NOTE: This document is a translation of part of the Annual Securities Report (Japanese original) issued on March 27, 2024, for reference purposes only.
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54th term (From January 1, 2023 to December 31, 2023)

Annual Securities Report

FUJI SOFT INCORPORATED

Part I. Corporate Information

Section 1. Company Overview

1. Changes in Key Indicators, etc.

(1) Consolidated key indicators, etc.

Term		50th term	51st term	52nd term	53rd term	54th term
Fiscal year end		December 2019	December 2020	December 2021	December 2022	December 2023
Net sales	(Million yen)	231,074	240,953	257,891	278,783	298,855
Ordinary profit	(Million yen)	13,749	16,343	17,976	19,205	19,675
Profit attributable to owners of parent	(Million yen)	7,836	8,573	9,130	11,379	11,849
Comprehensive income	(Million yen)	8,827	10,319	9,700	13,939	15,115
Net assets	(Million yen)	126,820	135,163	142,968	152,744	128,921
Total assets	(Million yen)	207,618	234,537	228,915	240,835	257,596
Net assets per share	(Yen)	1,793.63	1,901.08	1,994.17	2,133.94	1,970.02
Net profit per share	(Yen)	125.20	136.98	145.73	181.29	188.48
Net profit per share/diluted	(Yen)	–	–	145.59	181.08	188.11
Equity ratio	(%)	54.1	50.7	54.6	55.7	48.1
Return on equity	(%)	7.2	7.4	7.5	8.8	9.2
Stock price to earnings ratio	(Times)	16.85	18.83	19.04	20.85	31.36
Cash flows from operating activities	(Million yen)	12,584	14,787	15,907	13,519	16,151
Cash flows from investing activities	(Million yen)	-9,442	-16,109	4,894	-15,522	-9,209
Cash flows from financing activities	(Million yen)	-1,451	12,703	-17,871	-5,911	-5,447
Cash and cash equivalents at end of period	(Million yen)	26,158	37,450	40,876	33,086	34,785
Number of employees	(Persons)	14,174	14,422	14,956	17,082	17,921
(Of which, average number of temporary employees)		(2,520)	(2,297)	(2,564)	(4,101)	(4,385)

(Notes) 1. Net profit per share/diluted for the 50th and 51st terms is not shown because although the Company has a stock option plan, the adjustment calculation does not result in lower net profit per share.

2. The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. since the beginning of the 53rd term and the accounting standard, etc. are applied to key indicators, etc. from the 53rd term.

3. The Company implemented a 2-for-1 split of its common stock on July 1, 2023. The net assets per share, net profit per share and net profit per share/diluted have been calculated on the assumption that the stock split was conducted at the beginning of the 50th term.

(2) Key indicators, etc. of the reporting company

Term		50th term	51st term	52nd term	53rd term	54th term
Fiscal year end		December 2019	December 2020	December 2021	December 2022	December 2023
Net sales	(Million yen)	150,082	164,094	175,680	192,271	206,984
Ordinary profit	(Million yen)	8,486	10,233	11,353	13,512	15,667
Profit	(Million yen)	7,035	6,932	9,433	9,818	10,824
Share capital	(Million yen)	26,200	26,200	26,200	26,200	26,200
Total number of shares issued and outstanding	(Shares)	33,700,000	33,700,000	33,700,000	33,700,000	67,400,000
Net assets	(Million yen)	100,704	106,175	112,016	119,178	127,426
Total assets	(Million yen)	166,661	190,298	182,506	183,674	230,622
Net assets per share	(Yen)	1,607.91	1,693.90	1,784.42	1,894.69	2,020.76
Dividend per share	(Yen)	42.00	51.00	52.00	127.00	102.50
(Interim dividend per share)	(Yen)	(20.00)	(28.00)	(26.00)	(54.00)	(68.00)
Net profit per share	(Yen)	112.40	110.77	150.57	156.42	172.17
Net profit per share/diluted	(Yen)	–	–	150.43	156.24	171.84
Equity ratio	(%)	60.4	55.7	61.3	64.8	55.1
Return on equity	(%)	7.2	6.7	8.7	8.5	8.8
Stock price to earnings ratio	(Times)	18.77	23.29	18.43	24.17	34.33
Dividend payout ratio	(%)	18.7	23.0	17.3	40.6	39.8
Number of employees	(Persons)	7,840	8,163	8,508	8,991	9,435
Total shareholder return	(%)	102.2	126.0	136.6	187.8	293.3
(Comparison index: TOPIX including dividends)	(%)	(118.1)	(126.8)	(143.0)	(139.5)	(178.9)
Highest stock price	(Yen)	5,050	6,140	6,300	8,740	9,570 (6,390)
Lowest stock price	(Yen)	4,040	2,815	5,020	4,700	7,330 (4,360)

(Notes) 1. Net profit per share/diluted for the 50th and 51st terms is not shown because although the Company has a stock option plan, the adjustment calculation does not result in lower net profit per share.

2. The Company implemented a 2-for-1 split of its common stock on July 1, 2023. The net assets per share, net profit per share and net profit per share/diluted have been calculated on the assumption that the stock split was conducted at the beginning of the 50th term. The total shareholder yield is an index that takes into account the effect of the stock split.

3. The dividend per share for the 54th fiscal year is the sum of the interim dividend of 68 yen per share before the stock split and the year-end dividend of 34.50 yen per share after the stock split (69 yen per share before the stock split).

4. The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. since the beginning of the 53rd term and the accounting standard, etc. are applied to key indicators, etc. from the 53rd term.

5. The highest and lowest share prices are those quoted on the First Section of the Tokyo Stock Exchange on or before April 3, 2022, and on the Prime Market of the Tokyo Stock Exchange on or after April 4, 2022.

6. The Company implemented a 2-for-1 split of its common stock on July 1, 2023. Share prices for the 54th term are the highest and lowest share prices before ex-rights due to stock split, and the highest and lowest share prices after ex-rights due to stock split are shown in parentheses.

2. History

May 1970	Toru Nozawa and Hiroshi Nozawa, former Director and Senior Advisor, established Fuji Software Laboratory, Inc. at 1148 Sakonoyama, Asahi-ku, Yokohama, Kanagawa Prefecture, with a capital of 3,000,000 yen, focusing on the potential of the computer industry as the introduction of computers in the manufacturing and financial industries became more active.
April 1984	Changed trade name to Fuji Software Co., Ltd. due to expansion of business scale.
May 1985	Completed new head office building, relocated head office (960-1 Okamoto, Kamakura, Kanagawa Prefecture), and renamed former head office Shibaura Office.
December 1987	Registered as an over-the-counter stock with the Japan Securities Dealers Association.
October 1992	Listed on the Second Section of the Tokyo Stock Exchange.
June 1995	Changed trade name to FUJI SOFT INCORPORATED due to expansion of business scale.
	Obtained ISO 9001 (international standard for quality assurance) certification.
September 1996	Acquired OA Research Institute, Inc. and made it a subsidiary of the Company.
October 1996	Merged with ABC Corporation and changed trade name to Fujisoft ABC Corporation.
	Made ABC SERVICE BUREAU INCORPORATED (currently FUJI SOFT SERVICE BUREAU INCORPORATED) a subsidiary.
January 1997	Made Software Planning Co., Ltd. a subsidiary of the Company.
October 1997	Made K.R. Kikaku Ltd. (currently FUJISOFT KIKAKU Ltd.) and Neosoft Corporation subsidiaries of the Company.
March 1998	Made Neotec Corporation a subsidiary of the Company.
August 1998	Obtained ISO 14001 certification (international standard for environmental management systems).
September 1998	Listed on the First Section of the Tokyo Stock Exchange.
October 1998	Neotec Corporation and Neosoft Corporation merged and changed trade name to Cyber Com Co.
April 1999	Established Diamond FUJI SOFT Co., Ltd. as a joint venture with Diamond Computer Service Co.
October 1999	Acquired Cybernet Systems, Inc. and made it a subsidiary of the Company.
July 2001	Acquired Daiei Information Systems. Co., Ltd. (currently VINX CORP.) and made it a subsidiary of the Company.
October 2001	Cybernet Systems Co., Ltd., a subsidiary of the Company, listed on JASDAQ.
March 2002	Four companies, Software Planning Corporation, Cyber Com Co., Ltd, Boss System Corporation, and Ariake System Corporation, merged to form a new company trading under the name Cyber Com Co., Ltd.
	Acquired Mycal Systems, INC. (currently VINX CORP.) and made it a subsidiary of the Company.
April 2002	Introduced division system at headquarters.
May 2002	Acquired Privacy Mark.
August 2003	Cybernet Systems Co., Ltd., a subsidiary of the Company, listed on the Second Section of the Tokyo Stock Exchange.
April 2004	Relocated head office functions (1-1 Sakuragi-cho, Naka-ku, Yokohama City, Kanagawa Prefecture).
June 2004	Acquired Shinwa System Service Co., Ltd. and changed its name to FUJISOFT SSS, Inc. (currently FUJI SOFT SERVICE BUREAU INCORPORATED) after making it a subsidiary of the Company.
	Changed head office address (1-1 Sakuragi-cho, Naka-ku, Yokohama City, Kanagawa Prefecture)
September 2004	Acquired TOSHO COMPUTER SYSTEMS CO.,Ltd. and made it a subsidiary of the Company
	Cybernet Systems Co., Ltd., a subsidiary of the Company, listed on the First Section of the Tokyo Stock Exchange.
December 2005	VINCULUM JAPAN CORPORATION (currently VINX CORP.), a subsidiary of the Company, listed on JASDAQ.
March 2006	Obtained ISMS CMMI (Level 3) certification.
July 2006	Changed trade name to FUJI SOFT INCORPORATED.
February 2007	Completed FUJI SOFT Akihabara Building (3 Kanda Neribe-cho, Chiyoda-ku, Tokyo).
June 2007	Cyber Com Co., Ltd., a subsidiary of the Company, listed on JASDAQ.
June 2009	Introduced Executive Officer System.
March 2010	Opened Taipei Branch (Taiwan).
June 2010	Established iDEA Consulting Inc., a subsidiary of the Company (acquired from Diamond FUJI SOFT Co., Ltd. after dissolution of joint venture).
July 2012	Opened Seoul Branch (Republic of Korea).
October 2012	FUJISOFT SSS, Inc. and FUJISOFT SERVICE BUREAU, subsidiaries of the Company, merged.
April 2013	VINCULUM JAPAN CORPORATION and VIXUS CORPORATION, subsidiaries of the Company, merged and changed trade name to VINX CORP.
February 2014	Established Fujisoft Tissue Engineering Co., a subsidiary of the Company.
April 2014	Established Fuji Soft Technology (Shandong) Co., a subsidiary of the Company.
February 2015	Cyber Com Co., Ltd., a subsidiary of the Company, listed on the Second Section of the Tokyo Stock Exchange.
March 2016	FUJISOFT Service Bureau, Inc., a subsidiary of the Company, listed on JASDAQ.
April 2016	Cyber Com Co., Ltd., a subsidiary of the Company, listed on the First Section of the Tokyo Stock Exchange.
May 2016	VINX Corporation, a subsidiary of the Company, listed on the Second Section of the Tokyo Stock Exchange.
October 2017	VINX Corporation, a subsidiary of the Company, listed on the First Section of the Tokyo Stock Exchange.
October 2018	FUJISOFT SERVICE BUREAU CORPORATION, a subsidiary of the Company, listed on the Second Section of the Tokyo Stock Exchange.
March 2022	Completed FUJI SOFT Shiodome ANNEX Building (2-16-2 Higashi-Shinbashi, Minato-ku, Tokyo).
April 2022	Moved to the Tokyo Stock Exchange Prime Market.
	Cybernet Systems Co., Ltd., a subsidiary of the Company, moved to the Standard Market of the Tokyo Stock Exchange.
	VINX Corporation, a subsidiary of the Company, moved to the Standard Market of the Tokyo Stock Exchange.
	Cyber Com Co., Ltd., a subsidiary of the Company, moved to the Tokyo Stock Exchange Standard Market.
	FUJISOFT SERVICE BUREAU, Inc., a subsidiary of the Company, moved to the Standard Market of the Tokyo Stock Exchange.
April 2023	Completed FUJI SOFT Shin Nagoya Building (4-21-10 Meieki, Nakamura-ku, Nagoya, Aichi Prefecture).
	Sold all shares of Fujisoft Tissue Engineering Co., a subsidiary of the Company.

(Note) The following events occurred between the end of the fiscal year under review and the date of submission of the Annual Securities Report.

February 2024	Made Cybernet Systems Co., Ltd. a subsidiary of the Company, a wholly owned subsidiary (delisted from the Tokyo Stock Exchange Standard Market).
	Made VINX Corporation, a subsidiary of the Company, a wholly owned subsidiary (delisted from the Tokyo Stock Exchange Standard Market).
	Made FUJISOFT SERVICE BUREAU, a subsidiary of the Company, a wholly owned subsidiary (delisted from the Tokyo Stock Exchange Standard Market).
	Made Cyber Com Co., Ltd. a subsidiary of the Company, a wholly owned subsidiary (delisted from the Tokyo Stock Exchange Standard Market).

3. Description of Business

The Group consists of 32 consolidated subsidiaries, two equity-method non-consolidated subsidiaries, and one equity-method affiliated company, and is mainly engaged in SI (system integration) business and facility business.

Each group company conducts its own sales and marketing activities, but also works in cooperation with other group companies.

The positioning of the Group's businesses is as follows. In addition to the above, there is one non-consolidated subsidiary.

As for the positioning of each group company in the system integration business, the Company handles overall system development, while each group company mainly handles software development.

Classification	Business
SI (system integration) business	Overall system integration including embedded/control software development related to machine control and auto-related projects, the development of operation software used in various industries, products and services, and systems construction, maintenance and operations services.
Facility business	Leasing of office buildings
Other	Data entry business, contact center business, etc.

4. Subsidiaries and Associates

Name	Note number	Address	Stated capital or contribution (Million yen)	Main business	Percentage of owned voting rights (%)	Relationship
(Consolidated subsidiaries) Cybernet Systems Co., Ltd.		Chiyoda-ku, Tokyo	995	(Products and services) SI business	90.55	Subsidiary in charge of package sales. Lessee of building owned by the Company.
VINX CORP.	(Note 5)	Kita-ku, Osaka-shu, Osaka	596	(Distribution and services) SI business	96.03	Developer of some of the Company's commissioned software.
OA Laboratory Co., Ltd.		Kamakura-shu, Kanagawa	451	(Hardware development) Other	99.61	Developer of some of the Company's commissioned software. Lender of funds to the Company.
Tosho Computer Systems Co., Ltd.		Minato-ku, Tokyo	400	(Financial) SI business	64.75	Developer of some of the Company's commissioned software. Lender of funds to the Company.
Cyber Com Co., Ltd.		Aoba-ku, Sendai-shi, Miyagi	399	(Embedded / control / operation software) SI business	92.72	Developer of some of the Company's commissioned software. Lessor of building to the Company. Lessee of building owned by the Company.
FUJISOFT SERVICE BUREAU INCORPORATED		Sumida-ku, Tokyo	354	(Office services) Other	96.67	Subsidiary responsible for most of the Company's data entry operations. Lessee of building owned by the Company.
iDEA Consulting Inc.	(Note 2) (Note 4)	Chiyoda-ku, Tokyo	100	(Operation software) SI business	100.00	Developer of some of the Company's commissioned software. Borrower of funds from the Company.
FUJISOFT CHINA Corp.	(Note 2)	Jinan City, Shandong Province, China	261	(Embedded / control software) SI business	100.00	Developer of some of the Company's commissioned software.
WATERLOO MAPLE INC.	(Note 3)	Waterloo, Ontario, Canada	998.7 thousand CAD	(Products and services) SI business	100.00 (100.00)	No noteworthy relationship during the consolidated fiscal year under review.
Other 23 consolidated subsidiaries		–	–	–	–	–
(Equity-method affiliated companies)						
Nihon Business Soft Incorporation		Sasebo-shi, Nagasaki	50	(Operation software) SI business	40.00	Developer of some of the Company's commissioned software.

(Notes) 1. The names used in the "Main business" column are segment names from the Segment information section.
2. An officer of the Company concurrently serves as an officer of the relevant company.
3. The numbers in parentheses () in the "Percentage of owned voting rights" column are indirect ownership ratios and are included in the percentage of owned voting rights.
4. The relevant company is a company with a negative net worth of 1,043 million yen as of the end of December 2023.
5. VINX CORP.'s net sales account for over 10% of consolidated net sales (excluding inter-company sales between consolidated companies).

Major items of profits and losses
1) Net sales 33,683 million yen
2) Ordinary profit 3,198 million yen
3) Profit 2,141 million yen
4) Net assets 14,829 million yen
5) Total assets 22,182 million yen

5. Employees

(1) On a consolidated basis

As of December 31, 2023

Segment	Number of employees (persons)	
SI business	13,434	(388)
Facility business	19	(1)
Other	4,468	(3,996)
Total	17,921	(4,385)

(Notes) 1. The number of employees excludes employee on loan from the Group to entities outside the Group and includes employees on loan from entities outside the Group to the Group.

2. The figures in parentheses in the "Number of employees" column indicate the average number of temporary employees during the fiscal year under review.

3. Temporary employees include part-time and contract employees and exclude temporary agency workers.

(2) Reporting company

As of December 31, 2023

Number of employees (Persons)	Average age	Average years of service	Average annual salary (Million yen)
9,435	35 years and 7 months old	9 years and 10 months	6.0

Segment	Number of employees (persons)
SI business	9,416
Facility business	19
Other	–
Total	9,435

(Notes) 1. The number of employees is the number of full-time employees.

2. Average annual salary includes bonuses and non-standard wages.

(3) Labor union

There is no labor union.

Labor relations are smooth and there is nothing of note to report.

(4) Percentage of female employees in management positions, percentage of eligible male employees taking childcare leave, and wage gap between male and female employees

1) Reporting company

Fiscal year under review						
Percentage of female employees in management positions (%) (Note 1)	Percentage of eligible male employees taking childcare leave (%) (Note 1)			Wage gap between male and female employees (%) (Note 1)		
	All employees	Regular employees	Non-regular employees	All employees	Regular employees	Non-regular employees
8.8	78.5	78.5	–	87.1	87.0	84.3

(Note) 1. Calculated based on the provisions of the Act on the Promotion of Female Participation and Career Advancement in the Workplace (Act No. 64 of 2015).

2) On a consolidated basis

Fiscal year under review									
Name	Percentage of female employees in management positions (%) (Note 1)	Percentage of eligible male employees taking childcare leave (%)				Wage gap between male and female employees (%) (Note 1)			
		All employees	Regular employees	Non-regular employees		All employees	Regular employees	Non-regular employees	
Cybernet Systems Co., Ltd.	6.9	68.8	68.8	0.0	(Note 1)	78.1	77.2	–	
VINX CORP.	10.4	52.6	–	–	(Note 2)	79.6	82.9	46.2	(Note 3)
FUJISOFT SERVICE BUREAU INCORPORATED	26.6	66.7	50.0	100.0	(Note 1)	73.1	78.5	91.3	
Cyber Com Co., Ltd.	3.0	88.9	88.9	0.0	(Note 1)	85.1	85.3	–	
OA Laboratory Co., Ltd.	0.0	0.0	–	–	(Note 2)	83.5	84.5	86.6	
Tosho Computer Systems Co., Ltd.	0.0	100.0	100.0	0.0	(Note 1)	85.7	85.7	0.0	
iDEA Consulting Inc.	11.8	100.0	–	–	(Note 2)	(Note 4)	(Note 4)	(Note 4)	

(Notes) 1. Calculated based on the provisions of the Act on the Promotion of Female Participation and Career Advancement in the Workplace (Act No. 64 of 2015).

2. Percentage of eligible male employees taking childcare leave under Article 71-4 (i) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor, No. 25 of 1991) based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

3. The average annual wage is calculated based on the number of employees converted by the prescribed working hours of full-time employees.

4. The information is omitted because it has not been disclosed.

5. "–" is shown when there are no persons subject to calculation or when calculation is not possible.

Section 2. Overview of Business

1. Management Policy, Business Environment, and Issues to be Addressed, etc.

The forward-looking statements below are based on judgments of the Group as of the end of the consolidated fiscal year under review.

(1) Basic management policy of the Company

As a mid-term policy, the Group aims to become an “innovative corporate group that links ICT development to increased customer value” and is committed to realizing improvement in added value.

(2) Target management indicators

In the “Mid-term Business Plan 2028” announced on February 14, 2024, the Group has set management targets for net sales, operating profit, net income, ROE, and operating income per capita.

On a non-consolidated basis, the Company has set “operating income per employee” as its most important KPI.

For specific target figures, please refer to the “Mid-term Business Plan 2028 (*)” announced on February 14, 2024.

(3) Medium- and long-term management strategies

The Group has formulated and announced a Mid-Term Business Plan, positioning the five-year period from FY2024 to FY2028 as “Five Years of Innovation and Development Steady Growth, Innovation, and Bases for the Future.” The FUJISOFT GROUP aims to become a “leading company providing systems, software, and services in the IT and OT fields” and to contribute to customers and society, and it formulated the plan with the policy of further strengthening profitability while growing sales. For details, please refer to the “Mid-term Business Plan 2028” announced on February 14, 2024.

* URL https://www.fsi.co.jp/ir/management/tyukei.html

(4) Issues to be addressed by the Company

Looking ahead, economic activity in Japan is increasing, with corporate earnings and personal spending recovering, as economic activity returns to normal in the wake of the COVID-19 pandemic. However, the effects of monetary tightening, mainly in Europe and the United States, concerns about China’s economic outlook, and the impact on Japan’s economy of high raw material and energy prices and inflation exacerbated by a weak yen require continued monitoring.

In the information services industry, demand for strategic system investment to keep pace with the trend toward digital transformation (DX) has continued to increase, with companies in a wide range of industries remaining highly motivated to invest in systems to expand business or increase competitiveness or to improve productivity and increase business efficiency in face of labor shortages. The Group recognizes that, to continue achieving sustainable growth and improvement in added value in the future, it needs to respond flexibly to these market changes and constantly evolving technological innovations and to also strive for and create new businesses.

In light of the business environment and challenges described above, the Group has adopted “Lead DX in the aspects of both IT and OT with digital technologies and contribute to value improvement and innovations by customers and society” as its management policy, and will flexibly respond to changes in the environment and the times and continue to make the following efforts to achieve sustainable growth and improvement of added value in accordance with its Mid-Term Business Plan covering the five-year period from from FY2024 to FY2028.

Achieving further growth and strengthening profitability

Growth in the contracting sector

In response to the ICT environment, which is advancing at an accelerating pace, the Group will develop human resources, and cultivate human capital and accumulate know-how through training, research and development, and practical experience. We will also make improvements to various development methods and the environment to enhance productivity and quality, and build a customer service structure that will allow us to propose and provide higher value-added services. At the same time, we will collaborate with various solution vendors and partners in Japan and overseas to build solutions and provide services that are more competitive, and we will improve the value we provide to our customers, thereby helping to strengthen their competitiveness.

Improving profitability

We recognize that our “operating income per employee” is low compared to other companies in our industry. This is largely due to problems with our business structure such that the improvement in our system development capability accompanying improvement in the level of human capital has not been converted into economic value. In addition to the evolution of our business model through initiatives such as strengthening cross business and expanding all-in contract-based projects, we will also step up existing initiatives in areas such as enhancing the value provided to customers, strengthening our partner strategy, and improving productivity.

Meanwhile, as the use of new development methods and advanced technologies expands, we can expect to see technical issues that are different from those we have seen in the past. Alongside the prevention of the conventional types of technical issues, we will establish various solutions to meet the needs of new types of projects.

Controlling SG&A expenses through operational reforms and DX promotion
We will strongly promote our own DX and operational reforms to curb SG&A expenses, while accumulating technology and know-how, establishing new business schemes, and innovating existing businesses, thereby strengthening our competitiveness and increasing the value we provide to customers.

Growing the products and services field
To date, we have provided a wide range of our own services and products, and in addition to strengthening and promoting sales of existing products and services, we will actively work on the development of new products and services. At the same time, we will strengthen cooperation with other competitive companies to provide appropriate products and services to our customers and expand customer contact points.

Taking on new businesses with higher added value
We recognize that establishing new businesses in addition to our existing businesses is important in order to continue achieving sustainable growth and improving added value in the future, and we will take on new business fields and new businesses, including creating new products and services and collaborative models with customers, new alliance businesses, and aggressive M&A.

Strengthening technological capabilities
High levels of technological expertise in all kinds of fields are required to grow in a variety of businesses and we must maintain these technological capabilities. In addition, the speed of technological change, including generative AI, is increasing at an accelerating pace, and we must keep up with technological innovation. The Group will quickly recognize changes in the market environment and the latest technological trends, and will develop various educational and training opportunities to support engineers in improving their skills and acquiring new technologies. Furthermore, in addition to cutting-edge technologies such as DX and 5G, we will further strengthen a wide range of expertise in areas such as upstream consulting and service design, and pursue further strength in many fields including our priority technological fields dubbed AIS-CRM.

Strengthening group synergies
To maximize synergy with group companies, we have established an organization to promote group synergies and to strengthen the group's overall business. In addition to strengthening each business and creating new and integrated fields, we will aim to improve the value provided to customers through initiatives such as sharing intellectual property and research achievements and improving sales efficiency.

Strengthening global expansion
We recognize that globalization is also important to continue achieving sustainable growth and improving added value in the future, and we are expanding globally, including through our group subsidiaries. We will work with overseas subsidiaries and local companies to expand our sales, services, and other structures to achieve further growth.

Strengthening the management base
Reinforcing human resources
We consider human resources to be the most important management resource that determines the competitiveness of our group, as they are the basis of the value we provide to our customers. We will continue to strengthen the development of diverse human resources through various education, training, and learning opportunities in conjunction with aggressive recruitment activities, while striving to improve employee compensation and create an environment and systems that support diverse work styles.

Strengthening corporate governance
We recognize the importance of strengthening our corporate governance structure in order to achieve the sustainable growth of our group and increase our corporate value. The Group strives to establish a structure for accurate and prompt decision-making and business execution, as well as a structure for appropriate supervision and monitoring of such decision-making and business execution. From the perspective of ensuring sound and transparent management, we will continue to strengthen our corporate governance structure as necessary.

Promoting sustainability management
The Group is committed to contributing to the sustainable development of society and companies in accordance with its basic policies "Aiming to become a corporate group that contributes to society Provides satisfaction to customers Initiates eco-friendly activities and believes in a comfortable and rewarding environment" and mid-term policies Aiming to become an innovative corporate group that links ICT development to greater value for customers", which serve as its sustainability action policies. We will further strengthen these efforts to achieve sustainable growth while contributing to solving social issues through our business.

2. Sustainability Approach and Initiatives

The Group's sustainability approach and initiatives are as follows.

Forward-looking statements in this document are based on judgments of the Group's management as of the end of the consolidated fiscal year under review.

(1) Governance and risk management related to overall sustainability

1) Governance

The Company has established a Sustainability Council chaired by the President & Representative Director and a Sustainability Promotion Committee chaired by the executive operating officer in charge of sustainability to address sustainability issues, including climate change and human rights issues, as company-wide activities linked to the enhancement of corporate value over the medium to long term. The Sustainability Promotion Committee identifies and examines issues, and after deliberation by the Sustainability Committee, resolutions are made and reported to the Board of Directors on a quarterly basis, thus establishing a structure for supervision and advice by the Board of Directors.

2) Risk Management

At the Company, sustainability risks and opportunities are identified and evaluated by the Sustainability Promotion Committee and integrated into company-wide risk management in collaboration with the Risk and Compliance Committee.

The Risk and Compliance Committee meets quarterly to establish standards of conduct for normal and emergency situations in regulations, monitor operations with respect to various risks arising from each division's business, and evaluate sustainability-related risks relative to other risks in order to select the most important risks for the company and consider how to respond to them. In addition, the activities of this committee are reported to the Management Conference and Board of Directors and are incorporated into the management cycle.

(2) Important sustainability items

The following are the key sustainability items in our group that we have identified through governance and risk management as described above.

- Response to climate change
- Human capital

The Group's approach to sustainability and its efforts with respect to each of these items are as follows.

1) Response to climate change

I. Strategy

We conduct both qualitative and quantitative scenario analysis of climate-related risks and opportunities and their financial impacts for the years 2030 and 2050 based on the following scenarios.

Scope of reporting: The FUJI SOFT Group（Japan and overseas） Implementation of scenario analyses: October 2023		
Item	1.5℃ scenario	4℃ scenario
Time frame of the scenario	2030 and 2050	
Key scenarios used as references	IEA Net Zero Emissions by 2050 Note: The 2℃ scenarios mentioned below also serve a references. IEA Sustainable Development Scenario, IPCC RCP2.6	IEA Stated Policies Scenario IPCC RCP8.5
Worldview of the scenario	More ambitious climate change countermeasures（e.g., through legal regulation）aimed at promoting decarbonization are enacted.	Climate change countermeasures are maintained at the current level while increasingly severe abnomal weather events and other phenomena cause physical damage.

As for risks, although costs from the carbon tax in the event of failure to keep up with the current trends of the times and customer defections due to inadequate technological investment were anticipated, none were expected to have a tremendous impact on business activities. On the other hand, as for opportunities, the expansion of our own business and increased sales opportunities are expected in line with the growing demand for DX aimed at decarbonization and energy conservation, which is also consistent with our mid-term management plan.

In addition to decarbonizing our own operations and increasing our own resilience, we will also continue developing products in line with the environment and the times through digital technology.

For the results of the climate change impact scenario analysis, please refer to the “TCFD Initiatives” section of our corporate website.
https://www.fsi.co.jp/csr/tcfd.html

II. Indicators and Targets

We aim to reduce greenhouse gas (GHG) emissions from our own business activities by 50% in real terms by 2030 and 100% in real terms by 2050, compared to fiscal 2013, as an indicator. (* Applies to Scope 1 and 2 GHG emissions of FUJI SOFT)

In the future, we will consider expanding the scope of calculation to include group companies including consolidated subsidiaries and the determination of Scope 3 emissions.

For information on greenhouse gas (GHG) emissions from our operations, please refer to the “TCFD Initiatives” section of our corporate website.
https://www.fsi.co.jp/csr/tcfd.html

2) human capital

Guided by a corporate credo of “Challenge & Creation,” FUJI SOFT aims to achieve sustainable growth even as it strives to improve its corporate value and, to that end, cleaves to the belief that “the success of a corporation hinges on its people.” Based on this belief, we have positioned human resources as the Company’s most valuable asset and thereby defined our human resource policy.

We fully understand that the value of our human resources directly affects our corporate value. Accordingly, we are committed to cultivating the value of our workforce, supporting those who take on challenges irrespective of academic background or business experience. In these ways, we are striving to empower employees to realize their fullest potential.

＜Human resource policy＞
Irrespective of background, we believe in people’s potential and cherish diligent workers. For the ambitious,
we provide opportunities to take on challenges.　even as we welcome diverse human resources and support diverse workstyles.

I. A certification system measuring degree of accomplishment in terms of management and technical skills.

FUJI SOFT maintains in-house certification systems designed to enable each engineer to flexibly develop their career path. Specifically, these systems are in place for both project managers (PMs) and specialists (SPs), clarifying levels of skills expected of PMs and SPs so that they remain highly motivated to pursue skill improvement efforts. In this way, we strive to accelerate the development of human resources capable of taking on high-value-added businesses.

Career development and personnel system

Career development and personnel system

Job rank system	PM	Management	Specialist	PM / SP certification level
Operating officer	Executive PM	Division manager	Executive fellow	Level 7
General manager	Principal PM	General manager	Fellow	Level 6
Deputy general manager				
Manager	Expert PM	Manager	Expert	Level 5
Assistant manager	Professional PM		Senior master	Level 4
Team leader	Associate PM		Master	Level 3
Specialist		Team leader		
Assistant				

II. Creating a workplace environment that empowers diverse human resources to succeed.

We strive to provide a workplace in which a diverse range of human resources can feel safe, accepted, and empowered to work vibrantly to achieve success even as they remain true to their authentic selves. To this end, we respect the personality and uniqueness of each employee, irrespective of race, religion, gender, sexual orientation, gender identity or other attribute.

Initiatives undertaken by FUJI SOFT to promote diversity

Initiatives to promote women's empowerment	● Aiming to raise the ratio of women in leading positions (supervisory or higher positions) to 15% by the end of March 2024 (The ratio amounts to 14.5% as of April 2022.) ● Allowing more than 30% of employees to work from home on an ongoing basis (Maintaining a situation where employees are free to flexibly engage in remote work based on their varying lifestyle needs) ● Offering programs aimed at helping employees strike a balance between work and child rearing as well as assisting women in their career development efforts (Ultra-flextime system, remote work system, the prolongation of periods during which eligible employees are allowed to work shorter hours, the encouragement of annual paid leave utilization, the reduction of overtime, etc.) ● The L-Career Promotion Project was established in August 2021 as an organization tasked with accelerating women's empowerment via a cross-departmental approach
Initiatives to empower older employees to remain key workforce components	● Rehiring all employees who reach age 65 and wish to continue working ● Employees aged 65 or older are titled "super-seniors" and allowed to continue with their employment status in a way that leverages their strengths in fields of their specialty, with due consideration given to their status as pension recipients and their health. ● A defined contribution pension plan is made available to employees as an option to aid their life and financial planning, so they can take initiative in designing their own post-retirement life.
Initiatives to develop global human resources	● Proactively hiring foreign nationals in step with the expansion of our global operations ● Promoting the globalization of our workforce and, to this end, supporting the development of global human resources by, for example, providing conversational English lessons, holding training sessions on linguistic and presentation skills and hosting events aimed at facilitating multi-cultural interactions, in addition to establishing an in-house SNS platform ● The number of foreign national employees now amounts to 286 from 19 countries (as of April 2022).
Initiatives to support members of the LGBTQ community	● Providing educational programs aimed at enhancing employee understanding of the LGBTQ community so that everyone can feel safe and work vibrantly even as they stay true to their authentic selves, with a help desk in place to provide individual counseling ● Instituted in-house guidelines to handle an employee's process of gender transition

III. Mechanisms that empower people with disabilities to play active roles.

FUJI SOFT KIKAKU Inc., a special-purpose subsidiary, takes a proactive stance to the employment of people with disabilities, with the aim of becoming a company in which everyone is empowered to work vibrantly and play active roles. With its management philosophy consisting of "Independence & Contribution" as well as a "Company Offering Lifelong Career Opportunities," FUJI SOFT KIKAKU currently employs numerous individuals holding disability certificates who account for 90% of its workforce, and around half of these individuals have mental disabilities. At FUJI SOFT KIKAKU, people with mental, physical, intellectual, developmental or other disabilities cooperate with each other, engaging mainly in tasks involving the operation of PCs. Leveraging know-how accumulated over the decades regarding the employment of people with disabilities, this subsidiary also opened a tutoring school in Kamakura City, Kanagawa Prefecture, in 2014, with the aim of supporting people with disabilities who seek to be employed and thus achieve economic independence. This institution is currently a part of a government-approved program aimed at supporting handicapped people in their transition to employment while serving as a commissioned vocational training facility for people with disabilities. Today, a great number of people who completed training at this tutoring school have turned into active workforce components of a range of businesses.

On December 24, 2020, FUJI SOFT KIKAKU was certified under the "Monisu" certification system, becoming the first company in Kanagawa Prefecture to be named an excellent business operator in terms of employing people with disabilities under said system. In 2023, FUJI SOFT KIKAKU strove to develop a corporate structure that enables its employees to lead an even more stable vocational life through the implementation of job rank-based training, the mutual utilization of job coaching systems and the establishment of a job support counseling desk. As a special-purpose subsidiary engaged in progressive employment practices, FUJI SOFT KIKAKU is striving to disseminate ways of working for people with disabilities. FUJI SOFT KIKAKU employees with disabilities are thus playing central roles themselves in efforts to help create a society in which each individual with disabilities can earn success.

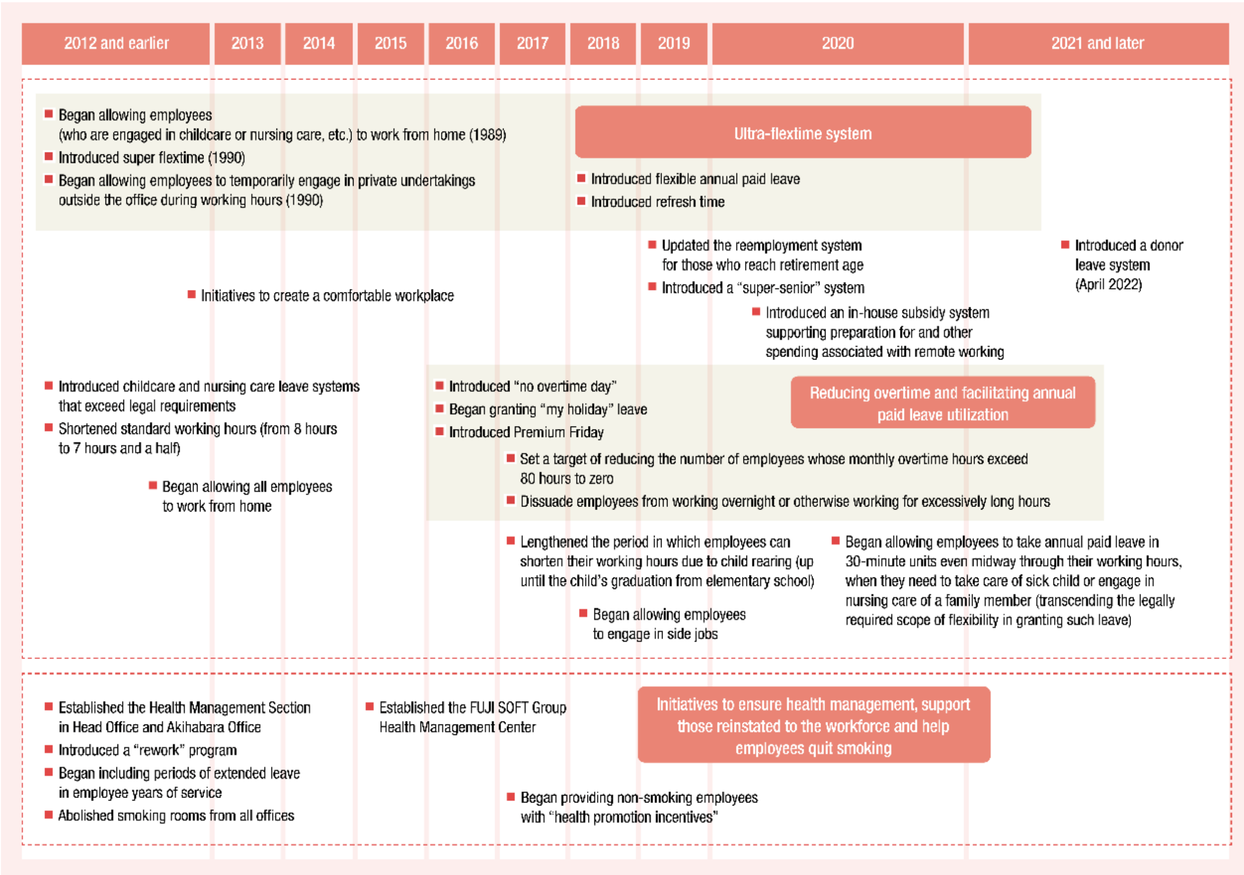
IV. Progressive efforts of workstyle reforms and career development assistance

As stated in our Basic Philosophy, we strive to realize a comfortable and rewarding environment. To this end, we have positioned a flextime system without core time as our basic workstyle, with the aim of enabling employees to adopt flexible workstyles. Moreover, we have developed a supportive environment that enables working from home, promoting teleworking as part of efforts to empower employees with diverse workstyles aligned with their individual circumstances. In addition, we have introduced a shortened working hour system as well as a discretionary labor system.

