1. Business Highlights for the 40th Business Period (Fiscal Year Ended March 31, 2024)

(1) Overview of Consolidated Results of Operations for the Fiscal Year under Review

During the fiscal year ended March 31, 2024 (the "fiscal year under review"), the Japanese economy was on a recovery trend with economic activities rebounding, reflecting the diminishing impact of COVID-19 on the economy. However, the outlook continues to be uncertain partly due to geopolitical risks including escalating tension in the Middle East as well as the prolonged invasion of Ukraine by Russia; the economic slowdown in China caused by trade friction, tensions in international relations, weak domestic demand, and excessive debt; and uncertainty in the U.S. brought by continuing high inflation and political conflict. As for exchange rates, especially in the dollar–yen exchange rate, which has a significant impact on our operations, the yen has been on a depreciating track due to the interest rate difference between the U.S. and Japan, and we must continue to carefully monitor the exchange rate movement.

In the Information Infrastructure Business, as cyber-attacks become more frequent and sophisticated, and legal regulations and corporate governance are strengthened, cybersecurity measures are considered as a management issue. As a result, the demand for cybersecurity products and services has continued to grow. Under these circumstances, in the Information Infrastructure Business, the Company's core business, we saw strong demand continuing for cloud-based cybersecurity measure products. Integrated security monitoring services provided by the Company were also robust, proving that its value-added strategies are making progress.

In the Application Services Business, business has remained strong in the CRM field thanks to collaboration with a major system integrator and telemarketing vendor. Additionally, subscription-based licenses have steadily increased, which we have worked on systematically for the past few years. For overseas markets, we have continued to work to accelerate business development in the ASEAN market based on the capital and business alliances formed with Thai companies in the previous fiscal year and the establishment of our local subsidiary in Thailand in the fiscal year under review. In addition, we entered into a capital and business alliance agreement with Mobilus Corporation, aiming to strengthen our product competitiveness by leveraging generative AI technology. In the Software Quality Assurance field, demand remained robust for testing tools used to ensure the quality of enterprise systems and embedded software. In particular, with the further application of IT in automobiles, there was strong demand for improvement in the quality of embedded software such as in-vehicle software, and orders continued to be favorable. In the Business Solutions field, we were able to significantly expand our business thanks to steady increase in projects targeting independent administrative agencies and other entities. Moreover, the restructuring of ARECCIA Fintech Corp. (former Information Design & Architecture Yamazaki Co., Ltd.) into a wholly owned subsidiary in July 2023 and the transfer of the financial systems-related business to ARECCIA Fintech Corp. proved to be effective, which, in turn, has bolstered our sales promotion structure. In the EdTech field, we have constantly received inquiries for our school communication platform, resulting in an increase in adoption especially among private advanced schools. We have kept on working on further expansion of our business through a capital and business alliance with Educa & Quest Inc.

In the Medical Systems Business, which was newly spun out as a separate business segment in the previous fiscal year, the new PSP Corporation ("PSP"), which was started on April 1, 2022, has been working to unify our customer base and integrate our products and services, as well as promoting the shift of PACS (medical imaging management) to recurring revenue business models. PSP also collaborates with CANON MEDICAL SYSTEMS CORPORATION in the healthcare IT solution business field, and has expanded its business through a capital and business alliance with Medmain Inc. to promote the digital pathology-related business. In addition, PSP is working to expand the number of users of Personal Health Record (PHR) services for individual customers, which were promoted by NOBORI Ltd. before. For the business of AI-based medical image diagnostic support services, M3 AI, Inc. (established as a joint venture between PSP and M3, Inc. on April 1, 2022) has been taking the lead in accelerating the distribution of AI to medical practices.

With a mission statement of being "the IT professional group who create a better future," the Company announced the new Medium-term Management Plan "BEYOND THE NEW NORMAL" on May 10, 2021. The fiscal year under review marked the final year of the plan. In the future, as "digital" is built into every corner of society and digital transformation (DX), which reforms business models using digital technology, advances rapidly, the Company sees this rapid shift to digitization and the dramatic restructuring of industry as a new growth opportunity and aims to contribute to the creation of a sustainable society by providing services to solve social issues. The spread of COVID-19 has prompted us to shift to a new mode of life called the "New Normal." In the new Medium-term Management Plan, we will accelerate businesses oriented toward domains that will be essential to society, incorporating an SDG perspective with an eye on the new society to come after the "New Normal."

The current Medium-term Management Plan "BEYOND THE NEW NORMAL" states seven key strategies while carrying on with the core business strategies of the previous Medium-term Management Plan "GO BEYOND 3.0." We worked hard to achieve the strategies.

