

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2025

[Japanese GAAP]

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Stock code: 3910

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Scheduled date of Annual General Meeting of Shareholders: June 26, 2025

Scheduled date of payment of dividend: June 27, 2025

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Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: None

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2025 (April 1, 2024–March 31, 2025)

(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	%
Fiscal year ended Mar. 31, 2025	3,290	24.6	(23)	–	(40)	–	(118)	–
Fiscal year ended Mar. 31, 2024	2,639	(7.9)	(348)	–	(345)	–	(668)	–

Note: Comprehensive income (million yen)

Fiscal year ended Mar. 31, 2025: (117) (–%)

Fiscal year ended Mar. 31, 2024: (667) (–%)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2025	(21.85)	–	(16.1)	(1.7)	(0.7)
Fiscal year ended Mar. 31, 2024	(123.17)	–	(57.4)	(13.5)	(13.2)

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Mar. 31, 2025: – Fiscal year ended Mar. 31, 2024: –

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2025	2,440	674	27.3	122.97
As of Mar. 31, 2024	2,558	816	31.6	148.82

Reference: Shareholders' equity (million yen) As of Mar. 31, 2025: 667 As of Mar. 31, 2024: 807

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2025	276	(234)	(147)	606
Fiscal year ended Mar. 31, 2024	(316)	(353)	772	711

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2024	–	0.00	–	4.00	4.00	21	(3.2)	1.9
Fiscal year ended Mar. 31, 2025	–	0.00	–	4.00	4.00	21	(18.3)	3.0
Fiscal year ending Mar. 31, 2026 (forecast)	–	0.00	–	8.00	8.00		44.8	

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2026 (April 1, 2025–March 31, 2026)

(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	3,200	97.3	150	–	140	–	97	–	17.87

*** Notes**

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

(2) 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

(3) Number of issued shares (common stock)

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

As of Mar. 31, 2025: 5,428,000 shares As of Mar. 31, 2024: 5,428,000 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2025: 506 shares As of Mar. 31, 2024: 506 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2025: 5,427,494 shares Fiscal year ended Mar. 31, 2024: 5,427,494 shares

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2025 (April 1, 2024–March 31, 2025)

(1) Non-consolidated operating results

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2025	2,395	17.4	(65)	–	33	–	(26)	–
Fiscal year ended Mar. 31, 2024	2,040	(12.2)	(379)	–	(354)	–	(661)	–

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Fiscal year ended Mar. 31, 2025	(4.88)		–	
Fiscal year ended Mar. 31, 2024	(121.79)		–	

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2025	2,418	940	38.9	173.21
As of Mar. 31, 2024	2,518	988	39.2	182.09

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2025: 940

As of Mar. 31, 2024: 988

* The current financial report is not subject to audit by certified public accountants or auditing firms.

* 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.

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1. Overview of Results of Operations Etc.

(1) Results of Operations

During the fiscal year ended March 31, 2025 (hereinafter “the current fiscal year”), the global economy showed signs of recovery in business activities amid subdued inflation rates and the prospect of interest rate reduction in major countries, although still affected by the unstable international situation. Demand for digital transformation (DX) continued to grow, especially with the accelerated practical application of advanced technologies such as generative AI.

In the Japanese economy, companies are increasingly required to sophisticate and streamline their human resource management, due to the persistently weak yen, soaring energy costs, and labor shortages caused by the declining birthrate and aging population. In addition, with the widespread implementation of legislation related to work-style reforms, corporate personnel and labor management departments are now required to respond strategically to such changes include the lifting of the ban on side jobs, the expansion of job-focused employment, and mandatory human capital disclosure.

Under such circumstances, the information service industry, where MKSystem Corporation operates, is further accelerating its transition to service models centered on cloud services and software as a service (SaaS), while the industry structure is reorganizing and competition with emerging players continues to intensify. In addition, as the use of AI technology in business operations becomes more widespread, strengthening information security measures and legal compliance systems is also becoming an important management issue.

In particular, in the field of personnel and labor management, service providers are required to develop more flexible and value-added solutions in response to the growing need for advanced management support that improves employee engagement, prevents employee turnover, and utilizes human capital data, in addition to improving the efficiency of core operations such as payroll calculation, attendance management, and procedures for social security insurance.