As such, FUJI SOFT enables employees to utilize a variety of working systems and helps them choose from diverse workstyle options in line with their individual lifestyle needs. We are simultaneously improving productivity, to this end cutting back on overtime, introducing a more flexible annual paid leave system, and pushing ahead with other workstyle reform measures. Thus, we are striving to create a workplace environment in which every employee can work vibrantly even as they pursue a harmonious balance between work and private life.

Workstyle reforms: Initiatives undertaken thus far by FUJI SOFT

(Fiscal year)



Various Certifications and awards

Certified by Kanagawa Prefecture as a business corporation supportive of children and their sound upbringing

Included in the list of 100 forerunners in teleworking

Certified as a Health & Productivity Management Outstanding Organization (White 500)

Acquired the third level of "Eruboshi" certification

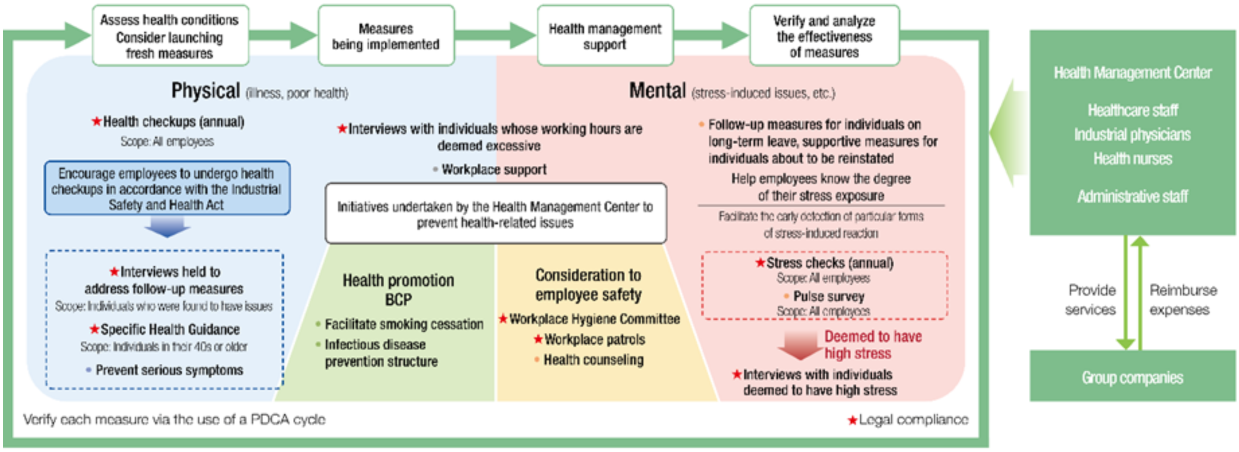
Acquired a platinum "Kurumin" mark

Chosen to bear the "Semi-Nadeshiko" brand (As of December 2022)

V. Health management initiatives

＜Health management policy＞

Guided by a fundamental belief that "the success of a corporation hinges on its people," we will promote health management to create a working environment in which all employees can work safely with confidence even as they stay mentally and physical healthy along with their families.



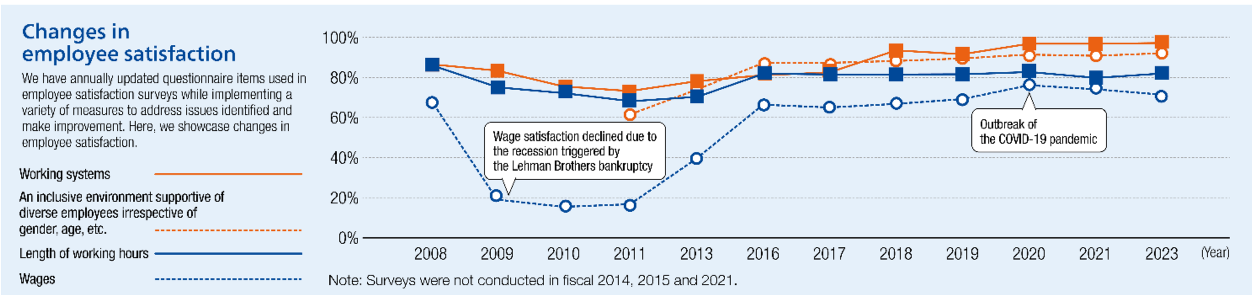
VI. Employee satisfaction

As stated in its Basic Philosophy, FUJI SOFT aims to make its workplaces more comfortable and rewarding. To that end, we conduct annual employee satisfaction surveys in order to assess the degree of employee satisfaction in light of changes in the external and internal environment as well as identify issues to be addressed and there upon plan and implement measures aimed at effecting improvements. Through this cycle, we are constantly striving to improve our workplace environment.

Employee satisfaction ranking in 2023

Ranking	Surveyed items	Satisfaction ratio
1	Working systems (flex and other diverse workstyle options)	97%
2	An inclusive environment supportive of diverse employees irrespective of gender, age, etc.	92%
3	Internal accessibility to corporate information	91%
4	Management policy	90%
5	Disclosure of department policies	88%
6	Interpersonal relationships at workplaces (vis-à-vis supervisors, staff and colleagues)	88%
7	Fairness and impartiality in performance evaluation and bonus assessments	87%
8	Employee education and training	85%
9	Smoothness of annual paid leave utilization	85%
10	In-house infrastructure	82%

Ranking	Surveyed items	Satisfaction ratio
11	Employee welfare programs	82%
12	Systems designed to support those working from home	82%
13	Human resource management systems	82%
14	Length of working hours	82%
15	Devices currently furnished to employees	80%
16	Length of commuting hours	80%
17	Building equipment, facilities and office environment	79%
18	A general feeling of satisfaction or fulfillment in work	77%
19	Wages (monthly salary and bonus)	71%
20	In-house systems for specific operations	71%
21	Robustness of systems for use by all employees	68%



Figures are based on results of surveys undertaken in March 2023.

3. Business and Other Risks

Risk factors relating to the business information, financial information and other information stated in the annual securities report which may substantially affect the judgment of investors include the following. The Group defines “risk” as “any element of uncertainty that could directly or indirectly affect the conduct or continuity of the company’s operations”.
Please note that forward-looking statements in this section are judgments made by the FIJISOFT GROUP as of the date of submission of the securities report.

Structure
The Group has established “Risk Management Regulations” to accurately understand all risks related to business activities and reduce their impact on management, as well as a “Risk and Compliance Committee” to develop a structure for appropriately respond to risks. The Risk and Compliance Committee identifies, analyzes, and evaluates specific risks in accordance with the Risk Management Regulations, establishes policies for dealing with such risks, and reports regularly to the Board of Directors.

Individual risks
(1) Market environment and technology trends
The information service industry, to which our group belongs, is experiencing rapid technological innovation driven by fierce competition among domestic and overseas companies. There is a possibility that customers’ investment needs may change dramatically due to changes in the market environment or other factors, or that price competition may intensify and the Group’s technology, know-how, etc., may become obsolete. Failure to respond appropriately to these technological innovations, customer needs, and other changes in the market environment could affect the Group’s business performance and financial position. In addition, the timing and scale of investments by our customers are affected by economic trends, interest rate and exchange rate trends, and other factors, which may also affect the performance of our group.
The Group has a large portfolio of businesses and can respond flexibly to changes in the market environment by, for example, viewing changes in the market environment as business opportunities and developing and selling new products. However, if demand in numerous business fields declines significantly due to dramatic changes in the environment, etc., the continued employment of engineers may put a squeeze on profits or human resources may be lost, slowing down any subsequent rebound, and the Group’s business performance and financial position may be affected as a result.
Accordingly, the Group is constantly enhancing its technological capabilities to cope with the rapid pace of technological innovation, refining its basic technological capabilities via training and practical education for its engineers onsite and taking on a wide range of challenges in cutting-edge technologies and new business domains, thus accurately meeting the needs of our customers.

(2) Securing human resources and labor-related risks
The Group conducts businesses that depend on human resources to drive them, and we recognize that securing and developing excellent human resources who can provide customers with specialized, high-value-added technologies is an important issue for the Group’s continued growth. Competition for human resources is particularly fierce in Japan, due in part to workforce shrinkage resulting from a low birthrate and aging population, and if we are unable to secure and train talented personnel as expected, or if personnel costs increase due to rising wage levels, our business performance may be affected. In addition, the occurrence of labor compliance violations such as harassment and long working hours could lead not only to decreased productivity but also to an exodus of human resources, lawsuits, or loss of social credibility, and the Group’s business performance and financial position may be affected as a result.
Accordingly, in addition to aggressive recruitment activities, we are strengthening the development of diverse human resources through various education, training, and learning opportunities in order to reform work styles and realize diversity. At the same time, we are striving to improve employee compensation and build an environment and systems that support diverse work styles, including establishing the “L Career Promotion Office” to promote the advancement of women across the company. We carry out education and awareness-raising activities to prevent labor compliance violations through training and other means, and we are also taking steps to reduce labor-related risks by establishing a system to detect labor compliance violations at an early stage and take appropriate action through an internal reporting system.

(3) Internal restructuring
The Group carries our internal restructuring to maximize synergies between Group companies, including improving the efficiency of overlapping management resources and speeding up decision-making. However, failure to achieve the projected synergies or the occurrence of other problems such as a lack of coordination over the services offered or confusion resulting from restructuring may affect the Group’s business performance and financial position.

(4) Internal control systems
The Group recognizes the importance of ensuring the appropriateness and soundness of business execution in order to continuously increase its corporate value. To this end, we have undertaken the appropriate establishment and operation of internal control systems to ensure that corporate governance functions effectively. However, even with such measures, fraudulent acts by officers and employees may not be completely avoided. Moreover, due to developments such as rapid changes in the business environment or the expansion of new businesses, if internal control systems are not well maintained and unexpected misconduct occurs, it may become difficult to conduct

business operations properly, and the Group’s business performance and financial position may be affected as a result.

(5) Management of confidential information

The Group handles the information of corporate customers as well as the personal information of individuals inside and outside the Group, and is committed to operating in compliance with laws and regulations, including taking action in line with the “Personal Information Protection Law” and the “My Number Law”. We recognize that companies have a social responsibility to properly manage and secure such confidential information.

Cyber attacks are becoming increasingly sophisticated, and cyber security risks have become an important management issue. Consequently, the Group has established and complies with internal standards for information protection, including cyber attack countermeasures and network management, implements reasonable technical security measures, provides thorough internal training on information management, and concludes nondisclosure agreements with outside contractors. In addition, we take various technical measures to prevent information leaks in our products. We have also established a CSIRT (*1) and SOC (*2) to monitor and analyze cyber security threats and strengthen our response capabilities.

If in spite of these measures an information leak, etc. were to occur due to an unforeseen event, we may be liable for damages sought by our customers and our group’s credibility may be damaged, which may hinder the continuation of our commissioned software development business. In addition, future revisions of laws and regulations may require new technical measures for our products, which may affect our business performance and financial position.

(6) Development of commissioned software, etc.

The Group designs, develops, and manufactures commissioned software based on customer requirements, and thoroughly manages quality control and delivery dates to ensure quality assurance for customers and to improve customer service satisfaction. However, as the development of commissioned software becomes increasingly sophisticated and complex, quality problems or delivery delays may occur in the services provided by our Group, which may lead to additional costs incurred in dealing with the problems and compensation for damages, etc. This could affect our group’s operating results and financial position.

Consequently, the Group obtained ISO 9001 certification in June 1995, and has been working to ensure thorough quality control through the establishment of a quality manual and quality targets. In addition, in system development, we strive to prevent unprofitable projects by clarifying the scope of responsibility between the Company and the customer, and strengthening project management capabilities, including thorough project management from the inquiry, estimate, and order-receipt stages, and checks and project progress management by specialized departments.

(7) Outsourcing to business partners

In the development of commissioned software and other products, the Group outsources some operations to domestic and overseas business partners, including the use of offshore and near-shore facilities, to secure production capacity, improve production efficiency, and provide technical support. In the information service industry, demand tends to be weighted toward certain technologies. If we are unable to secure sufficient business partners in the future due to the supply-demand balance, or if costs increase significantly due to intensified competition for partners, our Group’s business performance and financial position may be affected.

Consequently, the Group endeavors to secure optimal business partners in Japan and overseas by understanding the situation and strengthening relationships with business partners through regular communication and other means.

(8) Products and services

When providing products, the Group prepares investment and sales plans that take market needs into consideration. However, if the products become obsolete due to changes in market needs or rapid technological innovation, and it becomes difficult to sell them as expected, additional depreciation expenses and impairment losses related to the products will be incurred.

We thoroughly manage the quality of our own products, while for the products of other companies, we endeavor to conclude contracts that take the nature of products into consideration and provide products in an appropriate form. However, we may incur additional costs and be liable for damages if we have to replace products due to a bug or product defect, and we may also incur unexpectedly large claims for damages if our products are incorporated into the products of other companies.

Meanwhile, we encourage the acquisition and protection of intellectual property rights, taking care to avoid infringement of third-party rights. However, in the event of infringement of third-party intellectual property rights we were unaware of, we may be subject to claims for damages or consideration for such intellectual property rights, which may affect the Group’s business performance and financial position.

(9) Supplier-related risks

Many of the third-party products handled by our group and the global vendor products required for commissioned software development are purchased directly from the developers. The Company believes that it is highly dependent on a limited number of suppliers. In principle, distribution agreements with major suppliers are non-exclusive and come up for renewal quickly. If another prominent distributor is designated, or if the supplier takes sales in-house, or if the distribution agreement is not renewed, our business performance may be affected. In addition, agreement revisions may be required due to changes in the management rights of suppliers as a result of acquisitions or other factors.

(10) Undertaking outsourced operations

The Group provides outsourcing services and cloud services using data center facilities. To supply such services in a stable manner, it is essential to ensure stable system operation and to take appropriate measures in the event of a system failure. We are working to improve our data center facilities, establish a stable operation system, and create an organization that can respond to sudden system failures.

However, the Group's business performance and financial position could be affected if it is unable to provide services above a certain level agreed with customers due to human error, such as failure to follow operational procedures, or unforeseen events, such as equipment or facility failure. To this end, we are continuously improving the quality of our operations, checking and detecting the occurrence of failures at an early stage, and developing and strengthening measures to reduce and prevent failures.

In addition, the data center business requires significant ongoing capital investment, including the renewal of power supply, air conditioning and other equipment, to ensure stable operations. If the capacity utilization of the facilities remains at a low level compared to the operating capacity of the facilities and profitability declines, an impairment loss related to the relevant data center may be incurred, which may affect our Group's business performance. Moreover, data centers require a large amount of electricity, and if we are unable to pass on the cost of electricity to our customers in the face of rising electricity prices, we may incur additional costs for electricity procurement, which could affect our Group's business performance.

(11) Facility business

The Group owns real estate for its own use as office space in various locations based on a multifaceted evaluation process that includes a comparison of the long-term present value of the property based on the running costs of renting the property and the long-term present value of the property based on the initial costs and operating costs of owning the property. The offices we use ourselves are used as space for the development of commissioned software, which is our core business. However, we optimize the use of real estate by comprehensively taking into account the business environment at the time, medium- and long-term prospects, and the needs of property tenants, among other factors, and we lease buildings or certain floors that are no longer needed for our own use temporarily through our facility business. In the event that business income from these assets is squeezed due to a decline in tenants and demand for rental meeting rooms against a backdrop of increased teleworking and other factors, or that land prices decline significantly due to fluctuations in the real estate market, impairment losses may be incurred on these properties, which could affect the Group's business performance and financial position.

(12) Global risks

In addition to handling overseas products, the Group is expanding its business globally through the establishment of development, production, and sales bases in Europe, the U.S., and Asia, as well as through corporate acquisitions and capital tie-ups. Unexpected special circumstances, changes in the political system, dramatic changes in exchange rates, acts of terrorism, epidemics, and other unexpected events in local markets may affect our Group's business performance and financial position. We are therefore implementing measures to address differences in business practices and legal regulations in these countries and regions through prior research and the assistance of experts.

In addition, the inability to effectively manage the operations of our overseas subsidiaries may also affect our Group's business performance and financial position. To this end, we are promoting efforts to strengthen governance by providing appropriate guidance to/auditing our overseas subsidiaries via the dispatch of human resources and specialized organizations.

(13) Investment activities

If the acquisition of technology or the formation of alliances is an effective means of increasing corporate value and achieving continuous business growth, the Group takes action as necessary, including acquiring companies or establishing subsidiaries in Japan or overseas, and investing in venture companies. We also make capital investments in office construction and other facilities to increase production capacity. When making such investments, we investigate and consider profitability and recoverability in advance. However, if there is a significant change in the market environment or competitive environment after an investment is made, or if the business of the investee does not produce the results originally planned, some or all of the investment may be lost or an additional capital contribution may be required. In such cases, the Group's business performance and financial position may be affected.

(14) Fundraising

The Group raises funds necessary for its business activities mainly by borrowing from financial institutions and issuing commercial paper.

However, in the event of decline in our creditworthiness as a result of the downgrading of our credit rating or a significant change in interest rates in the future, our Group's fundraising could be hindered or our fundraising costs could increase, which could affect our business performance and financial position.

(15) Risks related to revenue recognition

When recording revenue for the development of made-to-order software, for software in process, the Group applies the percentage-of-completion method to contracts when there is deemed to be certainty about the outcome, and recognizes sales based on the percentage of completion calculated by the cost-percentage method. The percentage-of-completion method relies heavily on estimates of total order value and total manufacturing costs, and requires accuracy in contract and estimate management and planning control. If there is a discrepancy between estimated and actual total orders and total manufacturing costs, we review them to ensure the accuracy of revenue recognition. However, a delay in taking appropriate action could affect our Group's business performance and financial position. Regarding the estimation of total manufacturing costs, we have established and are operating a system in which efforts are made to improve the accuracy of estimates and an independent management department evaluates the accuracy of estimates from a third-party perspective.

(16) Natural disasters, etc.

The Group has prepared for major disasters such as earthquakes and pandemics by introducing a telecommuting system, distributing tablets to all employees, securing and training human resources online, and otherwise developing the work environment, in addition to measures such as building a system to consolidate crisis management information among Group companies and decentralizing information systems for domestic operations.

However, the occurrence of a catastrophe or other event could cause the suspension of business activities, damage to or closure of the Group's facilities, disruption of social infrastructure such as transportation, communication, and logistics, or damage to customers and business partners, which could affect the Group's operating results and financial position. Meanwhile, a pandemic could lead to significant deterioration in the market environment or problems securing human resources, giving rise to problems with the production system, quality control, etc., which may affect the Group's business performance and financial position.

(17) Climate change

Around the world, efforts are underway to reduce greenhouse gas emissions, which are considered a factor in climate change. In the event that carbon pricing schemes (emissions trading schemes and carbon taxes) are introduced under tighter climate change policies and regulations, and costs corresponding to greenhouse gas emissions are incurred, or if energy costs rise significantly due to fluctuations in demand for renewable energy, our Group's business performance and financial position may be affected.

At the same time, we expect business opportunities to increase, alongside growth in demand for DX aimed at decarbonization and energy saving driven by tighter climate change policies and laws and regulations. In addition to decarbonizing our own operations and increasing our own resilience, we will also continue conducting initiatives in line with the environment and the times through digital technology.

1: CSIRT (Computer Security Incident Response Team): A specialized organization that responds to cyber security related incidents. security topics. A CSIRT solves problems at an early stage, determines the scope and seriousness of damage caused by a cyber attack, and provides security topics.

2: SOC (Security Operation Center): An organization dedicated to monitoring and analyzing threats to information systems.

4.Analysis of Financial Position, Operating Results, and Cash Flows by Management

The following is a summary of the FUJISOFT Group's (the Company and its consolidated subsidiaries) awareness, analysis, and discussion on its operating results, etc. from the management's perspective.

Matters discussed here that are not historical fact reflect the judgment of the FUJISOFT Group as of the end of the fiscal year under review.

(1) Overview of consolidated results for the fiscal year ended December 31, 2023

During the consolidated fiscal year under review (from January 1, 2023 to December 31, 2023), the Japanese economy continued to recover amid signs of the improvement of corporate earnings and personal consumption reflecting the normalization of economic activity following its disruption during the COVID-19 pandemic. However, the economic outlook in Japan and other countries has remained uncertain due to the impact of inflation and monetary restraint measures mainly in Europe and the United States, concerns over the outlook for the Chinese economy and the impact of rising prices, which are attributed to the consistently high prices of raw materials and energy and the weaker yen, on consumption in Japan.

In the information services industry, demand for strategic system investment to keep pace with the trend toward digital transformation (DX) has continued to increase, with companies in a wide range of industries remaining highly motivated to invest in systems to expand business or increase competitiveness.

Further, attention is being drawn to large language models (LLM), a kind of generative AI model, an example of which is ChatGPT, and models and tools which significantly facilitate and dramatically lower the cost of communication and information collection are expected to emerge. At the same time, it is expected that there will be innovations in various fields.

In this business environment, the FUJISOFT GROUP worked to achieve sustainable growth and improve its added value during the three years of the Medium-Term Management Plan up to the fiscal year ending December 31, 2024 and achieved its management targets set in the plan, including operating profit and ROE, one year earlier than planned. In response, the Group considered its future growth path exhaustively and formulated Medium-Term Management Plan 2028 for the next five years.

Further, the Company established the Corporate Value Committee in 2022 and announced initiatives to enhance its corporate value(*).

Major initiatives to enhance corporate value

(i) Review of listing of subsidiaries

To maximize the dynamic operation of and synergy within the FUJISOFT GROUP as a whole, the Company made four listed

subsidiaries into wholly owned subsidiaries.
(ii) Review of the real estate business
The Company has downscaled its real estate business and decided to liquidate properties that it holds. The liquidation process is under way.
(iii) Formulation of a capital allocation policy
The Company formulated a five-year allocation policy, aiming to increase growth investment and improve capital efficiency.
(iv) Setting of a management target
As its most important KPI, the Company set a target non-consolidated operating profit per person of at least 3 million yen, aiming to improve capital efficiency and other aspects of its business.
(v) Review of the governance structure
Reinforcement of the structure for strengthening governance

Regarding the business situation, in operation system development in the System Construction Segment, demand remained strong reflecting the movement toward the promotion of DX, mainly in the domain of system infrastructure construction realizing virtualization and the shift to cloud computing, which are essential for achievements including increased business efficiency and productivity, by utilizing the technologies of global vendors, the reconstruction of backbone systems to respond to the aging of systems or reinforce the business foundation, the domain of e-commerce where business is brisk as it has become a part of the lifestyles of many consumers, the domain of digital finance that is expected to expand and other domains, based on the wealth of expertise and technological capabilities that have been cultivated to date.
The Company has also been working on intelligent technologies and AI for many years. It has also been expanding business in the domain of cyber security, where countermeasures have been growing increasingly important, based on the wealth of expertise and technological capabilities that have been cultivated to date.
Further, the Company also began a validation of a service related to ChatGPT ahead of others and has been studying efficient, effective ways of using ChatGPT. The Company plans to provide customers with the results gained in the form of the transformation of internal operations and support for the system development process.
In embedded/control system development, the Company performed solidly in the machine control field, reflecting strong performances in fields related to semiconductor manufacturing facilities due to the digitization of society, as well as continued investments in the digital consumer electronics field by major manufacturers. Further, the shift to EVs in the automobile industry has accelerated and capital investment in machine tools to increase the production of EV parts is expected. In response, the Company has been carrying out aggressive sales activities.
In the automotive sector, business remained strong due to robust investment in the CASE domain, including the shift to EVs for the achievement of global carbon neutrality and the continued evolution of autonomous vehicles. Further, partly reflecting an increase in investments in new domains including software-defined vehicles (SDV), where software enables the evolution of automobiles, the Company has been implementing an aggressive strategy to receive orders.
In the products and services segment, sales remained strong mainly in the license business operated in cooperation with a global vendor. Mobile routers remained strong with growing demand for rental equipment, reflecting gradual recovery of demand from inbound tourists that is attributed mainly to the easing of COVID-19 restrictions.
The Company will continue to provide high-quality products which meet customers' needs and develop and sell new products by responding flexibly to social change in its efforts to strengthen and expand its business.
The Company is contributing to the development of a sustainable global society through its business activities and various social contribution activities in cooperation with society with the basic policy of being a corporate group that is more helpful to society, more appreciated by customers, friendlier to the Earth, relaxed and rewarding.
With respect to CSR (corporate social responsibility) activities, FUJISOFT KIKAKU Inc., a special subsidiary, empathizes with the concept of the SDGs and has continued to focus on employment transition support activities to expand the employment of persons with disabilities and on the cultivation of shitake mushrooms as a new agriculture using ICT technologies, aiming to build a sustainable society with diversity and inclusion, where "no one is left behind."
In addition, the Company held the All Japan Robot-Sumo Tournament 2023. The Company has been driving this and other activities to provide opportunities to be motivated to engage in research and exercise creativity, introducing to a wide range of people the joy of making things, and improving robot technologies, through Robot-sumo.
The Company has been advancing initiatives to achieve sustainable growth and enhance its corporate value by positioning it as an important mission for contributing to the development of society through wide-ranging corporate activities. The Company's basic policy embraces the environment, social, and governance (ESG) concept. The Company is determined to continue to develop its businesses and fulfill its social responsibilities.
As a result of these initiatives, in the fiscal year under review, net sales stood at 298,855 million yen, up 7.2% year on year, thanks to the strong performance of the System Integration business. While SG&A expenses increased 7.5% year on year, to 46,552 million yen, the sales growth resulted in operating profit of 20,684 million yen, up 13.2% year on year. Ordinary profit stood at 19,675 million yen, up 2.4% year on year, due to an increase in expenses, including expenses related to the tender offer of the four listed subsidiaries. Profit attributable to owners of parent was 11,849 million yen, up 4.1% year on year.
* The Company's initiatives to enhance its corporate value

https://www.fsi.co.jp/ir/management/kigyoukachi.html

Results by business segment were as follows:
(i) SI (system integration) business
In the SI business, both sales and profit from embedded/control software increased, despite a decline in mobile systems and social infrastructure systems, more than offset by the steady performance of development projects in the EV and advanced fields for automotive systems and development projects involving machine control systems in the industrial field. In operation software, sales increased because of the favorable results in the projects for the construction of system infrastructure and backbone systems mainly in the manufacturing and financial service industries, and operating profit increased due in part to the increase of sales and improvement of productivity. In Products and Services, sales and profit rose thanks to strong sales of licenses from other companies and products of the Company. In the outsourcing business, sales decreased mainly reflecting a decrease in IT services for overseas retailers, and operating profit also decreased due to the decrease of sales and the impact of rising electricity prices on data center services.
As a result, net sales stood at 282,418 million yen, up 7.3% year on year. Operating profit amounted to 18,904 million yen, up 12.7%.

*The following table shows a breakdown of net sales and operating profit in the SI business.

(Million yen)

	Net sales	YoY change (%)	Operating profit	YoY change (%)
SI business total	282,418	107.3	18,904	112.7
System Construction	181,728	110.4	13,406	120.5
Embedded/Control Software	78,553	105.5	6,695	112.1
Operation Software	103,174	114.5	6,710	130.2
Products and Services	100,690	102.2	5,498	97.4
Products and Services	86,546	103.2	4,806	104.1
Outsourcing	14,144	96.5	691	67.3

(Note) Operating profit includes the elimination of intersegment transactions of 0 million yen.

(ii) Facility business
In the facility business, net sales stood at 2,906 million yen, up 9.5% year on year, and operating profit amounted to 1,010 million yen, up 23.9%, mainly reflecting an increase in tenants.

(iii) Other businesses
Net sales from other businesses amounted to 13,530 million yen, up 4.2% year on year, thanks to the significant contribution of the pension-related operations which were started in the previous fiscal year for both call center services and BPO services. Operating profit stood at 768 million yen, up 12.6% year on year.

Production, orders, and sales situations
(1) Production performance
The table below shows production performance by business segment in the fiscal year under review.

Segment by business type	Amount (million yen)	YoY change (%)
SI business	218,362	106.5
Facility business	1,783	128.8
Other	11,473	105.9
Total	231,619	106.6

(Notes) 1. Inter-segment transactions were canceled out.
2. The amount is calculated based on the manufacturing cost.
3. Amounts are not inclusive of the consumption tax.

(2) Orders

The table below shows orders received by business segment in the fiscal year under review.

Segment by business type	Amount of orders (million yen)	YoY change (%)	Outstanding balance of orders (million yen)	YoY change (%)
SI business	284,230	103.5	74,775	102.5
Facility business	2,850	101.4	1,144	95.3
Other	13,369	98.3	3,446	95.5
Total	300,450	103.2	79,367	102.1

(Notes) 1. Inter-segment transactions were canceled out.
2. Amounts are not inclusive of the consumption tax.

(3) Sales performance

The table below shows sales performance by business segment in the fiscal year under review.

Segment by business type	Amount (million yen)	YoY change (%)
SI business	282,418	107.3
Facility business	2,906	109.5
Other	13,530	104.2
Total	298,855	107.2

(Notes) 1. Inter-segment transactions were canceled out.
2. Amounts are not inclusive of the consumption tax.
3. Sales by major customer and the ratio of sales by major customer to total sales in the fiscal year under review were omitted, since the ratio was less than 10%.

(2) Overview of financial position for the fiscal year under review

(Total assets)

Total assets stood at 257,596 million yen at the end of the consolidated fiscal year under review, up 16,761 million yen from the end of the preceding consolidated fiscal year. Current assets were 123,153 million yen (up 10,422 million yen from the end of the previous fiscal year), and non-current assets were 134,443 million yen (up 6,338 million yen).

The main factors for the change in current assets include an increase in notes and accounts receivable-trade and contract assets by 6,061 million yen from the end of the previous fiscal year, to 62,696 million yen, an increase in cash and deposits by 2,588 million yen, to 35,324 million yen, an increase in advance payments to suppliers by 756 million yen, to 3,461 million yen, an increase in work in process by 714 million yen, to 4,478 million yen, an increase in prepaid expenses of 657 million yen, to 6,547 million yen, and a decrease in securities of 400 million yen, to 8,100 million yen.

The main factors for the change in non-current assets include an increase in buildings and structures by 4,099 million yen from the end of the previous fiscal year, to 31,707 million yen, an increase in investment securities of 1,293 million yen, to 8,986 million yen, and an increase in construction in progress of 1,294 million yen, to 14,273 million yen.

Assets by segment are as follows

1) SI business

In the System Integration business, segment assets totaled 249,153 million yen (up 16,026 million yen from the end of the previous fiscal year), reflecting an increase in accounts receivable due to a favorable order environment and the Shiodome Building and Shin-Fukuoka Building under construction.

2) Facility business

In the Facility business, segment assets amounted to 238 million yen (up 60 million yen from the end of the previous fiscal year) due to depreciation of buildings and other assets.

3) Other businesses

In other businesses, segment assets amounted to 8,205 million yen (up 674 million yen from the end of the previous fiscal year), mainly due to an increase in accounts receivable-trade resulting from higher sales.

(Liabilities)

At the end of the fiscal year under review, total liabilities amounted to 128,674 million yen, up 40,583 million yen from the end of the previous fiscal year. Current liabilities were 112,740 million yen (up 40,794 million yen from the end of the previous fiscal year), and non-current liabilities were 15,934 million yen (down 210 million yen).

Major factors of the change in current liabilities include an increase in short-term borrowings and current portion of long-term borrowings by 33,648 million yen from the end of the previous fiscal year, to 51,504 million yen, an increase in provision for bonuses by 4,269 million yen, to 11,739 million yen, and an increase in income taxes payable by 2,960 million yen, to 5,789 million yen.
The main factors in the change in non-current liabilities include a 259 million yen decrease in long-term borrowings from the end of the previous fiscal year, to 8,524 million yen.

(Net assets)

Net assets decreased 23,822 million yen from the end of the preceding fiscal year, to 128,921 million yen at the end of the consolidated fiscal year under review. The equity ratio decreased to 48.1%, from 55.7% at the end of the previous fiscal year.

(3) Overview of cash flows for the fiscal year under review

Consolidated cash and cash equivalents (“cash”) at the end of the fiscal year under review were 34,785 million yen, an increase of 1,698 million yen from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities stood at 16,151 million yen.
This was mainly due to an increase in money received reflecting the increase in sales and profit, with an increase in cash due to profit before income taxes of 20,439 million yen and an increase in accounts payable - personnel expenses of 4,368 million yen associated with the change of the evaluation period, offsetting a decrease in cash due to income taxes paid of 4,642 million yen.

(Cash flows from investment activities)

Net cash used in investing activities came to 9,209 million yen.
This reflects a decrease in cash due to payments of 11,120 million yen for property, plant and equipment and intangible assets, payments for purchase of securities of 8,400 million yen, and payments into time deposits of 3,928 million yen, offsetting an increase in cash of 5,754 million yen attributed to proceeds from withdrawal of time deposits.

(Cash flows from financing activities)

Net cash used in financing activities was 5,447 million yen.
This was due to expenses of 34,220 million yen for the purchase of shares of subsidiaries not resulting in change in scope of consolidation, as well as proceeds from and repayments of borrowings that resulted in a cash inflow of 29,386 million yen.

Analysis of capital resources and liquidity of funds

The Group’s working capital requirements are mainly for personnel and subcontracting expenses, as well as operating expenses such as ground rents associated with office leases. The Group’s basic policy is to reliably ensure that it has adequate liquidity on hand for business operations and a means of procuring funds to meet its funding needs. Short-term working capital is basically procured through short-term borrowings from financial institutions and commercial paper, in addition to cash on hand, while long-term borrowings from financial institutions are used for capital investment and long-term working capital. The Company has obtained a credit rating from Japan Credit Rating Agency, Ltd. and as of the end of the current fiscal year, the Company’s issuer rating is A- (long-term) and J-1 (short-term). The balance of interest-bearing debt, including borrowings and lease obligations, at the end of the fiscal year under review was 60,034 million yen. The balance of cash and cash equivalents at the end of the fiscal year under review was 34,785 million yen.

(4) Management’s discussion and analysis of operating results

The details of understanding, analysis and examination concerning the state of operating results, etc. for the Group from the perspective of the management are as follows.
Forward-looking statements in this document are based on judgments of the Company’s management as of the end of the fiscal year under review.

1) Significant accounting policies and estimates

The consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Japan. To prepare these consolidated financial statements, management needs to choose and apply accounting policies and make estimates that affect the reported amounts and disclosure of assets, liabilities, revenues, and expenses. The management reasonably determines the estimates in consideration of past results and other factors, but actual results may be different from the estimates because of the inherent uncertainties of the estimates.
The significant accounting policies adopted by the Group in its consolidated financial statements are described in Section 5. Financial Information 1. Consolidated financial statements (1) Consolidated financial statements - Notes to consolidated financial statements (Significant matters that serve as the basis for the preparation of consolidated financial statements). The Company believes that the following significant accounting policies, in particular, have a significant impact on the Group’s important judgments and estimates used in the preparation of the Company’s consolidated financial statements.

(Revenue recognized over a period of time based on the degree of progress in satisfying performance obligations)
In the case of made-to-order software development involving an obligation to deliver deliverables such as a contract, the Group recognizes revenue over a certain period based on the degree of progress in satisfying performance obligations, except in cases where the period from the date of commencement of transactions under the contract to the point at which the performance obligation is expected to be fully satisfied is very short. The estimate of the degree of progress in satisfying performance obligations is calculated based on manufacturing costs incurred by the end of the relevant fiscal year as a percentage of the estimate of total manufacturing costs.
In recognizing revenues over a certain period of time based on the degree of progress in satisfying performance obligations, the Company relies heavily on estimates of the total order amount and total manufacturing costs to determine the degree of progress in satisfying performance obligations, and requires accuracy in the management of contracts and estimates and planning control. If there is a discrepancy between the estimated and actual total orders and total manufacturing costs, we review them to ensure the accuracy of revenue recognition. However, if there is a delay in taking appropriate action, the Group's operating results may be affected.

(Provision for loss on construction contracts)
To prepare for future losses related to made-to-order software development, at the end of the relevant fiscal year, the Group provides for estimated losses on made-to-order software development contracts where losses are expected to be incurred and the amount of such losses can be reasonably estimated. The accuracy of the estimated losses recorded is ensured through the reasonableness of estimates and the establishment of a project management system that includes monitoring of development progress and costs incurred through project progress reports and quality checks after completion. However, the Group's operating results may be affected if costs exceed initial estimates due to unforeseen costs or other factors.

(Impairment losses on non-current assets)
The Group assesses recoverability in relation to impairment losses on non-current assets by grouping assets with respect to each company and, for any group of assets that experienced a sharp decline in profitability, the Group reduces the book value of non-current assets to a recoverable amount and recognizes the reduced amount as an impairment loss. Since the recoverable amount of non-current assets is calculated based on assumptions of future cash flows, etc., if the initially expected earnings are not obtained, or if assumptions of future cash flows, etc. have changed, the non-current assets may be impaired, causing the Group's performance to deteriorate. deteriorate.

(Deferred tax assets)
In assessing the recoverability of deferred tax assets, the Group makes a reasonable estimate of future taxable income. Since the recoverability of deferred tax assets depends on estimated future taxable income, any decrease in estimated future taxable income may lead to a reduction in deferred tax assets and the recording of tax expense.

2) Management policy, management strategy, objective indicators for judging the achievement of management objectives, etc.
In previous fiscal years, the Group has positioned the sales growth rate, operating profit margin, and stable dividends as important management targets. For management targets for the next consolidated fiscal year, please refer to Section 2. Overview of Business 1. Management Policy, Business Environment and Issues to be Addressed, etc. (2) Target management indicators.
Net sales totaled 298,855 million yen in the consolidated fiscal year under review, with a sales growth rate of 7.2%. The growth is largely attributable to a strong performance in the SI business, including the strong results of infrastructure construction and backbone system development projects in operation software, mainly for the manufacturing and financial services sectors, development projects in the fields of EVs and advanced technologies for automotive systems in embedded software, and development projects for machine control systems in the industrial field.
Operating profit totaled 20,684 million yen in the consolidated fiscal year under review, with an operating profit margin of 6.9%. This mainly reflects higher net sales and the improvement of productivity, although there was an increase in labor costs and other expenses to improve the treatment of employees and reinforce the structure and an increase in research expenses related to AI and other new technologies.
Regarding dividends, the annual dividend per share for the fiscal year under review was 102.5 yen*.
We will continue to strive to enhance the corporate value of our group.

Indicator	FY2021 (Results)	FY2022 (Results)	FY2023 (Results)
Net sales (million yen)	257,891	278,783	298,855
Net sales growth rate (%)	7.0	8.1	7.2
Operating profit (million yen)	16,838	18,272	20,684
Operating profit margin (%)	6.5	6.6	6.9
Dividend per share (yen)	52	127	102.5

* On July 1, 2023, the Company conducted a two-for-one split of its common stock. The dividend per share for the fiscal year ending December 31, 2023 is the sum of the interim dividend of 68 yen per share before the stock split and the year-end dividend of 34.50 yen per share after the stock split (69 yen before the stock split).

5. Important Management Contracts, etc.

Not applicable.

6. Research and Development Activities

Research and development activities in the Group are conducted primarily by the Company, which prepares the consolidated financial statements.

In addition, the Company’s research and development activities are related to the system integration business, and the status of such activities is as follows.

(1) Research and development structure

In our R&D activities, Technology Administration Supervision, the Mirai Creation Lab Project, and other R&D departments investigate and research the latest technological trends and conduct various verifications at the practical level.

The number of personnel engaged in research and development at the end of the fiscal year under review was 108.

(2) Research and development expenses

The total amount of research and development expenses spent by the Group in the consolidated fiscal year under review was 924 million yen.

(3) Outline of research and development

1) DX

- Measurement of the effectiveness of UiPathTestSuite compared to existing testing methods (automated testing with TestCafe and manual testing).

  In development projects for the manufacturing industry, the increase in labor for testing and the risk of degrade are rising with the increase in the number of functions and advances in functionality. Consequently, we conducted a validation of the effectiveness of the UiPath Test Suite, which can realize automated testing using RPA technology. The perspectives of the validation are “1. Validation through comparison of OSS automated testing tools and UiPath Test Suite in terms of test scenario creation productivity” and “2. Validation through comparison of manual testing and testing using UiPath Test Suite.”