■ The core business strategies (continued)
- Strategic and accelerated promotion of cloud-related businesses
- Pursuit of security and safety

■ The seven key strategies
1) Expanding portfolio of products and services
2) Accelerated servicization (increasing service ratio)
3) Utilization of data (including use of AI)
4) Diverse alliances/M&A (expansion of existing business, creation of new business)
5) Expanding business in the overseas market
6) Creation of synergies by strengthening group collaboration
7) Human resource development/organizational development (including promotion of diversity)

Our Group implemented the following initiatives in accordance with the above business strategies.

◇ Information Infrastructure Business

First quarter ended June 30, 2023
- Received the Most Dedicated Partner of the Year 2022 from TANIUM.
- Received the Partner of the year 2023 and Deal Registration of the year 2023 from Proofpoint Japan K.K.
- Received the APJ Marketing Partner of the Year 2022 from Cohesity.
- CROSS HEAD started to provide "CROSSPLugins Series," plugins to extend the features of kintone, a business improvement platform.

Second quarter ended September 30, 2023
- Concluded a distributorship agreement with Tenable, Inc.
- Started a promotion campaign to provide Tanium Risk Assessment free of charge.
- CROSS HEAD added to its lineup "CROSSPLugins Series," plugins to extend the features of kintone.

Third quarter ended December 31, 2023
- Added "SentinelOne® Singularity™ Platform" to TPS service offerings for integrated monitoring and incident response.
- Received the "Channel Services Delivery Excellence Award" from Dell Technologies.
- Received the "2023 JAPAC Distribution Partner of the Year" from Palo Alto Networks.
- CROSS HEAD received the "Market Leader of the Year 2023" in the "Implem Partner Award 2023."
- OCH Co., Ltd. launched "SmaLingual," AI-driven, multilingual simultaneous translation services.

- OCH Co., Ltd. launched the new-model UTM (Unified Threat Management), “SG-ONE TANDEM 2000,” geared to small and medium-sized businesses.
- OCH Co., Ltd. launched “J’s Cutt®,” services to prevent information leakage from unauthorized filming of and snooping of PC screens.

Fourth quarter ended March 31, 2024

- CROSS HEAD started to provide new plugins for “CROSSPLugins Series,” a product to extend the features of kintone.
- OCH Co., Ltd. released a new feature on “Repli,” our hybrid storage system, to help users meet the requirements of the Act on Book and Record Keeping through Electronic Methods.
- OCH Co., Ltd. launched “SG-ONE 150,” an all-in-one UTM product geared to small and medium-sized businesses.

◇ Application Services Business

First quarter ended June 30, 2023

- CRM field: Established our local subsidiary in Bangkok, Thailand.
- Software Quality Assurance field: Acquired an exclusive distribution right in Japan for “Secure Code Warrior,” a secure code learning platform, and started to sell it.
- Software Quality Assurance field: Launched “Mayhem for Code,” a fuzzing solution that enables unit tests and integration tests.
- Software Quality Assurance field: Launched the Japanese version of Understand 6.3, a fast source code analysis tool.
- Business Solutions field: Announced that the Company made ARECCIA Fintech Corp. a wholly-owned subsidiary and that the Company transferred its Business Solutions division’s financial systems-related business to ARECCIA Fintech Corp. (effective on July 1, 2023).

Second quarter ended September 30, 2023

- Software Quality Assurance field: Launched the Japanese version of Ranorex 10.7, an all-in-one UI testing automation tool with powerful object recognition capabilities.
- Software Quality Assurance field: Launched “Jtest 2023.1,” a Java-supported testing automation tool.
- EdTech field: “tsumugino,” the Cloud SaaS type service was adopted by the Ministry of Education, Culture, Sports, Science and Technology (MEXT) as a “Demonstration Project for the Promotion of Digitalization of Next Generation School Administrative Affairs.”
- CASAREAL, Inc. launched introductory classes in Containers/Kubernetes under the supervision of SoftBank Corp.
- CASAREAL, Inc. launched the training course to support the transition from Spring Boot 2 to Spring Boot 3 version upgrades.

Third quarter ended December 31, 2023

- CRM field: Linked “AI Messenger Voicebot,” an automated phone-answering system, with “FastHelp5,” a contact center CRM system.
- CRM field: Central Nippon Expressway Company Limited, a FastSeries user, received the “2023 CRM Best Practice Award.”
- Software Quality Assurance field: Released the Japanese version of the test management tool, “TestRail 8.0.1.”

  EdTech field: Participated in the regional development project through the “utilization of closed schools” promoted by Uwajima City, Ehime Prefecture.
- EdTech field: Participated in “Quest Cup 2024,” Japan’s largest fest for inquiry-based learning.

Fourth quarter ended March 31, 2024

- CRM field: Entered into a capital and business alliance with Mobilus Corporation.
- CRM field: Held "TechMatrix CRM Forum 2024," an event for contact center/customer service professionals, in Tokyo.
- Software Quality Assurance field: Launched "Insignary Clarity," a binary analysis OSS (Open Source Software) management tool.
- Software Quality Assurance field: Launched "SOAtest/Virtualize 2023.2," a tool that supports development and automated testing of microservices for DX.
- Business Solutions field: Launched an "inventory optimization solution" package.

