

**INFORMATION MATERIAL FOR THE
EXTRAORDINARY GENERAL MEETING OF
SHAREHOLDERS
OTHER MATTERS TO BE PROVIDED
ELECTRONICALLY
(MATTERS EXCLUDED FROM PAPER-BASED
DOCUMENTS DELIVERED TO SHAREHOLDERS)**

Proposal: Approval of the Share Transfer Plan
Details of the Financial Statements, etc. of R&D COMPUTER CO., LTD. for the
Most Recent Fiscal Year (Fiscal Year Ended March 2025)
(Notice of the Extraordinary General Meeting of Shareholders, p.32 “4. Matters
Concerning R&D”)

Business Report

(from April 1, 2024 to March 31, 2025)

1. Current status of the corporate group

(1) Overview of business during the fiscal year under review

(i) Business activities and results

During the fiscal year under review, the Japanese economy showed signs of a gradual recovery, driven by improvements in the employment and income environments and a rebound in inbound demand, among other factors. However, the economic outlook remains uncertain due to price increases caused by a weakening yen, prolonged surges in raw material and energy prices, heightened geopolitical risks in Ukraine, the Middle East, and other regions, fluctuations in financial and capital markets, concerns about the future of the Chinese economy, and the impact of U.S. economic policies, among other factors.

In the information service industry where the Group operates, corporate investment appetite remains strong, centered on digital transformation (DX) involving business process and business model innovation using digital technologies, such as system and software renewal and cloud migration aimed at improving operational efficiency and productivity amid ongoing labor shortages. Furthermore, there is a growing trend to promote operational efficiency using generative AI and other new technologies. In addition, damage from cyberattacks such as targeted attacks is increasing, thereby making information security measures even more important, and the market size is expected to continue expanding.

Under such circumstances, the Group will strive to achieve its new Medium-term Management Plan (VISION2025), which started in the fiscal year ended March 2024, by continuing to actively promote M&A, strengthening collaboration with business partners, promoting the DX business, investing in human resource development and strengthening fields of expertise, further expanding sales in existing SI fields, and implementing capital policies and shareholder returns, thereby aiming to further enhance corporate value. In particular, the Group is actively promoting a shift toward high-value-added businesses through the strategic selection and concentration of its business structure. Leveraging M&A, the Company worked to further expand Package-based SI Services, a pillar of its growth strategy, by strengthening Group collaboration as well as expanding domains and improving customer satisfaction through strengthened partnerships with existing customers. It also focused on strengthening human resource development for new digital fields such as generative AI, low-code development, and agile development, centered on the DX Promotion Division, as well as on initiatives for cloud shift.

By service line, in the financial sector of System Integration Services, system development projects for banks were steady from the third quarter onward. In addition, in the public sector, sales increased significantly for large-scale projects for government agencies, and in the industry and distribution sector, commissioned development projects for telecommunications carriers were steady. However, net sales decreased for credit card development projects in the financial sector due to a reduction in large-scale project development; in the medical sector due to a reduction in orders for medical accounting system projects, which had grown in the previous fiscal year; and in the industry and distribution sector due to focusing on unprofitable projects, leading to a reduction in other commissioned development projects. As a result, net sales for System Integration Services as a whole amounted to 7,368,883 thousand yen (down 2.7% year-on-year).

For Package-based SI Services, a pillar of the Company's growth strategy, net sales increased significantly as a result of continuing to handle large-scale projects for SAP-related implementation support and add-on development, the core business of Group subsidiary infree, through a collaborative structure with the Company's business departments. In addition, new Salesforce business-related orders in the cloud sector, the core of the Company's DX business, were steady, leading to increased net sales. As a result, net sales for Package-based SI Services as a whole increased to 5,010,986 thousand yen (up 7.2% year-on-year).

For Infrastructure Solution Services, net sales decreased significantly for server/client services due to a reduction in infrastructure construction projects, delays in the start of scheduled new projects, and extended acceptance periods, among other factors. However, net sales increased for network services due to an increase in orders for network construction projects associated with system

upgrades for social infrastructure and government agencies. In addition, orders for cloud services increased in the second half, resulting in a performance exceeding the previous fiscal year. As a result, net sales for Infrastructure Solution Services as a whole amounted to 1,350,859 thousand yen (down 9.3% year-on-year).

As a result of the above, net sales for the fiscal year under review amounted to 13,730 million yen (down 0.0% year-on-year). In terms of profits, the Company has actively invested in human capital, including increased personnel expenses due to revised compensation packages and human resource development expenses for new digital fields. However, the Company significantly increased staffing to complete a large-scale unprofitable project that began at the end of the previous fiscal year and continued into the first quarter, resulting in substantial personnel and outsourcing expenses and the recording of a significant net loss. This large-scale unprofitable project concluded at the end of March 2025, and no losses from this project will occur in the fiscal year ending March 2026. As a result, operating profit was 1,433 million yen (down 17.1% year-on-year), ordinary profit was 1,463 million yen (down 16.1% year-on-year), and profit attributable to owners of parent was 1,023 million yen (down 17.1% year-on-year).

In addition, for non-consolidated results, net sales were 12,223 million yen (down 1.3% year-on-year), operating profit was 1,335 million yen (down 15.4% year-on-year), ordinary profit was 1,364 million yen (down 14.2% year-on-year), and profit was 984 million yen (down 15.5% year-on-year), resulting in decreased revenue and profit.

Net Sales by Service Line

Business category	54th fiscal year (Fiscal year ended March 2024)		55th fiscal year (Fiscal year ended March 2025) (Fiscal year under review)	
	Amount (Thousands of yen)	Composition ratio (%)	Amount (Thousands of yen)	Composition ratio (%)
System Integration Services	7,570,535	55.1	7,368,883	53.7
Package-based SI Services	4,673,597	34.0	5,010,986	36.5
Infrastructure Solution Services	1,488,611	10.9	1,350,859	9.8
Total	13,732,744	100.0	13,730,729	100.0

(ii) Capital investments

Capital investments during the fiscal year under review totaled 120,670 thousand yen. This consisted of 33,368 thousand yen for the purchase of computers and servers used for internal and development operations, and 87,302 thousand yen for software acquisition.

(iii) Financing activities

There were no significant financing activities to report.

(iv) Business transfer, absorption-type company split or incorporation-type company split

Not applicable.

(v) Acquisition of other companies' business

Not applicable.

(vi) Succession of rights or duties related to the businesses of other corporations, etc. due to absorption-type merger or absorption-type company split

Not applicable.

(vii) Acquisition or disposal of shares or other equity interests, or share acquisition rights in other companies

Not applicable.

(2) Changes in assets and profit and loss in and at the end of the most recent three fiscal years

(i) Changes in assets and profit and loss of the corporate group

Category	FY2021 52nd fiscal year	FY2022 53rd fiscal year	FY2023 54th fiscal year	FY2024 (Fiscal year under review) 55th fiscal year
Net sales (Thousands of yen)	9,596,440	11,578,940	13,732,744	13,730,729
Ordinary profit (Thousands of yen)	879,643	1,238,200	1,743,967	1,463,371
Profit attributable to owners of parent (Thousands of yen)	627,206	772,096	1,233,862	1,023,309
Basic earnings per share (Yen)	34.93	43.00	68.73	57.00
Total assets (Thousands of yen)	6,500,080	7,502,777	8,712,866	8,348,284
Net assets (Thousands of yen)	4,366,651	4,865,729	5,773,857	5,994,685
Net assets per share (Yen)	243.23	270.17	320.55	332.75

Note: The Company conducted a 2-for-1 stock split of its common shares on November 1, 2023. Basic earnings per share and net assets per share have been calculated assuming this stock split occurred at the beginning of the 52nd fiscal year.

