

Summary of Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending March 31, 2025
(Nine Months Ended December 31, 2024)

[Japanese GAAP]

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Stock code: 3910

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Scheduled date of payment of dividend: –

Preparation of supplementary materials for financial results: None

Holding of financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2024**(April 1, 2024–December 31, 2024)****(1) Consolidated operating results**

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Dec. 31, 2024	2,254	26.0	(143)	–	(153)	–	(196)	–
Nine months ended Dec. 31, 2023	1,788	(14.1)	(415)	–	(417)	–	(700)	–

Note: Comprehensive income (million yen)

Nine months ended Dec. 31, 2024: (197) (–%)

Nine months ended Dec. 31, 2023: (701) (–%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended Dec. 31, 2024	(36.13)	–
Nine months ended Dec. 31, 2023	(129.14)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2024	2,351	594	25.1
As of Mar. 31, 2024	2,558	816	31.6

Reference: Equity (million yen)

As of Dec. 31, 2024:

589

As of Mar. 31, 2024:

807

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2024	–	0.00	–	4.00	4.00
Fiscal year ending Mar. 31, 2025	–	0.00	–		
Fiscal year ending Mar. 31, 2025 (forecast)				4.00	4.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2025 (April 1, 2024–March 31, 2025)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	3,240	22.7	107	–	109	–	73	–	13.45

Note: Revisions to the most recently announced earnings forecasts: None

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of issued shares (common stock)

1) Number of shares issued at the end of period (including treasury shares)

As of Dec. 31, 2024:	5,428,000 shares	As of Mar. 31, 2024:	5,428,000 shares
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2) Number of treasury shares at the end of period

As of Dec. 31, 2024:	506 shares	As of Mar. 31, 2024:	506 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2024:	5,427,494 shares	Nine months ended Dec. 31, 2023:	5,427,494 shares
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* Review of the attached quarterly consolidated financial statements by a certified public accountant or auditing firm: None

* Explanation of appropriate use of earnings forecasts, and other special items

Forecasts of future performance in this report are based on assumptions judged to be valid and information available to the MKSystem's management at the time the materials were prepared but are not promises by MKSystem regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements" on page 4 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first nine months of the fiscal year ending March 31, 2025 (hereinafter the “period under review”), the Japanese economy saw a sign of moderate recovery due to an improvement in the employment and income environment as well as a pickup in capital investment, despite personal consumption remaining at a standstill in some areas. However, the future is still unclear, given the persistence of high-interest rate policies in the United States and Europe, the stagnation of the Chinese economy, and the escalating tensions in Ukraine and the Middle East. These risks of a decline in foreign economies have raised concerns about the impact on the Japanese economy.

In the domestic information service industry and the field of personnel and labor management, in which MKSystem Corporation and its group companies (hereinafter collectively, the “Group”) are involved, demand for IT investment among companies shows a recovery trend. This was supported by companies’ efforts to improve business efficiency by using generative AI technology and the furtherance of digital transformation (DX) and to enhance cost competitiveness. However, there is still a concern for the impact of uncertainties in the foreign economies on the domestic economy, which requires attention to future IT investment trends.

Under these circumstances, while further addressing the case of unauthorized access using a ransomware occurred in the previous fiscal year, the Group released Shalom FOREVER, a new product of Shalom series that is our flagship product. Through these measures, we strove to support customers in improving business efficiency and creating added value, aiming to further increase customer satisfaction. However, given that operating cost for the cloud services built in the previous fiscal year increased due to a delay in system development and a weaker yen, its impact on earnings is now a matter of concern. We will continuously focus on reducing cost and make further efforts to strengthen our competitiveness.

