

Summary of Consolidated Financial Results for the Fiscal Year Ended January 31, 2024 [Japanese GAAP]

March 8, 2024

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Scheduled date of Ordinary General Meeting of Shareholders: April 23, 2024

Scheduled date of dividend payments: April 24, 2024

Scheduled submission date of Securities Report: April 23, 2024

Supplementary materials prepared for financial results: Yes

Briefing held on financial results: Yes (for institutional investors and analysts)

(Rounded down to the nearest million yen)

1. Consolidated financial results for the fiscal year ended January 31, 2024

(February 1, 2023 through January 31, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended Jan. 2024	53,124	10.2	6,361	45.4	6,409	45.2	4,541	(12.3)
FY ended Jan. 2023	48,206	6.6	4,374	4.0	4,413	3.1	5,179	70.4

(Note) Comprehensive income: FY ended Jan. 2024 4,916 million yen (4.1)%

FY ended Jan. 2023 5,128 million yen 88.1%

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Ordinary income to net sales
	Yen	Yen	%	%	%
FY ended Jan. 2024	135.15	135.00	11.6	13.1	12.0
FY ended Jan. 2023	151.97	151.45	14.2	9.6	9.1

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY ended Jan. 2024	51,391	40,787	79.3	1,212.54
FY ended Jan. 2023	46,333	37,379	80.5	1,111.48

(Reference) Total shareholders' equity: FY ended Jan. 2024 40,760 million yen

FY ended Jan. 2023 37,309 million yen

(3) Consolidated cash flow

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY ended Jan. 2024	5,682	(747)	(1,526)	26,714
FY ended Jan. 2023	2,494	1,930	(3,559)	23,302

2. Dividends

	Annual dividends					Dividends (total)	Payout ratio (consolidated)	Dividends/ net assets (consolidated)
	Q1 end	Q2 end	Q3 end	Year end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY ended Jan. 2023	–	25.00	–	20.00	45.00	1,518	29.6	4.2
FY ended Jan. 2024	–	25.00	–	30.00	55.00	1,848	40.7	4.7
FY ending Jan. 2025 (Forecast)	–	25.00	–	30.00	55.00		43.0	

(Note) Breakdown of dividends at end of second quarter of fiscal year ended January 31, 2023: Ordinary dividend 20.00 yen, special dividend 5.00 yen

3. Forecasts of consolidated financial results for the fiscal year ending January 31, 2025 (February 1, 2024 through January 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
H1	27,700	4.7	3,160	(10.4)	3,175	(10.5)	2,170	(11.5)	64.55
Full year	56,500	6.4	6,280	(1.3)	6,300	(1.7)	4,300	(5.3)	127.91

*Notes

(1) Significant changes in subsidiaries during the period (transfer of specific subsidiaries accompanying changes in scope of consolidation): None

Additions: 0 (company names)

Removals: 0 (company names)

(2) Changes in accounting policies or estimates, restatements:

(i) Changes in accounting policies accompanying revisions of accounting standards, etc.: Yes

(ii) Changes other than those under (i) above: None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(Note) For more information, see “(5) Notes on the Consolidated Financial Statements (Changes in Accounting Policies)” under “3. Consolidated Financial Statements and Major Notes” on page 16 of the accompanying materials to this Summary.

(3) Number of shares issued and outstanding (common stock)

(i) Number of shares issued and outstanding (including treasury stock)	FY ended Jan. 2024	37,600,000 shares	FY ended Jan. 2023	37,600,000 shares
(ii) Ended number of shares of treasury stock	FY ended Jan. 2024	3,983,862 shares	FY ended Jan. 2023	4,032,960 shares
(iii) Average number of shares during period	FY ended Jan. 2024	33,604,840 shares	FY ended Jan. 2023	34,080,884 shares

(Reference) Nonconsolidated Financial Results

1. Nonconsolidated financial results for the fiscal year ended January 31, 2024 (February 1, 2023 through January 31, 2024)

(1) Nonconsolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended Jan. 2024	40,715	11.1	4,988	59.1	5,570	58.3	4,161	(11.1)
FY ended Jan. 2023	36,659	6.5	3,136	5.6	3,518	3.2	4,678	81.1

	Net income per share	Diluted net income per share
	Yen	Yen
FY ended Jan. 2024	123.83	123.70
FY ended Jan. 2023	137.28	136.80

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY ended Jan. 2024	42,699	33,785	79.1	1,004.25
FY ended Jan. 2023	38,209	31,048	81.1	922.87

(Reference) Total shareholder equity FY ended Jan. 2024 33,758 million yen

FY ended Jan. 2023 30,978 million yen

* The Summary of Financial Results is not subject to audits by a certified public accountant or audit firm.

