



Year ended December 31, 2023 Consolidated Financial Results [Japanese GAAP]

February 14, 2024

Tokyo

Company name: Nomura System Corporation

Listed on

Stock code 3940

URL <https://www.nomura-system.co.jp>

Representative Title: Representative Director

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Administration Department

Scheduled date of ordinary general meeting of shareholders March 26, 2024

Scheduled date of commencement of dividend payment March 27, 2024

Scheduled date of filing of annual securities report March 26, 2024

Preparation of supplementary materials for financial results : Yes

Holding of financial results briefing : Yes (For institutional investors and securities analysts)

(Amounts are rounded to the nearest million yen)

Results for the Year Ended December 31, 1.2023 (January 1, 2023-December 31, 2023)

(1) Operating Results

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2023	2,946	9.3	464	32.0	466	25.5	360	40.6
FY 2022/12	2,696	(3.4)	352	(26.0)	371	(24.8)	256	(26.8)

	Per share Net Income	Fully diluted Per share Net Income	Shareholders' equity Net income margin	Total assets Ordinary income ratio	Net sales Operating income margin
	Yen	Yen	%	%	%
Year ended December 31, 2023	7.82	7.79	12.2	14.1	15.8
FY 2022/12	5.53	5.50	9.3	12.2	13.1

(Reference Equity in earnings of Year ended December 31, 2023 —Millions of yen FY 2022/12 —Millions of yen)

(NOTE) We conducted a 2-for-1 stock split on July 1, 2022. Net income per share and diluted net income per share are calculated based on the assumption that the stock split was executed at the beginning of the fiscal year ended December 2022.

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended December 31, 2023	3,442	3,043	88.4	65.62
FY 2022/12	3,143	2,836	90.2	61.11

(Reference Shareholders' equity Year ended December 31, 2023 3,043Millions of yen FY 2022/12 2,836Millions of yen)

(NOTE) We conducted a 2-for-1 stock split on July 1, 2022. Net assets per share are calculated based on the assumption that the stock split occurred at the beginning of the year ended December 31, 2022.

(3) Cash Flow

	From operating activities Cash Flows	From investing activities Cash Flows	From financing activities Cash Flows	Cash and cash equivalents Balance at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2023	350	457	□209	2,666
FY 2022/12	446	□77	□148	2,069

2.Dividends

	Dividend per share					Total dividend amount (Total)	Dividend payout ratio	Net assets Dividend rate
	End of first quarter	End of second quarter	End of the third quarter	Term end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY 2022/12	-	0.00	-	3.25	3.25	151	58.8	5.5
Year ended December 31, 2023	-	0.00	-	3.25	3.25	151	41.6	5.1
FY2024/12 (Forecast)	-	0.00	-	3.25	3.25		-	

Forecast for FY01/12/3.2024 (January 1, 2024 to December 31, 2024)

(Percentages represent year-on-year changes for the full fiscal year and year-on-year changes for the quarter.)

	Net sales		Operating income		Ordinary income		Net Income		Per share Net Income
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Second quarter (cumulative)	1,385	(1.0)	65	(66.7)	65	(66.6)	44	(70.8)	0.96
Full year	3,203	8.7	324	(30.4)	324	(30.4)	221	(38.5)	4.77

(NOTE)(Appendix) Please refer to "1. Overview of Operating Results, etc., (4) Future Outlook" on page 3.

※ Notes

(1) Changes in accounting policies and changes or restatement of accounting estimates

- ☐ Changes in accounting policies caused by revision of accounting standards : None
- ☐ Changes in accounting policies other than (i) : None
- ☐ Changes in accounting estimates : None
- ☐ Restatement of revisions : None

(2) Number of shares outstanding (common shares)

<input type="checkbox"/> Number of shares outstanding at the end of the period (including treasury stock)	Year ended December 31, 2023	46,444,800	Shares	FY 2022/12	46,444,800	Shares
<input type="checkbox"/> Number of treasury stock at the end of the period	Year ended December 31, 2023	73,804	Shares	FY 2022/12	39,484	Shares
<input type="checkbox"/> Average number of shares during the period	Year ended December 31, 2023	45,972,501	Shares	FY 2022/12	46,279,651	Shares

(NOTE) We conducted a 2-for-1 stock split on July 1, 2022. The number of outstanding shares (common shares) is calculated assuming that the stock split occurred at the beginning of the fiscal year ended December 2022.

