) in inventories	440	(1,134)
Increase (decrease) in trade payables	(65,929)	62,794
Increase (decrease) in accounts payable - other	(13,452)	(178,332)
Increase (decrease) in accrued consumption taxes	(11,555)	59,362
Decrease (increase) in other assets	45,321	43,779
Increase (decrease) in other liabilities	(26,779)	(166,022)
Subtotal	909,272	752,455
Interest and dividends received	20,266	40,539
Interest paid	(634)	(594)
Income taxes paid	(372,296)	(152,446)
Net cash provided by (used in) operating activities	556,608	639,953
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	64,436	–
Purchase of securities	(130,444)	(6,723)
Proceeds from sale of securities	64,982	–
Purchase of non-current assets	(181)	(640)
Proceeds from sale of non-current assets	5	5
Other payments	(210)	(2,246)
Other proceeds	769	403
Net cash provided by (used in) investing activities	(642)	(9,201)
Cash flows from financing activities		
Repayments of long-term borrowings	(30,000)	(30,000)
Purchase of treasury shares	–	(179)
Dividends paid	(287,903)	(285,157)
Net cash provided by (used in) financing activities	(317,903)	(315,337)
Effect of exchange rate change on cash and cash equivalents	285	–
Net increase (decrease) in cash and cash equivalents	238,348	315,414
Cash and cash equivalents at beginning of period	5,094,158	5,773,941
Cash and cash equivalents at end of period	5,332,506	6,089,356

(4) Notes to Semi-annual Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Accounting methods adopted particularly for the preparation of semi-annual consolidated financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by reasonably estimating an effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year that includes the six-month period under review, and multiplying profit before income taxes by the estimated effective tax rate.

However, in the case where using the estimated effective tax rate results in extremely unreasonable tax expenses, the statutory effective tax rate is used instead.

(Notes on segment information, etc.)

[Segment information]

This information is omitted since the Group has a single segment consisting of the information services business.