* Note on forward-looking statements and other notes

(Forward-looking statements)

The forecasts of financial results above are based on information available as of the date this document is released. Actual results may differ from forecasts for various reasons. Please see page 7 of the accompanying materials for the assumptions underlying forecasts and other related information.

(Financial results briefing, how to obtain supplementary briefing materials)

The Company will hold an online financial results briefing for institutional investors and analysts on Wednesday, March 13, 2024. It plans to publish the materials to be used in the financial results briefing on the Company website (<https://www.cec-ltd.co.jp>) on Friday, March 8, 2024. The Company plans to release a video of the financial results briefing on Friday, March 15, 2024.

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1. Overview of Business Results, etc.

(1) Overview of Business Results for The Period under Review

Japan's economy experienced gentle recovery during the consolidated fiscal year under review (February 1, 2023 through January 31, 2024) due to various policies, with improving employment and income conditions. Nevertheless, the future outlook includes the risk that an economic downturn overseas will exert downward pressure on the domestic economy. Examples include concerns about a slowdown in the Chinese economy. Other notable factors include inflation, geopolitical risks, and fluctuations in financial and capital markets.

In the information services industry, as domestic economic recovery continues, investments are growing in digital transformation (DX) to improve corporate productivity and competitive strengths. Demand for digitalization, including system upgrades and migration to the cloud as part of business structural reforms, is expected to grow. In particular, use of ChatGPT and other generative AI solutions is spreading rapidly. Attention is increasingly turning to business efficiency improvements and workstyle reforms using AI. In addition, demand for cybersecurity solutions continues to show rapid growth in response to increasingly sophisticated cyber attacks.

Under these circumstances, the CEC Group carried out its business in accordance with three basic policies: (i) strengthening business capabilities; (ii) strengthening human resources and technical capabilities; and (iii) strengthening the management foundations based on its medium-term management plan for the three-year period from the fiscal year ended January 2023 through the fiscal year ending January 2025. This plan seeks to realize a sustainable society and achieve sustained growth. In the area of (i) strengthening business capabilities, we sought to propose solutions suited to priority investment areas for customers and to enhance sales of our own products and services. These efforts led to growth in both our focus businesses and core businesses, with profits reaching a new record high. In the area of (ii) strengthening human resources and technical capabilities, we reformed the HR system, enhanced hiring and improved employee compensation and treatment, and enhanced training programs in various areas, including programs related to earning official qualifications. In the area of (iii) strengthening the management foundations, we strengthened governance by adopting a system of performance-linked remuneration and promoted ESG initiatives by expanding ISO 14001 certification, among other efforts to boost corporate value.

The business results for the period under review demonstrated positive results due to proposals of ICT solutions in line with the priority investment areas of major customers in both core businesses ^{*1} and focus business areas ^{*2}, driving net sales up 4,917 million yen (10.2%) from the previous year to 53,124 million yen. In terms of profit, higher sales combined with sustained efforts to expand sales of Company products and services, coupled with productivity improvements, led to growth of 1,987 million yen (45.4%) in operating income to 6,361 million yen and growth of 1,996 million yen (45.2%) in ordinary income to 6,409 million yen. Net income attributable to owners of the parent was down 637 million yen (12.3%) to 4,541 million yen due to the elimination of the gain on the sale of investment securities recorded last year.

^{*1} Core businesses: The Company defines its core business as those that function as stable foundations supporting the Company's operations, including contracted development, which serves as the basis of Company sales; provision and operation of ICT infrastructure, development of onboard devices, embedded development, and the testing business.

^{*2} Focus business areas: The Company's six focus business areas are (1) production and logistics solutions, (2) mobility services, (3) services provided in cooperation with Microsoft Japan, (4) migration services, (5) security services, and (6) DX cloud platforms.

Business results in the individual segments are reviewed below.

(Digital Industry Business)

In the core businesses, services in both central and Western Japan demonstrated positive trends, backed by active ICT investment among manufacturing customers. The focus business area of mobility services demonstrated positive trends in areas such as Big Data analysis and smartphone app development in the MaaS domain. In production and logistics solutions, while results related to smart factory solutions were down from the previous year due to restrained investment, logistics solutions recorded strong performance. As a result, net sales increased by 1,479 million yen (8.8%) from the previous year to 18,313 million yen. Operating income was up 242 million yen (6.3%) over the same period to 4,100 million yen due to higher net sales.