As a result, for the period under review, the Group reported net sales of 2,254 million yen (up 26.0% year on year), gross profit of 835 million yen (up 80.7%), operating loss of 143 million yen (compared with operating loss of 415 million yen for the same period of the previous fiscal year), ordinary loss of 153 million yen (compared with ordinary loss of 417 million yen for the same period of the previous fiscal year), and loss attributable to owners of parent of 196 million yen (compared with loss attributable to owners of parent of 700 million yen for the same period of the previous fiscal year). In addition, the return on equity (ROE), one of the KPIs for the Group, was at minus 28.1% (compared with minus 61.1% for the same period of the previous fiscal year) on a consolidated basis, and minus 2.4% (compared with minus 48.8% for the same period of the previous fiscal year) on a non-consolidated basis.

Results by business segment were as follows.

The Shalom Business

We provide business software to support labor and social security attorney offices, labor insurance administration associations, and general corporations by facilitating their operations and processes for the social security insurance, labor insurance, and payroll calculation. Our mainstay products include the following cloud services: Shalom series as our flagship product, MYNABOX series as a My Number management system, and eNEN as a web-based year-end adjustment filing system.

A growing number of companies as well as labor and social security attorney offices are more interested in introducing relevant systems, amid an increasing demand for operational efficiency following the work-style reforms including teleworking. At the same time, we expect an intensified price competition with succession of active entries in the market.

Under these circumstances, we were able to increase sales year on year, thanks in part to the release of Shalom FOREVER, our new product. Despite this, the segment recorded operating loss reflecting increases in operating cost for the cloud services and expenses of customer support.

Net sales of the segment consist of those from the cloud services of 1,715 million yen (up 28.4% year on year), of which the ASP services under the subscription model amounted to 1,658 million yen (up 30.3%) and the system construction services amounted to 57 million yen (down 9.8%); and those from the system products of 56 million yen (down 6.1%).

As a result, the segment recorded net sales of 1,777 million yen (up 26.4% year on year), gross profit of 734 million yen (up 108.7%), and operating loss of 80 million yen (compared with operating loss of 387 million yen for the same period of the previous fiscal year). The ratio of operating profit (loss) to net sales, one of the KPIs for the Group, came in at minus 4.5% (compared with minus 27.6% for the same period of the previous fiscal year).

The CuBe Business

We have been engaged in the contracted development of individually customized front-end systems for the personnel and general affairs divisions of large companies to improve their business processes. In addition, the CuBe Business provides cloud services, GooooN, specialized in convenience for small- and medium-sized companies by leveraging our know-how gained through the contracted development of systems for large companies.

In the contracted development of front-end systems, orders for new projects by large companies and local governments have successfully increased, resulting in steadily growing number of projects. These projects have started to contribute to net sales in earnest in the third quarter. In the cloud service business GooooN, we focused on functional enhancement and cultivation of sales channels to expand our customer base.

Despite our efforts to reduce costs, the segment recorded operating loss due to incurrence of upfront costs consisting mainly of outsourcing expenses and promotion expenses. Going forward, we will focus on further improving cost efficiency.

As a result, the segment recorded net sales of 484 million yen (up 22.7% year on year), gross profit of 101 million yen (down 9.1%), and operating loss of 72 million yen (compared with operating loss of 43 million yen for the same period of the previous fiscal year). Operating loss of the CuBe Business reflects amortization of goodwill of 29 million yen.

(2) Explanation of Financial Position

Assets, Liabilities and Net Assets

Assets

The balance of current assets at the end of the period under review decreased 67 million yen from the end of the previous fiscal year to 1,369 million yen. This was mainly due to a decrease of 66 million yen in accounts receivable-trade and an increase of 29 million yen in work in process.

The balance of non-current assets decreased 139 million yen from the end of the previous fiscal year to 981 million yen. This was mainly due to decreases of 214 million yen in software in progress and 29 million yen in goodwill, and an increase of 110 million yen in software.

As a result, the balance of total assets decreased 207 million yen from the end of the previous fiscal year to 2,351 million yen.

Liabilities

The balance of current liabilities at the end of the period under review increased 100 million yen from the end of the previous fiscal year to 1,110 million yen. This was mainly due to increases in current portion of long-term borrowings of 59 million yen and accrued consumption taxes of 31 million yen, and a decrease in provision for bonuses of 27 million yen.

