

Company name: **SIOS Corporation**  
 Address: 2-12-3 Minami Azabu, Minato-ku, Tokyo 106-0047 Japan  
 Stock exchange listings: Tokyo Stock Exchange (TSE)  
 Code number : 3744  
 URL: <https://www.sios.com/>  
 Representative: Nobuo Kita, Representative Director  
 Contact: Tokutaro Kobayashi, S.V.P. of Finance & Accounting  
 Phone: +81-3-6401-5111

Scheduled date of annual shareholders' meeting: March 27, 2025  
 Scheduled date of financial report FSA filing: March 28, 2025  
 Scheduled date of dividend payment: -

(Note) All figures in the financial statements are rounded down to the nearest millionth.  
 '-' indicates a loss or negative figure.

## 1. Consolidated results (January 1, 2024 through December 31, 2024)

(% of change from previous year)

### (1) Consolidated business results

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
<b>FY2024</b>	<b>20,561</b>	<b>29.4</b>	<b>35</b>	-	<b>189</b>	-	<b>351</b>	-
FY2023	15,889	10.2	-208	-	-15	-	-18	-

(Note) Comprehensive income : FY2024: 378 million yen/ -% FY2023: 17 million yen/ -%

	Net income per share - Basic		Net income per share - Diluted		Return on equity	Ratio of ordinary income to total assets	Operating income ratio
	Yen	%	Yen	%	%	%	%
<b>FY2024</b>	<b>40.57</b>	-	-	-	<b>26.8</b>	<b>2.6</b>	<b>0.2</b>
FY2023	-2.18	-	-	-	-1.7	-0.2	-1.3

(Note) Equity in earnings: FY2024: 66 million yen FY2023: 56 million yen

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
<b>FY2024</b>	<b>8,085</b>	<b>1,537</b>	<b>17.7</b>	<b>165.51</b>
FY2023	6,706	1,187	16.4	126.83

(Reference) Equity: As of Dec. 31, 2024: 1,434 million yen As of Dec. 31, 2023: 1,099 million yen

### (3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents - ending
	Million yen	Million yen	Million yen	Million yen
<b>FY2024</b>	<b>865</b>	<b>298</b>	<b>-127</b>	<b>3,677</b>
FY2023	28	188	-157	2,604

## 2. Cash dividends

Record Date	Dividend per share					Total of dividend (annual)	Payout ratio (consolidated)	Net assets dividend ratio (consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2023	-	0.00	-	5.00	5.00	43	-	3.9
FY2024	-	0.00	-	0.00	0.00	-	-	-
FY2025 (forecast)	-	<b>0.00</b>	-	<b>0.00</b>	<b>0.00</b>		-	

## 3. Forecast of consolidated results for FY2025 (January 1, 2025 through December 31, 2025)

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
<b>FY2024</b>	<b>19,000</b>	<b>-7.6</b>	<b>70</b>	<b>99.5</b>	<b>160</b>	<b>-15.3</b>	<b>100</b>	<b>-71.6</b>	<b>11.54</b>

#### 4. Others

- (1) Reclassification of significant subsidiaries during the period (Reclassification due to change in scope of consolidation): None  
(2) Change in accounting policies, accounting estimates and restatement  
(i) Change in accounting policies associated with revision of accounting standards: None  
(ii) Change arising from other factors: None  
(iii) Change in accounting estimates: None  
(iv) Restatement: None  
(3) Number of outstanding shares (common shares)

(i) Number of outstanding shares (including treasury stock)	FY2024	8,874,400 shares	FY2023	8,874,400 shares
(ii) Number of treasury stock	FY2024	205,838 shares	FY2023	205,838 shares
(iii) Average number of outstanding shares	FY2024	8,668,562 shares	FY2023	8,668,562 shares

(Note) The Company's shares held by the Board Incentive Plan trust are included in the treasury stock deducted to calculate (ii) and (iii) above.