  Regarding the results of the validation described in 1., a 17% improvement was achieved in terms of tool-assisted test scenario creation efficiency.

  UiPath Test Suite also supports a wide range of applications due to its RPA tool features, and it was found that the scope of automation, which was previously centered on WebUI, can be expanded to include various tools used in embedded development.

  The results of the validation described in 2. highlighted the methods necessary for stable operation of automated tests and the need for knowledge of code analysis and WebUI to identify the causes of tests that did not operate as expected, and showed that there was a large difference in scenario creation efficiency depending on whether or not development knowledge was available. Based on these results, it was determined that approximately 8 to 30 test runs are required to improve automation costs.

  Going forward, FUJI SOFT will use what it has learned through this research and development activity, and will consider providing a service that uses UiPath Test Suite to meet all test automation needs, with FUJI SOFT handling everything from the construction of a test automation environment to the creation and execution of test scenarios.

- Investigation and research concerning Web3/NFT/Metaverse

  Following consideration in the “Web3/NFT/Metaverse Working Group” initiated in July 2022, it was concluded that information obtained from the Internet and books alone is insufficient to study this business environment, which is evolving every day and that conducting activities in actual environments and the open market would give us access to the latest information that is more relevant to actual business, allowing us to discover and resolve business issues and technological aspects that cannot be accessed through the Internet or books, and we decided to conduct investigations and research in actual environments. We, therefore, conducted investigations and research on the following two themes at the same time.

  - Theme 1: Create in a closed environment an environment and content that can actually be touched within the company. Investigate technologies and investigate and research applications.
  - Theme 2: Create an environment on the open market that is equivalent to a real business environment. Investigate technological elements, and investigate and research peripheral systems and corporate legal issues.

  As a result of investigation and research on theme 1, we completed creation of an operating system for NFTs in the target closed environment and the creation of FUJIPOINT as the content. We also completed identification of technological elements and issues in the creation process.

  As a result of investigation and research on theme 2, we completed creation of an NFT system on the target open market, actually circulated virtual currency, and established the conditions necessary for business.

- Investigation and research concerning “Human Resource Development Platform”

  In July 2022, we launched a company-wide education market strategy consideration and implementation working group to consider areas in the education market that we should focus on in the future. After due consideration, we decided to focus on the working adult education market, which has a high market growth rate and is expected to expand in the future, and to conduct research through an in-house demonstration that harnesses our engineering training knowhow and proposes a “Human Resource Development Platform” through which working-age adults will learn with enthusiasm and master and improve skills. The demonstration aims to establish a process for training working adults train as engineers and to identify issues in the process.

  In March 2023, we began considering matters such as the training program and demonstration field and started preparing to recruit participants. In April 2023, we started Phase 1 of the in-house demonstration and recruited demonstration participants internally for training on three themes (AI, EC, and security), and we considered a development process through individual learning and collaborative learning centered on workshops.

  In Phase 1, we confirmed the usefulness of workshops as part of the process for identifying and developing human resources with motivated learner characteristics. In Phase 2, which began in November 2023, we have switched to a curriculum with a greater ratio of “inquiry/collaborative learning,” which in light of the results/issues in Phase 1 was found to be effective, and we are developing prototypes of AI and tools to improve operational efficiency and learners’ understanding and skills, such as an AI that identifies candidates with motivated learner characteristics, and verifying the effectiveness of these tools.

2) AI

- Investigation and research concerning AI technology

  We are pursuing an initiative through which large GPU servers are installed and made available to developers to realize early proposals and improve development productivity. This initiative has contributed to the delivery of high added value together with speedier provision of services to customers. In the medical field, we continue to conduct joint research with university hospitals and are pursuing joint research on other sites and different symptoms. Our research on simulators that realize digital twins is being applied to business, and we have received many inquiries. In the development of large language models (LLMs), we open up the environment for all employees to use, and conduct investigations and research activities to help develop solutions through customization methods and evaluation of various LLMs. In the robotics field, we are conducting research to apply ROS-based robots, AMR, etc. to low-budget, low-volume, high-mix production sites.

  We will continue to investigate and verify market trends and new technologies presented in research, as well as continuing our research to improve development productivity and quality and provide added value to our customers.

- Investigation and research concerning data analysis technology

  Our research objective is to expand business through the use of data analysis technology. We are working on this alongside investigation and research of data analysis infrastructure required in the DX era, and through these activities, we will contribute to the realization of data-driven management for our customers.

3) Security

- Investigation and research concerning security technology

  To strengthen the security of in-house systems, in-house products, and commissioned development, we conduct research on “secure development and operation processes,” “vulnerability testing and management,” “hacking and hardening methods,” “security architecture,” etc.

4) Cloud

- Investigation and research concerning backup service for ransomware countermeasures using Rubrik

  In recent years, ransomware damages have been expanding in Japan, regardless of the size of the company, and have been widely covered by the media and press. Since “security” is one of our core business domains, we believe it is urgent to develop a managed service that gives us a competitive edge in the growing ransomware protection market, and we have divided our investigation and research for the development of a ransomware protection service into Phase 1 and Phase 2 .

  We considered our competitive edge in the market and decided to use “Rubrik” as the product in our investigation and research. Rubrik was named a leader in the 2023 Gartner® Magic Quadrant™ for Enterprise Backup and Recovery Software Solutions and we were the first company in Japan to win the Partner Sales Champion of the Year (APAC) at Rubrik’s Global Partner Awards.

  As for major issues, we are verifying actual equipment from the following perspectives for the purpose of providing a managed service.

  - Performance verification: Verification of backup function, restore function, detection and notification function in case of ransomware infection
  - Configuration verification: Examination of overall system configuration considering availability and scalability according to backup/recovery environment (on-premise and cloud).
  - Operational verification: Establishment of requirements for operation and maintenance to achieve “stable system operation”

  As a result of our investigation and research, we have determined that the Rubrik-based configuration is of a sufficient level for us

to provide a managed service and have summarized our findings in the outputs of a draft service specification, a draft system configuration diagram, and a draft operation specification.
Based on these results, we will start by providing a Phase 1 service focusing on on-premise services in January, and in Phase 2, we will conduct investigation and research to further expand the service menu and improve quality to meet customer needs.

5) Mobile & AutoMotive

- Investigation and research concerning establishment of in-vehicle standard processes for vehicle cyber security
  To support in-vehicle software development, which is on the rise with the rapid growth of BEVs, autonomous driving, and the launch of OTA update capabilities one after another, we are working on reusable development methods using MBD/CI, building a simulation environment using HILS/SILS, and developing image AI algorithms that achieve higher accuracy and efficiency than ever before.
  In addition, for the development of a mobility society, we have started research and development to promote social implementation of Level 4 or higher automated driving services in collaboration with Nagoya University, Tokai National University Organization, and several companies.
  In terms of quality and development efficiency, we continue to build processes, acquiring Automotive Spice Level 3 certification, ISO 26262 (functional safety), ISO/SAE 21434 (security), and we make improvements through utilization in development settings.
  Going forward, we will continue striving for evolution of the E/E architecture through ECU integration, etc. and we will implement initiatives not only for AUTOSAR, which we have been working on for a long time, but also for next-generation technologies that leverage our knowledge and assets to date.

- Investigation and research for realization of MBD process outsourcing services
  The Ministry of Economy, Trade and Industry (METI)-led JAMBE (Japan MBD Promotion Center) was established with the aim of realizing a state-of-the-art development community for the mobility society and it promotes Model-Based Development across Japan's automotive industry. We are working to build a model-based development process that is compatible with A-SPICE and AUTOSAR.
  In addition, to standardize and automate the model-based development process and introduce a CI environment, we will proceed with process tailoring, definition of a format suitable for automation, and automated system technical investigation and prototype verification, with the aim of promoting more efficient model-based development-related outsourcing operations.

6) 5G

- Investigative and research concerning local 5G
  With respect to the laboratory project for strengthening local 5G technology research and verification, which began in June 2021, we completed the research, procurement, and construction of research and verification laboratory equipment and obtained a wireless license for a local 5G base station. We then prepared an environment enabling actual wireless use in our Akihabara office, and established a "Local 5G Lab."
  In our research during 2023, we collected data on 5G communication in a simultaneous communication environment with multiple devices to verify communication performance in a more realistic usage environment, and compared communication quality in the same environment with other wireless communications. As a result, we confirmed that 5G communications have low latency and stable communications compared to other wireless communications, as initially expected. We also confirmed that "sound and video interruption" is unlikely to occur due to these factors, and have confirmed that product quality can be improved through integration with AI. This latest research will enable the allocation and utilization of limited communication resources according to application through a combination of communication prioritization and bandwidth limitation, and going forward, we aim to provide services based on verification of the optimal configuration according to the issue to be addressed.
  In the future, in addition to verifying the characteristics of 5G communications, we will conduct research to optimize resources and reduce operational costs, which may be issues that arise when users use the system, and we will conduct research and development of functions that can be easily used by any user who wants to use the system.

Section 3. Facilities

1. Overview of Capital Expenditure, etc.

Capital expenditures in the consolidated fiscal year under review were 10,471 million yen. A significant portion of this was spent on an office building under construction in connection with the Group’s business expansion.

There were no disposals or removals of equipment that would have a material impact on production capacity or operating results.

2. Major Facilities

(1) Reporting company

As of December 31, 2023

Office name (Location)	Segment	Description of facilities	Book value (millions of yen)						Number of employees (Persons)
			Buildings and structures	Tools, furniture, fixtures and vehicles	Land (Area m²)	Leased assets	Other	Total	
Akihabara Office (Chiyoda-ku, Tokyo) (Note 3)	SI business Facility business	General management facilities Production facilities	10,754	552	18,122 (4,993.49)	–	259	29,689	730 (10)
Planned construction site for Shiodome A (Minato-ku, Tokyo)	SI business	General management facilities Production facilities	–	-	12,735 (2,545.13)	–	11,732	24,468	–
Head Office Division (Yokohama-shi, Kanagawa)	SI business Facility business	General management facilities Production facilities	5,478	472	3,513 (2,828.77)	–	480	9,945	2,081 (28)
New Fukuoka office construction site (Hakata-ku, Fukuoka-shi, Fukuoka Prefecture)	SI business	General management facilities Production facilities	–	–	2,734 (1,654.34)	–	2,257	4,992	–
New Nagoya Office and others (Nakamura-ku, Nagoya-shi, Aichi, and others) (Note 2) (Note 3)	SI business Facility business	General management facilities Production facilities	13,316	538	16,305 (39,066.16)	–	2,060	32,220	6,667 (56)
Company housing and recreation facilities (Abiko-shi, Chiba, and others) (Note 2) (Note 3)	SI business	Welfare facilities	162	0	654 (7,345.58)	–	–	817	–

(2) Domestic subsidiaries

As of December 31, 2023

Company name	Office name (Location)	Segment	Description of facilities	Book value (millions of yen)						Number of employees (Persons)
				Buildings and structures	Tools, furniture, fixtures and vehicles	Land (Area m²)	Leased assets	Other	Total	
Cyber Com Co., Ltd. (Note 2) (Note 3)	Head Office Division and others (Aoba-ku, Sendai-shi, Miyagi, and others)	SI business Facility business	General management facilities Production facilities	943	70	1,406 (975.11)	–	30	2,452	1,284 (10)
VINX CORP.	Head Office Division and others (Kita-ku, Osaka-shi, Osaka, and others)	SI business	General management facilities Production facilities	474	264	–	1	1,128	1,869	1,529 (134)
Cybernet Systems Co., Ltd. (Note 2) (Note 3)	Head Office Division and others (Chiyoda-ku, Tokyo, and others)	SI business	General management facilities Production facilities	67	246	–	3	1,169	1,487	704 (110)
FUJI SOFT SERVICE BUREAU INCORPORATED and others (Note 2) (Note 3)	Head Office Division and others (Sumida-ku, Tokyo, and others)	SI business Other	General management facilities Production facilities	427	702	329 (2,825.49)	0	729	2,189	4,830 (3,754)

(3) Overseas subsidiaries

As of December 31, 2023

Company name	Office name (Location)	Segment	Description of facilities	Book value (millions of yen)						Number of employees (Persons)
				Buildings and structures	Tools, furniture, fixtures and vehicles	Land (Area m^2)	Leased assets	Other	Total	
FUJISOFT CHINA Corp.	Head Office Division (Jinan, Shandong Province, China)	SI business	Production facilities	1	10	–	–	5	17	136 (18)

(Notes) 1. "Other" in book value is the total of construction in progress and intangible non-current assets. The figures do not include consumption tax.
2. The relevant company leases all or part of the building as lessee.
3. The relevant company leases all or part of the building as lessor.
4. There are no major facilities currently idle.
5. The figures in parentheses in the "Number of employees" column represent the average number of temporary employees during the fiscal year under review.
6. The number of temporary employees includes part-time and contract employees and excludes temporary agency workers.

3. Planned Construction and Retirement of Facilities, Etc.

(1) Construction of new important facilities, etc.

Office name (Location)	Segment	Description of facilities	Planned investment		Funding method	Construction start date	Planned completion date	Increase in capacity after completion
			Total amount (Million yen)	Amount already paid (Million yen)				
Shiodome Building Construction A (Higashi-Shinbashi, Minato-ku, Tokyo)	SI business	Buildings	13,146	11,034	Borrowings	February 2020	February 2024	–
Shin-Fukuoka Building construction (Hakata Ekimae, Hakata-ku, Fukuoka-shi, Fukuoka)	SI business	Buildings	3,429	2,052	Own funds	March 2023	July 2024	–

(Note) The amounts described above do not include consumption taxes, etc.

(2) Retirement of important facilities, etc.

There are no plans for the retirement of important facilities, except for the routine renewal of facilities.

Section 4. Information on the Reporting Company

1. Share Information

(1) Total Number of Shares, Etc.

1) Total Number of Shares

Type	Total number of shares authorized to be issued (shares)
Number of common shares	260,200,000
Total	260,200,000

2) Issued Shares

Type	Number of shares issued at the end of the fiscal year (shares) (As of December 31, 2023)	Number of shares issued as of the filing date (shares) (As of March 27, 2024)	Stock exchange on which the Company is listed or financial instruments association where the Company is licensed	Description
Number of common shares	67,400,000	67,400,000	Tokyo Stock Exchange (Prime market)	The number of shares constituting one trading unit is 100 shares.
Total	67,400,000	67,400,000	–	–

(2) Information on Share Acquisition Rights, Etc.

1) Description of Stock Option Plan

Share acquisition rights issued in accordance with the Companies Act are as follows

(a) Fourth series of share acquisition rights

Date of resolution	March 26, 2019
Classification and number of persons to whom rights are granted (persons)	Directors of the Company (excluding Outside Auditors) 4 Auditors of the Company (excluding Outside Auditors) 1 Former Directors of the Company 2 Executive Officers of the Company (excluding the Company's Directors) 8 Former Executive Officers of the Company 2 Directors of the Company's subsidiaries (excluding the Company's Directors and the Company's Executive Officers) 4 Executive Officers of the Company's subsidiaries (excluding the Company's Directors and the Company's Executive Officers) 2
Number of share acquisition rights* (units)	365 [255] (Note 1)
Class, description and number of shares to be issued upon exercise of stock acquisition rights (shares)*	Common shares 73,000 [51,000] (Notes 1 and 4)
Amount to be paid upon exercise of the share subscription rights (yen)*	2,243 (Notes 2 and 4)
Exercise period of share acquisition rights*	March 29, 2021 - March 26, 2024
Issue price for shares that will be issued through the exercise of share acquisition rights and the amount booked as share capital (yen)*	Issue price 2,243 Amount booked as share capital 1,122 (Note 4)
Conditions for exercise of share acquisition rights*	1. Persons who are allotted the share acquisition rights (the "share acquisition right owners") may exercise the share acquisition rights only if the closing price of the Company's common shares in trading on the stock exchange exceeds 120% of the exercise price at least once during the period from the commencement date of the exercise period of the share acquisition rights to the day on which three years have elapsed from said date. 2. Share acquisition right owners must occupy any of the following positions at the Company at the time when share acquisition rights are exercised – directors (excluding outside directors), auditors (excluding outside auditors), operating officers and employees (employees of the Company prescribed in Article 2 of Employment Regulations of the Company). However, this rule shall not apply in cases where share acquisition right owners are transferred to affiliates of the Company and the like and their exceptional treatment is approved by the Board of Directors, or the Board of Directors acknowledges that there is a justifiable reason against the application of the rule. 3. Share acquisition right owners may not exercise share acquisition rights once any of the following conditions becomes applicable to them. 1) A decision to commence assistance, curatorship or guardianship 2) A declaration of bankruptcy

	3) Assumption of office as a director, employee or consultant of a company in competition with the Company (excluding subsidiaries and associates of the Company). However, this rule shall not apply in cases where the Board of Directors of the Company approves such assumption of office in advance. 4) An acknowledged breach of trust against the Company, such as a legal violation or a violation of the Company's internal regulations and the like 5) A violation of a share acquisition right allotment agreement concluded by and between the Company and persons to whom share acquisition rights are allotted 4. Other conditions for the exercise of share acquisition rights shall be as prescribed in a share acquisition right allotment agreement concluded by and between the Company and share acquisition right owners.
Matters concerning the transfer of share acquisition rights*	The approval of the Board of Directors of the Company shall be required for the acquisition of share acquisition rights by way of transfer.
Matters concerning grant of share acquisition rights accompanying reorganization	(Note 3)

* The information is as of the end of the fiscal year under review (December 31, 2023). For items to which changes were made between the last day of the fiscal year under review and the last day of the previous month (February 29, 2024) of the date of submission, information current as of February 29, 2024 is indicated in the brackets. There is no other change from the last day of the fiscal year under review.

(Notes) 1. The number of shares of common stock underlying a share acquisition right ("the Number of Allotted Shares") shall be 200.
The number of shares granted shall be adjusted according to the following formula if the Company conducts a stock split (includes allotment of the common shares of the Company without consideration; hereinafter the same) or a stock consolidation after the allotment date of the share acquisition rights. Provided, however, that such adjustment shall be made only with respect to the number of shares to be issued upon exercise of the share acquisition rights that have not yet been exercised at the time of adjustment, and any fraction less than one share arising from the adjustment shall be rounded down.
Number of shares granted after adjustment = Number of shares granted before adjustment x Ratio of split (or consolidation)

2. In the case where the Company carries out a share split or share consolidation of its stock after the date of allotment of the share acquisition rights, the exercise price shall be adjusted according to the following formula, with the resulting fractions of less than one yen arising from such calculation to be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of split (or consolidation)}}$$

If the Company issues new common shares or disposes of its treasury shares at a price below the market price of its common shares (excluding the case of the issuance of new shares and the disposal of treasury shares upon exercise of share acquisition rights and the transfer of treasury shares through the exchange of shares), after the allotment date of the share acquisition rights, the exercise price shall be adjusted according to the following formula, and any fraction of less than one yen resulting from the adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares newly issued x Amount to be paid in per share}}{\text{Market price per share prior to the issuance}}}{\text{Number of shares outstanding + Number of shares newly issued}}$$

In the above formula, the "number of shares outstanding" shall be the amount obtained by subtracting the number of treasury shares pertaining to the common shares of the Company from the total number of shares outstanding pertaining to the common shares of the Company. If the Company undertakes the disposal of treasury shares pertaining to its common shares, the "number of shares newly issued" shall be read as the "number of treasury shares to be disposed of."
In addition to the above, if the Company performs a merger with another company, company split, or any other similar matter where the adjustment of the exercise price becomes necessary, after the allotment date of the share acquisition rights, the Company may, to a reasonable extent, adjust the exercise price as appropriate.

3. If the Company conducts a merger (limited to the case where the Company is dissolved due to the merger), an absorption-type or incorporation-type company split, or a share exchange or transfer (collectively, the "reorganization"), the Company shall, in each of the above cases, allot share acquisition rights of the relevant company from among those listed in "a" through "e" of Article 236, Paragraph 1, Item 8 of the Companies Act (the "reorganized company") to the holders of the share acquisition rights as of the effective date of the relevant reorganization. Provided, however, that the foregoing shall be on the condition that the allotment of such share acquisition rights by the reorganized company in accordance with each of the following items is stipulated in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement or a share transfer plan.
(1) Number of share acquisition rights of the reorganized company to be allotted
The same number as the number of share acquisition rights held by the share acquisition right owner shall be allotted in each case.
(2) Class of shares of the reorganized company to be issued upon exercise of share acquisition rights

Shares of common stock of the reorganized company

(3) Number of shares of the reorganized company to be issued upon exercise of share acquisition rights

To be determined in accordance with "Number of shares to be issued upon exercise of share acquisition rights" above, taking into consideration the conditions of the restructuring transaction.

(4) Value of assets to be contributed upon exercise of each share acquisition right

The value of assets to be contributed upon exercise of each share acquisition right to be allotted shall be the amount obtained by multiplying the exercise price after reorganization, obtained through adjustment of "Amount to be paid upon exercise of the share subscription rights" above, taking into consideration, among other matters, the terms and conditions of the reorganization, by the "Number of share acquisition rights of the reorganized company to be allotted" above.

(5) Exercise period of share acquisition rights

The period shall be from the first day of the "Exercise period of share acquisition rights" above or the effective date of the reorganization, whichever comes later, to the last day of "Exercise period of share acquisition rights" above.

(6) Matters concerning share capital and legal capital surplus to be increased due to issuance of shares upon exercise of stock acquisition rights

To be determined in accordance with "Matters concerning capital and capital reserve to be increased" below.

1) The amount by which the stated share capital increases through the issuance of shares upon the exercise of share acquisition rights shall be one-half (1/2) of the upper limit of the increase in the amounts of stated share capital and other items calculated pursuant to the provisions of Article 17, Paragraph 1 of the Company Accounting Ordinance. Any fraction of less than one yen arising from the calculation shall be rounded up.

2) The amount by which the legal capital surplus increases through the issuance of shares upon the exercise of share acquisition rights shall be the upper limit of the increase in the amounts of stated share capital and other items described in 1) above, less the increase in the amount of stated share capital set out in 1) above.

(7) Restriction on acquisition of share acquisition rights by transfer

Restriction on the acquisition of the share acquisition rights through transfer requires approval by the reorganized company.

(8) Other conditions for exercise of share acquisition rights

To be determined in accordance with "Terms and Conditions for Exercising Share Acquisition Rights" above.

(9) Grounds and conditions for acquisition of share acquisition rights

To be determined in accordance with "Matters Concerning Acquisition of Share Acquisition Rights" below.

1) If a proposal for a merger agreement under which the Company is to be the dissolving company, a company split agreement or a company split plan under which the Company is to be the splitting company, or a share exchange agreement or share transfer plan under which the Company is to be a wholly-owned subsidiary is approved by resolution of the general meeting of shareholders (or if a resolution is made by the Company's Board of Directors in the case when the approval of the Company's general meeting of shareholders is not required), the Company may acquire all stock acquisition rights without consideration on a date to be separately determined by the Board of Directors of the Company.

2) If a share acquisition right owner becomes unable to exercise the share acquisition rights before he/she exercises the share acquisition rights under the provisions of "Terms and Conditions for Exercising Share Acquisition Rights" above, the Company may acquire the stock acquisition rights without compensation on a date to be separately determined by the Board of Directors of the Company.

(10) Other conditions are determined according to the conditions for the reorganized company.

4. The Company conducted a two-for-one split of its common stock on July 1, 2023 based on a resolution at the meeting of the Board of Directors held on April 25, 2023. The number of shares underlying the share acquisition rights, the amount to be paid upon exercise of share acquisition rights, and the share issue price and amount incorporated into capital if shares are issued upon exercise of share acquisition rights have been adjusted accordingly.

(b) Fourth series of share acquisition rights

Date of resolution	March 29, 2022	
Classification and number of persons to whom rights are granted (persons)	Directors of the Company (excluding Outside Directors) Former Directors of the Company Executive Officers of the Company (excluding Directors of the Company) Former Executive Officers of the Company	5 1 16 2
Number of share acquisition rights* (units)	1,370 (Note 1)	
Class, description and number of shares to be issued upon exercise of stock acquisition rights (shares)*	Common share 274,000 (Notes 1 and 4)	
Amount to be paid upon exercise of the share subscription rights (yen)*	3,465 (Notes 2 and 4)	
Exercise period of share acquisition rights*	April 1, 2024 - March 29, 2027	
Issue price for shares that will be issued through the exercise of share acquisition rights	Issue price 3,465 Amount booked as share capital 1,733 (Note 4)	

and the amount booked as share capital (yen)*	
Conditions for exercise of share acquisition rights*	1. Share acquisition right owners must occupy any of the following positions at the Company at the time when share acquisition rights are exercised – directors (excluding outside directors), auditors (excluding outside auditors), operating officers and employees (employees of the Company prescribed in Article 2 of Employment Regulations of the Company). However, this rule shall not apply in cases where share acquisition right owners are transferred to affiliates of the Company and the like and their exceptional treatment is approved by the Board of Directors, or the Board of Directors acknowledges that there is a justifiable reason against the application of the rule. 2. Share acquisition right owners may not exercise share acquisition rights once any of the following conditions becomes applicable to them. 1) A decision to commence assistance, curatorship or guardianship 2) A declaration of bankruptcy 3) Assumption of office as a director, employee or consultant of a company in competition with the Company (excluding subsidiaries and associates of the Company). However, this rule shall not apply in cases where the Board of Directors of the Company approves such assumption of office in advance. 4) An acknowledged breach of trust against the Company, such as a legal violation or a violation of the Company's internal regulations and the like 5) A violation of a share acquisition right allotment agreement concluded by and between the Company and persons to whom share acquisition rights are allotted 3. Other conditions for the exercise of share acquisition rights shall be as prescribed in a share acquisition right allotment agreement concluded by and between the Company and share acquisition right owners. 4. Other conditions on exercise of the share acquisition rights shall be determined through resolutions of the Board of Directors.
Matters concerning the transfer of share acquisition rights*	Any acquisition of share acquisition rights by transfer shall be subject to approval by resolution of the Board of Directors of the Company.
Matters concerning grant of share acquisition rights accompanying reorganization	(Note 3)

* The information is as of the end of the fiscal year under review (December 31, 2023). There has been no change made to these items as of the last day of the previous month (February 29, 2024) of the date of submission).

(Notes) 1. The number of shares of common stock underlying a share acquisition right ("the Number of Allotted Shares") shall be 200. The number of shares granted shall be adjusted according to the following formula if the Company conducts a stock split (includes allotment of the common shares of the Company without consideration; hereinafter the same) or a stock consolidation after the allotment date of the stock acquisition rights. Provided, however, that such adjustment shall be made only with respect to the number of shares to be issued upon exercise of the share acquisition rights that have not yet been exercised at the time of adjustment, and any fraction less than one share arising from the adjustment shall be rounded down.

Number of shares granted after adjustment = Number of shares granted before adjustment x Ratio of split (or consolidation)

2. In the case where the Company carries out a share split or share consolidation of its stock after the date of allotment of the share acquisition rights, the exercise price shall be adjusted according to the following formula, with the resulting fractions of less than one yen arising from such calculation to be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of split (or consolidation)}}$$

If the Company issues new common shares or disposes of its treasury shares at a price below the market price of its common shares (excluding the case of the issuance of new shares and the disposal of treasury shares upon exercise of share acquisition rights and the transfer of treasury shares through the exchange of shares), after the allotment date of the share acquisition rights, the exercise price shall be adjusted according to the following formula, and any fraction of less than one yen resulting from the adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares newly issued x Amount to be paid in per share}}{\text{Market price per share prior to the issuance}}}{\text{Number of shares outstanding + Number of shares newly issued}}$$

In the above formula, the "number of shares outstanding" shall be the amount obtained by subtracting the number of treasury shares pertaining to the common shares of the Company from the total number of shares outstanding pertaining to the common shares of the Company. If the Company undertakes the disposal of treasury shares pertaining to its common shares, the "number of shares newly issued" shall be read as the "number of treasury shares to be disposed of."

In addition to the above, if the Company performs a merger with another company, company split, or any other similar matter where the adjustment of the exercise price becomes necessary, after the allotment date of the share acquisition rights, the Company may, to a reasonable extent, adjust the exercise price as appropriate.

3. If the Company conducts a merger (limited to the case where the Company is dissolved due to the merger), an absorption-type or incorporation-type company split, or a share exchange or transfer (collectively, the "reorganization"), the Company shall, in each of the above cases, allot share acquisition rights of the relevant company from among those listed in "a" through "e" of Article 236, Paragraph 1, Item 8 of the Companies Act (the "reorganized company") to the holders of the share acquisition rights as of the effective date of the relevant reorganization. Provided, however, that the foregoing shall be on the condition that the allotment of such share acquisition rights by the reorganized company in accordance with each of the following items is stipulated in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement or a share transfer plan.
   (1) Number of share acquisition rights of the reorganized company to be allotted
   The same number as the number of share acquisition rights held by the share acquisition right owner shall be allotted in each case.
   (2) Class of shares of the reorganized company to be issued upon exercise of share acquisition rights
   Shares of common stock of the reorganized company
   (3) Number of shares of the reorganized company to be issued upon exercise of share acquisition rights
   To be determined in accordance with "Number of shares to be issued upon exercise of share acquisition rights" above, taking into consideration the conditions of the restructuring transaction.
   (4) Value of assets to be contributed upon exercise of each share acquisition right
   The value of assets to be contributed upon exercise of each share acquisition right to be allotted shall be the amount obtained by multiplying the exercise price after reorganization, obtained through adjustment of "Amount to be paid upon exercise of the share subscription rights" above, taking into consideration, among other matters, the terms and conditions of the reorganization, by the "Number of share acquisition rights of the reorganized company to be allotted" above.
   (5) Exercise period of share acquisition rights
   The period shall be from the first day of the "Exercise period of share acquisition rights" above or the effective date of the reorganization, whichever comes later, to the last day of "Exercise period of share acquisition rights" above.
   (6) Matters concerning share capital and legal capital surplus to be increased due to issuance of shares upon exercise of stock acquisition rights
   To be determined in accordance with "Matters concerning capital and capital reserve to be increased" below.
   1) The amount by which the stated share capital increases through the issuance of shares upon the exercise of share acquisition rights shall be one-half (1/2) of the upper limit of the increase in the amounts of stated share capital and other items calculated pursuant to the provisions of Article 17, Paragraph 1 of the Company Accounting Ordinance. Any fraction of less than one yen arising from the calculation shall be rounded up.
   2) The amount by which the legal capital surplus increases through the issuance of shares upon the exercise of share acquisition rights shall be the upper limit of the increase in the amounts of stated share capital and other items described in 1) above, less the increase in the amount of stated share capital set out in 1) above.
   (7) Restriction on acquisition of share acquisition rights by transfer
   Restriction on the acquisition of the share acquisition rights through transfer requires approval by the reorganized company.
   (8) Other conditions for exercise of share acquisition rights
   To be determined in accordance with "Terms and Conditions for Exercising Share Acquisition Rights" above.
   (9) Grounds and conditions for acquisition of share acquisition rights
   To be determined in accordance with "Matters Concerning Acquisition of Share Acquisition Rights" below.
   1) If a proposal for a merger agreement under which the Company is to be the dissolving company, a company split agreement or a company split plan under which the Company is to be the splitting company, or a share exchange agreement or share transfer plan under which the Company is to be a wholly-owned subsidiary is approved by resolution of the general meeting of shareholders (or if a resolution is made by the Company's Board of Directors in the case when the approval of the Company's general meeting of shareholders is not required), the Company may acquire all stock acquisition rights without consideration on a date to be separately determined by the Board of Directors of the Company.
   2) If a share acquisition right owner becomes unable to exercise the share acquisition rights before he/she exercises the share acquisition rights under the provisions of "Terms and Conditions for Exercising Share Acquisition Rights" above, the Company may acquire the stock acquisition rights without compensation on a date to be separately determined by the Board of Directors of the Company.
   (10) Other conditions are determined according to the conditions for the reorganized company.
4. The Company conducted a two-for-one split of its common stock on July 1, 2023 based on a resolution at the meeting of the Board of Directors held on April 25, 2023. The number of shares underlying the share acquisition rights, the amount to be paid upon exercise of share acquisition rights, and the share issue price and amount incorporated into capital if shares are issued upon exercise of share acquisition rights have been adjusted accordingly.

(c) Sixth series of share acquisition rights

Date of resolution	March 28, 2023
Classification and number of persons to whom rights are granted (persons)	Directors of the Company (excluding Outside Directors) 5 Executive Officers of the Company (excluding Directors of the Company) 18
Number of share acquisition rights* (units)	1,310 (Note 1)
Class, description and number of shares to be issued upon exercise of stock acquisition rights (shares)*	Common shares 262,000 (Notes 1 and 4)
Amount to be paid upon exercise of the share subscription rights (yen)*	4,152 (Notes 2 and 4)
Exercise period of share acquisition rights*	April 1, 2025 - March 28, 2028
Issue price for shares that will be issued through the exercise of share acquisition rights and the amount booked as share capital (yen)*	Issue price 4,152 Amount booked as share capital 2,076 (Note 4)
Conditions for exercise of share acquisition rights*	1. Share acquisition right owners must occupy any of the following positions at the Company at the time when share acquisition rights are exercised – directors (excluding outside directors), auditors (excluding outside auditors), operating officers and employees (employees of the Company prescribed in Article 2 of Employment Regulations of the Company). However, this rule shall not apply in cases where share acquisition right owners are transferred to affiliates of the Company and the like and their exceptional treatment is approved by the Board of Directors, or the Board of Directors acknowledges that there is a justifiable reason against the application of the rule. 2. Regardless of the provisions in 1., share acquisition right owners may not exercise share acquisition rights once any of the following conditions becomes applicable to them. 1) A decision to commence assistance, curatorship or guardianship 2) A declaration of bankruptcy 3) Assumption of office as a director, employee or consultant of a company in competition with the Company (excluding subsidiaries and associates of the Company). However, this rule shall not apply in cases where the Board of Directors of the Company approves such assumption of office in advance. 4) An acknowledged breach of trust against the Company, such as a legal violation or a violation of the Company’s internal regulations and the like 5) A violation of a share acquisition right allotment agreement concluded by and between the Company and persons to whom share acquisition rights are allotted 3. Other conditions for the exercise of share acquisition rights shall be as prescribed in a share acquisition right allotment agreement concluded by and between the Company and share acquisition right owners. 4. Other conditions on exercise of the share acquisition rights shall be determined through resolutions of the Board of Directors.
Matters concerning the transfer of share acquisition rights*.	Any acquisition of share acquisition rights by transfer shall be subject to approval by resolution of the Board of Directors of the Company.
Matters concerning grant of share acquisition rights accompanying reorganization	(Note 3)

* The information is as of the end of the fiscal year under review (December 31, 2023). There has been no change made to these items as of the last day of the previous month (February 29, 2024) of the date of submission).

(Notes) 1. The number of shares of common stock underlying a share acquisition right (“the Number of Allotted Shares”) shall be 200. The number of shares granted shall be adjusted according to the following formula if the Company conducts a stock split (includes allotment of the common shares of the Company without consideration; hereinafter the same) or a stock consolidation after the allotment date of the share acquisition rights. Provided, however, that such adjustment shall be made only with respect to the number of shares to be issued upon exercise of the share acquisition rights that have not yet been exercised at the time of adjustment, and any fraction less than one share arising from the adjustment shall be rounded down.
Number of shares granted after adjustment = Number of shares granted before adjustment x Ratio of split (or consolidation)

2. In the case where the Company carries out a share split or share consolidation of its stock after the date of allotment of the share acquisition rights, the exercise price shall be adjusted according to the following formula, with the resulting fractions of less than one yen arising from such calculation to be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of split (or consolidation)}}$$

If the Company issues new common shares or disposes of its treasury shares at a price below the market price of its common shares (excluding the case of the issuance of new shares and the disposal of treasury shares upon exercise of share acquisition rights and the transfer of treasury shares through the exchange of shares), after the allotment date of the share acquisition rights, the exercise price shall be adjusted according to the following formula, and any fraction of less than one yen resulting from the adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares newly issued x Amount to be paid in per share}}{\text{Market price per share prior to the issuance}}}{\text{Number of shares outstanding + Number of shares newly issued}}$$

In the above formula, the "number of shares outstanding" shall be the amount obtained by subtracting the number of treasury shares pertaining to the common shares of the Company from the total number of shares outstanding pertaining to the common shares of the Company. If the Company undertakes the disposal of treasury shares pertaining to its common shares, the "number of shares newly issued" shall be read as the "number of treasury shares to be disposed of."

In addition to the above, if the Company performs a merger with another company, company split, or any other similar matter where the adjustment of the exercise price becomes necessary, after the allotment date of the share acquisition rights, the Company may, to a reasonable extent, adjust the exercise price as appropriate.

3. If the Company conducts a merger (limited to the case where the Company is dissolved due to the merger), an absorption-type or incorporation-type company split, or a share exchange or transfer (collectively, the "reorganization"), the Company shall, in each of the above cases, allot share acquisition rights of the relevant company from among those listed in "a" through "e" of Article 236, Paragraph 1, Item 8 of the Companies Act (the "reorganized company") to the holders of the share acquisition rights as of the effective date of the relevant reorganization. Provided, however, that the foregoing shall be on the condition that the allotment of such share acquisition rights by the reorganized company in accordance with each of the following items is stipulated in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement or a share transfer plan.
   (1) Number of share acquisition rights of the reorganized company to be allotted
   The same number as the number of share acquisition rights held by the share acquisition right owner shall be allotted in each case.
   (2) Class of shares of the reorganized company to be issued upon exercise of share acquisition rights
   Shares of common stock of the reorganized company
   (3) Number of shares of the reorganized company to be issued upon exercise of share acquisition rights
   To be determined in accordance with "Number of shares to be issued upon exercise of share acquisition rights" above, taking into consideration the conditions of the restructuring transaction.
   (4) Value of assets to be contributed upon exercise of each share acquisition right
   The value of assets to be contributed upon exercise of each share acquisition right to be allotted shall be the amount obtained by multiplying the exercise price after reorganization, obtained through adjustment of "Amount to be paid upon exercise of the share subscription rights" above, taking into consideration, among other matters, the terms and conditions of the reorganization, by the "Number of share acquisition rights of the reorganized company to be allotted" above.
   (5) Exercise period of share acquisition rights
   The period shall be from the first day of the "Exercise period of share acquisition rights" above or the effective date of the reorganization, whichever comes later, to the last day of "Exercise period of share acquisition rights" above.
   (6) Matters concerning increase in capital and capital reserve upon issuance of shares through the exercise of share acquisition rights
   To be determined in accordance with "Matters concerning capital and capital reserve to be increased" below.
      1) The amount by which the stated share capital increases through the issuance of shares upon the exercise of share acquisition rights shall be one-half (1/2) of the upper limit of the increase in the amounts of stated share capital and other items calculated pursuant to the provisions of Article 17, Paragraph 1 of the Company Accounting Ordinance. Any fraction of less than one yen arising from the calculation shall be rounded up.
      2) The amount by which the legal capital surplus increases through the issuance of shares upon the exercise of share acquisition rights shall be the upper limit of the increase in the amounts of stated share capital and other items described in 1) above, less the increase in the amount of stated share capital set out in 1) above.
   (7) Restriction on acquisition of share acquisition rights by transfer
   Restriction on the acquisition of the share acquisition rights through transfer requires approval by the reorganized company.
   (8) Other conditions for exercise of share acquisition rights
   To be determined in accordance with "Terms and Conditions for Exercising Share Acquisition Rights" above.
   (9) Grounds and conditions for acquisition of share acquisition rights
   To be determined in accordance with "Matters Concerning Acquisition of Share Acquisition Rights" below.
      1) If a proposal for a merger agreement under which the Company is to be the dissolving company, a company split agreement or a company split plan under which the Company is to be the splitting company, or a share exchange agreement or share transfer plan under which the Company is to be a wholly-owned subsidiary is approved by resolution of the general meeting of shareholders (or if a resolution is made by the Company's Board of Directors in the case when the approval of the Company's general meeting of shareholders is not required), the Company may acquire all stock

acquisition rights without consideration on a date to be separately determined by the Board of Directors of the Company.

