

Overview of Business Results

Overview of Business Results for the First Half

<Business Results>

In the first half of the fiscal year under review (April 1, 2024 to September 30, 2024; hereinafter "the first half under review"), the Japanese economy continued its gradual recovery, including improvements in employment and income conditions. However, the outlook remains uncertain due to notable risks including exchange rate fluctuations, prolonged overseas conflicts and other factors that have driven price increases and a downturn in overseas economies.

Under these economic conditions, in the business domain where the Company and its consolidated subsidiaries (hereinafter the "Group") operate, customers' willingness to invest varied from strong to weak depending on the sector. Overall, however, investment remained solid.

In the enterprises market, there has been a growing need for solutions that make use of DX and other cutting-edge technologies to provide new ways to work that are not constrained by location such as an office or home. There is also robust demand for the development of smart factories in the manufacturing sector and related revisions to network security. Telecommunications carriers have continued their reluctance to make infrastructure investments, which increased in intensity from the previous fiscal year. In the field of local 5G, the market has been slow to ramp up, but there have been gradual moves toward implementation from sectors in which the unique strengths of local 5G are essential even in high-speed wireless networks, such as places like power plants and medical institutions that demand high levels of security combined with stability. Looking at national and local governments as well as public interest-related institutions, in addition to workstyle innovation and DX utilization at national and local governments along with needs to improve networks based on disaster prevention, disaster mitigation and security themes, demand for updates to fire and emergency services networks has also risen.

Given these market conditions, the Group has been actively responding to demand in the areas of workstyle innovations, next-generation network security and fire and emergency services networks. At the same time, the Group has been focusing on the shift to a new business model involving consultation from customer perspectives leveraging our expertise in self-implementation and familiarity with customer sites, and spiral growth in step with customers, positioning DX and next-generation networks as the basis under our Shift up 2024 medium-term management plan for enhancing the value the Company provides to society to bring about a Sustainable Symphonic Society.

In the DX sector, the Company has continued to actively utilize DX technologies to complement the expertise and brand power it has cultivated in the workstyle innovation-related business pursued since 2007. Leveraging the technologies and expertise gained from those endeavors, the Company has developed services that help customers reinforce their management and operating capabilities and enhanced our proposal-based model (offering model). As a result, the Company made progress expanding its business domain to workstyle innovation at factories and other sites in addition to corporate offices. In operations targeting national and local governments with growing needs to implement local government DX, the Company is accelerating customer proposals that utilize a problem-solving showcase enabling customers to actually experience our solutions first-hand, while also working to strengthen collaboration in DX promotion with various local governments.

In operations aimed at telecommunications carriers, in the previous fiscal year the Company developed a more efficient framework in the infrastructure area where investment has been constrained, and looking to a future expansion in our areas of operation, the Company has utilized its knowledge of customer business processes to provide DX services that lead to operational streamlining, such as business automation services driven by DX technologies, as part of efforts to expand the domain in which the Company operates. Further, in the next-generation network domain including local 5G, the Company has bolstered its response to the early adoption market, sought improvements to our products and services through partnerships with Japanese and overseas firms, and in April 2024 released a competitive and unique product that can easily build a local 5G network environment with a single compact unit.

Operating under these conditions, the Group posted the following consolidated results in the first half under review.

Net sales	¥ 172,040 million	10.9% increase year on year
Operating income	¥ 7,832 million	25.8% increase year on year
Ordinary income	¥ 7,760 million	25.9% increase year on year
Net income attributable to owners of the parent	¥ 3,848 million	6.9% increase year on year
<Reference>		
Orders received	¥ 208,357 million	9.0% increase year on year

Despite continued challenges with infrastructure business for telecommunications carriers, net sales increased mainly due to business from government agencies and companies mainly in the manufacturing sector, as well as an increase in the product sales business, leading to a 10.9% year-on-year increase to ¥172,040 million. As a result, operating income, ordinary income, and net income attributable to owners of the parent increased 25.8% to ¥7,832 million, 25.9% to ¥7,760 million, and 6.9% to ¥3,848 million, respectively.

Orders increased significantly in workstyle innovation-related areas for companies, government agencies and local governments, along with public infrastructure including firefighting and disaster prevention. In addition, the purchase and product sales also increased, leading to a 9.0% year-on-year increase to ¥208,357 million.

Operating results by business segment were as follows.

<Net sales by segment>

(Million yen)	DX Solutions	Network Solutions	Environmental & Social Solutions	Others	Total
1H FY.2025/3	65,595	41,470	51,300	13,674	172,040
1H FY.2024/3	58,939	45,454	46,845	3,956	155,195
Increase (decrease)	6,656	(3,984)	4,454	9,718	16,844
Growth rate (%)	11.3	(8.8)	9.5	245.6	10.9

<Ref.: Orders received by segment>

(Million yen)	DX Solutions	Network Solutions	Environmental & Social Solutions	Others	Total
1H FY.2025/3	73,814	42,668	78,491	13,382	208,357
1H FY.2024/3	61,094	43,945	78,377	7,791	191,209
Increase (decrease)	12,720	(1,276)	113	5,590	17,147
Growth rate (%)	20.8	(2.9)	0.1	71.8	9.0

1. DX Solutions Business

Net sales increased 11.3% year on year to ¥65,595 million due to the expansion of medium-term strategic areas, such as governments DX, as well as the contribution from equipment projects.

2. Network Solutions Business

Net sales decreased 8.8% year on year to ¥41,470 million due to a decrease in sales to telecommunications carriers, despite an increase in sales from social infrastructure areas and a manufacturing subsidiary that captured special demand for new banknotes.

3. Environmental & Social Solutions Business

Net sales increased primarily in the area of domestic ICT construction including roads and disaster

prevention, expanding 9.5% year on year, rising to ¥51,300 million.

<Additional Notes>

Effective April 1, 2024 the Company transferred part of its operations from the Environmental & Social Solutions Business to the Network Solutions Business, resulting in a reorganization between segments. Note that information on reporting segments for the first half of the previous fiscal year has also been rearranged and disclosed to reflect the changes due to this reorganization.