#### (Reference)

##### 1. Non-consolidated results (January 1, 2024 through December 31, 2024)

(% of change from previous year)

###### (1) Non-consolidated financial results

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
<b>FY2024</b>	<b>1,041</b>	<b>2.1</b>	<b>101</b>	<b>-7.5</b>	<b>100</b>	<b>-42.1</b>	<b>-569</b>	<b>-</b>
FY2023	1,020	-20.1	109	-65.5	174	-41.7	129	-54.7

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
<b>FY2024</b>	<b>-65.72</b>	<b>-</b>
FY2023	14.93	-

###### (2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
<b>FY2024</b>	<b>2,509</b>	<b>1,453</b>	<b>57.9</b>	<b>167.70</b>
FY2023	3,060	2,066	67.5	238.36

(Note) Equity As of Dec. 31, 2024: 1,453 million yen As of Dec. 31, 2023: 2,066 million yen

#### Explanation about proper use of forecasts of consolidated financial results and other special notes

- Information Regarding the Audit Review Procedure: This report is outside the scope of the procedures for audit of financial statements as required under the financial instruments and Exchange Act of Japan. The aforementioned procedures have not been completed as of the time of disclosure of this document.
- Forecasts announced by the company referred to above were prepared based on management's assumption with information available at this time and therefore involve known and unknown risks and uncertainties. Please note such risks and uncertainties may cause the actual results to be materially different from the forecasts.
- This information to above is an UNOFFICIAL English-language translation of the original Japanese-language version. The format and contents of this document are defined by the requirements of the Tokyo Stock Exchange's Standard. To the extent that there are discrepancies between this translation and the original version, the original version shall be definitive.

## Table of Contents of the Attached Document

Table of Contents of the Attached Document .....	3
1. Business Results .....	4
(1) Summary of Business Results .....	4
(2) Summary of Financial Position .....	5
(3) Summary of Cash Flows .....	6
(4) Forward-looking Statements .....	6
2. Basic Policy on the Selection of Accounting Standards .....	6
3. Consolidated Financial Statements .....	7
(1) Consolidated Balance Sheets .....	7
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income .....	9
Consolidated Statements of Income .....	9
Consolidated Statements of Comprehensive Income .....	10
(3) Consolidated Statements of Changes in Equity .....	11
(4) Consolidated Statements of Cash Flows .....	13
(5) Notes on Consolidated Financial Statements .....	15
Notes on Going Concern Assumption .....	15
Segment Information .....	15
Revenue Recognition .....	19
Per-Share Information .....	20
Significant Subsequent Events .....	20

## 1. Business Results

### (1) Summary of Business Results

#### Overview of Consolidated Business Results for the Fiscal Year Ended December 31, 2024

During the fiscal year ended December 31, 2024, the Japanese economy continued on its track to moderate recovery and normalization, buoyed by a rebound in consumer spending and a robust inbound economy. However, increasingly serious labor shortages, the threat of rising interest rates, the weakening yen, and soaring materials costs cast a shadow over the road to a stronger recovery. The global economy continued to face lingering uncertainty, due to the prolonged sluggishness of the Chinese economy and hard-to-predict U.S. economic policies to be enforced by the incoming Trump administration.

In the information service sector, in which the SIOS Group ("the Group") does business, corporate interest in switching to cloud environments and implementing DX solutions powered by AI, IoT, and 5G technologies remained high. We anticipate that businesses will remain aggressive at investing in implementing DX solutions to achieve greater productivity and competitive advantage.

In this business environment, the Group continued to restructure and streamline its business operations, expanded its SaaS<sup>1</sup> and subscription<sup>2</sup>-based businesses, placed a greater focus on its generative AI solutions business, and stepped up its efforts to launch new business ventures.

The Group achieved consolidated business results by segment for the fiscal year under review as follows:

#### (i) Open System Infrastructure Business Segment

Sales of Red Hat Enterprise Linux<sup>3</sup> and other software products sourced from Red Hat, Inc.<sup>4</sup>, jumped substantially to fulfill major project orders in the first and second quarters of the year, but they had little favorable impact on the Group's bottom line due to their low-margin nature. Sales and profit of LifeKeeper<sup>5</sup>, which is one of the Group's core software products, were up year on year, buoyed by stronger perpetual license sales in Japan. As a result, net sales in this segment amounted to 14,573 million yen, up 47.1% from the previous year, with a segment income of 238 million yen, up 164.8%.