2) If a share acquisition right owner becomes unable to exercise the share acquisition rights before he/she exercises the share acquisition rights under the provisions of “Terms and Conditions for Exercising Share Acquisition Rights” above, the Company may acquire the stock acquisition rights without compensation on a date to be separately determined by the Board of Directors of the Company.

(10) Other conditions are determined according to the conditions for the reorganized company.

4. The Company conducted a two-for-one split of its common stock on July 1, 2023 based on a resolution at the meeting of the Board of Directors held on April 25, 2023. The number of shares underlying the share acquisition rights, the amount to be paid upon exercise of share acquisition rights, and the share issue price and amount incorporated into capital if shares are issued upon exercise of share acquisition rights have been adjusted accordingly.

2) Shareholder Right Plans

Not applicable.

3) Other Share Acquisition Plans, Etc.

Not applicable.

(3) Exercises, Etc. of Moving Strike Convertible Bonds, Etc.

Not applicable.

(4) Changes in Total Number of Issued Shares and Capital, Etc.

Date	Change in the total number of issued shares (Shares)	Balance of the total number of issued shares (Shares)	Change in capital (Thousand yen)	Balance of capital (Thousand yen)	Change in legal capital surplus (Thousand yen)	Balance of legal capital surplus (Thousand yen)
July 1, 2023 (Note)	33,700,000	67,400,000	–	26,200,289	–	28,438,965

(Note) Due to a stock split (1:2).

(5) Shareholder Composition

As of December 31, 2023

Category	Status of shares (one unit is 100 shares)								Number of shares less than one unit (Shares)
	Government and local governments	Financial institutions	Financial instruments business operator	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Non-individual	Individual			
Number of shareholders (Person)	–	25	17	51	187	8	5,962	6,250	–
Number of shares held (Unit)	–	106,851	35,493	89,355	296,342	22	145,478	673,541	45,900
Share ownership ratio (%)	–	15.86	5.27	13.27	44.00	0.00	21.60	100.00	–

(Notes) 1. Of 4,486,359 treasury shares, 44,863 units are included in “Individuals and others” and 59 shares are included in “Number of shares less than one unit.”

2. Of 580 shares in the name of Japan Securities Depository Center, Inc., 5 units are included in “Other Corporations” and 80 shares are included in “Number of shares less than one unit.”

(6) Major Shareholders

As of December 31, 2023

Name	Address	Number of shares held (Thousand shares)	Ratio of the number of shares owned to the number of shares issued (excluding treasury shares) (%)
STATE STREET BANK AND TRUST COMPANY 505018 (Standing proxy: Tokyo Branch of The Hong Kong Shanghai Banking Corporation Limited)	One Congress Street, Suite 1, Boston, Massachusetts (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	11,092	17.63
NFC Ltd.	2-27, Katase-Mejiroyama, Fujisawa-shi, Kanagawa	6,056	9.63
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	5,622	8.94
GOLDMAN, SACHS & CO. REG (Standing proxy: Goldman Sachs Japan Co., Ltd.)	200 West Street New York, NY, USA (Roppongi Hills Mori Tower, 6-10-1 Roppongi, Minato-ku, Tokyo)	4,029	6.40
Hiroshi Nozawa	Fujisawa-shi, Kanagawa	3,531	5.61
Custody Bank of Japan, Ltd. (Trust account)	1-8-12 Harumi, Chuo-ku, Tokyo	2,442	3.88
Cabrillo Funding Ltd. (Standing proxy: Goldman Sachs Japan Co., Ltd.)	Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104 (Roppongi Hills Mori Tower, 6-10-1 Roppongi, Minato-ku, Tokyo)	2,224	3.54
Nomura Securities Co., Ltd. (Proprietary Account)	1-13-1 Nihonbashi, Chuo-ku, Tokyo	1,472	2.34
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB (Standing proxy: BofA Securities Japan Co., Ltd.)	Merrill Lynch Financial Centre 2 King Edward Street London United Kingdom (Nihonbashi 1-chome Mitsui Building, 1-4-1 Nihonbashi, Chuo-ku, Tokyo)	1,192	1.90
3D OPPORTUNITY MA STER FUND (Standing proxy: HSBC Tokyo Branch, Custody Service Department)	PO Box 309, Ugland House, Grand Cayman, KY1 1104, Cayman Islands (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	1,186	1.89
Total	—	38,849	61.75

(Notes)1. Of the above number of shares held, the number of shares related to the trust business is as follows.
The Master Trust Bank of Japan, Ltd. (Trust account): 5,617 thousand shares
Custody Bank of Japan, Ltd. (Trust account): 433 thousand shares

2. The Company owns 4,486 thousand shares (6.66%) of treasury stock, , not included in the above.
3. The large shareholding report (change report) made available for public inspection on March 23, 2022 reports that Mizuho Securities Co., Ltd. and its joint holder Asset Management One Co., Ltd. held the following shares as of March 15, 2022. However, the Company has confirmed no beneficial ownership of the number of shares held in the name of these parties as of the end of the fiscal year under review, and therefore, the following are not included in the above status of major shareholders.
The content of the large shareholding report (change report) concerned is given below.
On July 1, 2023, the Company conducted a 2-for-1 stock split of shares of common stock. The number of share certificates held below represents the number of shares held prior to the stock split.

Name	Address	Number of share certificates held (Thousand shares)	Percentage of share certificates held (%)
Mizuho Securities Co., Ltd.	1-5-1 Otemachi, Chiyoda-ku, Tokyo	1,086	3.22
Asset Management One Co., Ltd.	1-8-2 Marunouchi, Chiyoda-ku, Tokyo	586	1.74

4. The large shareholding report (change report) made available for public inspection on May 17, 2022 reports that JP Morgan Securities Japan Co., Ltd. and its joint holder J.P. Morgan Securities plc (J.P. Morgan Securities plc) held the following shares as of May 13, 2022. However, the Company has confirmed no beneficial ownership of the number of shares held in the name of these parties as of the end of the fiscal year under review, and therefore, the following are not included in the above status of major shareholders.
   The content of the large shareholding report (change report) concerned is given below.
   On July 1, 2023, the Company conducted a 2-for-1 stock split of shares of common stock. The number of share certificates held below represents the number of shares held prior to the stock split.

Name	Address	Number of share certificates held (Thousand shares)	Percentage of share certificates held (%)
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 2-7-3 Marunouchi, Chiyoda-ku, Tokyo	0	0.00
J.P. Morgan Securities plc	25 Bank Street, Canary Wharf, London E14 5JP, the U.K.	1,270	3.77

5. The large shareholding report (change report) made available for public inspection on October 4, 2022 reports that 3D Investment Partners Pte. Ltd. held the following shares as of September 27, 2022. However, the Company has confirmed no beneficial ownership of the number of shares held in the name of this party as of the end of the fiscal year under review, and therefore, the following are not included in the above status of major shareholders.
   The content of the large shareholding report (change report) concerned is given below.
   On July 1, 2023, the Company conducted a 2-for-1 stock split of shares of common stock. The number of share certificates held below represents the number of shares held prior to the stock split.

Name	Address	Number of share certificates held (Thousand shares)	Percentage of share certificates held (%)
3D Investment Partners Pte. Ltd.	#13-01 Raffles City Tower, 250 North Bridge Road, Republic of Singapore 179101	7,228	21.45

6. The large shareholding report (change report) made available for public inspection on January 11, 2024 reports that Nomura Securities Co. Ltd. and its joint holders Nomura International PLC and Nomura Asset Management Co., Ltd. held the following shares as of December 29, 2023. However, the Company has confirmed no beneficial ownership of the number of shares held in the name of these parties as of the end of the fiscal year under review, and therefore, the following are not included in the above status of major shareholders.
   The content of the large shareholding report (change report) concerned is given below.

Name	Address	Number of share certificates held (Thousand shares)	Percentage of share certificates held (%)
Nomura Securities Co., Ltd.	1-13-1 Nihonbashi, Chuo-ku, Tokyo	838	2.49
Nomura International PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	38	0.12
Nomura Asset Management Co., Ltd.	2-2-1 Toyosu, Koto-ku, Tokyo	820	2.44

7. The large shareholding report (change report) made available for public inspection on January 5, 2024 reports that Farallon Capital Management, L.L.C. held the following shares as of December 26, 2023. However, the Company has confirmed no beneficial ownership of the number of shares held in the name of these parties as of the end of the fiscal year under review, and therefore, the following are not included in the above status of major shareholders.
   The content of the large shareholding report (change report) concerned is given below.

Name	Address	Number of share certificates held (Thousand shares)	Percentage of share certificates held (%)
Farallon Capital Management, L.L.C.	One Maritime Plaza, Suite 2100, San Francisco, California, USA	5,833	8.66

(7) Information on Voting Rights

1) Issued Shares

As of December 31, 2023

Category	Number of shares (shares)		Number of voting rights (units)	Description
Non-voting shares		–	–	–
Shares with restricted voting rights (treasury shares, etc.)		–	–	–
Shares with restricted voting rights (others)		–	–	–
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Number of common shares	4,486,300	–	–
	(Mutually held shares) Number of common shares	3,900	–	–
Shares with full voting rights (others)	Number of common shares	62,863,900	628,639	–
Shares less than one unit	Number of common shares	45,900	–	–
Total number of shares issued and outstanding		67,400,000	–	–
Total number of voting rights		–	628,639	–

(Notes) 1. Common shares in the "Shares with full voting rights (others)" row include 500 shares (5 voting rights) in the name of Japan Securities Depository Center, Inc.

2. Common shares in the "Shares less than one unit" row include 98 mutually held shares owned by Nihon Business Soft Incorporation, 59 shares of treasury stock owned by the Company, and 80 shares in the name of Japan Securities Depository Center, Inc.

2) Treasury Shares, Etc.

As of December 31, 2023

Name of shareholder	Address of shareholder	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Ratio of number of shares held to total number of issued shares (%)
(Treasury shares) FUJI SOFT INCORPORATED	1-1 Sakuragi-cho, Naka-ku, Yokohama-shi, Kanagawa	4,486,300	–	4,486,300	6.66
(Mutually held shares) Nihon Business Soft Incorporation	27-1 Mikawachi Shinmachi, Sasebo-shi, Nagasaki	3,900	–	3,900	0.01
Total	–	4,490,200	–	4,490,200	6.66

2. Acquisition and Disposal of Treasury Shares

Type of Shares, Etc. Acquisition of common shares pursuant to Article 155-7 of the Companies Act

(1) Acquisition of Treasury Shares by Resolution of the General Meeting of Shareholders
Not applicable.

(2) Acquisition of Treasury Shares by Resolution of the Board of Directors
Not applicable.

(3) Acquisition of Treasury Shares Not Based on Resolution of the General Meeting of Shareholders or Resolution of the Board of Directors

Category	Number of shares (shares)	Total amount (yen)
Treasury shares acquired during the fiscal year under review	585	4,305,624
Treasury shares acquired during this period	240	1,507,093

(Notes) 1. Due to a two-for-one stock split of common shares on July 1, 2023, the number of shares for the fiscal year under review represents the number of shares after adjustment for this stock split.
2. The number of shares of treasury shares acquired during this period does not include the number of shares of less than one unit acquired between March 1, 2024 and the date of submission of this annual securities report.

(4) Status of the Disposition and Holding of Acquired Treasury Shares

Category	Fiscal year under review		This period	
	Number of shares (shares)	Total disposal value (Yen)	Number of shares (shares)	Total disposal value (Yen)
Acquired treasury shares that were offered to subscribers	–	–	–	–
Acquired treasury shares that were cancelled	–	–	–	–
Treasury shares acquired in relation to mergers, share exchanges, stock issuance, and transfers related to company splits	–	–	–	–
Other (Exercise of share acquisition rights)	55,300	77,950,300	22,000	49,346,000
Other (Disposal of treasury shares as restricted stock compensation)	8,767	66,979,880	–	–
Number of treasury shares held	4,486,359	–	4,464,599	–

(Notes) 1. Due to a two-for-one stock split of common shares on July 1, 2023, the number of shares for the fiscal year under review represents the number of shares after adjustment for this stock split.
2. The number of shares of treasury stock held during the period does not include the number of shares purchased from March 1, 2024 to the date of submission of the Annual Securities Report.

3. Dividend Policy

The Company regards continuous and comprehensive profit improvement as an important management goal.

The Company's basic policy is to pay dividends from surplus twice a year, an interim dividend and a year-end dividend. The decision-making body for dividends is the Board of Directors.

The Company's basic dividend policy is to maintain a stable return of profit while ensuring a certain level of retained earnings to prepare for the active expansion of business and to guard against unexpected risks. The consolidated dividend payout ratio will be 30% or greater, comprehensively considering growth potential, stability, capital efficiency and other factors of the business.

In accordance with this policy, the Company paid an interim dividend of 68 yen per share on September 8, 2023, and set the year-end dividend at 34.50 yen per share (69 yen per share before the stock split), bringing the total dividend for the fiscal year under review to 137 yen per share based on shares before stock split. The Company conducted a two-for-one split of its common stock, effective July 1, 2023.

In addition, pursuant to Article 459 of the Companies Act, the Company stipulates that it may pay dividends from surplus by a resolution of the Board of Directors.

(Note) Dividends from surplus by resolution of the Board of Directors whose record date belongs to the fiscal year under review are as follows.

Date of resolution	Total dividends (Million yen)	Dividend per share (Yen)
August 10, 2023	2,137	68.00
February 14, 2024	2,170	34.50

(Note) The Company conducted a two-for-one stock split of common shares effective July 1, 2023; however, since the dividend with a Board of Directors resolution date of August 10, 2023 was paid on June 30, 2023, the dividend amount per share before the stock split is shown.

4 【Corporate Governance】

(1) 【Corporate Governance】

(a) Basic Approach to Corporate Governance

The FUJISOFT GROUP will operate with the aim of "becoming an innovative corporate group that links ICT development to greater value for customers," under its basic philosophy. The Group has built an organizational structure that can respond quickly to changes in the business environment, enhancing its corporate governance by ensuring management health and efficiency and increasing management transparency by pressing forward with the following initiatives.

(1) The Group has introduced the operating officer system to accelerate the speed of decision-making and strengthen the management supervisory function by clarifying the responsibility for execution of business, improving the efficiency and increasing the speed of business operation and streamlining the Board of Directors.

(2) While the Group has adopted a company with a board of auditors as an institutional design as a company, the Group deliberates on significant matters to be submitted to the Board of Directors for discussion in advance at the Nomination Committee, the Compensation Committee and the Ethics Committee, which are established as voluntary organs in which outside directors also participate as members.

(3) All outside directors of the Group meet the requirements described in the judgment criteria for independent officers established by the Tokyo Stock Exchange. They are capable of exercising supervision and advice from an unbiased external standpoint and simultaneously possess deep insight and extensive knowledge and experience in the area in which they specialize.

＜Basic Philosophy＞

Aiming to become a corporate group that contributes to society
Provides satisfaction to customers
Initiates eco-friendly activities
And believes in a comfortable and rewarding environment.

2) Overview of the corporate governance structure and reasons for its adoption

(a) Overview of the corporate governance structure

The Company has adopted the following structure to ensure highly transparent management with an emphasis on "outside viewpoints" and to build an organizational structure that can quickly respond to changes in the business environment.

The Company is a company with a Board of Auditors and it has established a General Meeting of Shareholders, a Board of Directors and a Board of Auditors as required by law. The Board of Directors consists of 12 Directors (Satoyasu Sakashita, Tateyuki Oosako, Tadashi Tsutsui, Mari Morimoto, Masashi Umetsu, Tateki Ooishi (Outside Director), Tomoko Aramaki (Outside Director), Takao Tsuji (Outside Director), Hidetaka Nishina (Hidetaka Nishina), Hikari Imai (Outside Director), Yuya Shimizu (Outside Director), and Shintaro Ishimaru (Outside Director). (All seven Outside Directors have been registered as independent officers in accordance with the provisions of the Tokyo Stock Exchange. The Board of Directors is chaired by Satoyasu Sakashita, President and Representative Director. The Board of Directors meets regularly once a month and on an ad hoc basis as needed, with meetings also attended by three auditors (Hiroyuki Kimura, Yukako Oshimi and Hiroshi Hirano (two of whom, Yukako Oshimi and Hiroshi Hirano, are Outside Auditors and have been registered as independent officers in accordance with the provisions of the Tokyo Stock Exchange). The Board of Directors passes resolutions on all important agenda items relating to management, in addition to matters specified by the relevant laws and regulations.

The Company has established a Management Conference, attended by the Directors, the Standing Auditor and the Operating Officers (held twice a month or on a temporary basis as needed), as a deliberative organ for matters relating to the execution of important business based on the management policy set by the Board of Directors. It is chaired by Satoyasu Sakashita, President and Representative Director. To contribute to deliberations at the Management Conference, the Company also sets up strategy meetings, etc. for different purposes, and for specific matters, the Company has established the Sustainability Committee, the Internal Control Committee, the Risk and Compliance Committee and the Reward and Disciplinary Committee, etc. to deliberate on and coordinate matters under their respective jurisdictions.

Although not a company with a nomination committee under the Companies Act, the Company has established the Nomination Committee and the Compensation Committee, the majority of whose members are independent Outside Directors, as voluntary advisory bodies to the Board of Directors, to discuss the nomination of Directors and Operating Officers (including succession planning) and their compensation with independence and objectivity and to report their findings to the Board of Directors. The Board of Directors is required to make a resolution after confirming that the relevant proposal has been approved and deliberated by the respective committee.

The Corporate Value Committee, consisting of members who attend Board of Directors meetings, has been established as a body to deliberate important matters that contribute to the enhancement of corporate value and to report its findings to the Board of Directors. In addition, the Company has established the Governance Committee, the majority of whose members are Outside Directors, as a body to discuss various governance issues, deliberate on governance issues, and report its findings to the Board of Directors.

The Board of Auditors consists of three Auditors (Hiroyuki Kimura, Yukako Oshimi (Outside Auditor), and Hiroshi Hirano (Outside Auditor) (Yukako Oshimi and Hiroshi Hirano are registered as independent officers in accordance with the provisions of the Tokyo Stock Exchange). The Board of Auditors meets once a month in accordance with the "Regulations of the Board of Auditors" and the "Regulations of Auditors," etc., and ad hoc meetings are held as necessary. Meets are chaired by Hiroyuki Kimura, Standing Auditor.

3) Other matters related to corporate governance

(a) Basic policy on internal control systems

I. Basic policy on execution of duties

The Company shall set forth its basic philosophy, which shall be the basic policy for all officers (Directors and Auditors and their equivalents) and employees (regular employees, contract employees, temporary employees, employees of subcontractors, and all other persons engaged in the Company's business) in the execution of their duties.

＜Basic Philosophy＞

Aiming to become a corporate group that contributes to society
Provides satisfaction to customers
Initiates eco-friendly activities
And believes in a comfortable and rewarding environment.

Based on this basic philosophy, the Company recognizes that it is an important management responsibility to establish and operate systems for the proper execution of duties, and has established the following internal control systems. The Company will continue to make efforts to develop more appropriate internal control systems in response to changes in the internal and external environment.

II. Basic policy on development of internal control systems

In accordance with the Companies Act and the Ordinance for Enforcement of the Companies Act, the Board of Directors of the Company shall adopt the following basic policy and endeavor to develop systems to ensure the appropriateness of the Company's business operations and the business operations of the corporate group consisting of the Company and its subsidiaries.

1. Systems for ensuring that the performance of the duties of Directors and employees of the Company and its subsidiaries conforms to laws and regulations and to the Articles of Incorporation

i) The President and Representative Director shall establish the "Group Company Charter," the "Officers' Guidelines," the "Employees' Guidelines," and the "Basic Regulations," and repeatedly communicate the spirit of these documents to Directors, Executive Officers, and employees to ensure that compliance with laws and regulations is a prerequisite for all corporate activities.

ii) The President and Representative Director shall establish "Compliance Regulations," set up a Risk and Compliance

Committee and a compliance division, and shall formulate a practical plan for compliance with laws and regulations, conduct compliance awareness activities through various training programs, and check the legality of important management matters.

iii) The President and Representative Director shall establish a whistle-blowing division to detect violations of laws, regulations and the Articles of Incorporation, and other misconduct at an early stage. Upon receipt of a report or whistle-blowing report, the whistle-blowing division shall investigate its content and report its findings to the President and Representative Director. The President and Representative Director shall determine measures to prevent recurrence and have them implemented company-wide. In particular, important issues that are highly relevant to the Directors shall be immediately brought to the Board of Directors and the Board of Auditors for deliberation.

iv) The Company shall have Outside Directors. The Outside Directors shall monitor whether the systems under which directors execute their duties are developed, ensured and put into practice, and they shall ensure external transparency.

v) The President and Representative Director shall establish an internal audit division, which shall verify that the activities of each department are conducted in accordance with laws, the Articles of Incorporation, and internal regulations.

vi) The internal audit division shall periodically review the items to be audited and implementation methods, confirm that there are no omissions in the items to be audited, and revise the audit methods as necessary.

vii) Auditors and the internal audit division shall cooperate on a case-by-case basis to investigate the company-wide compliance system and whether or not there are any compliance problems.

viii) The President and Representative Director, the Board of Auditors, and the Accounting Auditor shall endeavor to exchange information and report their findings to the Board of Directors on a regular basis.

ix) The President and Representative Director shall establish a Group company management division within the Company, and the Group company management division shall provide guidance and support to ensure compliance with laws and regulations and the appropriateness of operations at subsidiaries.

x) Subsidiaries shall report to the Company’s Group company management division when they discover any violation of laws, regulations, and the Articles of Incorporation, or any other material misconduct.

xi) Important subsidiaries shall establish regulations concerning compliance, establish their own compliance systems, and report periodically or as necessary to the Company’s Group company management division on the status of compliance with laws and regulations, etc.

2. System for storing and managing information about the Directors’ performance of their duties

i) The Board of Directors shall establish the Document Management Regulations, pursuant to which each director in charge shall preserve the documents (including electromagnetic records) specified in each of the following items.

I. Minutes of the General Meeting of Shareholders

II. Minutes of the Board of Directors

III. Approval documents

IV. Contracts in which the director is the final decision maker

V. Minutes of important meetings

VI. Other documents specified in the “Document Management Regulations

ii) The retention period, storage location, etc. of the documents specified in each item of the preceding paragraph shall be as stipulated in the Document Management Regulations. Each Director in charge shall store such documents at head office by a method that enables them to be viewed by Directors or Auditors promptly upon their request.

iii) Any revision of the Document Management Rules shall be approved by the Board of Directors.

iv) The Information Security Management Regulations, Personal Information Management Regulations, and Regulations for Handling Specified Personal Information shall be established to provide a code of conduct for the protection of the company’s information assets and personal information, and to ensure a high level of information security.

v) Confidentiality Regulations shall be established to clarify the handling and management system of confidential information including personal information.

3. System for reporting matters concerning the execution of duties by the Directors of subsidiaries to the Company

i) The Group company management division shall receive reports from subsidiaries on important management matters as they arise, in accordance with the Regulations for Management of Subsidiaries and Associates.

ii) The Group company management division shall hold liaison meetings when necessary to share information among the Company and its subsidiaries regarding various problems in technology, production, sales, and marketing.

4. Regulations and other systems for managing the risk of loss of the Company and its subsidiaries

i) A Risk and Compliance Committee shall be established to address the Company’s corporate risks, and a department to manage and respond to each risk shall be determined and appropriate measures shall be taken.

ii) The Company shall establish Risk Management Regulations, and the Risk and Compliance Committee shall consider measures to address risks of the Company’s business (development of commissioned software, undertaking of outsourced operations, management of confidential information, risks associated with the application of impairment accounting to non-current assets, etc.) and other risks such as serious failures or defects, serious loss of trust, disasters, etc., and take appropriate preventive measures. The Company shall also establish emergency response measures, and shall respond in accordance with these measures in the event of a crisis.

iii) In the event of a company-wide crisis, the Risk and Compliance Committee shall consider countermeasures and take appropriate actions.

iv) In the event that the head office division that is responsible for monitoring, managing, supervising, guiding, and controlling risks across each business group, discovers any business conduct that poses a risk of loss based on a violation of laws, regulations, and the Articles of Incorporation, or other reasons, it shall immediately report the details and the degree of loss it poses to the division in charge, and the division in charge shall, in cooperation with the compliance division, consider countermeasures and take corrective actions.

v) In the event that the internal audit division discovers any business conduct that poses a risk of loss based on a violation of laws, regulations, and the Articles of Incorporation, or other reasons, it shall immediately report to the President and Representative Director the details of the conduct and the extent of loss it causes, and the President and Representative Director shall take corrective measures.

vi) The internal audit division shall ask each division to prepare relevant individual regulations (accounting regulations, etc.), standards, and procedures based on the Internal Audit Regulations and shall instruct each division to report the same to the internal audit division.

vii) The Group company management division shall provide guidance and support to establish a system for managing the risk of loss at subsidiaries.

viii) Subsidiaries shall report to the Group company management division when they discover any business conduct that poses a significant risk of loss.

ix) Important subsidiaries shall establish basic policies for risk management and conduct risk management on their own. Material subsidiaries shall report the status of risk management to the Company's Group company management division on a regular or as-needed basis.

x) The internal audit division shall conduct internal audits of the status of risk management at important subsidiaries.

5. Systems to ensure the efficient execution of duties by Directors of the Company and its subsidiaries

i) Directors shall formulate an annual business plan based on the management plan, and conduct activities to achieve targets. In addition, Directors shall confirm through business reports whether they are making progress on management targets as originally planned.

ii) When executing their duties, Directors shall comply with the requirement to submit all matters stipulated in the Regulations of the Board of Directors as well as all matters that fall under the criteria for submission to the Board of Directors to the Board of Directors and the Company shall adopt a structure under which sufficient materials regarding agenda items are distributed to all Directors in advance based on the principle of management decision-making.

iii) The Company shall have Operating Officers to clarify responsibility for business execution, improve efficiency and speed up business operations, and shall substantially delegate authority for business execution from the Directors to streamline the Board of Directors, speed up decision making and strengthen the management supervisory function.

iv) On the execution of routine duties, authority shall be delegated in accordance with the Organization Regulations, the Regulations on Division of Duties and the Regulations on Administrative Authority, and the responsible persons at each level execute duties in accordance with the decision-making rules.

v) The Company shall formulate a Group medium-term management plan and set forth for each fiscal year the Company's policies for achieving the plan and the policies pertaining to each Group company, and the Company shall prepare a consolidated business plan based on the business plans of the Company and each Group company.

vi) A group financing system shall be introduced to improve the efficiency of financing for the Company and each group company.

6. System for ensuring the appropriateness of the operations of the corporate group which consists of the Company and its subsidiaries

i) The Company shall establish a Group Company Charter common to all Group companies to foster a unified awareness of legal compliance among Directors, Operating Officers, and employees of Group companies.

ii) The Company's Directors, Auditors, Operating Officers, and employees shall serve concurrently as Directors and Auditors of group companies as necessary, and the Group company management division shall provide guidance and support to ensure compliance with laws and regulations and appropriateness of operations at group companies in cooperation with the divisions in charge of group company operations in accordance with the Regulations on Management of Subsidiaries and Associates.

iii) The internal audit division shall conduct internal audits of each Group company.

iv) In the event that a Group company or its Director, Operating Officer, or employee discovers a serious violation of laws and regulations or a lack of proper business operations at a Group company, he or she shall immediately report the matter to the officer in charge of the Group company management division.

v) The whistleblowing division shall have a contact point through which Directors, Operating Officers and employees of each Group company can directly report compliance issues of the Company and its Group companies.

7. System regarding employees required by auditors to assist them in the performance of their duties when an auditor requests the assignment of such employees

The Auditors may appoint employees to assist them in their duties, and may order such employees to perform matters necessary for auditing operations, the results of which shall be reported to the Board of Auditors.

8. Matters concerning the independence of the employees specified in the preceding item from Directors, and matters intended to ensure the effectiveness of instructions given to such employees
   - i) The Board of Auditors shall receive reports in advance from the officer in charge of the internal audit division regarding the personnel changes of the employees mentioned in the preceding item, and may, if necessary, request the officer in charge of the internal audit division to make changes to such personnel changes, giving reasons therefor. In addition, the officer in charge of the internal audit division shall obtain the prior approval of the Board of Auditors in the event that the employees in the preceding item are subject to disciplinary action.
   - ii) The employees in the preceding item shall not concurrently serve as employees of other departments and shall exclusively follow the instructions and orders of the Auditors.
9. System for reporting to Board of Auditors by the Directors and employees of the Company and its subsidiaries, and other systems for reporting to Board of Auditors
   - i) Directors, Operating Officers and employees of the Company, as well as directors, Auditors, Operating Officers and employees of subsidiaries, shall make necessary reports and provide information as requested by each Auditor in accordance with the provisions of the Board of Auditors of the Company.
   - ii) The Group company management division and the officer in charge of the Group company management division shall report to the Auditors when they receive reports from subsidiaries on important compliance-related matters, business execution acts that involve a risk of loss, and facts regarding serious violations of laws and regulations and impropriety in business operations.
10. System for protecting those who submit reports to Auditors from disadvantageous treatment as a result of the reports
    - i) The Company’s Operating Officers and employees who report to the Company’s Auditors shall not be treated disadvantageously on the basis that they made such a report.
    - ii) The Company shall prohibit the disadvantageous treatment of any Auditor, Operating Officer, or employee of a subsidiary who makes a report to the Company’s Auditors on the basis that they made such a report, and shall instruct its subsidiaries to this effect and make this known to all Auditors, Operating Officers, and employees of subsidiaries.
11. Matters concerning procedures for prepayment or reimbursement of expenses incurred in the execution of duties by Auditors and other policies concerning the treatment of expenses or liabilities incurred in the execution of such duties

    In the event that an Auditor requests the Company to advance or reimburse expenses in accordance with Article 388 of the Companies Act in connection with the performance of his/her duties, the Company shall promptly pay such expenses or obligations, unless such expenses or obligations are deemed not necessary for the performance of such Auditor’s duties.
12. Other systems for ensuring the effective audit by Auditors

    The Company shall ensure external transparency by ensuring that a majority of its Auditors are Outside Auditors. Auditors shall have opportunities to hear from Directors, Operating Officers and employees who execute each business individually as necessary, and shall hold meetings with the President and Representative Director and the Accounting Auditor to exchange opinions.
13. System to ensure the appropriateness and reliability of financial reporting

    In order to ensure the appropriateness and reliability of financial reporting as stipulated in the Companies Act and the Financial Instruments and Exchange Act, the Company shall establish Internal Control Regulations, develop the necessary systems, periodically evaluate their effectiveness, and deliver internal control reports to the Board of Directors.
14. System for the elimination of antisocial forces and its maintenance

    The Company’s basic policy is to take a firm stand against antisocial forces, groups, and individuals that threaten the order and safety of civil society, and to have no relationship with such forces, groups, or individuals. In addition, the Company shall clearly state this in the Officers’ Guidelines and Employees’ Guidelines and shall ensure that all employees are aware of this through internal training activities.
15. Outline of the status of development and operation of systems necessary to ensure the appropriateness of business operations
    - i) Efforts have been made to strengthen the mutual supervision functions of Directors, for example, meetings of the Board of Directors are held on a regular basis to ensure Directors execute their duties in compliance with laws, regulations and the Articles of Incorporation, and once a quarter, Operating Officers submit a Report on the Execution of Duties in Compliance with Laws and Regulations and the Articles of Incorporation to the Board of Directors.
    - ii) The Risk and Compliance Committee met regularly to address the Company’s corporate risks In accordance with the Risk Management Regulations. In addition, the Company is “reviewing risk classifications” and “considering additional countermeasures” in light of the diversification of its business model and changes in the environment in which it operates.
    - iii) To ensure the appropriateness and reliability of financial reporting as stipulated in the Financial Instruments and Exchange Act, the Company has established an Internal Control Implementation Plan and confirms the status of implementation of internal control over financial reporting at the Internal Control Committee meetings held on a quarterly basis.
    - iv) To ensure the effectiveness of audits by Auditors, the Standing Auditor has attended important internal meetings and checks important documents such as approval documents, while the Board of Auditors has interviewed Directors and Operating Officers to directly confirm the status of business execution. In addition, Auditors held regular meetings with the Representative Director, the Independent Accounting Auditor, and the internal audit division to exchange information

and communicate with them.

(b) Outline of the details of liability limitation agreements

1. Liability limitation agreements for Outside Directors

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and the Company's Articles of Incorporation, the Company has entered into liability limitation agreements with Outside Directors, limiting their liability for damages under Article 423, Paragraph 1 of the Companies Act to the higher of 10 million yen or the minimum liability amount stipulated by law if they have performed their duties in good faith and without gross negligence.

2. Liability limitation agreements for Auditors

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and the Company's Articles of Incorporation, the Company has entered into liability limitation agreements with Auditors, limiting their liability for damages under Article 423, Paragraph 1 of the Companies Act to the minimum liability amount stipulated by law if they have performed their duties in good faith and without gross negligence.

(c) Outline of the details of liability insurance for officers, etc.

The Company has concluded a contract on Directors and Officers Liability Insurance (D&O insurance) as stipulated in Article 430-3, Paragraph 1 of the Companies Act. By doing so, the Company anticipates that officers will play their expected roles fully when executing their duties, while at the same time the Company can secure capable human resources.

The insurance contract is to cover losses and damages that may be incurred by officers, who are the insured persons, as a result of their taking responsibility for the execution of their duties or due to claims they may receive in conjunction with the pursuit of such responsibility. There are, however, certain exemptions, for example, damages caused by acts committed with the knowledge that the acts are in violation of laws and regulations will not be covered. The Company pays all premiums, including the rider portion, and there is virtually no premium burden on the insured persons. The contract stipulates an excess amount and does not cover damages up to said excess amount.

4) Matters concerning Directors

(a) Number of Directors

The Company's Articles of Incorporation stipulate that the Company shall have no more than 14 directors.

(b) Requirements for resolutions for the election of Directors

The Company's Articles of Incorporation stipulate that Directors shall be elected by a resolution of a majority of the voting rights of the shareholders present at a shareholders' meeting where shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise voting rights are present, and that cumulative voting shall not be used.

5) Activities of the Board of Directors, etc.

The activities of the Board of Directors, Nomination Committee and Compensation Committee during the fiscal year under review are as follows.

(a) Board of Directors

The Company held 18 meetings of the Board of Directors during the fiscal year under review, and the attendance of individual directors is as follows.

Job title	Name	Attendance
Director and Executive Adviser	Hiroshi Nozawa	1/3 times
President & Representative Director	Satoyasu Sakashita	18/18 times
Director & Senior Executive Operating Officer	Tateyuki Oosako	18/18 times
Director & Executive Operating Officer	Tadashi Tsutsui	18/18 times
Director & Operating Officer	Mari Morimoto	18/18 times
Director & Operating Officer	Masashi Umetsu	17/18 times
Director	Minoru Koyama	18/18 times
Director	Tateki Oishi	18/18 times
Director	Tomoko Aramaki	18/18 times
Director	Takao Tsuji	18/18 times
Director	Hidetaka Nishina	17/18 times
Director	Hikari Imai	18/18 times
Director	Yuya Shimizu	18/18 times
Director	Shintaro Ishimaru	18/18 times
Standing Auditor	Hiroyuki Kimura	18/18 times
Auditor	Yukako Oshimi	16/18 times

Auditor	Hiroshi Hirano	15/15 times
Auditor	Shigeo Ishii	3/3 times

(Notes) 1. The attendance of Hiroshi Nozawa and Shigeo Ishii at the meetings of the Board of Directors held until their retirement is shown because they retired as Director and Auditor, respectively, at the conclusion of the 53rd Ordinary General Meeting of Shareholders held on March 17, 2023.

2. Hiroshi Hirano was appointed as Auditor at the Annual General Meeting of Shareholders held on March 17, 2023, and his attendance at meetings of the Board of Directors held after his appointment is shown.

Details of specific matters considered by the Board of Directors are as follows.

- The Board of Directors adopted resolutions and received reports on business plans, budgets, risk management information, and the execution of other duties by the Directors and Operating Officers, in accordance with laws and ordinances, the Articles of Incorporation, and the Regulations of the Board of Directors.

(b) Nomination Committee

During the fiscal year under review, the Company held eight Nomination Committee meetings, and the attendance of individual directors is as follows.

Job title	Name	Attendance
President & Representative Director	Satoyasu Sakashita	8/8 times
Director	Tateki Oishi	8/8 times
Director	Takao Tsuji	8/8 times
Director	Shintaro Ishimaru	8/8 times

Details of specific matters considered by the Nomination Committee are as follows.

- The committee discussed candidates to succeed the President and Representative Director.
- The committee discussed the criteria for the appointment of Operating Officers.
- The committee discussed the criteria for appointing Outside Directors.
- The committee discussed the retirement age of Directors.
- The committee discussed the treatment of retiring officers.

(c) Compensation Committee

During the fiscal year under review, the Company held five Compensation Committee meetings, and the attendance of individual directors is as follows.

Job title	Name	Attendance
President & Representative Director	Satoyasu Sakashita	5/5 times
Director	Tomoko Aramaki	5/5 times
Director	Hikari Imai	5/5 times
Director	Yuya Shimizu	5/5 times

Details of specific matters considered by the Compensation Committee are as follows.

- The committee discussed the payment of performance-based compensation to Operating Officers, etc., based on the performance evaluation for FY2023.
- The committee discussed the policy for determining compensation.
- The committee discussed the details of the individual compensation to be received by the Directors and Operating Officers from April 2023 onward.
- The committee discussed the compensation system for Directors and Operating Officers.

6) Matters concerning resolutions of the General Meeting of Shareholders

(a) Organization that determines dividends of surplus, etc.

The Company shall determine dividends of surplus and other matters specified in the items of Article 459, Paragraph 1 of the Companies Act by resolution of the Board of Directors unless otherwise provided for by laws and regulations. This shall be done for the purpose of implementing capital and dividend policies in a flexible manner.

(b) Interim dividends

To enable the flexible return of profits to shareholders, the Company’s Articles of Incorporation stipulate that the Company may, by a resolution of the Board of Directors, pay interim dividends, with a record date of June 30 of each year, pursuant to Article 454, Paragraph 5 of the Companies Act.

(c) Special resolutions of the General Meeting of Shareholders

The Company's Articles of Incorporation stipulate that resolutions pursuant to Article 309, Paragraph 2 of the Companies Act shall be adopted by two thirds or more of the voting rights of shareholders present at a meeting where shareholders holding one third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present. The purpose of this measure is to facilitate the smooth operation of the General Meeting of Shareholders by relaxing the quorum for special resolutions at the General Meeting of Shareholders.