As a result, for the current fiscal year, the Group reported consolidated net sales of 3,290 million yen (up 24.6% year on year), gross profit of 1,262 million yen (up 47.1% year on year), operating loss of 23 million yen (compared with operating loss of 348 million yen for the previous fiscal year), ordinary loss of 40 million yen (compared with ordinary loss of 345 million yen for the previous fiscal year), and loss attributable to owners of parent of 118 million yen (compared with loss attributable to owners of parent of 668 million yen for the previous fiscal year). In addition, the return on equity (ROE), one of the KPIs for the Group, was at minus 16.1% (compared with the minus 57.4% for the previous fiscal year) on a consolidated basis and minus 2.7% (compared with the minus 49.3% for the previous fiscal year) on a non-consolidated basis.

It is worth noting that the Group turned to profitability for the fourth quarter, with consolidated net sales of 1,036 million yen, operating profit of 120 million yen, ordinary profit of 112 million yen, and profit attributable to owners of parent of 77 million yen.

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 need for operational efficiency following the work-style reforms including teleworking. At the same time, the market environment remains severe, anticipating intensified price competition with succession of active entries in the market.

Under these circumstances, we were able to increase sales year on year by strengthening our product lineup, represented by the release of Shalom FOREVER, our new product. Despite this, the delayed release of the new products compared to their original plans pushed back measures to control operating costs and customer support

costs for the cloud services, resulting in an operating loss.

Consequently, the segment recorded net sales of 2,382 million yen (up 17.1% year on year), of which the net sales from the cloud services was 2,298 million yen (up 20.1% year on year). The operating loss was 65 million yen (compared with operating loss of 379 million yen for the previous fiscal year).

As a result, for the fourth quarter, the Shalom Business turned to profitability, with net sales of 605 million yen and operating profit of 15 million yen.

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. The CuBe Business also provides cloud services, GooooN, which focuses on the convenience to 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. In the cloud service business GooooN, we continued functional enhancement while striving to cultivate sales channels to expand our customer base.

In terms of costs, we were able to achieve a certain level of cost efficiency by thoroughly managing outsourced development from the design stage.

As a result, the segment recorded net sales of 907 million yen (up 49.8% year on year) and operating profit of 30 million yen (up 246.6% year on year). The operating profit reflects amortization of goodwill of 38 million yen.

- Sales and composition by segment

	Amount (Millions of yen)	Composition (%)
Shalom Business	2,382	72.4
Cloud service	2,298	69.9
System product sale	78	2.4
Other services	5	0.2
CuBe Business	907	27.6
Total	3,290	100.0

- Explanation of differences between earnings forecasts and actual results

The following differences occurred between the earnings forecasts announced on May 7, 2024 and the actual results.

	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
Previous forecast (A)	3,240	107	109	73	13.45
Results (B)	3,290	(23)	(40)	(118)	(21.85)
Difference (B-A)	50	(130)	(149)	(191)	
Difference (%)	1.5%	—	—	—	
(Reference) Previous fiscal year results (FY3/24)	2,639	(348)	(345)	(668)	(123.17)

Major factors for the differences

- Postponing of measures to control operating costs and customer support costs for the cloud services due to the delayed release of the new products
- One-time costs related to the adjustment of AWS environment configuration were recognized as extraordinary loss

(2) Financial Position**Assets**

The balance of current assets at the end of the current fiscal year increased 75 million yen from the end of the previous fiscal year to 1,512 million yen. This was mainly due to an increase of 246 million yen in accounts receivable-trade and a decrease of 105 million yen in cash and deposits.

The balance of non-current assets decreased 192 million yen from the end of the previous fiscal year to 927 million yen. This was mainly due to decreases of 214 million yen in software in progress and 38 million yen in goodwill, and an increase of 68 million yen in software.

As a result, the balance of total assets decreased 117 million yen from the end of the previous fiscal year to 2,440 million yen.

Liabilities

The balance of current liabilities at the end of the current fiscal year increased 199 million yen from the end of the previous fiscal year to 1,210 million yen. This was mainly due to increases in accrued consumption taxes of 67 million yen, current portion of long-term borrowings of 59 million yen, and accounts payable-trade of 58 million yen.