#### (ii) Application Business Segment

Revenue and profit in the API<sup>6</sup> Solutions Business achieved growth, as our engineering strengths in the field of API economy catered to robust business demand. Revenue from the sales of the Gluegent series<sup>7</sup> and revenue and profit from the sales of software applications for MFPS<sup>8</sup> were also up year on year. By contrast, revenue from the provision of support for system development and implementation to financial institutions was below the year-earlier level, and so were sales of the management support system to financial institutions. As a result, net sales in this segment increased 0.3% year on year, to 5,986 million yen.

As a result of the reassessment and reallocation of research and development expenses, the segment loss reduced to 205 million yen, compared with a loss of 311 million yen for the year before.

The Group's combined net sales in these two segments for the period under review were up 29.4% year on year, to 20,561 million yen. The Company posted a consolidated operating profit of 35 million yen, compared with a loss of 208 million yen the year before, and an ordinary profit of 189 million yen—which reflected a favorable impact of the share of profit of entities accounted for using the equity method that amounted to 66 million yen, a gain of 91 million yen on valuation of derivatives, and foreign exchange losses of 37 million yen—compared with an ordinary loss of 15 million yen the previous year. The profit attributable to owners of parent amounted to 351 million yen, compared with a loss of 18 million yen the year before, with a U.S. subsidiary's posting of an impairment loss more than offset by the posting of extraordinary income as a result of the sale of shares of an indirectly owned subsidiary engaged in the sale of the management support system to financial institutions.

The Group's key management metrics EBITDA (the sum of operating profit, depreciation, and amortization of goodwill) and ROIC (ratio obtained by dividing operating profit after tax by the sum of shareholders' equity and interest-bearing debts) for the period under review were as follows:

EBITDA: -87 million yen, compared with -147 million yen the previous year

ROIC (annualized): 1.5%, compared with -10.1% the previous year

Notes: 1. SaaS

Software as a Service. A software licensing and distribution model that allows users to connect to and use cloud-based software applications over the internet.

2. Subscription business model

A business model that charges customers a recurring monthly or annual fee to access a software product or service.

3. Red Hat Enterprise Linux

Linux OS developed by Red Hat, Inc., a provider of open-source solutions.

4. Red Hat, Inc. Related Items

Linux OS product developed by Red Hat, Inc., a provider of open source solutions.

5. LifeKeeper

A failover software product that automatically switches a failed primary server to a backup server.

6. API

A set of protocols that enables different software programs and applications to share information and functions.

7. Gluegent series

Service products designed to assist corporate clients in achieving greater operational efficiency using cloud solutions. The series includes the Gluegent Gate cloud-based management of user IDs, the Gluegent Flow cloud-based workflow system, and the Gluegent Apps Group Scheduler, which incorporated a function to manage schedules of team members into Google Calendar.

8. Software applications for multifunction printers

A multifunction printer (MFP) is a piece of office equipment that incorporates print, scan, copy, and fax capabilities into one unit. The Group develops, markets, and updates document management software applications, such as Quick Scan and Speedoc, that run on an MFP.

## **(2) Summary of Financial Position**

### **Assets, Liabilities, and Net Assets**

(i) Assets

Current assets amounted to 7,175 million yen as of December 31, 2024, up 25.0% from the end of the previous fiscal year, reflecting primarily an increase of 1,073 million yen in cash and deposits.

Non-current assets decreased 5.8% to 909 million yen, reflecting primarily a decrease of 55 million yen in leased assets.

As a result, total assets increased 20.6% to 8,085 million yen.

(ii) Liabilities

Current liabilities amounted to 6,183 million yen, up 20.5% from the previous fiscal year-end, reflecting primarily an increase of 638 million yen in contract liabilities.

Non-current liabilities amounted to 364 million yen, down 6.0%, reflecting primarily a decrease of 49 million yen in long-term borrowings.

As a result, total liabilities increased 15.5% to 5,518 million yen.

(iii) Net assets

Total net assets amounted to 1,537 million yen, up 29.4% from the previous fiscal year-end, reflecting primarily an increase of 301 million yen in retained earnings.

### (3) Summary of Cash Flows

The balance of cash and cash equivalents at the end of the fiscal year under review increased by 1,073 million yen to 3,677 million yen, compared with the previous fiscal year-end.

(In millions of yen)

	FY 2023	FY 2024	Change
Cash flows from operating activities	28	865	837
Cash flows from investing activities	188	298	109
Cash flows from financing activities	-157	-127	29

Net cash provided by operating activities amounted to 865 million yen for the fiscal year under review. The increase from the previous year was due primarily to an increase in contract liabilities.