※ The financial results are outside the scope of audits by a certified public accountant or an auditing firm.

※ Explanations and other special notes concerning the appropriate use of business performance forecasts

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and on certain assumptions deemed to be reasonable, and do not constitute guarantees by the Company of future performance. Actual results may differ materially from the forecast depending on a range of factors. Please refer to "1. Overview of Operating Results, etc., (4) Future Outlook" on page 3 for the preconditions for the forecasts and notes on the use of the forecasts.

□Accompanying Materials – Contents

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1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year under Review

In the current fiscal year, the Japanese economy is showing a recovery trend due to the normalization of economic activities due to the transition to the five communicable diseases of the new type of coronavirus infectious disease. However, the situation remains uncertain due to geopolitical risks, soaring prices, and the effect of the yen's depreciation.

In the operating environment surrounding us, the spread of telework accompanying the spread of the new coronavirus infectious disease has led to the introduction of on-line conferencing systems and cloud-based systems, support for the transition to mission-critical systems associated with the standard maintenance support deadline for SAP ERP 6.0 ®, and digital transformation (DX) initiatives. As a result, the pace of corporate IT spending is trending upward.

Under these business conditions, we have promoted sales activities centered on our strength of personnel solutions in order to win more orders for prime (prime contractor projects) for the introduction of SAP ERP packaging. At the same time, the Group aggressively conducted sales of FIS (*) and RPA to stabilize orders and expand its client base.

As a result, for the fiscal year under review, net sales increased 9.3% year on year to ¥2945981000, operating income increased 32.0% to ¥464347000, ordinary income increased 25.5% to ¥465516000, and net income increased 40.6% to ¥359614000.

Since we are only a single segment of ERP Solutions Business, we have not presented this information by segment.

(※)FIS(Function Implement Service)

In SAP introduction project, client requirements are analyzed from business design and system design, and technical support is provided for design of SAP realization functions and add-on (built-in) design.

(2) Overview of Financial Position for the Fiscal Year under Review

Assets

Total assets at the end of the fiscal year under review increased 298278000 yen from the end of the previous fiscal year to 3441515000 yen. This was mainly due to increases of ¥597076000 in cash and deposits, ¥100274000 in accounts receivable and contract assets, and ¥423602000 in sales of investment securities.

Liabilities

Liabilities at the end of the fiscal year under review increased by ¥91392000 from the end of the previous fiscal year to ¥398546000. This was mainly due to increases of 24054000 yen in accounts payable-trade, 20416000 yen in income taxes payable, and 34876000 yen in other (accrued consumption tax, etc.).

(Net assets)

Net assets at the end of the fiscal year under review increased by ¥206886000 from the end of the previous fiscal year to ¥3042968000. This was mainly due to an increase in retained earnings of ¥359614000 due to the recording of net income, and a decrease of ¥150817000 due to the payment of dividends.

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

The balance of cash and cash equivalents (hereinafter referred to as "cash") at the end of the current fiscal year increased by 597076000 yen from the end of the previous fiscal year to 2665886000 yen.

The status of each cash flow for the current fiscal year is as follows.

Cash flows from operating activities

Net cash provided by operating activities during the fiscal year under review was ¥349792000, compared with net cash provided by operating activities of ¥445841000 in the previous fiscal year. This was mainly attributable to ¥493204000 in income before income taxes and ¥34876000 in changes in accrued consumption taxes, and ¥100274000 in changes in notes and accounts receivable-trade and ¥104116000 in income taxes paid.

Cash flows from investing activities

Net cash provided by investing activities during the fiscal year under review was ¥456740000, compared with net cash used in investing activities of ¥77359000 in the previous fiscal year. This was attributable to ¥1260000 in payments for purchases of property, plant and equipment and ¥458 million in proceeds from sales of investment securities.

Cash flows from financing activities

Net cash used in financing activities during the fiscal year under review was ¥209456000, compared with net cash used in financing activities of ¥147702000 in the previous fiscal year. This was due to dividend payments of ¥150456000 and purchase of treasury stock of ¥59 million.