(2)【Board Member and Auditor】

1 Board Member and Auditor

12 male, 3 Female (Percentage of female 20.0%)

Positions in the Company	Name	Date of birth	Career summary, positions and responsibilities		Term	Number of shares held (shares)
President & Representative Director	Satoyasu Sakashita	July 22, 1961	April 1985 April 2003 April 2004 May 2005 June 2005 June 2007 June 2009 June 2009 June 2010 September 2011 October 2011 June 2012	Joined Nomura Computer Systems Co., Ltd. (present Nomura Research Institute, Ltd.) General Manager of 2nd Knowledge System Business Department, Nomura Research Institute, Ltd. Joined the Company Assistant Director of Outsourcing Business Division Deputy Director of IT Business Division Director Executive Director Retired as Director Executive Operating Officer Executive Director Representative Senior Executive Director President & Representative Director President & Representative Director (to the present)	-	46,760
Director & Senior Executive Operating Officer, Assistant of Representative Director in Corporate Management, COO of Automotive Business	Tateyuki Oosako	October 8, 1975	April 1999 April 2008 April 2010 April 2011 April 2014 October 2015 April 2016 March 2018 April 2019 April 2021 January 2022 March 2022 April 2022 January 2023	Joined the Company General Manager of Solution Service 2, Industrial System Business Department, IT Business Division General Manager of Enterprise System Unit, System Development Business Group General Manager of Cloud Business Management Group General Manager of Information Business Department, Solution Business Division Deputy Director of Solution Business Division Operating Officer, Deputy Director of Solution Business Division Vice President, iDEA Consulting Inc. (to the present) Operating Officer, Director of Solution Business Division Executive Operating Officer, Director of Solution Business Division Senior Executive Operating Officer, Director of Solution Business Division Director & Senior Executive Operating Officer, Assistant of Representative Director in Corporate Management, Director of Solution Business Division Director & Senior Executive Operating Officer, Assistant of Representative Director in Corporate Management Director & Senior Executive Operating Officer, Assistant of Representative Director in Corporate Management, COO of Automotive Business (to the present)	-	7,358
Director & Executive Operating Officer, COO of Administration Division, COO of Facility Business	Tadashi Tsutsui	December16, 1965	April 1988 April 2009 April 2012 July 2013 April 2016 October 2016	Joined the Company General Manager of System Department 1, Regional Area Management Division, IT Development Business Group General Manager of Business Planning Department, Regional Area Business Division Deputy Director of Regional Area Business Division Deputy Director of ASI Business Department Deputy Director of Administration	-	7,950

Positions in the Company	Name	Date of birth	Career summary, positions and responsibilities		Term	Number of shares held (shares)
				Division		
			October 2017	General Manager of Administration Reform Supervision Department		
			April 2018	Operating Officer, COO of Corporate Planning and Human Resources		
			April 2019	Operating Officer, COO of Administration Division		
			April 2020	Executive Operating Officer, COO of Administration Division		
			March 2021	Executive Operating Officer, COO of Administration Division and Facility Business		
			March 2022	Director & Executive Operating Officer, COO of Administration Division, COO of Facility Business (to the present)		
Director & Operating Officer, Director of Sales Division, COO of L Career Promotion Section	Mari Morimoto	January 1, 1974	April 1996	Joined the Company	-	2,074
			April 2012	General Manager of MS Department, Solution Business Division		
			October 2013	Director of MS Business Department		
			April 2017	Deputy Director of Sales Division		
			April 2018	Operating Officer and Deputy Director of Sales Division		
			June 2019	Outside Director, ACE SECURITIES CO., LTD.		
			March 2021	Director & Operating Officer Director of Sales Division		
			August 2021	Director & Operating Officer, Director of Sales Division, COO of L Career Promotion Section (to the present)		
			January 2024	Director & Operating Officer, Director of Group synergy Division (to the present)		
			March 2024	Director of Cybernet Systems Co., Ltd(to the present) Director of VINX Co., Ltd(to the present) Director of TOSHO Computer Systems Co., Ltd(to the present)		
Director & Operating Officer, COO of Corporate Planning and Finance and Public Relations	Masashi Umetsu	October 23, 1974	April 1997	Joined the Company	-	2,576
			April 2013	General Manager of Business Planning Department, Solution Business Division, and General Manager of Business Planning Department, Financial System Business Division		
			October 2013	General Manager of Business Planning Department, Solution Business Division, General Manager of Business Planning Department, Financial System Business Division, and General Manager of MS Business Department		
			October 2015	General Manager of Innovation Promotion Section		
			April 2016	General Manager of Sales Supervision Department, Sales Division		
			March 2017	Auditor, Tosho Computer Systems Co., Ltd.		
			October 2017	General Manager of Sales Planning Department, Sales Division		
			April 2018	General Manager of Corporate Planning Department		
			April 2019	Deputy Director of Administration Reform Supervision Department, and General Manager of Corporate Planning Department		
			April 2020	Operating Officer, COO of Finance and Public Relations		
			March 2022	Director & Operating Officer, COO of Finance and Public Relations		
			April 2022	Director & Operating Officer, COO of Corporate Planning and Finance and Public Relations (to the present)		
			July 2022	Auditor, FUJISOFT CHINA Corp. (to the present)		

Positions in the Company	Name	Date of birth	Career summary, positions and responsibilities		Term	Number of shares held (shares)
Director	Tateki Oishi	November 30, 1955	April 1979 June 2002 April 2004 June 2010 June 2015 March 2019	Joined CASIO COMPUTER CO., LTD. Operating Officer and Deputy Director of Communications Department, CASIO COMPUTER CO., LTD. President & Representative Director, CASIO Hitachi Mobile Communications Co., Ltd. Director & Senior Executive Operating Officer, NEC CASIO Mobile Communications, Ltd. Outside Director, Cyber Com Co., Ltd. Outside Director, VINX CORP Outside Director (to the present)	-	1,700
Director	Tomoko Aramaki	November 7, 1968	October 1991 March 1995 July 1999 May 2002 February 2006 April 2006 June 2008 June 2015 December 2015 April 2018 June 2018 March 2022 January 2023 June 2023	Joined Century Audit Corporation Registered as Certified Public Accountant Seconded to Regional Financial Cooperation Division, Trade Policy Bureau, Ministry of International Trade and Industry Joined IBM Japan, Ltd. Director, Aramaki CPA Office (to the present) Registered as Certified Tax Accountant Audit & Supervisory Board Member, PARIS MIKI HOLDINGS Inc. Director, in charge of Investor Relations, PARIS MIKI HOLDINGS Inc. Audit & Supervisory Board Member, SACOS CORPORATION Member of Outside Expert Committee, Organization for Postal Savings, Postal Life Insurance and Post Office Network (to the present) Outside Audit & Supervisory Board Member, EXEO Group, Inc. Outside Director (to the present) Information and Communications Council Member, Ministry of Internal Affairs and Communications (to the present) Telecommunications Business Policy Committee Member, Information and Communications Council (to the present) Postal Services Policy Committee Member, Information and Communications Council (to the present) Outside Director, EXEO Group, Inc. (to the present) Outside Director (Audit & Supervisory Committee Member), TRE HOLDINGS CORPORATION (to the present)	-	—
Director	Takao Tsuji	September 28, 1949	April 1973 June 1999 March 2000 June 2001 June 2002 June 2009 September 2009 July 2010 June 2013 May 2014 June 2016	Joined Nissho Iwai Corporation (present Sojitz Corporation) Director, NISSHO ELECTRONICS CORPORATION Outside Director, Fusion Communications Corp. (present Rakuten Communications Corp.) Managing Director, NISSHO ELECTRONICS CORPORATION Representative Director and President, NISSHO ELECTRONICS CORPORATION Director and Chairman, NISSHO ELECTRONICS CORPORATION Final Selection Committee Member, Public Application for Universe Open Laboratory, Japan Aerospace Exploration Agency (JAXA) Advisor, Machine Division, Sojitz Corporation External Director of the Board, JVCKENWOOD Corporation Representative Director of the Board, President, Chief Operating Officer (COO), Chief Innovation Officer (CIO), and Chief Risk Officer (CRO), JVCKENWOOD Corporation Representative Director of the Board, President, and Chief Executive Officer (CEO), JVCKENWOOD Corporation	-	200

Positions in the Company	Name	Date of birth	Career summary, positions and responsibilities		Term	Number of shares held (shares)
			April 2018 April 2019 June 2019 July 2021 December 2021 June 2022 June 2022 June 2022 December 2022	Representative Director of the Board, Chairman of the Board, and Chief Executive Officer (CEO), JVCKENWOOD Corporation Representative Director of the Board and Chairman of the Board, JVCKENWOOD Corporation Outside Director, Dexerials Corporation Special Advisor, JVCKENWOOD Corporation Chairman, Machine & Metal Industry Subcommittee, The Yokohama Chamber of Commerce and Industry Outside Director, FEED ONE CO., LTD. (to the present) Outside Director (Audit & Supervisory Committee Member), SNT Corporation (to the present) Outside Director, TACHIBANA ELETECH CO., LTD. (to the present) Outside Director (to the present)		
Director	Hidetaka Nishina	March 25, 1979	October 2002 April 2003 May 2006 January 2011 June 2013 April 2014 March 2017 June 2017 March 2019 April 2019 June 2021 November 2022 December 2022 March 2023	Registered as attorney-at-law Operations Department, Bank of Japan Counsellor Office, Civil Affairs Bureau, Ministry of Justice Partner attorney-at-law, Nakamura, Tsunoda & Matsumoto (to the present) Outside Auditor, INES Corporation Committee Member, JBA TIBOR Oversight Committee, Ippan Shadan Hojin (or General Incorporated Association) JBA TIBOR Administration Outside Auditor, Nippon Aqua Co., Ltd. Outside Director, KITAMURA Co., Ltd. Outside Auditor, Vario Secure Inc. Outside Director, KITAMURA HOLDINGS Co., Ltd. (unlisted company) Outside Director (Audit and supervisory committee member), KITAMURA HOLDINGS Co., Ltd. (unlisted company) (to the present) Outside Director (Audit and Supervisory Committee Member), Vario Secure Inc. (to the present) Outside Director (to the present) Outside Director (Audit and Supervisory Committee Member), Nippon Aqua Co., Ltd. (to the present)	-	600
Director	Hikari Imai	July 23, 1949	April 1974 January 1986 April 1993 January 1999 November 2007 April 2008 July 2010 April 2012 June 2015 June 2016 December 2016 January 2019 November 2019 December 2022	Joined Yamaichi Securities Co., Ltd. Joined Morgan Stanley Japan Securities (present Mitsubishi UFJ Morgan Stanley Securities) Joined Merrill Lynch Securities Co., Ltd. Deputy Chairman, Merrill Lynch Japan Securities Co., Ltd. (present BofA Securities Japan Co., Ltd.) Director and Executive Vice President, RECOF Corporation Representative Director and President, RECOF Corporation Advisor, Ebara Foods Industry, Inc. Outside Director, Olympus Corporation Outside Director, CYBERDYNE, INC. Director (Outsider), PACIFIC METALS CO., LTD. (to the present) Director and Chairman, 3DOM Inc. (present 3DOM Alliance Inc.) Outside Director, GPSS Holdings, Inc. (unlisted company) (to the present) Outside Director (Audit & Supervisory Board Member), SHIMACHU CO., LTD. Outside Director (to the present)	-	—

Positions in the Company	Name	Date of birth	Career summary, positions and responsibilities		Term	Number of shares held (shares)
Director	Yuya Shimizu	November 8, 1971	April 1994 May 2000 September 2003 March 2004 August 2005 October 2007 February 2010 March 2011 January 2015 January 2016 December 2022	Joined Tokyo Branch, Goldman Sachs Japan, Co., Ltd. Joined MOORE STRATEGIC VALUE PARTNERS, LLC Joined AC Capital, Inc. Joined Asuka Asset Management Co., Ltd. (present Aizawa Asset Management Co., Ltd.) Joined Jarmin Capital Co., Ltd. Joined Dalton Investments Group Representative Director, Dalton Advisory KK Outside Director, SunTelephone Co., Ltd. Founded OTS Capital Management Limited (Hong Kong) Cofounder & Senior Portfolio Manager, OTS Capital Management Limited Founded Hibiki Path Advisors Pte. Ltd. Representative Director & Chief Investment Officer, Hibiki Path Advisors Pte. Ltd. (to the present) Outside Director (to the present)	-	—
Director	Shintaro Ishimaru	January 15, 1954	April 1976 February 1998 August 2003 June 2006 October 2006 April 2009 April 2011 May 2011 April 2012 June 2013 July 2019 December 2022	Joined Dai-Ichi Kangyo Bank, Ltd. (present Mizuho Bank, Ltd.) President & CEO, DKB Data Services (NY) General Manager of Taipei Branch, Mizuho Corporate Bank, Ltd. (present Mizuho Bank, Ltd.) Chairman, The Japanese Chamber of Commerce & Industry Taipei General Manager of IT Planning Division, ITOCHU Corporation Managing Executive Officer & Executive Vice President of Financial Business, Real Estate, Insurance Business, & Logistic Company, ITOCHU Corporation Assistant to Officer in charge of Specific Services, ITOCHU Corporation CIO & Assistant to Officer in charge of Specific Services, ITOCHU Corporation CIO & Executive Vice President of General Products & Realty and ICT Company, ITOCHU Corporation Audit & Supervisory Board Member, ITOCHU Techno-Solutions Corporation Delegated Outside Advisor in charge of IT strategy of General Products & Realty Company, ITOCHU Corporation Outside Director (to the present) General Manager of IT Planning Division, ITOCHU Corporation	-	—
Standing Auditor	Hiroyuki Kimura	August 23, 1960	March 1986 January 1996 April 2008 October 2009 April 2011 April 2012 January 2014 April 2018 April 2020 March 2021	Joined MEMOREX Co., Ltd. Joined the Company Director of Solution Business Division General Manager of Solution Unit, Solution Business Group Operating Officer, General Manager of Solution Business Group Operating Officer, Deputy Director of Solution Business Division Operating Officer, Director of Facility Business Division Executive Operating Officer, Director of Facility Business Division Executive Operating Officer, COO of Facility Business Standing Auditor (to the present)	-	2,500

Positions in the Company	Name	Date of birth	Career summary, positions and responsibilities		Term	Number of shares held (shares)
Outside Auditor	Yukako Oshimi	August 11, 1976	October 2002 April 2011 September 2014 June 2015 December 2015 March 2019 June 2019 December 2020 November 2021 January 2022 January 2024	Registered with Dai-ichi Tokyo Bar Association. Joined Nagashima, Ohno & Tsunematsu. In-house counsel in the legal department of RICOH Company, Ltd. Joined Shibata, Suzuki & Nakada as partner (to the present) Outside Auditor, JP-HOLDINGS, INC. Outside Members, Risk and Compliance Committee, ORIX Asset Management Corporation. Outside Auditor (to the present) Outside Auditor, KUREHA CORPORATION. Outside Auditor CMK CORPORATION. Supervisory director for ORIX JREIT Inc. (to the present) Outside Auditor, PRORED PARTNERS Co., Ltd. Outside Director (audit and supervisory committee member), PRORED PARTNERS Co., Ltd. (to the present)	-	—
Outside Auditor	Hiroshi Hirano	March 14, 1963	October 1984 March 1988 August 1988 July 2003 August 2019 August 2020 December 2020 March 2023	Joined Chuo ACCOUNTING OFFICE (auditing firm) Registered as a Certified Public Accountant. Employee, Chuo Audit Corporation Representative employee, ChuoAoyama Audit Corporation Joined Deloitte Touche Tohmatsu LLC. Partner Chief, Hiroshi Hirano Certified Public Accountant Office (to the present) Standing Auditor i:Sales Inc. (currently xOperati on Group, Inc.) Outside Auditor (to the present)	-	—
	Total					71,718

(Notes)1. Directors Tateki Oishi, Tomoko Aramaki, Takao Tsuji, Hidetaka Nishina, Hikari Imai, Yuya Shimizu and Santaro Ishimaru are Outside Directors.
2. Auditors Yukako Oshimi and Hiroshi Hirano are Outside Auditors.
3. Director Mari Morimoto’s name in the family register is Mari Ishibashi.
4. Auditor Yukako Oshimi’s name in the family register is Yukako Saito.
5. The term of office of Directors is from the close of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2023 to the close of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2024.
6. The term of office of Auditors Yukako Oshimi and Hiroshi Hirano is from the close of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2022 to the close of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2026.
7. The term of office of Auditor Hiroyuki Kimura is from the close of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2020 to the close of the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2024.
8. The number of shares held is based on the shareholder register as of December 31, 2023.
9. The Company has introduced an operating officer system. Satoyasu Sakashita, Tateyuki Oosako, Tadashi Tsutsui, Mari Morimoto, and Masashi Umetsu will concurrently serve as Operating Officers.
Operating Officers who do not concurrently serve as Directors are as follows.

Job title	Name	Responsibilities and Concurrent Positions
Executive Operating Officer	Hidemi Okajima	General Manager of NEXT Business Department.
Executive Operating Officer	Ninkou Son	General Manager of Global Business Supervision Department
Executive Operating Officer	Eiji Honda	In charge of Fujisoft Academy PT
Executive Operating Officer	Osamu Mita	Director of Sales Division General Manager of DX Product Business Department.
Executive Operating Officer	Satoshi Yagi	Director of Technology Administration Supervision
Executive Operating Officer	Jouji Aoki	In charge of Group Company Synergy
Executive Operating Officer	Daishi Miyamoto	Director of Solution Business Division
Executive Operating Officer	Hirotaka Furuya	Director of Financial System Business Division

Job title	Name	Responsibilities and Concurrent Positions
Executive Operating Officer	Masaru Minamikawa	Director of Regional Area Business Division
Executive Operating Officer	Takato Ooishi	Director of Industry Business Division
Operating Officer	Kenichi Mizohata	General Manager of DX Product Business Department
Operating Officer	Teruyasu Syouji	Deputy Director of Financial System Business Division
Operating Officer	Yoshimasa Yamamoto	Deputy Director of Solution Business Division
Operating Officer	Manabu Kakitani	Director of System Integration Business Division
Operating Officer	Naoki Matsuura	Director of Product Business Division
Operating Officer	Tsuyufumi Watanabe	General Manager of Technology Administration Department
Operating Officer	Norimasa Kojima	Deputy Director of Industry Business Division
Operating Officer	Tomoki Zama	General Manager of Infrastructure Business Department, Solution Business Division
Operating Officer	Akihiro Shibata	Director of Net Solution Business Division
Operating Officer	Junichi Isogimi	General Manager of ASI Business Department

2) Information about Outside Officers

The Company has seven Outside Directors. In addition, there are two Outside Auditors.

Outside Director Tateki Oishi has a wealth of business experience related to the industry and a wide range of knowledge in ICT. He has appropriately supervised and advised the Company in its business operations from a business perspective based on his deep understanding of the Company’s business and his high level of knowledge of management issues in promoting strategies in areas such as Products and Services. He has contributed to enhancement of the Company’s corporate value through efforts in areas such as the election of the management team and succession planning as a member of the Nomination Committee.

Outside Director Tomoko Aramaki has expertise and a wealth of business experience as a Certified Public Accountant and a Certified Tax Accountant, as well as deep insight into corporate management gained through serving numerous positions as an Auditor and Director at listed companies.

She has appropriately supervised and advised the Company in its business operations from her unique perspective as an expert in corporate finance and accounting. She has contributed to enhancement of the Company’s corporate value through her efforts to enhance stock compensation and incentives for the management team as a member of the Compensation Committee and through her deep involvement in the consideration of various measures to enhance corporate value and ensure or improve the common interests of shareholders from an independent standpoint as a member of the Special Committee.

Outside Director Takao Tsuji has a total of over 10 years’ experience as a President and Representative Director of listed companies, and has also served as Outside Director of several listed companies. Leveraging his management expertise and experience, he has appropriately supervised and advised the Company in its business operations from his unique perspective as someone with deep experience as a corporate manager.

He has contributed to enhancement of the Company’s corporate value through his efforts in areas such as the election of the management team and succession planning as chair of the Nomination Committee and through his deep involvement in the consideration of various measures to enhance corporate value and ensure or improve the common interests of shareholders from an independent standpoint as a member of the Special Committee.

Outside Director Hidetaka Nishina has a wide range of insights and experience as an attorney at law and has been involved in corporate management as an outside officer of several listed companies. He has appropriately supervised and advised the Company in its business operations based on experience-backed insights about legal affairs and the latest corporate governance requirements for listed companies. He has contributed to enhancement of the Company’s corporate value through his efforts to strengthen the governance of the Company as chair of the Governance Committee and through his deep involvement in the consideration of various measures to enhance corporate value and ensure or improve the common interests of shareholders from an independent standpoint as a member of the Special Committee.

Outside Director Hikaru Imai has extensive experience in investment banking and is highly knowledgeable about capital markets. He has appropriately supervised and advised the Company in its business operations based his experience of being involved in corporate management as an Outside Director of several listed companies.

He has also contributed to enhancement of the Company’s corporate value through his efforts to enhance stock compensation and incentives for the management team as chair of the Compensation Committee and through his deep involvement in the consideration of various measures to enhance corporate value and ensure or improve the common interests of shareholders from an independent standpoint as chair of the Special Committee.

Outside Director Yuya Shimizu has been involved in a wide range of investment operations for many years. Leveraging his extensive experience and high level of knowledge in investment management operations and capital markets, he has appropriately supervised and advised the Company in its business operations with his unique perspective as representative of a fund that is also a shareholder of the Company. He has contributed to enhancement of the Company’s corporate value through his efforts to enhance stock compensation and incentives for the management team as a member of the Compensation Committee and through his deep involvement in the consideration of various measures to enhance corporate value and ensure or improve the common interests of shareholders from an independent standpoint as a member of the Special Committee.

Outside Director Shintaro Ishimaru has experience in management as the Chief Information Officer of a listed company. He has appropriately supervised and advised the Company in its business operations based on his high level of insight into systems development and his unique perspective as an expert in the Company's industry. He has contributed to enhancement of the Company's corporate value through his efforts in areas such as the election of the management team and succession planning as a member of the Nomination Committee and through his deep involvement in the consideration of various measures to enhance corporate value and ensure or improve the common interests of shareholders from an independent standpoint as a member of the Special Committee.

Outside Auditor Yukako Oshimi has made comments as necessary for deliberation of proposals, etc. at meetings of the Board of Directors and the Board of Auditors based on her expertise and broad experience as an attorney-at-law.

Outside Auditor Hiroshi Hirano has made comments as necessary for deliberation of proposals, etc. at meetings of the Board of Directors and the Board of Auditors based on his expertise and broad experience as a certified public accountant.

With regard to the criteria or policies for determining the independence of outside officers, in addition to the criteria for independent officers stipulated by the Tokyo Stock Exchange, the Nomination Committee, the majority of whose members are independent Outside Directors, holds deliberations in advance of the election of Outside Directors in accordance with the Officers' Personnel Standards. Seven Outside Directors and two Outside Auditors have been designated as independent officers in accordance with the rules of the Exchange, and the Company has notified the Exchange of such designation.

Outside Director Tateki Ooishi holds 1,700 shares of the Company's stock, Outside Director Takao Tsuji holds 200 shares of the Company's stock, and Outside Director Hidetaka Nishina holds 600 shares of the Company's stock; however, the Company has determined that these shareholdings are not substantial. There is no personal relationship, capital relationship, business relationship or other interests between any of these individuals and the Company.

The four Outside Directors and two Outside Auditors other than those listed above also have no personal relationship, capital relationship, business relationship or other interests with/in the Company, and are considered to be independent outside officers.

3) Mutual coordination of supervision or audits performed by Outside Directors or Outside Auditors and internal audits, audits performed by the Auditors, and audits performed by accounting auditors and their relationships with the internal control division

Outside Directors and Outside Auditors make comments at Board of Directors' meetings to ensure the adequacy and appropriateness of decision-making from the standpoint of supervising decisions on matters stipulated by law and important management matters and the status of business execution.

(3) Audits

1) Audits by Auditors

The Board of Auditors of the Company consists of three Auditors (of whom two are Outside Auditors), including one Standing Auditor.

Auditors monitor the execution of duties by Directors by attending meetings of the Board of Directors and other meetings, expressing their opinions as necessary, auditing the legality of the execution of duties by directors, and auditing financial statements and other accounting documents, and report the audit results to the Board of Auditors. In addition, the Board of Auditors of the Company holds the Group Company Auditors' Report Meeting twice a year as a forum for information sharing on the status of audits with the Standing Auditors of subsidiaries, and exchanges opinions, thereby promoting the mutual coordination of audits by Auditors across the Group.

Outside Auditor Yukako Oshimi is an attorney at law, while Outside Auditor Hiroshi Hirano is a certified public accountant. Each of them has abundant experience and knowledge in corporate finance and internal control, etc. and strive for mutual coordination with the audit corporation and perform neutral and objective audit work from a professional standpoint.

During the fiscal year under review, the Board of Auditors met once a month in accordance with the Regulations of the Board of Auditors and the Regulations of Auditors, etc., and ad hoc meetings of the Board of Auditors were held whenever necessary. The attendance of individual auditors is as follows.

Position	Name	Number of meetings	Number of meetings attended
Standing Auditor	Hiroyuki Kimura	18	18 (100%)
Outside Auditor	Yukako Oshimi	18	16 (89%)
Outside Auditor	Hiroshi Hirano	14	14 (100%)

(Note) 1. Number for Outside Auditor Hiroshi Hirano is number of Board of Auditors' meetings attended since his appointment at the 53rd Annual General Meeting of Shareholders held on March 17, 2023.

(Specific matters to be considered by the Board of Auditors)

Specific matters considered by the Board of Auditors include audit policy, audit plan and division of duties, evaluation of the accounting auditor, agreement on the accounting auditor's audit fees, and compliance with laws and regulations.

(Audit activities by Standing Auditor)

The activities of the Standing Auditor include attending meetings of the Board of Directors and other important meetings, reporting to the Board of Auditors on the status of audits conducted in accordance with the audit plan, regularly exchanging opinions with senior management including the Representative Director, and exchanging information with the Internal Audit Office and the accounting auditor.

In addition, the Standing Auditor attends the on-site inspections of each of the Company's offices and subsidiaries conducted by the accounting auditor to confirm the validity of the results and to exchange information.

2) Internal Audits

The Company' internal audits are conducted by the Internal Audit Office, established within the Legal Affairs & Audit Department and staffed by 14 specialized personnel. In accordance with the Internal Audit Regulations and the annual internal audit plan, the Company identifies divisions to be audited each fiscal year and audits appropriate business activities and efficiency in accordance with laws, regulations, and internal rules. In the fiscal year under review, the Company has made efforts to ensure the appropriateness of operations by auditing the operations of 33 profit divisions and 2 head office divisions. The results of the audits are reported to the President and Representative Director through the Management Conference, and the audited divisions are notified and follow-up audits are conducted at a later date to confirm the status of improvement.

The Internal Audit Office works with the accounting auditor to conduct internal control audits of the Company and each Group company in accordance with the Internal Control Regulations and the annual internal control implementation plan.

During the fiscal year under review, a total of 1,489 items in the areas of corporate, financial statements, operations, and IT controls for a total of 15 companies (the Company and 14 consolidated subsidiaries) were assessed in accordance with the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control over Financial Reporting established by the Financial Services Agency, and no material weaknesses were found. The results of these internal audits are reported to the Board of Directors as well as the Representative Director, and to the Auditors and the Board of Auditors as appropriate, under a dual reporting line. In addition, the Company reports to the accounting auditor as necessary to achieve coordination aiming at improving their respective auditing functions.

3) Accounting audits

a. Name of auditing firm

Grant Thornton Taiyo LLC

b. Continuous audit period

Since the fiscal year ended March 31, 2008

c. Certified Public Accountants who carry out the audit

Masaya Ishii (Grant Thornton Taiyo LLC) (Number of consecutive years conducting audits: 3 years)

Yuichi Yokoyama (Grant Thornton Taiyo LLC) (Number of consecutive years conducting audits: 3 years)

d. Composition of assistants with audit operations

Persons who provide assistance for the Company's accounting audit work consist of five certified public accountants and nineteen other persons.

e. Policy for selecting accounting auditor and reasons for selection

When selecting an auditing firm, the Board of Auditors makes a comprehensive judgment based on the Practical Guidelines for Auditors Etc. Related to the Creation of Evaluation and Selection Criteria for Accounting Auditors published by the Japan Audit & Supervisory Board Members Association, taking into consideration the quality control system, audit implementation system, appropriateness of audit fees, and other factors.

It is the policy of the Board of Auditors to make decisions regarding dismissal or non-reappointment of the accounting auditor, giving particular consideration to the independence of the accounting auditor and its review system and other systems related to the performance of duties.

Grant Thornton Taiyo LLC was subject to disciplinary action by the Financial Services Agency on December 26, 2023. This includes the suspension of operations related to the conclusion of new contracts for three months (from January 1, 2024 to March 31, 2024). The Board of Auditors will request reports from Grant Thornton Taiyo LLC on the status of implementation of business improvement and monitor the status of improvement.

f. Evaluation of the auditing firm by Auditors and the Board of Auditors

The Board of Auditors evaluates the auditing firm's independence, professionalism, communication with management, Auditors, and the internal audit division, continuously asks for further improvement in the quality of accounting audits, and evaluates the appropriateness of accounting audit methods and results, and the appropriateness of audit fees. Grant Thornton Taiyo LLC was selected as the accounting auditor based on the results of the above evaluation.

4) Details of audit fees, etc.

a. Fees to Certified Public Accountants, etc.

Category	Previous fiscal year		Fiscal year under review	
	Fees for audit attestation services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit attestation services (Millions of yen)	Fees for non-audit services (Millions of yen)
Reporting company	44	–	44	–
Consolidated subsidiary	93	0	93	1
Total	137	0	138	1

Non-audit services at consolidated subsidiaries in the previous consolidated fiscal year and the consolidated fiscal year under review included advisory services related to accounting standards for revenue recognition.

b. Fees paid to persons belonging to the same network as the certified public accountants who conducted audits for the Company (Grant Thornton)

Category	Previous fiscal year		Fiscal year under review	
	Fees for audit attestation services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit attestation services (Millions of yen)	Fees for non-audit services (Millions of yen)
Reporting company	–	2	–	4
Consolidated subsidiary	6	2	9	1
Total	6	4	9	5

Non-audit services at the Company and its consolidated subsidiaries in the previous consolidated fiscal year and the consolidated fiscal year under review consisted of advisory services related to accounting and taxation of international transactions.

c. Details of other significant fees

There is no applicable information for the previous consolidated fiscal year and the consolidated fiscal year under review.

d. Policy for determining audit fees

Not applicable; however, audit fees are determined based on the duration and scale of audits, the characteristics of the business and other matters.

e. Reasons why the Board of Auditors has consented to the fees, etc. to the accounting auditor.

The Board of Auditors has determined that the amount of fees, etc. paid to the accounting auditor is appropriate and consented to payment, after necessary verification of the appropriateness of the content of the audit plan of the accounting auditor, the performance of duties by the accounting auditor, and the basis for the estimate of fees.

(4) Compensation, Etc. for Officers

1) Matters concerning the policy for determining the content of compensation, etc. for individual Directors

a. Process for determining the policy

The policy for determining the content of compensation, etc. for individual Directors of the Company is deliberated by the Compensation Committee, which is chaired by an Outside Director and composed of a majority of Outside Directors, and resolved at a meeting of the Board of Directors.

b. Overview of the contents of the policy

Compensation, etc. for directors consists of base compensation and performance-based compensation, etc., while non-monetary compensation, etc., is granted to Directors (excluding Outside Directors) as incentive compensation.

Basic compensation is determined based on an amount determined for each position and each grade and title of Directors.

Regarding performance-based compensation, etc., the amount to be paid is determined based on a basic evaluation of the performance of the company as a whole and the performance of the business of which the Director is in charge, and is adjusted according to the degree of achievement of a plan setting out management figures for the business of which the Director is in charge.

Non-monetary compensation consists of stock options, restricted stock and performance-based stock compensation as mid- to long-term incentive compensation.

- Stock options: Following deliberation on the level of compensation and other matters by the Compensation Committee, which is chaired by an Outside Director and composed of a majority of Outside Directors, stock options with exercise conditions based on the following requirements (including other general prohibition clauses on exercise) are granted by resolution of the Board of Directors, within the scope of the resolution of the General Meeting of Shareholders, taking into consideration the deliberations of the Committee.
  1) During the exercise period: a holder must have a position as either a Director, Auditor, Operating Officer, or employee of the Company.
  2) Before the start of the exercise period: If a holder ceases to be a Director, Auditor, Operating Officer or employee, he/she may not exercise his/her stock acquisition rights. However, this shall not apply in the case of mandatory retirement or other

cases approved by the Board of Directors.

- Restricted stock: Following deliberation on the level of compensation and other matters by the Compensation Committee, which is chaired by an Outside Director and composed of a majority of Outside Directors, stock compensation with restrictions that will be lifted on the date of retirement are granted by resolution of the Board of Directors, within the scope of the resolution of the General Meeting of Shareholders, taking into consideration the deliberations of the Committee.
- Performance-based stock compensation: Following deliberation by the Compensation Committee, which is chaired by an Outside Director and composed of a majority of Outside Directors, and in accordance with the Share Delivery Regulations determined by the Board of Directors, the Company's shares are granted within the scope of resolution of the General Meeting of Shareholders, after the completion of the Mid-term Business Plan, according to position and degree of achievement of Mid-Term Business Plan targets.

c. Reason why the Board of Directors has decided that compensation for each director for the fiscal year under review is in line with the policy

In determining the details of compensation for individual directors, the Compensation Committee, which is chaired by an Outside Director and composed of a majority of Outside Directors, deliberated on compensation levels and other matters, and the Board of Directors passed resolutions in consideration of these deliberations. The Company has determined that the details of these decisions are in line with the policy for determining compensation for each individual director.

2) Matters concerning resolutions of the General Meeting of Shareholders regarding compensation, etc. of Directors and Auditors

The amount of monetary compensation for directors was resolved to be 700 million yen per year at the 37th Annual General Meeting of Shareholders held on June 25, 2007 (not including the portion of employee salaries of directors who concurrently serve as employees). (The number of directors as of the close of this Annual General Meeting of Shareholders was 12.)

In addition, the Company resolved at the 54th Annual General Meeting of Shareholders held on March 15, 2024 that the amount of compensation, etc. for Directors (excluding Outside Directors) in the form of stock options shall not exceed 150 million yen per year (not including the portion of employee salaries for Directors who concurrently serve as employees), that the total amount of compensation to be paid to Directors (excluding Outside Directors) for the grant of restricted stock in the form of monetary claims shall not exceed 300 million yen per year (not including the portion of employee salaries for Directors who concurrently serve as employees), and that the maximum amount of money to be contributed by the Company for performance-based stock compensation for Directors (excludes Outside Directors) shall be 200 million yen multiplied by the number of years of the applicable period. (The number of Directors as of the close of this Annual General Meeting of Shareholders was 12.)

At the 52nd Annual General Meeting of Shareholders held on March 11, 2022, a resolution was passed to abolish the retirement benefits system for two directors and to make a final payment of retirement benefits under the former system for directors who were reappointed at the same Annual General Meeting of Shareholders.

The amount of monetary compensation for Auditors was resolved at the 37th Annual General Meeting of Shareholders held on June 25, 2007 to be 70 million yen per year. (The number of Auditors as of the close of this Annual General Meeting of Shareholders was 3).

3) Matters concerning the delegation of authority to determine the details of compensation, etc. of individual Directors

At the Company, the President and Representative Director Satoyasu Sakashita determines the specific details of the amount of compensation for each individual director based on a resolution adopted by the Board of Directors to delegate this authority to him. This authority consists in the authority to determine individual amounts of base compensation, performance-based compensation, etc., as described in 1) above.

The reason for delegating this authority is that the Company believes that determination by the President and Representative Director is the most appropriate way to evaluate the performance of the Company and the corporate group as a whole from a bird's eye perspective, while comprehensively considering corporate performance and the degree of target achievement in accordance with each director's position and responsibilities.

To ensure that this authority is properly exercised by the President and Representative Director, the Management Conference, an advisory body which consists of a majority of Outside Directors, deliberates on the level of compensation and other matters, and the Board of Directors then holds discussions, taking the content of these deliberations into consideration, before the amounts are determined by the President and Representative Director. Since the amount of compensation for each individual Director is determined through this procedure, the Board of Directors believes that the details of compensation are in line with the policy for determining compensation.

* The Company has changed its policy for determining the details of compensation for individual Directors. Matters concerning delegation following the changes are as follows.

At the Company, the Compensation Committee, which is chaired by an Outside Director and consists of a majority of Outside Directors, determines the specific details of the amount of compensation for each individual director based on a resolution adopted by the Board of Directors to delegate this authority to the committee.

This authority consists in the authority to determine individual amounts of base compensation, performance-based compensation, etc., as described in 1) above.

The reason for delegating this authority is that the Company believes that determination by the Compensation Committee, which deliberates on the compensation levels and other matters, is the most appropriate way to evaluate the performance of the Company and its corporate group as a whole from a bird's-eye perspective, while comprehensively considering corporate performance and the degree of target achievement in accordance with each Director's position and responsibilities.

To ensure that such authority is properly exercised, the Compensation Committee, an advisory body comprised of a majority of Outside Directors, deliberates on compensation levels and other matters before determining individual amounts. Having confirmed to this effect, the Board of Directors has determined that the details of compensation are in line with the policy for determining compensation.

4) Total amount of compensation for each officer category, total amount by type of compensation, and number of eligible officers

Officer category	Total amount of compensation, etc. (Million yen)	Amount of compensation by type (Millions of yen)					Number of eligible officers (Persons)
		Fixed compensation	Performance-based compensation, etc.	Stock options	Restricted stock compensation	Non-monetary compensation, etc.	
Director (excluding Outside Directors)	295	129	82	62	21	83	6
Auditor (excluding Outside Auditors)	15	10	5	–	–	–	1
Outside officers	81	58	23	–	–	–	11

(Notes) 1. The amount paid to directors does not include the portion of employee salaries for Directors who concurrently serve as employees.

2. The above includes one Director and one Outside Auditor who retired at the close of the 53rd Annual General Meeting of Shareholders held on March 17, 2023.

3. Fixed compensation includes officers' defined contribution pension contributions for the fiscal year under review for Directors.

4. Performance-based compensation, etc. is monetary compensation reflecting the amount of operating profit, which is one of the indicators used to measure the achievement of management targets, for the purpose of raising awareness of the need to improve business performance each fiscal year. The amount of compensation is calculated based on internal criteria according to the operating profit for each fiscal year. The actual indicators used to calculate performance-based compensation for the fiscal year under review were operating profit of 11,483 million yen for the 53rd term and operating profit of 14,085 million yen for the 54th term.

5. Performance-based stock compensation is not shown for the fiscal year under review, as it was introduced in fiscal 2024.

5) Total amount of consolidated compensation, etc. of those whose total amount of compensation, etc. was 100 million yen or more

Name	Total amount of consolidated compensation, etc. (Million yen)	Officer category	Company category	Amount of compensation by type (Millions of yen)				
				Fixed compensation	Performance-based compensation, etc.	Stock options	Restricted stock compensation	Non-monetary compensation, etc.
Satoyasu Sakashita	108	Director	Reporting company	49	32	19	8	27

(5) Shareholdings

1) Standards and approach to the classification of investment shares

Regarding the classification of investment shares held for the purpose of pure investment and investment shares held for purposes other than pure investment, the Company classifies shares held for business strategic purposes, such as maintaining and strengthening relationships with business partners, as strategic holdings, and shares held for other asset management purposes as pure investments.

2) Investment shares held for purposes other than pure investment

a. Policy for shareholding, method for examining the rationality of shareholding, and the examination of whether holding shares of individual stocks is appropriate or not

The Company regularly reviews and monitors investment shares held for purposes other than pure investment to determine whether they are necessary for the Company's growth, whether the purposes for which they were acquired have been achieved, and whether there has been any change in profitability since the time of acquisition, and verifies and monitors the rationale for continuing to hold them in terms of impairment and other risk management aspects. The results are regularly reported to the Board of Directors. Regarding the appropriateness of holding shares, the Company holds the minimum necessary number of shares for the purpose of maintaining and strengthening business relationships, after carefully examining specifically whether the risks associated with holding them are commensurate with their usefulness. The Company’s basic policy is to consider selling shares if there is judged to be little purpose in holding them, taking into account their impact on the market and other circumstances that should be taken into consideration.

b. Number of stocks and total amount on the balance sheet
Not applicable.

c. Number and balance sheet amount of specified investment shares and deemed shareholdings for each stock held and other information
Not applicable.

