

Note : This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

# **Annual Securities Report**

For the 45th fiscal term

From April 1, 2023, to March 31, 2024

**Business Engineering Corporation**

# Contents

Page

Annual Securities Report for the 45th Fiscal Term

Cover .....	1
<b>Part I. Information on the Company</b> .....	<b>2</b>
<b>I. Overview of the Company</b> .....	<b>2</b>
1. Key financial data .....	2
2. History .....	5
3. Description of business .....	6
4. Subsidiaries and associates .....	7
5. Employees .....	7
<b>II. Business Overview</b> .....	<b>9</b>
1. Management policy, management environment, and issues to be addressed .....	9
2. Stance on sustainability and related initiatives .....	11
3. Business and other risks .....	17
4. Analyses of financial position, operating results, and cash flows .....	19
5. Material agreements for operation .....	24
6. Research and development .....	24
<b>III. Equipment and Facilities</b> .....	<b>26</b>
1. Capital expenditures .....	26
2. Principal facilities .....	26
3. Plans for additions or disposals of facilities .....	26
<b>IV. Information on the Company</b> .....	<b>27</b>
1. Information on the Company's shares .....	27
2. Acquisition of treasury shares .....	30
3. Dividend policy .....	31
4. Corporate governance .....	32
<b>V. Financial Information</b> .....	<b>49</b>
1. Consolidated financial statements .....	50
2. Non-consolidated financial statements .....	78
<b>VI. Stock-Related Administration for the Company</b> .....	<b>91</b>
<b>VII. Reference Information on the Company</b> .....	<b>92</b>
1. Information on parent company, etc., of the Company .....	92
2. Other reference information .....	92
<b>Part II. Information on Guarantors for the Company</b> .....	<b>93</b>

Independent Auditor's Report

## Cover

Document filed:	Annual Securities Report (“Yukashoken Hokokusho”)
Applicable law:	Article 24, Paragraph 1, of the Financial Instruments and Exchange Act of Japan
Filed with:	Director-General, Kanto Local Finance Bureau
Filing date:	June 27, 2024
Fiscal year:	45th fiscal term (from April 1, 2023, to March 31, 2024)
Company name:	Business Engineering Kabushikigaisha
Company name in English:	Business Engineering Corporation
Title and name of representative:	Masakazu Haneda, President & Chief Executive Officer
Address of head office:	1-8-1 Otemachi, Chiyoda-ku, Tokyo
Phone number:	+81 (0)3-3510-1600 (representative)
Contact person:	Shigeaki Betsunou, Representative Director, Senior Managing Director, and Division General Manager, Corporate Administration & Planning Division
Contact address:	1-8-1 Otemachi, Chiyoda-ku, Tokyo
Phone number:	+81 (0)3-3510-1600 (representative)
Contact person:	Shigeaki Betsunou, Representative Director, Senior Managing Director, and Division General Manager, Corporate Administration & Planning Division
Place where the filed document is available for public inspection:	Business Engineering Corporation, Kansai Branch (6-1-1 Nishinakajima, Yodogawa-ku, Osaka)  Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

## Part I. Information on the Company

### I. Overview of the Company

#### 1. Key financial data

(1) Consolidated financial data

Fiscal term	41st	42nd	43rd	44th	45th
Year ended	March 2020	March 2021	March 2022	March 2023	March 2024
Net sales (thousands of yen)	18,016,073	17,707,073	17,760,122	18,506,410	19,493,075
Ordinary profit (thousands of yen)	1,584,466	1,895,305	2,443,467	3,250,342	3,877,404
Profit attributable to owners of parent (thousands of yen)	857,797	1,288,950	1,643,667	2,328,244	2,625,796
Comprehensive income (thousands of yen)	885,818	1,427,970	1,489,956	2,357,959	2,644,028
Net assets (thousands of yen)	5,037,824	6,312,765	7,475,423	9,287,242	10,950,415
Total assets (thousands of yen)	8,598,142	10,481,238	11,491,757	13,408,665	15,718,321
Net assets per share (yen)	427.27	531.06	622.96	773.95	914.49
Basic earnings per share (yen)	72.98	108.94	137.46	194.02	219.10
Diluted earnings per share (yen)	—	—	—	—	—
Equity ratio (%)	58.6	60.2	65.1	69.3	69.7
Return on equity (%)	18.2	22.7	23.8	27.8	25.9
Price earnings ratio (times)	16.3	15.9	14.1	15.5	17.1
Cash flows from operating activities (thousands of yen)	2,088,481	2,539,054	2,287,124	3,278,602	3,553,549
Cash flows from investing activities (thousands of yen)	(773,244)	(817,096)	(713,174)	(696,626)	(1,127,778)
Cash flows from financing activities (thousands of yen)	(416,272)	196,979	(701,759)	(549,061)	(1,003,343)
Cash and cash equivalents at end of period (thousands of yen)	2,159,577	4,078,245	4,945,888	6,966,947	8,381,943
Number of employees [Separately, average number of temporary employees] (people)	618 [223]	643 [201]	657 [196]	684 [181]	699 [184]

- (Notes)
- The Company began applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and relevant accounting standards at the beginning of the 43rd fiscal term, with key financial data for the 41st and 42nd fiscal terms retroactively adjusted to reflect the application of these accounting standards.
  - Diluted earnings per share are not stated as there are no dilutive shares.
  - A Stock Grant ESOP Trust Account was reintroduced from the 42nd fiscal term, but the trust was terminated in April 2022.  
The Company's shares remaining in the employee stock ownership plan (ESOP) trust, recorded as treasury stock in shareholders' equity from the 41st to the 43rd fiscal terms, are included in the treasury stock deducted in the calculation of the average number of shares during the period when calculating basic earnings per share, and are also included in the treasury stock deducted from the total number of shares at the end of the period when calculating net assets per share.
  - The Company conducted a two-for-one stock split of its common stock effective June 1, 2022. Net assets per share and basic earnings per share have been calculated as if this stock split occurred at the beginning of the 41st fiscal term.
  - The Company introduced an Officer Stock Grant Trust in the 45th fiscal term.  
The Company's shares remaining in the Officer Stock Grant Trust, recorded as treasury stock in shareholders' equity for the 45th fiscal term, are included in the treasury shares deducted from the average number of shares outstanding during the period for calculating basic earnings per share, as well as in the treasury shares deducted from the total number of shares outstanding at the end of the period for calculating net assets per share.

## (2) Non-consolidated financial data

Fiscal term	41st	42nd	43rd	44th	45th
Year ended	March 2020	March 2021	March 2022	March 2023	March 2024
Net sales (thousands of yen)	17,526,621	17,305,522	17,403,171	18,047,137	19,028,736
Ordinary profit (thousands of yen)	1,407,153	1,589,670	2,088,753	2,785,062	3,363,456
Profit (thousands of yen)	715,498	1,088,910	1,414,051	2,003,164	2,291,398
Share capital (thousands of yen)	697,600	697,600	697,600	697,600	697,600
Total number of shares issued (shares)	6,000,000	6,000,000	6,000,000	12,000,000	12,000,000
Net assets (thousands of yen)	4,607,488	5,682,659	6,620,249	8,118,843	9,455,049
Total assets (thousands of yen)	8,184,273	10,289,750	11,324,974	13,229,783	15,579,101
Net assets per share (yen)	390.78	478.05	551.69	676.58	789.61
Dividend per share (Interim dividend included herein) (yen)	45 [19]	70 [22]	84 [35]	64 [21]	78 [32]
Basic earnings per share (yen)	60.87	92.03	118.26	166.93	191.20
Diluted earnings per share (yen)	—	—	—	—	—
Equity ratio (%)	56.3	55.2	58.5	61.4	60.7
Return on equity (%)	16.5	21.2	23.0	27.2	26.1
Price earnings ratio (times)	19.5	18.9	16.4	18.0	19.6
Dividend payout ratio (%)	37.0	38.0	35.5	38.3	40.8
Number of employees [Separately, average number of temporary employees] (people)	465 [170]	489 [157]	500 [160]	521 [149]	537 [154]
Total shareholder return (%)	104.2	154.5	175.6	140.6	176.6
(Index for comparison: TOPIX including dividends) (%)	[90.5]	[128.6]	[131.2]	[138.8]	[196.2]
Highest share price (yen)	3,595	4,295	3,985	3,115 [4,270]	4,730
Lowest share price (yen)	1,801	1,967	3,135	1,980 [3,740]	2,916

- (Notes)
1. The Company began applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and relevant accounting standards at the beginning of the 43rd fiscal term, with key financial data for the 41st and 42nd fiscal terms retroactively adjusted to reflect the application of these accounting standards.
  2. Diluted earnings per share are not stated as there are no dilutive shares.
  3. A Stock Grant ESOP Trust Account was reintroduced from the 42nd fiscal term, but the trust was terminated in April 2022.  
The Company's shares remaining in the ESOP trust, recorded as treasury stock in shareholders' equity from the 41st to the 43rd fiscal terms, are included in the treasury stock deducted in the calculation of the average number of shares during the period when calculating basic earnings per share, and are also included in the treasury stock deducted from the total number of shares at the end of the period when calculating net assets per share.
  4. The total amount of dividends used in calculating the dividend payout ratio for the 41st to 43rd fiscal terms includes dividends on the Company's shares held by the ESOP trust.
  5. The highest and lowest share prices are those on the First Section of the Tokyo Stock Exchange through April 3, 2022, and those on the Prime Market of the Tokyo Stock Exchange from April 4, 2022, onward. For the fiscal year ended March 31, 2023 (the 44th fiscal term), the figures reflect the highest and lowest share prices after the stock split, while the corresponding pre-split prices are shown in square brackets.
  6. The Company conducted a two-for-one stock split of its common stock, effective June 1, 2022. Net assets per share and basic earnings per share have been calculated as if the stock split had taken place at the beginning of the 41st fiscal term. The total number of shares issued and the dividend per share for the 41st to 43rd fiscal terms reflect actual figures before the stock split, while that for the 44th fiscal term reflect actual post-split figures.
  7. The Company introduced an Officer Stock Grant Trust in the 45th fiscal term.

The Company's shares remaining in the Officer Stock Grant Trust, recorded as treasury stock in shareholders' equity for the 45th fiscal term, are included in the treasury shares deducted from the average number of shares outstanding during the period for calculating basic earnings per share, as well as in the treasury shares deducted from the total number of shares outstanding at the end of the period for calculating net assets per share.

## 2. History

### (Preface)

The Company was established in December 1980 as Orient Construction Co., Ltd., a wholly owned subsidiary of Toyo Engineering Corporation. In February 1999, we changed our business objective to information and communication system services, changed our name to Toyo Business Engineering Corporation a month later, and took over Toyo Engineering Corporation's system integration\* business. We launched our current operations in April 1999.

\* System integration (SI) refers to the optimization of all management-related business processes using information technologies (IT).

### (History)

Date	Overview
December 1980	Orient Construction Co., Ltd., established in Chiyoda-ku, Tokyo, with a capital of ¥30 million, to design and construct various industrial facilities under contract
February 1999	Relocated head office from Chiyoda-ku, Tokyo, to Narashino, Chiba, and changed to a service business related to information and telecommunication systems
March 1999	Changed company name to Toyo Business Engineering Corporation and entered a business transfer agreement to take over the system integration business of Toyo Engineering Corporation
April 1999	Began system integration business Launched MCFrame (now <i>mcframe</i> ), an ERP package developed in-house, in addition to handling ERP package products from SAP Japan Co., Ltd., and ORACLE CORPORATION JAPAN Established the Kansai Branch in Osaka
February 2001	Listed its stock with the Japan Securities Dealers Association for over-the-counter sale
March 2003	Established Toyo Business System Services Corporation (now Business System Services Corporation, a consolidated subsidiary)
December 2004	Listed on the JASDAQ Securities Exchange (delisted in June 2013)
September 2005	Relocated head office functions from Narashino, Chiba, to Chiyoda-ku, Tokyo
June 2006	Relocated head office to Chiyoda-ku, Tokyo
May 2007	Launched A.S.I.A. (now <i>mcframe</i> GA), an ERP package developed in-house
January 2012	Established the Chubu Office in Nagoya, Aichi
April 2013	Listed on the Second Section of the Tokyo Stock Exchange
April 2014	Moved to the First Section of the Tokyo Stock Exchange
October 2017	Established Toyo Business Engineering U.S.A. Inc. (now Business Engineering America, Inc., a consolidated subsidiary)
October 2019	Changed name to Business Engineering Corporation
April 2022	Moved from the First Section to the Prime Market of the Tokyo Stock Exchange, accompanying market restructuring

### 3. Description of business

The Group comprises Business Engineering Corporation, two consolidated subsidiaries, and five non-consolidated subsidiaries. It operates in the information services sector and has three reportable segments: the Solutions Business, the Products Business, and the System Support Business.

Below are overviews of the business activities of each segment, along with an organizational chart.

#### (1) Solutions Business

The Solutions Business provides services for the design, development, and implementation of corporate information systems, primarily using ERP packages developed by other companies.

Main operating company: Business Engineering Corporation

#### (2) Products Business

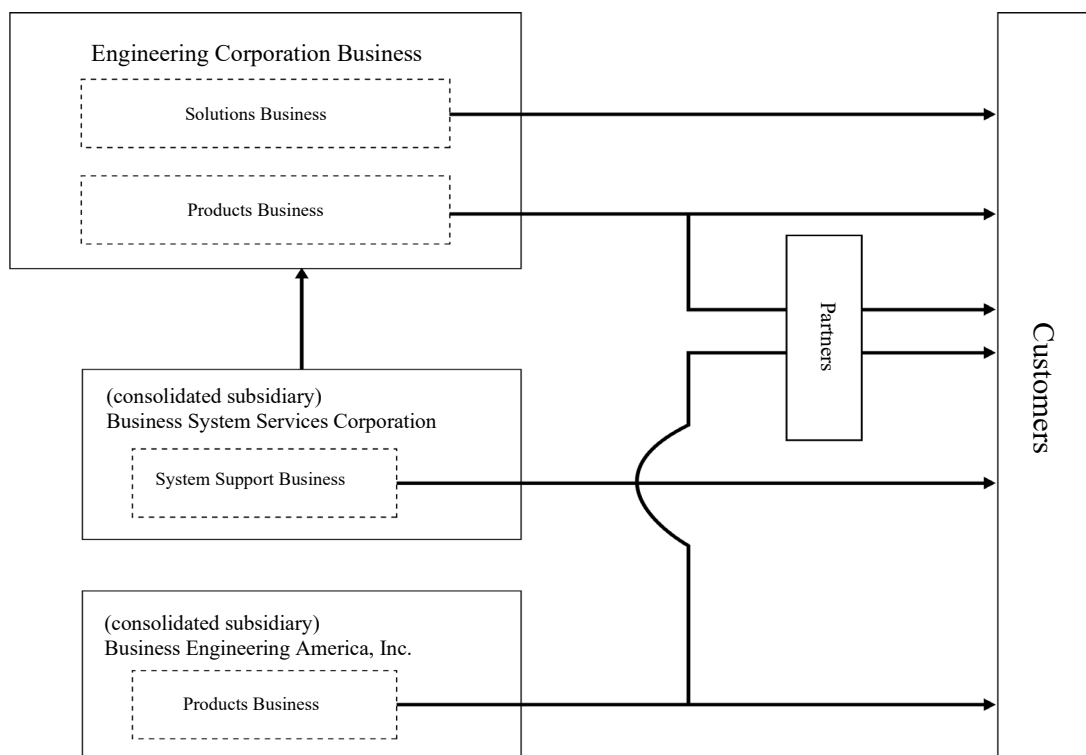
The Products Business sells ERP package products developed in-house through partner companies and also provides services for the design, development, and implementation of corporate information systems using these products.

Main operating companies: Business Engineering Corporation and Business Engineering America, Inc.

#### (3) System Support Business

The System Support Business provides support services, primarily for system operation and maintenance, to companies that have implemented core business systems.

Main operating company: Business System Services Corporation



- (Notes)
1. Provision of various information services: →
  2. The Company has five non-consolidated subsidiaries in addition to the consolidated subsidiaries shown above.



#### 4. Subsidiaries and associates

As of March 31, 2024

Name	Location	Capital or investment	Main business details	Percentage of voting rights holding or held	Detail of relationship
(Consolidated subsidiaries)					
Business System Services Corporation (Note 1)	Chiyoda-ku, Tokyo	50,000 thousand yen	System operation and maintenance services	Holding 100.0%	Business relationship Entrusted with system operation, maintenance, and other services  Interlocking directorate: Yes
Business Engineering America, Inc. (Note 1)	Illinois, USA	1,000 thousand US dollars	License sales of the Company's own products	Holding 100.0%	Business relationship Conducts license sales of Company products  Interlocking directorate: No
(Other affiliate)					
ZUKEN Inc. (Note 2)	Yokohama, Kanagawa	10,117,065 thousand yen	Software R&D Manufacture and sales Consulting Support services	21.0% held	—

- (Notes) 1. Specified subsidiary  
2. Company that files an Annual Securities Report

#### 5. Employees

(1) Consolidated

As of March 31, 2024

Segments	Number of employees
Solutions Business	235 [74]
Products Business	219 [62]
System Support Business	159 [30]
Company-wide (shared)	86 [18]
Total	699 [184]

(Note) The number of employees represents full-time employees. The average number of temporary employees during the fiscal year is shown separately in square brackets.

(2) The Company

As of March 31, 2024

Number of employees	Average age	Average years of service	Average annual salary (thousands of yen)
537 [154]	40.7	11.2	7,854

Segments	Number of employees
Solutions Business	235 [74]
Products Business	216 [62]
Company-wide (shared)	86 [18]
Total	537 [154]

- (Notes) 1. The number of employees represents full-time employees. The average number of temporary employees during the fiscal year is shown separately in square brackets.  
2. Average annual salary includes bonuses and extra wages.

(3) Labor unions

The Group has no labor unions, but management and labor have a favorable relationship.

(4) Ratio of female workers in management positions, ratio of male workers taking childcare leave, and wage differences between male and female workers

The Company

Fiscal year ended March 31, 2024					
Ratio of female workers in management positions (%) (Note 1)	Ratio of male workers taking childcare leave (%)		Wage differences between male and female workers (%) (Note 1)		
	Ratio taking childcare leave (Note 2)	Ratio taking childcare leave + ratio taking vacation for childcare (Note 3)	All workers	Regular employees	Fixed-term employees
4.4	62.5	100.0	76.6	76.7	64.9

- (Notes)
1. The ratio is calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
  2. 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), the percentage of employees who took childcare leave or similar leave was calculated in accordance with Article 71-4, Item 1, 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 (Ministry of Labor Ordinance No. 25 of 1991).
  3. 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), the percentage of employees who took childcare leave or leave for childcare purposes was calculated in accordance with Article 71-4, Item 2, 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 (Ministry of Labor Ordinance No. 25 of 1991).

## II. Business Overview

### 1. Management policy, management environment, and issues to be addressed

Forward-looking statements in this report are based on the judgment of the Group as of the end of the fiscal year ended March 31, 2024.

#### (1) Management policy

As a corporate group that leverages the emerging value of information technology (IT) to drive customer success, the Group supports business transformation across a wide range of industries, including manufacturing.

To meet increasingly sophisticated, complex, and globalized customer needs, we are committed to delivering quality software products and services through the evaluation and adoption of advanced technologies.

##### (Corporate philosophy)

As a team of professionals that prioritizes customer satisfaction, we contribute to society through the creation of new value.

##### (Brand statement)

Business Engineering for Growth

##### (Purpose)

Engineering Value-Creating Businesses

#### (2) Target management indicators

The Group aims to enhance corporate value through the continuous expansion of business operations. Among various management indicators, the Group focuses on return on equity (ROE) and is committed to improving this metric.

#### (3) Management strategies and issues to be addressed

##### 1) Management environment and the Group's medium- to long-term management strategies

In response to changes in the business environment of the manufacturing industry—our primary customer base—the Group is implementing the strategic initiatives outlined in the four pillars of its revised management plan, *Management Vision 2026*. These strategies leverage the Group's core strengths to support transformation within the manufacturing sector through its products and services.

##### < Changes in customers' business environments >

###### 1. Digital transformation

Digital transformation is expected to accelerate further, driven by the need to address Japan's so-called "2025 Digital Cliff" and the impact of COVID-19.

###### 2. Transformation of manufacturers' business models

As societal values shift with the end of the era of mass production and mass consumption, manufacturers are undergoing fundamental changes in their business models.

###### 3. Globalization

With the global economy becoming increasingly multipolar and the domestic Japanese market continuing to shrink, manufacturers are accelerating overseas expansion. In parallel, the COVID-19 pandemic has promoted changes in global supply chain demands.

###### 4. Toward a sustainable society (sustainability)

Companies are being called upon to contribute to the realization of a sustainable society by reducing their environmental impact and engaging in efforts to address social challenges.

##### < B-EN-G's strengths and resources >

- Extensive track record in supporting IT implementation in the manufacturing sector

The Company has provided IT support to manufacturers for over 20 years. (\*1)

- Strong in-house product planning and development capabilities

Leveraging its technical expertise and accumulated know-how, the Company develops highly regarded proprietary products.

- Trusted customer relationships

Over the past two decades, the Company has built strong, trust-based relationships with customers and demonstrated strong problem-solving capabilities.

- Global expansion

Drawing on extensive experience and expertise, the Company supports global operations, backed by a track record of implementations in 25 countries worldwide.

\*1 The Company has a track record of more than 30 years, including experience in the plant systematization support business of Toyo Engineering Corporation, the Company's predecessor, prior to its launch as a standalone business in April 1999.

#### < Four pillars >

1. Expand Monozukuri Digitalization (\*2)

We will promote DX for efficient operations with “Monozukuri Digitalization,” aiming at optimal provision of products and services.

2. Promote “DX for innovation”

While supporting innovation in business models for customers, we will work on our own business innovation through creation of new types of business.

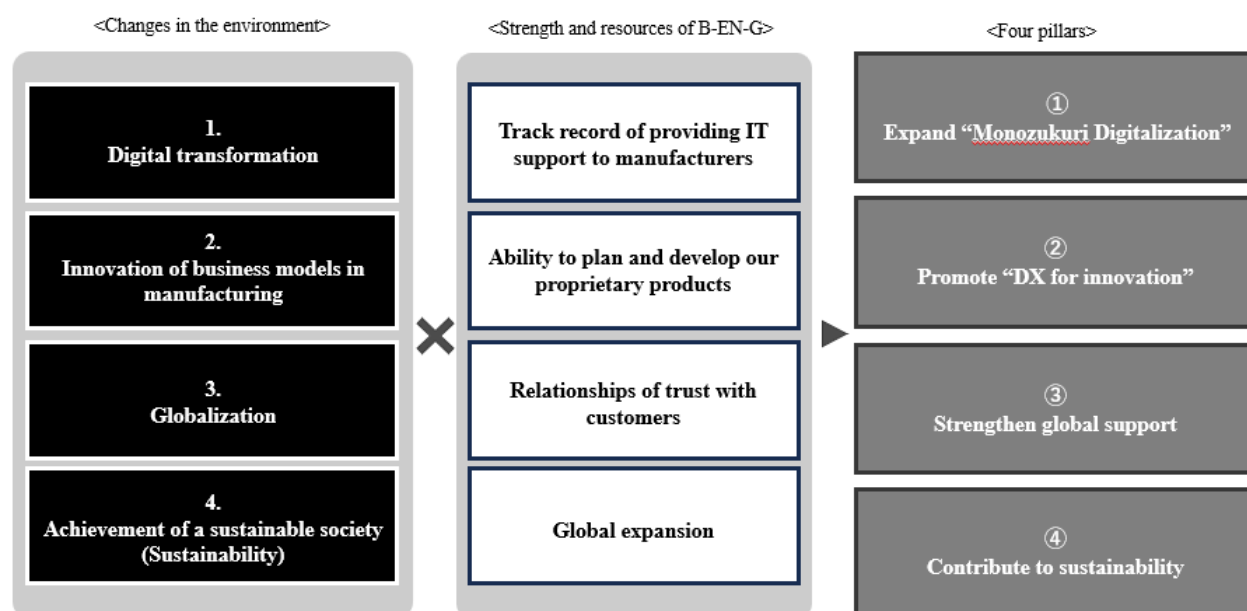
3. Strengthen global support

We continuously reinforce global development for the Japanese manufacturing industry to expand our own businesses.

4. Contribute to sustainability

We will contribute to the achievement of a sustainable society through initiatives to resolve social issues that leverage the strengths of the Company.

\*2 To realize efficiency by digitalizing operations related to “Monozukuri” (manufacturing in Japanese), leading to business innovation.



#### 2) Issues to be addressed

With an expected continuation of a moderate economic recovery, investment in information technology is anticipated to stay firm overall.