◇ Medical Systems Business

First quarter ended June 30, 2023

- PSP Corporation collaborated with St. Marianna University Hospital in order for the hospital to release its official app with PHR features for patients.
- PSP Corporation joined, as a panelist, a pre-event of the Mynaportal Hackathon hosted by the Digital Agency.

Second quarter ended September 30, 2023

- PSP Corporation started the operation of QR code-based data linkage with smartphones in specimen measurement rooms.

Third quarter ended December 31, 2023

- PSP Corporation added more medical institutions to its roster of institutions that have adopted the app, PHR and steadily increased the number of registered app users.

Fourth quarter ended March 31, 2024

- PSP Corporation achieved the 50 million-mark in the number of patients storing their medical images in "NOBORI."

As a result of the above, consolidated revenue during the year ended March 31, 2024 was ¥53,303 million, a year-on-year increase of ¥7,352 million (16.0%), achieving a record high. Gross profit amounted to ¥18,202 million, a year-on-year increase of ¥1,833 million (11.2%). Selling, general and administrative expenses were ¥12,309 million, a year-on-year increase of ¥1,136 million (10.2%), mainly due to an increase in personnel expenses. As a result, operating profit came to ¥5,850 million, a year-on-year increase of ¥751 million (14.7%).

Consequently, profit before tax was ¥5,854 million, a year-on-year increase of ¥788 million (15.6%), and profit attributable to owners of parent was ¥3,540 million, a year-on-year increase of ¥589 million (20.0%).

Results by operating segment were as follows:

1) Information Infrastructure Business

Results of the Information Infrastructure Business for the fiscal year ended March 31, 2024 were strong thanks to orders for new projects, including orders for subscription-based cloud cybersecurity measure products. Revenue steadily increased thanks to abundant order backlog accumulated in the previous fiscal year and orders for new projects. Operating profit increased compared to the previous fiscal year. This was because the growth of the business covered the impact of factors such as the further weakening of the yen, increased headcount and selling, general and administrative expenses. By product, cybersecurity measure products, including e-mail security products to protect against ransomware attacks, a security awareness training solution, and solutions to visualize vulnerabilities inherent in companies and organizations, are increasingly adopted as it gains recognition.

At CROSS HEAD, both revenue and operating profit exceeded the levels of the previous fiscal year. CROSS HEAD established its Chubu Office to explore business opportunities in the Tokai region.

At OCH Co., Ltd., revenue slightly fell short of the planned figure, but operating profit exceeded the planned level. In response to the intensified competition in the market for a portion of its major products, OCH has launched the new-model UTM product for small and medium-sized businesses to replace them, making efforts to recover orders.

As a result, the business achieved record high revenue and operating profit, with revenue of ¥35,005 million, a year-on-year increase of ¥5,700 million (19.5%), and operating profit of ¥3,973 million, a year-on-year increase of ¥882 million (28.6%).

2) Application Services Business

Results of the Application Services Business for the fiscal year under review exceeded those for the previous fiscal year thanks to strong orders received, revenue, and operating profit. The increased revenue and operating profit were supported by accumulated sales of subscription-based on-premise products as on-premise product licenses were shifted to subscription-based ones over the past few years.

In the CRM field, orders received, revenue and operating profit all exceeded the planned figures. In addition, revenue increased while operating profit reported significant increases compared to the previous fiscal year, thanks to the accumulated sales of subscription-based services from the previous fiscal year.

In the Software Quality Assurance field, orders received exceeded those of the previous fiscal year driven by strong demand for testing tools for in-vehicle software. In addition, orders received, revenue and operating profit all exceeded the planned figures, thanks to the accumulated sales of subscription-based services from two fiscal years ago.

In the Business Solutions field, orders received, revenue and operating profit all exceeded the planned figures. In particular, operating profit improved significantly compared to the previous fiscal year driven by a steady increase in development and maintenance projects targeting independent administrative agencies and other entities. At ARECCIA Fintech Corp. (former Information Design & Architecture Yamazaki Co., Ltd.), both revenue and operating profit exceeded the levels of the previous fiscal year. We will continue to expand and rebuild our Group’s financial systems-related business, which was spun off in the business reorganization of July 2023. At CASAREAL, Inc., both orders received and revenue progressed strongly, exceeding the levels of the previous fiscal year while operating profit declined due to increased selling, general and administrative expenses. The education business such as IT training was robust.

In the new EdTech field, our school communication platform has been adopted by private advanced schools. We strengthened our sales activities toward local boards of education to increase the adoption of our cloud services at public schools. Despite steady orders and sales, we continued to make active investments, enhancing product development, increasing sales and marketing staff as well as engineers who are required to implement the platform, which resulted in the reporting of a greater operating loss.