(Service Integration Business)

The core businesses of ICT infrastructure development, including operations and systems development, trended positively. Services provided in cooperation with Microsoft Japan, one of the Company's focus businesses, also maintained favorable performance thanks to growth in Dynamics 365 and Power Platform inquiries. Demand also grew for migration services aimed at cloud migration and security enhancements against a backdrop of DX promotion. Despite the effects of lower stock sales, security services continued to show strong income performance, driven by the effects of recording results for Company products during the second quarter. As a result, net sales increased by 3,438 million yen (11.0%) from the previous fiscal year

to 34,810 million yen. Operating income was up 2,032 million yen (44.4%) over the same period to 6,606 million yen, thanks to sales promotion of Company products and services and the effects of higher net sales.

(2) Overview of Financial Position in The Period under Review

(Total assets)

Total assets as of the end of the period were 51,391 million yen, up 5,057 million yen from the end of the previous consolidated fiscal year. This was due mainly to an increase of 3,412 million yen in cash and deposits.

(Liabilities)

Total liabilities amounted to 10,603 million yen, up 1,649 million yen from the end of the previous consolidated fiscal year. This was due mainly to an increase of 914 million yen in asset retirement obligations under non-current liabilities and an increase of 617 million yen in contract liabilities included under other non-current liabilities.

(Net assets)

Net assets increased by 3,407 million yen from the end of the previous fiscal year to 40,787 million yen. This was mainly due to an increase of 3,029 million yen in retained earnings.

(3) Overview of Cash Flows in The Period under Review

Cash and cash equivalents (“funds” hereinafter) as of the end of the fiscal year ended January 31, 2024 stood at 26,714 million yen, up 3,412 million yen from the end of the previous fiscal year.

(Cash flow from operating activities)

Funds increased by 5,682 million yen as a result of operating activities (for an increase of 3,187 million yen in proceeds from the previous period). This was due mainly to income before income taxes of 6,393 million yen.

(Cash flow from investing activities)

Funds decreased by 747 million yen as a result of investing activities (for a decrease of 2,678 million yen in proceeds from the previous period). This was due mainly to expenditures of 430 million yen on purchase of non-current assets.

(Cash flow from financial activities)

Funds decreased by 1,526 million yen as a result of financial activities (for a decrease of 2,033 million yen in spending from the previous period). This was due mainly to payment of 1,512 million yen in dividends.

(Reference) Trends in indicators related to cash flow

	FY ended Jan. 2022	FY ended Jan. 2023	FY ended Jan. 2024
Equity ratio (%)	78.7	80.5	79.3
Equity ratio based on market value (%)	82.5	109.3	107.7
Cash flow-to-interest-bearing liabilities ratio (years)	0.1	0.2	0.1
Interest coverage ratio (times)	1,070.3	894.8	2,351.5

(Notes) 1. The indicators above were calculated as follows:

Equity ratio: total shareholder equity/total assets

Equity ratio based on market value: market capitalization / total assets

Cash flow-to-interest-bearing liabilities ratio: interest-bearing liabilities/cash flow from operating activities

Interest coverage ratio: cash flow from operating activities/interest payments

2. Each indicator was calculated using consolidated financial figures.

3. Market capitalization was calculated using the following formula: stock price at end of fiscal year × (number of shares issued and outstanding at end of fiscal year - number of shares of treasury stock at end of fiscal year).

4. Operating cash flow refers to cash flow from operating activities as reported in the Consolidated Statement of Cash Flows.

5. Interest-bearing liabilities refer to all liabilities reported on the Consolidated Balance Sheet for which interest is currently being paid. Interest expenses reported on the Consolidated Statement of Income are used as interest payments.

(4) Outlook

The CEC Group is currently making progress on its medium-term management plan for the three-year period from the fiscal year ended January 31, 2023 through the fiscal year ending January 31, 2025. The coming fiscal year ending January 31, 2025 (February 1, 2024 through January 31, 2025) will be the final fiscal year of this plan. Based on the three basic policies—(1) strengthening business capabilities, (2) strengthening human resources and technical capabilities, and (3) strengthening the management foundations—we will strive to achieve continual growth in our corporate value while aiming to deliver solutions to social and industrial challenges through our business activities. Having identified this as a turning point toward business structural reforms intended to achieve our VISION 2030 for the fiscal year ending January 31, 2031, we plan to implement growth investments to expand the scale of our businesses ahead of schedule, starting in the next fiscal year. We have revised our forecasts for the next consolidated fiscal year to net sales of 56,500 million yen and operating income of 6,300 million yen.