Net cash provided by investing activities amounted to 298 million yen. This primarily reflected proceeds from the sale of shares of an indirectly owned subsidiary.

Net cash used in financing activities amounted to 127 million yen. This primarily reflected the payment of dividends and the repayment of long-term borrowings.

### (4) Forward-looking Statements

While the Japanese economy has been showing signs of moderate recovery for some time, prolonged labor shortages, rising interest rates, the weakening yen, and soaring materials costs combine to cast a shadow of uncertainty. In the information service sector, the ICT market is predicted to undergo accelerated changes, including changes brought about by the increasingly versatile and widely available generative AI and other AI solutions. To remain flexible and agile in responding to a changing business environment, the Group intends to place a greater focus on the generative AI solutions business.

We predict that net sales for the fiscal year ending December 31, 2025, will decrease 7.6% year on year, to 19,000 million yen, as we do not expect to win major project orders for software products sourced from Red Hat, Inc., as we did during the fiscal year under review. The operating profit is predicted to jump 99.5% to 70 million yen, with the ordinary profit to be down 15.3% to 160 million yen, due to the absence of a gain on valuation of derivatives, which was posted for the fiscal year under review. The profit attributable to owners of parent is projected to decrease by 71.6% to 100 million yen. This is because we do not expect to recognize the same level of an extraordinary profit as we did during the fiscal year under review as a result of the sale of shares of an indirectly owned subsidiary.

We regret to inform that we are unable to pay year-end dividends for the fiscal year ended December 31, 2024. This is because we had a significantly lower level of retained earnings at the end of the year, resulting from the posting of an extraordinary loss after recognizing an impairment loss on the shares of a subsidiary. For the same reason, we do not expect to make dividend payments for the fiscal year ending December 31, 2025.

## 2. Basic Policy on the Selection of Accounting Standards

The Group will, for the time being, continue to prepare its consolidated financial statements under the Japanese GAAP in consideration of comparability of period-to-period operating performance as well as comparability with other Japanese companies.

We will consider adopting IFRS in the preparation of consolidated financial statements if developments in Japan and abroad warrant it.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(In thousands of yen)

	December 31, 2023	December 31, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	2,604,002	3,677,914
Notes and accounts receivable - trade, and contract assets	2,433,031	2,549,132
Merchandise	2,267	8,909
Advance payments to suppliers	532,496	645,085
Other	169,429	294,680
Allowance for doubtful accounts	-200	-
Total current assets	5,741,026	7,175,721
Non-current assets		
Property, plant and equipment		
Buildings	139,856	107,053
Accumulated depreciation	-97,706	-74,785
Buildings, net	42,149	32,268
Tools, furniture and fixtures	182,162	118,458
Accumulated depreciation	-152,925	-89,064
Tools, furniture and fixtures, net	29,236	29,394
Leased assets	88,587	19,129
Accumulated depreciation	-27,151	-13,390
Leased assets, net	61,435	5,738
Total property, plant and equipment	132,822	67,401
Intangible assets		
Software	36,780	8,485
Software in progress	34,332	95,218
Other	1,441	1,441
Total intangible assets	72,554	105,145
Investment and other assets		
Investment securities	407,162	427,662
Retirement benefit asset	57,004	2,401
Guarantee deposits	119,273	114,268
Deferred tax assets	129,377	141,225
Other	47,359	51,494
Total investment and other assets	760,177	737,052
Total non-current assets	965,554	909,599
<b>Total assets</b>	<b>6,706,581</b>	<b>8,085,320</b>

(In thousands of yen)