(ii) Changes in assets and profit and loss of the Company

Category	FY2021 52nd fiscal year	FY2022 53rd fiscal year	FY2023 54th fiscal year	FY2024 (Fiscal year under review) 55th fiscal year
Net sales (Thousands of yen)	9,213,409	10,518,639	12,381,493	12,223,128
Operating profit (Thousands of yen)	866,576	1,253,902	1,578,924	1,335,911
Ordinary profit (Thousands of yen)	876,412	1,269,531	1,590,900	1,364,314
Profit (Thousands of yen)	641,943	844,487	1,165,821	984,764
Basic earnings per share (Yen)	35.75	47.04	64.94	54.85
Total assets (Thousands of yen)	6,445,788	7,208,305	8,233,687	7,907,218
Net assets (Thousands of yen)	4,388,751	4,943,401	5,781,251	5,955,290
Net assets per share (Yen)	244.46	275.33	322.04	331.73

Notes: 1. Basic earnings per share is calculated based on the average number of shares outstanding during the period.
2. Net assets per share is calculated based on the total number of issued shares at the end of the period.
3. The Company conducted a 2-for-1 stock split of its common shares on November 1, 2023. Basic earnings per share and net assets per share have been calculated assuming this stock split occurred at the beginning of the 52nd fiscal year.

(3) Parent company and significant subsidiaries

(i) Parent company

Not applicable.

(ii) Significant subsidiaries

Company name	Share capital	Voting rights ratio of the Company	Description of major businesses
infree Corp.	15 million yen	100.0%	SAP implementation consulting, add-on development, web system development
Technigate Co.,Ltd.	260 million yen	95.7%	Accounting package system development and sales

(4) Issues to be addressed

The Group announced a new Medium-term Management Plan (VISION2025) on September 29, 2023, and is actively promoting its implementation.

(Key strategy items)

- Actively promoting M&A
- Further strengthening collaboration with business partners
- Promoting DX business
- Investing in human resource development and further strengthening fields of expertise
- Further expanding sales in existing SI fields

We are focusing on these key strategy items and tackling the issues to be addressed to achieve the new Medium-term Management Plan (VISION2025).

(i) Expanding into new growth fields

In the information service industry, which is characterized by rapid technological innovation, it is necessary to actively take on the challenge of new technologies while strengthening existing ones to consistently provide services that satisfy customers.

Within the information service industry, cloud migration and DX are advancing, forcing a shift from traditional development-based business models to service provision-based business models. The Group is strengthening its ability to respond to new and advanced technologies, centered on the DX Promotion Division, by promoting the skill acquisition of new digital technology human resources in fields such as low-code development, agile development, and generative AI, and by strengthening reskilling to acquire newly required skills. In addition, to address the advancement of cloud adoption, we are promoting the acquisition of cloud technology skills by having engineers acquire certifications, centered on the DX Promotion Division. By actively pursuing these initiatives, we aim to expand the number of orders received in new fields.

(ii) Securing outstanding human resources

The information service industry, where the Group operates, demand is characterized by rapid technological advancement, requiring constant adaptation to the latest technologies. We believe that our most important asset is our outstanding human resources who are capable of meeting this demand.

The Group is working to secure outstanding human resources by clarifying recruitment selection criteria and actively conducting recruitment activities for both new graduates and mid-career hires.

We will continue to actively secure outstanding, high-potential human resources going forward.

(iii) Strengthening human resource development

We recognize that in order to ensure the continued business development and growth of the Group, it is essential to continuously cultivate human resources with high market value who can adapt to the rapidly changing information service industry, and that the development of human resources possessing advanced specialized skills is a top priority.

To strengthen human resource development, the Human Resource Development Center takes the lead in providing new employees and recent graduates who have work experience with three months of foundational technological training and certification acquisition after joining the company. For engineers, we have established a systematic education system focusing on both technical and management skills to strengthen skills in a balanced manner, promoting not only IT-related certifications but also operational certifications to deepen understanding of customers.

(iv) Strengthening project management capabilities

An important issue for expanding business with customers and securing appropriate profits is the further strengthening of the management capabilities of each project manager(*) and the expansion of the number of engineers capable of project management.

We are working to strengthen project management capabilities, particularly for engineers oriented toward project manager roles, by having them obtain the Project Management Professional (PMP) certification (certifying body: Project Management Institute, Inc., U.S.A.), an international qualification in project management.

(*) A project manager is the administrator of a project who is responsible for planning and executing the project.

(v) Improving quality and securing stable revenue

As ICT(*) becomes more widespread and the strategic value of IT increases, customer expectations for system development are rising each year, making the Group's differentiation strategy increasingly important. We recognize that offering system quality that satisfies customers is crucial for sustaining and further developing stable transactions with them.

In addition to improving the technical skills of engineers and strengthening project management capabilities, we will strive to further improve quality by strengthening our project support system, centered on the PMO, to ensure and improve quality across the entire Group.

Another issue is securing stable revenue. Ensuring unprofitable projects do not occur is particularly important for securing stable revenue, making the improvement of project management capabilities and quality indispensable. We will work to secure stable revenue by strengthening systematic risk management through the Project Quality Management Office, continuously improving development standard processes, providing project management support, and strengthening employee training.

(*) Information and communication technology (ICT) is largely synonymous with information technology (IT); however, in addition to the computer technology traditionally implied by IT, ICT emphasizes the communication enabled by such technology.

(vi) Pursuing group synergies

We became a consolidated company through a business combination by share acquisition in the fiscal year ended March 2022, and added one new company to the Group on April 1, 2022. We will strengthen our competitiveness by pursuing synergies across the entire Group, such as offering higher value-added next-generation services through joint development utilizing the technologies and know-how possessed by each Group company and the strengthening of sales capabilities.

(vii) Sustainability initiatives

We will contribute to achieving the United Nations' Sustainable Development Goals (SDGs) for 2030 by providing high-quality system solutions that support safe and secure social infrastructure with our team of outstanding engineers, and will aim to create a workplace where every employee can work in good health and with vitality.

(5) Description of major businesses (as of March 31, 2025)

In the information service industry, where corporate management and ICT are becoming integrated and where their importance and the speed of technological innovation continue to increase, the Group operates as a system integrator(*1) that provides system solution services to solve system issues directly connected to customers' management through three services: System Integration Services, Package-based SI Services, and Infrastructure Solution Services.

The Group's business operates as a single segment encompassing system solution services and related ancillary operations. An overview of its business domains categorized by service line and the Group's distinctive features are as follows.

Category	Description of business
System Integration Services	<p>System Integration Services forms the core of our business, focusing primarily on commissioned development projects from end-user customers, domestic manufacturers, and major system integrators across diverse sectors including finance (banks, insurance, securities, credit cards), industry and distribution, public, and medical. One of our distinctive features is our ability to provide comprehensive services to customers, handling all processes from planning and proposal through system construction and operation.</p> <p>First, in the planning and proposal phase, we consult on the customer's core business systems from management and information technology perspectives, propose solutions to issues that enhance operational efficiency and improve the services the customer provides, and define requirements to clarify the functions to be implemented and the performance to be achieved toward system construction. Next, in the system construction phase, we perform basic design to finalize system functions and determine the user interface as well as detailed design to specify the internal processing for each system function, then proceed to the development of programs and other components. After development, we conduct integration testing to verify the linkage between programs and system testing to confirm the overall functionality and performance of the system. Finally, during system operation testing (acceptance testing), we verify that the developed product meets the customer's requirements, which leads to delivery. We then provide ongoing maintenance and system operation to ensure the product continues to function properly.</p>
Package-based SI Services	<p>The Group has established alliances with system package vendors(*2) as a pillar of our growth fields. In some cases, we receive the packages and provide comprehensive package-based SI services, including support for implementing software package products (such as Salesforce, SAP, SuperStream, COMPANY, and the Bugyo series) for our customers, along with customization, add-on development, maintenance, and operation.</p> <p>We are expanding primarily around services that provide implementation support, customization, and add-on development for the cloud computing(*3) sales support and customer management systems provided by Salesforce Japan Co.,Ltd., which began in April 2010.</p>
Infrastructure Solution Services	<p>Infrastructure Solution Services provides a series of services ranging from the implementation of hardware such as servers that form the foundation of customers' IT systems to the construction of networks, cloud systems, databases, application platforms, and other types of system infrastructure, as well as subsequent operation and maintenance. We also provide services compatible with virtualization technology(*4) from the perspective of effectively utilizing system infrastructure.</p> <p>We study and analyze the IT system infrastructure environments of various customers, including general corporations, educational institutions such as universities, hospitals, and government agencies, to provide infrastructure solutions tailored to their specific needs.</p> <p>In addition to infrastructure solutions such as network construction, the Group also offers one-stop solutions combining System Integration Services to meet the needs of end-users, domestic manufacturers, and major system integrators.</p>

