

KEYWARE TIMES

Annual Report 2024

59th Term Business Report
Year Ended March 31, 2024

Special Feature

Interview with President Masahiro Mita
**Progress and future initiatives of
the Medium-term Management Plan
“Vision 2026”**



IT can create it.

Keyware Solutions Inc.

TSE Standard Market Stock Code: 3799

Progress and future initiatives of the Medium-term Management Plan “Vision 2026”

We interviewed President Masahiro Mita about the Five-year Medium-term Management Plan “Vision 2026,” which commenced in FY2023.

◆ Please give us an overview of the Medium-term Management Plan Vision 2026.

Under its five-year Medium-term Management Plan Vision 2026, which started in FY2023, the Group has been working to achieve business expansion and high profitability based on the three basic policies of “Qualitative Transformation of Foundational Businesses,” “Expansion of Primary Contract Businesses,” and “Taking on New Domains.”

The first three years of the five-year period, Phase 1 will be used to strengthen and rebuild the business foundation, while the latter half of the plan period, Phase 2 will be used to further expand the growth of core businesses and new business domains.

The System Development and System Integration Business is the foundational business and comprise most of the net sales in the Keyware Group.

In this business, although IT investment demand is expected to continue against the backdrop of DX, the business environment is expected to change constantly due to rapidly evolving technologies and diversifying customer needs.

To achieve sustainable growth amid such changes, in the “Qualitative Transformation of Foundational Businesses,” we are working on expanding development methods using products and cloud services, increasing orders for contract projects, strengthening collaboration with specific channels*1, and suppressing unprofitable projects.



Masahiro Mita, President & CEO

Primary contract businesses refers to businesses that provide services and solutions through direct contracts with customers.

In the “Expansion of Primary Contract Businesses,” as more customers are actively using IT to transform their businesses and working styles, we are targeting private companies to strengthen relationships with customers by providing solutions that support their goal achievement and aiming for business expansion through continuous support.

In “Taking on New Domains,” we are actively working on entering new areas and creating new services to build a foundation for medium to long-term growth.

We plan for net sales of 24,000 million yen and operating income of 1,400 million yen in the fiscal year ending March 31, 2027.

◆ Please tell us about the progress and results of the plan after the second year of the Medium-term Management Plan.

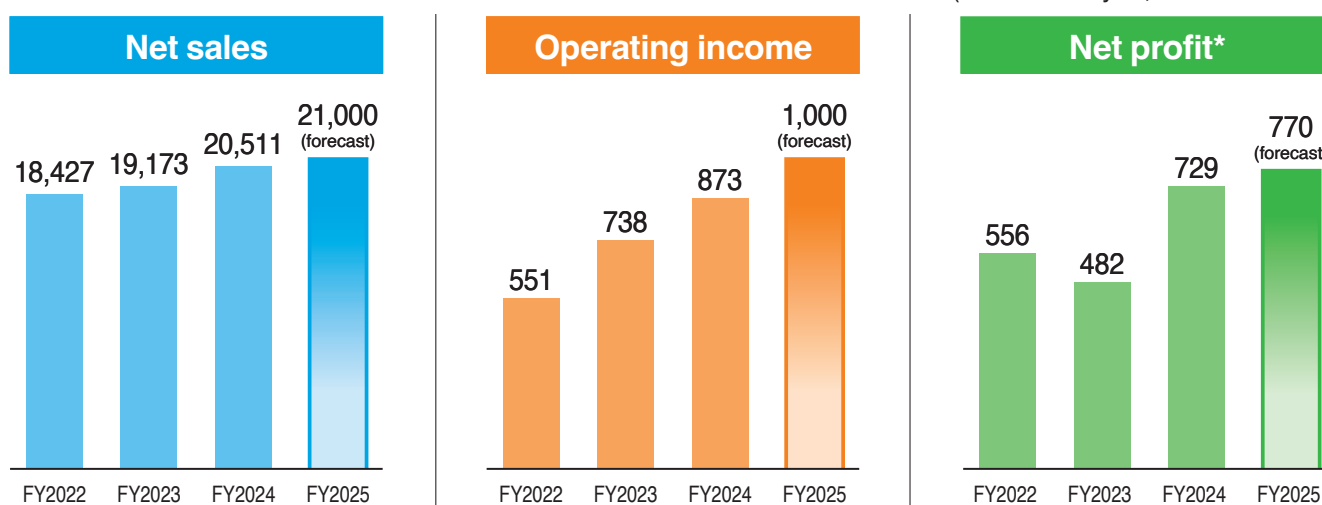
In the first two years, both net sales and profits have generally grown as planned.