As a result, revenue of the business amounted to ¥8,205 million, a year-on-year increase of ¥904 million (12.4%), posting a record high, while operating profit amounted to ¥317 million, a year-on-year increase of ¥302 million (2,144.5%).

Effective from the first quarter ended June 30, 2023, the Company has changed the method of allocation of some expenses between its reporting segments of the Information Infrastructure Business and Application Services Business in order to better evaluate the performance of the reportable segments. Year-on-year comparisons were made with the results prepared using the calculation method after the change.

3) Medical Systems Business

For the fiscal year under review, the Medical Systems Business saw continued strong orders for “NOBORI,” a cloud service for medical information offered by the new PSP Corporation, established on April 1, 2022, and the cumulative number of contracting facilities increased. We have also secured orders for the renewal of service agreements with existing users. Meanwhile, upfront investments are continuing in projects such as the development of PHR services targeted at general patients and the joint development with medical institutions, AI venture companies and external partners to launch new businesses, and they have achieved strong results. On the other hand, operating profit declined compared to the previous fiscal year. This was based on the reactionary decrease in operating profit following an increase in operating profit for the previous fiscal year as a result of recording, at the end of the fiscal year ended March 31, 2022, a lack of provision for bonuses paid in the summer of the fiscal year ended March 31, 2023; IFRS adjustment in conjunction with the unification of PSP’s personnel systems in April 2023, which resulted in the reporting of expenses for paid leave and long service leave; and a short-term revenue decline due to the shift to cloud-based PACS. However, orders received, revenue and operating profit all exceeded the planned figures.

At Ichigo LLC, our medical-related consolidated subsidiary, both revenue and operating profit exceeded the planned figures.

At A-Line Co., another medical-related consolidated subsidiary, orders for MINCADI, a radiation dose management system, have been increasing as medical institutions are increasingly willing to invest in safety management systems for medical radiation, resulting in a steady increase in revenue and a significant reduction in operating loss.

As a result, revenue of the business amounted to ¥10,092 million, a year-on-year increase of ¥747 million (8.0%), while operating profit amounted to ¥1,559 million, a year-on-year decrease of ¥433 million (21.8%).

(2) Overview of Consolidated Financial Position for the Fiscal Year under Review

(Overview of Consolidated Financial Position for the Fiscal Year under Review)

Current assets increased ¥18,691 million (36.1%) from March 31, 2023 to ¥70,462 million as of March 31, 2024. The principal factor in this change was an increase of ¥8,716 million in advance payments to suppliers. Non-current assets stood at ¥15,294 million, an increase of ¥1,373 million (9.9%) from March 31, 2023. The principal factor in this change was an ¥874 million increase in investments accounted for using equity method. As a result, total assets amounted to ¥85,756 million, an increase of ¥20,064 million (30.5%) from March 31, 2023.

Current liabilities stood at ¥51,648 million, an increase of ¥15,603 million (43.3%) from March 31, 2023. The principal factor in this change was an increase of ¥13,190 million in contract liabilities. Non-current liabilities stood at ¥7,064 million, a ¥1,335 million (23.3%) increase from March 31, 2023. The principal factor in this change was a ¥1,613 million increase in other financial liabilities. As a result, total liabilities amounted to ¥58,712 million, an increase of ¥16,938 million (40.5%) from March 31, 2023.

Total equity was ¥27,043 million, an increase of ¥3,125 million (13.1%) from March 31, 2023. The principal factor in this change was an increase of ¥2,656 million in retained earnings. As a result, the ratio of equity attributable to owners of parent to total assets was 25.4%.

(Basic Principle of Profit Distribution and Dividends for Current and Next Period)

As part of its efforts to increase shareholder value, the Company positions the return of profits to shareholders as an important management task. The basic principle of profit distribution is to make decisions by comprehensively determining the balance between returns to shareholders and maintaining sufficient internal reserves. The basic principle of the dividend policy is to have a consolidated payout ratio of at least 20% of the fiscal year's earnings. Based on these policies, for the fiscal year ended March 31, 2024, it was resolved at the Board of Directors meeting held on May 9, 2023 that the Company will pay an interim dividend of ¥8 per share and a year-end dividend of ¥16 per share (for an annual dividend of ¥24 per share). However, for the fiscal year under review, the Company paid an interim dividend of ¥9 per share, and it was resolved at the Board of Directors meeting held on April 26, 2024 that the Company will pay a year-end dividend of ¥19 per share, for an annual dividend of ¥28 per share. The Company's basic policy has been to maintain a consolidated payout ratio of at least 20% on fiscal year-end performance. To further promote the return of profits to shareholders, the Company resolved at the same Board of Directors meeting to raise the payout ratio policy to at least 30% starting from the fiscal year ended March 31, 2024.