- (*1) A system integrator is a business entity that analyzes a customer company's operations when constructing corporate information systems and undertakes the entire process, including information system planning and proposal, basic design, program development, hardware and software selection and implementation, and maintenance and operation of the completed system.
- (*2) A system package vendor is a business entity that develops and sells software package products that can be used universally across designated industries or operations.
- (*3) Cloud computing is the use of data and application software as a service through the internet, rather than storing them on dedicated servers or computers as was traditionally done.
- (*4) Virtualization is the flexible division or integration of resources that make up a computer system, such as processors, memory, disks, and communication lines, and their combinations, independent of their physical configuration. It includes technologies such as server virtualization, which logically divides a single server computer as if it were multiple computers to allow different operating systems or application software to run on each, as well as storage virtualization, which treats multiple disks as if they were a single disk to allow large amounts of data to be stored collectively or to enhance fault tolerance.

(6) Major offices (as of March 31, 2025)

Name	Location
Head office	Minato-ku, Tokyo
Kansai Business Office	Nishi-ku, Osaka-shi

(7) Employees (as of March 31, 2025)**(i) Employees of the corporate group**

Number of employees	Change from end of previous fiscal year
563	+3

Note: The number of employees is the total of full-time and contract employees (excluding short-term).

(ii) Employees of the Company

Number of employees	Change from end of previous fiscal year	Average age	Average length of service
514	+4	40.7	10.8

Note: The number of employees is the total of full-time and contract employees (excluding short-term).

(8) Major creditors (as of March 31, 2025)

Not applicable.

(9) Other significant matters concerning status of the corporate group

Not applicable.

2. Shares (as of March 31, 2025)

(1) Total number of authorized shares 36,000,000 shares

(2) Total number of issued shares 17,967,900 shares

(3) Number of shareholders 10,660

(4) Major shareholders (top 10 shareholders)

Shareholder name	Number of shares (shares)	Shareholding ratio (%)
Yoshiaki Fukushima	2,073,100	11.55
Toshiaki Tamura	1,679,600	9.36
Sanpo Co., Ltd.	1,665,520	9.28
Itsuko Takazawa	1,319,600	7.35
Yoshihiro Tamura	882,600	4.92
Kazuya Takanashi	869,600	4.84
Nobuaki Tamura	810,000	4.51
Fukushima Industry Co., Ltd.	532,500	2.97
Hideo Tamura	529,570	2.95
R&D COMPUTER Employee Stock Ownership Association	359,490	2.00

Note: The shareholding ratio is calculated excluding treasury shares (15,734 shares).

3. Matters concerning share acquisition rights

Not applicable.

4. Officers of the Company

(1) Directors and Audit & Supervisory Board Members (as of March 31, 2025)

Position in the Company	Name	Responsibility in the Company, and significant concurrent positions outside the Company
Chairman and Director	Hideo Tamura	
President and Representative Director	Yoshiaki Fukushima	
Director	Keiichi Yamamura	Managing Executive Officer and General Manager of the DX Promotion Division
Director	Isao Hironaga	Executive Officer and General Manager of Business Innovation Division
Director	Fumitoshi Okuno	Executive Officer and General Manager of Corporate Administration Division
Director	Ichiro Akita	
Director	Hiromi Kimura	
Director	Kazuhiro Kido	Kido Certified Public Accountant Office Outside Director of KASAI KOGYO CO., LTD. (Audit & Supervisory Committee Member)
Full-time Audit & Supervisory Board Member	Toshihiko Hirose	
Audit & Supervisory Board Member	Tomohisa Shinagawa	Tomohisa Shinagawa Law Office Compliance Officer of Unison Capital, Inc.
Audit & Supervisory Board Member	Norihiko Taniguchi	Director of Winnersoft Co., Ltd.
Audit & Supervisory Board Member	Yasuo Ishikawa	

- Notes: 1. Directors Ichiro Akita, Hiromi Kimura, and Kazuhiro Kido are outside Directors.
2. Audit & Supervisory Board Members Toshihiko Hirose, Tomohisa Shinagawa and Norihiko Taniguchi are outside Audit & Supervisory Board Members.
3. Audit & Supervisory Board Member Tomohisa Shinagawa has insight and knowledge in the field of corporate law as Senior Counsel at the law firm of Mori Hamada & Matsumoto, the previous position.
4. Audit & Supervisory Board Member Norihiko Taniguchi is well-versed in corporate management from his previous position at Fujitsu Limited.
5. The Company has submitted notification to the Tokyo Stock Exchange concerning the designation of Directors Ichiro Akita, Hiromi Kimura and Kazuhiro Kido as independent officers.
6. The Company established an executive officer system effective April 1, 2011, to enhance organizational management capabilities, thereby enabling Directors to focus on management and oversight.

(As of March 31, 2025)

Position in the Company	Name	Responsibility
Executive Officer	Katsuzumi Araki	General Manager of Kansai Business Division
Executive Officer	Teruki Hanzawa	General Manager of Solution Sales Division
Executive Officer	Noriyoshi Arikawa	General Manager of Industrial Public Works Division

(2) Overview of limited liability agreements

The Company has entered into agreements with outside Directors Ichiro Akita, Hiromi Kimura, and Kazuhiro Kido as well as Audit & Supervisory Board Members Toshihiko Hirose, Tomohisa Shinagawa, Norihiko Taniguchi, and Yasuo Ishikawa to limit their liability for damages under Article 423, paragraph (1) of the Companies Act. Liability for damages is limited to the minimum liability amount provided for under the laws and regulations. This limitation on liability is recognized only when the outside Directors and outside Audit & Supervisory Board Members have acted in good faith and without gross negligence in the performance of the duties that gave rise to the liability.

(3) Overview of a directors and officers liability insurance policy

The Company has entered into a directors and officers liability insurance policy with an insurance company. Those covered under this insurance policy are Directors, Audit & Supervisory Board Members, and Executive Officers of the Company, and the Company bears the full cost of the premiums. This insurance policy provides compensation for damages that may arise from the insured being held liable in connection with the performance of their duties or from claims made in pursuit of such liability. However, compensation is not provided for losses arising from criminal acts committed by the insured, or for acts committed with the knowledge that it violates laws or regulations.

(4) Amount of remuneration for Directors and Audit & Supervisory Board Members

(i) Policy, etc. on determination of details of remuneration for officers, etc.

■ Basic policy

The Company's basic policy for remuneration of the Directors of the Company is to pay Directors at an appropriate level based on their responsibilities while ensuring objectivity and transparency through a remuneration system that fully functions as an incentive to sustainably enhance corporate value. Specifically, remuneration, etc. for Directors (excluding outside Directors) consists mainly of fixed basic remuneration, performance-linked remuneration, and share-based remuneration, and for outside Directors, it consists solely of basic remuneration, in consideration of their responsibilities. The amount of remuneration, etc. shall be determined upon deliberation by the voluntary Nomination and Remuneration Advisory Committee, which is chaired by the outside Director and is made up by a majority of outside Directors.