In addition to strong orders for large outsourcing projects due to continued IT investment demand from customers, orders for projects using products and cloud services are also strong.

The growth in the use of products and cloud services, which enables development

Highlights of consolidated business performance

(Unit: million yen, rounded down)



* Refers to net profit attributable to owners of parent.

▶ More detailed information on our consolidated financial results is presented in our results briefing video. Please use the QR code on the back cover of this pamphlet to access the video.

in a short period while ensuring quality, has contributed to improving profitability, and progress has also been made in efforts to control unprofitable projects, leading to increased profits.

Relationships with specific channels*¹ have been strengthened with each company, and new results are also emerging, such as the acquisition of new customers through coordinated sales activities.

We aim to create new value by further enhancing synergies.

For the expansion of primary contract businesses, we are working to acquire new customers and expand the scope of business with existing customers through proposal activities aimed at building core systems using ERP packages, which is one of our strengths, and providing solutions to help customers achieve DX.

In new areas, we have started providing security vulnerability diagnostics in the cybersecurity domain, and we are also participating in projects in the digital finance domain.

◆ Please tell us about the main initiatives for the fiscal year ending March 31, 2025.

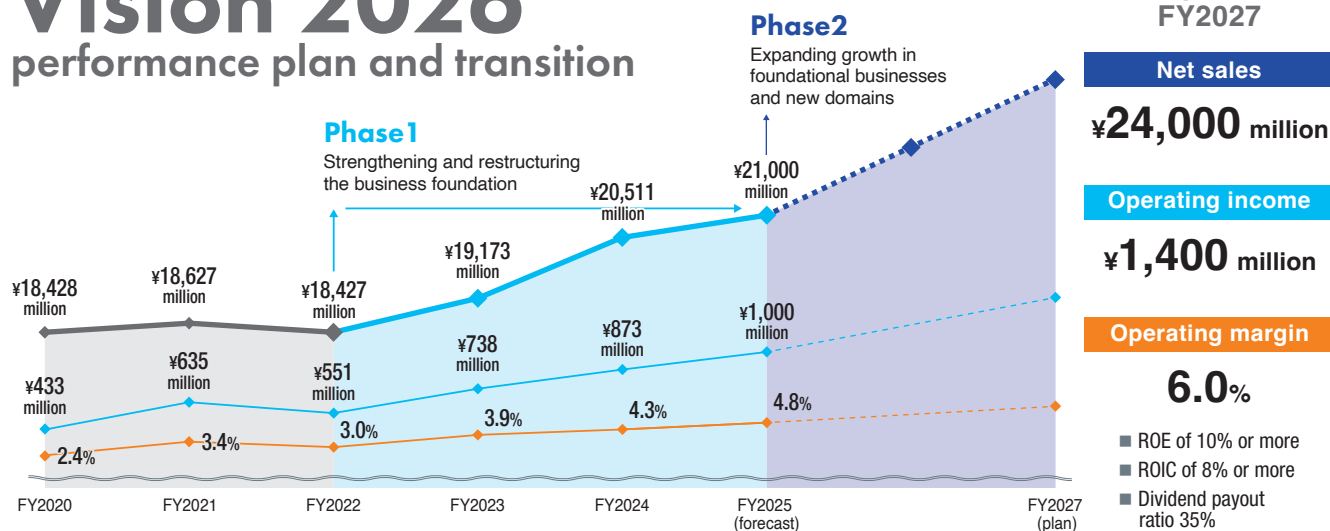
We expect a continued favorable order environment for the fiscal year ending March 31, 2025.

For the “Qualitative Transformation of Foundational Businesses,” we will further focus on training engineers to expand the use of products and cloud services.

For the “Expansion of Primary Contract Businesses,” we will strengthen our

Five-year Medium-term Management Plan (fiscal year ended March 31, 2023 to fiscal year ending March 31, 2027)

Vision 2026 performance plan and transition



competitiveness in providing ERP solutions, which is our strength, by responding to the latest technologies and enhancing the functionality of our in-house development templates.

Recently, demand for migration to the cloud has been increasing, and we have established a new department in charge of building cloud environments and strengthened structures to provide integrated solutions ranging from system development to infrastructure construction.