In the fiscal year ending March 31, 2025, the Company plans to pay an interim dividend of ¥10 per share, and a year-end dividend of ¥20 per share, for an annual dividend of ¥30 per share.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the fiscal year under review amounted to ¥27,265 million, an increase of ¥7,193 million (35.8%) from March 31, 2023. Cash flows in each area of activity for the fiscal year under review are as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities for the fiscal year under review was ¥8,982 million, a year-on-year increase of ¥2,634 million (41.5%). This was primarily due to an increase in contract liabilities.

(Cash Flows from Investing Activities)

Net cash used in investing activities for the fiscal year under review was ¥1,938 million, a year-on-year decrease of ¥1,193 million (38.1%). This was primarily due to purchase of investments.

(Cash Flows from Financing Activities)

Net cash provided by financing activities for the fiscal year under review was ¥147 million, a year-on-year increase of ¥1,447 million (–%). This was primarily due to proceeds from other financial liabilities.

(Reference) Trends in Cash Flow Indicators

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Ratio of equity attributable to owners of parent to total assets (%)	28.9	25.4
Ratio of equity attributable to owners of parent to total assets based on fair value (%)	90.2	86.7
Ratio of interest-bearing liabilities to cash flows (%)	18.9	10.6
Interest coverage ratio (times)	613.6	345.3

Ratio of equity attributable to owners of parent to total assets: Equity attributable to owners of parent / Total assets

Ratio of equity attributable to owners of parent to total assets based on fair value: Total market value of shares / Total assets

Ratio of interest-bearing liabilities to cash flows: Interest-bearing liabilities / Cash flows

Interest coverage ratio: Cash flows / Interest payments

(Note 1) Calculations were based on financial data on a consolidated basis.

(Note 2) The total market value of shares is calculated based on the number of outstanding shares without the treasury shares.

(Note 3) Cash flows refer to cash flows from operating activities.

(Note 4) Interest-bearing liabilities include all liabilities recorded on the consolidated statement of financial position for which interest is paid.

(4) Future Outlook

(Outlook for the Next Fiscal Year)

The Company announced the new Medium-Term Management Plan “Creating Customer Value in the New Era” on May 9, 2024.

We are now living in an era of emerging new technologies such as the ever-evolving AI, the decrease in the working population due to the falling birthrate and aging, and changes in corporate social responsibility. Even with the advent of this new era, the TechMatrix Group will continue to be a company that creates a better future by solving social issues with solutions packed with its “foresight” and “business know-how,” thereby creating greater “customer value.” Toward this end, we have formulated the new Medium-Term Management Plan.

Foresight involves finding state-of-the-art technologies and discovering social issues to be solved, and then solving the discovered social issues with our business know-how. The Group recognizes that its strength lies in its profound operational knowledge in specific industries or business processes requiring expert knowledge or skills gained by serving hundreds and thousands of customers.

Customer value refers not only to the solutions and services we offer, but also to the value our customers perceive such as the Company’s branding, the way our employees serve customers, and the procedures and interactions in their transactions with us. We will focus on strengthening the basis (specifically, the internal infrastructure that supports our business) for offering customer value and creating an environment where every single employee can take on challenges to grow through the provision of customer value. We consider that our source of customer value is creating new value mainly by handling new technologies, entering into business sectors that make a greater contribution to society, and supporting customers’ operations primarily through AI and automation. At the same time, we will generate value embracing both our credo and aspiration (corporate culture), such as serving persistently to provide close support for customers and having a constantly learning mindset.

In the Information Infrastructure Business, the Company will continue to pre-empt trends of cutting-edge security-related technologies and actively search for and offer new potential products as cyber-attacks are constantly becoming more sophisticated and smarter, and existing security products may not be sufficient. Furthermore, as for security products, the transaction does not end at introduction. Post-introduction detection and monitoring are required on a continuous basis. The Company will not only provide leading-edge security products but actively invest in the development of managed services and other value-added services.

Accordingly, the Company forecasts revenue of ¥40,000 million and operating profit of ¥4,440 million for this segment. We expect stable and continuous growth in revenue, as order backlog has been steadily accumulated up to the fiscal year under review thanks to the growth of recurring revenue businesses. The forecast for operating profit takes into account uncertain exchange rate trends and plans to proactively invest to strengthen the customer support system.

With regard to the Application Services Business, in each of the CRM field, the Business Solutions field, and the Software Quality Assurance field, we are determined to further enhance customer value through products and services developed in-house.

In the CRM field, we will further accelerate our business development in the ASEAN region, which had been strategically promoted in the previous Medium-term Management Plan, and provide in-house developed solutions to help streamline contact center operations using generative AI.

In the Software Quality Assurance field, we believe that improving the quality of embedded software is an issue of great social importance as well, in line with the rising need to comply with international standards for functional safety in various fields. In addition, we will strengthen our efforts to build a development base and offer introduction support service with automation and streamlining to help customers use our development support tools more effectively. At the same time, we will work to enhance our unique added value.