Under these circumstances, we will promote the management plan “Management Vision 2026 Revised Version” mentioned above, work on creating business opportunities and enhancing our merchandise and services, and take the next step to achieve sustainable growth and enhance corporate value over the medium to long term.

- Improve quality and productivity of system integration, secure profitability, and suppress unprofitable projects.
- Deepen relationships with customers, strengthen proposals and solutions that capture customer needs, promote co-creation of business with customers, build stronger alliances with potent partners, and strengthen relationships with business partners.
- Respond flexibly to customer needs according to their usage types (owner or user). Strengthen the software-as-a-service (SaaS) business by expanding SaaS-type products and services.
- Expand products and services that contribute to solving social issues, supporting the sustainability of the manufacturing industry.
- Promote human capital management through recruitment, nurturing and retaining human resources, engagement improvement, work style reform and diversity, equity, and inclusion.
- Promote initiatives for sustainability activities and materiality, implement ongoing improvement in corporate governance, and strengthen business continuity activities.

## 2. Stance on sustainability and related initiatives

The Group's stance on sustainability and related initiatives is as follows.

Please note that forward-looking statements are based on the Group's judgment as of the end of the fiscal year ended March 31, 2024.

### (1) Governance and risk management to support overall sustainability

The Group recognizes that addressing sustainability-related challenges is a critical management priority essential to achieving sustainable growth and establishing a robust business foundation. Accordingly, we have outlined our approach within the management plan, formulated a basic policy on sustainability, and are actively advancing related initiatives.

Under this basic policy, the Group positions sustainability as a key management issue, in line with our corporate philosophy: "As a professional group that puts customer satisfaction first, we contribute to society through the creation of new value." Through the fulfillment of our social responsibilities and the creation of social value via our business activities, we aim to help resolve societal challenges, enhance our corporate value over the medium to long term, and earn the trust and support of a broad range of stakeholders—including customers, business partners, shareholders, investors, employees, and local communities. We have identified material issues that affect the Group and our stakeholders and have incorporated them into our action guidelines and management plan to ensure an appropriate response. In addition, we have established ESG-related policies and put in place the necessary frameworks to effectively promote sustainability initiatives.

In June 2023, the Company established the Sustainability Committee to promote sustainability initiatives. This committee is chaired by the president and consists of full-time directors, heads of relevant divisions, and presidents of Group subsidiaries. A Sustainability Promotion Secretariat was established under the committee to plan, manage, and drive sustainability-related activities. In April 2024, the Company further strengthened its promotion structure by establishing the Sustainability Promotion Office. In principle, the Sustainability Committee meets twice annually. It deliberates on matters such as the formulation of sustainability policies, planning of sustainability activities, development of environmental, social, and governance (ESG) policies and initiatives, identification and review of material sustainability issues, and disclosure of sustainability-related information—including measures addressing climate change. The committee maintains a framework for reporting the content of its deliberations, progress on initiatives, and other relevant matters to the Board of Directors in a timely and appropriate manner. The Board of Directors confirms these reports, engages in discussion, supervises the Company's sustainability initiatives, and makes decisions on key matters as needed.

The Group recognizes that responding to sustainability challenges is not only essential for risk mitigation but also presents revenue-generating opportunities. Risks anticipated in the course of addressing social issues are identified and addressed through a variety of internal meetings and committee discussions. Chaired by the president, the Risk Management Committee assesses and controls these risks and includes them in its reports on the operational status of the Company's internal control systems. The Board of Directors monitors and supervises the status of sustainability initiatives through review of compliance with the Code of Conduct, reports on internal control operations, and progress updates on the management plan. Following deliberation by the Sustainability Committee, the Board of Directors identifies material issues (materiality) through formal deliberation and resolutions and assesses associated opportunities and risks. The Sustainability Committee monitors the Group's response to sustainability-related risks, including those related to climate change, and reports the details to the Board of Directors for appropriate oversight.

(2) Identification of materiality (material issues)

To continuously provide value while contributing to the realization of a sustainable society, the Group has identified the following material issues as particularly important and requiring priority attention. For each of these material issues, we are setting specific actions and targets and working to address the associated social challenges. We recognize that each issue presents both opportunities and risks for the Group.

Category	Details	Materiality themes	Opportunities	Risks
Providing value to society using IT	We use IT to increase the number of value-creating businesses around the world, providing new value to society. We also provide products and solutions that enable customers to focus on activities that create added value by streamlining existing operations using IT.	• Improving efficiency and productivity through digitalization	●	
		• Providing products and solutions that achieve creative, high-value-added manufacturing	●	
		• Providing safe, reliable products and services	●	●
		• Rapidly responding to the transformation of industrial business models through technological innovation	●	●
Realizing a sustainable society	We always approach business management from a long-term perspective, aiming to realize a sustainable society. We also promote businesses with the goal of stably and permanently developing regions and industries in Japan and abroad.	• Establishing reliable supply chains and a stable supply of products	●	●
		• Responding to labor and personnel shortage issues and utilizing human resources suitably	●	●
		• Helping regional areas and developing countries to progress	●	●
		• Promoting sustainable business	●	●
Responding to the global environment and climate change	We will protect the global environment and promote business in a way that does not burden the earth. We also conduct business with the goal of protecting and effectively utilizing scarce resources.	• Responding to climate change	●	●
		• Protecting the global environment and resources	●	●
Creating new value through partnerships and collaboration	We strive to achieve mutual growth by establishing high trust with all the Group's stakeholders. We also aim to innovate in society through synergy created by collaborating with partners.	• Establishing a high degree of trust with stakeholders and emphasizing partnerships	●	●
Establishing and maintaining a foundation as a company that fulfills its social responsibilities	We strive to fulfill our responsibilities as an established company that is a part of society and to develop and maintain a foundation as a company that provides added value to society.	• Responding to security risks and protecting information		●
		• Engaging in fair market competition and marketing activities		●
		• Strengthening corporate governance	●	●
Creating a safe, secure, and rewarding work environment	We strive to create an environment where employees who support our business can work safely and healthily. We also respect the human rights of all stakeholders, including employees, and work to realize a society that is free of discrimination.	• Respecting human rights		●
		• Realizing equal opportunity in terms of diversity, equity, and inclusion	●	●
		• Realizing a safe and secure working environment and healthy work styles	●	●

### (3) Human capital strategy, indicators, and targets

Recognizing that human capital is the source of the Group’s competitiveness, we regard our people as core corporate assets. To maximize their value and enhance long-term corporate value, the Group promotes human capital management through initiatives in recruitment, development and retention, engagement enhancement, work style reform, and diversity, equity, and inclusion (DE&I).

The Group’s policy on human resource development—including ensuring workforce diversity—and on workplace environment development is as follows.

The Group provides a broad range of ERP-based systems and services to the manufacturing industry and various other sectors. To drive business expansion in the fast-evolving IT industry, we consider securing and developing highly skilled talent with diverse expertise and advanced technical knowledge—regardless of gender, nationality, or employment background (new graduate or mid-career)—to be a critical management priority. At the same time, we strive to ensure diversity in our core workforce as a foundation for innovation and value creation.

To support global manufacturing clients in their digital transformation efforts, the Company has established overseas subsidiaries mainly in China and Southeast Asia and built local IT support structures. As part of this strategy, we are actively engaged in the recruitment and training of foreign engineers.

Under the three themes of “developing human resources,” “creating a supportive workplace,” and “ensuring diversity,” we are implementing initiatives to foster the next generation of talent and support sustainable organizational growth.

In terms of developing human resources, we provide comprehensive career development support, including structured training programs, enhanced learning curricula, financial support for acquiring professional certifications, and assistance for acquiring various skills. In addition, we offer long-term career support through a well-defined career planning program.

Regarding the creation of a supportive workplace, we promote mental and physical well-being through employee health-focused initiatives, support communication through in-house clubs and employee engagement events, and improve our employees’ work-life balance by offering flexible work arrangements such as telecommuting and other remote work systems.

To foster an inclusive work environment and uphold respect for human rights, we promote diverse work styles—including support for balancing work with childcare or nursing care—encourage the active participation of women in the workforce, recruit talent from overseas and at our overseas subsidiaries, and conduct regular compliance and human rights education for employees.

The Group primarily uses the following indicators to evaluate its policies on human resource development—including efforts to ensure workforce diversity—and to enhance the internal work environment. While the Company collects data on these indicators and implements related initiatives, such efforts are not uniformly carried out across all entities within the consolidated Group. As a result, it is difficult to present consistent data at the consolidated Group level. Accordingly, the targets and results shown below apply to the Company, which operates the Group’s core businesses and is responsible for submitting this Annual Securities Report.

Indicator	Target	Result (fiscal year ended March 31, 2024)
Ratio of female workers in workforce	18% or higher by March 2026	17.9%
Ratio of female workers in management positions	7% or higher by March 2026	4.4%

#### (4) Climate change initiatives based on TCFD recommendations

The Group recognizes climate change as a key management issue and has conducted analysis in accordance with the framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD). We have identified the following risks and opportunities climate change presents to our operations. For more detailed information, please refer to the “Sustainability” section of our corporate website: <https://www.b-en-g.co.jp/en/sustainability/initiatives/environment.html>

##### 1) Governance

As described in “(1) Governance and risk management to support overall sustainability,” the Group has established governance structures for managing climate-related risks and initiatives.

##### 2) Strategy

We conduct scenario analyses using projections published by organizations such as the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). Based on this analysis, we have identified the potential risks, opportunities, and impacts of climate change on our business operations, as outlined below. The analyses is based on two scenarios: one assuming a 1.5°C rise and another assuming a 4°C rise in average global temperature compared with pre-industrial levels.

< 1.5°C scenario >

Possible events		Impact on the Company	Risks/ Opportunities	Response measures	Time span
Tightening of carbon emission regulations	The growing burden of the carbon tax and an increase in the ratio of renewable energy raise power prices.	<ul style="list-style-type: none"> <li>• Motivation to invest in IT decreases due to a drop in revenue of manufacturers, our major customers.</li> <li>• As fees for cloud services rise, so does the cost for operation of the Company’s SaaS business.</li> </ul>	Risks	Expand our business operations beyond manufacturers to industries less susceptible to the impact of tighter regulations	Medium term
Stricter obligation to disclose information	Greater rigor is required to manage emissions throughout the supply chain and the corporate group.	The market for IT to realize more accurate emissions management expands.	Opportunities	Develop new products and services utilizing the Company’s expertise in supply chain management and group management accounting (e.g., a system for managing emissions by means of ERP)	Medium term
Evolution of emission measurement technologies	Needs grow for the direct acquisition of carbon emission data and other measurement technologies to enhance accuracy, and the related technologies evolve.	Developing systems for emissions measurement using IoT and other means advances, and the market expands.	Opportunities	Combine our in-house IoT products with new technologies to increase and improve our products and services (e.g., consulting business for problem solving)	Medium term
Consumer preference for eco-friendly products	As eco-friendly products are increasingly preferred, information disclosure for consumers advances in such forms as indicating carbon emissions by product.	Need increases for IT to realize carbon footprint management by product.	Opportunities	Increase and improve the Company’s existing products and services and get them to market ahead of competitors	Medium to long term
Transition to low-resource, low-energy society	Resource consumption is suppressed, leading to the transformation of manufacturers’ business models, which have traditionally been based on mass consumption of tangible goods.	<ul style="list-style-type: none"> <li>• We will need to adapt existing products and services to new business models.</li> <li>• A market for supporting manufacturers in transforming their business models will form and expand.</li> </ul>	Risks and opportunities	<ul style="list-style-type: none"> <li>• Develop products and services to support new business models of manufacturers</li> <li>• Create a new business to transform the manufacturing business into value-creating business</li> </ul>	Long term



< 4°C scenario >

Possible events		Impact on the Company	Risks/ Opportunities	Response measures	Time span
Increasing severity of natural disasters	Risks of typhoons, floods, and other natural disasters increase, and more companies are forced to relocate their production bases such as factories.	Motivation to invest in IT decreases due to a drop in customers' revenue.	Risks	Increase and improve the SaaS business, which is less susceptible to the impact of disaster and relocation of bases	Medium term
	Formulation of BCPs advances on the assumption of disaster risks.	More cloud services are introduced as measures against disasters, which increases opportunities to expand SaaS business.	Opportunities		Short to medium term
	Requirement for greater resilience of supply chains against natural disasters grows.	Introduction of IT and digitalization for enhancing the resilience of supply chains advances.	Opportunities	Promote businesses leveraging the Company's strength in the support of SCM and IT	Short to medium term
Rise in average temperatures	Costs for cooling data centers and server rooms increase, and fees for cloud services consequently rise.	Costs for operation of the Company's SaaS business increase.	Risks	Pass on the cost increase to prices and seek to streamline operations and increase services to proceed with policies that do not compromise customer satisfaction	Short to medium term

### 3) Risk management

As described in “(1) Governance and risk management to support overall sustainability,” the Group has established processes for managing climate-related risks.

#### 4) Metrics and targets

##### < Greenhouse gas (GHG) emission trends >

The Group regularly measures and discloses greenhouse gas (GHG) emissions associated with its business activities. To enhance the reliability of this disclosure, we have obtained third-party assurance starting from the fiscal year ended March 31, 2023.

(Unit: t-CO<sub>2</sub>e)

Actual greenhouse gas emissions		2022	2023
Scope 1 and 2 (market standard)		724	454
Scope 3	Overall	6,699	7,149
	Category 1 (Purchased goods and services)	5,891	5,920
	Category 2 (Capital goods)	74	337
	Category 3 (Fuel- and energy-related activities)	278	286
	Category 6 (Business travel)	333	420
	Category 7 (Employee commuting)	109	145
	Category 15 (Investment and financing)	14	41
Scope 1 + 2 + 3		7,422	7,603

- (Notes)
1. Scope 3 emissions are calculated by multiplying procurement amounts by emission intensity factors published by the Japan's Ministry of the Environment. Under this method, emissions increase proportionally with the volume of action.
  2. Scope 3 Category 2 data for 2022 were calculated after the third-party assurance process for 2022 had been completed and are therefore not covered by the assurance.
  3. As of the submission date of this Annual Securities Report, Scope 3 data for 2023 is undergoing verification by a third-party assurance provider and is subject to change.

##### < Greenhouse gas emissions reduction targets >

The Group promotes decarbonization initiatives aligned with the Paris Agreement and aims to achieve carbon neutrality by 2050.

Item	Medium-term reduction target	Long-term reduction target
Scope 1 and 2	Reduce emissions by at least 50% versus the 2022 level by 2030	Achieve carbon neutrality by 2050

### 3. Business and other risks

Among the matters related to the business, accounting, and other conditions described in this Annual Securities Report, the following items may have a significant impact on investor decision-making.

Forward-looking statements in this section are based on the Group's judgment as of the submission date of the report.

#### (1) Risks related to changes in the business environment

The Group's business performance, cash flows, and financial position (collectively "business performance, etc.") may be significantly affected by customers' IT investment trends and competitive dynamics within the industry resulting from changes in domestic and international socioeconomic conditions.

#### (2) Risks related to system development

Many of the systems delivered by the Group serve as core infrastructure for customer operations. In the event of a serious system malfunction, the Group may incur additional costs for corrective measures or compensation for damages, which could adversely affect its business performance, etc. While the Group is working to strengthen project management across the organization, unforeseen events may result in cost overruns or delivery delays, leading to expenses that exceed initial estimates and potentially impacting business performance.

#### (3) Risks related to technological innovation

To respond to rapid technological innovation in the IT field, the Group is enhancing the functionality of its services and products and actively engaging in research and development of products for new business domains. However, if the Group is unable to respond adequately to unforeseen technological changes, this may adversely affect its business performance.

#### (4) Risks related to information security

The Group has established information security rules, conducts regular training, and implements technical measures, including countermeasures against cyberattacks, on a company-wide basis to prevent information leaks and similar incidents. Despite these efforts, any leakage of personal or confidential information could result in damage compensation claims and reputational harm, which may adversely affect the Group's business performance.

#### (5) Relationships with key business partners

The Company has concluded agreements with SAP Japan Co., Ltd. on the provision of SAP products and services and maintains a stable business relationship. However, significant changes in SAP Japan's market appeal could adversely affect the Group's business performance.

#### (6) Risks related to securing human resources

The Group's operations depend heavily on the ability to attract and retain diverse human resources with strong technical expertise. While we are actively engaged in recruitment, employee development, work style reform, and strengthening cooperation with partner companies to which we outsource certain operations, these efforts may not progress as planned. In addition, intensified competition for IT talent may adversely affect the Group's business performance.

#### (7) Investment-related risks

To support sustainable growth, the Group actively invests in software and service development, and also makes equity investments in other companies to establish affiliates and strengthen strategic relationships. Such investments are executed only after careful consideration of their expected returns and associated risks, and are managed through ongoing review of business plans. However, if sales of internally developed products fall short of expectations or if the value of investee companies declines, this may adversely affect the Group's business performance.

#### (8) Risks arising from large disasters and similar events

The Group is working to strengthen its business continuity capabilities. However, if a significant disaster or infectious disease outbreak were to affect a significant number of employees of the Group or its partner companies, or if major business sites or facilities were seriously damaged, the Group's business operations could be delayed or suspended. This may adversely affect the Group's business performance.

(9) Compliance-related risks

The Group has established a Code of Conduct and Compliance Guidelines and strives to promote awareness and understanding of these standards and conducts regular compliance training programs. However, if a serious compliance violation were to occur, or if a legal or regulatory breach were to arise in the course of business activities, the Group could suffer reputational damage and be subject to claims for compensation, which may adversely affect its business performance, etc.

The above represents a selection of key risks that may affect the Group's business and operations. However, it is not an exhaustive list of all possible risks.

## 4. Analyses of financial position, operating results, and cash flows

Forward-looking statements in this section are based on the Group's judgment as of the end of the fiscal year ended March 31, 2024.

### (1) Business results

#### 1) Status of overall operations and information by segment

During the fiscal year ended March 31, 2024, the Japanese economy showed signs of modest recovery. While some areas exhibited weakness, corporate earnings improved and overall business sentiment remained favorable.

In the information services industry, customer appetite for digital transformation (DX) investment remained firm, and IT investment in the manufacturing sector was steady.

In this business environment, the Group worked under its six-year management plan, Management Vision 2026 Revised Version, which runs through the fiscal year ending March 31, 2027. With products and services leveraging its strengths, the Group supported its core customers in the manufacturing industry by helping them respond to changing business conditions—focusing on issues such as promoting DX and expanding globally—while also contributing to sustainability initiatives.

Key initiatives during the fiscal year ended March 31, 2024, included the following.

- Promoted operational efficiency for customers and accumulated knowledge and expertise on various products by delivering integrated solutions that connect ERP systems with various other systems and services.
- Enhanced the added value of our offerings by expanding the solution portfolio and promoting *Monozukuri Digitalization*—digital transformation in the manufacturing industry—through the development of in-house products and deeper collaboration with prominent partners.
- Strengthened and expanded the functions of the in-house ERP package product line, *mcframe*. In particular, the Company accelerated the development of a SaaS (Software as a Service)-based version of *mcframe* in preparation for a functionally enhanced release in April 2024.
- Promoted initiatives to maximize the value of post-deployment data and foster user co-creation business models aimed at supporting innovation in manufacturing business models and new service development. In particular, we engaged in co-creation efforts with pharmaceutical industry players to support evolving pharmaceutical manufacturing in areas such as cell therapy and continuous production.
- Expanded global operations by strengthening local sales and development capabilities through closer integration between the Tokyo head office and overseas subsidiaries/partners. To expand sales of *mcframe* in the Philippines and Vietnam, the Company made capital investments in local partners to strengthen relationships. In addition to conventional support for IT implementation at customer overseas sites, we focused on delivering cloud-based systems and services that enable collaboration between Japanese headquarters and international offices.
- Recognizing that people are the foundation of the Group's competitiveness, we promoted a human capital management approach that positions employees as key assets. Efforts focused on talent acquisition, development, retention, engagement, work style reform, and advancing diversity, equity, and inclusion (DE&I), with the goal of enhancing long-term corporate value.
- Developed and provided products and services aimed at supporting customer initiatives for digitalization and sustainability, contributing to resolving the social issues of customers. In addition to formulating ESG-related policies and identifying materiality (material issues), we set greenhouse gas (GHG) reduction targets (Scope 1 and 2) and took steps to address the Group's sustainability challenges.
- To achieve sustainable growth and enhance corporate value over the medium to long term, the Company prioritized investment in three areas: product development, human resources and human capital, and strengthening technological capabilities and systems.

In the fiscal year ended March 31, 2024, we achieved consecutive record highs in terms of orders, sales, and profit.

Orders received were ¥19,955 million (up 3.8% year on year) and net sales were ¥19,493 million (up 5.3% year on year), reflecting growth supported by robust investment in information technology, with both setting consecutive record highs, owing to increased orders and sales in the Solutions Business and increased license sales in the Products Business. In addition, owing mainly to robust license sales, sales of *mcframe* licenses were ¥4,364 million (up 14.9% year on year), setting a consecutive record high. Owing to factors such as the improvement of project profitability in the Solutions Business and growth in license sales in the Products Business, as well as the improvement of profitability in the System Support Business, in addition to profit growth from increased net sales, operating profit was ¥3,885 million (up 19.7% year on year), ordinary profit was ¥3,877 million (up 19.3% year on year), and profit attributable to owners of parent was ¥2,625 million (up 12.8% year on year), achieving record highs in each profit indicator for eight consecutive fiscal years.

The Group's management goal is to improve corporate value through continuous business expansion. The Group focuses on return on equity (ROE) among other business indicators and strives for a higher ROE. At the end of the fiscal year ended March 31, 2024, ROE was 25.9%, down 1.9 percentage points year on year.

Our response in light of the management plan is described in "1. Management policy, management environment, and issues to be addressed, (3) Management strategies and issues to be addressed, 2) Issues to be addressed."

#### 1) Net sales

In the fiscal year ended March 31, 2024, net sales grew 5.3% year on year to ¥19,493 million.

#### 2) Gross profit

In the fiscal year ended March 31, 2024, gross profit increased 12.3% year on year to ¥7,852 million with the increase in net sales and other factors. In addition, the gross profit margin rose 2.5 percentage points from 37.8% a year earlier to 40.3% due to a decline in the cost ratio.

#### 3) Operating profit

Operating profit for the fiscal year increased 19.7% year on year to ¥3,885 million due to growth of ¥857 million in gross profit.

#### 4) Ordinary profit

Ordinary profit for the fiscal year rose 19.3% year on year to ¥3,877 million due to growth of ¥639 million in operating profit.

#### 5) Profit attributable to owners of parent

Profit attributable to owners of parent for the fiscal year increased 12.8% year on year to ¥2,625 million on growth of ¥627 million in ordinary profit.

Operating results by business segment were as follows.

The Group implemented organizational changes on April 1, 2023, and has transferred some projects from the Products Business to the Solutions Business. For comparison and analysis with the fiscal year ended March 31, 2023, we used figures after retroactively applying the organizational changes.

#### 1) Solutions Business

The Solutions Business mainly engages in consulting and system construction services based on ERP package products developed by other companies.

- The Company continued to deepen relationships with customers, focused on activities for offering proposals suited to customers' needs from medium- to long-term perspectives, and strove to acquire orders from a wide range of industries including machine and precision equipment, pharmaceuticals, foods, and chemicals.
- We focused on offering ERP systems and other systems, such as manufacturing execution systems, planning and analysis systems for supply chains and business management, and cloud-based solutions.
- We focused on areas with high added value in which the Solutions Business has strengths and worked to improve project profitability, which led to profit growth.

Orders received for this segment were ¥12,980 million (up 0.9% year on year), net sales were ¥12,767 million (up 2.4% year on year), and segment profit was ¥3,244 million (up 13.3% year on year).

## 2) Products Business

The Products Business mainly engages in sales of the in-house developed ERP package “mcframe” series products through business partners, along with consulting and system construction services based on these products.

- The Company focused on enhancing brand appeal for *mcframe* by strengthening the functions of the core product “mcframe 7” and other functions that contribute to global business development and digitalization for customers, along with IoT service functions that contribute to improving work efficiency and acquiring work skills at manufacturing sites.
- We held many events and seminars and actively developed sales promotion activities.
- Our long-term efforts to increase business and engineering partners and to strengthen relationships with them resulted in the acquisition of new customers and projects. In addition, an increase in sales of the core product *mcframe 7* and its peripheral solutions led to growth in sales of licenses.

Orders received for this segment were ¥6,477 million (up 8.5% year on year), net sales were ¥6,326 million (up 12.8% year on year), and segment profit was ¥2,024 million (up 22.3% year on year).