	December 31, 2023	December 31, 2024
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	1,235,031	1,546,836
Current portion of long-term borrowings	66,000	49,500
Lease liabilities	59,039	22,554
Income taxes payable	30,509	241,270
Contract liabilities	3,212,077	3,850,313
Provision for bonuses for directors (and other officers)	-	9,900
Other	527,833	462,637
Total current liabilities	5,130,492	6,183,013
Non-current liabilities		
Long-term borrowings	49,500	-
Retirement benefit liability	320,317	305,897
Lease liabilities	6,676	30,249
Provision for share awards for directors (and other officers)	-	15,200
Long-term deposits received	11,632	13,553
Total non-current liabilities	388,127	364,900
Total liabilities	5,518,619	6,547,913
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,481,520	1,481,520
Retained earnings	-236,541	65,359
Treasury shares	-87,254	-80,794
Total shareholders' equity	1,157,723	1,466,084
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,796	-1,145
Deferred gains or losses on hedges	187	6,009
Foreign currency translation adjustment	-68,280	-36,256
Total accumulated other comprehensive income	-58,296	-31,392
Subscription rights to shares	88,534	102,715
Total net assets	1,187,961	1,537,407
Total liabilities and net assets	6,706,581	6,706,581



**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**

## Consolidated Statements of Income

(In thousands of yen)

	Fiscal Year Ended December 31, 2023	Fiscal Year Ended December 31, 2024
Net sales	15,889,487	20,561,583
Cost of sales	10,673,285	15,230,607
Gross profit	5,216,202	5,330,975
Selling, general and administrative expenses	5,424,916	5,295,883
Operating profit (loss)	-208,713	35,092
Non-operating income		
Interest income	16,437	24,385
Dividend income	1,098	456
Outsourcing service income	1,898	2,147
Gain on investments in investment partnerships	82,586	-
Share of profit of entities accounted for using equity method	56,667	66,261
Gain on valuation of derivatives	37,648	91,243
Other	6,133	17,033
Total non-operating income	202,469	201,528
Non-operating expenses		
Interest expenses	947	853
Foreign exchange losses	3,897	37,752
Loss on investments in investment partnerships	2,395	4,585
Foreign withholding tax	2,059	2,846
Other	3	1,577
Total non-operating expenses	9,303	47,616
Ordinary profit (loss)	-15,547	189,004
Extraordinary income		
Gain on sale of non-current assets	124	-
Gain on sale of investment securities	-	23,623
Gain on sale of shares of subsidiaries and associates	-	442,875
Total extraordinary income	124	466,498
Extraordinary losses		
Loss on valuation of investment securities	-	2,566
Loss on valuation of shares of subsidiaries and associates	19,000	-
Impairment losses	30,744	58,043
Loss on retirement of non-current assets	123	56
Loss on sale of businesses	27,933	-
Total extraordinary losses	77,801	60,666
Profit (loss) before income taxes	-93,224	594,836
Income taxes-current	32,444	252,170
Income taxes-deferred	-106,788	-9,037
Total income taxes	-74,344	243,132
Profit (loss)	-18,880	351,703
Loss attributable to owners of parent	-18,880	351,703

Consolidated Statements of Comprehensive Income

(In thousands of yen)

	Fiscal Year Ended December 31, 2023	Fiscal Year Ended December 31, 2024
Profit (loss)	-18,880	351,703
Other comprehensive income		
Valuation difference on available-for-sale securities	4,648	-10,941
Deferred gains or losses on hedges	187	5,821
Foreign currency translation adjustment	30,275	31,216
Share of other comprehensive income of entities accounted for using equity method	1,716	808
Total other comprehensive income	36,828	26,903
Comprehensive income	17,948	17,948
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	17,948	378,607

### (3) Consolidated Statements of Changes in Equity

Fiscal Year Ended December 31, 2023

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,481,520	-130,975	-87,254	1,263,289
Changes during period				
Dividends of surplus		-86,685		-86,685
Profit (loss) attributable to owners of parent		-18,880		-18,880
Purchase of treasury shares				
Disposal of treasury shares				
Net changes in items other than shareholders' equity				
Total changes during period	-	-105,566	-	-105,566
Balance at end of period	1,481,520	-236,541	-87,254	1,157,723

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	5,147	-	-100,273	-95,125	75,369	1,243,534
Changes during period						
Dividends of surplus						-86,685
Profit (loss) attributable to owners of parent						-18,880
Purchase of treasury shares						-
Disposal of treasury shares						-
Net changes in items other than shareholders' equity	4,648	187	31,992	36,828	13,164	49,993
Balance at end of current period	4,648	187	31,992	36,828	13,164	-55,572
Balance at end of period	9,796	187	-68,280	-58,296	88,534	1,187,961