In the Business Solutions field, we will leverage the technical capabilities we have developed through our conventional contracted development business for specific customers to facilitate DX in the public sector and develop and offer solutions for improving customer experience (CX).

In the EdTech field, we enjoyed a steady increase in the adoption of our platform mainly by private advanced schools during the period of the previous Medium-term Management Plan. Going forward, we will expand adoption at public schools in addition to private schools.

Each of our consolidated subsidiaries in this segment will work to expand their businesses in their fields of specialization, while pursuing synergy with non-consolidated businesses.

Accordingly, the Company forecasts revenue of ¥9,200 million and operating profit of ¥610 million for this segment.

We expect a stable and continuous growth in revenue and operating profit thanks to a progressing transition to a subscription-based business and the steady accumulation of subscription sales.

In the Medical Systems Business, the new PSP Corporation, established on April 1, 2022, has been working to unify our customer base and integrate our products and services, as well as promoting the shift to cloud-based PACS, initiated by the former PSP Corporation, with the aim of switching to recurring revenue business models.

In addition, we will promote the AI platform business to facilitate the use of medical image data, discover new markets created by DX in the pathology field through the alliance with Medmain Inc., and expand the number of businesses adopting PHR services to consumers (patients).

Accordingly, the Company forecasts revenue of ¥9,800 million and operating profit of ¥1,450 million for this segment.

Although the shift of PACS to the cloud will lead to lower sales and operating profit in the short term, this is a far-sighted management decision. The Company’s forecast takes into account its plans to make aggressive investments in development, including increasing headcount to expand business.

As a result, revenue of ¥59.0 billion, operating profit of ¥6.5 billion, and profit attributable to owners of parent of ¥3.92 billion are expected for the next fiscal year.

Results of Medium-Term Management Plan “BEYOND THE NEW NORMAL”

(Millions yen)

Consolidated Fiscal Year	Indicators	Information Infrastructure Business	Application Services Business	Medical Systems Business	Total
Targets for fiscal year ended March 31, 2022	Revenue	23,000	10,000	–	33,000
	Operating profit	3,000	700	–	3,700
Results for fiscal year ended March 31, 2022	Revenue	24,700	11,800	–	36,500
	Operating profit	3,050	680	–	3,730
Targets for fiscal year ended March 31, 2023	Revenue	27,500	15,500	–	43,000
	Operating profit	3,250	750	–	4,000
Results for fiscal year ended March 31, 2023	Revenue	29,300	7,300	9,340	45,950
	Operating profit	3,130	(20)	1,990	5,100
Targets for fiscal year ended March 31, 2024	Revenue	29,000	17,000	–	46,000
	Operating profit	3,600	1,500	–	5,100
Results for fiscal year ended March 31, 2024	Revenue	35,010	8,210	10,090	53,300
	Operating profit	3,970	320	1,560	5,850

Note: The Medical Systems Business spun out from the Application Services Business segment in the fiscal year ended March 31, 2023. Accordingly, the results of the Application Services Business for the fiscal year ended March 31, 2022 are the sum of the Application Services Business and Medical Systems Business.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Statement of Financial Position

(Thousand yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and cash equivalents	20,071,540	27,265,398
Trade and other receivables	6,274,018	6,874,634
Inventories	559,016	484,768
Advance payments to suppliers	16,230,848	24,946,977
Advance payment – cost of maintenance service	7,665,807	9,792,446
Other current assets	969,585	1,097,798
Total current assets	51,770,817	70,462,023
Non–current assets		
Property, plant and equipment	6,121,593	6,117,671
Goodwill	171,978	171,978
Intangible assets	2,141,912	2,420,292
Investments accounted for using equity method	128,995	1,003,917
Other financial assets	3,693,551	3,650,032
Deferred tax assets	1,277,041	1,525,861
Other non–current assets	385,471	404,549
Total non–current assets	13,920,545	15,294,304
Total assets	65,691,363	85,756,328

(Thousand yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Trade and other payables	2,145,253	2,230,641
Borrowings	570,000	570,000
Lease liabilities	782,071	727,316
Income taxes payable	657,354	1,419,212
Contract liabilities	29,035,461	42,225,862
Other financial liabilities	45,257	533,893
Other current liabilities	2,809,108	3,941,478
Total current liabilities	36,044,508	51,648,404
Non-current liabilities		
Borrowings	300,000	100,000
Lease liabilities	2,995,542	2,769,352
Other financial liabilities	–	1,613,717
Retirement benefit liability	1,912,880	2,121,092
Provisions	165,219	166,541
Other non–current liabilities	355,680	293,713
Total non–current liabilities	5,729,323	7,064,416
Total liabilities	41,773,831	58,712,820
Equity		
Share capital	1,298,120	1,298,120
Capital surplus	4,594,827	4,767,089
Treasury shares	(974,569)	(930,159)
Retained earnings	13,380,739	16,037,638
Other components of equity	671,876	571,780
Total equity attributable to owners of parent	18,970,993	21,744,468
Non-controlling interests	4,946,537	5,299,038
Total equity	23,917,531	27,043,507
Total liabilities and equity	65,691,363	85,756,328