The balance of non-current liabilities decreased 175 million yen from the end of the previous fiscal year to 556 million yen. This was mainly due to a decrease of 182 million yen in long-term borrowings.

As a result, the balance of total liabilities increased 24 million yen from the end of the previous fiscal year to 1,766 million yen.

Net assets

The balance of shareholders' equity at the end of the current fiscal year decreased 140 million yen from the end of the previous fiscal year to 667 million yen. This was mainly due to a decrease of 140 million yen in retained earnings.

Consequently, the balance of net assets decreased 141 million yen from the end of the previous fiscal year to 674 million yen.

(3) Cash Flows

The balance of cash and cash equivalents (hereinafter "net cash") at the end of the current fiscal year decreased 105 million yen from the end of the previous fiscal year to 606 million yen. The details of cash flows during the current fiscal year from each activity and the major components of changes are as follows.

Cash flows from operating activities

Net cash provided by operating activities was 276 million yen. Major positive factors include depreciation of 372 million yen and increases in accrued consumption taxes of 87 million yen and trade payables of 58 million yen. Major negative factors include 246 million yen increase in trade receivables and loss before income tax of 97 million yen.

Cash flows from investing activities

Net cash used in investing activities was 234 million yen. Major positive factors include proceeds from refund of leasehold and guarantee deposits of 0.5 million yen. Major negative factors include purchase of intangible assets of 222 million yen and purchase of property, plant and equipment of 12 million yen.

Cash flows from financing activities

Net cash used in financing activities was 147 million yen. Major positive factors include proceeds from long-term borrowings of 200 million yen, while major negative factors include repayments of long-term borrowings of 323 million yen and dividends paid of 21 million yen.

(4) Outlook

Although inflation is trending downward from high levels in some major countries, the global economy faces a number of structural challenges, including prolonged geopolitical risks, uncertain monetary policies in major countries, and slowing growth in the Chinese economy. In Japan as well, the labor shortage continues to worsen and domestic demand lacks strength. With these circumstances, the outlook for the global and Japanese economies remains uncertain.

In the personnel and labor market, in which the Group provides services, while the utilization of new technologies such as generative AI is gaining attention, companies continue to accelerate IT investments to streamline their operations and strengthen governance. In addition, the shift from on-premise to cloud is expected to continue to grow, as the adoption of cloud services to automate and save labor is spreading even among middle-ranking companies and small- and medium- sized companies as a response to labor shortages.

Under these circumstances, the Group's medium- to long-term vision is to build a stable growth model. The Group aims to expand its business scale and improve profitability by providing products and services offered through each of its businesses to more people over a longer period of time.

In the businesses for labor and social security attorney offices in the Shalom Business, we will promote strategies to establish a stable revenue base and maximize Life Time Value (LTV) by strengthening relationship with our loyal customers who have been using our services over a long time, as well as strive to acquire more users of Shalom products including Shalom House Plan and increase the number of IDs issued. We will also further strengthen corporate sales and service development functions to accelerate our inroads into general corporate markets.

In the CuBe Business, we will be actively approaching potential customers through various channels, such as cooperation with social security attorneys and partner companies, with the aim of expanding the market for our cloud service GooooN (Jinzai CuBe Cloud). As for the contracted developments of CuBe products for large companies and administrative agencies, although we do not expect a significant increase in demand as in the fiscal year ended March 31, 2025, we will be endeavoring to get them to make a stable contribution to revenue not only by continually developing and delivering new products, but also by steadily carrying out improvement and maintenance work.

As a result of these efforts, for the outlook for the fiscal year ending March 31, 2026, we forecast net sales of 3,200 million yen, gross profit of 1,474 million yen, operating profit of 150 million yen, ordinary profit of 140 million yen, and profit attributable to owners of parent of 97 million yen.

2. Basic Approach to the Selection of Accounting Standards

The Group prepares its consolidated financial statements in accordance with accounting principles generally accepted in Japan. This decision was made in consideration primarily of burdens for developing a system to prepare the consolidated financial statements in accordance with International Financial Reporting Standards.