■ Policy regarding the determination of the amount of remuneration, etc. for individual Directors for basic remuneration (monetary remuneration) (including the policy on determining the timing and conditions for granting remuneration, etc.)

Basic remuneration for Directors of the Company is fixed monthly remuneration. The amount is determined comprehensively, taking into account the Director's position, responsibilities, and years of service, while also considering the Company's performance, economic conditions, and the level of officer remuneration at companies of comparable size.

■ Policy regarding the determination of the details, amount, and calculation method of performance-linked remuneration and non-monetary remuneration (share-based remuneration), etc. (including the policy on determining the timing and conditions for granting remuneration, etc.)

Performance-linked remuneration, etc. for Directors (excluding outside Directors) reflects key performance indicators (KPIs) to enhance awareness of improving performance each fiscal year. The amount is determined as a bonus calculated based on the degree of achievement relative to targets and standard values for each fiscal year's sales, operating profit, operating profit margin, sales per person/month, and gross profit per person/month, and is paid by the end of June following the conclusion of the Annual General Meeting of Shareholders. In addition, non-monetary remuneration (share-based remuneration), etc. aims to promote long-term stable stock ownership, further share value with shareholders, and provide incentives to the eligible Directors to continuously enhance corporate value. The total amount of this performance-linked remuneration, etc. and non-monetary remuneration, etc. is determined with an upper limit of 5% of the operating profit for the relevant fiscal year.

■ Policy regarding the determination of the ratio of the amount of remuneration, etc. for individual Directors for monetary remuneration, performance-linked remuneration, etc., and non-monetary remuneration, etc.

The remuneration ratio by type of Director at the Company is as follows.

Category	Basic remuneration	Performance-linked remuneration, etc. and non-monetary remuneration, etc.
Directors (excluding outside Directors)	Approximately 60-80%	Approximately 20-40%
Outside Director	100%	—

The Company's performance-linked remuneration and non-monetary remuneration of are determined with an upper limit of 5% of the operating profit for the relevant fiscal year. Therefore,

the above composition ratios fluctuate based on the performance of each fiscal year, and figures provided are estimates based on past results.

■ Policy regarding the determination of details of remuneration, etc. for individual Directors

The determination of specific details regarding the amount of individual remuneration, etc., has been delegated to Chairman and Director Hideo Tamura pursuant to a resolution of the Board of Directors. The content of this authority includes the determination of the amount of basic remuneration for individual Directors and the amount of performance-linked remuneration evaluated and allocated as bonuses based on the performance of the businesses overseen by each Director. The reason for this delegation is that the Chairman and Director was deemed the most suitable person to evaluate the performance of the department(s) overseen by each Director while taking into account the Company's performance and other factors. To ensure that this authority is exercised appropriately by the Chairman and Director, the Chairman and Director consults in advance with the voluntary Nomination and Remuneration Advisory Committee, which is chaired by an outside Director and is made up by a majority of outside Directors, to obtain its recommendation on the draft proposal. A determination is then made based on the details of that recommendation.

For non-monetary remuneration, the Board of Directors resolves the number of shares to be allocated, etc., based on the recommendation of the voluntary Nomination and Remuneration Advisory Committee.

(ii) Total amount of remuneration, etc. for the fiscal year under review

Category	Total amount of remuneration (Thousands of yen)	Total amount of remuneration by type (Thousands of yen)			Number of recipient directors (and other officers) (Persons)
		Basic remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.	
Directors (of which outside Directors)	187,420 [7,620]	117,420 [7,620]	70,000 [-]	- [-]	8 [3]
Audit & Supervisory Board Members (of which outside Audit & Supervisory Board Members)	14,940 [12,360]	14,940 [12,360]	- [-]	- [-]	4 [3]
Total (of which outside officers)	202,360 [19,980]	132,360 [19,980]	70,000 [-]	- [-]	12 [6]

Notes: 1. Remuneration, etc., for Directors does not include the employee salary portion for Directors who also serve as employees.

- At the 38th Annual General Meeting of Shareholders held on June 27, 2008, a resolution was adopted to abolish retirement benefits for Directors (and other officers). In conjunction with this, a resolution was also adopted to pay officer bonuses separately from Director remuneration with an upper limit of 5% of the operating profit for each fiscal year. Accordingly, the payment of 70,000 thousand yen as an officer bonus for the performance of the current fiscal year is included in the above.
- At the 54th Annual General Meeting of Shareholders held on June 25, 2024, a resolution was adopted to keep the remuneration amount for Directors (excluding the employee salary portion) within 400 million yen per year (of which 20 million yen is for outside Directors). The number of Directors at the conclusion of said Annual General Meeting of Shareholders was eight (8) (of whom three (3) were outside Directors). In addition, at the 49th Annual General Meeting of Shareholders held on June 25, 2019, a resolution was adopted to keep the amount of monetary remuneration claims paid to Directors (excluding outside Directors) for the grant of restricted share-based remuneration, in the separate officer bonus remuneration framework distinct from Director remuneration, within 30 million yen per year. The number of Directors (excluding outside Directors) at the conclusion of said Annual General Meeting of Shareholders was five (5).
- At the 54th Annual General Meeting of Shareholders held on June 25, 2024, a resolution was adopted to keep the maximum amount of remuneration for Audit & Supervisory Board Members within 40 million yen per year. The number of Audit & Supervisory Board Members at the conclusion of said Annual General Meeting of Shareholders was four (4).

(5) Outside officers

(i) Significant concurrent positions at other organizations and relationships between the Company and such other organizations

Director Kazuhiro Kido is a certified public accountant of Kido Certified Public Accountant Office and Outside Director of KASAI KOGYO CO., LTD. (Audit & Supervisory Committee Member) There is no special relationship between the Company and the organizations where Director Kazuhiro Kido holds concurrent positions.

Audit & Supervisory Board Member Tomohisa Shinagawa is an attorney-at-law of Tomohisa Shinagawa Law Office and the Compliance Officer of Unison Capital, Inc. There is no special relationship between the Company and the organizations where Audit & Supervisory Board Member Tomohisa Shinagawa holds concurrent positions.

Audit & Supervisory Board Member Norihiko Taniguchi is Director of Winnersoft Co., Ltd. There is no special relationship between the Company and the organization where Audit & Supervisory Board Member Norihiko Taniguchi holds concurrent positions.

(ii) Major activities during the fiscal year under review

	Overview of major activities and duties performed regarding the role expected of outside Directors
Director Ichiro Akita	He attended all 13 Board of Directors meetings held during the current fiscal year. He made comments at Board of Directors meetings based on his high level of insight derived from his extensive experience cultivated as a Tokyo Metropolitan Assembly Member. In addition, as a member of the voluntary Nomination and Remuneration Advisory Committee, he attended both meetings held during the current fiscal year. He is responsible for the oversight function in the selection of officer candidates for the Company and the determination process for officer remuneration, etc., from an objective and neutral perspective.
Director Hiromi Kimura	She attended all 13 Board of Directors meetings held during the current fiscal year. She made comments at Board of Directors meetings regarding decision-making on company operations and judgments on business execution based on her extensive knowledge and experience in business operations. In addition, as the Chairperson of the voluntary Nomination and Remuneration Advisory Committee, she attended both meetings held during the current fiscal year. She leads the oversight function in the selection of officer candidates for the Company and the determination process for officer remuneration, etc., from an objective and neutral perspective.
Director Kazuhiro Kido	He attended nine of ten Board of Directors meetings held during the current fiscal year after assuming office on June 25, 2024. He made comments at Board of Directors meetings regarding decision-making on company operations, accounting systems, and internal audits based on his extensive knowledge and experience as a certified public accountant.
Audit & Supervisory Board Member Toshihiko Hirose	He attended all 13 Board of Directors meetings and all 14 Audit & Supervisory Board meetings held during the current fiscal year. He made comments at Board of Directors meetings and Audit & Supervisory Board meetings based on his extensive experience and broad insights in corporate management.
Audit & Supervisory Board Member Tomohisa Shinagawa	He attended all 13 Board of Directors meetings and all 14 Audit & Supervisory Board meetings held during the current fiscal year. He made comments at Board of Directors meetings and Audit & Supervisory Board meetings primarily from his professional perspective as an attorney.
Audit & Supervisory Board Member Norihiko Taniguchi	He attended all 13 Board of Directors meetings and all 14 Audit & Supervisory Board meetings held during the current fiscal year. He made comments at Board of Directors meetings and Audit & Supervisory Board meetings based on his extensive experience and broad insights in corporate management.