(2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

(Thousand yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Revenue	45,950,613	53,303,317
Cost of sales	(29,580,847)	(35,100,536)
Gross profit	16,369,766	18,202,781
Selling, general and administrative expenses	(11,173,564)	(12,309,804)
Other income	76,384	24,071
Other expenses	(174,185)	(66,882)
Operating profit	5,098,400	5,850,165
Finance income	25,249	52,791
Finance costs	(45,980)	(43,481)
Share of profit (loss) of investments accounted for using equity method	(11,004)	(4,779)
Profit before tax	5,066,665	5,854,695
Income tax expense	(1,428,715)	(1,743,745)
Profit	3,637,950	4,110,949
Profit attributable to:		
Owners of parent	2,950,390	3,540,323
Non-controlling interests	687,559	570,625
Earnings per share		
Basic earnings per share (Yen)	73.91	88.35
Diluted earnings per share (Yen)	73.67	88.03

Consolidated Statement of Comprehensive Income

(Thousand yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Profit	3,637,950	4,110,949
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	106,417	(6,575)
Equity financial assets measured at fair value through other comprehensive income	15,574	(54,706)
Total of items that will not be reclassified to profit or loss	121,991	(61,281)
Items that may be reclassified to profit or loss		
Cash flow hedges	(20,322)	20,348
Exchange differences on translation of foreign operations	–	2,140
Total of items that may be reclassified to profit or loss	(20,322)	22,488
Other comprehensive income, net of tax	101,669	(38,793)
Comprehensive income	3,739,619	4,072,156
Comprehensive income attributable to:		
Owners of parent	3,002,931	3,540,747
Non-controlling interests	736,687	531,408

(3) Consolidated Statement of Changes in Equity

(Thousand yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Share acquisition rights	Remeasurements of defined benefit plans
Balance at April 1, 2022	1,298,120	4,861,825	(975,804)	11,149,198	116,116	–
Profit	–	–	–	2,950,390	–	–
Other comprehensive income	–	–	–	–	–	67,155
Comprehensive income	–	–	–	2,950,390	–	67,155
Dividends of surplus	–	–	–	(798,300)	–	–
Purchase of treasury shares	–	–	(121)	–	–	–
Disposal of treasury shares	–	3,679	1,356	–	–	–
Share-based payment transactions	–	10,684	–	–	42,896	–
Exercise of share acquisition rights	–	–	–	–	(5,030)	–
Forfeiture of share options	–	–	–	12,295	(17,721)	–
Changes in ownership interest in subsidiaries	–	(281,362)	–	–	–	–
Transfer to non-financial assets	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	67,155	–	(67,155)
Total transactions with owners, etc.	–	(266,998)	1,235	(718,849)	20,144	(67,155)
Balance at March 31, 2023	1,298,120	4,594,827	(974,569)	13,380,739	136,261	–
Profit	–	–	–	3,540,323	–	–
Other comprehensive income	–	–	–	–	–	1,865
Comprehensive income	–	–	–	3,540,323	–	1,865
Dividends of surplus	–	–	–	(999,789)	–	–
Purchase of treasury shares	–	–	(73)	–	–	–
Disposal of treasury shares	–	11,559	44,483	–	–	–
Share-based payment transactions	–	23,857	–	–	30,604	–
Exercise of share acquisition rights	–	–	–	–	(17,119)	–
Forfeiture of share options	–	–	–	1,446	(2,084)	–
Changes in ownership interest in subsidiaries	–	136,845	–	–	–	–
Changes resulting from additions to consolidation	–	–	–	–	–	–
Transfer to non–financial assets	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	115,210	–	(1,865)
Other changes	–	–	–	(290)	–	–
Total transactions with owners, etc.	–	172,262	44,409	(883,424)	11,400	(1,865)
Balance at March 31, 2024	1,298,120	4,767,089	(930,159)	16,037,638	147,661	–