Fiscal Year Ended December 31, 2024

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,481,520	—	-236,541	-87,254	1,157,723
Restated balance					
Dividends of surplus			-43,342		-43,342
Profit (loss) attributable to owners of parent			351,703		351,703
Purchase of treasury shares		-6,459		85,839	79,380
Disposal of treasury shares				-79,380	-79,380
Transfer of loss on disposal of treasury shares		6,459	-6,459		
Net changes in items other than shareholders' equity					
Total changes of during period	—	—	301,901	6,459	308,360
Balance at end of period	1,481,520	—	65,359	-80,794	1,466,084

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	9,796	187	-68,280	-58,296	88,534	1,187,961
Restated balance						
Dividends of surplus						-43,342
Profit (loss) attributable to owners of parent						351,703
Purchase of treasury shares						79,380
Disposal of treasury shares						-79,380
Transfer of loss on disposal of treasury shares						-
Net changes in items other than shareholders' equity	-10,941	5,821	32,024	26,903	14,180	41,084
Total changes of during period	-10,941	5,821	32,024	26,903	14,180	349,445
Balance at end of period	-1,145	6,009	-36,256	-31,392	102,715	1,537,407

**(4) Consolidated Statements of Cash Flows**

(In thousands of yen)

	Fiscal Year Ended December 31, 2023	Fiscal Year Ended December 31, 2024
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	-93,224	594,836
Depreciation	61,034	52,093
Impairment losses	30,744	58,043
Loss on sale of businesses	27,933	-
Interest and dividend income	-17,535	-24,842
Interest expenses	947	853
Loss (gain) on investments in investment partnerships	-80,191	4,585
Loss (gain) on sale of investment securities	-	-23,623
Loss (gain) on sale of shares of subsidiaries and associates	-	-442,875
Share of loss (profit) of entities accounted for using equity method	-56,667	-66,261
Decrease (increase) in accounts receivable - trade, and contract assets	-393,749	-183,532
Decrease (increase) in inventories	23,124	-12,509
Increase (decrease) in trade payables	150,920	321,558
Increase in retirement benefit liability	17,604	21,946
Increase (decrease) in provision for share awards for directors (and other officers)	-	15,200
Increase (decrease) in contract liabilities	399,386	743,338
Decrease (increase) in advance payments to suppliers	-260,449	-112,588
Increase (decrease) in accrued consumption taxes	117,495	-24,965
Other	50,326	-42,733
<b>Sub-total</b>	<b>-22,299</b>	<b>878,524</b>
Interest and dividends received	25,308	32,363
Interest paid	-947	-853
Income taxes refund	45,078	1,364
Income taxes paid	-18,650	-45,871
<b>Net cash provided by (used in ) operating activities</b>	<b>28,490</b>	<b>865,527</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-16,983	-8,120
Purchase of intangible assets	-24,517	-89,766
Payments of guarantee deposits	-551	-232
Proceeds from refund of guarantee deposits	49,229	-
Proceeds from sale of shares of subsidiaries and associates	-	349,339
Purchase of investment securities	-1,000	-
Proceeds from sale of investment securities	-	37,479
Proceeds from collection of loans receivable	7,031	-
Proceeds from derivative transaction	103,840	-
Proceeds from sale of businesses	-26,150	-
Proceeds from distributions from investment partnerships	97,100	-
Other	128	9,310
<b>Net cash provided by (used in) investing activities</b>	<b>188,128</b>	<b>298,009</b>

(In thousands of yen)

	Fiscal Year Ended December 31, 2023	Fiscal Year Ended December 31, 2024
Cash flows from financing activities		
Dividends paid	-86,270	-43,614
Purchase of treasury shares	-	-79,830
Proceeds from disposal of treasury shares	-	79,830
Repayments of long-term borrowings	-66,000	-66,000
Repayments of lease liabilities	-5,447	-18,368
Net cash provided by (used in) financing activities	-157,718	-127,982
Effect of exchange rate change on cash and cash equivalents	39,335	38,358
Net increase (decrease) in cash and cash equivalents	98,235	1,073,912
Cash and cash equivalents at beginning of period	2,505,766	2,604,002
Cash and cash equivalents at end of period	2,604,002	3,677,914

## **(5) Notes on Consolidated Financial Statements**

### **Notes on Going Concern Assumption**

Not applicable

### **Segment Information**

#### **1. Outline of reportable segments**

The Group's reportable segments are components of the Group for which separate financial information is available and which are subject to periodic reviews by the Company's Board of Directors to determine the allocations of resources and evaluate business performance.