Note: Amounts and number of shares in this report are shown rounded down to the nearest unit.

5. The status of Financial Auditor

(1) Name **Deloitte Touche Tohmatsu LLC**

(2) Amount of remuneration

	Amount of remuneration, etc.
Amount of remuneration, etc. for the Financial Auditor for the current fiscal year	29,000 thousand yen

- (Notes)
1. The remuneration, etc. for auditing pursuant to the Companies Act and the auditing pursuant to the Financial Instruments and Exchange Act is not clearly differentiated in the audit agreement between the Company and the Financial Auditor and cannot be substantively differentiated. Accordingly, the stated amount of fees, etc. for the Financial Auditor for the current fiscal year represents the total of these amounts.
 2. In compliance with the provisions of Article 35, paragraphs (1) and (2) of the Code of Audit and Supervisory Board Member Auditing Standards (Consent Procedures for Remuneration, etc. of the Financial Auditor) published by the Japan Audit & Supervisory Board Members Association, the Audit & Supervisory Board obtained the necessary materials and received reports from the Director and General Manager of Corporate Administration Division and from the Financial Auditor. As a result of confirming and examining the duty execution status in the prior fiscal year, the audit plan of the Financial Auditor, and remuneration estimates based on this, the Audit & Supervisory Board has granted its consent pursuant to Article 399, paragraph (1) of the Companies Act.

(3) Policy on decisions of dismissal or non-reappointment of the Financial Auditor

The Audit & Supervisory Board shall examine the appropriateness of reappointing the Financial Auditor each accounting period. Furthermore, any decision regarding the dismissal or non-reappointment of the Financial Auditor shall be made based on the following policy.

a. Dismissal policy

The content of a proposal related to the dismissal of the Financial Auditor shall be determined by unanimous resolution of all Audit & Supervisory Board Members if it has been deemed that any grounds listed in the respective items of Article 340, paragraph (1) of the Companies Act apply to the Financial Auditor, thereby impeding its proper execution of audits.

b. Non-reappointment policy

The content of a proposal related to non-reappointment of the Financial Auditor shall be determined by unanimous resolution of all Audit & Supervisory Board Members either if it has been deemed that any grounds listed in the respective items of Article 340, paragraph (1) of the Companies Act apply to the Financial Auditor, or if it has been deemed necessary to appoint an alternative financial auditor offering the prospect of more appropriate audits based on assessment of factors such as the Financial Auditor's independence, reliability, and efficiency.

(4) Summary of details of limited liability agreement

The Company has, pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, entered into agreements with the Financial Auditor, Deloitte Touche Tohmatsu LLC, to limit its liability for damages under Article 423, paragraph (1) of the same Act.

Based on this agreement, liability for damages is limited to the minimum liability amount provided for under Article 425, paragraph (1) of the Companies Act.

6. Overview of the system to ensure the properness of operations and its operational status

The following is an overview of details determined for: the system to ensure that execution of duties by Directors and employees complies with laws and regulations, and the Articles of Incorporation of the Company; other systems to ensure properness of corporate operations; and the operational status of those systems.

(1) The system to ensure the properness of operations

(i) System to ensure that execution of duties of Directors and employees complies with laws and regulations, and the Articles of Incorporation of the Company

- a Regulations related to the compliance system shall be established and a code of conduct shall be stipulated in the corporate conduct guidelines to ensure that actions adhere to laws and regulations, the Articles of Incorporation, and the Company's management philosophy.
- b An officer in charge of compliance shall be appointed to ensure thorough implementation, which involves overseeing all compliance initiatives across the company and conducting company-wide awareness activities centered on the officer in charge of compliance.
- c An overview of these activities shall be reported regularly to the Board of Directors and the Audit & Supervisory Board.
- d In principle, outside Audit & Supervisory Board Members free from any conflict of interest with the Company shall attend Board of Directors meetings.

(ii) Items related to the preservation and management of information concerning the execution of duties by Directors.

- a In accordance with the Document Management Regulations, the documents specified in the following items (including electronic and magnetic records; the same applies hereinafter) shall be preserved together with related materials.
 - (a) Minutes of the general meetings of shareholders
 - (b) Minutes of the Board of Directors meetings
 - (c) Minutes of the Audit & Supervisory Board meetings
 - (d) Copies of documents submitted to the tax office and other government agencies
 - (e) Other documents specified in the Document Management Regulations
- b The location and method of retention of the above documents shall be such that they can be promptly accessed upon a request for access from a Director or Audit & Supervisory Board Member. The details thereof shall be stipulated in the Document Management Regulations.
- c The retention period for the above documents shall be as specified for each type of document in the Document Management Regulations, unless otherwise provided by laws and regulations.

(iii) Regulations and other systems for the management of risk of loss

- a The Risk Management Regulations, which systematically prescribe risk management, shall be established.
- b An officer in charge of risk management shall be appointed as the person with overall

responsibility for company-wide risk. Furthermore, a general manager in charge of risk management shall be appointed to assist the officer in charge of risk management.

- c The officer in charge of risk management shall, pursuant to the Risk Management Regulations, identify, analyze, and evaluate specific risks in advance, establish response policy for addressing such risks, and set up systems for rapid and appropriate communication and emergency response in the event of crisis.
- d The officer in charge of risk management shall monitor the status of routine risk management within each department.
- e The officer in charge of risk management shall regularly report items related to risk management to the Board of Directors.

(iv) System to ensure efficient execution of duties by Directors

- a A system shall be established to accelerate management decision-making and ensure efficient execution of duties by Directors by clearly defining the authority and responsibilities of Directors through the Regulations on Division of Duties and the Regulations on Administrative Authority, and by achieving greater coordination among the Board of Directors, Management Committee, and each Director.
- b The Board of Directors shall determine policy for execution of management, items stipulated by laws and regulations, and other important items related to management, and shall oversee the status of business execution.

(v) System to ensure that execution of duties of employees complies with laws and regulations, and the Articles of Incorporation of the Company

- a The Compliance Regulations, which systematically prescribe compliance, shall be established.
- b An officer in charge of compliance shall be appointed as the person with overall responsibility for company-wide compliance. Furthermore, a general manager in charge of compliance shall be appointed to assist the officer in charge of compliance.
- c Corporate guidelines, conduct guidelines, and a code of conduct shall be established. These shall set forth fundamental principles of corporate activity, thereby clearly defining the code of conduct to which employees must adhere in executing their duties.
- d The officer in charge of compliance shall implement compliance education for employees.
- e The officer in charge of compliance shall monitor the status of routine activities of employees.
- f An internal whistleblowing system related to compliance shall be established, and a framework shall be put in place to allow open reporting and consultation via telephone, email, and other such means.
- g The officer in charge of compliance shall ordinarily coordinate with Audit & Supervisory Board Members to investigate and examine the company-wide compliance system and the existence or absence of compliance issues. In the event that a serious problem arises, the officer in charge of compliance shall report it to the Board of Directors without delay and consult on countermeasures.

(vi) System to ensure the properness of operations by the corporate group comprised of the Company and its parent and subsidiaries

- a Subsidiaries of the Company shall share office space for their daily operations and shall

engage in centralized management of operations consisting primarily of performance and asset management.