We will propose comprehensive, high-value-added solutions that address the various issues faced by our customers.

Furthermore, to strengthen the medical solutions business, we have consolidated engineers and sales staff involved in this business within the Group.

We aim to further expand the business by providing stronger support for solving the issues of customers.

The fiscal year ending March 31, 2025 is the final year of Phase 1.

For this reason, we will not only achieve the financial targets but also solidify the foundation to accelerate growth in the next phase.

◆ Please give a message to the shareholders and investors.

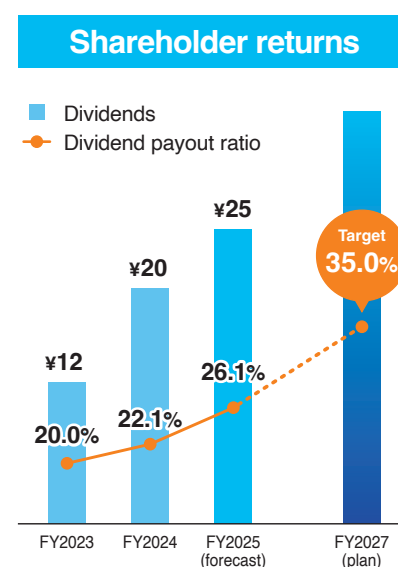
We position the return of profits to shareholders as one of our most important management priorities, and our policy is to actively return the profits we generate.

Specifically, we have set a target dividend payout ratio of 35.0% for the fiscal year ending March 31, 2027, and plan to raise this target in stages as our business performance improves.

In order to achieve return on equity that exceeds the cost of capital, we have set targets of ROE of 10.0% and ROIC of 8.0% for the fiscal year ending March 31, 2027, and are working to achieve these targets.

Through these efforts, we aim to build long-term relationships with our shareholders and achieve sustainable growth and further improve our corporate value.

We hope for your continued support of the Company and expectations for our growth.



*1 JR East Information Systems Company, Kanematsu Electronics Ltd., and Canon Marketing Japan Inc.

Keyware Up Close

Introducing business expansion and initiatives of the Keyware Group

>>> IT Event

■ Lectures and demonstrations on the theme of DX promotion at various locations

We participated in events held at various locations with the theme of DX promotion, introducing case studies and demonstrations of business optimization consulting, digitalization solutions, various RPA solutions, and data integration solutions, and our chief evangelist gave a lecture on the theme of DX promotion realized with no code.



We will continue to conduct activities to make our services known to as many people as possible.

Major exhibits and seminars held

- Back Office DXPO Fukuoka'23, an exhibition for improving operational efficiency and promoting DX in administrative departments (October)
- Rethinking DX System Development 2023: Internal Production or Outsourcing?! (October)
- Lecture on DX Promotion at "ISHIKAWA DX WORLD" connecting Ishikawa with the Future (December)
- Technical Show Yokohama 2024 (February) ● Smart Factory Japan 2024 (February)

>>> Project

■ Participated in Tohoku University's Business DX Promotion Project 4.0



東北大学
TOHOKU UNIVERSITY

We participated in Tohoku University's Business DX Promotion Project 4.0.

This project aims to achieve an education and research environment suitable for the new normal era and create an attractive workplace environment using DX.

By leveraging our extensive experience and technological capabilities in IT solutions, we are participating in the "Business Smart Team," "Business Reform Promotion Team," "Business Innovation Team," and "Tohoku University App Team."

We will continue to participate in the newly starting "Business DX Promotion Project 5.0" in fiscal year 2024 and support the execution of the project's mission.

>>> Brand-New Business

■ Consolidation of the medical solutions business

In April 2024, we consolidated the engineers and sales staff involved in this business, which had been dispersed throughout the group companies, to strengthen our medical solutions business, and integrated software packages, technology, and know-how.

We aim to provide stronger support for solving the issues of customers and provide new value.

■ Renewal and launch of Medlas-BR pathology inspection system

We have launched a renewed version of Medlas-BR, which has been sold for over 20 years and is used by many medical institutions.

The renewal has improved operational efficiency and the safety of medical information.

We will continue to improve the functions of our self-developed packaged software to contribute to operational efficiency in the medical field and to the improvement of medical services.



Sustainability activities

Certified as Health & Productivity Management Outstanding Organizations 2024 (the large enterprise category)

For the fifth consecutive year, we have been certified in the large enterprise category of the Health & Productivity Management Outstanding Organizations 2024 jointly conducted by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi (the Japan Health Council).