* For more information, refer to the materials to be used in the financial results briefing, released today.

* Forecasts of business results reflect judgments based on information currently available. They do not guarantee that the Company will achieve forecast results. Actual results may vary from forecast figure due to changing business conditions and other factors.

(5) Basic Policy Regarding The Distribution of Earnings and Dividends for This and The Next Fiscal Year

The Company recognizes returns of earnings to shareholders as a key issue. Our basic policy regarding the distribution of earnings is to continually pay stable dividends in a manner that reflects consideration of various factors, including trends in business results, financial position, and future business prospects. The medium-term management plan announced March 17, 2022 sets as its quantitative target the maintenance of a dividend payout ratio of at least 40%.

The Company paid an interim dividend of 25 yen per share in this period. It plans to submit to the 56th Ordinary General Meeting of Shareholders, planned for April 23, 2024, a proposal to pay a year-end dividend of 30 yen per share with a basis date of January 31, 2024. This would result in annual dividends of 55 yen per share, including the interim dividend.

We plan to pay annual dividends of 55 yen per share in the next fiscal year, consisting of an interim dividend of 25 yen per share and a year-end dividend of 30 yen per share.

* A breakdown of annual dividends of surplus is provided below.

	Annual dividends		
	End of Q2	Year end	Total
Paid this fiscal year	25 yen	30 yen	55 yen
Paid last fiscal year (year ended January 2023)	25 yen (Ordinary dividend of 20 yen) (Special dividend of 5 yen)	20 yen	45 yen (Ordinary dividend of 40 yen) (Special dividend of 5 yen)

2. Basic Philosophy on Selection of Accounting Standards

The CEC Group will continue to prepare consolidated financial statements in accordance with Japanese GAAP for the time being, in consideration of comparability of consolidated financial statements among different financial periods and entities.

The Group will respond appropriately to application of the International Financial Reporting Standards (IFRS) in consideration of related domestic and international developments.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheet

(Unit: thousands of yen)

	Previous Consolidated Fiscal Year (January 31, 2023)	Current Consolidated Fiscal Year (January 31, 2024)
Assets		
Current assets		
Cash and deposits	23,302,042	26,714,532
Notes and accounts receivable - trade, and contract assets	10,103,576	10,343,099
Product	254,597	319,019
Work in progress	504,914	531,948
Other accounts receivable	32,350	30,346
Others	1,013,313	1,075,983
Allowance for doubtful accounts	(2,067)	(9,394)
Total current assets	35,208,727	39,005,535
Non-current assets		
Property, plant, and equipment		
Buildings and structures	10,224,665	11,220,735
Accumulated depreciation	(6,451,643)	(6,658,852)
Buildings and structures, net	3,773,022	4,561,882
Land	2,004,644	2,004,644
Others	3,891,832	3,818,483
Accumulated depreciation	(3,054,165)	(2,946,523)
Other, net	837,667	871,959
Total property, plant, and equipment	6,615,333	7,438,487
Intangible assets		
Software	213,404	156,897
Software in progress	5,385	43,149
Others	39,278	39,259
Total intangible assets	258,067	239,307
Investments and other assets		
Investment securities	1,328,682	1,600,258
Deferred tax assets	799,472	178,076
Net defined benefit asset	830,806	1,566,339
Others	1,304,502	1,374,986
Allowance for doubtful accounts	(11,909)	(11,909)
Total investments and other assets	4,251,553	4,707,750
Total non-current assets	11,124,954	12,385,544
Total assets	46,333,682	51,391,080

(Unit: thousands of yen)