- b The Company shall perform administrative tasks for its subsidiaries as necessary, in areas such as general affairs, accounting and finance, and compliance.
- c The Company shall establish a framework for enabling direct management and oversight of the execution of duties by Directors of its subsidiaries by dispatching to those subsidiaries its Directors, who hold the legal status of director under the Companies Act.

(vii) Items concerning employees to assist duties of Audit & Supervisory Board Members when such board members request to assign such employees

In the event that an Audit & Supervisory Board Member deems it necessary to assign an employee to assist in the performance of his or her duties (hereinafter referred to as an “Assistant Employee”), the Audit & Supervisory Board Member may request that the officer in charge of the Administration Division designate from among the Administration Division employees an individual to assist in audit work as an assistant. In such a case, the officer in charge of the Administration Division shall comply with the request after consulting with the Audit & Supervisory Board Member.

(viii) Items concerning independence from Directors of employees described in the preceding item

Staff reassignment, personnel evaluation, or disciplinary action concerning an Assistant Employee shall require the approval of the Audit & Supervisory Board Members.

(ix) Items related to ensuring the effectiveness of instructions to employees that are to assist duties of Audit & Supervisory Board Members

In regard to instructions received from Audit & Supervisory Board Members, Assistant Employees shall not be subject to the directions or orders of Directors or other employees within the scope necessary for duties of Audit & Supervisory Board Members.

(x) Systems for reporting to Audit & Supervisory Board Members by Directors and employees, and other systems for reporting to Audit & Supervisory Board Members

Directors and employees shall establish systems for reporting to the Audit & Supervisory Board Members not only those items stipulated by law but also items that materially affect the Company, the implementation status of internal audits, and compliance-related matters.

(xi) System for Directors, Audit & Supervisory Board Members, and employees of subsidiaries, or persons receiving reports therefrom to report to the Audit & Supervisory Board Members

Directors, etc. of subsidiaries shall report matters concerning business operations to the Company’s Audit & Supervisory Board Members as needed.

(xii) System to ensure that individuals who have reported to Audit & Supervisory Board Members are not subject to unfavorable treatment as a result of such reporting

An individual shall not be subjected to disciplinary action such as dismissal or demotion, personnel measures such as reassignment, or any other unfavorable treatment on the grounds of having reported to Audit & Supervisory Board Members.

(xiii) Items concerning policy on procedures such as advance payment or reimbursement of expenses arising from execution of duties of Audit & Supervisory Board Members, and

on handling of expenses and liabilities arising from execution of such duties

When an Audit & Supervisory Board Member requests that the Company make advance payment, etc. of expenses related to the execution of his or her duties, the Company shall comply with such request promptly, except when the request is deemed unnecessary for the execution of those duties.

(xiv) Other systems to ensure effective audits by Audit & Supervisory Board Members

The Audit & Supervisory Board Members shall regularly engage in exchange of opinions respectively with the Chairman and Director, the President and Representative Director, and the Financial Auditor.

(xv) System to ensure reliability of financial reporting

To ensure the reliability and appropriateness of financial reporting, a system shall be established to evaluate and report on the effectiveness of internal controls over financial reporting, in compliance with laws and regulations such as the Financial Instruments and Exchange Act.

(xvi) Basic policy for the exclusion of antisocial forces

The code of conduct shall stipulate the basic policy of taking a firm stance against antisocial forces and having no relationship with antisocial forces whatsoever. Furthermore, swift coordination shall be made with external specialized organizations such as law enforcement agencies as necessary.

(2) Operational status of system to ensure the properness of operations

The Company has established the systems set forth in the basic policy, above, and accordingly implements specific initiatives as follows based on this basic policy.

- The Company has established a code of conduct, basic policy on internal control systems, and regulations on operations of the internal whistleblowing system. It has established an environment that enables Directors and employees of the Company to access these documents at any time, and works to ensure thorough awareness and understanding of such documents.
- The Company continuously engages in initiatives to ensure compliance with laws and regulations, and internal regulations. This is done through education provided during initial employment and position-specific in-house training, as well as through explanations given at meetings held by each division and other organizational units. Furthermore, upon revision of laws and regulations related to the Company's business, relevant departments implement legal and regulatory compliance, which involves coordinating efforts in gathering information on the revisions and conducting training sessions and other forums.
- The Audit & Supervisory Board Members of the Company fulfill the management oversight function through their attendance at important meetings such as those of the Board of Directors and Management Committee. They also enhance audit outcomes by closely coordinating with the Internal Audit Office and the Financial Auditor. Furthermore, the Audit & Supervisory Board Members review internal approval documents and other important documents related to business execution, and request explanations from Directors and employees as necessary, thereby working to improve the effectiveness of audits.
- As part of its efforts to exclude antisocial forces, the Company conducts investigations based on its manual for responding to antisocial forces. For new business partners, these investigations are carried out prior to the commencement of transactions. For existing partners, they are conducted regularly to verify that the contracting party is not an antisocial force.

7. Basic policy on company control

Not applicable.

8. Policy on decisions on dividends and other appropriations of surplus

The Company positions returning profits to shareholders as one of its key management priorities. Its basic policy is to return profits on a continuous and consistent basis in alignment with improved business performance, while taking into account the need to strengthen its management structure and maintain sufficient internal reserves for future business development.

Furthermore, the Company's basic policy is to distribute surplus as dividends twice a year. Pursuant to Article 459, paragraph (1) of the Companies Act, the Articles of Incorporation of the Company stipulate that dividends and other appropriations of surplus may be determined by a resolution of the Board of Directors, with March 31 and September 30 as the respective record dates. The Board of Directors is the decision-making body for dividends and other appropriations of surplus.

Based on the above policy, the Company has decided to pay a year-end dividend of 18 yen per share for the current fiscal year. Consequently, the annual dividend for the current fiscal year amounts to 36 yen per share when combined with the interim dividend of 18 yen already paid. As a result, the consolidated payout ratio for the current fiscal year is 66.7%.

The Company's policy regarding dividends is to actively pursue returns to shareholders after considering factors such as business performance, financial status, and investment plans from a medium- to long-term perspective, with plans to return profits at a targeted consolidated payout ratio of 40% or higher.

Furthermore, as stated in the "Notice Regarding Formulation of New Medium-Term Management Plan (VISION 2025)" dated September 29, 2023, the Company seeks to actively invest in human capital and expand into new business domains through M&A and digital transformation (DX) initiatives. As a shareholder return measure, the plan enlists the aim of achieving a consolidated payout ratio of 50% or higher over the three fiscal years from the fiscal year ending March 31, 2024 through the fiscal year ending March 31, 2026, thereby balancing future growth investment with enhanced shareholder returns.

(Note) Amounts and numbers of shares in this report are rounded down to the nearest whole unit.

9. Notes to Consolidated Financial Statements

1. Notes on important items underlying the preparation of the consolidated financial statements

(1) Scope of consolidation

Consolidated subsidiaries

- Number of consolidated subsidiaries: 2
- Names of consolidated subsidiaries: infree Corp.
Technigate Co.,Ltd.

(2) Application of the equity method

Not applicable.

(3) Fiscal year, etc. of consolidated subsidiaries

The fiscal years of all consolidated subsidiaries aligns with the consolidated fiscal year.

(4) Accounting policies

1) Recognition and valuation methods of significant assets

i Valuation basis and methods for securities

Available-for-sale securities

Securities other than shares, etc. without market value

Stated at fair value based on market price, etc. at the end of the fiscal year (all valuation differences are recorded using the direct-to-equity method, and cost of sales is calculated using the moving average method)

ii Valuation basis and methods for inventories

Work in process

Cost method based on specific identification method (book value reduction method based on decreased profitability)

2) Depreciation or amortization method for significant depreciable or amortizable assets

i Property, plant and equipment

Declining-balance method (however, the straight-line method is used for buildings (excluding facilities) acquired on or after April 1, 1998, and for facilities attached to buildings and for structures acquired on or after April 1, 2016.)