## 3) System Support Business

The System Support Business mainly engages in operation and maintenance services of systems introduced to customers, offering proposals and additional development through these services. This business segment is operated by Business System Services Corporation, a subsidiary of the Company.

- The Company worked to enhance life cycle support for customers’ systems.
- We focused on improving service quality and productivity as well as striving to develop new customers and projects to establish a base for stable revenue and profits.

As a result, orders received for this segment were ¥497 million (up 29.3% year on year), net sales were ¥398 million (down 5.9% year on year), and segment profit was ¥498 million (up 10.7% year on year).

2) Production, orders, and sales results

1) Production

Production results by segment in the fiscal year ended March 31, 2024, were as follows.

Segment name	Amount (thousands of yen)	Year on year (%)
Solutions Business	12,767,931	2.4
Products Business	6,326,724	12.8
System Support Business	398,419	(5.9)
Total	19,493,075	5.3

(Notes) 1. Intersegment transactions have been eliminated.  
2. Amounts are based on selling prices.

2) Orders

Orders by segment in the fiscal year ended March 31, 2024, were as follows.

Segment name	Orders (thousands of yen)	Year on year (%)	Order backlog (thousands of yen)	Year on year (%)
Solutions Business	12,980,688	0.9	4,178,108	5.4
Products Business	6,477,818	8.5	2,153,854	7.5
System Support Business	497,078	29.3	135,781	265.8
Total	19,955,585	3.8	6,467,744	7.7

(Note) 1. Intersegment transactions have been eliminated.

3) Sales

Sales by segment in the fiscal year ended March 31, 2024, were as follows.

Segment name	Amount (thousands of yen)	Year on year (%)
Solutions Business	12,767,931	2.4
Products Business	6,326,724	12.8
System Support Business	398,419	(5.9)
Total	19,493,075	5.3

(Notes) 1. Intersegment transactions have been eliminated.  
2. A breakdown of sales by major customer and the ratios of total sales were as follows. Please note that among the sales by major customer for the two most recent fiscal years, details are omitted for customers to whom sales for the respective fiscal year accounted for less than 10% of total sales.

Customer	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
	Amount (thousands of yen)	Ratio of total (%)	Amount (thousands of yen)	Ratio of total (%)
TO SOLUTIONS CO., LTD	2,070,514	11.2	—	—



## (2) Financial position

### 1) Assets

Current assets increased by ¥1,761 million year on year to ¥12,583 million. This was mainly attributable to increases in cash and deposits, notes and accounts receivable—trade, and contract assets. The ratio of current assets to total assets at the end of the fiscal year under review was 80.1%.

Non-current assets increased by ¥548 million year on year to ¥3,135 million. This was mainly attributable to the purchase of intangible assets, which exceeded the depreciation of intangible assets, and an increase due to purchase of investment securities, and purchase of property, plant, and equipment, which exceeded the depreciation of property, plant, and equipment.

As a result, total assets increased by ¥2,309 million year on year to ¥15,718 million at the end of the fiscal year under review.

Compared to the end of the previous fiscal year, segment assets rose by ¥180 million to ¥2,973 million in the Solutions Business, by ¥314 million to ¥2,323 million in the Products Business, and by ¥357 million to ¥1,962 million in the System Support Business.

### 2) Liabilities

Liabilities at the end of the fiscal year under review increased by ¥646 million year on year to ¥4,767 million. This was mainly attributable to an increase in income taxes payable and an increase in advances received.

### 3) Net assets

Net assets at the end of the fiscal year under review increased by ¥1,663 million year on year to ¥10,950 million. This was mainly attributable to an increase due to the recording of profit attributable to owners of parent, a decrease due to dividends of surplus, and a decrease due to purchase of treasury shares by the Officer Stock Grant Trust.

As a result, the equity ratio at the end of the fiscal year under review increased by 0.4 percentage points year on year to 69.7%.

## (3) Cash flows

### 1) Cash and cash equivalents

Cash and cash equivalents at the end of the fiscal year under review increased by ¥1,414 million year on year to ¥8,381 million.

### 2) Cash flows from operating activities

Cash flows provided by operating activities during the fiscal year ended March 31, 2024, increased by ¥274 million year on year to ¥3,553 million. This was mainly attributable to the recording of profit before income taxes of ¥3,877 million, income taxes paid of ¥767 million, depreciation of ¥703 million, an increase of ¥265 million in trade receivables, a decrease of ¥199 million in accrued consumption taxes, and an increase of ¥184 million in advances received.

### 3) Cash flows from investing activities

Cash flows used in investing activities during the fiscal year ended March 31, 2024, increased by ¥431 million year on year to ¥1,127 million. This was mainly attributable to the purchase of tangible and intangible assets (including developmental investment in *meframe*, an ERP package developed in-house) and investment securities.

### 4) Cash flows from financing activities

Cash flows used in financing activities during the fiscal year ended March 31, 2024, increased by ¥454 million year on year to ¥1,003 million. This was mainly attributable to expenditures arising from the payment of dividends.

### 5) Information on capital sources and liquidity of funds

The Group procures working capital by cash on hand and through borrowings from financial institutions.

As for the liquidity of funds, the current ratio at the end of the fiscal year ended March 31, 2024, was 262.6%, indicating adequate liquidity.

Funds obtained from operating activities are allocated to investments that contribute to improving corporate value and to dividends. Investments are mainly used in strengthening the product appeal of our ERP packages to stabilize our business foundation and improve our business performance. Meanwhile, we endeavor to maintain a progressive dividend and a consolidated payout ratio exceeding 35% over the medium to long term. Please refer to “IV. Information on the Company, 3. Dividend policy” for the Company’s dividend policy.

(4) Significant accounting estimates and assumptions used in making such estimates

The Group prepares our consolidated financial statements in accordance with accounting principles generally accepted in Japan. In preparing these consolidated financial statements, estimates and assumptions are used that may have an impact on assets, liabilities, income, and expenses. Figures based on these estimates and assumptions may differ from actual results.

Among the accounting estimates and assumptions used in preparing the consolidated financial statements, significant ones are described in “V. Financial Information, 1. Consolidated financial statements, (1) Notes to consolidated financial statements (Significant accounting estimates).”

## 5. Material agreements for operation

(1) Technology acceptance agreement

Company initiating agreement	Counterparty	Agreement detail	Agreement period
Business Engineering Corporation	SAP Japan Co., Ltd.	The Company acquires non-exclusive, non-transferable sales, resale, and trademark usage rights in Japan for services related to SAP products and services owned by SAP Japan.	From August 29, 2016, to December 31, 2016, automatically renewing annually thereafter
Business Engineering Corporation	Cincom Systems Japan Ltd.	The Company obtains non-exclusive rights to use software, programs, etc., provided by Cincom Systems Japan.	Indefinite period starting July 15, 2002; however, the agreement may be terminated with 30 days' prior notice in writing
Business Engineering Corporation	ORACLE CORPORATION JAPAN	The Company acquires resale rights in Japan for software products owned by ORACLE JAPAN and ORACLE CORPORATION.	One year starting December 26, 2023

## 6. Research and development

As part of research and development activity during the fiscal year ended March 31, 2024, the Group investigated and verified technologies and functions aimed at improving the competitiveness of each segment, while also conducting research and development of cutting-edge information technologies and new products not specific to any segment.

The Group spent a total of ¥135 million on research and development during the fiscal year ended March 31, 2024. The following is a summary of those activities.

(1) Product development and function enhancement to improve segment competitiveness

1) Solutions Business

We worked to enhance our solutions by investigating and verifying new functions related to SAP product ERP packages from SAP Japan.

We also conducted research and development to provide new solutions that utilize data.

The Group spent ¥17 million in this segment during the fiscal year ended March 31, 2024.

2) Products Business

To strengthen the product appeal of our *mcframe* ERP package, developed in-house, we worked to enhance the functions of our mainstay “mcframe 7” series, the “mcframe GA” accounting system for overseas markets, and the “mcframe IoT” series, and conducted a study aimed at strengthening our services as a licensor.

In addition, to strengthen our cloud-based business, we conducted a study on cloud service-related technologies and developed “mcframe X,” a SaaS-compatible version of *mcframe*. Costs incurred for these initiatives were recorded against intangible assets (software).

The Group spent ¥102 million in this segment during the fiscal year ended March 31, 2024.

(2) Research and development of cutting-edge information technologies and new products not specific to any segment

We conducted research into digital-related technologies such as the Internet of Things (IoT) and AI to study new platform

technologies and solutions.

Research and development expenses during the fiscal year ended March 31, 2024, came to ¥15 million.

### III. Equipment and Facilities

#### 1. Capital expenditures

Capital expenditures during the fiscal year ended March 31, 2024, amounted to ¥1,023 million, comprising mainly software development-related investment in the Solutions Business and Products Business.

Capital expenditures by segment were ¥20 million in the Solutions Business, ¥713 million in the Products Business, and another ¥289 million company-wide (shared).

There was no disposal or sale of important facilities.

#### 2. Principal facilities

##### (1) The Company

As of March 31, 2024

Office name (Location)	Segments	Details of facilities	Book value (thousands of yen)				Number of employees
			Buildings	Tools, furniture and fixtures	Intangible assets	Total	
Head office (Chiyoda-ku, Tokyo)	Solutions Business Products Business Company-wide (shared)	Facilities attached to buildings, office equipment, information and communication equipment, etc.	50,186	98,353	1,641,133	1,789,672	509
Kansai Branch (Osaka-shi, Osaka)	Solutions Business Products Business Company-wide (shared)	Facilities attached to buildings, information and communication equipment, etc.	3,967	418	0	4,385	28

- (Notes)
1. In addition to the above, the Company rents the buildings housing the head office and Kansai Branch. Annual rent totals ¥284,772 thousand (excluding shared expenses).
  2. The “Buildings” column is the book value of fixed assets added to the buildings currently being rented.
  3. The bulk of the “Intangible assets” column figures is software (book value of ¥1,636,163 thousand).

##### (2) Domestic subsidiaries

Facilities associated with the various business offices of domestic subsidiaries as of March 31, 2024, are insignificant and therefore have been omitted.

##### (3) Overseas subsidiaries

Facilities associated with the various business offices of overseas subsidiaries as of March 31, 2024, are insignificant and therefore have been omitted.

#### 3. Plans for additions or disposals of facilities

##### (1) Addition of important facilities

There are no applicable matters to report.

##### (2) Disposal of important facilities

There are no applicable matters to report.

## IV. Information on the Company

### 1. Information on the Company's shares

(1) Total number of shares, etc.

1) Total number of shares

Class	Total number of shares authorized to be issued
Common stock	48,000,000
Total	48,000,000

2) Number of shares issued

Class	Number of shares as of end of fiscal year (March 31, 2024)	Number of shares issued as of filing date (June 27, 2024)	Stock exchange on which the Company is listed	Description
Common stock	12,000,000	12,000,000	Tokyo Stock Exchange Prime Market	The number of shares constituting one unit is 100 shares.
Total	12,000,000	12,000,000	—	—

(2) Share acquisition rights

1) Details of the stock option program

There are no applicable matters to report.

2) Details of rights plans

There are no applicable matters to report.

3) Status of other share acquisition rights

There are no applicable matters to report.

(3) Exercise status of moving strike convertible bonds

There are no applicable matters to report.

(4) Changes in total number of shares issued and share capital

Date	Change in the total number of shares issued (shares)	Balance of shares issued (shares)	Change in share capital (thousands of yen)	Balance of share capital (thousands of yen)	Change in legal capital surplus (thousands of yen)	Balance of legal capital surplus (thousands of yen)
June 1, 2022	6,000,000	12,000,000	—	697,600	—	426,200

(Note) The Company conducted a two-for-one stock split of our common stock, effective June 1, 2022.

## (5) Shareholder composition

As of March 31, 2024

As of March 31, 2024

Category	Status of shares (100 shares constitute a unit)								Shares less than one unit (shares)
	National and local government bodies	Financial institutions	Financial instruments business operators	Other corporations	Foreign shareholders		Individual and other	Total	
					Non-individuals	Individuals			
Number of shareholders	—	8	25	44	73	12	8,369	8,531	—
Shares held (units)	—	4,916	1,958	70,145	5,239	34	37,652	119,944	5,600
Shareholding ratio (%)	—	4.10	1.63	58.48	4.37	0.03	31.39	100.00	—

(Note) Of the 244 shares of treasury stock, two units (200 shares) are included in “Individual and others” and 44 shares are included in “Shares less than one unit.”

## (6) Major shareholders

As of March 31, 2024

Name	Address	Number of shares held	Number of shares held as percentage of total shares issued (excluding treasury shares) (%)
ZUKEN Inc.	2-25-1 Edahigashi, Tsuzuki-ku, Yokohama-shi, Kanagawa	2,520,000	21.00
MITANI SANGYO Co., Ltd.	1-5 Tamagawa-cho, Kanazawa-shi, Ishikawa	1,488,000	12.40
WingArc 1st Inc.	3-2-1 Roppongi, Minato-ku, Tokyo	960,000	8.00
INTEC Inc.	5-5 Ushijimashin-machi, Toyama-shi, Toyama	720,000	6.00
Canon IT Solutions Inc.	2-16-6 Konan, Minato-ku, Tokyo	720,000	6.00
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1 Akasaka, Minato-ku, Tokyo	348,400	2.90
TECNOS JAPAN INCORPORATED	3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo	180,000	1.50
B-EN-G Employee Shareholding Association	1-8-1 Otemachi, Chiyoda-ku, Tokyo	152,500	1.27
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	123,400	1.02
AVANT GROUP CORPORATION	2-15-2 Konan, Minato-ku Tokyo	108,000	0.90
TerraSky Co., Ltd.	2-11-2 Nihonbashi, Chuo-ku, Tokyo	108,000	0.90
KISSEI COMTEC Co., Ltd.	4010-10 Wada, Matsumoto-shi, Nagano	108,000	0.90
Total	—	7,536,300	62.80

(Note) The figure for Custody Bank of Japan, Ltd. (Trust Account) includes 25,400 shares held in an Officer Stock Grant Trust.

(7) Voting rights

1) Shares issued

As of March 31, 2024

Classification	Number of shares (shares)	Number of voting rights (units)	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury shares)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury shares)	(Treasury shares) Common stock 200	—	—
Shares with full voting rights (others)	Common stock 11,994,200	119,942	—
Shares less than one unit	Common stock 5,600	—	—
Total number of shares issued	12,000,000	—	—
Total number of voting rights held by all shareholders	—	119,942	—

(Notes) 1. The common stock on the “Shares with full voting rights (others)” line includes 25,400 Company shares (254 voting rights) held in an Officer Stock Grant Trust.  
2. The common stock on “Shares less than one unit” line includes 44 treasury shares held by the Company.

2) Treasury shares

As of March 31, 2024

Shareholder	Shareholder address	Number of shares held under own name (shares)	Number of shares held under name of others (shares)	Total number of shares held (shares)	Number of shares held as percentage of total shares issued (%)
(Treasury shares) Business Engineering Corporation	1-8-1 Otemachi, Chiyoda-ku, Tokyo	200	—	200	0.00
Total	—	200	—	200	0.00

(Note) The Company’s shares held in an Officer Stock Grant Trust are not included in the treasury shares shown here.

(8) Executive and employee stock ownership plan

The Company has introduced a stock compensation plan using a trust for our directors (excluding directors who are outside directors or Audit & Supervisory Committee members; the same applies below).

The purpose of the plan is to clarify the link between the directors’ compensation and the value of the Company’s stock and raise the directors’ awareness of the importance of contributing to improvement in medium- to long-term performance and corporate value by having them share in the profits and risks of stock price fluctuations with shareholders.

1) Overview of the plan

The stock compensation plan uses a trust established by the Company through monetary contributions. The trust acquires the Company’s common stock and issues to directors a share count equivalent to the number of points the Company has granted to each director.

In principle, directors receive the Company shares when they leave their positions.

The initial trust period is scheduled to run from August 2023 to August 2026.

2) Total number of shares to be acquired by directors

Maximum of 21,000 shares per fiscal year

3) Scope of individuals who can receive beneficiary and other rights via the plan

Directors who meet the beneficiary requirements

## 2. Acquisition of treasury shares

Class of shares: Common stock is acquired pursuant to Article 155, Item 7, of the Companies Act.

(1) Acquisition by resolution of the General Meeting of Shareholders

There are no applicable matters to report.

(2) Acquisition by resolution of the Board of Directors

There are no applicable matters to report.

(3) Acquisition not based on resolution of the General Meeting of Shareholders or the Board of Directors

Category	Number of shares (shares)	Total amount (thousands of yen)
Treasury stock acquired during the current fiscal year	46	188
Treasury stock acquired during the current period	—	—

(Note) The number of treasury shares acquired during the current period does not include shares less than one unit purchased between June 1, 2024, and the filing date of this Annual Securities Report.

(4) Disposition and holding of acquired treasury shares

Category	Fiscal year ended March 31, 2024		Current period	
	Number of shares (shares)	Total amount disposed (thousands of yen)	Number of shares (shares)	Total amount disposed (thousands of yen)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares that were canceled	—	—	—	—
Acquired treasury shares transferred in connection with merger, share exchange, share delivery, or demerger	—	—	—	—
Others	—	—	—	—
Number of treasury shares held	244	—	244	—

(Notes) 1. The number of treasury shares held during the current period does not include shares less than one unit purchased between June 1, 2024, and the filing date of this Annual Securities Report.  
2. The number of treasury shares does not include the Company's shares held in an Officer Stock Grant Trust.



### 3. Dividend policy

The Company has a policy of returning profit to shareholders through the payment of dividends, the amount of which is decided by considering in a comprehensive manner the outlook for the business environment surrounding the Company, our earnings forecasts, our financial position, and other factors. Our basic policy is to endeavor to maintain a progressive dividend and a consolidated payout ratio exceeding 35% over the medium to long term.

Our internal reserves are used to invest in strengthening our competitiveness to stabilize our business foundation and improve our business performance.

Our basic policy calls for paying dividends twice a year, as an interim dividend and a year-end dividend, and our Articles of Incorporation stipulate that interim dividends may be paid by resolution of the Board of Directors. Therefore, the decision-making body for the interim dividend is the Board of Directors and for the year-end dividend is the General Meeting of Shareholders.

For the fiscal year ended March 31, 2024, the final dividend was set at ¥46 per share. Together with the interim dividend of ¥32 per share, this resulted in a total annual dividend of ¥78 per share.

(Note) The dividends of surplus for the fiscal year under review are as follows.

Resolution date	Total amount of dividends (thousands of yen)	Dividend per share (yen)
November 10, 2023 Board of Directors	383,993	32.00
June 21, 2024 General Meeting of Shareholders	551,988	46.00

## 4. Corporate governance

### (1) Overview of corporate governance

#### 1) Basic approach to corporate governance and overview of the corporate governance system

The Company recognizes corporate governance as a critical management issue in achieving sustainable growth and enhancing medium- to long-term corporate value. Our basic policy is to strengthen supervisory functions, improve management efficiency, and reinforce our compliance framework.

< Basic policy on corporate governance >

- 1) We respect the rights of shareholders and ensure equality among them.
- 2) We consider the interests of all stakeholders, including shareholders, customers, business partners, local communities, and employees, and strive to build appropriate collaborative relationships.
- 3) We ensure transparency through appropriate disclosure of corporate information.
- 4) We ensure that directors—including those serving as Audit & Supervisory Committee members—fulfill their roles and responsibilities and work to enhance the effectiveness of supervisory functions and management efficiency.
- 5) We engage in constructive dialogue with shareholders whose investment policies align with shareholder interests over the medium to long term.

Based on this basic policy, the Company has adopted a company with Audit & Supervisory Committee system. To strengthen oversight of the execution of directors' duties, we have appointed directors who serve as Audit & Supervisory Committee members and multiple outside directors with voting rights on the Board of Directors.

The Board of Directors comprises 11 members, including eight directors who are not members of the Audit & Supervisory Committee and three who are. Of these 11, four are outside directors (two non-committee members and two committee members). Our governance structure combines internal directors, who possess deep knowledge of the Group's businesses, with outside directors, who provide supervisory and advisory functions based on extensive management experience and specialized expertise. We strive to ensure the soundness and transparency of management. In principle, the Board of Directors meets once a month, with extraordinary meetings held as necessary.

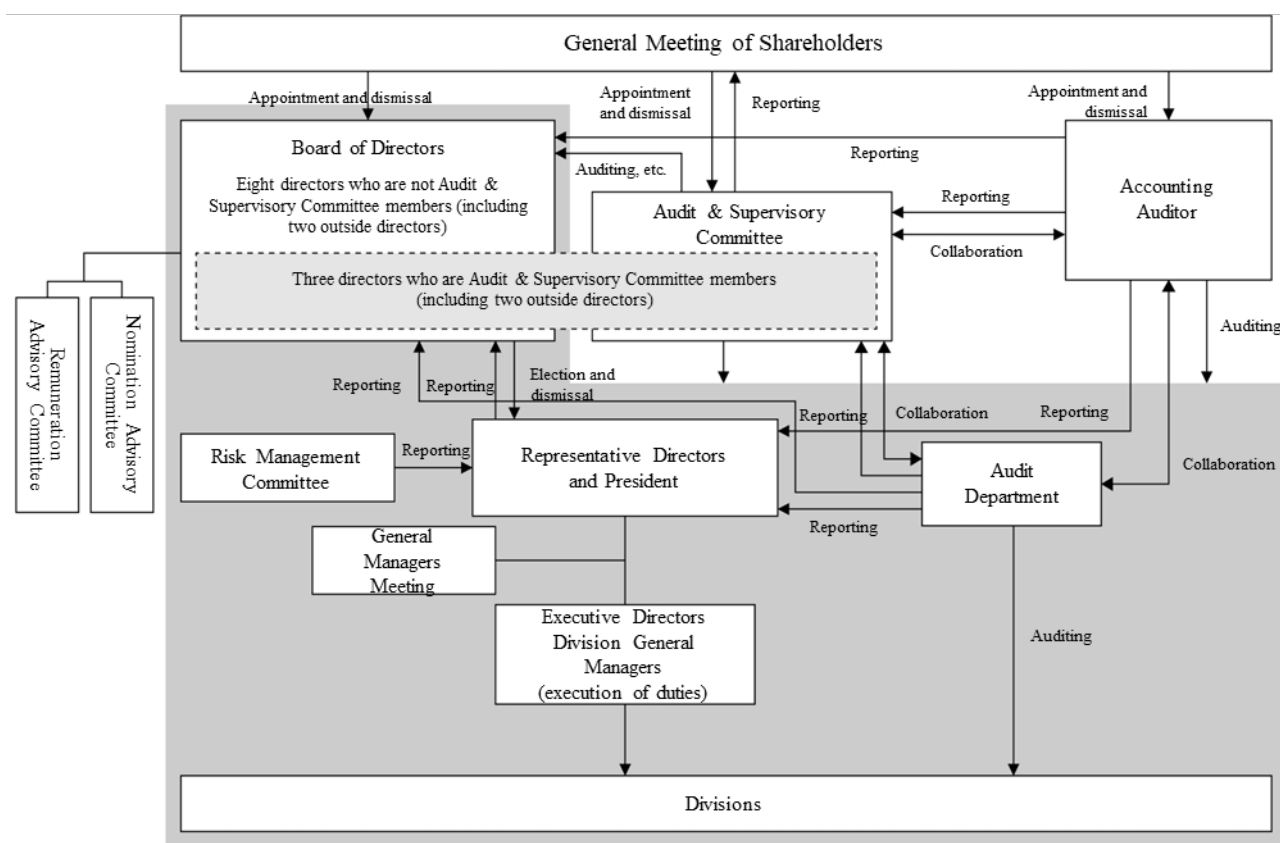
The Audit & Supervisory Committee comprises three members, including two outside directors. It audits and oversees the execution of directors' duties. The committee also meets in principle once a month.

Information on members of the Board of Directors and the Audit & Supervisory Committee is provided in "(2) Directors and Audit & Supervisory Committee members, 1) List of directors and Audit & Supervisory members."

As an advisory body to the president, the Company has established the Division General Managers Meeting, comprising the president, full-time directors, and Division General Managers. This body enhances deliberation on important management matters and facilitates the appropriate sharing of management information. In addition, as advisory bodies to the Board of Directors, the Company has established the Nomination Advisory Committee and the Remuneration Advisory Committee, both chaired by outside directors, to ensure transparency in the processes for director appointments and remuneration decisions. Details of their membership are also provided in "(2) Directors and Audit & Supervisory Committee members, 1) List of directors and Audit & Supervisory members."

Furthermore, the Company has appointed Ernst & Young ShinNihon LLC as its accounting auditor. Information on the accounting auditor is provided in "(3) Audits, 2) Accounting audit."