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

(Thousands of yen)

	FY3/24 (As of Mar. 31, 2024)	FY3/25 (As of Mar. 31, 2025)
Assets		
Current assets		
Cash and deposits	711,780	606,324
Accounts receivable-trade	564,670	811,363
Merchandise	7,912	4,283
Work in process	91,442	46,651
Supplies	430	560
Prepaid expenses	39,879	41,998
Other	20,991	1,970
Allowance for doubtful accounts	—	(158)
Total current assets	1,437,107	1,512,994
Non-current assets		
Property, plant and equipment		
Buildings, net	101,089	95,315
Vehicles, net	0	0
Tools, furniture and fixtures, net	25,678	22,400
Total property, plant and equipment	126,767	117,716
Intangible assets		
Software	485,536	553,913
Software in progress	244,876	30,444
Trademark right	625	395
Telephone subscription right	1,218	1,218
Goodwill	97,056	58,233
Total intangible assets	829,312	644,205
Investments and other assets		
Investments in capital	60	70
Guarantee deposits	157,246	156,859
Deferred tax assets	6,390	6,060
Other	1,176	3,049
Total investments and other assets	164,872	166,039
Total non-current assets	1,120,953	927,961
Total assets	2,558,060	2,440,956

	(Thousands of yen)	
	FY3/24	FY3/25
	(As of Mar. 31, 2024)	(As of Mar. 31, 2025)
Liabilities		
Current liabilities		
Accounts payable-trade	62,683	121,273
Short-term borrowings	300,000	300,000
Current portion of long-term borrowings	304,428	363,624
Accounts payable-other	125,355	124,561
Accrued expenses	24,855	15,178
Income taxes payable	16,151	20,364
Accrued consumption taxes	14,142	81,276
Advances received	88,133	100,588
Provision for bonuses	63,169	70,211
Other	11,251	13,000
Total current liabilities	1,010,170	1,210,080
Non-current liabilities		
Long-term borrowings	722,059	539,670
Retirement benefit liability	9,688	16,733
Total non-current liabilities	731,747	556,403
Total liabilities	1,741,917	1,766,483
Net assets		
Shareholders' equity		
Share capital	219,110	219,110
Capital surplus	202,122	202,122
Retained earnings	386,973	246,695
Treasury shares	(499)	(499)
Total shareholders' equity	807,706	667,428
Non-controlling interests	8,436	7,043
Total net assets	816,143	674,472
Total liabilities and net assets	2,558,060	2,440,956

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

(Thousands of yen)

	FY3/24 (Apr. 1, 2023–Mar. 31, 2024)	FY3/25 (Apr. 1, 2024–Mar. 31, 2025)
Net sales	2,639,951	3,290,195
Cost of sales	1,781,750	2,027,533
Gross profit	858,201	1,262,661
Selling, general and administrative expenses	1,206,335	1,286,144
Operating loss	(348,134)	(23,482)
Non-operating income		
Interest income	4	306
Dividend income	1	1
Rental income	40,318	40,092
Outsourcing service income	6,000	3,600
Other	56	3,122
Total non-operating income	46,380	47,121
Non-operating expenses		
Interest expenses	5,608	10,620
Rental costs	32,205	36,240
Commission expenses	6,000	139
Cancellation penalty	–	6,280
Miscellaneous losses	–	9,429
Other	303	1,645
Total non-operating expenses	44,117	64,355
Ordinary loss	(345,871)	(40,715)
Extraordinary losses		
Loss on retirement of non-current assets	129,831	213
System failure response expenses	132,106	–
Loss on valuation of goods	14,853	–
Non-recurring loss	–	38,537
Loss on valuation of inventories	–	17,620
Total extraordinary losses	276,791	56,371
Loss before income taxes	(622,662)	(97,087)
Income taxes-current	18,955	19,997
Income taxes-deferred	26,125	329
Total income taxes	45,081	20,326
Loss	(667,743)	(117,414)
Loss attributable to non-controlling interests	782	1,153
Loss attributable to owners of parent	(668,526)	(118,568)

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY3/24	FY3/25
	(Apr. 1, 2023 – Mar. 31, 2024)	(Apr. 1, 2024 – Mar. 31, 2025)
Loss	(667,743)	(117,414)
Comprehensive income	(667,743)	(117,414)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(668,526)	(118,568)
Comprehensive income attributable to non-controlling interests	782	1,153