	Previous Consolidated Fiscal Year (January 31, 2023)	Current Consolidated Fiscal Year (January 31, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	2,251,585	2,211,551
Short-term loans payable	350,000	350,000
Current portion of long-term loans payable	13,600	13,800
Income taxes payable	965,599	795,357
Allowance for bonuses	585,623	716,224
Provision for loss on orders received	488,092	2,835
Asset retirement obligations	1,705	1,900
Others	3,654,890	4,914,647
Total current liabilities	8,311,096	9,006,316
Non-current liabilities		
Long-term loans payable	13,800	–
Long-term accounts payable - other	22,120	22,120
Deferred tax liabilities	123	53,118
Provision for directors' retirement benefits	19,064	15,050
Net defined benefit liability	106,227	111,131
Asset retirement obligations	481,579	1,396,138
Total non-current liabilities	642,914	1,597,558
Total liabilities	8,954,010	10,603,874
Net assets		
Shareholder equity		
Capital stock	6,586,000	6,586,000
Capital surplus	6,733,706	6,737,978
Retained earnings	27,105,988	30,135,872
Treasury shares	(3,505,438)	(3,462,774)
Total shareholder equity	36,920,256	39,997,076
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	371,132	455,482
Foreign currency translation adjustment	7,138	12,611
Remeasurements of defined benefit plans	10,713	295,633
Total accumulated other comprehensive income	388,983	763,727
Subscription rights to shares	70,431	26,401
Total net assets	37,379,671	40,787,205
Total liabilities and net assets	46,333,682	51,391,080

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Consolidated Statement of Income)

(Unit: thousands of yen)

	Previous Consolidated Fiscal Year (February 1, 2022 - January 31, 2023)	Current Consolidated Fiscal Year (February 1, 2023 - January 31, 2024)
Net sales	48,206,206	53,124,026
Cost of sales	36,895,514	39,027,874
Gross profit	11,310,691	14,096,152
Selling, general, and administrative expenses	6,936,467	7,734,324
Operating income	4,374,224	6,361,827
Non-operating income		
Interest income	1,299	975
Dividends received	24,675	24,076
Reversal of allowance for doubtful accounts	2,875	—
Dividends from insurance	12,849	7,953
Miscellaneous income	20,835	21,581
Total non-operating income	62,534	54,587
Non-operating expenses		
Interest expenses	2,788	2,416
Foreign exchange loss	15,627	3,761
Commission for purchase of treasury shares	3,599	—
Miscellaneous loss	1,328	712
Total non-operating expenses	23,343	6,890
Ordinary income	4,413,415	6,409,524
Extraordinary income		
Gain on sale of investment securities	2,265,000	—
Total extraordinary income	2,265,000	—
Extraordinary loss		
Loss on retirement of non-current assets	2,015	15,957
Impairment loss	704	—
Total extraordinary loss	2,720	15,957
Profit before income taxes	6,675,695	6,393,567
Income taxes - current	1,707,649	1,340,136
Income taxes - deferred	(211,365)	511,802
Total income taxes	1,496,284	1,851,938
Net income	5,179,411	4,541,628
Net income attributable to owners of parent	5,179,411	4,541,628

(Consolidated Statement of Comprehensive Income)

(Unit: thousands of yen)

	Previous Consolidated Fiscal Year (February 1, 2022 - January 31, 2023)	Current Consolidated Fiscal Year (February 1, 2023 - January 31, 2024)
Net income	5,179,411	4,541,628
Other comprehensive income		
Valuation difference on available-for-sale securities	133,214	84,349
Foreign currency translation adjustment	6,614	5,473
Remeasurements of defined benefit plans	(190,461)	284,920
Total other comprehensive income	(50,632)	374,743
Comprehensive income	5,128,778	4,916,372
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	5,128,778	4,916,372

(3) Consolidated Statement of Changes in Equity

Previous Consolidated Fiscal Year (February 1, 2022 - January 31, 2023)

(Unit: thousands of yen)

	Shareholder equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholder equity
Balance at beginning of period	6,586,000	6,733,706	23,439,194	(1,663,539)	35,095,361
Cumulative effects of changes in accounting policies			44,304		44,304
Restated balance	6,586,000	6,733,706	23,483,498	(1,663,539)	35,139,665
Changes in items during the period					
Dividends of surplus			(1,546,548)		(1,546,548)
Net income attributable to owners of parent			5,179,411		5,179,411
Purchase of treasury shares				(1,999,944)	(1,999,944)
Disposal of treasury shares			(10,373)	158,045	147,672
Net changes in items other than shareholder equity					—
Total changes in items during period	—	—	3,622,489	(1,841,899)	1,780,590
Balance at end of period	6,586,000	6,733,706	27,105,988	(3,505,438)	36,920,256

	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	237,918	524	201,174	439,616	201,761	35,736,739
Cumulative effects of changes in accounting policies						44,304
Restated balance	237,918	524	201,174	439,616	201,761	35,781,043
Changes in items during the period						
Dividends of surplus						(1,546,548)
Net income attributable to owners of parent						5,179,411
Purchase of treasury shares						(1,999,944)
Disposal of treasury shares						147,672
Net changes in items other than shareholder equity	133,214	6,614	(190,461)	(50,632)	(131,329)	(181,962)
Total changes in items during period	133,214	6,614	(190,461)	(50,632)	(131,329)	1,598,628
Balance at end of period	371,132	7,138	10,713	388,983	70,431	37,379,671