The following is a diagram of the Company's corporate governance structure.



## 2) Status of preparation of internal control systems

### 1) System to ensure that duties of directors are executed in compliance with laws and ordinances and the Company's Articles of Incorporation

- To ensure compliance with laws and ordinances, we have established the Compliance Code of Conduct to clearly define the rules, have designated the Legal Department as the body responsible for overseeing compliance, and have constructed a framework for promoting compliance.
- When any director learns any material facts regarding compliance, such as the violation of any laws or ordinances or our Articles of Incorporation, that individual is to report such facts to the Board of Directors and the Audit & Supervisory Committee without delay.
- The Compliance Code of Conduct stipulates that ties with antisocial forces must be severed, and we maintain a system to achieve this.
- To ensure the reliability of financial reporting, we have established internal controls over financial reporting.

### 2) System for retention and management of information related to the execution of duties by directors

The Company properly retains and manages information related to the execution of duties by directors in accordance with internal regulations such as our Document Management Regulations and Approval Process Regulations.

### 3) Regulations and other systems related to the management of loss risks

- To prevent loss risks, we have implemented business process controls based on our Regulations on Organization and Authorities, Business Control Guidelines, Profit Management Regulations, Credit Management Regulations, etc.
- To properly manage and counter risks surrounding the operations of the Company and our subsidiaries, we have established a system for promoting risk management based on the Risk Management Regulations. This includes the establishment of a Risk Management Committee (chaired by the president and with full-time directors as members), which identifies risks and considers countermeasures, gives instructions for dealing with risks, and confirms the status of risk management.
- In the event of a situation that disrupts normal business operations, such as the manifestation of a certain risk, the Risk

Management Committee will serve as an emergency response headquarters to conduct crisis management, rapidly resolving the situation and mitigating damage.

- 4) System to ensure the efficient execution of directors' duties
  - (a) The Board of Directors appropriately and thoroughly deliberates significant matters concerning the execution of directors' duties and has established clear assignments of responsibilities among the representative directors, other directors in charge of business execution, division general managers, and others to ensure operational efficiency.
  - (b) The Company maintains an efficient and effective operational structure by clarifying organizational responsibilities and authority under the Regulations on Organization and Authority and Function-based Division of Responsibilities Regulations.
- 5) System to ensure that employees execute their duties in compliance with laws, regulations, and the Company's Articles of Incorporation
  - (a) The Company promotes compliance by establishing the *Compliance Code of Conduct* to define rules clearly, designating Regarding compliance with laws and ordinances, we have established the Compliance Code of Conduct to clarify rules regarding compliance, have designated the Legal Department as the responsible body, and implementing organization-wide compliance initiatives.
  - (b) We have established a whistleblowing system under the Whistleblowing Regulations, which includes protections for whistleblowers—such as prohibiting retaliation—and enables early detection, correction, and prevention of misconduct.
  - (c) The Company maintains systems to sever all ties with antisocial forces as set forth in the Compliance Code of Conduct.
  - (d) The Company has established internal controls over financial reporting to ensure accuracy and reliability.
  - (e) The Audit Department, functioning as the Company's internal audit body, conducts audits across overall operations.
- 6) System to ensure the properness of operations in the corporate group as a whole
  - (a) The Company has implemented the Affiliated Company Management Regulations to facilitate the management of subsidiaries, ensure proper business operations at those subsidiaries, and enhance group-wide management efficiency. Certain critical matters at subsidiaries must be reported to and approved by the Company.
  - (b) Where necessary, the Company dispatches officers to Group companies to ensure proper business operations.
  - (c) The Company strengthens risk management at subsidiaries through risk controls based on the Risk Management Regulations and through internal audits conducted by the Audit Department. In the event of operational disruption, the Company provides appropriate support according to the specific situation.
  - (d) Subsidiaries are required to comply with the Compliance Code of Conduct, and the Company supports the promotion of compliance at each subsidiary.
  - (e) The Company's whistleblowing system, based on the Whistleblowing Regulations, covers employees at subsidiaries. The Company works to prevent, detect, correct, and avoid recurrence of misconduct and protects whistleblowers by prohibiting retaliation.
  - (f) The Company sets annual numerical targets for each subsidiary.
- 7) Matters related to employees who assist the Audit & Supervisory Committee and ensuring the effectiveness of instructions given to said employees
  - (a) The Legal Department serves as the secretariat of the Audit & Supervisory Committee.
  - (b) The Audit Department assists with the Audit & Supervisory Committee's business audits.
  - (c) Personnel changes in the Legal Department (for its secretariat role) and in the Audit Department require the approval of the Audit & Supervisory Committee.
  - (d) Organizational changes affecting the Legal Department or Audit Department also require the Committee's approval.
  - (e) Employees assisting the Audit & Supervisory Committee do not receive instructions from directors who are not Committee members.
- 8) System for reporting to the Audit & Supervisory Committee
  - (a) Audit & Supervisory Committee members may attend important meetings, including the Division General Managers' Meeting, as needed.
  - (b) The Audit & Supervisory Committee receives reports on designated matters, monthly reports from divisions, monthly financial results, and other matters.

- (c) Directors report to the Committee on significant incidents such as major losses or events that could materially affect management.
  - (d) The Audit Department reports to the Committee on audit plans and the results of audits for the Company and its subsidiaries.
  - (e) The Committee regularly exchanges information with statutory auditors of subsidiaries.
  - (f) The Committee receives reports from the person in charge of the whistleblowing system regarding significant internal reports submitted by employees of the Company or its subsidiaries.
  - (g) Retaliation against individuals who make reports to the Audit & Supervisory Committee is prohibited.
- 9) Other systems to ensure that the effectiveness of audits by the Audit & Supervisory Committee
- (a) The Committee holds regular meetings to exchange opinions with the president and CEO and outside directors who are not Audit & Supervisory Committee members.
  - (b) The Committee holds regular meetings to exchange opinions with the accounting auditor.
  - (c) When Committee members request reimbursement for expenses related to the performance of their duties, the Company bears such costs unless deemed unnecessary.

### 3) Activities of the Board of Directors, Nomination Advisory Committee, and Remuneration Advisory Committee

During the fiscal year ended March 31, 2024, the Board of Directors met 14 times. In addition to deliberating matters stipulated by laws, regulations, and the Company's Articles of Incorporation—as well as matters prescribed under the Board of Directors Regulations—the Board discussed a wide range of topics, including key business execution and management matters, sustainability initiatives, identification of materiality, partial revisions to the management plan, initiatives aimed at enhancing management with a focus on capital cost and share price, evaluation of the effectiveness of the Board of Directors, and verification of cross-shareholdings.

The Nomination Advisory Committee met four times during the fiscal year. It discussed personnel proposals and director appointment policies presented by the president, including the nomination of director candidates (including those who are Audit & Supervisory Committee members), the selection of representative directors and directors with titles, and director-related personnel systems. Following these discussions, the committee submitted its recommendations to the Board of Directors.

The Remuneration Advisory Committee also met four times during the fiscal year. It deliberated on individual remuneration for directors (excluding directors who are Audit & Supervisory Committee members), as well as remuneration structure proposals presented by the president. The committee subsequently reported its conclusions to the Board of Directors.

Attendance records for individual directors and committee members during the fiscal year ended March 31, 2024, are provided below.

Name	Attendance at Board of Directors meetings	Attendance at Nomination Advisory Committee meetings	Attendance at Remuneration Advisory Committee meetings
Hiroshi Katayama	3 of 3 meetings	—	—
Masakazu Haneda	14 of 14 meetings	4 of 4 meetings	4 of 4 meetings
Shigeaki Betsunou	14 of 14 meetings	—	4 of 4 meetings
Atsushi Nakano	14 of 14 meetings	—	—
Yusuke Sato	14 of 14 meetings	—	—
Toshiyuki Irimajiri	11 of 11 meetings	—	—
Yumiko Miyazawa	11 of 11 meetings	—	—
Hiroshi Shimizu	14 of 14 meetings	4 of 4 meetings	4 of 4 meetings
Hideo Higuchi	3 of 3 meetings	0 of 0 meetings	2 of 2 meetings
Masahito Kitamura	11 of 11 meetings	4 of 4 meetings	2 of 2 meetings
Ryuji Maruyama	14 of 14 meetings	4 of 4 meetings	4 of 4 meetings
Naoki Shimizu	13 of 14 meetings	4 of 4 meetings	4 of 4 meetings
Hirofumi Otsuka	14 of 14 meetings	—	—

- (Notes)
1. Mr. Hiroshi Katayama's attendance at board meetings was only until he left his position as director.
  2. Mr. Toshiyuki Irimajiri's and Ms. Yumiko Miyazawa's attendance at board meetings was only after their appointment as directors.
  3. Mr. Hideo Higuchi's attendance at board meetings was only until he left his position as director, and his attendance at advisory committee meetings was only until he left his position as a member of each committee.
  4. Mr. Masahito Kitamura's attendance at board meetings was only after he was appointed as director, and his attendance at advisory committee meetings was only after his appointment as a member of each committee.

### 4) Overview of liability limitation agreement

The Company has concluded an agreement with its outside directors, pursuant to Article 427, Paragraph 1 of the Companies Act, to limit their liability for damages under Article 423, Paragraph 1 of the same act. The maximum amount of liability under these agreements is set at the statutory minimum.

5) Overview of director and officer liability insurance

The Company has taken a director and officer (D&O) liability insurance policy, as provided under Article 430-3, Paragraph 1 of the Companies Act. The policy covers legal damages and litigation expenses that may arise if insured persons—such as directors and officers—incur liability or face claims related to the execution of their duties. However, the policy includes certain exclusions from coverage, such as for damages resulting from knowingly unlawful acts. The insured persons under this policy include directors (including those who serve as Audit & Supervisory Committee members), auditors, executive officers, and managerial employees of the Company and its subsidiaries. The Company bears the full cost of the insurance premiums.

6) Requisite number of directors

The Company's Articles of Incorporation stipulate that the number of directors (excluding those who are Audit & Supervisory Committee members) shall not exceed 10, and the number of Audit & Supervisory Committee member directors shall not exceed four.

7) Resolution requirements for appointment of directors

The Company's Articles of Incorporation provide that director appointments must be approved by a majority of voting rights held by shareholders present at a General Meeting of Shareholders, where shareholders holding at least one-third of the total exercisable voting rights are in attendance. Cumulative voting is not used.

8) Matters delegated to the Board of Directors from the General Meeting of Shareholders

The Company's Articles of Incorporation permit the Board of Directors to resolve the following matters, which would otherwise require the General Meeting of Shareholders' resolution.

1) Authority to decide interim dividends

The Articles of Incorporation stipulate that the Company may pay interim dividends by resolution of the Board of Directors. This is intended to ensure flexibility of the Company's dividend policy.

2) Authority to acquire treasury shares

Pursuant to Article 165, Paragraph 2 of the Companies Act, the Company's Authority to Acquire stipulates that the Company may acquire its own shares through market transactions and other means, based on a resolution by the Board of Directors. This provision is designed to ensure flexibility in capital policy.

3) Authority to exempt directors from liability

Pursuant to Article 426, Paragraph 1 of the Companies Act, the Company's Articles of Incorporation permit the Board of Directors to exempt directors (including former directors) from liability for damages arising from negligence in the performance of their duties, to the extent permitted by law. This is intended to enable directors to fully exercise their expected roles.

9) Requirements for special resolution of the General Meeting of Shareholders

For special resolutions under Article 309, Paragraph 2 of the Companies Act, the Company's Articles of Incorporation stipulate that they must be approved by two-thirds or more of the voting rights of shareholders present, provided that shareholders holding at least one-third of the total exercisable voting rights are in attendance. This provision is intended to facilitate smoother operation of the General Meeting of Shareholders by easing the quorum requirement for special resolutions.

(2) Directors and Audit & Supervisory Committee members

1) List of directors and Audit & Supervisory members

Men: 9; Women: 2 (ratio of female officers: 18.2%)

Title and position	Name	Date of birth	Career summary		Term	Number of Company shares held
Representative Director President & CEO	Masakazu Haneda	January 13, 1965	Apr. 1987 Apr. 1999 Apr. 2004 Apr. 2006 Jun. 2010 Jun. 2014 Jun. 2015 Jun. 2015 Jun. 2019 Apr. 2020 Apr. 2020	Joined Toyo Engineering Corporation Joined the Company Division General Manager, MCFrame Business Division Division General Manager, Products Business Division Director In charge of Kansai Branch; in charge of Chubu Office Managing Director Division General Manager, Product & Service Planning Division Senior Managing Director Representative Director (current) President & Chief Executive Officer (current)	(Note 4)	31,654 *
Representative Director Senior Managing Director CFO Division General Manager of Corporate Administration & Planning Division; in charge of Alliance Department	Shigeaki Betsunou	March 26, 1964	Apr. 1986 Sep. 1999 Apr. 2011 Jun. 2013 Jun. 2013 Jun. 2015 Apr. 2019 Jun. 2019 Apr. 2020 Jun. 2022 Jun. 2022 Jun. 2023	Joined Toyo Engineering Corporation Joined the Company Deputy Division General Manager, Solutions Project Division Director Division General Manager, Solutions Project Division Division General Manager, Solutions Business Division Division General Manager, Administration & Finance Division Managing Director Division General Manager (current), Corporate Administration & Planning Division; in charge of Global Business Promotion Division Representative Director (current) Senior Managing Director (current) In charge of Alliance Department (current)	(Note 4)	14,863 *
Managing Director Division General Manager, Solutions Business Division	Atsushi Nakano	March 14, 1965	Apr. 1989 Apr. 1999 Apr. 2009 Apr. 2014 Jun. 2015 Jun. 2015 Jun. 2022 Apr. 2023 Apr. 2024	Joined Toyo Engineering Corporation Joined the Company Chief General Manager, Systems Development Division, Products Business Division Chief General Manager, Sales Division, Products Business Division Director Division General Manager, Products Business Division; in charge of Kansai Branch; in charge of Chubu Office Managing Director (current) In charge of Kansai and Chubu Region Management Division Division General Manager, Solutions Business Division (current)	(Note 4)	25,509 *



Managing Director Division General Manager, Products Business Division; in charge of Kansai and Chubu Region Management Division	Yusuke Sato	October 6, 1967	Apr. 1993 Jul. 2000 Apr. 2006 Apr. 2015 Apr. 2016 Apr. 2019 Jun. 2019 Apr. 2024 Jun. 2024	Joined Toyo Engineering Corporation Joined the Company General Manager, Corporate Planning Department, Corporate Planning Division Deputy Division General Manager, Corporate Planning Division Chief General Manager, Sales Division 2, Solutions Business Division Division General Manager, Solutions Business Division Director Division General Manager, Products Business Division; in charge of Kansai and Chubu Region Management Division (current) Managing Director (current)	(Note 4)	6,473 *
Director Deputy Division General Manager, Products Business Division; Chief General Manager, Systems Development Division, Products Business Division; in charge of Global Business Promotion Division	Toshiyuki Irimajiri	May 28, 1968	Apr. 1993 Apr. 2000 Apr. 2010 Apr. 2013 Jun. 2015 Oct. 2016 Apr. 2019 Apr. 2021 Jun. 2023 Apr. 2024	Joined Toyo Engineering Corporation Joined the Company Chief General Manager, Sales Division, Products Business Division Chief General Manager, Marketing Division, Products Business Division Deputy Division General Manager, Product & Service Planning Division Division General Manager, Marketing Planning Division, Product & Service Development Division Deputy Division General Manager, Product & Service Development Division Deputy Division General Manager, Products Business Division; Chief General Manager, Systems Development Division, Products Business Division (current) Director (current) In charge of Global Business Promotion Division (current)	(Note 4)	5,473 *
Director Deputy Division General Manager, Solutions Business Division; in charge of Marketing Planning Division	Yumiko Miyazawa	November 13, 1969	Apr. 1992 Jan. 2000 Apr. 2014 Apr. 2015 Oct. 2016 Apr. 2018 Apr. 2019 Jun. 2023 Apr. 2024	Joined Toyo Engineering Corporation Joined the Company General Manager, b-ridge Business Division, Solution Project Division Chief General Manager, b-ridge Division, Solutions Business Division Deputy Division General Manager, Marketing Planning Division, Product & Service Development Division Chief General Manager, Sales Division 1, Solutions Business Division Deputy Division General Manager, Solutions Business Division (current) Director (current) In charge of Marketing Planning Division (current)	(Note 4)	39,273 *
Director	Hiroshi Shimizu	March 29, 1961	Apr. 1984 Oct. 1990 Jan. 2003 Apr. 2010 Jun. 2011 Apr. 2015	Joined Toyo Engineering Corporation Joined Arthur D. Little (ADL) Japan Inc. Director at ADL Japan Professor, Graduate School of Management of Technology, Nippon Institute of Technology (current) Outside Director at the Company (current) Senior Advisor, ADL Japan (current)	(Note 4)	9,300

Director	Masahito Kitamura	January 3, 1959	<p>Apr. 1982 Joined Olympus Optical Co., Ltd. (now Olympus Corporation)</p> <p>Oct. 1999 Assigned to Olympus Singapore Pte. Ltd.</p> <p>Oct. 2001 General Manager, Industrial Information Department, Olympus Optical Co., Ltd. (now Olympus Corporation)</p> <p>Apr. 2003 Head of IT Strategy Office at Olympus Optical</p> <p>Apr. 2006 General Manager, IT Reform Promotion Department; General Manager, IT Infrastructure Department at Olympus Corporation</p> <p>Jul. 2009 Head of IT Division at Olympus</p> <p>Apr. 2012 Executive Officer, Chief Compliance Officer at Olympus</p> <p>Apr. 2016 Executive Officer, Head of CSR Division at Olympus</p> <p>Oct. 2018 Executive Officer, Chief Information Security Officer at Olympus</p> <p>Apr. 2019 Executive Officer, Vice President, Chief Information Security Officer at Olympus</p> <p>Mar. 2022 External Member of Board, Cybernet Systems Co., Ltd.</p> <p>Apr. 2022 Professor, School of Business Administration, Kansai University of International Studies (current)</p> <p>Jun. 2023 Outside Director at the Company (current)</p>	(Note 4)	—
Director (Audit & Supervisory Committee Member)	Naoki Shimizu	August 12, 1953	<p>Apr. 1977 Joined the Industrial Bank of Japan (now Mizuho Bank, Ltd.)</p> <p>Apr. 2002 Vice President, Loan Department at Mizuho Bank</p> <p>Jun. 2003 Director and General Manager, MAKIYA CO., LTD.</p> <p>Nov. 2006 Vice President, Senior Manager of Finance &amp; Accounting Department, SoftBank Technology Corp. (now SB Technology Corp.)</p> <p>Jun. 2007 Director at SoftBank Technology</p> <p>Apr. 2008 Executive Vice President, General Manager of Administration Division, SoftBank Technology</p> <p>Apr. 2013 Director, General Manager, Administration Division, Meiko Shokai Co., Ltd.</p> <p>May 2014 Representative Director, With Consulting Co., Ltd. (current)</p> <p>Mar. 2018 Outside Director (Audit &amp; Supervisory Committee Member), Japan Systems Co., Ltd.</p> <p>Jun. 2018 Outside Director (Audit &amp; Supervisory Committee Member) at the Company (current)</p>	(Note 5)	1,900

Director (Audit & Supervisory Committee Member)	Takako Miyoshi	December 9, 1975	Oct. 2001	Registered as Attorney at Law (Dai-ichi Tokyo Bar Association)	(Note 5)	—
			Apr. 2003	Member of Consumer Affairs Committee, Dai-ichi Tokyo Bar Association		
			Jun. 2008	Member of Intellectual Property Law Research Committee of the General Legal Research Institute, Dai-ichi Tokyo Bar Association (current)		
			Jul. 2010	Member of Environmental Protection Committee, Dai-ichi Tokyo Bar Association (current)		
			Jan. 2011	Partner, Okamura Law Office (current)		
			Apr. 2017	Member of Special Committee on Civil Litigation Issues, Dai-ichi Tokyo Bar Association (current)		
			Apr. 2017	Member of Advisory Council on the Management of Civil Litigation, Tokyo District Court and Tokyo Sankai		
			Jun. 2023	Outside Audit & Supervisory Board Member, Toyo Engineering Corporation (current)		
			Jul. 2023	Member of Committee on Issues Concerning Act on the Expediting of Trials, Japan Federation of Bar Associations (current)		
Jun. 2024	Outside Director (Audit & Supervisory Committee Member) at the Company (current)					
Director (Audit & Supervisory Committee Member)	Hirofumi Otsuka	May 27, 1961	Apr. 1986	Joined Toyo Engineering Corporation	(Note 5)	20,000
			Apr. 1999	Joined the Company		
			Nov. 2005	Branch General Manager, Kansai Branch		
			Jan. 2012	General Manager, Toyo Business Engineering (Shanghai) Co., Ltd.		
			Apr. 2012	Chairman, Toyo Business Engineering (Shanghai) Co., Ltd.		
			Jun. 2015	Deputy Division General Manager, Products Business Division; Chief General Manager, Marketing Division, Products Business Division of the Company		
			Apr. 2018	Deputy Division General Manager, Solutions Business Division; Chief General Manager, SCM Solutions Division 1, Solutions Business Division		
			Jun. 2020	Director (Standing Audit & Supervisory Committee Member) (current)		
Total						154,445*

- (Notes)
1. Director Yumiko Miyazawa's registered name under the family registration system of Japan is Yumiko Uchitsu.
  2. Director Takako Miyoshi's registered name under the family registration system of Japan is Takako Nakano.
  3. Directors Hiroshi Shimizu, Masahito Kitamura, Naoki Shimizu, and Takako Miyoshi are outside directors. Director Naoki Shimizu serves as chair of the Audit & Supervisory Committee.
  4. The term of office is from the conclusion of the General Meeting of Shareholders for the fiscal year ended March 2024 until the conclusion of the General Meeting of Shareholders for the fiscal year ending March 2025.
  5. The term of office is from the conclusion of the General Meeting of Shareholders for the fiscal year ended March 2024 until the conclusion of the General Meeting of Shareholders for the fiscal year ending March 2026.
  6. Outside Director Hiroshi Shimizu chairs the Nomination Advisory Committee, which also includes Director and President Masakazu Haneda and Outside Directors Masahito Kitamura, Naoki Shimizu, and Takako Miyoshi.
  7. Outside Director Hiroshi Shimizu chairs the Remuneration Advisory Committee, which also includes Director and President Masakazu Haneda, Senior Managing Director Shigeaki Betsunou, and Outside Directors Masahito Kitamura, Naoki Shimizu, and Takako Miyoshi.
  8. The number of shares held is as of March 31, 2024, and items marked with an asterisk (\*) include the number of shares (as of March 31, 2024) scheduled to be allotted to each director under the stock compensation plan when he or she retires as director.

## 2) Status of outside directors

The Company has designated all four of its outside directors as independent directors in accordance with the standards prescribed by the Tokyo Stock Exchange.

Outside Director Hiroshi Shimizu has extensive experience in strategic consulting services, primarily for the manufacturing sector, which includes the Group's key customers. He also possesses strong expertise in business strategy, contributing to enhanced oversight of management. He is a professor at the Graduate School of Management of Technology, Nippon Institute of Technology. During the fiscal year ended March 31, 2024, the Company paid a small amount in tuition and related fees to Nippon Institute of Technology for employee training.

Outside Director Masahito Kitamura brings broad experience in business management and IT from his tenure at Olympus Corporation, along with expertise in building global organizational frameworks. These strengths contribute to the Company's governance and oversight capabilities. During the fiscal year ended March 31, 2024, the Company conducted contracted system development for Olympus Corporation. The transaction amount was less than 1.4% of the Company's consolidated net sales, and prices were negotiated based on market benchmarks and set under terms consistent with general business practices.

Outside Director Naoki Shimizu, an Audit & Supervisory Committee member, has extensive experience and deep knowledge of finance and accounting, gained through his roles at the Industrial Bank of Japan (now Mizuho Bank, Ltd.) and operating companies. He also brings insight into business management, contributing to the reinforcement of the Company's supervisory and auditing functions. There are no notable transactional relationships between Mr. Shimizu and the Company.

Outside Director Takako Miyoshi, an Audit & Supervisory Committee member, has specialized legal knowledge and extensive experience in corporate law as a practicing attorney, enhancing the Company's supervisory and auditing framework. She is a partner at Okamura Law Office. During the fiscal year ended March 31, 2024, the Company retained the firm under an advisory agreement for legal services. The related transaction amount was minimal and represents a small share of the firm's annual revenue. Ms. Miyoshi also serves as an outside auditor for Toyo Engineering Corporation, one of the Company's business partners. During the fiscal year ended March 31, 2024, the Company conducted contracted system operation and maintenance services for Toyo Engineering. The transaction amount was less than 3.0% of the Company's consolidated net sales and was determined through negotiations based on market pricing, consistent with treatment of general customers.