3) Investment shares held for the purpose of pure investment

Category	Fiscal year under review		Previous fiscal year	
	Number of stocks (Stock name)	Total amount recorded on balance sheet (Million yen)	Number of stocks (stocks)	Total amount recorded on balance sheet (Million yen)
Unlisted shares	4	105	7	126
Shares other than unlisted shares	7	8,096	9	6,683

Category	Fiscal year under review		
	Total value of dividends received (Millions of yen)	Total gain or loss on sale (Millions of yen)	Total valuation gain or loss (Million yen)
Unlisted shares	3	–	–
Shares other than unlisted shares	262	469	3,599

4) Investment shares that were held for the purpose of pure investment before the fiscal year under review and that the purpose of holding them has changed to other than pure investment
Not applicable.

5) Investment shares that were held for purposes other than pure investment before the fiscal year under review and that the purpose of holding them has changed to pure investment
Not applicable.

Section 5. Financial Information

1. Method of Preparation of Consolidated Financial Statements and Non-Consolidated Financial Statements

(1) The consolidated financial statements of the Company are prepared in compliance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as the “Ordinance on Consolidated Financial Statements”).

(2) The non-consolidated financial statements of the Company are prepared in compliance with the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter referred to as the “Ordinance on Non-Consolidated Financial Statements”).
Because the Company is classified as a company that prepares its financial statements pursuant to special provisions, the non-consolidated financial statements are prepared as provided in Article 127 of the Ordinance on Non-Consolidated Financial Statements.

2. Audit Certification

The Company’s consolidated financial statements for the consolidated fiscal year (from January 1, 2023 to December 31, 2023) and the non-consolidated financial statements for the fiscal year (from January 1, 2023 to December 31, 2023) were audited by Grant Thornton Taiyo LLC under Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Specific Efforts to Secure the Appropriateness of the Consolidated Financial Statements, etc.

The Company has undertaken specific measures to secure the appropriateness of its consolidated financial statements, etc. Specifically, the Company has become a member of the Financial Accounting Standards Foundation (FASF) to properly judge accounting standards, etc. and any changes to them and to develop systems that enable it to properly respond to them. The Company also participates in training , etc. provided by the FASF.

1 【Consolidated Financial Statements and Major Notes】

(1)【Consolidated Financial Statements】

【Consolidated balance sheet】

(Million yen)

	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	32,736	35,324
Notes and accounts receivable - trade, and contract assets	56,634	62,696
Securities	8,500	8,100
Merchandise	1,732	1,350
Work in process	3,763	4,478
Raw materials and supplies	55	91
Other	9,421	11,214
Allowance for doubtful accounts	-113	-102
Total current assets	112,730	123,153
Non-current assets		
Property, plant and equipment		
Buildings and structures	59,733	64,846
Accumulated depreciation	-32,125	-33,138
Buildings and structures, net	27,607	31,707
Land	55,892	55,322
Construction in progress	12,979	14,273
Other	13,041	13,175
Accumulated depreciation	-10,360	-10,315
Other, net	2,680	2,859
Total property, plant and equipment	99,160	104,163
Intangible assets		
Goodwill	336	272
Software	5,050	5,242
Other	39	30
Total intangible assets	5,426	5,544
Investments and other assets		
Investment securities	7,693	8,986
Retirement benefit asset	7,274	7,400
Deferred tax assets	3,454	3,904
Deferred tax assets for land revaluation	–	64
Other	5,117	4,459
Allowance for doubtful accounts	-20	-81
Total investments and other assets	23,518	24,734
Total non-current assets	128,104	134,443
Total assets	240,835	257,596

(Million yen)

	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,083	13,664
Short-term borrowings	12,141	47,245
Commercial papers	–	4,000
Current portion of long-term borrowings	5,714	259
Accrued expenses	5,503	5,375
Income taxes payable	2,828	5,789
Provision for bonuses	7,470	11,739
Provision for bonuses for directors (and other officers)	286	349
Provision for loss on construction contracts	421	345
Provision for loss on withdrawal from business	30	21
Provision for subsidy repayment	429	454
Provision for compensation loss	212	151
Other	22,823	23,344
Total current liabilities	71,945	112,740
Non-current liabilities		
Long-term borrowings	8,783	8,524
Provision for retirement benefits for directors (and other officers)	410	443
Retirement benefit liability	4,504	4,519
Other	2,447	2,448
Total non-current liabilities	16,145	15,934
Total liabilities	88,091	128,674
Net assets		
Shareholders’ equity		
Share capital	26,200	26,200
Capital surplus	29,089	9,688
Retained earnings	91,020	98,283
Treasury shares	-4,593	-4,453
Total shareholders’ equity	141,717	129,718
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,224	2,556
Deferred gains or losses on hedges	-0	-0
Revaluation reserve for land	-8,228	-7,939
Foreign currency translation adjustment	485	1,342
Remeasurements of defined benefit plans	-1,149	-1,740
Total accumulated other comprehensive income	-7,668	-5,781
Stock acquisition rights	646	410
Non-controlling interests	18,049	4,573
Total net assets	152,744	128,921
Total liabilities and net assets	240,835	257,596

② 【Consolidated statements of income and consolidated statements of comprehensive income】

【Consolidated statements of income】

(Million yen)

	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)
Net sales	278,783	298,855
Cost of sales	217,216	231,619
Gross profit	61,567	67,236
Selling, general and administrative expenses		
Advertising expenses	353	413
Directors' compensations	937	967
Employees' salaries	19,542	19,613
Provision for bonuses	1,502	2,641
Retirement benefit expenses	901	999
Legal welfare expenses	3,386	3,645
Provision for directors' retirement benefits	56	43
Provision for directors' bonuses	286	349
Welfare expenses	1,259	1,173
Recruiting and training expenses	1,442	1,459
Traveling and transportation expenses	380	564
Stationery expenses	1,247	1,159
Commission fee	921	1,168
Rents	1,084	981
Taxes and dues	1,926	2,089
Provision of allowance for doubtful accounts	9	62
Depreciation	608	658
Research study expenses	577	918
Operations consignment expenses	3,711	4,035
Amortization of goodwill	61	63
Other	3,097	3,541
Total selling, general and administrative expenses	43,294	46,552
Operating profit	18,272	20,684
Non-operating income		
Interest income	109	215
Dividends income	209	267
Share of profit of entities accounted for using equity method	35	–
Foreign exchange gains	620	236
Insurance claim income	–	151
Subsidy income	34	32
Other	246	122
Total non-operating income	1,255	1,025
Non-operating expenses		
Interest expenses	49	45
Share of loss of entities accounted for using equity method	–	126
Loss on retirement of non-current assets	104	72
Expenses for dealing with system failure	83	43
Commission fee	–	1,581
Other	86	166
Total non-operating expenses	323	2,034
Ordinary profit	19,205	19,675

(Million yen)

	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)
Extraordinary income		
Gain on sale of investment securities	4	473
Reversal of allowance for doubtful accounts	94	0
Reversal of provision for retirement benefits	80	–
Gain on sale of non-current assets	–	472
Gain on sale of shares of subsidiaries	–	16
Other	11	10
Total extraordinary income	190	973
Extraordinary losses		
Impairment losses	620	127
Provision for loss on business liquidation	47	–
Office transfer expenses	66	48
Expenses for measures against infectious diseases	99	9
Provision for compensation loss	212	–
Other	64	24
Total extraordinary losses	1,111	209
Profit before income taxes	18,284	20,439
Income taxes-current	4,931	7,584
Income taxes-deferred	-35	-837
Total income taxes	4,896	6,747
Profit	13,388	13,691
Profit attributable to non-controlling interests	2,009	1,842
Profit attributable to owners of parent	11,379	11,849

【Consolidated statements of comprehensive income】

(Million yen)

	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)
Profit	13,388	13,691
Other comprehensive income		
Valuation difference on available-for-sale securities	-489	1,315
Revaluation reserve for land	–	133
Foreign currency translation adjustment	385	259
Remeasurements of defined benefit plans, net of tax	636	-284
Share of other comprehensive income of entities accounted for using equity method	18	0
Total other comprehensive income	551	1,424
Comprehensive income	13,939	15,116
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	11,688	13,110
Comprehensive income attributable to non-controlling interests	2,251	2,005

【Consolidated statements of changes in net assets】

FY2022 (From January 1, 2022 to December 31, 2022)

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges
Balance at the beginning of current period	26,200	28,979	82,645	-4,748	133,076	1,709	-0
Cumulative effects of changes in accounting policies			-493		-493		
Restated balance	26,200	28,979	82,152	-4,748	132,583	1,709	-0
Changes of items during the period							
Dividends from surplus			-2,510		-2,510		
Profit attributable to owners of parent			11,379		11,379		
Purchase of treasury shares				-1	-1		
Disposal of treasury shares		164		156	321		
Reversal of revaluation reserve for land					–		
Change in scope of consolidation					–		
Change in ownership interest of parent due to transactions with non-controlling interests		-54			-54		
Net changes of items other than shareholders' equity						-484	–
Total changes of items during the period	–	110	8,868	154	9,133	-484	–
Balance at the end of current period	26,200	29,089	91,020	-4,593	141,717	1,224	-0

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	-8,228	246	-1,756	-8,029	620	17,300	142,968
Cumulative effects of changes in accounting policies						-413	-906
Restated balance	-8,228	246	-1,756	-8,029	620	16,886	142,061
Changes of items during the period							
Dividends from surplus							-2,510
Profit attributable to owners of parent							11,379
Purchase of treasury shares							-1
Disposal of treasury shares							321
Reversal of revaluation reserve for land							–
Change in scope of consolidation							–
Change in ownership interest of parent due to transactions with non-controlling interests							-54
Net changes of items other than shareholders' equity	–	238	606	360	26	1,162	1,549
Total changes of items during the period	–	238	606	360	26	1,162	10,682
Balance at the end of current	-8,228	485	-1,149	-7,668	646	18,049	152,744

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
period							

FY2023 (From January 1, 2023 to December 31, 2023)

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges
Balance at the beginning of current period	26,200	29,089	91,020	-4,593	141,717	1,224	-0
Changes of items during the period							
Dividends from surplus			-4,430		-4,430		
Profit attributable to owners of parent			11,849		11,849		
Purchase of treasury shares				-4	-4		
Disposal of treasury shares		361		144	506		
Reversal of revaluation reserve for land			-155		-155		
Change in scope of consolidation			-0		-0		
Change in ownership interest of parent due to transactions with non-controlling interests		-19,762			-19,762		
Net changes of items other than shareholders' equity						1,332	-0
Total changes of items during the period	–	-19,400	7,262	140	-11,998	1,332	-0
Balance at the end of current period	26,200	9,688	98,283	-4,453	129,718	2,556	-0

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	-8,228	485	-1,149	-7,668	646	18,049	152,744
Changes of items during the period							
Dividends from surplus							-4,430
Profit attributable to owners of parent							11,849
Purchase of treasury shares							-4
Disposal of treasury shares							506
Reversal of revaluation reserve for land							-155
Change in scope of consolidation							-0
Change in ownership interest of parent due to transactions with non-controlling interests							-19,762
Net changes of items other than shareholders' equity	289	857	-590	1,887	-235	-13,475	-11,824
Total changes of items during the period	289	857	-590	1,887	-235	-13,475	-23,822
Balance at the end of current period	-7,939	1,342	-1,740	-5,781	410	4,573	128,921

(4) Consolidated cash flow statement

(Million yen)

	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)
Cash flows from operating activities		
Profit before income taxes	18,284	20,439
Depreciation	4,072	4,121
Impairment losses	620	127
Expenses for measures against infectious diseases	99	9
Amortization of goodwill	61	63
Increase (decrease) in provision for loss on construction contracts	121	-105
Increase (decrease) in retirement benefit liability	-178	37
Decrease (increase) in retirement benefit asset	-572	-690
Transfer of securities to retirement benefit trust	-1,000	–
Share of loss (profit) of entities accounted for using equity method	-35	126
Interest expenses	49	45
Foreign exchange losses (gains)	-470	-197
Loss (gain) on sale of investment securities	-0	-473
Loss (gain) on sale of shares of subsidiaries and associates	–	-16
Loss (gain) on sale of non-current assets	–	-472
Office transfer expenses	66	48
Commission fee	–	1,581
Decrease (increase) in notes and accounts receivable - trade and contract assets	264	-5,640
Decrease (increase) in inventories	-1,096	-365
Increase (decrease) in trade payables	1,362	-458
Decrease (increase) in prepaid expenses	-2,936	-636
Increase (decrease) in accounts payable - other	579	707
Increase (decrease) in accrued consumption taxes	-514	1,294
Increase (decrease) in accounts payable - personnel expenses	570	4,368
Decrease (increase) in long-term prepaid expenses	1,035	751
Other	515	-3,133
Subtotal	20,897	21,530
Interest and dividends income received	318	476
Interest paid	-49	-54
Income taxes paid	-7,527	-4,642
Income taxes refund	–	30
Payments for loss on withdrawal from business	-22	-13
Expenses for measures against infectious diseases paid	-97	-9
Commission expenses	–	-1,165
Net cash provided by (used in) operating activities	13,519	16,151

(Million yen)

	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)
Cash flows from investing activities		
Payments into time deposits	-9,828	-3,928
Proceeds from withdrawal of time deposits	10,834	5,754
Purchase of property, plant and equipment	-9,274	-8,622
Proceeds from sale of property, plant and equipment	–	967
Purchase of intangible assets	-3,010	-2,498
Purchase of securities	-4,500	-8,400
Proceeds from sale of securities	500	6,300
Purchase of investment securities	-0	-0
Proceeds from sale of investment securities	0	990
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	144	–
Other	-386	227
Net cash provided by (used in) investing activities	-15,522	-9,209
Cash flows from financing activities		
Proceeds from short-term borrowings	13,000	50,359
Repayments of short-term borrowings	-5,599	-15,259
Proceeds from long-term borrowings	5,000	—
Repayments of long-term borrowings	-14,765	-5,714
Net increase (decrease) in commercial papers	—	4,000
Purchase of treasury shares	-1	-4
Dividends paid	-2,508	-4,427
Dividends paid to non-controlling interests	-790	-888
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-4	-34,220
Repayments of lease obligations	-4	-1
Proceeds from exercise of employee share options	210	764
Other	-446	-54
Net cash provided by (used in) financing activities	-5,911	-5,447
Effect of exchange rate change on cash and cash equivalents	123	204
Net increase (decrease) in cash and cash equivalents	-7,789	1,698
Cash and cash equivalents at beginning of period	40,876	33,086
Cash and cash equivalents at end of period	33,086	34,785

【Notes to consolidated financial statements】

((Note on going concern assumptions))

Not applicable.

(Significant matters that serve as the basis for the preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number and names of consolidated subsidiaries

There are 32 consolidated subsidiaries, as follows. (Previous consolidated fiscal year: 31 companies)

iDEA Consulting Inc.
VINX CORP.
OA Laboratory Co., Ltd.
Cyber Com Co., Ltd.
Cybernet Systems Co., Ltd.
WATERLOO MAPLE INC.
Tosho Computer Systems Co., Ltd.
FUJISOFT SERVICE BUREAU INCORPORATED
FUJISOFT CHINA Corp.
23 other companies

Two of the above other companies were newly established by Cybernet Systems Corporation, which is a consolidated subsidiary of the Company, and included in the scope of consolidation.

FUJI SOFT TISSUE ENGINEERING Co., Ltd was excluded from the scope of consolidation due to the transfer of all its shares during the first quarter of the fiscal year under review. Only its statement of income for the first quarter of the fiscal year under review (January 1, 2023 to March 31, 2023) has been included in the consolidated financial statements.

(2) Number and names of non-consolidated subsidiaries

There are three non-consolidated subsidiaries, as follows. (Previous consolidated fiscal year: Three companies)

FUJISOFT KIKAKU Inc.
Two other companies

(3) Reason for exclusion from the scope of consolidation

The non-consolidated subsidiaries have been excluded from the scope of consolidation as they are all small in size and their total amounts in terms of total assets, net sales, profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest) do not materially impact the consolidated financial statements.

2. Application of the equity method

The equity method is applied to three companies, as follows. (Previous consolidated fiscal year: Three companies)

(1) Number and names of non-consolidated subsidiaries accounted for using equity method

There are two non-consolidated subsidiaries accounted for using the equity method, as follows. (Previous consolidated fiscal year: two companies)

FUJISOFT KIKAKU Inc.
FUJISOFT America, Inc.

(2) Number and names of associates accounted for using the equity method

There is one associate accounted for using the equity method, as follows. (Previous consolidated fiscal year: one company)

Nihon Business Soft Incorporation

(3) Non-consolidated subsidiaries and associates not accounted for by the equity method

There are no major non-consolidated subsidiaries or associates requiring special notice.

(4) Reason for exclusion from scope of application of equity method

Non-consolidated subsidiaries and associates not accounted for by the equity method are excluded from the scope of application of the equity method because their respective profit or loss (based on the Company’s ownership percentage) and retained earnings (based on the Company’s ownership percentage), etc. do not have a material effect on the consolidated financial statements.

(5) For those companies accounted for by the equity method whose closing dates differ from the consolidated closing date, financial statements based on the provisional closing of accounts as of the consolidated closing date were used.

3. Fiscal year-end of consolidated subsidiaries

Of the consolidated subsidiaries, one subsidiary of VINX Corporation has a fiscal year-end of March 31. The fiscal year-end of the 31 other companies is December 31.

In preparing the consolidated financial statements, consolidated financial statements based on the provisional closing of accounts as of the consolidated closing date were used for those companies whose fiscal-year-end differs from the consolidated fiscal year-end.

4. Accounting policies

(1) For those companies accounted for by the equity method whose closing dates differ from the consolidated closing date, financial statements based on the provisional closing of accounts as of the consolidated closing date were used.

1) Securities

a. Held-to-maturity bonds

Amortized cost method (straight-line method)

b. Available-for-sale securities

(Securities other than shares without a market price, etc.)

Market value method based on the market price at the end of the fiscal year (valuation differences are directly charged or credited to net assets, and the cost of securities sold is calculated using the moving average method)

(Shares without a market price, etc.)

Measured at cost using the moving-average method

2) Derivatives

Market value method

3) Inventories

Cost method (book value is written down according to a fall in profitability)

a. Merchandise

Measured at cost using the moving-average method

b. Work in process

Cost method using specific identification method

c. Raw materials

Measured at cost using the moving-average method

d. Supplies

Cost method using specific identification method

(2) Depreciation and amortization methods for significant depreciable assets

1) Property, plant and equipment (excluding leased assets)

Straight-line method

The useful lives of major assets are as follows.

Buildings and structures	2 to 50 years
Machinery, equipment and vehicles	2 to 20 years
Tools, furniture and fixtures	2 to 20 years

2) Intangible assets (excluding leased assets)

a. Software for market sale

Higher of the amortization amount based on the forecast number of units to be sold and the forecast profits from sale within the subsequent three years and the amount allocated using the straight-line method based on the remaining effective period

b. Software for internal use

Straight-line method based on usable period within the company (five years)

c. Other

Straight-line method

3) Leased assets

Leased assets related to financial lease transactions that do not involve transfer of ownership are depreciated using the straight-line method over their respective lease terms, which are set as their useful lives, with an assumed residual value of zero.

4) Investments and other assets (long-term prepaid expenses)

Straight-line method

(3) Accounting standards for significant provisions

1) Allowance for doubtful accounts

To prepare for possible losses on uncollectible monetary receivables held as of the end of the consolidated fiscal year, the Company provides allowances equal to the estimated amount of uncollectible general receivables based on historical rates and for specific receivables, including doubtful receivables, based on an examination of their individual collectability.

2) Provision for bonuses

To provide for the payment of bonuses to employees, the Company records a provision for bonuses equivalent to the estimated amount to be paid in the consolidated fiscal year under review.

3) Provision for bonuses for officers

To provide for the payment of bonuses to officers, the Company records a provision for bonuses equivalent to the estimated amount to be paid in the consolidated fiscal year under review.

4) Provision for loss on construction contracts

To prepare for future losses related to made-to-order software development, at the end of the fiscal year under review, the Group provides for estimated losses on made-to-order software development contracts where losses are expected to be incurred and the amount of such losses can be reasonably estimated.

5) Provision for loss on withdrawal from business

The amount of losses reasonably expected to be incurred as a result of the withdrawal from the business is recorded.

6) Provision for subsidy repayment

To provide for the repayment of subsidies, the estimated amount of subsidy repayments is recorded.

7) Provision for officers' retirement benefits

To prepare for the payment of retirement benefits for officers, certain consolidated subsidiaries provide for the amount to be paid by the end of the consolidated fiscal year pursuant to internal regulations.

8) Provision for compensation loss

To prepare for compensation of damages related to made-to-order software development, the estimated amount of losses at the end of the fiscal year under review is recorded.

(4) Accounting methods for retirement benefits

1) Method for attributing expected retirement benefits to periods of service

To calculate benefit liabilities, the estimated amount of retirement benefits is attributed up to the end of the consolidated fiscal year under review on a straight-line basis.

2) Treatment of unrecognized actuarial differences and past service costs

Actuarial differences are to be charged to expenses from the fiscal year following the year in which the past service costs occur, over a fixed number of years within the average remaining years of service of employees as of each fiscal year in which the past service costs occur.

Prior service costs are recorded as expenses over a certain number of years within the average remaining years of service of the corresponding employees at the time of occurrence using the straight-line method.

(5) Accounting standards for significant revenue and expenses

The content of the main performance obligations in the Group's principal operations for revenue from the contract with the customer and the normal point in time at which the performance obligations are satisfied (the normal point in time at which revenue is recognized) are as follows.

1) SI business

The Group undertakes overall system integration including embedded/control software development related to machine control and auto-related projects, the development of operation software used in various industries, products and services, and systems construction, maintenance and operations services.

For some transactions in the SI business, in which the Group acts as an agent in the provision of goods or services for customers, revenue is recognized in net value.

In the System Construction business, for made-to-order software development contracts that require the delivery of deliverables, the performance obligation to the customer is deemed to be satisfied as the development work under the contract proceeds and the Company, therefore, recognizes revenue over time based on the degree of progress toward satisfaction of the performance obligation, unless the period from the transaction commencement date under the contract to the point at which the performance obligation is expected to be fully satisfied is very short. The estimate of the degree of progress in satisfying performance obligations is calculated based on manufacturing costs incurred by the end of the relevant fiscal year as a percentage of the estimate of total manufacturing costs.

For services that do not require the delivery of deliverables, such as time-and-materials contracts, services are provided over the contract period and the performance obligation is deemed to be satisfied as the period elapses, and the Company, therefore, recognizes revenue over time as the period elapses, unless the period from the transaction commencement date under the contract to the point at which the performance obligation is expected to be fully satisfied is very short.

In the Products and Services business, revenue from sales of goods, such as licenses and hardware, is recognized at the time the goods are delivered to the customer, as this is when control over the goods is transferred to the customer and the performance obligation is deemed to be satisfied.

For software maintenance services provided by certain consolidated subsidiaries, the Company recognizes revenue over time as the performance obligation for transfer of the service to the customer is satisfied. In the case of a single contract involving licensing and maintenance service, a performance obligation is identified for the licensing and maintenance service, respectively, the transaction price is allocated to each performance obligation proportionately based on the standalone selling price determined for each and revenue is recognized for each service respectively.

2) Facility business

The Group is engaged in activities such as the leasing of office buildings.

Rental income from real estate is accounted for in accordance with Accounting Standard for Lease Transactions (ASBJ Statement No. 13), and revenue is recognized over the lease term.

(6) Significant hedge accounting

1) Hedge accounting

Deferral hedge accounting is applied, in principle. For forward exchange contracts and currency options, *furiate-shori* (designated exceptional hedge accounting under Japanese GAAP) is used if relevant requirements are met.

2) Hedging instruments and hedged items

(Hedging instruments)

Interest rate swaps, forward exchange contracts and currency options

(Hedged items)

Borrowings, foreign currency-denominated receivables and payables

3) Hedging policy

The Company shall enter into forward exchange contracts to avoid foreign currency risks related to foreign-currency-denominated operating transactions-and shall use interest rate swaps to avoid the risk of interest rate fluctuations on borrowings, and shall not engage in speculative transactions.

4) Method of assessing hedge effectiveness

The Company evaluates the effectiveness of hedging every half based on the ratio of the accumulated change in the fair value or cash flows of the hedged item and that of the hedging instrument.

In cases where the significant terms of the hedging instrument and the hedged item are the same, the assessment of effectiveness is omitted.

(7) Amortization of goodwill and amortization period

Goodwill is amortized evenly over a reasonably estimated period during which the Company will receive benefit (3-15 years). However, if the amount is small, goodwill is amortized in full when incurred.

(8) Scope of funds in the consolidated statement of cash flows

Funds in the consolidated statement of cash flows (cash and cash equivalents) consist of funds on hand, deposits that can be withdrawn as needed, and short-term investments that can be realized easily and only have insignificant value fluctuation risk and whose redemption date arrives within three months of the acquisition date.

(Significant accounting estimates)

1. Revenue recognized over a period of time based on the degree of progress in satisfying performance obligation

(1) Amounts posted to the consolidated financial statements for the fiscal year under review

(Million yen)

	Previous fiscal year	Fiscal year under review
Net sales for the fiscal year under review (percentage-of-completion estimates as of the end of the fiscal year)	8,443	8,473

(2) Information about significant accounting estimates related to items identified

In the case of made-to-order software development involving an obligation to deliver deliverables such as a contract, the Group recognizes revenue over a certain period based on the degree of progress in satisfying performance obligations, except in cases where the period from the date of commencement of transactions under the contract to the point at which the performance obligation is expected to be fully satisfied is very short. The estimate of the degree of progress in satisfying performance obligations is calculated based on manufacturing costs incurred by the end of the relevant fiscal year as a percentage of the estimate of total manufacturing costs.

In recognizing revenues over a certain period of time based on the degree of progress in satisfying performance obligations, the Company relies heavily on estimates of the total order amount and total manufacturing costs to determine the degree of progress in satisfying performance obligations, and requires accuracy in the management of contracts and estimates and planning control. If there is a discrepancy between the estimated and actual total orders and total manufacturing costs, we review them to ensure the accuracy of revenue recognition. However, if there is a delay in taking appropriate action, the Group’s operating results may be affected.

2. Provision for loss on construction contracts

(1) Amounts posted to the consolidated financial statements for the fiscal year under review

(Million yen)

	Previous fiscal year	Fiscal year under review
Provision for loss on construction contracts	421	345

(2) Information about significant accounting estimates related to items identified

To prepare for future losses related to made-to-order software development, at the end of the relevant fiscal year, the Group provides for estimated losses on made-to-order software development contracts where losses are expected to be incurred and the amount of such losses can be reasonably estimated. The accuracy of the estimated losses recorded is ensured through the reasonableness of estimates and the establishment of a project management system that includes monitoring of development progress and costs incurred through project progress reports and quality checks after completion. However, the Group's operating results may be affected if costs exceed initial estimates due to unforeseen costs or other factors.

(Changes in presentation methods)

(Consolidated statements of income)

Cancellation income for system services, which was shown separately under non-operating income in the previous consolidated fiscal year, is included in other under non-operating income in the consolidated fiscal year under review, because it has become insignificant in monetary terms. The consolidated financial statements for the previous consolidated fiscal year have been restated to reflect these changes in presentation.

As a result, both cancellation income for system services amounting to 100 million yen and other amounting to 146 million yen that were shown separately under non-operating income in consolidated financial results for the previous consolidated fiscal year are reclassified under other amounting to 246 million yen under non-operating income.

(Consolidated cash flow statement)

"Proceeds from sale of securities," which was included in "Other" under "Cash flows from investing activities" in the previous consolidated fiscal year, is presented separately in the fiscal year under review due to its increased importance in terms of amount. The consolidated financial statements for the previous consolidated fiscal year have been restated to reflect these changes in presentation.

As a result, 113 million yen presented as "Other" in "Cash flows from investing activities" in the consolidated statements of cash flows for the previous consolidated fiscal year has been reclassified as "Proceeds from sale of securities" of 500 million yen and "Other" of -386 million yen.

(Consolidated balance sheets)

*1. Of notes and accounts receivable - trade and contract assets, receivables and contract assets arising from contracts with customers are as shown below.

(Million yen)

	Previous fiscal year (As of December 31, 2022)	Fiscal year under review (As of December 31, 2023)
Notes receivable-trade	859	971
Accounts receivable-trade	44,611	50,642
Contract assets	11,164	11,082

*2. Securities related to non-consolidated subsidiaries and associates are as follows.

(Million yen)

	Previous fiscal year (As of December 31, 2022)	Fiscal year under review (As of December 31, 2023)
Investment securities (shares)	445	339

*3. The Company revaluated its land for business use on March 31, 2002 in accordance with the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998 and revised on March 31, 2001). Regarding revaluation differences, pursuant to the Act on Partial Amendment to the Act on Revaluation of Land (Act No. 24 promulgated on March 31, 1999), the Company posts the equivalent of tax on revaluation differences as "deferred tax assets for land revaluation" under assets, and posts the balance after deduction of this amount as "revaluation reserve for land" under net assets.

Revaluation method

Values are determined by applying reasonable adjustments to values computed using the method determined and published by the Commissioner of the National Tax Agency for the calculation of land values that serve as the basis for calculation of taxable amounts for land value tax set forth in Article 16 of the Land Value Tax Act as set forth in Article 2, Item 4 of the Order for Enforcement of Act on Revaluation of Land (Order No. 119 of March 31, 1998).

Date of revaluation: March 31, 2002

(Million yen)

	Previous fiscal year (As of December 31, 2022)	Fiscal year under review (As of December 31, 2023)
Difference between fair value of land as of the end of the consolidated fiscal year and revaluated book value	2,882	3,955

*4. Notes maturing on the last day of the fiscal year are treated as settled on the clearance date.

Given that the last day of the consolidated fiscal year was a non-business day of financial institutions, the following notes maturing on the last day of the fiscal year are included in the fiscal year-end balance.

(Million yen)

	Previous fiscal year (As of December 31, 2022)	Fiscal year under review (As of December 31, 2023)
Notes receivable-trade	2	59

*5. The inventories related to made-to-order software development where losses are expected and provision for loss on construction contracts are not offset and both are presented as is.

Of inventories related to made-to-order software development where losses are expected, the amount corresponding to the provision for loss on construction contracts is as follows.

(Million yen)

	Previous fiscal year (As of December 31, 2022)	Fiscal year under review (As of December 31, 2023)
Work in process	120	97

*6. The amount of contract liabilities included in other current liabilities is stated in Notes to consolidated financial statements (Revenue recognition).

(Consolidated statements of income)

*1. Revenue from contracts with customers

Net sales are not broken down into revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is stated in Notes to consolidated financial statements (Segment information, etc.), Information on net sales, profit (loss), assets, liabilities and other items by reported segment and revenue breakdown information.

*2. Provision for loss on construction contracts included in cost of sales is as follows.

(Million yen)

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Fiscal year under review (From January 1, 2023 to December 31, 2023)
Provision for loss on construction contracts	143	-75

*3. Research and development expenses included in selling, general and administrative expenses and manufacturing costs are as follows.

(Million yen)

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Fiscal year under review (From January 1, 2023 to December 31, 2023)
Research and development expenses	580	924

*4. Impairment losses

Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)

The Group posted an impairment loss in the asset groups below.

Location	Use	Type	Impairment losses
Naka-ku, Yokohama-shi, Kanagawa	Business assets	Buildings, tools, furniture and fixtures	529 million yen
Chiyoda-ku, Tokyo	Business assets	Software	42 million yen
Sumida-ku, Tokyo	Business assets	Machinery and equipment	40 million yen
Kita-ku, Osaka-shu, Osaka	Business assets	Buildings	8 million yen

The Group groups its assets mainly based on management accounting categories in which income and expenses are continuously monitored.

Given that the business assets in Naka-ku, Yokohama City, Kanagawa Prefecture, Chiyoda-ku, Tokyo, Sumida-ku, Tokyo, and Kita-ku, Osaka City, Osaka Prefecture are no longer expected to generate revenue, their full book values were recorded as impairment losses under extraordinary losses.

Consolidated fiscal year under review (from January 1, 2023 to December 31, 2023)

The Group posted an impairment loss in the asset groups below.

Location	Use	Type	Impairment losses
Sumida-ku, Tokyo	Business assets	Patent rights	85 million yen
Atsugi-shi, Kanagawa	Business assets	Land, buildings, facilities attached to buildings, tools, furniture and fixtures	36 million yen
Chiyoda-ku, Tokyo	Business assets	Tools, furniture and fixtures	2 million yen
Chiyoda-ku, Tokyo	Business assets	Advance payments to suppliers	2 million yen

The Group groups its assets mainly based on management accounting categories in which income and expenses are continuously monitored.

Given that the business assets in Sumida-ku, Tokyo and Chiyoda-ku, Tokyo are no longer expected to generate revenue, their full book values were recorded as impairment losses under extraordinary losses.

The book value of business assets in Atsugi City, Kanagawa Prefecture was reduced to the recoverable amount following the decision to sell the assets, and the reduced amount was recognized as an impairment loss under extraordinary losses. The recoverable amount of this asset group is measured at its net realizable value, which is calculated based on the estimated sales price.

*5. Office relocation expenses

Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)

Office relocation expenses consisted mainly of 35 million yen in impairment losses on non-current assets related to office relocation, 28 million yen in loss on retirement of non-current assets, etc., and 2 million yen in other expenses.

Impairment losses on business assets associated with office relocations in Sumida-ku, Tokyo and Kawasaki-ku, Kawasaki-shi, Kanagawa Prefecture reflect reduction in the book value to the recoverable amount for assets that are no longer expected to be used and recognition of the reduced amount as an impairment loss under extraordinary losses. The recoverable amount is calculated by setting the value in use at zero. As for the office equipment used in the call center operations of the consolidated subsidiary of the Company in Mihama-ku, Chiba City, Chiba Prefecture, the restoration costs on office move-out were recognized as an impairment loss. The recoverable amount is measured at its net realizable value, and due to the difficulty of repurposing or selling the assets, the net realizable value is recognized as zero.

The details of impairment losses are as follows.

Location	Use	Type	Impairment losses
Kawasaki-ku, Kawasaki-shi, Kanagawa	Business assets	Buildings	17 million yen
Sumida-ku, Tokyo	Business assets	Buildings	14 million yen
Mihama-ku, Chiba-shi, Chiba	Office equipment	Buildings	3 million yen

Consolidated fiscal year under review (from January 1, 2023 to December 31, 2023)

Office relocation expenses consisted mainly of 12 million yen in impairment losses on non-current assets related to office relocation, 12 million yen in loss on retirement of non-current assets, and 23 million yen in other expenses.

Among the impairment losses, the assets of the consolidated subsidiary of the Company in Naka-ku, Nagoya City, Aichi Prefecture consist of office equipment for BPO service operations, and the restoration costs on office move-out were recognized as an impairment loss under extraordinary losses. The assets in Mihama-ku, Chiba-shi, Chiba consist of office equipment for call center operations. Impairment losses were recognized under extraordinary losses for the restoration costs on office move-out and for assets that are not expected to be used in the future. The recoverable amount is measured at its net realizable value, and due to the difficulty of repurposing or selling the assets, the net realizable value is recognized as zero.

The details of impairment losses are as follows.

Location	Use	Type	Impairment losses
Naka-ku, Nagoya-shi, Aichi	Office equipment	Buildings	0 million yen
Mihama-ku, Chiba-shi, Chiba	Office equipment	Buildings, tools, furniture and fixtures	11 million yen

(Consolidated statements of comprehensive income)

*1. Reclassification adjustment and tax effect related to other comprehensive income

(Million yen)

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Fiscal year under review (From January 1, 2023 to December 31, 2023)
Valuation difference on available-for-sale securities		
Valuation difference on available-for-sale securities in the fiscal year	-705	2,364
Reclassification adjustment	–	-469
Before tax effect adjustment	-705	1,895
Tax effect	216	-579
Valuation difference on available-for-sale securities	-489	1,315
Deferred gains or losses on hedges		
Valuation difference on available-for-sale securities in the fiscal year	–	-0
Revaluation reserve for land		
Tax effect	–	133
Foreign currency translation adjustment		
Valuation difference on available-for-sale securities in the fiscal year	385	259
Remeasurements of defined benefit plans, net of tax		
Valuation difference on available-for-sale securities in the fiscal year	497	-686
Reclassification adjustment	348	248
Before tax effect adjustment	846	-438
Tax effect	-209	153
Remeasurements of defined benefit plans, net of tax	636	-285
Share of other comprehensive income of entities accounted for using equity method		
Valuation difference on available-for-sale securities in the fiscal year	18	0
Reclassification adjustment	–	–
Share of other comprehensive income of entities accounted for using equity method	18	0
Total other comprehensive income	551	1,424

(Consolidated statement of changes in net assets)

Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)

1. Issued shares

Type of shares	Beginning of consolidated fiscal year under review (Shares)	Increase (Shares)	Decrease (Shares)	At the end of the consolidated fiscal year under review (Shares)
Number of common shares	33,700,000	–	–	33,700,000

2. Treasury shares

Type of shares	Beginning of consolidated fiscal year under review (Shares)	Increase (Shares)	Decrease (Shares)	At the end of the consolidated fiscal year under review (Shares)
Number of common shares	2,346,673	259	55,623	2,291,309

(Overview of reasons for change)

The main factors for increase and decrease are as follows:

Increase due to purchases of shares of less than one unit: 259 shares

Decrease due to exercise of stock options: 44,600 shares

Decrease due to disposal of treasury shares as restricted stock compensation: 11,023 shares

3. Share acquisition rights, etc.

Company name	Breakdown	Type of shares to be issued upon exercise of share acquisition rights	Number of shares to be issued upon exercise of share acquisition rights (shares)				Balance at the end of the consolidated fiscal year under review (Million yen)
			Beginning of consolidated fiscal year under review	Increase	Decrease	At the end of the consolidated fiscal year under review	
Reporting company	Share acquisition rights as stock options	–	–	–	–	–	155
Consolidated subsidiary	Share acquisition rights as stock options	–	–	–	–	–	491

4. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
February 10, 2022 Board of Directors meeting	Number of common shares	815	26.00	December 31, 2021	March 14, 2022
August 5, 2022 Board of Directors meeting	Number of common shares	1,695	54.00	June 30, 2022	September 9, 2022

(2) Dividends with a record date in the fiscal year under review but an effective date in the following fiscal year

Resolution	Type of shares	Source of dividends	Total dividends (Million yen)	Dividend per share (yen)	Record date	Effective date
February 14, 2023 Board of Directors meeting	Number of common shares	Retained earnings	2,292	73.00	December 31, 2022	March 20, 2023

Current consolidated fiscal year (From January 1, 2023 to December 31, 2023)

1. Issued shares (Shares)

Type of shares	Beginning of consolidated fiscal year under review	Increase	Decrease	At the end of the consolidated fiscal year under review
Number of common shares	33,700,000	33,700,000	–	67,400,000

(Note) The Company conducted a two-for-one split of its common stock, effective July 1, 2023. As a result, the number of issued shares increased by 33,700,000 shares.

2. Treasury shares (Shares)

Type of shares	Beginning of consolidated fiscal year under review	Increase	Decrease	At the end of the consolidated fiscal year under review
Number of common shares	2,291,309	2,260,715	64,067	4,487,958

(Overview of reasons for change)

The main factors for increase and decrease are as follows:

Increase due to purchase of shares of less than one unit: 585 shares

Increase due to a two-for-one split of common stock: 2,260,130 shares

Decrease due to exercise of stock options: 55,300 shares

Decrease due to disposal of treasury shares as restricted stock compensation: 8,767 shares

3. Share acquisition rights, etc.

Company name	Breakdown	Type of shares to be issued upon exercise of share acquisition rights	Number of shares to be issued upon exercise of share acquisition rights (shares)				Balance at the end of the consolidated fiscal year under review (Million yen)
			Beginning of consolidated fiscal year under review	Increase	Decrease	At the end of the consolidated fiscal year under review	
Reporting company	Share acquisition rights as stock options	–	–	–	–	–	293
Consolidated subsidiary	Share acquisition rights as stock options	–	–	–	–	–	117

4. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
February 14, 2023 Board of Directors meeting	Number of common shares	2,292	73.00	December 31, 2022	March 20, 2023
August 10, 2023 Board of Directors meeting	Number of common shares	2,137	68.00	June 30, 2023	September 8, 2023

(Note) On July 1, 2023, the Company split its common stock 2 for 1. The dividend per share is the actual dividend amount before the stock split.