Major useful lives are as follows.

Buildings: 6 years to 15 years

Tools, furniture and fixtures: 3 years to 15 years

Low-value property with an acquisition price not less than 100 thousand yen and less than 200 thousand yen is generally depreciated using the straight-line method over three years.

ii Intangible asset

Software for market sale is amortized by the greater of either the amortization amount based on estimated sales revenue or the amount allocated evenly over the remaining useful life (3 years).

Software for internal use is amortized on a straight-line basis over its estimated useful life within the company (5 years).

Customer-related intangible assets are amortized on a straight-line basis over the period of their expected benefits (10 years).

Trademark rights are amortized evenly over a period of 10

years.

3) Recognition of provisions and allowances

- i Allowance for doubtful accounts** To prepare for bad debt losses on trade receivables, loans receivable, etc., an allowance is calculated based on historical default rates for general receivables, and an estimated uncollectible amount is recorded after individually assessing recoverability for specific receivables where collectability is in doubt.
- ii Provision for bonuses** To prepare for payment of employee bonuses, an allowance is recorded for the portion of the estimated bonus payment attributable to the current fiscal year.
- iii Provision for bonuses for directors (and other officers)** To prepare for payment of bonuses for directors (and other officers), an allowance is recorded for the portion of the estimated payment of bonuses to directors and other officers attributable to the current fiscal year.
- iv Provision for loss on orders received** Estimated amount of loss is recorded for contracted projects where a future loss is anticipated as of the end of the current fiscal year, and where the amount of such loss can be reasonably estimated.

4) Recognition of revenue and expenses

The Group applies the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021), and accordingly recognizes revenue at the point in time when control of the promised goods or services has been transferred to the customer, measured at the amount expected to be received in exchange for such goods or services.

The Group provides systems solutions services (Systems Integration Services, Package-based SI Services, Infrastructure Solutions Services) and related ancillary services. Details on the main performance obligations for revenue arising from contracts with customers and the typical timing of revenue recognition are as follows.

i Contracted development

The Group has performance obligations for contracted software development. For contracted development, in cases where control of the service is transferred to the customer over time, revenue is recognized over the period of time in proportion to satisfaction of the performance obligation to transfer the service to the customer. Progress toward satisfying a performance obligation is measured, when it can be reasonably estimated, based on the proportion of costs incurred relative to the total estimated cost (input method). Furthermore, revenue is recognized on a cost recovery basis when progress toward satisfying a performance obligation cannot be reasonably estimated yet it is probable that the costs incurred will be recoverable. For contracted development of a very short duration, revenue is recognized at the point in time when the performance obligation has been completely satisfied.

ii Maintenance and operations

The Group has performance obligations for software maintenance and operations. Revenue from maintenance and operations is recognized on a straight-line basis over the period of service provision because such business constitutes routine or recurring services for which we deem that the performance obligation is satisfied over time in accordance with the provision of service to the customer under contract.

Furthermore, these contracts do not contain a significant financing component because consideration from the transaction is received within one year of satisfying the performance obligation.

5) Accounting methods for retirement benefits

To prepare for retirement benefits for employees, retirement benefit liability is recorded based on the estimated amounts of retirement benefit obligation at the end of the current fiscal year. Accounting methods for retirement benefit liability and retirement benefit expense are as follows.

i Method of attributing expected retirement benefits to periods

In the calculation of retirement benefits, expected retirement benefits are attributed to the period up to the end of the current fiscal year on a benefit formula basis.

ii Method used to amortize actuarial gains and losses

Actuarial gains and losses are amortized over a certain period within the average remaining service years (3 years) of employees when incurred in each fiscal year, from the fiscal year following the accrual of each gain or loss.

6) Method and period for amortization of goodwill

Goodwill is amortized evenly over a period of 5 to 7 years, with periods during which the associated benefits materialize estimated on an individual basis.

[Note on changes in accounting policies]

(Application of the “Accounting Standard for Current Income Taxes” etc.)

The Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; the “Revised Accounting Standard of 2022”), etc. from the beginning of the current fiscal year. Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022, and to the transitional treatment in the proviso of paragraph 65-2(2) of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; the “Revised Guidance of 2022”). This change in accounting policies has no impact on the consolidated financial statements.

In addition, for changes related to the revised treatment in consolidated financial statements when a gain or loss on sale arising from the sale of shares of subsidiaries, etc. among consolidated companies is deferred for tax purposes, the Revised Guidance of 2022 has been applied from the beginning of the current fiscal year. This change in accounting policies has been applied retrospectively, and is reflected in the consolidated financial statements for the previous fiscal year. This change in accounting policies has no impact on the consolidated financial statements for the previous fiscal year.

2. Notes on revenue recognition

(1) Breakdown of revenue from contracts with customers

All sales arise from contracts with customers. A breakdown of sales revenue is as follows.

(Thousands of yen)

	Systems Integration Services	Package-based SI Services	Infrastructure Solutions Services	Total
Sales to external customers	7,368,883	5,010,986	1,350,859	13,730,729

(2) Basic information for understanding revenue arising from contracts with customers

As described in “Notes on important items underlying the preparation of the consolidated financial statements (4) Accounting policies 4) Recognition of revenue and expenses.”

(3) Information on the relationship between the satisfaction of performance obligations based on contracts with customers and cash flow arising from these contracts, and information on the amount and timing of revenue expected to be recognized in future fiscal years from contracts existing at the end of the current fiscal year

(i) Balance of contract assets and contract liabilities

(Thousands of yen)

	Fiscal year ended March 31, 2025	
	Balance at beginning of period	Balance at end of period
Receivables from contracts with customers	3,025,950	2,821,522
Contract assets	227,580	206,962
Contract liabilities	244,893	223,478

Contract liabilities mainly consist of advances received from customers and are reversed as revenue is recognized.

Of the revenue recognized during the current fiscal year, the amount included in the beginning balance of contract liabilities is 244,893 thousand yen.

(ii) Transaction prices allocated to remaining performance obligations

A practical expedient has been applied to transaction prices allocated to remaining performance obligations, and such disclosure has been omitted because the Group does not have any significant contracts with a projected initial term exceeding one year.

3. Notes on accounting estimates

(1) Revenue recognized over time

(i) Amount recorded on the consolidated financial statements for the current fiscal year

As described in “Notes on important items underlying the preparation of the consolidated financial statements (4) Accounting policies 4) Recognition of revenue and expenses,” in cases of contracted software development agreements where control of the service is transferred to the customer over time, revenue is recognized over the period of time in proportion to the satisfaction of the performance obligation for the transfer of the service to the customer. Sales from such contracted development agreements that were in progress as of the end of the current fiscal year amount to 151,385 thousand yen.

(ii) Other information for understanding the details of accounting estimates

Estimated rates of progress toward satisfying performance obligations are calculated based on the proportion of costs incurred relative to the total estimated cost (input method). Total estimated cost varies for respective contracted development projects depending on factors such as business sector attributes and customer specification requirements. Therefore, profit or loss for the following fiscal year may be affected if the total estimated cost has been revised due to subsequent changes in work hours or other such factors.

(2) Provision for loss on orders received

(i) Amount recorded on the consolidated financial statements for the current fiscal year

There was no provision for loss on orders received in the current fiscal year.

(ii) Other information for understanding the details of accounting estimates

As described in “Notes on important items underlying the preparation of the consolidated financial statements (4) Accounting policies 3) Recognition of provisions and allowances,” estimated amount of loss is recorded for contracted projects where a future loss is anticipated as of the end of the current fiscal year, and where the amount of such loss can be reasonably estimated. Loss on orders received is recorded in cases where a loss is projected due to factors such as initially unanticipated additional work hours accompanying progression of a contracted development project. Because these factors vary depending on specifications, degree of progress, and other such aspects of a contracted development project, profit or loss for the following fiscal year may be affected if there have been subsequent changes in design or additional work hours.