When selecting outside directors, the Company seeks individuals who can contribute neutral, objective, and expert perspectives beneficial to management. Outside directors are expected to support appropriate decision-making by the Board of Directors. In assessing independence, the Company uses the criteria set forth by the Tokyo Stock Exchange in III., 5., (3)-2 of the Guidelines Concerning Listed Company Compliance, etc., as a reference. Individual backgrounds are reviewed comprehensively to ensure candidates are not in a position to exert controlling influence over Company management and that no conflicts of interest exist with general shareholders.

Outside directors who are not Audit & Supervisory Committee members perform oversight and audit functions related to internal control through participation in the Board of Directors and collaboration with internal audits, Audit & Supervisory Committee audits, and accounting audits. Outside directors who are Audit & Supervisory Committee members carry out these functions through both the Board of Directors and the Audit & Supervisory Committee.

## (3) Status of audits

### 1) Internal audits and audits by the Audit & Supervisory Committee

The Audit Department, the Company's internal audit function, conducts audits of overall business execution at the Company and its subsidiaries based on an established audit plan. The Department reports its audit plans and results to the president, the Board of Directors, and the Audit & Supervisory Committee, and notifies audited divisions of findings to encourage them to develop and implement improvement plans. The Audit Department maintains an independent reporting line to the president and designated members of the Audit & Supervisory Committee. As of the end of the fiscal year, the Department consisted of two members.

The Audit & Supervisory Committee comprises three members, including two outside directors who serve as Audit & Supervisory Committee members and one full-time internal director. The Committee formulates audit policies and plans and conducts audits of directors' execution of duties. It monitors and verifies the internal control systems by attending important meetings, holding regular discussions with representative directors, and receiving reports from directors and employees on the execution of their duties. Director Naoki Shimizu, an Audit & Supervisory Committee member, brings extensive experience and

significant expertise in the fields of finance and accounting.

During the fiscal year ended March 31, 2024, the Audit & Supervisory Committee met 12 times. Members Ryuji Maruyama and Hirofumi Otsuka attended all 12 meetings, while Naoki Shimizu attended 11 meetings. All members appropriately contributed to the deliberation of agenda items and other discussions. Key matters reviewed by the Committee included the development and operational status of internal control systems, key areas of audit focus, the appropriateness of the methods and outcomes of the audits conducted by the accounting auditor, and opinions on the nomination and remuneration of directors (excluding those who serve as Audit & Supervisory Committee members). The full-time Committee member also engaged in information gathering and provided advice based on interviews with directors (excluding Audit & Supervisory Committee members) and employees, attended important meetings, reviewed important approval documents, and conducted on-site audits.

In addition, the Audit & Supervisory Committee plays a central role in facilitating collaboration among the Audit & Supervisory Committee, the Audit Department, and the accounting auditor. These parties exchange opinions and information on matters such as audit plans, audit results, and internal controls related to financial reporting. The division responsible for internal control functions also shares reports and holds discussions with the Audit & Supervisory Committee, the Audit Department, and the accounting auditor as necessary.

## 2) Accounting audit

### a. Name of accounting auditor

Ernst & Young ShinNihon LLC

### b. Period of continuous auditing

Since 1998 (since the 19th fiscal term)

### c. Certified Public Accountants who conducted the accounting audit

Yuji Mukaide, Designated Limited Liability Partner and Engagement Partner

Yasuyuki Hagiwara, Designated Limited Liability Partner and Engagement Partner

(Note) The number of years of continuous audit experience has been omitted as it is less than seven years for both.

### d. Composition of assistants associated with the accounting audit

Certified Public Accountants: 4 people

Others: 7 people

### e. Reason for selecting accounting auditor

After comprehensively considering the accounting auditor's independence, expertise, audit system, etc., we selected Ernst & Young ShinNihon LLC as the auditing Certified Public Accountant firm, judging that they can conduct appropriate and efficient audits that correspond to the nature of our operations.

If it is found that any of the various items of Article 340, Paragraph 1, of the Companies Act apply to the accounting auditor, the Audit & Supervisory Committee will dismiss the accounting auditor by unanimous vote. In addition, if the Audit & Supervisory Committee judges there are other significant impediments, it will decide on the content of a proposal for dismissal or non-reappointment.

### f. Assessment of accounting auditor by the Audit & Supervisory Committee

The Audit & Supervisory Committee evaluates the auditing Certified Public Accountants on their independence based on the Guidelines on Independence established by the Japanese Institute of Certified Public Accountants, their expertise including knowledge of the industry to which the Company belongs, the status of development of their audit system, the appropriateness of their audit plan and audit costs, and the appropriateness and validity of audit activities based on their audit track record.

### 3) Audit fees

#### a. Fees paid to Certified Public Accountants and others engaged in the accounting audit

Category	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
	Fees for audit and attestation (thousands of yen)	Fees for non-audit services (thousands of yen)	Fees for audit and attestation (thousands of yen)	Fees for non-audit services (thousands of yen)
Business Engineering Corporation	30,000	11,300	33,300	11,300
Consolidated subsidiaries	—	—	—	—
Total	30,000	11,300	33,300	11,300

Non-audit services the firm provides the Company are services other than those provided for in Article 2, Paragraph 1, of the Certified Public Accountants Act, such as the preparation of assurance reports on the status of the establishment and operation of internal controls based on Standards for Attestation Engagements no. 18 (SOC1) from the American Institute of Certified Public Accountants.

#### b. Fees for organizations belonging to the same network (Ernst & Young) as the auditing Certified Public Accountants

There are no applicable matters to report.

#### c. Fees for other important audit attestation services

There are no applicable matters to report.

#### d. Policy for determining audit fees

There are no applicable matters to report, but the fees are determined after looking at the audit length, scale, content, etc., and are approved by the Audit & Supervisory Committee.

#### e. Reason the Audit & Supervisory Committee agreed to accounting auditor fees

The Audit & Supervisory Committee considered the appropriateness of the accounting auditor's audit plan, audit length, estimated remuneration, etc., based on the Practical Guidelines for Cooperation with Accounting Auditors from the Japan Audit & Supervisory Board Members Association, and consented to the accounting auditor's fees in accordance with Article 399, Paragraph 1 and 3, of the Companies Act.

### (4) Executive remuneration

#### 1) Policy for determining director remuneration, etc.

##### a. Basic policy regarding remuneration, etc., for directors

Our basic policy regarding remuneration, etc., for directors is to ensure the remuneration, etc., is appropriate for the roles and duties the director fulfills and it is determined according to a system under which the remuneration, etc., for full-time directors (excluding outside directors and directors who are also Audit & Supervisory Committee members; hereinafter the same applies) reflects the medium- and long-term financial results of the Company and shareholder value.

The Remuneration Advisory Committee has been established to ensure the transparency of the director remuneration system and the process of determining their remuneration, etc. This committee is chaired by an outside director and a majority of its members are outside directors. It submits reports to the Board of Directors after deliberating policies regarding the determination of remuneration, etc., for individual directors and other matters related to director remuneration, etc., and the Board of Directors makes decisions regarding these matters.

##### b. Remuneration, etc., for full-time directors

Remuneration, etc., for full-time directors comprises annual base remuneration (fixed remuneration), bonuses, and stock remuneration (non-monetary remuneration). Base remuneration is determined in overall consideration of the director's position, duties, level of contribution to financial results, and other matters, while bonuses are determined in consideration of the consolidated financial results for the relevant fiscal year. Both are paid following a resolution of the Board of Directors within the limit on director remuneration adopted by resolution at a General Meeting of Shareholders. Stock remuneration is paid

according to the director's position and other factors, in accordance with regulations formulated by the Board of Directors within the limits for the stock compensation plan set by resolution at a General Meeting of Shareholders.

i. Annual base remuneration (fixed remuneration)

The president proposes individual base remuneration for full-time directors based on their contribution to consolidated results in the previous fiscal year and their individual performance reported to the Board of Directors. The proposal is discussed by the Remuneration Advisory Committee, and the Board of Directors decides based on the committee's recommendations. The amount is then paid each month during the term of office.

ii. Bonuses

The president proposes the total amount of bonuses based on consolidated results in the previous fiscal year, and the Board of Directors decides on it. The president proposes individual bonuses for full-time directors based on their contribution to consolidated results in the previous fiscal year and their individual performance reported to the Board of Directors. The proposal is discussed by the Remuneration Advisory Committee, and the Board of Directors decides based on the committee's recommendations. In principle, the bonuses are paid as lump sums in the month after the General Meeting of Shareholders.

iii. Stock remuneration (non-monetary remuneration)

Stock remuneration is a system that uses a stock-granting trust and aims to clarify the link between the compensation of full-time directors and the value of the Company's stock. The aim is to increase full-time directors' awareness of their responsibility to contribute to improvement in the Company's medium- to long-term performance and corporate value by sharing the profits and risks of stock price fluctuations with shareholders. Under the Stock Grant Regulations established by the Board of Directors, points are awarded to each full-time director according to their position on the date the points are granted, and the Company's shares equivalent to the accumulated number of points are then granted to directors through the trust. In principle, the Company's shares are delivered when full-time directors leave their positions, and a certain percentage of these shares may be converted into cash and used as tax payment funds.

c. Remuneration, etc., for outside directors (excluding directors who are Audit & Supervisory Committee members; hereinafter the same applies)

Remuneration, etc., for outside directors consists solely of base remuneration based on their duties. The president drafts a proposal regarding the base remuneration for individual outside directors within the limit on director remuneration adopted by resolution at a General Meeting of Shareholders. This proposal is discussed by the Remuneration Advisory Committee. Based on the committee's recommendation, the Board of Directors determines the remuneration, etc., for outside directors, which is paid each month during the term of office.

d. Remuneration, etc., for Audit & Supervisory Committee members

Remuneration, etc., for directors who are Audit & Supervisory Committee members, consist solely of base remuneration based on their duties. The base remuneration for directors who are Audit & Supervisory Committee members is determined following discussion among the members within the limit on remuneration adopted by resolution at a General Meeting of Shareholders and is paid each month during their term of office.

## 2) Director remuneration in the fiscal year ended March 31, 2024

Individual remuneration for directors (excluding directors who are Audit & Supervisory Committee members) was discussed by the Remuneration Advisory Committee, whose purpose is to ensure transparency of the process for determining remuneration within the director remuneration limit resolved at the General Meeting of Shareholders, and decided by the Board of Directors based on the committee's recommendations once the board had determined the matter was in line with its decision-making policy for remuneration.

In addition, the Board of Directors has determined that points granted in the fiscal year ended March 31, 2024, based on the Stock Grant Regulations were in line with its decision-making policy for remuneration.

In accordance with the decision-making policy, the president proposed individual remuneration of directors ("eligible directors," excluding directors who are outside directors or Audit & Supervisory Committee members) for the fiscal year based on their contribution to consolidated results in the previous fiscal year and their individual performance reported to the Board of Directors. The proposal was discussed by the Remuneration Advisory Committee, and the Board of Directors decided remuneration based

on the committee's recommendations. In accordance with the decision-making policy, the president drafted a proposal regarding the base remuneration for outside directors (excluding directors who are Audit & Supervisory Committee members). This proposal was discussed by the Remuneration Advisory Committee, and the Board of Directors determined remuneration based on the committee's recommendation.

### 3) Resolution of the General Meeting of Shareholders regarding director remuneration

The amount of remuneration for directors (excluding directors who are Audit & Supervisory Committee members) was resolved at the 37th General Meeting of Shareholders held on June 22, 2016, to be no more than ¥360 million (including ¥60 million for outside directors). As of the conclusion of the 37th General Meeting of Shareholders, there were eight directors (including two outside directors; excluding directors who are Audit & Supervisory Committee members).

The amount of remuneration for directors who serve as Audit & Supervisory Committee members was resolved at the 37th General Meeting of Shareholders held on June 22, 2016, to be no more than ¥60 million. As of the conclusion of the 37th General Meeting of Shareholders, there were three directors who served as Audit & Supervisory Committee members.

In addition to the foregoing, a stock compensation plan for directors (excluding directors who are outside directors or Audit & Supervisory Committee members) was introduced at the 44th General Meeting of Shareholders held on June 23, 2023. The Company will contribute a total of up to ¥117 million in funds to acquire the Company's shares during the three fiscal years covered by the plan, and the total number of points to be granted will be up to 21,000 (one point = one share) per fiscal year. As of the conclusion of the 44th General Meeting of Shareholders, there were six directors (excluding directors who are outside directors or Audit & Supervisory Committee members).

### 4) Total amount of remuneration, total amount by type of remuneration, and number of grantees, based on breakdown by officer category

Officer category	Total amount of remuneration (thousands of yen)	Total amount by type of remuneration (thousands of yen)				Number of grantees
		Fixed remuneration	Bonus	Performance-linked compensation	Stock-based compensation	
Directors (excluding outside directors and directors who are Audit & Supervisory Committee members)	154,217	90,929	47,900	—	15,387	7
Directors who are Audit & Supervisory Committee members (excluding outside directors)	18,272	18,272	—	—	—	1
Outside directors	26,400	26,400	—	—	—	5

- (Notes)
1. The amount of compensation for directors (excluding directors who are Audit & Supervisory Committee members) does not include employee salaries of directors who also serve as employees.
  2. The amount of compensation for directors (excluding directors who are Audit & Supervisory Committee members) includes that for one director who retired at the conclusion of the 44th General Meeting of Shareholders held on June 23, 2023.
  3. The amount of compensation for outside directors includes that for one outside director who retired at the conclusion of the 44th General Meeting of Shareholders held on June 23, 2023.
  4. The above stock-based compensation amount is the amount recorded as expenses for the fiscal year ended March 31, 2024, in connection with the Company's stock-granting trust.

### 5) Total amount of consolidated remuneration for individual directors

No information is provided, since there is no director whose total amount of consolidated remuneration exceeds ¥100 million.



(5) Information on shareholdings

1) Criteria for shareholding classification and rationale

The Company classifies its shareholdings into shares held for pure investment and shares held for other than pure investment. The former are held solely for the purpose of receiving profits from fluctuations in stock value and from dividends, while the latter are held for other purposes.

2) Shares held for purposes other than pure investment

a. Holding policy, method of verifying rationality of holdings, and detail of verification by the Board of Directors regarding propriety of individual holdings

The Company's policy is to hold shares in companies as strategic shareholdings only when we believe that maintaining and strengthening business relationships with customers and business partners will contribute to increasing our corporate value over the medium to long term.

The Board of Directors regularly verifies whether to continue holding strategic shareholdings, considering the capital cost, returns, trading status, and the purpose and significance of holding them from a medium- to long-term perspective.

We have decided to continue holding all three stocks held for purposes other than pure investment after comprehensively considering the Company's capital cost, the return on each stock and profit associated with each transaction, the anticipated contribution to our business, and the purpose of holding them, such as maintaining and strengthening business relationships.

b. Number of stocks (companies) and amount recorded on the balance sheet

	Number of stocks (companies)	Total amount on balance sheet (thousands of yen)
Unlisted stocks	2	165,558
Stocks other than unlisted stocks	3	373,330

(Stocks with increased number of shares during the fiscal year ended March 31, 2024)

	Number of stocks (companies)	Total acquisition cost related to increase in number of shares (thousands of yen)	Reason for increase in shares held
Unlisted stocks	1	137,694	Strengthening collaborative relationship
Stocks other than unlisted stocks	—	—	—

c. Holding categories, number of shares for each stock, and amount recorded on the balance sheet

Specified equity investments

Name of stock	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023	Purpose of holding, overview of business and other alliances, quantitative effect, and reason for increase in shares held	Reciprocal shareholdings
	Number of shares (shares)	Number of shares (shares)		
	Amount on balance sheet (thousands of yen)	Amount on balance sheet (thousands of yen)		
TECNOS JAPAN INCORPORATED	308,700	308,700	We have a collaborative relationship with TECNOS JAPAN, mainly in the ERP field, and hold its shares to strengthen the business relationship. It is difficult to state the quantitative effect of this holding. The method of verifying the rationality of this holding during the fiscal year ended March 31, 2024, is as described above in (5), 2), a.	Yes
	190,467	178,119		
TerraSky Co., Ltd.	54,400	54,400	We have a collaborative relationship with TerraSky, mainly in cloud-related business, and hold its shares to strengthen the business relationship. It is difficult to state the quantitative effect of this holding. The method of verifying the rationality of this holding during the fiscal year ended March 31, 2024, is as described above in (5), 2), a.	Yes
	80,185	99,552		
TOKAI SOFT CO., LTD.	78,200	78,200	We have a trading relationship with TOKAI SOFT, mainly in building systems for the manufacturing industry, and hold its shares to strengthen the business relationship. It is difficult to state the quantitative effect of this holding. The method of verifying the rationality of this holding during the fiscal year ended March 31, 2024, is as described above in (5), 2), a.	Yes
	102,676	70,849		

## V. Financial Information

### 1. Basis of presentation for consolidated and non-consolidated financial statements

- (1) The Company's consolidated financial statements are prepared in conformity with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976; hereinafter referred to as the "Regulation on Consolidated Financial Statements").
- (2) The non-consolidated financial statements are prepared in conformity with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ordinance of the Ministry of Finance of Japan No. 59 of 1963; hereinafter referred to as the "Regulation on Financial Statements").

As a company designated for the submission of financial statements prepared in accordance with special provisions, the Company prepares our non-consolidated financial statements pursuant to the provisions of Article 127 of the Regulation on Financial Statements.

### 2. Independent auditing of financial statements

Pursuant to the provisions of Article 193-2, Paragraph 1, of the Financial Instruments and Exchange Act, the Company arranged for the auditing firm Ernst & Young ShinNihon LLC to conduct independent audits of the consolidated and non-consolidated financial statements of the Company for the fiscal year under review (April 1, 2023, to March 31, 2024).

### 3. Particular efforts to secure the appropriateness of consolidated financial statements and other financial reports

The Company makes special efforts to ensure the appropriateness of its consolidated financial statements and other financial reports.

To maintain a system allowing it to accurately ascertain the content of accounting standards and appropriately respond to revisions to those standards, the Company maintains membership in the Financial Accounting Standards Foundation (FASF) and participates in seminars provided by FASF, accounting firms, and others.

## 1. Consolidated financial statements

### (1) Consolidated financial statements

#### 1) Consolidated balance sheet

(Thousands of yen)

	Fiscal year ended March 31, 2023 (as of March 31, 2023)	Fiscal year ended March 31, 2024 (as of March 31, 2024)
<b>Assets</b>		
Current assets		
Cash and deposits	6,966,947	8,381,943
Notes and accounts receivable - trade, and contract assets	*2 3,261,012	*2 3,526,528
Work in process	2,487	9,228
Other	591,179	665,546
Total current assets	10,821,627	12,583,247
Non-current assets		
Property, plant and equipment		
Buildings	234,415	249,600
Accumulated depreciation	(182,226)	(183,148)
Buildings, net	52,188	66,451
Tools, furniture and fixtures	412,516	457,760
Accumulated depreciation	(333,819)	(354,291)
Tools, furniture and fixtures, net	78,696	103,468
Total property, plant and equipment	130,885	169,920
Intangible assets		
Software	1,341,840	1,622,421
Other	5,524	4,969
Total intangible assets	1,347,364	1,627,390
Investments and other assets		
Investment securities	371,714	538,888
Leasehold deposits	295,985	298,661
Deferred tax assets	316,819	375,263
Other	*1 129,768	*1 130,449
Allowance for doubtful accounts	(5,499)	(5,499)
Total investments and other assets	1,108,787	1,337,762
Total non-current assets	2,587,038	3,135,073
Total assets	13,408,665	15,718,321

(Thousands of yen)

	Fiscal year ended March 31, 2023 (as of March 31, 2023)	Fiscal year ended March 31, 2024 (as of March 31, 2024)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	498,809	422,634
Short-term borrowings	100,000	100,000
Accrued expenses	537,503	535,416
Income taxes payable	406,246	969,646
Advances received	1,128,019	1,312,757
Provision for bonuses	693,722	784,470
Provision for bonuses for directors (and other officers)	80,000	47,900
Reserve for guarantee for after-care of products	22,507	18,942
Provision for loss on orders received	23,334	—
Other	631,280	560,749
Total current liabilities	4,121,422	4,752,518
Non-current liabilities		
Provision for share awards for directors (and other officers)	—	15,387
Total non-current liabilities	—	15,387
Total liabilities	4,121,422	4,767,906
<b>Net assets</b>		
Shareholders' equity		
Share capital	697,600	697,600
Capital surplus	565,273	565,273
Retained earnings	8,033,699	9,759,510
Treasury shares	(304)	(81,175)
Total shareholders' equity	9,296,267	10,941,208
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,979	37,643
Foreign currency translation adjustment	(21,005)	(28,437)
Total accumulated other comprehensive income	(9,025)	9,206
Total net assets	9,287,242	10,950,415
Total liabilities and net assets	13,408,665	15,718,321

## 2) Consolidated statements of income and comprehensive income

## Consolidated statement of income

(Thousands of yen)

	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
Net sales	* <sup>1</sup> 18,506,410	* <sup>1</sup> 19,493,075
Cost of sales	** <sup>4</sup> 11,511,527	** <sup>4</sup> 11,640,305
Gross profit	6,994,883	7,852,770
Selling, general and administrative expenses	** <sup>2,3</sup> 3,748,481	** <sup>2,3</sup> 3,967,367
Operating profit	3,246,402	3,885,403
Non-operating income		
Interest income	14	1
Dividend income	9,964	14,588
Subsidy income	356	250
Other	1,479	1,304
Total non-operating income	11,815	16,144
Non-operating expenses		
Interest expenses	2,456	2,454
Foreign exchange losses	365	2,053
Commission expenses	3,999	19,042
Other	1,052	592
Total non-operating expenses	7,875	24,142
Ordinary profit	3,250,342	3,877,404
Profit before income taxes	3,250,342	3,877,404
Income taxes - current	851,883	1,313,867
Income taxes - deferred	70,214	(62,259)
Total income taxes	922,098	1,251,608
Profit	2,328,244	2,625,796
Profit attributable to owners of parent	2,328,244	2,625,796

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
Profit	2,328,244	2,625,796
Other comprehensive income		
Valuation difference on available-for-sale securities	41,570	25,664
Foreign currency translation adjustment	(11,855)	(7,432)
Total other comprehensive income	* 29,715	* 18,232
Comprehensive income	2,357,959	2,644,028
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,357,959	2,644,028
Comprehensive income attributable to non-controlling interests	—	—

## 3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income			Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	697,600	565,273	6,251,448	(156)	7,514,164	(29,590)	(9,149)	(38,740)	7,475,423
Changes during period									
Dividends of surplus			(545,993)		(545,993)				(545,993)
Profit attributable to owners of parent			2,328,244		2,328,244				2,328,244
Purchase of treasury shares				(147)	(147)				(147)
Net changes in items other than shareholders' equity						41,570	(11,855)	29,715	29,715
Total changes during period	—	—	1,782,250	(147)	1,782,103	41,570	(11,855)	29,715	1,811,818
Balance at end of period	697,600	565,273	8,033,699	(304)	9,296,267	11,979	(21,005)	(9,025)	9,287,242

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income			Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	697,600	565,273	8,033,699	(304)	9,296,267	11,979	(21,005)	(9,025)	9,287,242
Changes during period									
Dividends of surplus			(899,985)		(899,985)				(899,985)
Profit attributable to owners of parent			2,625,796		2,625,796				2,625,796
Purchase of treasury shares				(80,870)	(80,870)				(80,870)
Net changes in items other than shareholders' equity						25,664	(7,432)	18,232	18,232
Total changes during period	—	—	1,725,811	(80,870)	1,644,940	25,664	(7,432)	18,232	1,663,172
Balance at end of period	697,600	565,273	9,759,510	(81,175)	10,941,208	37,643	(28,437)	9,206	10,950,415



## 4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
<b>Cash flows from operating activities</b>		
Profit before income taxes	3,250,342	3,877,404
Depreciation	699,857	703,341
Increase (decrease) in provision for bonuses	(167,631)	90,748
Increase (decrease) in provision for bonuses for directors (and other officers)	30,000	(32,100)
Increase (decrease) in reserve for guarantee for after-care of products	(1,408)	(3,564)
Increase (decrease) in provision for loss on orders received	7,173	(23,334)
Increase (decrease) in provision for share awards for directors (and other officers)	—	15,387
Interest and dividend income	(9,979)	(14,590)
Interest expenses	2,456	2,454
Foreign exchange losses (gains)	365	2,053
Decrease (increase) in trade receivables	207,621	(265,516)
Decrease (increase) in inventories	4,966	(6,741)
Decrease (increase) in advance payments to suppliers	(131,005)	(37,852)
Increase (decrease) in trade payables	79,585	23,873
Increase (decrease) in accrued consumption taxes	163,469	(199,626)
Increase (decrease) in advances received	144,954	184,738
Other, net	17,562	(7,492)
Subtotal	4,298,330	4,309,185
Interest and dividends received	9,979	14,590
Interest paid	(2,456)	(2,449)
Income taxes paid	(1,027,250)	(767,776)
Net cash provided by (used in) operating activities	3,278,602	3,553,549
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(32,021)	(51,235)
Purchase of intangible assets	(679,411)	(935,439)
Purchase of investment securities	—	(137,694)
Other, net	14,806	(3,409)
Net cash provided by (used in) investing activities	(696,626)	(1,127,778)
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(147)	(80,870)
Dividends paid	(544,813)	(898,977)
Other, net	(4,099)	(23,495)
Net cash provided by (used in) financing activities	(549,061)	(1,003,343)
Effect of exchange rate change on cash and cash equivalents	(11,855)	(7,432)
Net increase (decrease) in cash and cash equivalents	2,021,059	1,414,996
Cash and cash equivalents at beginning of period	4,945,888	6,966,947
Cash and cash equivalents at end of period	* 6,966,947	* 8,381,943

## Notes to consolidated financial statements

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

### 1. Scope of consolidation

#### (1) Number and names of consolidated subsidiaries

Number of consolidated subsidiaries: 2

Names of consolidated subsidiaries:

Business System Services Corporation

Business Engineering America, Inc.