(Reference) Trends in cash flow-related indicators

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	FY 2022/12	Year ended December 31, 2023
Shareholders' equity ratio (%)	89.2	89.3	89.4	90.2	88.4
Equity ratio based on market value (%)	255.5	313.9	215.2	171.3	155.0
Interest-bearing cash flow Debt ratio	—	—	—	—	—
Interest coverage * Ratio	—	—	—	—	—

Equity ratio : Equity capital/Total assets

Shareholders' equity ratio based on market capitalization: Market capitalization/Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt/Operating cash flow

Instant Coverage Ratio: Operating Cash Flow/Interest Payments

(NOTE) 1. Market capitalization is calculated by multiplying the closing share price at the end of the period by the total number of shares outstanding at the end of the period (excluding treasury stock).

2. Interest-bearing debt to cash flow ratio and interest coverage ratio are not stated because interest-bearing debt does not exist in any of the above periods.

(4)Future Outlook

Looking ahead, corporate IT investment is expected to remain firm against the backdrop of demand for switching corporate core systems from systems developed in-house to ERP packaging and growing demand for cloud-based ERP packaging.

Against this backdrop, we will continue to focus on prime in the human resources field, further expand prime, develop new customers in other fields, such as the accounting field, and provide high-value-added services in FIS to secure stable earnings. In /PMO Consulting Division of the Strategic Planning Department of PMO (*), companies that are progressing in DX and corporate reforms will provide IT strategic consulting services to realize these goals as planned, with the aim of continuously acquiring projects. We plan to continue to make the necessary investments in developing our own solutions aimed at increasing prime orders, increasing the number of recruits and developing human resources.

For this reason, we are currently forecasting net sales of ¥3.2031 billion, operating income of ¥324232000, ordinary income of ¥324232000, and net income of ¥221129000 for the next fiscal year.

(※)PMO(Project Management Office)

A management structure that standardizes the governance processes associated with a project and facilitates the sharing of resources, methodologies, tools and techniques.

(5)Significant Events Related to the Going Concern Assumption

Not applicable.

2.Basic Approach to Selection of Accounting Standards

Many of our stakeholders are domestic shareholders, creditors, business partners, etc., and there is little need to procure funds from overseas. Accordingly, the accounting standard has been applied to Japanese GAAP.

3. Financial Statements and Major Notes

(1) Balance Sheet

(Thousands of yen)

	Prior taxable year As of December 31, 2022	Current fiscal year As of December 31, 2023
Assets		
Current assets		
Cash and deposits	2,068,810	2,665,886
Accounts receivable and contract assets	454,257	554,530
Work in process	2,704	2,017
Prepaid expenses	19,065	30,335
Others	2,275	2,134
Total current assets	2,547,111	3,254,903
Fixed assets		
Property, plant and equipment		
Buildings	48,477	51,913
Accumulated depreciation	(3,755)	(7,155)
Buildings, net	44,722	44,758
Automotive equipment	11,670	11,670
Accumulated depreciation	(6,478)	(8,207)
Vehicles, net	5,192	3,463
Tools, furniture and fixtures	13,274	13,274
Accumulated depreciation	(7,435)	(9,237)
Tools, furniture, and fixtures, net	5,840	4,038
Total property, plant and equipment	55,754	52,259
Intangible assets		
Others	218	218
Total intangible assets	218	218
Investments and other assets		
Investment securities	423,602	0
Long-term prepaid expenses	27,870	58,093
Deferred tax assets	31,393	18,754
Others	57,288	57,288
Total investments and other assets	540,153	134,135
Total noncurrent assets	596,125	186,612
Total assets	3,143,237	3,441,515

(Thousands of yen)

	Prior taxable year As of December 31, 2022	Current fiscal year As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable	159,130	183,183
Accounts payable-other	30,752	44,450
Income taxes payable	53,010	73,426
Deposits received	19,511	21,059
Others	28,248	57,729
Total current liabilities	290,651	379,848
Long-term liabilities		
Asset retirement obligations	16,504	18,699
Total noncurrent liabilities	16,504	18,699
Total liabilities	307,155	398,546
Net assets		
Shareholders' equity		
Common stock	323,871	323,871
Capital surplus		
Legal capital surplus	280,371	280,371
Total capital surplus	280,371	280,371
Retained earnings		
Other retained earnings		
Retained earnings brought forward	2,242,861	2,447,393
Total retained earnings	2,242,861	2,447,393
Treasury stock	(5,646)	(8,738)
Total shareholders' equity	2,841,457	3,042,898
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(5,446)	-
Total valuation and translation adjustments	(5,446)	-
Stock acquisition right	71	71
Total net assets	2,836,082	3,042,968
Total liabilities and net assets	3,143,237	3,441,515