(3) Consolidated Statement of Changes in Equity

FY3/24 (Apr. 1, 2023–Mar. 31, 2024)

(Thousands of yen)

	Shareholders' equity					Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Balance at beginning of period	219,110	202,122	1,098,920	(499)	1,519,653	7,548	1,527,201
Changes during period							
Dividends of surplus			(43,419)		(43,419)		(43,419)
Profit (loss) attributable to owners of parent			(668,526)		(668,526)		(668,526)
Net changes in items other than shareholders' equity						887	887
Total changes during period	–	–	(711,946)	–	(711,946)	887	(711,058)
Balance at end of period	219,110	202,122	386,973	(499)	807,706	8,436	816,143

FY3/25 (Apr. 1, 2024–Mar. 31, 2025)

(Thousands of yen)

	Shareholders' equity					Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Balance at beginning of period	219,110	202,122	386,973	(499)	807,706	8,436	816,143
Changes during period							
Dividends of surplus			(21,710)		(21,710)		(21,710)
Profit (loss) attributable to owners of parent			(118,568)		(118,568)		(118,568)
Net changes in items other than shareholders' equity						(1,392)	(1,392)
Total changes during period	–	–	(140,278)	–	(140,278)	(1,392)	(141,670)
Balance at end of period	219,110	202,122	246,695	(499)	667,428	7,043	674,472

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY3/24	FY3/25
	(Apr. 1, 2023–Mar. 31, 2024)	(Apr. 1, 2024–Mar. 31, 2025)
Cash flows from operating activities		
Loss before income taxes	(622,662)	(97,087)
Depreciation	361,958	372,302
Amortization of goodwill	39,065	38,822
Increase (decrease) in retirement benefit liability	3,678	7,045
Increase (decrease) in provision for bonuses	(8,059)	7,042
Increase (decrease) in allowance for doubtful accounts	–	158
Interest and dividend income	(5)	(307)
Interest expenses	5,608	10,620
Loss on valuation of goods	14,853	17,620
Loss on retirement of non-current assets	129,831	213
Decrease (increase) in trade receivables	(56,681)	(246,693)
Decrease (increase) in inventories	(55,076)	30,669
Increase (decrease) in trade payables	(15,949)	58,590
Increase (decrease) in accrued consumption taxes	(29,886)	87,205
Increase (decrease) in accounts payable-other	2,355	16,547
Other, net	(8,797)	7,135
Subtotal	(239,768)	309,885
Interest and dividends received	5	307
Interest paid	(5,608)	(10,620)
Income taxes paid	(71,368)	(23,498)
Net cash provided by (used in) operating activities	(316,739)	276,073
Cash flows from investing activities		
Purchase of property, plant and equipment	(34,090)	(12,269)
Purchase of intangible assets	(325,123)	(222,252)
Payments of leasehold and guarantee deposits	(1,446)	(162)
Proceeds from refund of leasehold and guarantee deposits	7,223	539
Net cash provided by (used in) investing activities	(353,437)	(234,144)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	100,000	–
Proceeds from long-term borrowings	900,000	200,000
Repayments of long-term borrowings	(184,105)	(323,193)
Dividends paid	(43,274)	(21,645)
Dividends paid to non-controlling interests	–	(2,546)
Net cash provided by (used in) financing activities	772,620	(147,384)
Net increase (decrease) in cash and cash equivalents	102,443	(105,455)
Cash and cash equivalents at beginning of period	609,336	711,780
Cash and cash equivalents at end of period	711,780	606,324

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Segment and Other Information

Segment information

1. Overview of reportable segment

(1) Method of determining the reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

The Group consists of business segments sorted by merchandise, products, and services based on MKSystem and its consolidated subsidiaries. The Group has two reportable segments: Shalom Business and CuBe Business.

(2) Products and services by each reportable segment

The Shalom Business segment provides software to support the business processes associated primarily with social insurance and labor insurance as an application service provider (ASP).

The CuBe Business segment provides consultation services focused on the business processes to the human resources and general affairs divisions of companies to customize, develop, and provide front-end systems that help enhance efficiency of operations for each customer.