#### (2) Names of non-consolidated subsidiaries

Names of non-consolidated subsidiaries

Toyo Business Engineering (Thailand) Co., Ltd.

Toyo Business Engineering Holding (Thailand) Co., Ltd.

Toyo Business Engineering Singapore Pte. Ltd.

Toyo Business Engineering (Shanghai) Co., Ltd.

PT. Toyo Business Engineering Indonesia

Reason for exclusion from the scope of consolidation

The five non-consolidated subsidiaries are excluded from the scope of consolidation because they are small, and their combined total assets, net sales, profit or loss (amount corresponding to equity interests), and retained earnings (amount corresponding to equity interests) have no significant impact on consolidated financial statements.

### 2. Application of equity method

#### (1) Names of non-consolidated subsidiaries and affiliates not accounted for by the equity method

Names of non-consolidated subsidiaries and affiliates

Non-consolidated subsidiaries

Toyo Business Engineering (Thailand) Co., Ltd.

Toyo Business Engineering Holding (Thailand) Co., Ltd.

Toyo Business Engineering Singapore Pte. Ltd.

Toyo Business Engineering (Shanghai) Co., Ltd.

PT. Toyo Business Engineering Indonesia

Reason for not applying the equity method

The five non-consolidated subsidiaries not accounted for by the equity method are excluded from the scope of application because they have only a slight impact on consolidated financial statements in terms of profit or loss (amount corresponding to equity interests) and retained earnings (amount corresponding to equity interests) and have little materiality to the Group as a whole.

### 3. Accounting period of consolidated subsidiaries

Of the consolidated subsidiaries, Business Engineering America, Inc., has a fiscal year ending December 31.

In preparing consolidated financial statements, financial statements as of that date are used, and adjustments are made as necessary for any significant transactions that occurred between that date and the ending date of the fiscal year.

### 4. Accounting policies

#### (1) Valuation standard and method for significant assets

##### 1) Valuation standard and method for securities

Available-for-sale securities

Securities other than shares without a determinable market value

Stated at fair market value (with any unrealized gains or losses reported directly as a component of net assets and the cost of securities sold calculated by the moving average method).

Shares without a determinable market value

Stated at cost using the moving average method.

2) Valuation standard and method for inventories

Work in process is stated at cost, determined by the specific identification method. The book value on the balance sheet is written down when profitability declines.

(2) Depreciation method for significant assets

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

The declining balance is mainly applied. However, for facilities attached to buildings acquired on or after April 1, 2016, the straight-line method is applied.

The ranges of useful life for property, plant and equipment are mainly as follows.

Buildings and structures	8–18 years
--------------------------	------------

Tools, furniture, and fixtures	2–20 years
--------------------------------	------------

2) Intangible assets (excluding leased assets)

The straight-line method is applied.

For software for internal use, depreciation is calculated using the straight-line method based on the expected usable period (typically five years).

For software for sales, the depreciation amount is calculated by comparing the expected sales volume and expected sales revenue over the expected useful period (three years) with an equal allocation amount based on the remaining period during which sales are possible, and the greater of these is recorded.

(3) Accounting standards for significant provisions

1) Allowance for doubtful accounts

To prepare for losses from uncollectable receivables, estimates of irrecoverable amounts are recorded based on historical loan-loss ratios for general receivables, and on consideration of feasibly recoverable amounts in individual cases of suspected bad debt or other specific receivables.

2) Provision for bonuses for employees

To provide for the payment of bonuses to employees, the Company records the estimated amount to be paid.

3) Provision for bonuses for directors

To provide for the payment of bonuses to directors, the Company records the estimated amount to be paid.

4) Allowance for quality assurance

To prepare for expenditures related to quality assurance and other services after delivery to customers, the Company records the estimated amount to be incurred based on historical ratios. The estimated amount to be incurred for individually estimable costs in ensuring quality is also recorded.

5) Provision for loss on orders received

To prepare for future losses related to orders, the Company records the estimated loss amount for the following fiscal year onward for ongoing projects that are expected to incur losses in the current fiscal year and whose amount can be reasonably estimated.

6) Allowance for stock grants to directors

To prepare for granting of the Company's shares to directors (excluding directors who are outside directors or Audit & Supervisory Committee members) in accordance with the Stock Grant Regulations, the Company records an amount based on the expected amount of stock grant obligations at the end of the fiscal year.

(4) Recognition standards for significant revenues and expenses

Recognition standards for revenues and expenses

Significant performance obligations in the Group's main businesses related to revenue arising from contracts with customers and the time when such performance obligations are satisfied (when revenue is recognized) are as follows.

1) Orders

Regarding orders, based on contracts and quasi-mandate agreements with customers, the Company has a performance obligation to support the design, development, and implementation of customers' information systems using ERP package products developed in-house or by other companies.

In cases where control of the goods or services is transferred to the customer over a certain period, revenue is recognized over that period as the performance obligation to transfer the goods or services to the customer is satisfied. Progress in satisfying the performance obligation is measured based on the proportion of the costs incurred by the end of each reporting period to the estimated total costs. In addition, in cases where progress in satisfying the performance obligation cannot be reasonably estimated, but it is expected that costs incurred will be recovered, revenue is recognized on a cost recovery basis.

## 2) License sales

For the sale of licenses for our ERP packages developed in-house, the Company has a performance obligation to provide licenses based on a license sales agreement.

In the case of usage rights, revenue related to the provision of licenses is recognized at the time of delivery to the customer. In the case of access rights, revenue is recognized over a certain period based on the term of the agreement with the customer.

## 3) Maintenance services

The Company has a performance obligation to provide maintenance services based on a maintenance service agreement with the customer.

Revenue related to such services is recognized over a certain period as that performance obligation is met, based on the term of the agreement with the customer.

## 4) Product sales

For the sale of products, the Company has a performance obligation to deliver hardware and software based on sales agreements with customers.

Related revenue is recognized at the time of delivery of the products to the customer.

## (5) Scope of funds in the consolidated statement of cash flows

Funds (cash and cash equivalents) in the consolidated statement of cash flows comprise cash in hand, deposits drawable at any time, and any short-term investments that are readily convertible, are only exposed to negligible risk of change in value, and are redeemable in three months or less from their acquisition date.

### (Significant accounting estimates)

#### 1. Revenue recognition based on degree of progress

##### (1) Amount recorded in consolidated financial statements for the respective fiscal year

(Thousands of yen)

Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
87,404	—

(Note) This is the amount recorded for projects that were in process at the end of the relevant fiscal year.

##### (2) Information regarding the content of significant accounting estimates for identified items

For orders, revenue is recognized over a certain period as the performance obligation to transfer goods or services to the customer is fulfilled. If progress in fulfilling the obligation can be reasonably estimated, revenue is recognized based on the progress.

Progress is measured by the proportion of costs incurred by the end of each reporting period to the estimated total cost.

The estimated total cost, which forms the basis for revenue recognition based on progress, is calculated for each project. These projects typically involve building critical core systems for customers. In particular, to accommodate increasingly diverse customer needs, there is inherent uncertainty in estimating the scope of work and labor hours, which underpin the total cost estimate.

The estimated total cost is reviewed as appropriate as the project progresses, and changes in the total may occur due to changes in specifications or delivery dates that were not foreseeable at the time of the initial total cost estimate. This may result in changes in the evaluation of progress, which may significantly affect the amount recognized in consolidated financial statements for the next fiscal year.

## 2. Provision for loss on orders received

### (1) Amount recorded in consolidated financial statements for the respective fiscal year

(Thousands of yen)

Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
23,334	—

### (2) Information regarding significant accounting estimates for identified items

To prepare for future losses related to orders, for ongoing projects where losses are anticipated in the next fiscal year or later and the amount can be reasonably estimated, the estimated loss amount for the next fiscal year or later is recorded as a provision for loss on orders received.

A provision for loss on orders received is recorded if the total cost is expected to exceed the order amount.

However, the total cost may vary due to changes in specifications, delivery dates, and so on, so additional provisions may become necessary, which may have a significant impact on the amount recognized in consolidated financial statements for the next fiscal year.

(Additional information)

#### (Officer Stock Grant Trust)

From the fiscal year ended March 31, 2024, the Company has introduced a stock compensation plan using a trust for the benefit of directors (excluding directors who are outside directors or Audit & Supervisory Committee members).

The purpose of the plan is to clarify the link between the compensation of directors (excluding directors who are outside directors or Audit & Supervisory Committee members) and the value of the Company's stock and to raise the directors' awareness of the importance of contributing to improvement in medium- to long-term performance and corporate value by having them share in the profits and risks of stock price fluctuations with shareholders.

### 1. Overview of transaction

The stock compensation plan uses a trust established by the Company through monetary contributions. The trust acquires the Company's common stock and issues to directors a share count equivalent to the number of points the Company has granted to each director.

In principle, directors receive the Company shares when they leave their positions.

The initial trust period is scheduled to run for about three years, from August 2023 to August 2026, but this trust period may be extended.

### 2. Company shares remaining in the trust

The Company's shares remaining in the trust are recorded as treasury stock in the net assets section based on the book value in the trust (excluding the amount of incidental expenses). The book value and number of shares in the fiscal year ended March 31, 2024, were ¥80,682,000 and 25,400, respectively.

(Consolidated balance sheet)

\*1 Items related to non-consolidated subsidiaries and affiliates are as follows.

	Fiscal year ended March 31, 2023 (as of March 31, 2023)	Fiscal year ended March 31, 2024 (as of March 31, 2024)
Investments and other assets: Other (Shares in affiliates)	¥76,538 thousand	¥76,538 thousand
Investments and other assets: Other (Investment in affiliates)	¥30,000 thousand	¥30,000 thousand

- \*2 Of notes receivable, accounts receivable, and contract assets, the amounts of accounts receivable and contract assets arising from contracts with customers are as follows.

	Fiscal year ended March 31, 2023 (as of March 31, 2023)	Fiscal year ended March 31, 2024 (as of March 31, 2024)
Accounts receivable - trade	¥2,958,485 thousand	¥3,324,411 thousand
Contract assets	¥302,526 thousand	¥202,116 thousand

(Consolidated statement of income)

- \*1 Revenue from contracts with customers

The Group does not disaggregate revenue from contracts with customers and other revenue. Revenue amounts from contracts with customers are provided in “Notes to consolidated financial statements (Revenue recognition) 1. Breakdown of revenue from contracts with customers.”

- \*2 Major expense items and amounts included under selling, general and administrative expenses are as follows.

	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
Employees’ salaries and allowances	¥1,662,115 thousand	¥1,772,686 thousand
Provision for bonuses	¥198,230 thousand	¥246,660 thousand
Research and development expenses	¥116,255 thousand	¥135,516 thousand
Outsourcing expenses	¥224,375 thousand	¥202,439 thousand

- \*3 Total research and development expenses included under general and administrative expenses are as follows.

	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
	¥116,255 thousand	¥135,516 thousand

- \*4 Provision for loss on orders received included in the cost of sales is as follows.

	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
	¥7,173 thousand	¥— thousand

(Consolidated statement of comprehensive income)

- \* Reclassification adjustments and tax effects relating to other comprehensive income

	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
Valuation difference on available-for-sale securities		
Amount arising during the period	¥43,971 thousand	¥29,479 thousand
Reclassification adjustments	¥— thousand	¥— thousand
Before tax effect adjustment	¥43,971 thousand	¥29,479 thousand
Tax effect amount	¥(2,400) thousand	¥(3,815) thousand
Valuation difference on available-for-sale securities	¥41,570 thousand	¥25,664 thousand
Foreign currency translation adjustment		
Amount arising during period	¥(11,855) thousand	¥(7,432) thousand
Total other comprehensive income	¥29,715 thousand	¥18,232 thousand

(Consolidated statement of changes in equity)

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

1. Type and number of shares issued

Type	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Common stock (shares)	6,000,000	6,000,000	—	12,000,000

(Note) Overview of reason for change

A breakdown of the increase is as follows.

Increase due to stock split 6,000,000 shares

2. Treasury stock

Type	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Common stock (shares)	67	131	—	198

(Note) Overview of reasons for change

A breakdown of the increase is as follows.

Increase due to stock split 67 shares

Increase due to purchase of less than one unit of stock 64 shares

3. Share acquisition rights

There are no applicable matters to report.

4. Dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (thousands of yen)	Dividend per share (yen)	Record date	Effective date
June 24, 2022 General Meeting of Shareholders	Common stock	293,996	49	March 31, 2022	June 27, 2022
November 11, 2022 Board of Directors	Common stock	251,996	21	September 30, 2022	December 2, 2022

(Note) The Company conducted a two-for-one stock split of our common stock with an effective date of June 1, 2022

The dividend per share resolved at the General Meeting of Shareholders on June 24, 2022, is the actual amount preceding the stock split.

(2) Dividends whose record date falls in the fiscal year ended March 31, 2023, but whose effective date falls in the next fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (thousands of yen)	Dividend per share (yen)	Record date	Effective date
June 23, 2023 General Meeting of Shareholders	Common stock	Retained earnings	515,991	43	March 31, 2023	June 26, 2023

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

1. Type and number of shares issued

Type	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Common stock (shares)	12,000,000	—	—	12,000,000

## 2. Treasury stock

Type	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Common stock (shares)	198	25,446	—	25,644

(Notes) 1. The number of common stock treasury shares includes the Company's shares held by the Officer Stock Grant Trust (25,400 shares as of the end of the fiscal year under review).

## 2. Overview of reasons for change

A breakdown of the increase is as follows.

Acquisition of treasury stock via Officer Stock Grant Trust	25,400 shares
Increase due to purchase of less than one unit of stock	46 shares

## 3. Share acquisition rights

There are no applicable matters to report.

## 4. Dividends

### (1) Dividends paid

Resolution	Type of shares	Total amount of dividends (thousands of yen)	Dividend per share (yen)	Record date	Effective date
June 23, 2023 General Meeting of Shareholders	Common stock	515,991	43	March 31, 2023	June 26, 2023
November 10, 2023 Board of Directors	Common stock	383,993	32	September 30, 2023	December 4, 2023

(Note) The total amount of dividends resolved at the Board of Directors meeting on November 10, 2023, includes ¥812,000 in dividends on the Company's shares held by the Officer Stock Grant Trust.

### (2) Dividends whose record date falls in the fiscal year ended March 31, 2024, but whose effective date falls in the next fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (thousands of yen)	Dividend per share (yen)	Record date	Effective date
June 21, 2024 General Meeting of Shareholders	Common stock	Retained earnings	551,988	46	March 31, 2024	June 24, 2024

(Note) The total amount of dividends includes ¥1,168,000 in dividends on the Company's shares held by the Officer Stock Grant Trust.

## (Consolidated statement of cash flows)

\* Reconciliation of the year-end balance of cash and cash equivalents and items in the consolidated balance sheets is as follows.

	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
Cash and deposits	¥6,966,947 thousand	¥8,381,943 thousand
Cash and cash equivalents	¥6,966,947 thousand	¥8,381,943 thousand



(Financial instruments)

1. Condition of financial instruments

(1) Policy for handling financial instruments

The Group's policy is to limit fund management to short-term deposits, etc., and to raise funds through bank borrowings. The Group does not engage in derivative transactions.

(2) Type and risk of financial instruments

Notes and accounts receivable - trade, which are operating receivables, are exposed to credit risk from customers. In addition, leasehold deposits are exposed to the credit risk of the other party. Few of these transactions are denominated in foreign currency, so exchange rate risk is minimal.

Investment securities are mainly shares in business partners with which the Company has business relationships, and are exposed to the risk of market price fluctuations.

Notes and accounts payable - trade, which are operating payables, all have short-term payment dates. Few of these transactions are denominated in foreign currency, so exchange rate risk is minimal.

Short-term borrowings are mainly used to raise funds related to operating transactions and are exposed to the risk of fluctuations in short-term interest rates.

(3) Risk management system for financial instruments

1) Management of credit risk (risk related to a counterparty's non-performance of contracts, etc.)

In accordance with credit management regulations, the Group manages due dates and balances of trade receivables and leasehold deposits for each counterparty, striving to rapidly identify and reduce concerns about collection due to deterioration in financial conditions or other reasons.

2) Management of market risk

Regarding investment securities, the Group regularly tracks the market value and financial conditions of issuers (companies) and continuously reviews holdings, considering relationships with the other parties.

3) Management of liquidity risk related to fund procurement (risk of being unable to make payments by the due date)

In the Group, each company manages risk by creating a monthly cash flow plan, etc.

2. Fair value of financial instruments

Amounts recorded on the consolidated balance sheet, fair values, and the differences between them are as follows.

Fiscal year ended March 31, 2023 (as of March 31, 2023)

(Thousands of yen)

	Amount recorded on consolidated balance sheet	Fair value	Difference
(1) Investment securities	348,521	348,521	—
(2) Leasehold deposits	295,985	240,400	(55,584)

- (Notes) 1. Notes for cash, deposits, notes and accounts receivable, contract assets, notes and accounts payable, and short-term borrowings are omitted as they are settled in the short term and their fair value therefore approximates book value.  
2. Shares without a determinable market value are not included in (1) Investment securities. The amount recorded on the consolidated balance sheet for these financial instruments is as follows.

Classification	Fiscal year ended March 31, 2023 (thousands of yen)
Unlisted stocks	23,193

Fiscal year ended March 31, 2024 (as of March 31, 2024)

(Thousands of yen)

	Amount recorded on consolidated balance sheet	Fair value	Difference
(1) Investment securities	373,330	373,330	—
(2) Leasehold deposits	298,661	221,359	(77,301)

- (Notes) 1. Notes for cash, deposits, notes and accounts receivable, contract assets, notes and accounts payable, and short-term borrowings are omitted as they are settled in the short term and their fair value therefore approximates book value.
2. Shares without a determinable market value are not included in (1) Investment securities. The amount recorded on the consolidated balance sheet for these financial instruments is as follows.

Classification	Fiscal year ended March 31, 2024 (thousands of yen)
Unlisted stocks	165,558

- (Note) 3. Redemption schedule for monetary receivables and securities with maturity dates after the consolidated closing date

Fiscal year ended March 31, 2023 (as of March 31, 2023)

(Thousands of yen)

Classification	One year or less	More than one year and up to five years	More than five years and up to 10 years	More than 10 years
Cash and deposits	6,966,947	—	—	—
Notes and accounts receivable - trade, and contract assets	3,261,012	—	—	—
Leasehold deposits	2,226	6,013	—	287,744
Total	10,230,186	6,013	—	287,744

Fiscal year ended March 31, 2024 (as of March 31, 2024)

(Thousands of yen)

Classification	One year or less	More than one year and up to five years	More than five years and up to 10 years	More than 10 years
Cash and deposits	8,381,943	—	—	—
Notes and accounts receivable - trade, and contract assets	3,526,528	—	—	—
Leasehold deposits	—	8,172	—	290,489
Total	11,908,472	8,172	—	290,489

- (Note) 4. Redemption schedule for bonds, long-term borrowings, lease obligations, and other interest-bearing debt after the consolidated closing date

Fiscal year ended March 31, 2023 (as of March 31, 2023)

(Thousands of yen)

Classification	One year or less	More than one year and up to two years	More than two years and up to three years	More than three years and up to four years	More than four years and up to five years	More than five years
Short-term borrowings	100,000	—	—	—	—	—
Total	100,000	—	—	—	—	—

Fiscal year ended March 31, 2024 (as of March 31, 2024)

(Thousands of yen)

Classification	One year or less	More than one year and up to two years	More than two years and up to three years	More than three years and up to four years	More than four years and up to five years	More than five years
Short-term borrowings	100,000	—	—	—	—	—
Total	100,000	—	—	—	—	—

### 3. Matters related to the breakdown of fair value of financial instruments by level

The fair value of financial instruments is categorized into the following three levels based on the observability and significance of the inputs used for the fair value calculation.

Level 1: Fair values calculated using, among the observable inputs for the calculation of fair value, the quoted prices in active markets for the assets or liabilities subject to fair value calculation.

Level 2: Fair values calculated using, among the observable inputs for the calculation of fair value, the inputs for fair value calculation other than Level 1 inputs

Level 3: Fair values calculated using the unobservable inputs for the calculation of fair values

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

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

Fiscal year ended March 31, 2023 (as of March 31, 2023)

(Thousands of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities				
Stocks	348,521	—	—	348,521
Assets total	348,521	—	—	348,521

Fiscal year ended March 31, 2024 (as of March 31, 2024)

(Thousands of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities				
Stocks	373,330	—	—	373,330
Assets total	373,330	—	—	373,330

(Note) Valuation method used for the fair value calculation and information on inputs used to measure fair value

#### Investment securities

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

(2) Financial instruments other than those recorded at fair value on the consolidated balance sheet

Fiscal year ended March 31, 2023 (as of March 31, 2023)

(Thousands of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Leasehold deposits	—	240,400	—	240,400
Assets total	—	240,400	—	240,400

Fiscal year ended March 31, 2024 (as of March 31, 2024)

(Thousands of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Leasehold deposits	—	221,359	—	221,359
Assets total	—	221,359	—	221,359

(Note) Valuation method used for the fair value calculation and information on inputs used to measure fair value

Leasehold deposits

Leasehold deposits are valued based on reasonably estimated repayment dates and their future cash flows using the discounted present value method at appropriate interest rates, such as government bond yields. Their fair value is classified as Level 2.

(Marketable securities)

1. Available-for-sale securities

Fiscal year ended March 31, 2023 (as of March 31, 2023)

Classification	Amount recorded on consolidated balance sheet (thousands of yen)	Acquisition cost (thousands of yen)	Difference (thousands of yen)
Items for which the amount recorded on consolidated balance sheet exceeds the acquisition cost			
Stocks	277,671	247,883	29,788
Subtotal	277,671	247,883	29,788
Items for which the amount recorded on consolidated balance sheet does not exceed the acquisition cost			
Stocks	70,849	95,206	(24,357)
Subtotal	70,849	95,206	(24,357)
Total	348,521	343,090	5,431

(Note) Unlisted stocked (¥23,193 thousand on consolidated balance sheet) are not included in this available-for-sale securities table as they have no market price.

Fiscal year ended March 31, 2024 (as of March 31, 2024)

Classification	Amount recorded on consolidated balance sheet (thousands of yen)	Acquisition cost (thousands of yen)	Difference (thousands of yen)
Items for which the amount recorded on consolidated balance sheet exceeds the acquisition cost			
Stocks	293,144	252,334	40,809
Subtotal	293,144	252,334	40,809
Items for which the amount recorded on consolidated balance sheet does not exceed the acquisition cost			
Stocks	80,185	90,755	(10,569)
Subtotal	80,185	90,755	(10,569)
Total	373,330	343,090	30,240

(Note) Unlisted stocked (¥165,558 thousand on consolidated balance sheet) are not included in this available-for-sale securities table as they have no market price.

2. Available-for-sale securities sold during the fiscal year

There are no applicable matters to report.

3. Securities for which impairment losses were recognized

There are no applicable matters to report.