(2) Dividends with a record date in the fiscal year under review but an effective date in the following fiscal year

Resolution	Type of shares	Source of dividends	Total dividends (Million yen)	Dividend per share (yen)	Record date	Effective date
February 14, 2024 Board of Directors meeting	Number of common shares	Retained earnings	2,170	34.50	December 31, 2023	March 18, 2024

(Consolidated cash flow statement)

*1. Cash and cash equivalents at end of fiscal year and their relationship with the amounts of items listed in the consolidated balance sheet are as follows.

(Million yen)

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Fiscal year under review (From January 1, 2023 to December 31, 2023)
Cash and time deposits	32,736	35,324
Securities	7,000	5,900
Time deposits whose deposit term exceeds 3 months	-4,149	-2,538
Bonds, etc. whose redemption period exceeds three months	-2,500	-3,900
Cash and cash equivalents	33,086	34,785

(Lease transactions)

The information is omitted because it has little significance.

(Financial instruments)

1. Financial instruments

(1) Policy on financial instruments

The Group’s policy is to limit its fund management activities to short-term deposits, etc., and to raise funds by issuing commercial paper and borrowing from financial institutions. The Group uses derivatives to avoid the risks described below and does not engage in speculative trading.

(2) Details of financial instruments, their risks, and risk management system

Notes and accounts receivable - trade, which are operating receivables, are exposed to the credit risk of customers. To address this risk, the Group has established a system for managing the due dates and the balance of receivables for each customer according to the Group’s credit management regulations, etc. and ascertaining the credit situation of major customers every half.

Securities and investment securities are mainly stocks of companies with which the Company has business relationships and investment trusts, and are exposed to the risk of market price fluctuations, but their market values are regularly monitored and reported to the Board of Directors.

Notes and accounts payable-trade, which are trade payables, mostly mature in one year or less. In addition, the Company conducts purchase transactions denominated in foreign currencies, and operating liabilities arising from foreign currency denominated transactions are exposed to the risk of exchange rate fluctuations, which are hedged using forward exchange contracts.

Short-term borrowings, commercial paper, the current portion of long-term debt, and long-term debt (with maturities of no longer than 5 years, in principle) are used to fund capital expenditures and working capital. Borrowings with variable interest rates are exposed to interest rate fluctuation risk. For certain long-term borrowings with variable interest rates, the Group uses derivatives (interest rate swaps) for each individual contract as a hedging instrument in order to avoid the risk of fluctuations in interest-rate payable and to fix interest expenses. The method of assessing the effectiveness of hedging is omitted through the assessment of the fulfillment of requirements for interest swaps subject to specified hedge accounting treatment.

Derivative transactions are executed and managed in accordance with internal regulations (derivative management standards) that stipulate transaction authority. The Group uses forward exchange transactions for the purpose of hedging the risk of exchange rate fluctuation on operating liabilities denominated in foreign currencies and it uses interest rate swap transactions for the purpose of hedging the risk of fluctuations in interest rates on borrowings.

Operating liabilities and borrowings are exposed to liquidity risks, which the Group manages primarily by preparing monthly financing plans.

(3) Supplementary explanation about the fair value of financial instruments

Regarding the contract amounts and other details related to derivative transactions in the note on derivative transactions, the amounts themselves do not indicate market risk in relation to derivative transactions.

2. Fair value of financial instruments

The values on the consolidated balance sheet and the fair values of financial instruments and differences between them are as follows.

Previous consolidated fiscal year (As of December 31, 2022)

	Consolidated balance sheet amount (Million yen)	Fair value (Million yen)	Difference (Million yen)
(1) Accounts receivable - trade, and contract assets	55,775	55,775	-0
(2) Securities and investment securities (*2)			
1) Held-to-maturity bonds	8,500	8,500	–
2) Available-for-sale securities	6,861	6,861	–
Total assets	71,137	71,137	-0
(3) Long-term borrowings	14,497	14,508	11
Total liabilities	14,497	14,508	11

(*1) "Cash and deposits," "Notes receivable," "Notes and accounts payable," "Short-term loans payable," and "Income taxes payable" are omitted because they are cash and their fair value approximates their book value due to their short maturities.

(*2) Shares and other securities without market prices are not included in "(2) Securities and investment securities 2) Available-for-sale securities". The consolidated balance sheet amounts of the financial instruments are as shown below.

(Million yen)

Category	December 31, 2022
Unlisted shares, etc.	831

Consolidated fiscal year under review (As of December 31, 2023)

	Consolidated balance sheet amount (Million yen)	Fair value (Million yen)	Difference (Million yen)
(1) Accounts receivable - trade, and contract assets	61,725	61,725	-0
(2) Securities and investment securities (*2)			
1) Held-to-maturity bonds	8,100	8,100	–
2) Available-for-sale securities	8,287	8,287	–
Total assets	78,113	78,113	-0
(3) Long-term borrowings	8,783	8,789	6
Total liabilities	8,783	8,789	6

(*1) "Cash and deposits," "Notes receivable," "Notes and accounts payable," "Short-term loans payable," "Commercial paper" and "Income taxes payable" are omitted because they are cash and their fair value approximates their book value due to their short maturities.

(*2) Shares and other securities without market prices are not included in "(2) Securities and investment securities 2) Available-for-sale securities”. The consolidated balance sheet amounts of the financial instruments are as shown below.

(Million yen)

Category	December 31, 2023
Unlisted shares, etc.	698

(Note 1) Monetary claims and securities with maturity dates to be redeemed after the consolidated accounts settlement date

Previous consolidated fiscal year (As of December 31, 2022)

	Within 1 year (Million yen)	Over 1 year but within 5 years (Million yen)	Over 5 years but within 10 years (Million yen)	Over 10 years (Million yen)
Cash and deposits	32,736	–	–	–
Notes receivable-trade	859	–	–	–
Accounts receivable-trade and contract assets	55,649	126	–	–
Securities and investment securities with maturity periods				
Held-to-maturity bonds	8,500	–	–	–
Total	97,744	126	–	–

Consolidated fiscal year under review (As of December 31, 2023)

	Within 1 year (Million yen)	Over 1 year but within 5 years (Million yen)	Over 5 years but within 10 years (Million yen)	Over 10 years (Million yen)
Cash and deposits	35,324	–	–	–
Notes receivable-trade	971	–	–	–
Accounts receivable-trade and contract assets	61,298	426	–	–
Securities and investment securities with maturity periods				
Held-to-maturity bonds	8,100	–	–	–
Total	105,694	426	–	–

(Note 2) Scheduled redemption amounts of bonds, long-term borrowings, lease obligations and other interest-bearing liabilities with maturity after the consolidated accounts settlement date

See “Schedule of Borrowings, etc.” in the Consolidated Supplementary Schedules.

3. Breakdown of financial instruments by level of fair value

The fair values of financial instruments are classified into the following three levels according to the observability and importance of inputs used in the calculation of fair values.

Level 1: Fair value calculated using market prices, on an active market, of assets or liabilities whose fair value is calculated of the observable inputs related to the calculation of fair value calculation of observable fair value

Level 2: Fair value calculated using inputs other than the inputs used for Level 1 of the observable inputs related to the calculation of fair value

Level 3: Fair value calculated using inputs that are not observable related to the calculation of fair value

If more than one input that has a significant effect on the calculation of fair value is used, the fair value is classified to the level of inputs whose priority is lowest in the calculation of fair value.

(1) Financial instruments reported on the consolidated balance sheet at fair value

Previous consolidated fiscal year (As of December 31, 2022)

(Million yen)

	Market price			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities	6,861	–	–	6,861
Total assets	6,861	–	–	6,861

Consolidated fiscal year under review (As of December 31, 2023)

(Million yen)

	Market price			
	Level 1	Level 2	Level 3	Total
Securities and investment securities Available-for-sale securities	8,287	–	–	8,287
Total assets	8,287	–	–	8,287

(2) Financial instruments other than financial instruments reported on the consolidated balance sheet at fair value

Previous consolidated fiscal year (As of December 31, 2022)

(Million yen)

	Market price			
	Level 1	Level 2	Level 3	Total
Accounts receivable-trade and contract assets	–	55,775	–	55,775
Securities and investment securities Held-to-maturity bonds	4,500	4,000	–	8,500
Total assets	4,500	59,775	–	64,275
Long-term borrowings	–	14,508	–	14,508
Total liabilities	–	14,508	–	14,508

Consolidated fiscal year under review (As of December 31, 2023)

(Million yen)

	Market price			
	Level 1	Level 2	Level 3	Total
Accounts receivable-trade and contract assets	–	61,725	–	61,725
Securities and investment securities Held-to-maturity bonds	2,000	6,100	–	8,100
Total assets	2,000	67,825	–	69,825
Long-term borrowings	–	8,789	–	8,789
Total liabilities	–	8,789	–	8,789

(Note) Explanation of valuation techniques and inputs used in the calculation of fair value

Accounts receivable-trade and contract assets

The fair value of each classified receivable is calculated periodically by the discounted cash flow method based on a rate that takes the amount receivable, the period until the due date and credit risk into account and their fair value is classified as level 2 fair value.

Securities and investment securities

Listed shares are valued using quoted market prices. Listed shares are traded on an active market and their market prices are categorized into Level 1.

On the other hand, held-to-maturity bonds are bonds for which quoted market prices are not readily available because they are not traded frequently and their fair value is therefore classified as Level 2.

However, certificates of deposit are classified as Level 1 fair value because they are actively traded in the short-term asset market.

Long-term borrowings

The fair value of these financial instruments is calculated using the discounted present value method based on the total amount of principle and interest and rates calculated based on the remaining periods and credit risk of the debt. Their fair value is classified as Level 2 market value.

(Securities)

1. Held-to-maturity bonds

Previous consolidated fiscal year (As of December 31, 2022)

	Type	Consolidated balance sheet amount (Million yen)	Fair value (Million yen)	Difference (Million yen)
Fair value exceeds consolidated balance sheet amount	Corporate bonds	–	–	–
Fair value does not exceed consolidated balance sheet amount	Corporate bonds	–	–	–
	Other	8,500	8,500	–
	Subtotal	8,500	8,500	–
Total		8,500	8,500	–

Consolidated fiscal year under review (As of December 31, 2023)

	Type	Consolidated balance sheet amount (Million yen)	Fair value (Million yen)	Difference (Million yen)
Fair value exceeds consolidated balance sheet amount	Corporate bonds	–	–	–
Fair value does not exceed consolidated balance sheet amount	Corporate bonds	–	–	–
	Other	8,100	8,100	–
	Subtotal	8,100	8,100	–
Total		8,100	8,100	–

2. Available-for-sale securities

Previous consolidated fiscal year (As of December 31, 2022)

	Type	Consolidated balance sheet amount (Million yen)	Acquisition cost (Million yen)	Difference (Million yen)
Consolidated balance sheet amount exceeds acquisition cost	Shares	4,389	2,471	1,918
Consolidated balance sheet amount exceeds acquisition cost	Shares	2,472	2,606	-133
Total		6,861	5,077	1,784

(Note) Unlisted shares, etc. (the consolidated balance sheet amount of which is 831 million yen) do not have a market value and are, therefore, not included in “Available-for-sale securities” in the above table.

Consolidated fiscal year under review (As of December 31, 2023)

	Type	Consolidated balance sheet amount (Million yen)	Acquisition cost (Million yen)	Difference (Million yen)
Consolidated balance sheet amount exceeds acquisition cost	Shares	8,287	4,608	3,679
Consolidated balance sheet amount exceeds acquisition cost	Shares	–	–	–
Total		8,287	4,608	3,679

(Note) Unlisted shares, etc. (the consolidated balance sheet amount of which is 698 million yen) do not have a market value and are, therefore, not included in “Available-for-sale securities” in the above table.

3. Available-for-sale securities sold during the consolidated fiscal year

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

Type	Sale amount (Million yen)	Total gain on sale (Million yen)	Total loss on sale (Million yen)
Shares	4	4	–
Corporate bonds	–	–	–
Total	4	4	–

Consolidated fiscal year under review (from January 1, 2023 to December 31, 2023)

Type	Sale amount (Million yen)	Total gain on sale (Million yen)	Total loss on sale (Million yen)
Shares	960	469	–
Corporate bonds	–	–	–
Total	960	469	–

4. Securities on which impairment losses were posted

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

Not applicable.

Consolidated fiscal year under review (from January 1, 2023 to December 31, 2023)

Not applicable.

(Derivative transactions)

1. Derivative transactions to which hedge accounting is not applied

Currency-related

Previous consolidated fiscal year (As of December 31, 2022)

Not applicable.

Consolidated fiscal year under review (As of December 31, 2023)

Not applicable.

2. Derivative transactions to which hedge accounting is applied

Interest rate-related

Previous consolidated fiscal year (As of December 31, 2022)

Not applicable.

Consolidated fiscal year under review (As of December 31, 2023)

Not applicable.

(Retirement benefits)

(Defined benefit plans)

1. Overview of retirement benefit plans in place

The Company and its consolidated subsidiaries have defined benefit pension plans and lump-sum payment plans, and certain consolidated subsidiaries have established retirement benefit trusts effective from the fiscal year under review. In addition, extra retirement payments may be made when an employee retires or otherwise leaves the Company. Certain consolidated subsidiaries have defined contribution pension plans. Some consolidated subsidiaries use the simplified method for the calculation of retirement benefit obligations.

2. Defined benefit plans

(1) Reconciliation of defined benefit obligation at beginning and end of period

(Million yen)

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Fiscal year under review (From January 1, 2023 to December 31, 2023)
Retirement benefit obligations at beginning of period	29,045	28,067
Service costs	2,275	2,221
Interest costs	109	272
Actuarial gains and losses incurred in the period	-1,890	735
Retirement benefits paid	-1,310	-1,355
Decrease due to change in retirement benefit plan	-190	–
Other	27	–
Retirement benefit obligations at end of period	28,067	29,941

(2) Reconciliation of balance of plan assets at beginning and end of period

(Million yen)

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Fiscal year under review (From January 1, 2023 to December 31, 2023)
Pension assets at beginning of period	29,264	30,837
Expected return on pension assets	591	616
Actuarial gains and losses incurred in the period	-1,233	-5
Employer contribution	3,158	2,281
Retirement benefits paid	-796	-906
Decrease due to change in retirement benefit plan	-147	–
Pension assets at the end of period	30,837	32,823

(3) Reconciliation of retirement benefit obligation and pension assets with net retirement benefit liability and asset reflected on the consolidated balance sheets

(Million yen)

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Fiscal year under review (From January 1, 2023 to December 31, 2023)
Defined benefit obligation for funded plan	23,584	25,463
Pension assets	-30,837	-32,823
	-7,253	-7,359
Defined benefit obligation for unfunded plan	4,483	4,477
Net amount of retirement benefit liability and asset on the consolidated balance sheets	-2,769	-2,881
Retirement benefit liability	4,504	4,519
Retirement benefit asset	-7,274	-7,400
Net amount of retirement benefit liability and asset on the consolidated balance sheets	-2,769	-2,881

(4) Breakdown of retirement benefit expenses

(Million yen)

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Fiscal year under review (From January 1, 2023 to December 31, 2023)
Service costs	2,275	2,221
Interest costs	109	272
Expected return on pension assets	-591	-616
Expense for actuarial losses for the period	308	253
Amortization of prior service costs for the period	-8	-5
Other (retirement benefits paid, etc.)	-12	-9
Retirement benefit expenses related to defined benefit plan	2,080	2,116
Gain or loss on retirement plan changes (Note)	80	–

(Note) The amount was recorded as “Reversal of provision for retirement benefits” in extraordinary income in the previous consolidated fiscal year.

(5) Remeasurements of defined benefit plans, net of tax

The breakdown of “remeasurements of defined benefit plans, net of tax” (before deduction of tax effect) is as follows.

(Million yen)

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Fiscal year under review (From January 1, 2023 to December 31, 2023)
Unrecognized actuarial gains and losses	805	-466
Unrecognized prior service costs	-8	-5
Total	796	-471

(6) Remeasurements of defined benefit plans

The breakdown of items posted as “remeasurements of defined benefit plans” (before deduction of tax effect) is as follows:

(Million yen)

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Fiscal year under review (From January 1, 2023 to December 31, 2023)
Unrecognized actuarial gains and losses	-1,735	-2,187
Unrecognized prior service costs	13	8
Total	-1,722	-2,179

(7) Pension assets

1) Major components of pension assets

The ratios of each of the major categories to total pension assets are as follows.

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Fiscal year under review (From January 1, 2023 to December 31, 2023)
Bonds	24%	32%
Shares	8%	10%
Cash and deposits	12%	1%
General account	53%	19%
Other	3%	38%
Total	100%	100%

2) Method for setting expected long-term rate of return

To consider the expected long-term rate of return on pension assets, the Company takes into consideration the current and expected pension asset mix and expected long-term rates of return on a variety of pension assets.

(8) Basis for the calculation of actuarial gains and losses

Basis of major actuarial calculations at the end of the fiscal year

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Fiscal year under review (From January 1, 2023 to December 31, 2023)
Discount rate	Mainly 0.3%	Mainly 1.1%
Expected long-term rate of return	Mainly 2.0%	Mainly 2.0%

3. Defined contribution plan

The required contribution amount by the Company and some consolidated subsidiaries to the defined contribution plan was 649 million yen (612 million yen in the previous consolidated fiscal year).

(Stock options)

1. Expenses related to stock options and their account titles

Category	Previous fiscal year	Fiscal year under review
Selling, general and administrative expenses	80 million yen	176 million yen

2. Amount posted as profit due to the forfeiture of unexercised stock options

Not applicable.

3. Description of stock options, their scale and changes

(1) Description of stock options

Company name	Reporting company	
Date of resolution	Resolution of the Board of Directors on March 26, 2019	Resolution of the Board of Directors on March 29, 2022
Classification and number of persons to whom rights are granted (persons)	Directors (* Excluding Outside Directors) 4 Auditors (* Excluding Outside Auditors) 1 Former Directors 2 Operating Officers 8 Former Operating Officers 2 Officers of subsidiaries 4 Operating Officers of subsidiaries 2	Directors (* Excluding Outside Directors) 5 Former Directors 1 Operating Officers 16 Former Operating Officers 2
Type and number of shares granted (shares) (Note 1) (Note 2)	Common shares 360,000	Common shares 274,000
Grant date	April 15, 2019	April 28, 2022
Vesting conditions	A holder of share acquisition rights is required to be in the position of Director, Operating Officer or employee of the subsidiary at the time of exercising the rights. Provided, however, that this shall not apply when a Director or Operating Officer retires due to expiration of his/her term of office, or when an employee retires upon reaching mandatory retirement age, or for any other legitimate reason. No heir of share acquisition rights shall be permitted to exercise the share acquisition rights.	
Requisite service period	(From March 26, 2019 to March 28, 2021)	(From March 29, 2022 to March 31, 2024)
Exercise period	(From March 29, 2021 to March 26, 2024)	(From April 1, 2024 to March 29, 2027)

Company name	Reporting company
Date of resolution	Resolution of the Board of Directors on March 28, 2023
Classification and number of persons to whom rights are granted (persons)	Directors (* Excluding Outside Directors) 5 Operating Officers 18
Type and number of shares granted (shares) (Note 1) (Note 2)	Common shares 262,000
Grant date	April 27, 2023
Vesting conditions	A holder of share acquisition rights is required to be in the position of Director, Operating Officer or employee of the subsidiary at the time of exercising the rights. Provided, however, that this shall not apply when a Director or Operating Officer retires due to expiration of his/her term of office, or when an employee retires upon reaching mandatory retirement age, or for any other legitimate reason. No heir of share acquisition rights shall be permitted to exercise the share acquisition rights.
Requisite service period	(From April 27, 2023 to March 31, 2025)
Exercise period	(From April 1, 2025 to March 28, 2028)

(Notes) 1. The number of stock options is converted to the number of shares.
2. The number of shares has been converted to the number of shares after a 2-for-1 stock split conducted on July 1, 2023.

Company name	VINX CORP.
Date of resolution	Resolution of the Board of Directors on May 9, 2019
Classification and number of persons to whom rights are granted (persons)	Directors of subsidiaries (* Excluding Outside Directors) 3 Operating Officers of subsidiaries 13 Employees of subsidiaries 58
Type and number of shares granted (shares) (Note)	Common shares 887,000
Grant date	May 28, 2019
Vesting conditions	A holder of share acquisition rights is required to be in the position of Director, Operating Officer or employee of the subsidiary at the time of exercising the rights. Provided, however, that this shall not apply when a Director or Operating Officer retires due to expiration of his/her term of office, or when an employee retires upon reaching mandatory retirement age, or for any other legitimate reason. No heir of share acquisition rights shall be permitted to exercise the share acquisition rights.
Requisite service period	(From May 28, 2019 to May 31, 2021)
Exercise period	(From June 1, 2021 to May 31, 2026)

(Note) The number of stock options is converted to the number of shares.

(2) Scale of stock options and related changes

The number of stock options applies to the stock options existing in the consolidated fiscal year under review (ended December 31, 2023), which are converted to the number of shares for presentation.

The figures presented have been converted to figures after a 2-for-1 stock split conducted on July 1, 2023.

1) Number of stock options

Company name	Reporting company		
Date of resolution	Resolution of the Board of Directors on March 26, 2019	Resolution of the Board of Directors on March 29, 2022	Resolution of the Board of Directors on March 28, 2023
Before vesting (shares)			
As of January 1, 2023	–	274,000	–
Granted	–	–	262,000
Forfeited	–	–	–
Vested	–	–	–
Yet to be vested	–	274,000	262,000
After vesting (shares)			
As of January 1, 2023	151,200	–	–
Vested	–	–	–
Rights exercised	78,200	–	–
Forfeited	–	–	–
Yet to be exercised	73,000	–	–

Company name	VINX CORP.
Date of resolution	Resolution of the Board of Directors on May 9, 2019
Before vesting (shares)	
As of January 1, 2023	–
Granted	–
Forfeited	–
Vested	–
Yet to be vested	–
After vesting (shares)	
As of January 1, 2023	823,000
Vested	–
Rights exercised	377,900
Forfeited	–
Yet to be exercised	445,100

2) Unit price information

Company name	Reporting company		
Date of resolution	Resolution of the Board of Directors on March 26, 2019	Resolution of the Board of Directors on March 29, 2022	Resolution of the Board of Directors on March 28, 2023
Exercise price (yen) (Note)	2,243	3,465	4,152
Average share price when exercised (yen)	4,422	–	–
Fair unit value on the date of grant (yen)	495	785	692

(Note) The prices presented have been converted to prices after a 2-for-1 split of common stock conducted on July 1, 2023.

Company name	VINX CORP.
Date of resolution	Resolution of the Board of Directors on May 9, 2019
Exercise price (yen)	1,408
Average share price when exercised (yen)	1,957
Fair unit value on the date of grant (yen)	597

4. Method for estimating the number of stock options vested

It is difficult to reasonably estimate the number of stock options to be forfeited, and only the actual number of stock options forfeited is reflected.

(Tax effect accounting)

1. Major factors of deferred tax assets and deferred tax liabilities

(Million yen)

	Previous fiscal year (As of December 31, 2022)	Fiscal year under review (As of December 31, 2023)
Deferred tax assets		
Loss carryforwards	449	523
Provision for bonuses	2,327	3,633
Retirement benefit liability	1,708	1,716
Remeasurements of defined benefit plans	526	680
Provision for retirement benefits for officers	206	152
Accrued legal welfare expenses	615	486
Accrued enterprise tax and accrued business office tax	392	528
Loss on valuation of securities, membership, etc.	633	620
Depreciation	592	935
Land	125	214
Asset retirement obligations	88	121
Bad debt losses and allowance for doubtful accounts	200	322
Provision for loss on construction contracts	175	207
Impairment losses	62	38
Other	368	193
Deferred tax assets, subtotal	8,473	10,376
Valuation allowance	-1,703	-2,325
Deferred tax assets, total	6,769	8,050
Deferred tax liabilities		
Valuation difference on available-for-sale securities	-547	-1,126
Retirement benefit asset	-2,691	-2,897
Other	-76	-121
Total deferred tax liabilities	-3,315	-4,146
Deferred tax assets (liabilities), net	3,454	3,904

2. Major factors for the difference between statutory tax rate and effective income tax rate after the application of tax effect accounting

	Previous fiscal year (As of December 31, 2022)	Fiscal year under review (As of December 31, 2023)
Statutory tax rate	30.6%	30.6%
(Adjustment)		
Consolidation adjustment for amortization of goodwill	0.1%	0.1%
Items that are not permanently deductible, such as entertainment expenses	0.1%	0.2%
Items that are not permanently included in profits, such as dividend income	0.1%	0.2%
Change in valuation allowance	-1.2%	4.4%
Consolidation adjustment for transactions with subsidiaries and associates	-0.4%	-0.9%
Inhabitant tax on a per capita basis, etc.	0.6%	0.5%
Tax credit	-4.2%	-1.0%
Other	1.2%	-1.1%
Effective income tax rate after application of tax-effect accounting	26.8%	33.0%

(Business combinations)
Transactions involving entities under common control
(Acquisition of shares of Cybernet Systems Co., Ltd. through a tender offer, etc.)
The Company resolved at a meeting of its Board of Directors on November 8, 2023 to acquire the common shares of Cybernet Systems Co., Ltd. (stock code: 4312; Standard Market of Tokyo Stock Exchange, Inc. (hereinafter the "Tokyo Stock Exchange"); hereinafter the "Target Company") through a tender offer (hereinafter the "Tender Offer") under the Financial Instruments and Exchange Act for the purpose of making the Target Company its wholly owned subsidiary. The Tender Offer was completed on December 21, 2023.

1. Overview of transaction

(1)Name of combined entity and description of its business

Name of combined entity: Cybernet Systems Co., Ltd.

Business: Sale and development of scientific and technological computation software in the following fields

- CAE solutions (mechanical, control, electronic system, optical, optical measurement systems)
- IT solutions (cloud security, endpoint security, IT asset management, IT infrastructure, CAE cloud)
- AR/VR, visualization solutions (visualization, image analysis, AR/VR, medical AI diagnostic support)
- Big data solutions (IoT data visualization, analysis)

IoT/digital twin/AI development support services

Various engineering services (contract analysis, system development, consulting, technical support, introduction support seminars, CAE comprehensive training)

(2) Date of the business combination

December 21, 2023 (deemed acquisition date is December 31, 2023) (acquisition through a tender offer)

(3) Legal form of the business combination

Share acquisition in exchange for cash

(4) Names of entity after the business combination

No change

(5) Shareholding at the subsidiary after additional acquisition

Shareholding before business combination: 54.39%

Shareholding after tender offer: 90.55%

(6) Other matters related to outline of the transaction

By making the Target Company its wholly owned subsidiary, the Company will work to improve the value provided to customers, such as by sharing intellectual property and research achievements and improving sales efficiency, in addition to strengthening each business and creating new and integrated fields, thereby accelerating the achievement of its future vision and maximizing the Group's value. It is for this purpose that the Company has acquired the shares of the Target Company held by non-controlling shareholders.

2. Overview of accounting procedures implemented

The transaction is accounted for as a transaction with non-controlling shareholders of common control transactions pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

3. Matters to be presented when additional shares of a subsidiary have been acquired

Acquisition cost and transactions for each type of consideration

Consideration for acquisition (cash): 12,235 million yen

Acquisition cost: 12,235 million yen

4. Change in equity of the Company related to transaction with non-controlling shareholders

(1) Main factor for change in capital surplus

Acquisition of additional shares in subsidiary

(2) Amount of decrease in capital surplus due to the transaction with non-controlling shareholders

7,102 million yen

(Additional information)

(Acquisition of 100% ownership of Cybernet Systems Co., Ltd.)

After the above Tender Offer, the Company demanded the sale of shares pursuant to Article 179, Paragraph 1 of the Companies Act and made the Target Company its wholly owned subsidiary effective February 14, 2024.

(Acquisition of shares of VINX CORP. through a tender offer, etc.)

The Company resolved at a meeting of its Board of Directors on November 8, 2023 to acquire the common shares and the Share Warrants of VINX CORP. (stock code: 3784; Standard Market of Tokyo Stock Exchange, Inc. (hereinafter the “Tokyo Stock Exchange”); hereinafter the “Target Company”) through a tender offer (hereinafter the “Tender Offer”) under the Financial Instruments and Exchange Act for the purpose of making the Target Company its wholly owned subsidiary. The Tender Offer was completed on December 21, 2023.

1. Overview of transaction

(1) Name of combined entity and description of its business

Name of combined entity: VINX CORP.

Business: - Development of solutions related to core systems, store systems, e-commerce systems, etc.
- System operation, monitoring and maintenance, helpdesk services
- Development of own-brand products and sale of licenses
- Sale of POS hardware, network construction and other ancillary services

(2) Date of the business combination

December 21, 2023 (deemed acquisition date is December 31, 2023) (acquisition through a tender offer)

(3) Legal form of the business combination

Share acquisition in exchange for cash

(4) Names of entity after the business combination

No change

(5) Shareholding at the subsidiary after additional acquisition

Shareholding before business combination: 60.02%

Shareholding after tender offer: 96.03%

(6) Other matters related to outline of the transaction

By making the Target Company its wholly owned subsidiary, the Company will work to improve the value provided to customers, such as by sharing intellectual property and research achievements and improving sales efficiency, in addition to strengthening each business and creating new and integrated fields, thereby accelerating the achievement of its future vision and maximizing the Group’s value. It is for this purpose that the Company has acquired the shares of the Target Company held by non-controlling shareholders.

2. Overview of accounting procedures implemented

The transaction is accounted for as a transaction with non-controlling shareholders of common control transactions pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

3. Matters to be presented when additional shares of a subsidiary have been acquired

Acquisition cost and transactions for each type of consideration

Consideration for acquisition (cash): 12,520 million yen

Acquisition cost: 12,520 million yen

4. Change in equity of the Company related to transaction with non-controlling shareholders

(1) Main factor for change in capital surplus

Acquisition of additional shares in subsidiary

(2) Amount of decrease in capital surplus due to the transaction with non-controlling shareholders 7,598 million yen

(Additional information)

(Acquisition of 100% ownership of VINX CORP.)

After the above Tender Offer, the Company demanded the sale of shares pursuant to Article 179, Paragraph 1 of the Companies Act and made the Target Company its wholly owned subsidiary effective February 19, 2024.

(Acquisition of shares of FUJI SOFT SERVICE BUREAU INCORPORATED through a tender offer, etc.)
The Company resolved at a meeting of its Board of Directors on November 8, 2023 to acquire the common shares of FUJI SOFT SERVICE BUREAU INCORPORATED (stock code: 6188; Standard Market of Tokyo Stock Exchange, Inc. (hereinafter the "Tokyo Stock Exchange"); hereinafter the "Target Company") through a tender offer (hereinafter the "Tender Offer") under the Financial Instruments and Exchange Act for the purpose of making the Target Company its wholly owned subsidiary. The Tender Offer was completed on December 21, 2023.

1. Overview of transaction

(1) Name of combined entity and description of its business
Name of combined entity: FUJI SOFT SERVICE BUREAU INCORPORATED
Business: Call center services and BPO services

(2) Date of the business combination
December 21, 2023 (deemed acquisition date is December 31, 2023) (acquisition through a tender offer)

(3) Legal form of the business combination
Share acquisition in exchange for cash

(4) Names of entity after the business combination
No change

(5) Shareholding at the subsidiary after additional acquisition
Shareholding before business combination: 57.93%
Shareholding after tender offer: 96.21%

(6) Other matters related to outline of the transaction
By making the Target Company its wholly owned subsidiary, the Company will work to improve the value provided to customers, such as by sharing intellectual property and research achievements and improving sales efficiency, in addition to strengthening each business and creating new and integrated fields, thereby accelerating the achievement of its future vision and maximizing the Group's value. It is for this purpose that the Company has acquired the shares of the Target Company held by non-controlling shareholders.

2. Overview of accounting procedures implemented
The transaction is accounted for as a transaction with non-controlling shareholders of common control transactions pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

3. Matters to be presented when additional shares of a subsidiary have been acquired
Acquisition cost and transactions for each type of consideration
Consideration for acquisition (cash): 3,051 million yen
Acquisition cost: 3,051 million yen

4. Change in equity of the Company related to transaction with non-controlling shareholders

(1) Main factor for change in capital surplus
Acquisition of additional shares in subsidiary

(2) Amount of decrease in capital surplus due to the transaction with non-controlling shareholders
1,792 million yen

(Additional information)

(Acquisition of 100% ownership of FUJI SOFT SERVICE BUREAU INCORPORATED)
After the above Tender Offer, the Company demanded the sale of shares pursuant to Article 179, Paragraph 1 of the Companies Act and made the Target Company its wholly owned subsidiary effective February 20, 2024.

(Acquisition of shares of Cyber Com Co., Ltd. through a tender offer, etc.)
The Company resolved at a meeting of its Board of Directors on November 8, 2023 to acquire the common shares of Cyber Com Co., Ltd. (stock code: 3852; Standard Market of Tokyo Stock Exchange, Inc. (hereinafter the "Tokyo Stock Exchange"); hereinafter the "Target Company") through a tender offer (hereinafter the "Tender Offer") under the Financial Instruments and Exchange Act for the purpose of making the Target Company its wholly owned subsidiary. The Tender Offer was completed on December 21, 2023.

1. Overview of transaction

(1) Name of combined entity and description of its business

Name of combined entity: Cyber Com Co., Ltd.

Business: Software development business, service business, facility business

(2) Date of the business combination

December 21, 2023 (deemed acquisition date is December 31, 2023) (acquisition through a tender offer)

(3) Legal form of the business combination

Share acquisition in exchange for cash

(4) Names of entity after the business combination

No change

(5) Shareholding at the subsidiary after additional acquisition

Shareholding before business combination: 51.89%

Shareholding after tender offer: 92.72%

(6) Other matters related to outline of the transaction

By making the Target Company its wholly owned subsidiary, the Company will work to improve the value provided to customers, such as by sharing intellectual property and research achievements and improving sales efficiency, in addition to strengthening each business and creating new and integrated fields, thereby accelerating the achievement of its future vision and maximizing the Group's value. It is for this purpose that the Company has acquired the shares of the Target Company held by non-controlling shareholders.

2. Overview of accounting procedures implemented

The transaction is accounted for as a transaction with non-controlling shareholders of common control transactions pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

3. Matters to be presented when additional shares of a subsidiary have been acquired

Acquisition cost and transactions for each type of consideration

Consideration for acquisition (cash): 6,239 million yen

Acquisition cost: 6,239 million yen

4. Change in equity of the Company related to transaction with non-controlling shareholders

(1) Main factor for change in capital surplus

Acquisition of additional shares in subsidiary

(2) Amount of decrease in capital surplus due to the transaction with non-controlling shareholders

3,282 million yen

(Additional information)

(Acquisition of 100% ownership of Cyber Com Co., Ltd.)

After the above Tender Offer, the Company demanded the sale of shares pursuant to Article 179, Paragraph 1 of the Companies Act and made the Target Company its wholly owned subsidiary effective February 13, 2024.

(Asset retirement obligations)

The information is omitted because it has little significance.

(Rental properties, etc.)

The Company and some of its consolidated subsidiaries own rental office buildings in Tokyo and other areas. As the Company and its consolidated subsidiaries use parts of rental office buildings in Japan, this real estate is classified as real estate that includes properties used as rental properties.

The carrying amounts on the consolidated balance sheet, increase (decrease) during the period, and fair value of this real estate that includes properties used as rental properties are as follows.

(Million yen)

			Previous fiscal year (From January 1, 2022 to December 31, 2022)	Fiscal year under review (From January 1, 2023 to December 31, 2023)
Real estate that includes properties used as rental properties	Consolidated balance sheet amount	Balance at the beginning of the fiscal year	36,719	36,127
		Increase/decrease during the period	-591	-401
		Balance at the end of the fiscal year	36,127	35,725
	Fair value at the end of the fiscal year		52,403	52,942

(Notes) 1. The carrying amount on the consolidated balance sheet represents the acquisition cost net of accumulated depreciation and amortization and accumulated impairment loss.

2. The increase/decrease during the period for rental properties, etc. is mainly a decrease due to the depreciation of Akihabara Building.

3. Fair value at the end of the previous consolidated fiscal year and the consolidated fiscal year under review is mainly based on the amount appraised by a real estate appraiser, and other amounts are based on indices that are considered to appropriately reflect market values.

In addition, gains and losses from real estate that includes properties used as rental properties are as follows.

(Million yen)

		Previous fiscal year (From January 1, 2022 to December 31, 2022)	Fiscal year under review (From January 1, 2023 to December 31, 2023)
Real estate that includes properties used as rental properties	Rental revenue	2,141	2,214
	Rental expense	984	1,011
	Difference	1,156	1,202
	Other (gain/loss on sale, etc.)	–	–

(Note) 1. Real estate that includes properties used as rental properties includes properties used to provide services and properties used by certain consolidated subsidiaries, and rental revenue for these properties is, therefore, not recorded. Expenses (depreciation, repair expenses, taxes and other dues, etc.) for this real estate are included in rental expenses.

(Revenue recognition)

1. Breakdown information on revenue from contracts with customers

The information from the breakdown of revenue from contracts with customers is provided in Notes to consolidated financial statements (Segment information, etc.).

2. Information that serves as basis for understanding revenue from contracts with customers

Information that serves as a basis for understanding revenue from contracts with customers is as stated in Notes to consolidated financial statements (Significant matters that serve as the basis for the preparation of consolidated financial statements), 4. Accounting policies, (5) Accounting standards for significant revenue and expenses.

3. Information on the relationship between the fulfillment of performance obligations based on contracts with customers and cash flows from those contracts as well as the amount and timing of revenue expected to be recognized in and after the consolidated fiscal year following the contracts with customers that exist at the end of the consolidated fiscal year under review

(1) Contract assets and contract liabilities, etc.

(Million yen)

	Previous fiscal year	Fiscal year under review
Receivables from contracts with customers (balance at beginning of fiscal year)	45,703	44,987
Receivables from contracts with customers (balance at end of fiscal year)	44,987	51,614
Contract assets (balance at beginning of fiscal year)	10,657	11,164
Contract assets (balance at end of fiscal year)	11,164	11,082
Contract liabilities (balance at beginning of fiscal year)	7,953	7,715
Contract liabilities (balance at end of fiscal year	7,715	8,415

Contract assets consist primarily of unclaimed rights of the Company to consideration that is revenue recognized upon satisfaction of performance obligations for made-to-order software development and services provided under time and material contracts that do not require the delivery of deliverables. Contract assets will be transferred to receivables from contracts with customers when the Group receives an unconditional right to a consideration. Such consideration is charged and received in accordance with the payment terms set forth in the individual contracts.

Contract liabilities are primarily customer advances, which are reversed as revenue is recognized.

The amount of revenue recognized in the previous fiscal year that was included in the contract liability balance at the beginning of the period was 5,916 million yen.

The amount of revenue recognized in the fiscal year under review that was included in the balance of contract liabilities at the beginning of the fiscal year was 6,445 million yen.

(2) Transaction prices allocated to remaining performance obligations

The Group applies the practical expedient method in noting transaction prices allocated to remaining performance obligations and does not include in the scope of notes contracts with an initial forecasted contract period of one year or less and contracts in which consideration is received in an amount that directly corresponds to actual hours of work.

The sum of transaction value allocated to remaining performance obligations and the period of expected income recognition in the fiscal year under review are as follows.

(Million yen)

	Previous fiscal year	Fiscal year under review
Within 1 year	11,193	10,518
Over 1 year, within 2 years	1,272	2,086
Over 2 years, within 3 years	349	1,136
Over 3 years	80	42
Total	12,896	13,783

(Segment information)

【Segment information】

1. Overview of reported segments

The reported segments of the Group are its constituents for which separate financial information is available and which the Board of Directors regularly examines to determine the distribution of management resources and evaluate performance.