Current Consolidated Fiscal Year (February 1, 2023 - January 31, 2024)

(Unit: thousands of yen)

	Shareholder equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholder equity
Balance at beginning of period	6,586,000	6,733,706	27,105,988	(3,505,438)	36,920,256
Changes in items during the period					
Dividends of surplus			(1,511,744)		(1,511,744)
Net income attributable to owners of parent			4,541,628		4,541,628
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		4,271		42,667	46,939
Net changes in items other than shareholder equity					—
Total changes in items during period	—	4,271	3,029,884	42,664	3,076,820
Balance at end of period	6,586,000	6,737,978	30,135,872	(3,462,774)	39,997,076

	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	371,132	7,138	10,713	388,983	70,431	37,379,671
Changes in items during the period						
Dividends of surplus						(1,511,744)
Net income attributable to owners of parent						4,541,628
Purchase of treasury shares						(3)
Disposal of treasury shares						46,939
Net changes in items other than shareholder equity	84,349	5,473	284,920	374,743	(44,030)	330,712
Total changes in items during period	84,349	5,473	284,920	374,743	(44,030)	3,407,533
Balance at end of period	455,482	12,611	295,633	763,727	26,401	40,787,205

(4) Consolidated Statement of Cash Flows

(Unit: thousands of yen)

	Previous Consolidated Fiscal Year (February 1, 2022 - January 31, 2023)	Current Consolidated Fiscal Year (February 1, 2023 - January 31, 2024)
Cash flow from operating activities		
Profit before income taxes	6,675,695	6,393,567
Depreciation	761,536	672,993
Impairment loss	704	—
Increase (decrease) in provision for bonuses	61,648	129,970
Increase (decrease) in provision for loss on orders received	(315,268)	(485,257)
Increase (decrease) in provision for directors' retirement benefits	2,808	(4,014)
Increase (decrease) in net defined benefit liability	57,775	4,903
Decrease (increase) in net defined benefit asset	(432,575)	(325,249)
Increase (decrease) in allowance for doubtful accounts	(6,833)	7,326
Interest and dividend income	(25,974)	(25,052)
Interest expenses	2,788	2,416
Loss on retirement of non-current assets	2,015	15,957
Decrease (increase) in advance payments	14	34
Loss (gain) on sale of investment securities	(2,265,000)	—
Increase (decrease) in contract liabilities	423,398	617,246
Decrease (increase) in notes and accounts receivable - trade	(157,907)	(238,750)
Decrease (increase) in inventories	(17,852)	(90,038)
Decrease (increase) in other accounts receivable	22,858	2,004
Decrease (increase) in other current assets	(112,299)	(70,204)
Increase (decrease) in notes and accounts payable - trade	(287,497)	(40,091)
Increase (decrease) in accrued consumption taxes	(36,589)	256,119
Increase (decrease) in accounts payable - other	38,423	114,430
Increase (decrease) in accrued expenses	(22,940)	72,621
Increase (decrease) in long-term accounts payable - other	(464,975)	—
Increase (decrease) in other current liabilities	83,207	18,669
Others	226,539	139,393
Subtotal	4,213,700	7,168,997
Interest and dividend income received	25,974	25,051
Interest expenses paid	(2,788)	(2,418)
Income taxes paid	(1,742,106)	(1,509,097)
Cash flow from operating activities	2,494,778	5,682,533

(Unit: thousands of yen)

	Previous Consolidated Fiscal Year (February 1, 2022 - January 31, 2023)	Current Consolidated Fiscal Year (February 1, 2023 - January 31, 2024)
Cash flow from investing activities		
Purchase of non-current assets	(844,800)	(430,250)
Payments for asset retirement obligations	(7,857)	(15,579)
Proceeds from sale of non-current assets	–	60
Payments for purchase of investment securities	–	(150,000)
Proceeds from sale of investment securities	2,295,200	–
Proceeds from redemption of investment securities	500,000	–
Payments for lease and guarantee deposits	(40,706)	(105,961)
Proceeds from collection of lease and guarantee deposits	24,169	10,934
Others	4,561	(57,112)
Cash flow from investing activities	1,930,566	(747,908)
Cash flow from financing activities		
Repayment of long-term loans payable	(13,600)	(13,600)
Purchase of treasury shares	(1,999,944)	–
Dividend payment amount	(1,546,610)	(1,512,774)
Proceeds from exercise of stock options	218	49
Cash flow from financing activities	(3,559,936)	(1,526,325)
Effect of exchange rate change on cash and cash equivalents	5,717	4,190
Net increase (decrease) in cash and cash equivalents	871,126	3,412,490
Cash and cash equivalents at the beginning of period	22,430,915	23,302,042
Cash and cash equivalents at the end of period	23,302,042	26,714,532

