

(1) Business Results

During the fiscal year ended March 31, 2024 (the period from April 1, 2023 to March 31, 2024), the Japanese economy showed signs of an economic normalization as restrictions on activities imposed because of the COVID-19 pandemic were relaxed, continuing with a gradual recovery. However, the outlook remains uncertain due to notable risks including exchange rate fluctuations, rising prices attributable to prolonged overseas conflicts and other factors, a downturn in overseas economies and the economic impact of the 2024 Noto Peninsula Earthquake.

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, the Group attained solid results.

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 increasing demand for the development of smart factories in the manufacturing sector and related revisions to security. For the most part telecommunications carriers have intensified their reluctance to make infrastructure investments since the previous fiscal year. In terms of local 5G, due to delays in the full-scale adoption of 5G services among telecommunications carriers, prices of terminal devices have failed to come down and development of the market is lagging behind, but we have seen gradual trends towards installation from sectors where the strengths of local 5G such as high-level security and stability even in a high-speed wireless network are essential, such as power plants and the medical field. Looking at national and local governments as well as public interest-related institutions, trends aimed at workstyle innovations have materialized at national and local governments, and we have seen growing needs to improve networks based on disaster prevention, disaster mitigation and security themes. ICT investment related to roads and other aspects to transportation infrastructure has also gained momentum.

Under this market environment, in May 2022 the Group announced "Shift up 2024," its medium-term management plan. Based on the plan, to realize a Sustainable Symphonic Society and enhance the value provided to society, with DX and next-generation networks as the core, the Group focuses on the shift to a new business model of spiral growth in tandem with customers, through consultation from the customer perspective that leverages expertise informed by the Company's implementation track record and familiarity with customer sites.

In the DX area, to evolve the workstyle innovation-related business the Company has pursued since 2007 into a service that leads to further improvements in management and business strength on the part of customers, the Company has worked on workstyle and process reforms that produce innovation through the active utilization of DX technologies, and has used the technologies, expertise and other strengths gained from those efforts to strengthen service development and the proposal model (offering model). In addition, to address the growing demand to promote DX at the national and local government levels as well as the enterprise segment, the Company has worked with partner companies to progressively release services compatible with the closed networks of local governments, and has accelerated the proposals submitted to customers by utilizing problem-solving showcases that enable customers to experience solutions by seeing them first-hand. The Company has also strengthened collaboration, including cooperative agreements on DX promotion entered into with various local governments. In operations aimed at telecommunications carriers, we have made progress developing a more efficient framework in the infrastructure area where investment has been constrained, and have utilized our 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 we operate.

In the next-generation network domain including 5G, the Company has strengthened its response to the early-adoption market, while pursuing active initiatives to anticipation of the full-scale launch of the market, such as improving products and services through partnerships with overseas firms and a venture startup originating from the University of Tokyo, and cultivating

engineers.

In terms of developing new business domains, leveraging ICT for on-shore aquaculture we have established an on-shore salmon farming facility in Yamanashi prefecture to achieve the stable supply of marine resources unaffected by weather and other conditions. We began shipments of salmon raised at the facility from August 2023.

To more quickly implement the results of these initiatives for customers as a business, in April 2023 we integrated new business development functions that had previously been company-wide into each operating division. We have also stepped up human capital management efforts by actively promoting measures that enable each employee to fully utilize their capabilities. For instance, we cultivate high-level human resources adept in consulting, DX and next-generation networks and promote the implementation of health and productivity management, all in support of growth strategies.

We have also bolstered efforts to address climate change, an increasingly important social issue. We utilize our new head office building following our March 2023 relocation as a testing ground for the use of next-generation networks and the demonstration of cutting-edge DX solutions, validating the use of office buildings as part of efforts to realize carbon neutrality. In addition, we are strengthening our businesses from the perspective of climate change action by combining the various environmental services and expertise we have cultivated to date with all of the Company's businesses. As part of these efforts in May 2023 we joined the GX League program organized by the Ministry of Economy, Trade and Industry. On the disclosure front, in June 2023 the Company issued its second round of disclosures based on the TCFD framework, bringing forward its previous target for achieving carbon neutrality.

Operating under these conditions, the Group posted the following consolidated results in the fiscal year under review.

| | | |
|---|------------------|-----------------------------|
| Net sales | ¥359,505 million | 12.1% increase year on year |
| Operating income | ¥25,120 million | 10.4% increase year on year |
| Ordinary income | ¥24,684 million | 7.5% increase year on year |
| Net income attributable to owners of the parent | ¥15,329 million | 11.0% increase year on year |
| <Reference> | | |
| Orders received | ¥377,234 million | 6.0% increase year on year |

Net sales increased 12.1% year on year to ¥359,505 million, reflecting increases in all segments with the full posting of sales from an extensive order backlog, amid strong orders particularly from the manufacturing sector, public-sector companies and government offices.

On the profit front, SG&A expenses expanded due to a rise in growth-related expenses such as costs to introduce new mission-critical systems to improve the ability to develop proposals by strengthening and implementing data-oriented management. Given full-scale sales expansion, however, operating income rose 10.4% year on year to ¥25,120 million, with ordinary income up 7.5% year on year at ¥24,684 million, and net income attributable to owners of the parent up 11.0% year over year at ¥15,329 million.

Orders received were impacted by the reluctance of telecommunications carriers to invest, but improved 6.0% year over year to ¥377,234 million, reflecting a solid expansion in corporate DX for workstyle innovation, next-generation network security and other areas, and strong results in the area of public infrastructure such as roads and transportation, with a large-scale project for a government office involving the procurement of equipment in Japan also contributing.