Based on the idea that mental and physical health are fundamental for employees to fulfill their individual potential, we will promote health management and address various issues to create a workplace where employees can work in good health and with enthusiasm and satisfaction.



Keyware issues the Sustainability Report every year. Please view this report from the Company website.

▶ <https://www.keyware.co.jp/about/csr/report-index.html>



Financial Statements (Summary)

Unit: million yen, rounded down

Consolidated Balance Sheet

	Previous fiscal year As of March 31, 2023	Current fiscal year As of March 31, 2024
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(Assets)

Current assets	7,368	8,099
Non-current assets	3,784	4,426
Property, plant and equipment	100	353
Intangible assets	487	444
Investments and other assets	3,196	3,627
Total assets	11,153	12,525

POINT: Assets

Despite a decrease in contract assets, the increase in cash and deposits, buildings and structures, and investment securities resulted in an increase of 1,372 million yen from the end of the previous fiscal year, to 12,525 million yen.

(Liabilities)

Current liabilities	3,015	3,317
Non-current liabilities	330	567
Total liabilities	3,345	3,885

POINT: Liabilities

Liabilities increased 540 million yen from the end of the previous fiscal year to 3,885 million yen, mainly due to an increase in provision for bonuses and asset retirement obligations.

(Net assets)

Shareholders' equity	7,760	8,397
Accumulated other comprehensive income	47	242
Total net assets	7,807	8,639
Total liabilities and net assets	11,153	12,525

POINT: Net assets

Net assets increased 831 million yen from the end of the previous fiscal year to 8,639 million yen, mainly due to an increase in retained earnings and remeasurements of defined benefit plans. As a result, shareholders equity ratio became 69.0%.

Consolidated Income Statements

	Previous fiscal year April 1, 2022 to March 31, 2023	Current fiscal year April 1, 2023 to March 31, 2024
Net sales	19,173	20,511
Cost of sales	15,732	16,675
Gross profit	3,441	3,836
Selling, general and administrative expenses	2,702	2,962
Operating income	738	873
Ordinary income	921	1,090
Profit attributable to owners of parent	482	729

POINT: Net sales

Net sales increased 1,338 million yen from the previous fiscal year to 20,511 million yen due to the progress of large public systems projects started in the previous fiscal year, as well as the acquisition of large projects for core systems and infrastructure.

POINT: Operating income

Despite an increase in selling, general, and administrative expenses, operating income was 873 million yen, up 135 million yen year over year due to higher net sales and controlling unprofitable projects.

Consolidated Statement of Cash Flows

	Previous fiscal year April 1, 2022 to March 31, 2023	Current fiscal year April 1, 2023 to March 31, 2024
Net cash provided by (used in) operating activities	653	1,183
Net cash provided by (used in) investing activities	-50	-157
Net cash provided by (used in) financing activities	-474	-99
Net increase in cash and cash equivalents	128	926
Balance of cash and cash equivalents at the beginning of year	910	1,038
Balance of cash and cash equivalents at the end of the fiscal year	1,038	1,964

POINT: Consolidated cash flow

In operating activities, there was a positive cash flow of 1,183 million yen due to booking a profit in net income before income taxes and a decrease in accounts receivable.

In investment activities, there was a negative cash flow of 157 million yen due to such factors as acquisition of intangible assets.

In financing activities, there was a negative cash flow of 99 million yen due to dividend payments.

As a result, the balance of cash and cash equivalents at the end of the fiscal year became 1,964 million yen, up 926 million yen year over year.

Stock Information (as of March 31, 2024)

Stock Information

Stock Information

● Authorized shares	● Major shareholders
..... 36,440,000	HBA Corporation
● Outstanding shares	JR East Information Systems Company
..... 9,110,000	Kanematsu Electronics Ltd.
● Shareholders	Canon Marketing Japan Inc.
..... 3,602	Sumitomo Life Insurance Company
	Sumitomo Mitsui Banking Corporation