2. Method of calculating net sales, profit/loss, assets, liabilities, and other items by reportable segment

The accounting treatment methods for reportable business segments are generally the same as those listed in “Significant Accounting Policies in the Preparation of Consolidated Financial Statements.”

Inventories are evaluated by the amount after written down to reflect the effect of lower profit margins. Profits for reportable segments are generally operating profit figures. Profits on and transfer amounts of inter-segment transactions within the Group are based on current market prices.

3. Information related to net sales, profit/loss, assets, liabilities and other items for each reportable segment

FY3/24 (Apr. 1, 2023–Mar. 31, 2024)

(Thousands of yen)

	Reportable segment			Adjustment (Note)	Amounts recorded in consolidated financial statements
	Shalom Business	CuBe Business	Total		
Net sales					
External sales	2,033,728	606,223	2,639,951	–	2,639,951
Inter-segment sales and transfers	6,510	11,556	18,066	(18,066)	–
Total	2,040,238	617,779	2,658,018	(18,066)	2,639,951
Segment profit (loss)	(379,095)	8,731	(370,363)	22,229	(348,134)
Segment assets	1,865,117	695,394	2,560,512	(2,452)	2,558,060
Other items					
Depreciation	330,618	31,340	361,958	–	361,958
Amortization of goodwill	–	39,065	39,065	–	39,065
Increase in property, plant and equipment and intangible assets	347,903	13,203	361,107	–	361,107

Notes: 1. The adjustment to segment profit is the elimination of inter-segment transactions.
2. The adjustment of segment assets is the elimination of inter-segment receivables and payables.
3. Segment profit is adjusted to be consistent with operating profit presented on the consolidated statement of income.

FY3/25 (Apr. 1, 2024–Mar. 31, 2025)

(Thousands of yen)

	Reportable segment			Adjustment (Note)	Amounts recorded in consolidated financial statements
	Shalom Business	CuBe Business	Total		
Net sales					
External sales	2,382,318	907,876	3,290,195	–	3,290,195
Inter-segment sales and transfers	13,216	9,967	23,184	(23,184)	–
Total	2,395,534	917,844	3,313,379	(23,184)	3,290,195
Segment profit (loss)	(65,188)	30,266	(34,921)	11,438	(23,482)
Segment assets	1,764,487	690,940	2,455,427	(14,471)	2,440,956
Other items					
Depreciation	347,341	24,961	372,302	–	372,302
Amortization of goodwill	–	38,822	38,822	–	38,822
Increase in property, plant and equipment and intangible assets	411,004	20,607	431,612	–	431,612

- Notes: 1. The adjustment to segment profit is the elimination of inter-segment transactions.
2. The adjustment of segment assets is the elimination of inter-segment receivables and payables.
3. Segment profit is adjusted to be consistent with operating profit presented on the consolidated statement of income.

Per Share Information

(Yen)

	FY3/24 (Apr. 1, 2023–Mar. 31, 2024)	FY3/25 (April 1, 2024– Mar.31, 2025)
Net assets per share	148.82	122.97
Basic earnings (loss) per share	(123.17)	(21.85)

- Notes: 1. Diluted earnings (loss) per share is not presented since MKSystem had no dilutive potential shares.
2. The basis of calculating basic earnings (loss) per share is as follows:

(Thousands of yen unless otherwise stated)

	FY3/24 (Apr. 1, 2023–March 31, 2024)	FY3/25 (Apr. 1, 2024– Mar.31, 2025)
Profit (loss) attributable to owners of parent	(668,526)	(118,568)
Amounts not available to common shareholders	–	–
Profit (loss) attributable to owners of parent available to common stock	(668,526)	(118,568)
Average number of shares of common stock during the period (Shares)	5,427,494	5,427,494

3. The basis of calculating basic net assets per share is as follows:

(Thousands of yen unless otherwise stated)

	FY3/24 (As of Mar.31, 2024)	FY3/25 (As of Mar.31, 2025)
Total net assets	816,143	674,472
Deduction on total net assets	8,436	7,043
[of which non-controlling interests]	[8,436]	[7,043]
Net assets applicable to common stock	807,706	667,428
Number of shares of common stock at the fiscal year end used in calculation of net assets per share (Shares)	5,427,494	5,427,494

Subsequent Events

Not applicable.

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.