The Company has established business units and subsidiaries, each of which serves specific markets and customers as well as specializes in specific technology fields: Some provide products and services in the open system infrastructure field, which includes operating systems and middleware, and some in the application field, which includes enterprise applications.

Therefore, the Group has two reportable segments: the open system infrastructure business segment, and the application business segment.

The description of each segment is as follows:

- **Open System Infrastructure Business Segment**

In this business segment, the Group markets LifeKeeper, which automatically switches a failed primary system to a backup system, and OSS-related software products, including those sourced from Red Hat, Inc., and provides OSS support services as well as consulting services for a wide range of information systems.

- **Application Business Segment**

In this business segment, the Group markets software applications for MFPs, management support system for financial institutions, and the Gluegent series, which is a SaaS product that works with cloud, develops enterprise information systems for corporate clients on a contract basis, and provides consulting services for a wide range of information systems.

#### **2. Basis for calculating net sales, profit or loss, assets, liabilities, and other items by reportable segment**

Accounting methods used for the reported business segments are essentially the same as those used for the preparation of the consolidated financial statements.

Profit of reportable segments is based on operating profit. Intersegment sales and transfers are calculated based on market prices.

Please note that the Company does not report assets or liabilities by segment.

3. Information on net sales, profit or loss, assets, liabilities, and other items by reportable segment

Fiscal year ended December 31, 2023

(In thousands of yen)

	Reportable segment			Adjustments	Amount on consolidated financial statements*
	Open system infrastructure business	Application business	Total		
Net sales					
Sales to external customers	9,909,414	5,967,473	15,876,887	12,600	15,889,487
Intersegment sales and transfers	—	5,927	5,927	-5,927	—
Total	9,909,414	5,973,400	15,882,814	6,672	15,889,487
Segment profit (loss)	90,085	-311,399	-221,313	12,600	-208,713
Other items					
Depreciation	22,433	38,600	61,034	—	61,034

\* Note: The total amount of segment loss is the same as the amount of operating loss presented in the Consolidated Statements of Income.

Fiscal year ended December 31, 2024

(In thousands of yen)

	Reportable segment			Adjustments	Amount on consolidated financial statements*
	Open system infrastructure business	Application business	Total		
Net sales					
Sales to external customers	14,573,839	5,986,143	20,559,983	1,600	20,561,583
Intersegment sales and transfers	—	8,424	8,424	-8,424	—
Total	14,573,839	5,994,567	20,568,407	-6,824	20,561,583
Segment profit (loss)	238,510	-205,018	33,492	1,600	35,092
Other items					
Depreciation	14,082	38,011	52,093	—	52,093

\* Note: The total amount of segment loss is the same as the amount of operating profit presented in the Consolidated Statements of Income.



## Related Information

### Fiscal year ended December 31, 2023

#### 1. Information by product and service

Information is omitted as similar information is disclosed in the Segment Information section.

#### 2. Information by region

##### (1) Net sales

(In thousands of yen)

Japan	Americas	Europe	Other regions	Total
15,068,145	536,857	175,994	108,490	15,889,487

Note: Sales are classified by country or region in which customers are located.

##### (2) Property, plant and equipment

(In thousands of yen)

Japan	Americas	Total
75,011	57,810	132,822

#### 3. Information by major customer

(In thousands of yen)

Name of customer	Net sales	Relevant segments
Otsuka Corporation	4,229,893	Open system infrastructure business and application business
Networld Corporation	2,026,750	Open system infrastructure business and application business

### Fiscal year ended December 31, 2024

#### 1. Information by product and service

Information is omitted as similar information is disclosed in the Segment Information section.

#### 2. Information by region

##### (1) Net sales

(In thousands of yen)

Japan	Americas	Europe	Other regions	Total
19,727,942	467,595	244,553	121,493	20,561,583

Note: Sales are classified by country or region in which customers are located.