4. Notes on the consolidated balance sheet

(Thousands of yen)

(1) Accumulated depreciation of property, plant and equipment

273,871

(2) Balance of receivables from contracts with customers and contract assets

This is as described in “2. Notes on revenue recognition (3) Information on the relationship between the satisfaction of performance obligations based on contracts with customers and cash flow arising from these contracts, and information on the amount and timing of revenue expected to be recognized in future fiscal years from contracts existing at the end of the current fiscal year.”

(3) Monetary claims and obligations with Directors and Audit & Supervisory Board Members

(Thousands of yen)

Long-term accounts payable - other 100,000

5. Notes on consolidated statement of changes in equity

(1) Class and number of issued shares as of the end of the current fiscal year

Common shares 17,967,900 shares

(2) Class and number of treasury shares as of the end of the current fiscal year

Common shares 15,734 shares

(3) Dividends

(i) Dividends paid

Resolution	Class of shares	Total dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting on May 14, 2024	Common shares	448,804	25	March 31, 2024	June 5, 2024
Board of Directors meeting on November 13, 2024	Common shares	323,138	18	September 30, 2024	November 29, 2024

(ii) Dividends with an effective date falling in the following fiscal year, among distributions with record dates belonging to the current fiscal year

Resolution	Class of shares	Source of dividends	Total dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting on May 13, 2025	Common shares	Retained earnings	323,138	18	March 31, 2025	June 3, 2025

6. Notes on financial instruments

(1) Status of financial instruments

(i) Policy on financial instruments

The Company adheres to a policy of limiting asset management to short-term deposits and similar instruments, as well as procuring funds through borrowings from banks and other financial institutions.

(ii) Details and risks of financial instruments, and risk management framework

The Company seeks to mitigate customer credit risk related to accounts receivable - trade by engaging in due date management and credit balance management for each of its business partners in accordance with its comprehensive regulations for project management, and by maintaining a framework for assessing the credit status of its major business partners on an annual basis.

The Company's securities holdings consist primarily of jointly-managed designated money trusts, which entail minimal credit risk as financial instruments with a high degree of safety, held for short-term fund management.

Furthermore, the Company's investment securities consist mainly of shareholdings related to business ties. While these are exposed to market price volatility risk, the Company assesses their market value

on a quarterly basis.

Almost all accounts payable - trade fall due within one year.

(2) Fair value, etc. of financial instruments

The amount recorded on the consolidated balance sheet as of March 31, 2025, fair value, and the difference between the two amounts are as follows.

(Thousands of yen)

	Amount recorded on the consolidated balance sheet	Fair value	Difference
(i) Investment securities Available-for-sale securities	136,850	136,850	—

(*) “Cash and deposits,” “Accounts receivable - trade and contract assets,” and “Accounts payable - trade” have been omitted, as these are settled in a short period of time, and the carrying amounts therefore approximate fair value. In addition, “Securities” have been omitted as their carrying amounts approximate fair value given that they consist of jointly-managed designated money trusts, which have characteristics similar to cash and are all short-term.

(3) Breakdown of financial instruments by level of fair value

The fair value of financial instruments is classified into the following three levels based on the observability and significance of the inputs used to measure fair value.

Level 1 fair value: Fair value calculated based on (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 fair value: Fair value calculated using inputs other than Level 1 inputs that are either directly or indirectly observable

Level 3 fair value: Fair value calculated using significant unobservable inputs

When multiple inputs are used that have a significant impact on the measurement of fair value, the fair value is categorized to the level with the lowest priority in the measurement of fair value among the levels to which each input belongs.

(i) Financial assets and liabilities that are recorded with fair value in the consolidated balance sheets

(Thousands of yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities Shares	136,850	—	—	136,850

(Note) Explanation of the valuation techniques and inputs used to calculate fair value

(1) Investment securities

Listed shares are valued using market prices. Because listed shares are traded in active markets, their fair value is classified as Level 1.

7. Notes on per share information

(1) Net assets per share 332.75 yen

(2) Basic earnings per share 57.00 yen

8. Notes on significant subsequent events

Not applicable.

9. Other notes

Not applicable.

Consolidated Financial Statements

Consolidated balance sheet

(As of March 31, 2025)

(Thousands of yen)

Account items	Amount	Account items	Amount
(Assets)		(Liabilities)	
Current assets	7,225,025	Current liabilities	1,758,309
Cash and deposits	3,655,710	Accounts payable - trade	596,407
Accounts receivable - trade, and contract assets	3,028,485	Accounts payable - other	103,234
Securities	300,000	Income taxes payable	249,383
Work in process	55,254	Accrued consumption taxes	62,411
Prepaid expenses	160,942	Accrued expenses	98,251
Other	24,633	Contract liabilities	223,478
Non-current assets	1,123,258	Deposits received	63,888
Property, plant and equipment	91,487	Provision for bonuses	288,254
Buildings	50,648	Provision for bonuses for directors (and other officers)	73,000
Tools, furniture and fixtures	40,838	Non-current liabilities	595,288
Intangible assets	563,785	Retirement benefit liability	426,705
Goodwill	201,538	Long-term accounts payable - other	100,000
Customer-related intangible assets	237,300	Deferred tax liabilities	68,583
Software	107,953	Total liabilities	2,353,598
Software in progress	12,938	(Net assets)	
Trademark right	4,054	Shareholders' equity	5,899,091
Investments and other assets	467,986	Share capital	460,063
Investment securities	136,850	Capital surplus	316,333
Deferred tax assets	225,266	Retained earnings	5,129,779
Guarantee deposits	72,869	Treasury shares	(7,085)
Golf club membership	38,000	Accumulated other comprehensive income	74,403
Allowance for doubtful accounts	(5,000)	Valuation difference on available-for-sale securities	75,657
		Remeasurements of defined benefit plans	(1,253)
		Non-controlling interests	21,190
		Total net assets	5,994,685
Total assets	8,348,284	Total liabilities and net assets	8,348,284

Note: Amounts have been rounded down to the nearest thousand yen.

Consolidated statement of income

(from April 1, 2024 to March 31, 2025)

(Thousands of yen)

Account items	Amount	
Net sales		13,730,729
Cost of sales		10,889,765
Gross profit		2,840,964
Selling, general and administrative expenses		1,407,157
Operating profit		1,433,806
Non-operating income		
Interest income	2,665	
Dividend income	1,748	
Subsidy income	19,676	
Outsourcing service income	5,760	
Other	1,427	31,277
Non-operating expenses		
Interest expenses	1,193	
Other	519	1,712
Ordinary profit		1,463,371
Extraordinary income		
Gain on sale of investment securities	86,520	86,520
Profit before income taxes		1,549,891
Income taxes - current	462,132	
Income taxes - deferred	62,592	524,724
Profit		1,025,166
Profit attributable to non-controlling interests		1,857
Profit attributable to owners of parent		1,023,309

Note: Amounts have been rounded down to the nearest thousand yen.

Consolidated statement of changes in equity

(from April 1, 2024 to March 31, 2025)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	460,063	316,333	4,878,413	(7,085)	5,647,724
Changes during period					
Dividends of surplus			(771,943)		(771,943)
Profit attributable to owners of parent			1,023,309		1,023,309
Net changes in items other than shareholders' equity					
Total changes during period	—	—	251,366	—	251,366
Balance at end of period	460,063	316,333	5,129,779	(7,085)	5,899,091

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	114,439	(7,640)	106,799	19,333	5,773,857
Changes during period					
Dividends of surplus					(771,943)
Profit attributable to owners of parent					1,023,309
Net changes in items other than shareholders' equity	(38,782)	6,386	(32,395)	1,857	(30,538)
Total changes during period	(38,782)	6,386	(32,395)	1,857	220,828
Balance at end of period	75,657	(1,253)	74,403	21,190	5,994,685

Note: Amounts have been rounded down to the nearest thousand yen.