(5) Notes on The Consolidated Financial Statements

(Notes on The Going Concern Assumption)

Not applicable

(Changes in Accounting Policies)

(Application of accounting standards for calculations of fair value, etc.)

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021, "Implementation Guidance" hereinafter) since the beginning of the consolidated fiscal year under review. The Company has elected to apply the new accounting policies prescribed in the Implementation Guidance to future accounts in accordance with the transitional treatment set forth in Paragraph 27-2 of the Implementation Guidance. This change has had no effect on the consolidated financial statements.

(Segment Information, etc.)

[Segment information]

1. Overview of reporting segments

The Group's reporting segments are constituent units of the Group for which separate financial information is available. They are subject to regular consideration by the board of directors to determine a suitable allocation of management resources and to assess business performance.

The details of each segment reported are described below.

Segment	Businesses
Digital Industry Business	Provision of ICT products and services to improve business efficiency and quality and to support production of attractive products, chiefly for customers in manufacturing industries
Service Integration Business	Support for the entire ICT life cycle as needed for corporate and organizational business reforms and improvements; the comprehensive provision of ICT products and services including cloud computing and security solutions

2. Methods for calculating net sales, income or loss, assets, liabilities, and other accounts by reporting segment

Account processing for individual reporting segments generally conforms to methods used to prepare the Consolidated Financial Statements.

Reporting segment profit is based on operating income.

Internal sales and transfers between segments are based on market prices and other considerations.

3. Information on net sales, income or loss, assets, liabilities, and other accounts by reporting segment
Previous Consolidated Fiscal Year (February 1, 2022 - January 31, 2023)

(Unit: thousands of yen)

	Reporting segment			Adjustment (Note) 1	Amount recognized on Consolidated Financial Statements (Note) 2
	Digital Industry Business	Service Integration Business	Total		
Net sales					
Sales to external customers	16,834,025	31,372,181	48,206,206	—	48,206,206
Inter-segment sales or transfers	788	534,422	535,211	(535,211)	—
Total	16,834,813	31,906,603	48,741,417	(535,211)	48,206,206
Segment profit	3,857,574	4,573,823	8,431,397	(4,057,173)	4,374,224
Segment assets	4,894,792	11,519,506	16,414,299	29,919,382	46,333,682
Others					
Depreciation	11,232	366,685	377,917	383,618	761,536
Increase in the value of tangible and intangible assets	53,300	330,871	384,172	460,628	844,800

(Notes) 1. Adjustment amounts are shown below:

- (1) The adjustment of (negative) 4,057,173 thousand yen to segment profit consists mainly of Companywide expenses not allocated to individual reporting segments. Companywide expenses consist mainly of administrative-section expenses not allocated to individual reporting segments.
- (2) The adjustment of 29,919,382 thousand yen to segment assets consists mainly of Companywide assets not allocated to individual reporting segments. Companywide assets consist mainly of administrative-section assets not allocated to individual reporting segments.
- (3) The adjustment of 383,618 thousand yen to depreciation consists mainly of Companywide expenses not allocated to individual reporting segments. Companywide expenses consist mainly of administrative-section expenses not allocated to individual reporting segments.
- (4) The adjustment of 460,628 thousand yen to the increase in tangible and intangible assets consists mainly of Companywide assets not allocated to individual reporting segments. Companywide assets consist mainly of administrative-section assets not allocated to individual reporting segments.