The balance of non-current liabilities decreased 85 million yen from the end of the previous fiscal year to 646 million yen. This was mainly due to a decrease of 91 million yen in long-term borrowings.

As a result, the balance of total liabilities increased 14 million yen from the end of the previous fiscal year to 1,756 million yen.

Net assets

The balance of shareholders' equity at the end of the period under review decreased 217 million yen from the end of the previous fiscal year to 589 million yen. This was mainly due to a decrease of 217 million yen in retained earnings.

As a result, the balance of net assets decreased 221 million yen from the end of the previous fiscal year to 594 million yen.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements

There are no revisions to the consolidated earnings forecast for the fiscal year ending March 31, 2025, which was announced in the “Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Japanese GAAP)” on May 7, 2024.

If the future development of business performance causes us to decide to revise the consolidated earnings forecasts for the fiscal year ending March 31, 2025, we will disclose them promptly.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	FY3/24 (As of Mar. 31, 2024)	Third quarter of FY3/25 (As of Dec. 31, 2024)
Assets		
Current assets		
Cash and deposits	711,780	701,343
Accounts receivable-trade	564,670	498,352
Merchandise	7,912	7,580
Work in process	91,442	121,353
Supplies	430	481
Prepaid expenses	39,879	31,270
Consumption taxes refund receivable	—	1,450
Allowance for doubtful accounts	—	(1,617)
Other	20,991	9,540
Total current assets	1,437,107	1,369,756
Non-current assets		
Property, plant and equipment		
Buildings, net	101,089	98,293
Vehicles, net	0	0
Tools, furniture and fixtures, net	25,678	22,878
Total property, plant and equipment	126,767	121,172
Intangible assets		
Software	485,536	596,468
Software in progress	244,876	30,444
Trademark right	625	452
Telephone subscription right	1,218	1,218
Goodwill	97,056	67,939
Total intangible assets	829,312	696,523
Investments and other assets		
Investments in capital	60	70
Guarantee deposits	157,246	157,398
Deferred tax assets	6,390	2,983
Other	1,176	3,133
Total investments and other assets	164,872	163,584
Total non-current assets	1,120,953	981,280
Total assets	2,558,060	2,351,037

	(Thousands of yen)	
	FY3/24 (As of Mar. 31, 2024)	Third quarter of FY3/25 (As of Dec. 31, 2024)
Liabilities		
Current liabilities		
Accounts payable-trade	62,683	55,925
Short-term borrowings	300,000	300,000
Current portion of long-term borrowings	304,428	363,624
Accounts payable-other	125,355	150,779
Accrued expenses	24,855	22,670
Income taxes payable	16,151	8,846
Accrued consumption taxes	14,142	45,596
Advances received	88,133	101,336
Provision for bonuses	63,169	36,049
Other	11,251	25,346
Total current liabilities	1,010,170	1,110,176
Non-current liabilities		
Long-term borrowings	722,059	630,576
Retirement benefit liability	9,688	15,679
Total non-current liabilities	731,747	646,255
Total liabilities	1,741,917	1,756,431
Net assets		
Shareholders' equity		
Share capital	219,110	219,110
Capital surplus	202,122	202,122
Retained earnings	386,973	169,186
Treasury shares	(499)	(499)
Total shareholders' equity	807,706	589,919
Non-controlling interests	8,436	4,685
Total net assets	816,143	594,605
Total liabilities and net assets	2,558,060	2,351,037

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Nine-month Period)**

(Thousands of yen)