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity				Total equity attributable to owners of parent		
	Equity financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance at April 1, 2022	569,315	–	–	685,431	17,018,771	3,183,504	20,202,276
Profit	–	–	–	–	2,950,390	687,559	3,637,950
Other comprehensive income	5,708	–	(20,322)	52,541	52,541	49,127	101,669
Comprehensive income	5,708	–	(20,322)	52,541	3,002,931	736,687	3,739,619
Dividends of surplus	–	–	–	–	(798,300)	(6,946)	(805,247)
Purchase of treasury shares	–	–	–	–	(121)	–	(121)
Disposal of treasury shares	–	–	–	–	5,036	–	5,036
Share-based payment transactions	–	–	–	42,896	53,581	–	53,581
Exercise of share acquisition rights	–	–	–	(5,030)	(5,030)	–	(5,030)
Forfeiture of share options	–	–	–	(17,721)	(5,426)	–	(5,426)
Changes in ownership interest in subsidiaries	(9,046)	–	–	(9,046)	(290,409)	1,033,292	742,883
Transfer to non-financial assets	–	–	(10,038)	(10,038)	(10,038)	–	(10,038)
Transfer from other components of equity to retained earnings	–	–	–	(67,155)	–	–	–
Total transactions with owners, etc.	(9,046)	–	(10,038)	(66,096)	(1,050,709)	1,026,345	(24,363)
Balance at March 31, 2023	565,976	–	(30,361)	671,876	18,970,993	4,946,537	23,917,531
Profit	–	–	–	–	3,540,323	570,625	4,110,949
Other comprehensive income	(23,822)	2,032	20,348	423	423	(39,216)	(38,793)
Comprehensive income	(23,822)	2,032	20,348	423	3,540,747	531,408	4,072,156
Dividends of surplus	–	–	–	–	(999,789)	(7,155)	(1,006,944)
Purchase of treasury shares	–	–	–	–	(73)	–	(73)
Disposal of treasury shares	–	–	–	–	56,042	–	56,042
Share-based payment transactions	–	–	–	30,604	54,461	–	54,461
Exercise of share acquisition rights	–	–	–	(17,119)	(17,119)	–	(17,119)
Forfeiture of share options	–	–	–	(2,084)	(638)	–	(638)
Changes in ownership interest in subsidiaries	–	–	–	–	136,845	(175,751)	(38,906)
Changes resulting from additions to consolidation	–	–	–	–	–	3,998	3,998
Transfer to non–financial assets	–	–	3,289	3,289	3,289	–	3,289
Transfer from other components of equity to retained earnings	(113,344)	–	–	(115,210)	–	–	–
Other changes	–	–	–	–	(290)	–	(290)
Total transactions with owners, etc.	(113,344)	–	3,289	(100,519)	(767,272)	(178,908)	(946,181)
Balance at March 31, 2024	428,809	2,032	(6,723)	571,780	21,744,468	5,299,038	27,043,507

(4) Consolidated Statement of Cash Flows

(Thousand yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before tax	5,066,665	5,854,695
Depreciation and amortization	2,386,806	2,295,534
Finance income and finance costs	(2,424)	1,830
Decrease (increase) in trade and other receivables	(160,658)	(797,616)
Decrease (increase) in inventories	2,365	74,248
Decrease (increase) in advance payments to suppliers	(4,950,632)	(8,716,128)
Decrease (increase) in advance payment – cost of maintenance service	(2,155,231)	(2,126,638)
Increase (decrease) in trade and other payables	(222,208)	316,849
Increase (decrease) in contract liabilities	9,342,653	13,190,400
Increase (decrease) in retirement benefit liability	55,800	208,211
Other	(1,186,609)	(98,327)
Subtotal	8,176,525	10,203,058
Interest and dividends received	6,600	26,307
Interest paid	(10,345)	(26,009)
Income taxes paid	(1,824,538)	(1,220,799)
Net cash provided by (used in) operating activities	6,348,241	8,982,557
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,481,269)	(884,934)
Purchase of intangible assets	(117,385)	(125,200)
Purchase of investments	(1,223,423)	(328,886)
Proceeds from sale of investments	–	287,070
Purchase of investments accounted for using equity method	(140,000)	(899,931)
Proceeds from sale of investments accounted for using equity method	–	18,200
Payments of leasehold and guarantee deposits	(281,156)	(27,812)
Proceeds from refund of leasehold and guarantee deposits	387,028	207,703
Payments for asset retirement obligations	(280,890)	(199,545)
Other	5,884	15,159
Net cash provided by (used in) investing activities	(3,131,212)	(1,938,176)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(25,000)	–
Repayments of long-term borrowings	(200,000)	(200,000)
Proceeds from other financial liabilities	–	2,451,000
Payments for other financial liabilities	–	(313,898)
Dividends paid	(797,416)	(1,000,454)
Repayments of lease liabilities	(1,221,661)	(785,873)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(248,475)	–
Proceeds from sale of interests in subsidiaries to non-controlling interests	1,200,577	–
Other	(7,960)	(3,213)
Net cash provided by (used in) financing activities	(1,299,936)	147,559
Effect of exchange rate changes on cash and cash equivalents	(1,455)	1,917
Net increase in cash and cash equivalents	1,915,637	7,193,858
Cash and cash equivalents at beginning of period	18,155,903	20,071,540
Cash and cash equivalents at end of period	20,071,540	27,265,398