##### (2) Property, plant and equipment

(In thousands of yen)

Japan	Americas	Total
67,401	—	67,401

#### 3. Information by major customer

(In thousands of yen)

Name of customer	Net sales	Relevant segments
Otsuka Corporation	6,067,031	Open system infrastructure business and application business
Networld Corporation	2,599,494	Open system infrastructure business and application business

**Information Regarding Impairment Loss on Non-Current Assets by Reportable Segment**

Fiscal year ended December 31, 2023

	Reportable segment			Adjustment	Total
	Open system infrastructure business	Application business	Total		
Year-end balance	—	30,744	30,744	—	30,744

Fiscal year ended December 31, 2024

	Reportable segment			Adjustment	Total
	Open system infrastructure business	Application business	Total		
Year-end balance	58,043	—	58,043	—	58,043

**Information Regarding Amortization of Goodwill and Remaining Goodwill Balance by Reportable Segment**

Fiscal year ended December 31, 2023

Not applicable

Fiscal year ended December 31, 2024

Not applicable

**Information Regarding Gain on Negative Goodwill by Reportable Segment**

Fiscal year ended December 31, 2023

Not applicable

Fiscal year ended December 31, 2024

Not applicable

## Revenue Recognition

Breakdown of revenue from contracts with customers

Fiscal year ended December 31, 2023

(In thousands of yen)

	Reportable segment			Adjustments	Amount on consolidated financial statements*
	Open system infrastructure business	Application business	Total		
Timing of revenue recognition					
Performance obligation to provide goods and services satisfied at a point in time	7,463,996	827,560	8,291,557	—	8,291,557
Performance obligation to provide goods and services satisfied over time	2,445,418	5,139,912	7,585,330	12,600	7,597,930
Revenue from contracts with customers	9,909,414	5,967,473	15,876,887	12,600	15,889,487
Other revenue	—	—	—	—	—
Sales to external customers	9,909,414	5,967,473	15,876,887	12,600	15,889,487

\* Note: Adjustments are for operations not included in reportable segments and include primarily outsourcing service income.

Fiscal year ended December 31, 2024

(In thousands of yen)

	Reportable segment			Adjustments	Amount on consolidated financial statements*
	Open system infrastructure business	Application business	Total		
Timing of revenue recognition					
Performance obligation to provide goods and services satisfied at a point in time	11,892,504	856,234	12,748,738	—	12,748,738
Performance obligation to provide goods and services satisfied over time	2,681,335	5,129,909	7,811,244	1,600	7,812,844
Revenue from contracts with customers	14,573,839	5,986,143	20,559,983	1,600	20,561,583
Other revenue	—	—	—	—	—
Sales to external customers	14,573,839	5,986,143	20,559,983	1,600	20,561,583

\* Note: Adjustments are for operations not included in reportable segments and include primarily outsourcing service income.

**Per-Share Information**

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Net assets per share	126.83 yen	165.51 yen
Profit per share	-2.18 yen	40.57 yen

Notes: 1. Diluted profit per share is not presented because the Company has no outstanding dilutive shares.

2. The common stock remaining in the employee stock ownership plan, which was part of shareholders' equity, was included in the deducted average number of common shares outstanding during the period for the calculation of net income per share, and was included in the deducted number of common shares outstanding at the end of the year for the calculation of net assets per share for the period.

When calculating a profit per share for the fiscal year under review, 205,838 shares were deducted as the average number of common shares outstanding during the period. When calculating net assets per share for the fiscal year under review, 205,838 shares were deducted as the number of common shares outstanding at the end of the year.

3. The basis for calculating profit (loss) per share is as follows:

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Net income (loss) per share		
Profit (loss) attributable to owners of parent (thousand yen)	-18,880	351,703
Amount not attributable to ordinary shareholders (thousand yen)	-	-
Profit (loss) attributable to owners of parent, related to common stock (thousand yen)	-18,880	351,703
Average number of common stock outstanding during the period (shares)	8,668,562	8,668,562
Descriptions of potentially dilutive common shares that were not included in the calculation of diluted profit per share	Share options for 638,917 common shares resolved by the Board of Directors on May 22, 2012	Share options for 655,333 common shares resolved by the Board of Directors on May 22, 2012
	Share options for 197,125 common shares resolved by the Board of Directors on May 30, 2022	Share options for 227,146 common shares resolved by the Board of Directors on May 30, 2022

**Significant Subsequent Events**

Not applicable