Notes for Shareholders

Fiscal year	April 1 to March 31
Date of ordinary general meeting of shareholders	Every June
Shareholder registration date	Ordinary general meeting of shareholders and fiscal year-end dividend: Every March 31 Interim dividend: Every September 30 If another date is necessary, the prescribed date notified in advance.
Shareholder's register manager and administrator of special account	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Shareholder's register manager administration office	Stock Transfer Agency Department Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
[Contact and postal address]	Stock Transfer Agency Department Sumitomo Mitsui Trust Bank, Limited 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan
[Phone]	(Toll-free in Japan) 0120-782-031
[Internet website URL]	https://www.smtb.jp/personal/procedure/agency/
Method of public notice	The Company provides electronic public notices. However, notices shall be provided by publication in the Nihon Keizai Shimbun if an accident or other unavoidable circumstances prevent the use of electronic public notices.
Listing exchange	Tokyo Stock Exchange, Standard Market

Procedures concerning shares of stock

- **Notification and inquiry for address change**
Please contact the securities company which you use. Shareholders who do not use a securities company account should contact the phone number listed above for Sumitomo Mitsui Trust Bank.
- **Payment of dividends payable**
Please apply to Sumitomo Mitsui Trust Bank, which is the administrator of the shareholder's register.

Company Profile (as of June 25, 2024)

Corporate Data

Company Profile

Trade name	Keyware Solutions Inc.
Address	5-37-18, Kamikitazawa, Setagaya-ku, Tokyo 156-8588, Japan
Date of establishment	May 1965
Capital	1,737 million yen
Sales	20,511 million yen (Consolidated, fiscal year ended March 31, 2024)
Employees	1,272 (Consolidated, as of March 31, 2024)
Certifications	Registered as a Quality Management Systems Company Firm Permitted to use the JIPDEC Privacy Mark Registered as an Information Security Management Systems Company Registered as an Environmental Management Systems Company “Kurumin” Certification as a Company Supporting Childcare Certified as Health & Productivity Management Outstanding Organizations Recognition Program (the large enterprise category)

Executives

President & CEO	Masahiro Mita
Director	Toshikazu Ogawa
Director	Ikuo Saito
Director	Tetsuro Kato
Director	Takuya Suetsuna
Director	Masaru Wakiya
Outside Director	Makiko Noda
Outside Director	Stefan Gustafsson
Outside Director	Ayumi Tateda

Auditor	Nobuyuki Sawada
Auditor	Keiji Ushirone
Outside Auditor	Hiroshi Takita
Outside Auditor	Kenichi Ota

- * Directors Makiko Noda, Stefan Gustafsson, and Ayumi Tateda are Outside Directors as provided in Article 2, item (xv) of the Companies Act.
- * Auditors Hiroshi Takita and Kenichi Ota are Outside Auditors as provided in Article 2, item (xvi) of the Companies Act.
- * Directors Makiko Noda and Stefan Gustafsson, and Auditors Hiroshi Takita and Kenichi Ota are independent officers who do not have the potential to cause conflicts of interest against general shareholders, the designation of which is required by the Tokyo Stock Exchange.

■ Internet IR Information

Keyware Solutions aims to distribute timely and easy-to-follow information to shareholders and investors, and endeavors to improve its IR activities by enriching its company website.

Keyware IR English

Search

<https://www.keyware.co.jp/english/ir/index.html>

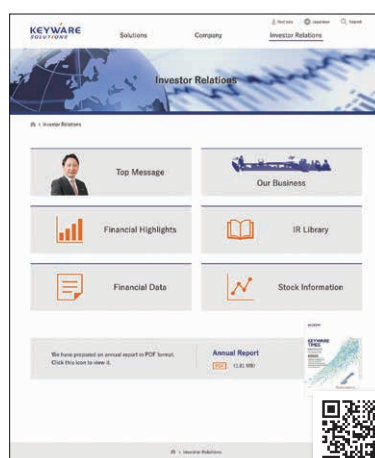
English language site

In English language site, information is provided in order to generate a deeper understanding of the operations of Keyware Group.



<https://www.keyware.co.jp/english/index.html>

IR Information



<https://www.keyware.co.jp/english/ir/index.html>

Results briefing (video dissemination)

A video of the results briefing is disseminated together with the results briefing documentation.

The information contains explanations concerning the business report and future strategies of Keyware.



<https://irp-system.net/presenter/?conts=01hxqt5cmb9atvkg7djffcp6ne>

Keyware Solutions Inc.

5-37-18, Kamikitazawa, Setagaya-ku, Tokyo 156-8588, Japan
Corporate Planning Division, Public Relations & Investor Relations Office
<https://www.keyware.co.jp/english/>



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QMS, EMS, ISMS JUSE-EG-266
Registrations JUSE-IR-001

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