(2)Income Statement

(Thousands of yen)

	Prior taxable year (January 1, 2022 To December 31, 2022)	Current fiscal year (January 1, 2023 To December 31, 2023)
Net sales	2,695,794	2,945,981
Cost of sales	2,028,928	2,163,861
Gross profit	666,865	782,120
Selling, general and administrative expenses	314,986	317,773
Operating income	351,880	464,347
Non-operating income		
Dividends income	18,794	-
Subsidy income	-	1,959
Others	242	100
Total non-operating income	19,035	2,060
Non-operating expenses		
Loss on valuation of investment securities	-	805
Others	-	85
Total non-operating expenses	-	890
Ordinary income	370,915	465,516
Extraordinary income		
Gain on sales of investment securities	-	27,688
Total extraordinary income	-	27,688
Income before income taxes	370,915	493,204
Income taxes	120,498	123,354
Income taxes-deferred	(5,296)	10,236
Total income taxes	115,202	133,590
Net Income	255,713	359,614

(3)Statement of Changes in Shareholders Equity

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

(Thousands of yen)

	Shareholders' equity							
	Common stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
					Retained earnings brought forward			
Opening balance	322,841	279,341	2,639	281,980	2,141,192	2,141,192	□31,671	2,714,341
Change during the year								
Issuance of new shares (exercise of subscription rights to shares)	1,031	1,031		1,031				2,062
Dividend of surplus					(150,022)	(150,022)		(150,022)
Net Income					255,713	255,713		255,713
Purchase of treasury stock			(19)	(19)			(274)	(293)
Disposal of treasury stock			(6,643)	(6,643)			26,299	19,656
Transfer of loss on disposal of treasury stock			4,023	4,023	(4,023)	(4,023)		-
Items other than shareholders' equity Net change in the year								
Total changes in current term	1,031	1,031	(2,639)	(1,608)	101,668	101,668	26,025	127,116
Closing balance	323,871	280,371	-	280,371	2,242,861	2,242,861	(5,646)	2,841,457

	Valuation and translation adjustments		Stock acquisition right	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Opening balance	□67,559	□67,559	71	2,646,853
Change during the year				
Issuance of new shares (exercise of subscription rights to shares)				2,062
Dividend of surplus				(150,022)
Net Income				255,713
Purchase of treasury stock				(293)
Disposal of treasury stock				19,656
Transfer of loss on disposal of treasury stock				-
Items other than shareholders' equity	62,113	62,113		62,113
Net change in the year				
Total changes in current term	62,113	62,113	-	189,229
Closing balance	(5,446)	(5,446)	71	2,836,082

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

(Thousands of yen)

	Shareholders' equity							
	Common stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Opening balance	323,871	280,371	-	280,371	2,242,861	2,242,861	(5,646)	2,841,457
Change during the year								
Issuance of new shares (exercise of subscription rights to shares)								
Dividend of surplus					(150,817)	(150,817)		(150,817)
Net Income					359,614	359,614		359,614
Purchase of treasury stock							(59,000)	(59,000)
Disposal of treasury stock			(4,264)	(4,264)			55,908	51,644
Transfer of loss on disposal of treasury stock			4,264	4,264	(4,264)	(4,264)		-
Items other than shareholders' equity Net change in the year								
Total changes in current term	-	-	-	-	204,532	204,532	(3,092)	201,441
Closing balance	323,871	280,371	-	280,371	2,447,393	2,447,393	(8,738)	3,042,898

	Valuation and translation adjustments		Stock acquisition right	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Opening balance	(5,446)	(5,446)	71	2,836,082
Change during the year				
Issuance of new shares (exercise of subscription rights to shares)				
Dividend of surplus				(150,817)
Net Income				359,614
Purchase of treasury stock				(59,000)
Disposal of treasury stock				51,644
Transfer of loss on disposal of treasury stock				-
Items other than shareholders' equity Net change in the year	5,446	5,446		5,446
Total changes in current term	5,446	5,446	-	206,886
Closing balance	-	-	71	3,042,968

(4)Statements of cash flows

(Thousands of yen)