(Tax-effect accounting)

1. Principal components of deferred tax assets and deferred tax liabilities

	Fiscal year ended March 31, 2023 (as of March 31, 2023)	Fiscal year ended March 31, 2024 (as of March 31, 2024)
Deferred tax assets		
Provision for bonuses	¥212,417 thousand	¥240,205 thousand
Tax loss carryforwards (Note 2)	¥57,187 thousand	¥64,774 thousand
Fixed asset depreciation limit excess amount	¥43,389 thousand	¥65,911 thousand
Loss on valuation of investment securities	¥41,721 thousand	¥37,940 thousand
Enterprise taxes payable	¥36,080 thousand	¥53,475 thousand
Loss on valuation of shares of subsidiaries and associates	¥10,754 thousand	¥10,754 thousand
Provision for loss on orders received	¥7,145 thousand	¥— thousand
Reserve for guarantee for after-care of products	¥6,891 thousand	¥5,800 thousand
Provision for share awards for directors (and other officers)	¥— thousand	¥4,711 thousand
Valuation difference on available-for-sale securities	¥4,764 thousand	¥949 thousand
Other	¥33,540 thousand	¥21,122 thousand
Deferred tax assets subtotal	¥453,893 thousand	¥505,645 thousand
Valuation allowance for tax loss carryforwards (Note 2)	¥(57,187) thousand	¥(64,774) thousand
Valuation allowance for total future deductible temporary differences, etc.	¥(75,476) thousand	¥(63,579) thousand
Valuation allowance subtotal (Note 1)	¥(132,663) thousand	¥(128,354) thousand
Deferred tax assets total	¥321,229 thousand	¥377,290 thousand
Deferred tax liabilities		
Other	¥4,409 thousand	¥2,026 thousand
Deferred tax liabilities total	¥4,409 thousand	¥2,026 thousand
Net deferred tax assets	¥316,819 thousand	¥375,263 thousand

(Notes) 1. The valuation allowance decreased by ¥4,309 thousand. This was due to an additional ¥4,711 thousand recorded for valuation allowances related to stock-based compensation reserves for officers, decreases of ¥3,780 thousand and ¥12,827 thousand recorded for valuation allowances related to the loss on valuation of investment securities and excess depreciation of fixed assets, respectively, as these amounts became recoverable during the fiscal year ended March 31, 2024, and an additional ¥7,587 thousand recognized for valuation allowances related to future deductible temporary differences at the consolidated subsidiary Business Engineering America, Inc.

2. Tax loss carryforwards and related deferred tax assets by carryforward period

Fiscal year ended March 31, 2023 (as of March 31, 2023)

	One year or less	More than one year and up to two years	More than two years and up to three years	More than three years and up to four years	More than four years and up to five years	More than five years	Total
Tax loss carryforwards (a)	—	—	—	—	—	57,187	¥57,187 thousand
Valuation allowance	—	—	—	—	—	(57,187)	¥(57,187) thousand
Deferred tax assets	—	—	—	—	—	—	—

(a) Tax loss carryforward figures are the amounts multiplied by the effective statutory tax rate.

Fiscal year ended March 31, 2024 (as of March 31, 2024)

	One year or less	More than one year and up to two years	More than two years and up to three years	More than three years and up to four years	More than four years and up to five years	More than five years	Total
Tax loss carryforwards (a)	—	—	—	—	—	64,774	¥64,774 thousand
Valuation allowance	—	—	—	—	—	(64,774)	¥(64,774) thousand
Deferred tax assets	—	—	—	—	—	—	—

(a) Tax loss carryforward figures are the amounts multiplied by the effective statutory tax rate.

2. Breakdown of major items that caused a significant difference between the statutory tax rate and the tax rate after application of tax-effect accounting, where such a difference exists

	Fiscal year ended March 31, 2023 (as of March 31, 2023)	Fiscal year ended March 31, 2024 (as of March 31, 2024)
Effective statutory tax rate	30.6%	30.6%
(Adjustments)		
Entertainment expenses and other items permanently non-deductible	1.4%	1.0%
Per capita resident tax	0.2%	0.1%
Change in valuation allowance	—%	(0.3)%
Loss carryforwards	0.2%	0.2%
Special tax credit	(4.6)%	—%
Other	0.7%	0.7%
Effective income tax rate after application of tax-effect accounting	28.4%	32.3%

(Asset retirement obligations)

As the total amount of asset retirement obligations is immaterial, notes are omitted.

(Revenue recognition)

1. Breakdown of revenue from contracts with customers

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Reportable segments			
	Solutions Business	Products Business	System Support Business	Total
<i>mcframe</i> licenses	87,661	3,710,949	—	3,798,610
System integration and other services	12,385,594	1,898,702	423,503	14,707,799
Revenue from contracts with customers	12,473,256	5,609,651	423,503	18,506,410
Other revenue	—	—	—	—
Sales to external customers	12,473,256	5,609,651	423,503	18,506,410

(Note) As stated in the “Segment information” section, some projects have been transferred from the Products Business to the Solutions Business as part of organizational changes. The figures for revenue from contracts with customers are after retrospective application of the organizational changes.

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Reportable segments			
	Solutions Business	Products Business	System Support Business	Total
<i>mcframe</i> licenses	75,422	4,289,368	—	4,364,790
System integration and other services	12,692,509	2,037,356	398,419	15,128,285
Revenue from contracts with customers	12,767,931	6,326,724	398,419	19,493,075
Other revenue	—	—	—	—
Sales to external customers	12,767,931	6,326,724	398,419	19,493,075

2. Basic information to understand revenue from contracts with customers

Please refer to “4. Accounting policies, (4) Recognition standards for significant revenues and expenses, Recognition standards for revenues and expenses” for this information.

3. Information on the satisfaction of performance obligations based on contracts with customers, the relationship between those obligations and the resulting cash flows, the amount of revenue expected to be recognized in future fiscal years from customer contracts outstanding at the end of the fiscal year, and the expected timing of such revenue recognition

(from April 1, 2022 to March 31, 2023)

(1) Balances of contract assets and contract liabilities

(Thousands of yen)

	Fiscal year ended March 31, 2023
Receivables from contracts with customers (balance at beginning of period)	2,948,918
Receivables from contracts with customers (balance at end of period)	2,958,485
Contract assets (balance at beginning of period)	519,715
Contract assets (balance at end of period)	302,526
Contract liabilities (balance at beginning of period)	983,064
Contract liabilities (balance at end of period)	1,128,019

Contract assets comprise mainly revenue recognized based on progress on design, development, and implementation projects and unbilled accounts receivable related to revenue recognized on a cost recovery basis. They are transferred to accounts receivable upon completion of customer inspection.

Contract liabilities comprise mainly advances received from customers for design, development, and implementation projects and for system operation and maintenance. They are reversed as revenue is recognized.

Of the revenue recognized in the fiscal year ended March 31, 2024, ¥892,843 thousand was included in the contract liability balance at the beginning of the period.

(2) Transaction prices allocated to remaining performance obligations

The total transaction prices allocated to remaining performance obligations and the period over which revenue is expected to be recognized are as follows.

(Thousands of yen)

	Fiscal year ended March 31, 2023
Up to one year	5,568,831
More than one year	436,402
Total	6,005,234



Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Balances of contract assets and contract liabilities

(Thousands of yen)

	Fiscal year ended March 31, 2024
Receivables from contracts with customers (balance at beginning of period)	2,958,485
Receivables from contracts with customers (balance at end of period)	3,324,411
Contract assets (balance at beginning of period)	302,526
Contract assets (balance at end of period)	202,116
Contract liabilities (balance at beginning of period)	1,128,019
Contract liabilities (balance at end of period)	1,312,757

Contract assets comprise mainly revenue recognized based on progress on design, development, and implementation projects and unbilled accounts receivable related to revenue recognized on a cost recovery basis. They are transferred to accounts receivable upon completion of customer inspection.

Contract liabilities comprise mainly advances received from customers for design, development, and implementation projects and for system operation and maintenance. They are reversed as revenue is recognized.

Of the revenue recognized in the fiscal year ended March 31, 2024, ¥1,024,088 thousand was included in the contract liability balance at the beginning of the period.

(2) Transaction prices allocated to remaining performance obligations

The total transaction prices allocated to remaining performance obligations and the period over which revenue is expected to be recognized are as follows.

(Thousands of yen)

	Fiscal year ended March 31, 2024
Up to one year	6,109,747
More than one year	357,997
Total	6,467,744

(Segment information)

## Segment information

### 1. Overview of reportable segments

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

The Company has business divisions by product and service at its head office. Each business division formulates comprehensive strategies for its respective products or services, both in Japan and overseas, and conducts its business activities accordingly.

Based on these divisions, the Company has three reportable segments: the Solutions Business, the Products Business, and the System Support Business.

The Solutions Business provides services for the design, development, and implementation of corporate information systems, primarily using ERP packages developed by other companies.

The Products Business sells ERP package products developed in-house through partner companies and also provides services for the design, development, and implementation of corporate information systems using these products.

The System Support Business provides support services—primarily for system operation and maintenance—to companies that have implemented core business systems.

### 2. Calculation methods for net sales, profit (loss), assets, and other items for each reportable segment

The accounting methods used for reportable segments are essentially the same as those described in "Significant matters that serve as the basis for preparation of the consolidated financial statements."

Segment profit figures are based on operating profit. Intersegment income and transfers are based on prevailing market prices.

### 3. Changes in reportable segments

The Group implemented organizational changes effective April 1, 2023, resulting in the transfer of certain projects from the Products Business to the Solutions Business.

As a result, compared to the fiscal year ended March 31, 2023, before retrospective application of the changes, net sales in the Solutions Business increased by ¥783,980 thousand, and segment profit rose by ¥220,460 thousand. In contrast, net sales in the Products Business decreased by ¥783,980 thousand, and segment profit fell by ¥265,668 thousand.

4. Information about net sales, profit (loss), assets, and other items for each reportable segment

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Reportable segments				Adjustments (Note) 1	Amounts recorded on consolidated financial statements (Note) 2
	Solutions Business	Products Business	System Support Business	Total		
Sales						
Sales to external customers	12,473,256	5,609,651	423,503	18,506,410	—	18,506,410
Intersegment sales and transfers	12,573	13,183	1,946,452	1,972,209	(1,972,209)	—
Total	12,485,829	5,622,835	2,369,955	20,478,620	(1,972,209)	18,506,410
Segment profit (loss)	2,862,875	1,656,087	450,162	4,969,125	(1,722,723)	3,246,402
Segment assets	2,793,457	2,008,816	1,604,689	6,406,963	7,001,701	13,408,665
Other items						
Depreciation	111,253	544,612	6,984	662,850	37,006	699,857

(Notes) 1. Adjustments are as follows.

- (1) The adjustment in segment profit of -¥1,722,723 thousand represents corporate expenses not allocated to individual reportable segments.
  - (2) The adjustment in segment assets of ¥7,001,701 thousand represents corporate assets not allocated to individual reportable segments.
  - (3) The adjustment in depreciation of ¥37,006 thousand represents depreciation related to corporate assets, etc.
2. Segment profit has been adjusted with operating profit on the consolidated statement of income.

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Reportable segments				Adjustments (Note) 1	Amounts recorded on consolidated financial statements (Note) 2
	Solutions Business	Products Business	System Support Business	Total		
Sales						
Sales to external customers	12,767,931	6,326,724	398,419	19,493,075	—	19,493,075
Intersegment sales and transfers	13,998	10,333	1,958,005	1,982,338	(1,982,338)	—
Total	12,781,929	6,337,058	2,356,424	21,475,413	(1,982,338)	19,493,075
Segment profit (loss)	3,244,952	2,024,947	498,294	5,768,195	(1,882,791)	3,885,403
Segment assets	2,973,612	2,323,107	1,962,423	7,259,143	8,459,178	15,718,321
Other items						
Depreciation	103,855	550,619	4,023	658,497	44,844	703,341

(Notes) 1. Adjustments are as follows.

- (1) The adjustment in segment profit of -¥1,882,791 thousand represents corporate expenses not allocated to individual reportable segments.
  - (2) The adjustment in segment assets of ¥8,459,178 thousand represents corporate assets not allocated to individual reportable segments.
  - (3) The adjustment in depreciation of ¥44,844 thousand represents depreciation related to corporate assets, etc.
2. Segment profit has been adjusted with operating profit on the consolidated statement of income.

## Related information

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

### 1. Information by product and service

Disclosure is omitted here, as similar information is provided in the “Segment information” section.

### 2. Information by region

#### (1) Net sales

Disclosure is omitted since net sales to external customers in Japan exceeded 90% of net sales on the consolidated statement of income.

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

Disclosure is omitted since the amount of property, plant and equipment located in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

### 3. Information by major customer

(Thousands of yen)

Customer name	Net sales	Name of associated segments
TO SOLUTIONS CO., LTD	2,070,514	Solutions Business Products Business

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

### 1. Information by product and service

Disclosure is omitted here, as similar information is provided in the “Segment information” section.

### 2. Information by region

#### (1) Net sales

Disclosure is omitted since net sales to external customers in Japan exceeded 90% of net sales on the consolidated statement of income.

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

Disclosure is omitted since the amount of property, plant and equipment located in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

### 3. Information by major customer

Disclosure is omitted as no single external customer accounted for 10% or more of total net sales reported on the consolidated statement of income.

## Impairment losses on non-current assets by reportable segment

There are no applicable matters to report.

## Amortization of goodwill and unamortized balance by reportable segment

There are no applicable matters to report.

## Gains on negative goodwill by reportable segment

There are no applicable matters to report.

## Related parties

There are no applicable matters to report.

(Per-share information)

Item	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
Net assets per share	¥773.95	¥914.49
Basic earnings per share	¥194.02	¥219.10
Diluted earnings per share	Not stated as there are no dilutive shares	Same as at left

(Notes) 1. The basis for calculating net asset value per share is as follows.

Item	Fiscal year ended March 31, 2023 (as of March 31, 2023)	Fiscal year ended March 31, 2024 (as of March 31, 2024)
Total net assets (thousands of yen)	9,287,242	10,950,415
End of period net assets related to common stock (thousands of yen)	9,287,242	10,950,415
Number of shares at end of period used to calculate net asset value per share (shares)	11,999,802	11,974,356

2. The basis for calculating basic earnings per share is as follows.

Item	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
Profit attributable to owners of parent (thousands of yen)	2,328,244	2,625,796
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of parent applicable to common shareholders (thousands of yen)	2,328,244	2,625,796
Average number of shares of common stock during period (shares)	11,999,833	11,984,215

- The Company conducted a two-for-one stock split of its common stock, effective June 1, 2022. Per-share figures have been calculated as if the stock split occurred at the beginning of the previous fiscal year.
- Shares held in the Officer Stock Grant Trust, recorded as treasury stock under shareholders' equity, are included in the treasury shares deducted from the average number of shares outstanding during the period for the calculation of basic earnings per share (EPS).  
The average number of treasury shares deducted for EPS calculation was not applicable in the fiscal year ended March 31, 2023, and was 15,572 shares in the fiscal year ended March 31, 2024.  
For the calculation of net assets per share, the number of treasury shares deducted at the end of the period was not applicable in the fiscal year ended March 31, 2023, and was 25,400 shares in the fiscal year ended March 31, 2024.

(Significant subsequent events)

There are no applicable matters to report.

5) Consolidated supplementary financial schedule

Schedule of corporate bonds

There are no applicable matters to report.

Schedule of borrowings

Classification	Balance at beginning of period (thousands of yen)	Balance at end of period (thousands of yen)	Average interest rate (%)	Repayment term
Short-term borrowings	100,000	100,000	1.37	—
Total	100,000	100,000	—	—

(Note) “Average interest rate” is the weighted average interest rate on the balance of borrowings at the end of the period.

Schedule of asset retirement obligations

This disclosure has been omitted as the amount of asset retirement obligations at the beginning and end of the fiscal year ended March 31, 2024, was less than 1% of the total liabilities and net assets at those respective dates.

## (2) Other

## Quarterly information for the fiscal year ended March 31, 2024

(Cumulative)		1Q (From April 1, 2023, to June 30, 2023)	1H (From April 1, 2023, to September 30, 2023)	Cumulative 3Q (From April 1, 2023 to December 31, 2023)	Fiscal year (From April 1, 2023 to March 31, 2024)
Net sales	(thousands of yen)	4,703,821	9,808,401	14,589,554	19,493,075
Profit before income taxes	(thousands of yen)	1,011,623	2,126,150	3,132,529	3,877,404
Profit attributable to owners of parent	(thousands of yen)	684,917	1,443,850	2,132,943	2,625,796
Net earnings per share	(yen)	57.08	120.38	177.93	219.10

(Quarterly)		1Q (From April 1, 2023, to June 30, 2023)	2Q (From July 1, 2023 to September 30, 2023)	3Q (From October 1, 2023 to December 31, 2023)	4Q (From January 1, 2024 to March 31, 2024)
Net earnings per share	(yen)	57.08	63.31	57.55	41.16

## 2. Non-consolidated financial statements

### (1) Non-consolidated financial statements

#### 1) Non-consolidated balance sheet

(Thousands of yen)

	Fiscal year ended March 31, 2023 (as of March 31, 2023)	Fiscal year ended March 31, 2024 (as of March 31, 2024)
<b>Assets</b>		
Current assets		
Cash and deposits	6,920,533	8,343,249
Notes and accounts receivable - trade, and contract assets	* 3,150,998	* 3,436,977
Work in process	1,790	8,451
Advance payments to suppliers	426,788	467,998
Prepaid expenses	112,026	157,685
Other	* 179,660	* 213,489
Allowance for doubtful accounts	(108,824)	(151,721)
Total current assets	10,682,972	12,476,131
Non-current assets		
Property, plant and equipment		
Buildings	38,732	54,774
Tools, furniture and fixtures	72,901	98,771
Total property, plant and equipment	111,634	153,546
Intangible assets		
Software	1,356,424	1,636,163
Other	5,524	4,969
Total intangible assets	1,361,949	1,641,133
Investments and other assets		
Investment securities	371,714	538,888
Shares of subsidiaries and associates	126,484	126,484
Investments in capital of subsidiaries and associates	30,000	30,000
Leasehold deposits	269,627	273,000
Deferred tax assets	257,670	321,505
Other	23,230	23,910
Allowance for doubtful accounts	(5,499)	(5,499)
Total investments and other assets	1,073,227	1,308,290
Total non-current assets	2,546,811	3,102,970
Total assets	13,229,783	15,579,101



(Thousands of yen)

	Fiscal year ended March 31, 2023 (as of March 31, 2023)	Fiscal year ended March 31, 2024 (as of March 31, 2024)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	* 831,913	* 752,671
Short-term borrowings	100,000	100,000
Accounts payable - other	* 531,209	* 441,383
Accrued expenses	470,385	477,328
Income taxes payable	337,933	862,809
Advances received	1,123,806	1,300,929
Deposits received	* 1,040,120	* 1,446,486
Provision for bonuses	549,533	659,822
Provision for bonuses for directors (and other officers)	80,000	47,900
Reserve for guarantee for after-care of products	22,507	18,942
Provision for loss on orders received	23,334	—
Other	194	389
Total current liabilities	5,110,940	6,108,664
Non-current liabilities		
Provision for share awards for directors (and other officers)	—	15,387
Total non-current liabilities	—	15,387
Total liabilities	5,110,940	6,124,051
<b>Net assets</b>		
Shareholders' equity		
Share capital	697,600	697,600
Capital surplus		
Legal capital surplus	426,200	426,200
Other capital surplus	139,073	139,073
Total capital surplus	565,273	565,273
Retained earnings		
Legal retained earnings	8,100	8,100
Other retained earnings		
Retained earnings brought forward	6,836,194	8,227,607
Total retained earnings	6,844,294	8,235,707
Treasury shares	(304)	(81,175)
Total shareholders' equity	8,106,863	9,417,405
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	11,979	37,643
Total valuation and translation adjustments	11,979	37,643
Total net assets	8,118,843	9,455,049
Total liabilities and net assets	13,229,783	15,579,101

## 2) Non-consolidated statement of income

(Thousands of yen)

	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
Net sales	* <sup>1</sup> 18,047,137	* <sup>1</sup> 19,028,736
Cost of sales	* <sup>1</sup> 11,747,256	* <sup>1</sup> 11,927,186
Gross profit	6,299,881	7,101,549
Selling, general and administrative expenses	* <sup>2</sup> 3,493,123	* <sup>2</sup> 3,699,942
Operating profit	2,806,758	3,401,606
Non-operating income		
Interest and dividend income	* <sup>1</sup> 16,016	* <sup>1</sup> 26,245
Foreign exchange gains	9,607	18,843
Subsidy income	356	250
Other	484	1,304
Total non-operating income	26,464	46,643
Non-operating expenses		
Interest expenses	16,332	22,261
Commission expenses	3,999	19,042
Provision of allowance for doubtful accounts	26,836	42,897
Other	990	592
Total non-operating expenses	48,160	84,794
Ordinary profit	2,785,062	3,363,456
Profit before income taxes	2,785,062	3,363,456
Income taxes - current	717,238	1,139,708
Income taxes - deferred	64,660	(67,650)
Total income taxes	781,898	1,072,058
Profit	2,003,164	2,291,398

Schedule of cost of sales

		Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)		Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)	
Category	Note	Amount (thousands of yen)	% of total	Amount (thousands of yen)	% of total
I Labor cost	*1	3,126,155	24.2	3,166,678	24.4
II Outsourcing cost		6,231,699	48.2	6,163,234	47.5
III Expenses		3,570,051	27.6	3,645,727	28.1
Total cost		12,927,907	100.0	12,975,639	100.0
Work-in-process inventory at beginning of period	*2	6,834		1,790	
Cost difference adjustment		146,038		290,885	
Transfers to other accounts		(1,331,733)		(1,332,677)	
Total		11,749,046		11,935,638	
Work-in-process inventory at end of period		1,790		8,451	
Cost of sales		11,747,256		11,927,186	

(Notes) \*1 Major components are as follows.

Item	Fiscal year ended March 31, 2023 (thousands of yen)	Fiscal year ended March 31, 2024 (thousands of yen)
Equipment and material costs	1,349,547	1,502,454
Expenses related to information equipment	148,685	170,463

\*2 “Transfers to other accounts” refers to a transfer to selling expenses.

(Cost calculation method)

The Company’s cost calculation is based on actual cost calculations for individual projects. For some items, we apply planned costs and adjust cost differences at the end of the fiscal year.

## 3) Non-consolidated statement of changes in equity

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	697,600	426,200	139,073	565,273	8,100	5,379,023	5,387,123	(156)	6,649,840
Changes during period									
Dividends of surplus						(545,993)	(545,993)		(545,993)
Profit						2,003,164	2,003,164		2,003,164
Purchase of treasury shares								(147)	(147)
Net changes in items other than shareholders' equity									
Total changes during period	—	—	—	—	—	1,457,171	1,457,171	(147)	1,457,023
Balance at end of period	697,600	426,200	139,073	565,273	8,100	6,836,194	6,844,294	(304)	8,106,863

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(29,590)	(29,590)	6,620,249
Changes during period			
Dividends of surplus			(545,993)
Profit			2,003,164
Purchase of treasury shares			(147)
Net changes in items other than shareholders' equity	41,570	41,570	41,570
Total changes during period	41,570	41,570	1,498,593
Balance at end of period	11,979	11,979	8,118,843

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	697,600	426,200	139,073	565,273	8,100	6,836,194	6,844,294	(304)	8,106,863
Changes during period									
Dividends of surplus						(899,985)	(899,985)		(899,985)
Profit						2,291,398	2,291,398		2,291,398
Purchase of treasury shares								(80,870)	(80,870)
Net changes in items other than shareholders' equity									
Total changes during period	—	—	—	—	—	1,391,412	1,391,412	(80,870)	1,310,542
Balance at end of period	697,600	426,200	139,073	565,273	8,100	8,227,607	8,235,707	(81,175)	9,417,405

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for sale securities	Total valuation and translation adjustments	
Balance at beginning of period	11,979	11,979	8,118,843
Changes during period			
Dividends of surplus			(899,985)
Profit			2,291,398
Purchase of treasury shares			(80,870)
Net changes in items other than shareholders' equity	25,664	25,664	25,664
Total changes during period	25,664	25,664	1,336,206
Balance at end of period	37,643	37,643	9,455,049

## Notes to non-consolidated financial statements

### (Important accounting policies)

#### 1. Valuation standard and method for assets

##### (1) Valuation standard and method for securities

Shares of subsidiaries and associates

Stated at cost using the moving average method.

Available-for-sale securities

Securities other than shares without a determinable market value

Stated at fair market value (with any unrealized gains or losses reported directly as a component of net assets and the cost of securities sold calculated by the moving average method)

Shares without a determinable market value

Stated at cost using the moving average method.

##### (2) Valuation standard and method for inventories

Work in process

Work in process is valued at cost using the specific cost method (balance sheet values are calculated by writing down book value based on a decline in profitability).