Operating results by business segment were as follows.

Net sales by business segment (Million yen)

| | | DX Solutions Business | Network Solutions Business | Environmental & Social Solutions Business | Other | Total |
|-----------|----------------------------------|-----------------------|----------------------------|---|-------|---------|
| Net sales | FY March 2024 | 129,710 | 83,088 | 137,161 | 9,545 | 359,505 |
| | FY March 2023 | 114,244 | 79,217 | 119,241 | 8,099 | 320,802 |
| | Increase or (decrease) | 15,465 | 3,870 | 17,920 | 1,446 | 38,702 |
| | Ratio of increase/(decrease) (%) | 13.5 | 4.9 | 15.0 | 17.9 | 12.1 |

Reference: Orders received by business segment

(Million yen)

| | | DX Solutions Business | Network Solutions Business | Environmental & Social Solutions Business | Other | Total |
|-----------------|----------------------------------|-----------------------|----------------------------|---|--------|---------|
| Orders received | FY March 2024 | 132,818 | 82,108 | 142,596 | 19,710 | 377,234 |
| | FY March 2023 | 122,651 | 92,107 | 132,653 | 8,630 | 356,043 |
| | Increase or (decrease) | 10,166 | (9,999) | 9,942 | 11,080 | 21,190 |
| | Ratio of increase/(decrease) (%) | 8.3 | (10.9) | 7.5 | 128.4 | 6.0 |

1. DX Solutions Business:

While sales for a COVID-19-related business at a subsidiary operating contact center businesses declined, net sales increased 13.5% year on year to ¥129,710 million on the back of sales growth in existing areas in addition to strategic areas outlined in the Medium-term Management Plan, including DX technology-driven workstyle innovation, next-generation network security field.

2. Network Solutions Business:

Severe conditions persisted due to telecommunications carriers curbing capital investment, but net sales rose 4.9% year on year to ¥83,088 million, thanks to increased sales from manufacturing subsidiaries capturing demand related to newly designed banknotes in addition to higher sales in social infrastructure businesses such as space and broadcasting.

3. Environmental & Social Solutions Business:

Buoyed by the full-scale conversion of the order backlog into sales, sales increased primarily in the domestic ICT construction field such as roads and transportation, with sales also posted for a large-scale equipment project ordered from a government office in the fiscal year under review. As a result, net sales jumped 15.0% year on year to ¥137,161 million.

(ii) Outlook

We forecast that consolidated results in the fiscal year ending March 31, 2025 (April 1, 2024 to March 31, 2025) will be as shown below.

| | | |
|--|---------------|-----------------------------|
| Net sales | ¥365 billion | 1.5% increase year on year |
| Operating income | ¥29.0 billion | 15.4% increase year on year |
| Ordinary income | ¥29.0 billion | 17.5% increase year on year |
| Net income attributable to owners of the parent | ¥18.0 billion | 17.4% increase year on year |

In the fiscal year ending March 31, 2025, there are concerns over the ongoing effects of uncertainties in the global situation and its associated impacts including soaring raw materials prices, but in the ICT field that represents the Company's operating domain, we expect strong performance overall, particularly in the areas of workstyle innovation centering on companies and infrastructure supporting safety and security, despite ongoing reluctance toward capital investment on the part of telecommunications carriers.

In light of the business environment described above, in our consolidated full-year forecast for the fiscal year ending March 31, 2025 we expect to continue proactive investments aimed at growth, including the development of new mission-critical systems to strengthen data-oriented management and higher personnel expenses. However, we will aim to generate greater sales and profits by accelerating the expansion of high value-added businesses such as workstyle innovation and next-generation network security, while taking steps to boost growth and earnings strength through proactive initiatives in domains that play to our strengths, such as national security and upgrade demand for firefighting systems, areas expected to see a market resurgence.

Also note that the Group's financial results tend to show higher sales and profits at the end of the fiscal year, in part due to SI and construction work for providers of social and public services, with profits weighted toward the second half of the year.

(3) Profit Distribution Policy and Dividends for the Fiscal Year Ended March 2024 and the Fiscal Year Ending March 2025

We view the distribution of a reasonable share of profits to shareholders as one of our top management priorities, and make every effort to reinforce the Company's management foundation, strengthen its financial standing, and increase its earning capacity. While we also place a great deal of importance on increasing our corporate value through growth by accelerating strategic investment such as M&A, strengthening the business foundation and creating new businesses that will allow us to expand our future areas of focus, we strive to continually meet the expectations of our shareholders in our profit distribution.

In keeping with this approach, dividends per share for the fiscal year ended March 31, 2024 is set at ¥24.50, as previously forecast. This combined with the interim dividend already paid brings our annual dividend to ¥49.00 per share, an increase of ¥3.00 from the previous year and the 17th consecutive fiscal year of increased dividends.

For the fiscal year ending March 31, 2025 we expect to pay interim and year-end dividends of ¥28.00 each, amounting to an annual dividend of ¥56.00. This represents the Company's intention to further enhance the level of shareholder returns, taking into account steady progress in strengthening operational capabilities and shareholder expectations.

| | Dividends per share (¥) | | |
|--------------------------|-------------------------|----------|-------|
| | Interim | Year end | Total |
| FY March 2024 | 24.50 | 24.50 | 49.00 |
| FY March 2025 (Forecast) | 28.00 | 28.00 | 56.00 |