	Prior taxable year (January 1, 2022 To December 31, 2022)	Current fiscal year (January 1, 2023 To December 31, 2023)
Net cash provided by operating activities		
Income before income taxes	370,915	493,204
Depreciation and amortization	10,984	6,931
Charges for stock compensation	7,683	11,032
Unrealized gains (losses) on available-for-sale securities. (Gain on □)	-	805
Dividends income	(18,794)	-
Loss (Gain) on Sales of Investment Securities. (□)	-	(27,688)
Decrease (increase) in notes and accounts receivable-trade (increase in □)	195,526	(100,274)
Decrease (increase) in inventories (increase in □)	4,469	687
Increase (decrease) in notes and accounts payable-trade (decrease in □)	29,842	24,054
Increase (decrease) in accrued consumption taxes (□: decrease)	(25,511)	34,876
Others	14,863	10,280
Subtotal	589,977	453,909
Dividend received	18,794	-
Income taxes paid	(162,930)	(104,116)
Net cash provided by operating activities	445,841	349,792
Cash flow from investing activities		
Purchase of property, plant and equipment	(36,618)	(1,260)
Proceeds from sales of investment securities	-	458,000
Payments for lease and guarantee deposits	(47,271)	-
Proceeds from refund of lease and guarantee deposits	14,270	-
Payments for asset retirement obligations	(7,740)	-
Cash flow from investing activities	(77,359)	456,740
Cash flow from financing activities		
Proceeds from issuance of shares upon exercise of subscription rights to shares	2,062	-
Purchase of treasury stock	-	(59,000)
Cash dividends paid	(149,763)	(150,456)
Cash flow from financing activities	(147,702)	(209,456)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	220,780	597,076
Cash and cash equivalents at beginning of period	1,848,030	2,068,810
Cash and cash equivalents at end of term	2,068,810	2,665,886

(5)Notes to Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Segment Information)

Segment Information

Disclosure is omitted because ERP Solution Business is the only single segment.

(Equity in earnings of affiliates, etc.)

Not applicable because we do not have an affiliate.

(Per Share Information)

	Prior taxable year (January 1, 2022 To December 31, 2022)	Current fiscal year (January 1, 2023 To December 31, 2023)
Net assets per share	61.11 yen	65.62 yen
Net income per share	5.53 yen	7.82 yen
Diluted EPS Net income for computation	5.50 yen	7.79 yen

(NOTE) 1. We conducted a 2-for-1 stock split on July 1, 2022. Net assets per share, net income per share and diluted net income per share have been calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

2. The basis for calculating net income per share is as follows.

Item	Prior taxable year (January 1, 2022 To December 31, 2022)	Current fiscal year (January 1, 2023 To December 31, 2023)
Net income per share		
Net income (thousand yen)	255,713	359,614
Amount not attributable to common shareholders	—	—
Net income attributable to common stock (thousand yen)	255,713	359,614
Average number of shares of common stock outstanding during the period (shares)	46,279,651	45,972,501
Diluted EPS Net income for computation		
Adjustment to net income (thousand yen)	—	—
Increase in common stock (shares)	252,874	218,734
(Stock acquisition rights (shares))	(252,874)	(218,734)
Summary of potential shares not included in the calculation of diluted net income per share because they have no dilutive effect	—	—

(Significant subsequent events)

(Acquisition of Treasury Stock)

At the meeting of the Board of Directors held on February 14, 2024, we passed a resolution regarding the acquisition of treasury stock in accordance with the provisions of Article 156 of the Companies Act as applied by replacing certain terms pursuant to the provisions of Article 165, Paragraph 3 of the same Act.

1.Reason for Conducting the Share Repurchase

We acquire treasury stock to improve capital efficiency and to enable the execution of flexible capital policies in response to changes in the business environment, including consideration of incentive plans, by acquiring such shares as treasury stock.

2.Contents of matters pertaining to the acquisition

(1)	Type of stock to be acquired	Common stock
(2)	Can acquire Total number of shares	Up to 700,000 shares (1.5% of the total number of issued shares (excluding treasury stock))
(3)	Aggregate amount of acquisition cost	Up to 150,000,000 yen
(4)	Acquisition period	February 15, 2024-May 31, 2024
(5)	Acquisition method	Market purchase on the Tokyo Stock Exchange

(Reference) Treasury stock held as of December 31, 2023

Number of issued shares (excluding treasury stock)	46,370,996 shares
Treasury stock	73,804 shares