#### 2. Depreciation method for non-current assets

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

The declining balance method is mainly applied. However, the straight-line method is used for facilities attached to buildings acquired on or after April 1, 2016.

The ranges of useful life for property, plant and equipment are mainly as follows.

Buildings and structures	8–18 years
--------------------------	------------

Tools, furniture and fixtures	2–20 years
-------------------------------	------------

##### (2) Intangible assets (excluding leased assets)

The straight-line method is applied.

Software for internal use is depreciated using the straight-line method based on its estimated useful life, which is typically five years.

For software intended for sale, the depreciation amount is determined as the greater of the amount calculated based on estimated sales volume and expected sales revenue over the expected useful life (three years) and the amount calculated by evenly allocating the acquisition cost over the remaining period during which the software can be sold.

#### 3. Accounting standards for provisions

##### (1) Allowance for doubtful accounts

To prepare for losses from uncollectable receivables, estimates of irrecoverable amounts are recorded based on historical loan-loss ratios for general receivables, and on consideration of feasibly recoverable amounts in individual cases of suspected bad debt or other specific receivables.

##### (2) Provision for bonuses for employees

To provide for the payment of bonuses to employees, the Company records the estimated amount to be paid.

##### (3) Provision for bonuses for directors

To provide for the payment of bonuses to directors, the Company records the estimated amount to be paid.

##### (4) Allowance for quality assurance

To prepare for expenditures related to quality assurance and other services after delivery to customers, the Company records the estimated amount to be incurred based on historical ratios. The estimated amount to be incurred for individually estimable costs in ensuring quality is also recorded.

##### (5) Provision for loss on orders received

To prepare for future losses related to orders, the Company records a provision for the estimated loss amount from the following fiscal year onward for ongoing projects that are expected to incur losses during the current fiscal year and for which such losses can be reasonably estimated.

(6) Allowance for stock grants to directors

To prepare for granting of the Company's shares to directors (excluding directors who are outside directors or Audit & Supervisory Committee members) in accordance with the Stock Grant Regulations, the Company records an amount based on the expected amount of stock grant obligations at the end of the fiscal year.

4. Recognition standards for revenues and expenses

Recognition standards for revenues and expenses

Significant performance obligations in the Company's main businesses related to revenue arising from contracts with customers and the time when such performance obligations are satisfied (when revenue is recognized) are as follows.

(1) Orders

Regarding orders, based on contracts and quasi-mandate agreements with customers, the Company has a performance obligation to support the design, development, and implementation of customers' information systems using ERP package products developed in-house or by other companies.

In cases where control of the goods or services is transferred to the customer over a certain period, revenue is recognized over that period as the performance obligation to transfer the goods or services to the customer is satisfied. Progress in satisfying the performance obligation is measured based on the proportion of the costs incurred by the end of each reporting period to the estimated total costs. In addition, in cases where progress in satisfying the performance obligation cannot be reasonably estimated but it is expected that costs incurred will be recovered, revenue is recognized on a cost recovery basis.

(2) License sales

For the sale of licenses for our ERP packages developed in-house, the Company has a performance obligation to provide licenses based on a license sales agreement.

In the case of usage rights, revenue related to provision of licenses is recognized at the time of delivery to the customer. In the case of access rights, revenue is recognized over a certain period based on the term of the agreement with the customer.

(3) Maintenance services

For maintenance services, the Company has a performance obligation to provide those services based on a maintenance service agreement with the customer.

Revenue related to such services is recognized over a certain period as that performance obligation is met, based on the term of the agreement with the customer.

(4) Product sales

For the sale of products, the Company has a performance obligation to deliver hardware and software based on sales agreements with customers.

Related revenue is recognized at the time of delivery of the products to the customer.

(Significant accounting estimates)

1. Revenue recognition based on progress

(1) Amount recorded in financial statements for the respective fiscal year

(Thousands of yen)

Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
87,404	—

(Note) This is the amount recorded for projects that were in process at the end of the relevant fiscal year.

(2) Information regarding the content of significant accounting estimates for identified items

The detail is the same as stated in "Notes to consolidated financial statements, (Significant accounting estimates), 1. Revenue recognition based on degree of progress."

2. Provision for loss on orders received

(1) Amount recorded in financial statements for the respective fiscal year

(Thousands of yen)

Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
23,334	—

(2) Information regarding the content of significant accounting estimates for identified items

The detail is the same as stated in “Notes to consolidated financial statements, (Significant accounting estimates), 2. Provision for loss on orders received.”



(Additional information)

(Officer Stock Grant Trust)

From the fiscal year ended March 31, 2024, the Company has introduced a stock compensation plan using a trust for the benefit of directors (excluding directors who are outside directors or Audit & Supervisory Committee members). Notes regarding the Officer Stock Grant Trust are omitted here because the same content is stated in “Notes to consolidated financial statements, (Additional information).”

(Balance sheet)

\* Receivables from and payables to affiliates (excluding those separately presented)

	Fiscal year ended March 31, 2023 (as of March 31, 2023)	Fiscal year ended March 31, 2024 (as of March 31, 2024)
Short-term receivables	¥148,703 thousand	¥217,844 thousand
Short-term payables	¥1,369,834 thousand	¥1,752,803 thousand

(Statement of income)

\*1 Transactions with subsidiaries and associates

	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
Operating transactions		
Sales	¥200,121 thousand	¥222,741 thousand
Purchases	¥2,185,105 thousand	¥2,178,394 thousand
Non-operating transactions	¥102,448 thousand	¥106,872 thousand

\*2 Major expense items, amounts, and approximate percentages included under selling, general and administrative expenses are as follows.

	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
Employees' salaries and allowances	¥1,516,435 thousand	¥1,623,485 thousand
Provision for bonuses	¥198,230 thousand	¥246,660 thousand
Depreciation	¥30,852 thousand	¥35,203 thousand
Approximate percentages		
Selling expenses	38.1%	36.0%
General and administrative expenses	61.9%	64.0%

(Marketable securities)

Fiscal year ended March 31, 2023 (as of March 31, 2023)

As shares of subsidiaries are stocks that do not have a market price, the fair value of those shares of subsidiaries is not stated.

The balance sheet amounts of shares of subsidiaries that do not have a market price are as follows.

(Thousands of yen)	
Category	Fiscal year ended March 31, 2023
Shares of subsidiaries	126,484
Total	126,484

Fiscal year ended March 31, 2024 (as of March 31, 2024)

As shares of subsidiaries are stocks that do not have a market price, the fair value of those shares of subsidiaries is not stated.

The balance sheet amounts of shares of subsidiaries that do not have a market price are as follows.

(Thousands of yen)	
Category	Fiscal year ended March 31, 2024
Shares of subsidiaries	126,484
Total	126,484

(Tax-effect accounting)

1. Principal components of deferred tax assets and deferred tax liabilities

	Fiscal year ended March 31, 2023 (as of March 31, 2023)	Fiscal year ended March 31, 2024 (as of March 31, 2024)
Deferred tax assets		
Provision for bonuses	¥168,267 thousand	¥202,037 thousand
Loss on valuation of shares of subsidiaries and associates	¥45,936 thousand	¥45,936 thousand
Loss on valuation of investment securities	¥41,721 thousand	¥37,940 thousand
Fixed asset depreciation limit excess amount	¥41,281 thousand	¥63,531 thousand
Allowance for doubtful accounts	¥33,322 thousand	¥46,457 thousand
Enterprise tax payable	¥28,903 thousand	¥45,716 thousand
Provision for loss on orders received	¥7,145 thousand	¥— thousand
Reserve for guarantee for after-care of products	¥6,891 thousand	¥5,800 thousand
Valuation difference on available-for-sale securities	¥4,764 thousand	¥949 thousand
Provision for share awards for directors (and other officers)	¥— thousand	¥4,711 thousand
Other	¥27,827 thousand	¥15,670 thousand
Deferred tax assets subtotal	¥406,061 thousand	¥468,751 thousand
Valuation allowance	¥(143,980) thousand	¥(145,219) thousand
Deferred tax assets total	¥262,080 thousand	¥323,532 thousand
Deferred tax liabilities		
Other	¥4,409 thousand	¥2,026 thousand
Deferred tax liabilities total	¥4,409 thousand	¥2,026 thousand
Net deferred tax assets	¥257,670 thousand	¥321,505 thousand

2. Breakdown of major items that caused a significant difference between the statutory tax rate and the tax rate after the application of tax-effect accounting, where such a difference exists

	Fiscal year ended March 31, 2023 (as of March 31, 2023)	Fiscal year ended March 31, 2024 (as of March 31, 2024)
Effective statutory tax rate	30.6%	30.6%
(Adjustments)		
Entertainment expenses and other items permanently non-deductible	1.6%	1.1%
Per capita resident tax	0.2%	0.1%
Change in valuation allowance	—%	(0.4)%
Allowance for doubtful accounts	0.3%	0.4%
Special tax credit	(4.6)%	—%
Other	0.0%	(0.0)%
Effective income tax rate after application of tax-effect accounting	28.1%	31.9%

(Revenue recognition)

Notes are omitted as basic information to understand revenue from contracts with customers is stated in “Notes to consolidated financial statements, (Revenue recognition).”

(Significant subsequent events)

There are no applicable matters to report.

## 4) Non-consolidated supplementary financial schedule

## Schedule of property, plant and equipment

(Thousands of yen)

Classification	Type of asset	Balance at beginning of period	Increase during period	Decrease during period	Depreciation during period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	38,732	21,921	355	5,523	54,774	160,612
	Tools, furniture and fixtures	72,091	60,450	237	33,533	98,771	328,638
	Total	110,824	82,372	592	39,057	153,546	489,250
Intangible assets	Software	1,356,424	946,473	—	666,734	1,636,163	
	Trademark right	1,024	4,500	—	555	4,969	
	Other	0	—	—	—	0	
	Total	1,357,449	950,973	—	667,290	1,641,133	

(Note) The increase during the fiscal year under review mainly comprised the following.

Buildings		Head office facilities	¥16,781 thousand
Tools, furniture and fixtures		Head office fixtures	¥31,685 thousand
Software	Software for sale	mcframe development	¥542,747 thousand
		mcframe GA development	¥86,538 thousand
		IoT development	¥71,023 thousand
		Business b-ridge development	¥18,916 thousand
		Other software for sale	¥7,452 thousand
	In-house system development	Expanded functions of core information system	¥141,733 thousand

## Schedule of provisions

(Thousands of yen)

Classification	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period
Allowance for doubtful accounts	114,324	42,897	—	157,221
Provision for bonuses	549,533	659,822	549,533	659,822
Provision for bonuses for directors (and other officers)	80,000	47,900	80,000	47,900
Reserve for guarantee for after-care of products	22,507	18,942	22,507	18,942
Provision for loss on orders received	23,334	—	23,334	—
Provision for share awards	—	15,387	—	15,387

## (2) Detail of major assets and liabilities

This information has been omitted because the Company prepared consolidated financial statements.

## (3) Other

There are no applicable matters to report.

## VI. Stock-Related Administration for the Company

Fiscal year	From April 1 to March 31
General Meeting of Shareholders	June
Record date	March 31
Record dates for dividends of surplus	September 30 March 31
Number of shares constituting one unit	100 shares
Purchase of shares less than one unit	
Handling office	(Special account) Stock Transfer Agent Department, Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Shareholder registry administrator	(Special account) Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Forwarding office	—
Purchasing fee	Amount separately determined as an amount equivalent to the commission fee for buying and selling of stock
Method of public notice	Public notice of the Company is given by electronic means. However, in the event accidents or other unavoidable reasons prevent public notice by electronic means, the notice can be made by publication in <i>The Nihon Keizai Shimbun</i> . Public notice by electronic means is done via the Company's website: <a href="https://www.b-en-g.co.jp/en/">https://www.b-en-g.co.jp/en/</a>
Special benefit for shareholders	Shareholder benefit system  (1) Eligible shareholders Shareholders who own at least one unit (100 shares) and are listed or recorded in the shareholder register as of the end of June, September, December, and March each year  (2) Benefit QUO cards (prepaid cards that can be used in restaurants and many other locations) worth ¥500 are presented to shareholders at the end of June, September, December, and March each year (¥2,000 for the entire fiscal year).

- (Notes)
1. The Company provides no public notice of financial results pursuant to Article 440, Paragraph 4, of the Companies Act.
  2. Shareholders of the Company are not entitled to exercise their rights pertaining to shares of less than one unit held by them, except for the following rights.
    - Rights listed in Article 189, Paragraph 2, of the Companies Act
    - Right of claim stipulated in Article 166, Paragraph 1, of the Companies Act
    - Right to be allotted the shares and/or share acquisition rights offered according to the number of shares held

## VII. Reference Information on the Company

### 1. Information on parent company, etc., of the Company

The Company has no parent company as defined in Article 24-7, Paragraph 1, of the Financial Instruments and Exchange Act.

### 2. Other reference information

The Company filed the following documents between the start of the fiscal year under review and the filing of the Japanese version of this Annual Securities Report.

(1) Annual Securities Report and documents attached thereto, and Confirmation Letter thereof

For the 44th fiscal term (from April 1, 2022, to March 31, 2023)

Filed with the Director-General of the Kanto Local Finance Bureau on June 27, 2023.

(2) Internal Control Report and documents attached thereto

Filed with the Director-General of the Kanto Local Finance Bureau on June 27, 2023.

(3) Quarterly Securities Reports and Confirmation Letter thereof

For 1Q of the 45th fiscal term (from April 1, 2023, to June 30, 2023)

Filed with the Director-General of the Kanto Local Finance Bureau on August 8, 2023.

For 2Q of the 45th fiscal term (from July 1, 2023, to September 30, 2023)

Filed with the Director-General of the Kanto Local Finance Bureau on November 14, 2023.

For 3Q of the 45th fiscal term (from October 1, 2023, to December 31, 2023)

Filed with the Director-General of the Kanto Local Finance Bureau on February 13, 2024.

(4) Extraordinary Report

Extraordinary Report based on the provisions of Article 19, Paragraph 2, Item 9-2 (results of exercise of voting rights at General Meeting of Shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

Filed with the Director-General of the Kanto Local Finance Bureau on June 30, 2023.

## **Part II. Information on Guarantors for the Company**

There are no applicable matters to report.

# Independent Auditor's Report and Internal Control Audit Report

June 27, 2024

The Board of Directors

Business Engineering Corporation

Ernst & Young ShinNihon LLC

Tokyo, Japan

Designated Limited  
Liability Partner and  
Engagement Partner

Certified Public  
Accountant Yuji Mukaide

Designated Limited  
Liability Partner and  
Engagement Partner

Certified Public  
Accountant Yasuyuki Hagiwara

## **Audit of Consolidated Financial Statements**

### *Opinion*

Pursuant to Article 193-2, Paragraph 1, of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Business Engineering Corporation, which are included in "Financial Information" for the 45th fiscal term from April 1, 2023, to March 31, 2024, and comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, significant matters that serve as the basis for preparation of the consolidated financial statements, other notes, and consolidated supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Business Engineering Corporation as of March 31, 2024, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our auditing of financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### Key Audit Considerations

Key audit considerations are those matters the auditor, as a professional expert, considers to be particularly important in auditing the consolidated financial statements for the fiscal year under review. These key audit considerations are matters addressed during the audit of the consolidated financial statements as a whole and in forming our audit opinion, and it is not our intention to express individual opinions on these matters.

Net sales and their attribution near the end of the fiscal year in the Solutions Business and Products Business	
Key audit consideration and reason for decision	Audit response
<p>The Company and its consolidated subsidiaries are engaged in the information services business. The Company's net sales are largely represented by sales to external customers in the Solutions Business and the Products Business, totaling ¥12,767,931 thousand and ¥6,326,724 thousand, respectively, as stated in "Notes to consolidated financial statements (Segment information)," which together account for 97.6% of consolidated net sales. The Company publishes its performance forecast for external investors using net sales as its main financial indicator and may face considerable pressure to achieve the goals laid out in that forecast.</p> <p>As the Solutions and Products Businesses are also the primary sources of the Company's earnings, achieving the targets in these segments is critical to meeting overall performance goals. Under these circumstances, there is a potential risk associated with the timing and recognition of sales transactions recorded near the fiscal year-end, particularly regarding their proper attribution to the appropriate reporting period.</p> <p>Based on the above, we identified the recognition and cutoff of net sales near the fiscal year-end in the Solutions Business and Products Business as a Key Audit Matter.</p>	<p>We mainly performed the following audit procedures to examine the recognition and cutoff of net sales near the end of the fiscal year in the Solutions Business and Products Business.</p> <p>(1) Assessment of internal controls</p> <p>We evaluated the effectiveness of the design and operating effectiveness of internal controls related to net sales in the Solutions Business and Products Business.</p> <p>(2) Examination of net sales recognition and cutoff near fiscal year-end</p> <ul style="list-style-type: none"><li>• To confirm the accuracy and completeness of net sales recorded in the core system, we compared the amounts recorded on source documents with the sales data output from the core system.</li><li>• We selected key transactions based on monetary value and nature, as well as samples based on statistical methods, and verified them against supporting documents such as contracts, service completion reports, and payment records.</li><li>• For transactions recorded near the fiscal year-end with payment due dates on or before the fiscal year-end, we compared the sales with corresponding payment records.</li><li>• For transactions with payment due dates after the fiscal year-end, we conducted balance confirmations as of the fiscal year-end or cross-checked subsequent payment records.</li><li>• We also examined sales entries that were manually recorded near the fiscal year-end to identify any entries that may have deviated from the normal journal entry process.</li></ul>

### Other information

The other information consists of the information included in the Annual Securities Report, other than the consolidated financial statements, the non-consolidated financial statements, and our auditor's reports thereon. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Committee is responsible for overseeing the directors' execution of duties relating to the design and operation of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we conclude there is a material misstatement of this other information based on the work we have performed, we are required to report that fact.

We have nothing to report in this regard.

### *Responsibilities of Management and the Audit & Supervisory Committee for the Consolidated Financial Statements*

Management is responsible for preparing and presenting these consolidated financial statements in accordance with accounting principles generally accepted in Japan and for designing and implementing such internal controls as management determines necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to its status as a going concern.

The Audit & Supervisory Committee is responsible for overseeing the directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements in the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient, appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit of the Group. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit & Supervisory Committee with a statement that we have complied with Japan's relevant ethical requirements regarding independence, and communicate with them on all relationships and other matters that may reasonably be thought to bear on our independence, as well as, where applicable, on any measures taken to remove impediments to such independence and on safeguards applied to reduce those impediments to an acceptable level.

Of the matters discussed with the Audit & Supervisory Committee, we identify key considerations in auditing the consolidated financial statements for the fiscal year under review, and include them in the report. However, if the publication of such matters is prohibited by law, or if we determine such matters should not be reported because the disadvantages, however limited they may be, of reporting them in the audit report could reasonably be expected to outweigh the public benefit, we do not include such matters in the report.

## **Audit of Internal Control over Financial Reporting**

### *Opinion*

Pursuant to Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act of Japan, we have audited the “Management’s Report on Internal Control over Financial Reporting” of Business Engineering Corporation as of March 31, 2024 (the “Management’s Report”).

In our opinion, the Management’s Report referred to above, which represents that the internal control over financial reporting of Business Engineering Corporation is effective as of March 31, 2024, presents fairly, in all material respects, the result of management’s assessment of internal control over financial reporting in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

### *Basis for Opinion*

We conducted our audit of internal control over financial reporting in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of Internal Control over Financial Reporting” section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical responsibilities that are relevant to our auditing of financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management and the Audit & Supervisory Committee for the Management’s Report*

Management is responsible for designing and implementing internal control over financial reporting and for the preparation and fair presentation of the Management’s Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

The Audit & Supervisory Committee is responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial reporting misstatements.

### *Auditor’s Responsibilities for the Audit of Internal Control over Financial Reporting*

Our objectives are to obtain reasonable assurance about whether the Management’s Report is free from material misstatements and to issue an auditor’s report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence relating to the result of management’s assessment of internal control over financial reporting in the Management’s Report. The procedures selected depend on the auditor’s judgment and considerations regarding material effects on the reliability of financial reporting.
- Consider the overall presentation of the Management’s Report regarding the scope, procedures, and result of the assessment of internal control over financial reporting, including descriptions by management.
- Obtain sufficient, appropriate audit evidence regarding the result of management’s assessment of internal control over financial reporting in the Management’s Report. We are responsible for the direction, supervision, and performance of the audit of the Management’s Report. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit of internal control over financial reporting, the results of the audit of internal control over financial reporting, any significant deficiencies that must be disclosed in internal control that we identify, the results of corrective measures for such significant deficiencies, and other matters required by auditing standards for internal control.

We also provide the Audit & Supervisory Committee with a statement that we have complied with Japan’s relevant ethical requirements regarding independence, and communicate with them on all relationships and other matters that may reasonably be thought to bear on our independence, as well as, where applicable, on any measures taken to remove impediments to such independence and on safeguards applied to reduce those impediments to an acceptable level.

## **Fee-Related Information**

The fees for audit and attestation services and non-audit services charged by us and our network firms to the Company and its subsidiaries are disclosed in “IV. Information on the Company, 4. Corporate governance, (3) Status of audits.”

*Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan*

Our firm and its designated engagement partners do not have any interest in the Company, which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

---

(Notes) 1 The original of this Independent Auditor's Report is kept separately by the Company (the reporting company of the Annual Securities Report).

2 XBRL data are not included in the scope of the audit.

# Independent Auditor's Report

June 27, 2024

The Board of Directors  
Business Engineering Corporation

Ernst & Young ShinNihon LLC

Tokyo, Japan

Designated Limited Liability Partner and Engagement Partner	Certified Public Accountant	Yuji Mukaide
Designated Limited Liability Partner and Engagement Partner	Certified Public Accountant	Yasuyuki Hagiwara

## **Audit of Financial Statements**

### *Opinion*

Pursuant to Article 193-2, Paragraph 1, of the Financial Instruments and Exchange Act, we have audited the non-consolidated financial statements of Business Engineering Corporation, which are including in “Financial Information” for the 45th fiscal term from April 1, 2023, to March 31, 2024, and comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, important accounting policies, other notes, and non-consolidated supplementary financial schedules.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of Business Engineering Corporation as of March 31, 2024, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Non-Consolidated Financial Statements” section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our auditing of financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Considerations*

Key audit considerations are those matters the auditor, as a professional expert, considers to be particularly important in auditing the non-consolidated financial statements for the fiscal year under review. These key audit considerations are matters addressed during the audit of the non-consolidated financial statements as a whole and in forming our audit opinion, and it is not our intention to express individual opinions on these matters.

Net sales and their attribution near the end of the fiscal year in the Solutions Business and Products Business

Key audit considerations (accrual and period attribution of net sales near the end of the fiscal year in the Solutions Business and Products Business) are the same as stated in the audit report on the consolidated financial statements and have therefore been omitted here.

### *Other information*

The other information consists of the information included in the Annual Securities Report, other than the consolidated financial statements, the non-consolidated financial statements, and our auditor’s reports thereon. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Committee is responsible for overseeing the directors’ execution of duties relating to the design and operation of the reporting process for the other information.

Our opinion on the non-consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we conclude there is a material misstatement of this other information based on the work we have performed, we are required to report that fact.

We have nothing to report in this regard.

#### *Responsibilities of Management and the Audit & Supervisory Committee for the Non-Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with accounting principles generally accepted in Japan and for designing and implementing such internal controls as management determines is necessary to enable the preparation and fair presentation of non-consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to its status as a going concern.

The Audit & Supervisory Committee is responsible for overseeing the directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these non-consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements in the non-consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure, and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit & Supervisory Committee with a statement that we have complied with Japan's relevant ethical requirements regarding independence, and communicate with them on all relationships and other matters that may reasonably be thought to bear on our independence, as well as, where applicable, on any measures taken to remove impediments to such independence and on safeguards applied to reduce those impediments to an acceptable level.

Of the matters discussed with the Audit & Supervisory Committee, we identify key considerations in auditing the non-consolidated financial statements for the fiscal year under review, and include them in the report. However, if the publication of such matters is

prohibited by law, or if we determine such matters should not be reported because the disadvantages, however limited they may be, of reporting them in the audit report could reasonably be expected to outweigh the public benefit, we do not include such matters in the report.

#### **Fee-Related Information**

The fees for audit and attestation services and non-audit services charged by us and our network firms to the Company and its subsidiaries are disclosed in IV. Information on the Company, 4. Corporate governance, (3) Status of audits.

#### *Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan*

Our firm and its designated engagement partners do not have any interest in the Company, which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

---

(Notes) 1 The original of this Independent Auditor's Report is kept separately by the Company (the reporting company of the Annual Securities Report).

2 XBRL data are not included in the scope of the audit.