2. Segment profits are adjusted against operating income reported on the Consolidated Statement of Income.

Current Consolidated Fiscal Year (February 1, 2023 - January 31, 2024)

(Unit: thousands of yen)

	Reporting segment			Adjustment (Note) 1	Amount recognized on Consolidated Financial Statements (Note) 2
	Digital Industry Business	Service Integration Business	Total		
Net sales					
Sales to external customers	18,313,525	34,810,501	53,124,026	—	53,124,026
Inter-segment sales or transfers	342	674,600	674,942	(674,942)	—
Total	18,313,867	35,485,102	53,798,969	(674,942)	53,124,026
Segment profit	4,100,139	6,606,323	10,706,462	(4,344,634)	6,361,827
Segment assets	4,706,312	12,981,753	17,688,066	33,703,013	51,391,080
Others					
Depreciation	11,750	271,480	283,231	389,761	672,993
Increase in the value of tangible and intangible assets	8,438	216,277	224,715	205,534	430,250

(Notes) 1. Adjustment amounts are shown below:

- (1) The adjustment of (negative) 4,344,634 thousand yen to segment profit consists mainly of Companywide expenses not allocated to individual reporting segments. Companywide expenses consist mainly of administrative-section expenses not allocated to individual reporting segments.
- (2) The adjustment of 33,703,013 thousand yen to segment assets consists mainly of Companywide assets not allocated to individual reporting segments. Companywide assets consist mainly of administrative-section assets not allocated to individual reporting segments.
- (3) The adjustment of 389,761 thousand yen to depreciation consists mainly of Companywide expenses not allocated to individual reporting segments. Companywide expenses consist mainly of administrative-section expenses not allocated to individual reporting segments.
- (4) The adjustment of 205,534 thousand yen to the increase in tangible and intangible assets consists mainly of Companywide assets not allocated to individual reporting segments. Companywide assets consist mainly of administrative-section assets not allocated to individual reporting segments.

2. Segment profits are adjusted against operating income reported on the Consolidated Statement of Income.

(Per-Share Information)

	Previous Consolidated Fiscal Year (February 1, 2022 - January 31, 2023)	Current Consolidated Fiscal Year (February 1, 2023 - January 31, 2024)
Net assets per share	1,111.48 yen	1,212.54 yen
Net income per share	151.97 yen	135.15 yen
Diluted net income per share	151.45 yen	135.0 yen

(Note) 1. The bases for calculations of net income per share and diluted net income per share are shown below.

Account	Previous Consolidated Fiscal Year (February 1, 2022 - January 31, 2023)	Current Consolidated Fiscal Year (February 1, 2023 - January 31, 2024)
Net income per share		
Net income attributable to owners of parent (thousands of yen)	5,179,411	4,541,628
Amount not attributable to common shareholders (thousands of yen)	—	—
Net income attributable to common shareholders of the parent (thousands of yen)	5,179,411	4,541,628
Weighted average of the number of common shares outstanding during the period (shares)	34,080,884	33,604,840
Diluted net income per share		
Adjustments to net income attributable to owners of parent (thousands of yen)	—	—
Increase in the number of common shares (shares)	118,507	36,310
(Subscription rights to shares [shares], included above)	118,507	36,310
Summary of potentially dilutive common shares not included in computation of diluted net income per share due to a lack of dilutive effects	—	—

2. The bases for calculations of net assets per share are shown below.

Account	Previous Consolidated Fiscal Year (January 31, 2023)	Current Consolidated Fiscal Year (January 31, 2024)
Total net assets (thousands of yen)	37,379,671	40,787,205
Deduction from the total net asset value (thousands of yen)	70,431	26,401
(Subscription rights to shares [thousands of yen], included in deduction from the total net asset value)	70,431	26,401
(Non-controlling interests [thousands of yen], included in deduction from the total net asset value)	—	—
Net asset value attributable to common shareholders at end of fiscal year (thousands of yen)	37,309,239	40,760,804
The number of common shares outstanding at end of fiscal year used to calculate net asset value per share (shares)	33,567,040	33,616,138

(Significant Subsequent Events)

Not applicable.

4. Other

Orders received and outstanding balances of orders received

Orders received and the outstanding balance of orders received in the Digital Industry Business exhibited positive trends in the consolidated fiscal year under review, as this business steadily secured demand from active ICT investment among manufacturing customers. Orders received and the outstanding balance of orders received in the Service Integration Business also trended positively due to growth in demand backed by DX promotion and increased orders related to the operation of the ICT infrastructure, including security solutions.

* The recording period for orders received for certain long-term projects has changed due to the application of the Accounting Standard for Revenue Recognition in the previous year (fiscal year ended January 31, 2023).

Orders received during the consolidated fiscal year under review are broken down below by business segment.

Segment	Orders received (thousands of yen)	YoY change (%)	Balance of orders received (thousands of yen)	YoY change (%)
Digital Industry Business	18,390,276	107.2%	3,417,463	102.3%
Service Integration Business	34,830,438	98.9%	12,337,208	100.2%
Total	53,220,715	101.6%	15,754,672	100.6%