The Group consists of two service units, or reported segments: the SI (system integration) business and the facility business.

SI (system integration) business

Overall system integration including embedded/control software development related to machine control and auto-related projects, the development of operation software used in various industries, products and services, and systems construction, maintenance and operations services.

Facility business

The leasing of office buildings that the Company and certain consolidated subsidiaries own

2. Calculating of net sales, profit, loss, assets, liabilities and other items by reported segment

The accounting method for reported business segments is generally the same as the details stated in the "Important basic matters for the preparation of consolidated financial statements".

Reported segments' profit is based on operating profit. Internal revenue and the transfer amount among the segments are based on the actual market prices.

3. Information on net sales, profit (loss), assets, liabilities and other items by reported segment and the breakdown of revenue

FY2022 (From January 1, 2022 to December 31, 2022)

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustment (Note 2)	Amounts recorded in the consolidated financial statements (Note 3)
	SI business	Facility business	Total				
Net sales							
Goods transferred at a point in time	213,689	394	214,084	1,495	215,579	–	215,579
Goods transferred over time	49,453	–	49,453	11,481	60,935	–	60,935
Revenue from contracts with customers	263,143	394	263,537	12,976	276,514	–	276,514
Other revenue (Note 4)	0	2,260	2,260	9	2,269	–	2,269
Sales to outside customers	263,143	2,654	265,798	12,985	278,783	–	278,783
Inter-segment sales or transfers	104	532	637	738	1,375	-1,375	–
Total	263,248	3,187	266,435	13,724	280,159	-1,375	278,783
Segment profit	16,775	815	17,591	682	18,273	-0	18,272
Segment assets	233,126	177	233,303	7,531	240,835	–	240,835
Other items							
Depreciation	3,820	20	3,841	231	4,072	–	4,072
Amortization of goodwill	61	–	61	–	61	–	61
Increase in property, plant and equipment and intangible assets	19,460	20	19,480	406	19,886	–	19,886

(Notes) 1. "Others" is a business segment that is not included in the reported segments and includes the data entry business, contact center business, and tissue engineering business, etc.

2. An adjustment of segment profit of -0 million yen includes an elimination of inter-segment transactions of -0 million yen.

3. The segment profit has been adjusted to the operating profit stated in the consolidated statements of income.

4. The main components of other revenue include income from lease based on the Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

FY2023 (From January 1, 2023 to December 31, 2023)

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustment (Note 2)	Amounts recorded in the consolidated financial statements (Note 3)
	SI business	Facility business	Total				
Net sales							
Goods transferred at a point in time	226,917	396	227,313	1,785	229,098	–	229,098
Goods transferred over time	55,500	–	55,500	11,735	67,236	–	67,236
Revenue from contracts with customers	282,418	396	282,814	13,520	296,335	–	296,335
Other revenue (Note 4)	0	2,510	2,510	10	2,520	–	2,520
Sales to outside customers	282,418	2,906	285,324	13,530	298,855	–	298,855
Inter-segment sales or transfers	102	532	634	854	1,489	-1,489	–
Total	282,520	3,438	285,959	14,385	300,345	-1,489	298,855
Segment profit	18,904	1,010	19,915	768	20,683	0	20,684
Segment assets	249,153	238	249,391	8,205	257,596	–	257,596
Other items							
Depreciation	3,825	32	3,857	264	4,121	–	4,121
Amortization of goodwill	63	–	63	–	63	–	63
Increase in property, plant and equipment and intangible assets	15,189	104	15,294	321	15,616	–	15,616

(Notes) 1. "Others" is a business segment that is not included in the reported segments and includes the data entry business, contact center business, and tissue engineering business, etc.

2. An adjustment of segment profit of 0 million yen includes an elimination of inter-segment transactions of 0 million yen.

3. The segment profit has been adjusted to the operating profit stated in the consolidated statements of income.

4. The main components of other revenue include income from lease based on the Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

Related Information

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

1. Information by product and service

Since the Group makes reports by product and service in accordance with its management approach, this information is omitted.

2. Information by region

(1) Net sales

The information is omitted because the amount classified as sales to external customers in Japan accounts for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

The information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the property, plant and equipment on the consolidated balance sheets.

3. Information by major customer

There is no information to state because net sales to any particular outside customer do not account for 10% of net sales on the consolidated statement of income.

Consolidated fiscal year under review (from January 1, 2023 to December 31, 2023)

1. Information by product and service

Since the Group makes reports by product and service in accordance with its management approach, this information is omitted.

2. Information by region

(1) Net sales

The information is omitted because the amount classified as sales to external customers in Japan accounts for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

The information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the property, plant and equipment on the consolidated balance sheets.

3. Information by major customer

There is no information to state because net sales to any particular outside customer do not account for 10% of net sales on the consolidated statement of income.

Information on Impairment Loss in Non-current Assets by Reporting Segment

Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)(Million yen)

	Reported segments			Other	Total	Adjustment	Amounts recorded in the consolidated financial statements
	SI business	Facility business	Total				
Impairment losses	612	–	612	43	656	–	656

(Note) 32 million yen of the impairment loss in the System Integration business and 3 million yen of the impairment loss in Others are recorded as office relocation expenses under extraordinary losses. For details, please refer to Notes to consolidated financial statements (Consolidated statements of income) *4 and *5.

Consolidated fiscal year under review (from January 1, 2023 to December 31, 2023)(Million yen)

	Reported segments			Other	Total	Adjustment	Amounts recorded in the consolidated financial statements
	SI business	Facility business	Total				
Impairment losses	41	–	41	98	139	–	139

(Note) 12 million yen of the impairment loss in Others is recorded as office relocation expenses under extraordinary losses. For details, please refer to Notes to consolidated financial statements (Consolidated statements of income) *4 and *5.

Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment

Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)(Million yen)

	Reported segments			Other	Total	Adjustment	Amounts recorded in the consolidated financial statements
	SI business	Facility business	Total				
Amortization of goodwill	61	–	61	–	61	–	61
Balance at the end of the fiscal year	336	–	336	–	336	–	336

Consolidated fiscal year under review (from January 1, 2023 to December 31, 2023)(Millions of yen)

	Reported segments			Other	Total	Adjustment	Amounts recorded in the consolidated financial statements
	SI business	Facility business	Total				
Amortization of goodwill	63	–	63	–	63	–	63
Balance at the end of the fiscal year	272	–	272	–	272	–	272

Information on Gain on Negative Goodwill by Reportable Segment

Not applicable.

Related Party Information
Transactions with related parties
Transactions between the company submitting the consolidated financial statements and related parties
Officers and major shareholders (individuals only), etc. of the reporting company

Previous consolidated fiscal year (As of December 31, 2022)

Type	Name of company, etc. or person	Address	Stated capital or contribution (Million yen)	Business or occupation	Percentage of voting rights holding / held (%)	Relationship with related party	Transactions	Transaction amount (Million yen)	Account item	Balance at the end of the fiscal year (Million yen)
Officer	Masaki Shibuya	–	–	Officer of subsidiary of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	11	–	–
Officer	Seto Arai	–	–	Officer of subsidiary of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	11	–	–
Officer	Yoshiharu Shiraishi	–	–	Officer of subsidiary of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	11	–	–
Officer	Motohiro Harai	–	–	Former officer of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	11	–	–
Officer	Hiroyuki Kimura	–	–	Standing Auditor of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	11	–	–
Officer	Seiichiro Miki	–	–	Executive Operating Officer of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	11	–	–
Officer	Ninkou Son	–	–	Executive Operating Officer of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	11	–	–
Officer	Nobuyuki Nunome	–	–	Officer of subsidiary of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	10	–	–
Officer	Tatsuya Naito	–	–	Officer of subsidiary of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	11	–	–
Officer	Eiji Honda	–	–	Executive Operating Officer of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	11	–	–
Officer	Toshihiro Morishige	–	–	Executive Operating Officer of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	11	–	–
Officer	Jouji Aoki	–	–	Executive Operating Officer of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	11	–	–
Officer	Satoshi Yagi	–	–	Executive Operating Officer of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	11	–	–

(Note) 1. Exercise of stock options is exercise during the fiscal year under review of stock options granted in accordance with the resolution of the Board of Directors on March 26, 2019. The amount of transaction is the number of shares granted as a result of the exercise of stock options in the fiscal year under review multiplied by the amount paid per share.

Consolidated fiscal year under review (As of December 31, 2023)

Type	Name of company, etc. or person	Address	Stated capital or contribution (Million yen)	Business or occupation	Percentage of voting rights holding / held (%)	Relationship with related party	Transactions	Transaction amount (Million yen)	Account item	Balance at the end of the fiscal year (Million yen)
Officer	Satoyasu Sakashita	–	–	President and Representative Director of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	44	–	–
Officer	Hiroyuki Kimura	–	–	Standing Auditor of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	11	–	–
Officer	Ninkou Son	–	–	Executive Operating Officer of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	11	–	–
Officer	Satoshi Yagi	–	–	Executive Operating Officer of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	10	–	–
Officer	Masaki Shibuya	–	–	Officer of subsidiary of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	11	–	–
Officer	Seto Arai	–	–	Officer of subsidiary of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	11	–	–
Officer	Yoshiharu Shiraishi	–	–	Officer of subsidiary of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	11	–	–
Officer	Motohiro Harai	–	–	Former officer of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	11	–	–
Officer	Toshihiro Morishige	–	–	Former officer of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	11	–	–
Officer	Seiichiro Miki	–	–	Former officer of the Company	(Held) Direct 0.0	–	Exercise of stock options (Note 1)	11	–	–

(Note) 1. Exercise of stock options is exercise during the fiscal year under review of stock options granted in accordance with the resolution of the Board of Directors on March 26, 2019. The amount of transaction is the number of shares granted as a result of the exercise of stock options in the fiscal year under review multiplied by the amount paid per share.

(Per-share information)

(Yen)

	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)
Net assets per share	2,133.94	1,970.02
Net profit per share	181.29	188.48
Fully diluted net profit per share	181.08	188.11

(Notes) 1. On July 1, 2023, the Company split its common stock 2 for 1. Net assets per share, net profit per share and the fully diluted net profit per share have been calculated on the assumption that the said stock split was performed at the beginning of the previous fiscal year.

2. The calculation basis of net profit per share and fully diluted net profit per share are as follows:

Item	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)
Net profit per share		
Profit attributable to owners of parent (million yen)	11,379	11,849
Amounts which do not belong to ordinary shareholders (million yen)	–	–
Profit attributable to owners of parent on common shares (million yen)	11,379	11,849
Average number of common shares during the fiscal year (thousand shares)	62,770	62,868
Fully diluted net profit per share		
Adjustment of profit attributable to owners of parent (million yen)	–	–
(of which adjustment through dilutive shares issued by subsidiaries [million yen])	–	–
Number of increase in common shares	72,545	122,163
Outlines of potential shares not included in the computation of fully diluted net profit per share because of the absence of diluting effect	(Submitting Company) Board of Directors' meeting on March 29, 2022: Number of share warrants 1,370 Number of common shares 274,000 (Consolidated Subsidiary) VINX CORP. Board of Directors' meeting on May 9, 2019: Number of share warrants 8,230 Number of common shares 823,000	(Consolidated Subsidiary) VINX CORP. Board of Directors' meeting on May 9, 2019: Number of share warrants 4,451 Number of common shares 445,100

3. The calculation basis of net assets per share is as follows:

Item	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)
Total net assets (million yen)	152,744	128,921
Amount to be subtracted from total net assets (million yen)	18,695	4,984
Stock acquisition rights (million yen)	646	410
Non-controlling interests (million yen)	18,049	4,573
Net assets pertaining to common shares at the year end (million yen)	134,048	123,937
Number of common shares at the year end used in calculation of net assets per share (thousand shares)	62,817	62,912

(Post-balance sheet events)

(Transfer of non-current assets)

The Company resolved at a meeting of its Board of Directors held on January 30, 2024 to transfer its non-current assets as follows.

1. Reason for the transfer

The Company decided to transfer the following assets to liquidate real estate and thereby improve its capital efficiency and corporate value.

2. Assets to be transferred

Location:	3-7-20, Hakataeki-Minami, Hakata-ku, Fukuoka City, Fukuoka Prefecture
Assets:	Land (2,517.51 m^2) and building (4,073.49 m^2)
Current status:	Office and machine room
Gain on transfer:	Approx. 3,188 million yen

(The gain on transfer is estimated by subtracting the estimated book value and other estimates from the transfer price.)

3. Outline of transferee

There is no information to note regarding capital ties, personal relationships, business relationships or related party matters between the Company and the transferee.

4. Schedule

Board of Directors resolution:	January 30, 2024
Date of conclusion of the transfer agreement and date of delivery:	February 27, 2024 (plan)

5. Impact on profit and loss

As a result of the transfer of these non-current assets, the Company expects to post an approx. 3,188 million yen gain on sale of non-current assets as extraordinary income in the financial results for the first quarter of the fiscal year ending December 31, 2024.

(Transfer of non-current assets)

The Company resolved at a meeting of its Board of Directors held on February 27, 2024 to transfer its non-current assets as follows.

1. Reason for the transfer

The Company decided to transfer the following assets to liquidate real estate and thereby improve its capital efficiency and corporate value.

2. Assets to be transferred

Location:	1-26-11, Midori, Sumida-ku, Tokyo Prefecture
Assets:	Land (1,523.25 m^2) and building (6,909.03 m^2)
Current status:	Office and Parking
Gain on transfer:	Approx. 2,517 million yen

(The gain on transfer is estimated by subtracting the estimated book value and other estimates from the transfer price.)

3. Outline of transferee

There is no information to note regarding capital ties, personal relationships, business relationships or related party matters between the Company and the transferee.

4. Schedule

Board of Directors resolution:	February 27, 2024
Date of conclusion of the transfer agreement:	Late of March ,2024 (plan)
Date of delivery:	End of June, 2024 (plan)

5. Impact on profit and loss

As a result of the transfer of these non-current assets, the Company expects to post an approx. 2,517 million yen gain on sale of non-current assets as extraordinary income in the financial results for the first quarter of the Second year ending December 31, 2024.

5) Consolidated Supplementary Schedules

Schedule of Corporate Bonds

Not applicable.

Schedule of Borrowings, etc.

Category	Balance at the beginning of the fiscal year (Million yen)	Balance at the end of the fiscal year (Million yen)	Average interest rate (%)	Repayment date
Short-term borrowings	12,141	47,245	0.25	–
Current portion of long-term borrowings	5,714	259	0.46	–
Current portion of lease liabilities	1	1	0.57	–
Long-term borrowings (excluding current portion of long-term loans payable)	8,783	8,524	0.13	January 2025 to September 2026
Lease liabilities (excluding the current portion of lease obligations)	5	3	0.51	January 2025 to June 2029
Other interest-bearing debts Commercial papers (due within one year)	–	4,000	0.14	–
Total	26,646	60,034	–	–

(Notes) 1. The average interest rate is the weighted average interest rate for the loan balance at the end of the fiscal year.

2. Long-term borrowings and lease liabilities (excluding the current portion of them) scheduled to be repaid within five years of the end of the fiscal year are as follows.

Category	Over 1 year, within 2 years (Million yen)	Over 2 years, within 3 years (Million yen)	Over 3 years, within 4 years (Million yen)	Over 4 years, within 5 years (Million yen)
Long-term borrowings	8,516	7	–	–
Lease liabilities	1	1	0	0

Schedule of Asset Retirement Obligations

Asset retirement obligations at the beginning and end of the fiscal year under review were one hundredth or less of the sum of liabilities and net assets at the beginning and end of the fiscal year under review, and the schedule of asset retirement obligations is omitted.

(2) Other

Quarterly information in the fiscal year under review

(Cumulative period)		1st quarter	2nd quarter	3rd quarter	Fiscal year under review
Net sales	(Million yen)	75,631	151,480	223,668	298,855
Profit before income taxes	(Million yen)	6,342	10,539	16,168	20,439
Profit attributable to owners of the parent	(Million yen)	3,768	6,061	9,326	11,849
Net profit per share	(Yen)	59.97	96.44	148.36	188.48

(Note) On July 1, 2023, the Company split its common stock 2 for 1. Net profit per share is calculated assuming that the stock split was implemented at the beginning of the consolidated fiscal year under review.

(Accounting period)		1st quarter	2nd quarter	3rd quarter	4th quarter
Net profit per share	(Yen)	59.97	36.47	51.92	40.12

(Note) On July 1, 2023, the Company split its common stock 2 for 1. Net profit per share is calculated assuming that the stock split was implemented at the beginning of the consolidated fiscal year under review.

2 【Financial Statements】

(1)【Financial Statements】

①【balance sheet】

(Million yen)

	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	10,633	10,287
Notes receivable	459	341
Accounts receivable-trade and contract assets	38,693	44,434
Merchandise	1,428	1,023
Work in process	2,814	3,749
Prepaid expense	3,505	4,025
Other	1,570	1,428
Allowance for doubtful accounts	△553	△922
Total current assets	58,550	64,366
Non-current assets		
Property, plant and equipment		
Buildings	25,523	29,630
Structures	71	81
Vehicles	0	0
Tools, furniture and fixtures	1,348	1,563
Land	54,634	54,065
Construction in progress	12,982	14,276
Total property, plant and equipment	94,561	99,618
Intangible assets		
Software	2,532	2,528
Other	0	0
Total intangible assets	2,532	2,528
Investments and other assets		
Investment securities	6,809	8,202
Long-term prepaid expenses	8,453	43,022
Prepaid pension expense	1,909	1,169
Deferred tax assets	9,027	9,718
Deferred tax assets for land revaluation	—	92
Other	—	64
Allowance for doubtful accounts	1,830	1,837
Total investments and other assets	28,029	64,107
Total non-current assets	125,123	166,255
Total assets	183,674	230,622

(Million yen)

	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	10,236	9,619
Short-term borrowings	13,755	48,831
Commercial papers	—	4,000
Current portion of long-term borrowings	5,000	—
Arrears payable	5,238	5,482
Accrued expenses	3,568	3,248
Income taxes payable	1,849	4,423
Advances received and contract liabilities	2,240	1,711
deposit (received)	1,623	596
Provision for bonuses	4,208	8,399
Provision for bonuses for directors (and other officers)	49	105
Provision for loss on construction contracts	146	131
Provision for loss on business of subsidiaries and affiliates	—	129
Provision for loss on withdrawal from business	30	21
Other	5,529	5,843
Total current liabilities	53,478	92,543
Non-current liabilities		
Long-term borrowings	8,500	8,500
Deferred income tax liabilities	342	—
Other	2,176	2,152
Total non-current liabilities	11,018	10,652
Total liabilities	64,496	103,195
Net assets		
Shareholders' equity		
Share capital	26,200	26,200
Capital surplus		
capital reserve	28,438	28,438
Other capital surplus	489	626
Total capital surplus	28,928	29,064
Retained earnings		
legal profit reserve	451	451
Other retained earnings		
Reserve for advanced depreciation	136	136
Contingent reserve	17,750	17,750
Retained earnings carried forward	57,183	63,421
Total retained earnings	75,522	81,759
Treasury shares	△4,591	△4,450
Total shareholders' equity	126,059	132,574
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,191	2,498
Revaluation reserve for land	△8,228	△7,939
Total valuation and translation adjustments	△7,037	△5,440
Stock acquisition rights	155	293
Total net assets	119,178	127,426
Total liabilities and net assets	183,674	230,622

② 【Consolidated statements of income and consolidated statements of comprehensive income】

【Consolidated statements of income】

(Million yen)

	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)
Net sales	192,271	206,984
Cost of sales	153,263	162,492
Gross profit	39,007	44,491
Selling, general and administrative expenses	27,523	30,406
Operating profit	11,483	14,085
Non-operating income		
Interest income	63	137
Dividends income	1,271	1,498
Foreign exchange gains	694	295
Insurance claim income	—	151
Other	67	49
Total non-operating income	2,096	2,131
Non-operating expenses		
Interest expenses	49	41
Loss on retirement of non-current assets	12	39
Commission fee	—	331
Other	5	137
Total non-operating expenses	67	549
Ordinary profit	13,512	15,667

(Million yen)

	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)
Extraordinary income		
Gain on sale of non-current assets	—	472
Gain on sale of investment securities	4	469
Gain on sale of shares of subsidiaries	—	16
Reversal of allowance for doubtful accounts	94	0
Total extraordinary income	98	959
Extraordinary losses		
Impairment losses	572	39
Loss on valuation of securities	—	205
Office transfer expenses	32	—
Provision for loss on business of affiliates	—	129
Provision for doubtful accounts of subsidiaries and affiliates	301	913
Expenses for measures against infectious diseases	77	6
Other	—	27
Total extraordinary losses	983	1,322
Profit before income taxes	12,628	15,305
Income taxes-current	3,045	5,423
Income taxes-deferred	△236	△942
Total income taxes	2,809	4,480
Profit	9,818	10,824

Accounting policies

(1) For those companies accounted for by the equity method whose closing dates differ from the consolidated closing date, financial statements based on the provisional closing of accounts as of the consolidated closing date were used.

1) Securities

a. Held-to-maturity bonds

Amortized cost method (straight-line method)

b. Available-for-sale securities

(Securities other than shares without a market price, etc.)

Market value method based on the market price at the end of the fiscal year (valuation differences are directly charged or credited to net assets, and the cost of securities sold is calculated using the moving average method)

(Shares without a market price, etc.)

Measured at cost using the moving-average method

2) Derivatives

Market value method

3) Inventories

Cost method (book value is written down according to a fall in profitability)

a. Merchandise

Measured at cost using the moving-average method

b. Work in process

Cost method using specific identification method

(2) Depreciation and amortization methods for significant depreciable assets

1) Property, plant and equipment (excluding leased assets)

Straight-line method

The useful lives of major assets are as follows.

Buildings and structures	2 to 50 years
Equipment and vehicles	5 years

Tools, furniture and fixtures 2 to 20 years

2) Intangible assets (excluding leased assets)

a. Software for market sale

Higher of the amortization amount based on the forecast number of units to be sold and the forecast profits from sale within the subsequent three years and the amount allocated using the straight-line method based on the remaining effective period

b. Software for internal use

Straight-line method based on usable period within the company (five years)

c. Other

Straight-line method

3) Investments and other assets (long-term prepaid expenses)

Straight-line method

(3) Accounting standards for significant provisions

1) Allowance for doubtful accounts

To prepare for possible losses on uncollectible monetary receivables held as of the end of the consolidated fiscal year, the Company provides allowances equal to the estimated amount of uncollectible general receivables based on historical rates and for specific receivables, including doubtful receivables, based on an examination of their individual collectability.

2) Provision for bonuses

To provide for the payment of bonuses to employees, the Company records a provision for bonuses equivalent to the estimated amount to be paid in the consolidated fiscal year under review.

3) Provision for bonuses for officers

To provide for the payment of bonuses to officers, the Company records a provision for bonuses equivalent to the estimated amount to be paid in the consolidated fiscal year under review.

4) Provision for loss on construction contracts

To prepare for future losses related to made-to-order software development, at the end of the fiscal year under review, the Group provides for estimated losses on made-to-order software development contracts where losses are expected to be incurred and the amount of such losses can be reasonably estimated.

5) Provision for retirement benefits

To prepare for the payment of retirement benefits to employees, the Company recorded an amount recognized to have accrued at the end of the fiscal year under review, based on the projected retirement benefit obligations and related pension assets as of the end of the fiscal year under review.

As the estimated amount of pension assets exceeded the estimated amount of projected benefit obligation less unrecognized actuarial differences and unrecognized prior service cost at the end of the fiscal year under review, the excess amount is included in “prepaid pension cost” under investments and other assets.

Actuarial differences are posted in expenses from the fiscal year following their occurrence through the straight-line method for a fixed number of years within the average remaining years of service of employees at the time of occurrence. Prior service costs are recorded as expenses over a certain number of years within the average remaining years of service of employees at the time of occurrence using the straight-line method.

6) Provision for loss on withdrawal from business

The amount of losses reasonably expected to be incurred as a result of the withdrawal from the business is recorded.

7) Provision for loss on Affiliate Business

To provide for losses related to the business of affiliated companies, an estimated amount is recorded, taking into consideration the financial position of the affiliated companies.

(4) Accounting standards for significant revenue and expenses

The content of the main performance obligations in the Group’s principal operations for revenue from the contract with the customer and the normal point in time at which the performance obligations are satisfied (the normal point in time at which revenue is recognized) are as follows.

1) SI business

The Group undertakes overall system integration including embedded/control software development related to machine control and auto-related projects, the development of operation software used in various industries, products and services, and systems construction, maintenance and operations services.

For some transactions in the SI business, in which the Group acts as an agent in the provision of goods or services for customers, revenue is recognized in net value.

In the System Construction business, for made-to-order software development contracts that require the delivery of deliverables, the performance obligation to the customer is deemed to be satisfied as the development work under the contract proceeds and the Company, therefore, recognizes revenue over time based on the degree of progress toward satisfaction of the performance obligation, unless the period from the transaction commencement date under the contract to the point at which the performance obligation is expected to be fully satisfied is very short. The estimate of the degree of progress in satisfying performance obligations is calculated based on manufacturing costs incurred by the end of the relevant fiscal year as a percentage of the estimate of total manufacturing costs.

For services that do not require the delivery of deliverables, such as time-and-materials contracts, services are provided over the contract period and the performance obligation is deemed to be satisfied as the period elapses, and the Company, therefore, recognizes revenue over time as the period elapses, unless the period from the transaction commencement date under the contract to the point at which the performance obligation is expected to be fully satisfied is very short.

In the Products and Services business, revenue from sales of goods, such as licenses and hardware, is recognized at the time the goods are delivered to the customer, as this is when control over the goods is transferred to the customer and the performance obligation is deemed to be satisfied.

2) Facility business

The Group is engaged in activities such as the leasing of office buildings.

Rental income from real estate is accounted for in accordance with Accounting Standard for Lease Transactions (ASBJ Statement No. 13), and revenue is recognized over the lease term.

(5) Significant hedge accounting

1) Hedge accounting

Deferral hedge accounting is applied, in principle. For forward exchange contracts and currency options is used if relevant requirements are met.

2) Hedging instruments and hedged items

(Hedging instruments)

Interest rate swaps

(Hedged items)

Borrowings

3) Hedging policy

The Company shall use interest rate swaps to avoid the risk of interest rate fluctuations on borrowings, and shall not engage in speculative transactions.

4) Method of assessing hedge effectiveness

The Company evaluates the effectiveness of hedging every half based on the ratio of the accumulated change in the fair value or cash flows of the hedged item and that of the hedging instrument.

In cases where the significant terms of the hedging instrument and the hedged item are the same, the assessment of effectiveness is omitted.

6. Other significant matters that serve as the basis for the preparation of financial statements

(1) Accounting treatment for retirement benefits

In the financial statements, the treatment of transition obligations, unrecognized actuarial gains and losses, and unrecognized prior service cost in the balance sheet differs from that in the consolidated financial statements. In the non-consolidated balance sheet, the Company records retirement benefit obligations, adjusted for transition obligations, unrecognized actuarial gains and losses, and unrecognized prior service cost, and net of pension assets as prepaid pension costs.

(Significant accounting estimates)

1. Revenue recognized over a period of time based on the degree of progress in satisfying performance obligation

(1) Amounts recorded in the financial statements for the fiscal year under review

(Million yen)

	Previous fiscal year	Fiscal year under review
Net sales for the fiscal year under review (percentage-of-completion estimates as of the end of the fiscal year)	5,198	6,514

(2) Information about significant accounting estimates related to items identified

The information is the same as that stated in Notes to consolidated financial statements (Significant accounting estimates) 1. Revenue recognized over a period of time based on the degree of progress in satisfying performance obligation.

2. Provision for loss on construction contracts

(1) Amounts recorded in the financial statements for the fiscal year under review

(Million yen)

	Previous fiscal year	Fiscal year under review
Provision for loss on construction contracts	146	131

(2) Information about significant accounting estimates related to items identified

The information is the same as that stated in Notes to consolidated financial statements (Significant accounting estimates) 2. Provision for loss on construction contracts.

(Balance sheet)

*1. Of accounts receivable - trade and contract assets, receivables and contract assets arising from contracts with customers are as follows.

(Million yen)

	Previous fiscal year (As of December 31, 2022)	Fiscal year under review (As of December 31, 2023)
Accounts receivable - trade	31,688	36,580
Contract assets	7,004	7,854

*2. Assets and liabilities in connection with subsidiaries and associates

(Million yen)

	Previous fiscal year (As of December 31, 2022)	Fiscal year under review (As of December 31, 2023)
Short-term borrowings	1,755	1,860

*3. Notes maturing on the last day of the fiscal year are treated as settled on the clearance date.

Given that the last day of the fiscal year was a non-business day of financial institutions, the following notes maturing on the last day of the fiscal year are included in the fiscal year-end balance.

(Million yen)

	Previous fiscal year (As of December 31, 2022)	Fiscal year under review (As of December 31, 2023)
Notes receivable-trade	2	53

(Statements of income)

*1. Revenue from contracts with customers

Net sales are not broken down into revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is stated in Notes to consolidated financial statements (Segment information, etc.), Information on net sales, profit (loss), assets and other items by reported segment and revenue breakdown information.

*2. Major expenses included in selling, general and administrative expenses and their amounts are as follows.

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Fiscal year under review (From January 1, 2023 to December 31, 2023)
Employees' salaries and bonuses	12,567 million yen	12,615 million yen
Provision for bonuses	969 million yen	2,083 million yen
Provision for officers' retirement benefits	16 million yen	– million yen
Provision for officers' bonuses	49 million yen	105 million yen
Depreciation	390 million yen	402 million yen
Approximate percentages		
Selling expenses	30.6%	30.1%
General and administrative expenses	69.4%	69.9%

*3. Transactions in relation to subsidiaries and associates are included as follows.

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Fiscal year under review (From January 1, 2023 to December 31, 2023)
Dividend income	1,063 million yen	1,232 million yen
Interest expenses	11 million yen	4 million yen

*4. Provision of allowance for doubtful accounts of subsidiaries and associates

Previous fiscal year (From January 1, 2022 to December 31, 2022)

The information is omitted because it has little significance.

Fiscal year under review (from January 1, 2023 to December 31, 2023)

As a result of a review of the collectability of receivables, etc., taking into consideration the financial position and operating results of iDEA Consulting Inc., a consolidated subsidiary of the Company, a provision of allowance for doubtful accounts of subsidiaries and associates of 913 million yen was recorded at the end of the fiscal year under review.

(Securities)

Shares of subsidiaries and associates

Previous fiscal year (As of December 31, 2022) (Million yen)

Category	Carrying amount on the balance sheet	Fair value	Difference
(1) Shares in subsidiaries	4,671	41,257	36,585
(2) Shares in associates	–	–	–
Total	4,671	41,257	36,585

(Note) Carrying amount of shares, etc. whose fair values are very difficult to estimate not included in the above

Category	Previous fiscal year (Million yen)
Shares in subsidiaries	3,777
Shares in associates	4
Total	3,781

Current fiscal year (As of December 31, 2023) (Million yen)

Category	Carrying amount on the balance sheet	Fair value	Difference
(1) Shares in subsidiaries	39,416	85,841	46,425
(2) Shares in associates	–	–	–
Total	39,416	85,841	46,425

(Note) Carrying amount of shares, etc. whose fair values are very difficult to estimate not included in the above

Category	Fiscal year under review (Million yen)
Shares in subsidiaries	3,602
Shares in associates	4
Total	3,606

(Tax effect accounting)

1. Major factors of deferred tax assets and deferred tax liabilities

(Million yen)

	Previous fiscal year (As of December 31, 2022)	Fiscal year under review (As of December 31, 2023)
Deferred tax assets		
Provision for bonuses	1,367	2,655
Provision for retirement benefits for officers	62	–
Accrued legal welfare expenses	520	393
Accrued enterprise tax and accrued business office tax	284	390
Bad debt losses and allowance for doubtful accounts	169	282
Loss on valuation of securities, membership, etc.	615	603
Depreciation	534	388
Provision for loss on construction contracts	54	86
Land	–	68
Loss on valuation of inventories	83	83
Other	102	199
Deferred tax assets, subtotal	3,795	5,151
Valuation allowance	-860	-966
Deferred tax assets, total	2,934	4,185
Deferred tax liabilities		
Valuation difference on available-for-sale securities	-525	-1,101
Prepaid pension costs	-2,691	-2,897
Other	-60	-93
Total deferred tax liabilities	-3,277	-4,092
Deferred tax assets (liabilities), net	-342	92

2. Major factors for the difference between statutory tax rate and effective income tax rate after the application of tax effect accounting

	Previous fiscal year (As of December 31, 2022)	Fiscal year under review (As of December 31, 2023)
Statutory tax rate	30.6%	–%
(Adjustment)		
Items that are not permanently deductible such as officers' bonuses	0.3%	–%
Items that are not permanently deductible, such as entertainment expenses	0.1%	–%
Items that are not permanently included in profits, such as dividend income	-2.7%	–%
Change in valuation allowance	-2.4%	–%
Inhabitant tax on a per capita basis, etc.	0.6%	–%
Tax credit	-4.8%	–%
Other	0.4%	–%
Effective income tax rate after application of tax-effect accounting	22.2%	–%

(Note) Notes are omitted because the difference between the statutory tax rate and the actual effective tax rate is 5% or less of the statutory tax rate.

(Business combinations)

This information is omitted because it is the same as the information in Notes to consolidated financial statements (Business combinations).

(Revenue recognition)

This information is omitted because it is the same as the information in the Notes to consolidated financial statements (Significant accounting policies), 4. Standards for recognition of revenues and expenses.

(Significant subsequent events)

(Transfer of non-current assets)

This information is omitted because it is the same as the information in Notes to consolidated financial statements (Post-balance sheet events).

4) Supplementary Schedules

Itemized Account of Property, Plant and Equipment, Etc.

(Million yen)

Type of asset	Balance at the beginning of the fiscal year	Net increase during the fiscal year	Net decrease during the fiscal year	Amortization of goodwill	Balance at the end of the fiscal year	Accumulated depreciation
Property, plant and equipment						
Buildings	25,523	5,209	68 (15)	1,033	29,630	31,071
Structures	71	21	–	11	81	343
Vehicles	0	–	–	0	0	3
Tools, furniture and fixtures	1,348	583	15 (3)	352	1,563	4,820
Land	54,634 (-8,228)	16	586 (20)	–	54,065 (-8,208)	–
Construction in progress	12,982	6,740	5,446	–	14,276	–
Total property, plant and equipment	94,561	12,571	6,116 (38)	1,397	99,618	36,238
Intangible assets						
Software	2,532	1,450	–	1,454 (10)	2,528	18,149
Other	0	–	–	–	0	97
Total intangible assets	2,532	1,450	–	1,454 (10)	2,528	18,246

(Notes) 1. Major increases during the period are as follows.

Construction in progress	Shiodome Building construction costs	3,943
	Shin-Fukuoka Building construction costs	2,257

2. The figures in parentheses in the “Net decrease during the fiscal year” column for “Buildings,” “Tools, furniture and fixtures,” and “Land” represent the amounts posted as impairment losses during the fiscal year.
3. The figure in parentheses in the “Amortization during the fiscal year” column for “Software” represents the amount posted as impairment loss during the fiscal year.
4. The figures in parentheses in the “Balance at the beginning of the fiscal year” and the “Balance at the end of the fiscal year” columns for “Land” represent the difference compared with book value before revaluation of land for business use implemented pursuant to the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998).

Itemized Account of Provisions

(Million yen)

Category	Balance at the beginning of the fiscal year	Net increase during the fiscal year	Net decrease during the fiscal year (Purpose use)	Net decrease during the fiscal year (Other)	Balance at the end of the fiscal year
Allowance for doubtful accounts	553	917	6	(Note 1) 542	922
Provision for bonuses	4,208	8,399	4,208	–	8,399
Provision for bonuses for directors (and other officers)	49	105	49	–	105
Provision for loss on construction contracts	146	326	341	–	131
Provision for loss on withdrawal from business	30	0	9	–	21
Provision for loss on business of subsidiaries and associates	–	129	–	–	129

(Note) 1. Decrease in allowance for doubtful accounts (other) represents reversal of allowance for doubtful accounts due to collection of individual receivables.

(2) Details of Major Assets and Liabilities

Details are omitted as the Company has prepared consolidated financial statements.

(3) Other

Not applicable.

Section 6. Stock Information of the Reporting Company

Fiscal year	From January 1 to December 31
Annual General Meeting of Shareholders	During March
Record date	December 31
Record date for distribution of surplus	June 30, December 31
Number of shares in one unit	100 shares
Purchase of shares less than one unit Handling office Administrator of shareholders' register Forward office Purchasing and selling fee	 (Special account) 1-4-5 Marunouchi, Chiyoda-ku, Tokyo Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation (Special account) 1-4-5 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation – Amount specified separately as the amount equivalent to fees for outsourcing stock trading
Method of public notice	The Company's public notices shall be published electronically. However, if the Company is unable to issue its public notices electronically due to accidents or for any other unavoidable reasons, it shall issue such public notices in the Nihon Keizai Shimbun. The electronic notices are posted on the Company's website at the following address. http://www.fsi.co.jp/ir/notify/
Special benefits for shareholders	Shareholder benefit program (1) Eligible shareholders Shareholders holding one trading unit (100 shares) or more registered or recorded in the Company's Register of Shareholders as of the end of December of each year ("Unit Shareholders") (2) Shareholder incentives Shareholder incentives for Unit Shareholders at the end of December 2023 Shareholders can choose one of the following two items for delivery. 1. Fudogurume, the Company's postcard/ address book creation software product 2. Assorted Shiitake Mushrooms

(Note) Shareholders of the Company may not exercise any rights other than those listed below with respect to shares less than one unit held by them.

The rights specified in the items of Article 189-2 of the Companies Act

The right to make a claim as specified in Article 166-1 of the Companies Act

The right to receive an allotment of shares for subscription and an allotment of share acquisition rights according to the number of shares held by shareholders

Section 7. Reference Information on the Reporting Company

1. Information on Parent Entities of the Reporting Company

The Company does not have a parent company, etc. as specified in Article 24-7 (1) of the Financial Instruments and Exchange Act.

2. Other Reference Information

The Company submitted the following documents between the first day of the fiscal year under review and the day of submitting the securities report.

(1) Annual Securities Report and documents attached, and Confirmation Letter
53rd term (from January 1, 2022 to December 31, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on March 20, 2023

(2) Amendment reports of annual securities reports and confirmation documents
53rd term (from January 1, 2022 to December 31, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on May 19, 2023

(3) Internal Control Report and accompanying documents
Submitted to the Director-General of the Kanto Local Finance Bureau on March 20, 2023.

(4) Quarterly Report and Confirmation Letter
For the first quarter of the 54th term (from January 1, 2023 to March 31, 2023) Submitted to the Director-General of the Kanto Local Finance Bureau on May 12, 2023
For the second quarter of the 54th term (from April 1, 2023 to June 30, 2023) Submitted to the Director-General of the Kanto Local Finance Bureau on August 14, 2023
For the third quarter of the 54th term (from July 1, 2023 to September 30, 2023) Submitted to the Director-General of the Kanto Local Finance Bureau on November 10, 2023

(5) Extraordinary Report
An extraordinary report pursuant to Item (ii)-2 (Issuance of share acquisition rights in connection with the stock option plan), Paragraph 2, Article 19 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.
Submitted to the Director-General of the Kanto Local Finance Bureau on March 28, 2023

(6) Amendment Report for Extraordinary Report
An amendment report for the extraordinary report (Issuance of Share Acquisition Rights in connection with the Stock Option Plan) submitted on March 28, 2023
Submitted to the Director-General of the Kanto Local Finance Bureau on April 27, 2023

(7) Securities Registration Statement (Reference Method) and Documents Attached
Securities Registration Statement for Allocation to Other Parties
Submitted to the Director-General of the Kanto Local Finance Bureau on March 28, 2023

Part II. Information Concerning Guarantors of the Reporting Company

Not applicable.