	First nine months of FY3/24 (Apr. 1, 2023–Dec. 31, 2023)	First nine months of FY3/25 (Apr. 1, 2024–Dec. 31, 2024)
Net sales	1,788,362	2,254,152
Cost of sales	1,326,102	1,418,881
Gross profit	462,260	835,271
Selling, general and administrative expenses	877,945	979,191
Operating loss	(415,684)	(143,919)
Non-operating income		
Interest income	2	45
Dividend income	1	1
Rental income	30,295	30,069
Outsourcing service income	4,500	2,700
Other	22	2,135
Total non-operating income	34,820	34,950
Non-operating expenses		
Interest expenses	3,783	7,288
Rental costs	27,329	27,180
Commission expenses	6,000	55
Miscellaneous losses	–	9,429
Other	–	621
Total non-operating expenses	37,112	44,575
Ordinary loss	(417,977)	(153,544)
Extraordinary losses		
Loss on retirement of non-current assets	125,934	–
System failure response expenses	139,562	–
Non-recurring loss	–	38,537
Total extraordinary losses	265,496	38,537
Loss before income taxes	(683,473)	(192,082)
Income taxes-current	1,791	1,791
Income taxes-deferred	16,116	3,407
Total income taxes	17,908	5,198
Loss	(701,382)	(197,281)
Loss attributable to non-controlling interests	(453)	(1,204)
Loss attributable to owners of parent	(700,928)	(196,077)

Quarterly Consolidated Statement of Comprehensive Income
(For the Nine-month Period)

	(Thousands of yen)	
	First nine months of FY3/24 (Apr. 1, 2023–Dec. 31, 2023)	First nine months of FY3/25 (Apr. 1, 2024–Dec. 31, 2024)
Loss	(701,382)	(197,281)
Comprehensive income	(701,382)	(197,281)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(700,928)	(196,077)
Comprehensive income attributable to non-controlling interests	(453)	(1,204)

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment Information

First nine months of FY3/24 (Apr. 1, 2023–Dec. 31, 2023)

Information related to net sales and profit/loss for each reportable segment

	(Thousands of yen)				
	Shalom Business	CuBe Business	Total	Adjustment (Note)	Amounts recorded in quarterly consolidated statement of income
Net sales					
External sales	1,403,102	385,260	1,788,362	—	1,788,362
Inter-segment sales and transfers	3,024	9,559	12,583	(12,583)	—
Total	1,406,126	394,819	1,800,946	(12,583)	1,788,362
Segment loss	(387,449)	(43,320)	(430,770)	15,085	(415,684)

Notes: 1. The adjustment to segment loss is the elimination of inter-segment transactions.

2. Segment loss is adjusted to be consistent with operating loss presented on the quarterly consolidated statement of income.

First nine months of FY3/25 (Apr. 1, 2024–Dec. 31, 2024)

Information related to net sales and profit/loss for each reportable segment

	(Thousands of yen)				
	Shalom Business	CuBe Business	Total	Adjustment (Note)	Amounts recorded in quarterly consolidated statement of income
Net sales					
External sales	1,776,644	477,507	2,254,152	—	2,254,152
Inter-segment sales and transfers	1,212	7,104	8,317	(8,317)	—
Total	1,777,857	484,612	2,262,469	(8,317)	2,254,152
Segment loss	(80,199)	(72,618)	(152,817)	8,897	(143,919)

Notes: 1. The adjustment to segment loss is the elimination of inter-segment transactions.

2. Segment loss is adjusted to be consistent with operating loss presented on the quarterly consolidated statement of income.

Consolidated Statement of Cash Flows

A quarterly consolidated statement of cash flows for the first nine months of FY3/25 has not been prepared. Depreciation (includes amortization expenses related to intangible assets minus goodwill) and amortization of goodwill for the first nine months of each fiscal year is as follows.

	(Thousands of yen)	
	First nine months of FY3/24 (Apr. 1, 2023–Dec. 31, 2023)	First nine months of FY3/25 (Apr. 1, 2024–Dec. 31, 2024)
Depreciation	270,007	276,750
Amortization of goodwill	29,359	29,116

This financial report is solely a translation of MKSystem's Kessan Tanshin (including attachments) in Japanese, which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.