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Consolidated Financial Results for the Fiscal Year Ended January 31, 2022 [Japanese GAAP]



March 17, 2022

Company name: NEOJAPAN Inc.

Stock exchange listing: Tokyo Stock Exchange

Code number: 3921

URL: <https://www.neo.co.jp/en/>

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Scheduled date of annual general meeting of shareholders: April 26, 2022

Scheduled date of commencing dividend payments: April 27, 2022

Scheduled date of filing securities report: April 27, 2022

Preparation of supplementary materials on annual financial results: Yes

Schedule of annual financial results briefing session: Scheduled (for institutional investors (online))

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended January 31, 2022 (February 1, 2021–January 31, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
January 31, 2022	5,920	11.2	1,247	35.5	1,361	43.5	866	27.9
January 31, 2021	5,325	42.3	920	31.7	948	32.3	677	36.8

(Note) Comprehensive income: Fiscal year ended January 31, 2022: ¥903 million [36.0%]

Fiscal year ended January 31, 2021: ¥664 million [30.2%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
January 31, 2022	58.17	57.97	18.1	19.4	21.1
January 31, 2021	45.58	45.32	16.4	15.1	17.3

(Reference) Equity in earnings of affiliated companies: Fiscal year ended January 31, 2022: ¥- million

Fiscal year ended January 31, 2021: ¥- million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of January 31, 2022	7,287	5,165	70.7	345.53
As of January 31, 2021	6,742	4,431	65.6	296.83

(Reference) Equity: As of January 31, 2022: ¥5,151 million

As of January 31, 2021: ¥4,420 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
January 31, 2022	1,107	(326)	(255)	4,059
January 31, 2021	989	(227)	(142)	3,418

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended January 31, 2021	–	0.00	–	11.00	11.00	163	24.1	4.0
Fiscal year ended January 31, 2022	–	0.00	–	14.00	14.00	208	24.1	4.4
Fiscal year ending January 31, 2023 (Forecast)	–	0.00	–	16.00	16.00		25.9	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending January 31, 2023 (February 1, 2022–January 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	6,271	5.9	1,271	1.9	1,359	(0.1)	920	6.3	61.77

* Notes:

- (1) Changes in significant subsidiaries during the period under review: None
(Changes in specified subsidiaries resulting in changes in the scope of consolidation)
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (3) Total number of issued and outstanding shares (common shares)
 - 1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

January 31, 2022:	14,908,800 shares
January 31, 2021:	14,892,000 shares
 - 2) Total number of treasury shares at the end of the period:

January 31, 2022:	223 shares
January 31, 2021:	223 shares
 - 3) Average number of shares during the period:

Fiscal year ended January 31, 2022:	14,893,989 shares
Fiscal year ended January 31, 2021:	14,856,000 shares

(Reference) Summary of Non-consolidated Financial Results**1. Non-consolidated Financial Results for the Fiscal Year Ended January 31, 2022 (February 1, 2021–January 31, 2022)**

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
January 31, 2022	3,926	13.4	1,165	50.9	1,270	61.0	806	39.8
January 31, 2021	3,462	12.3	772	19.9	789	19.2	577	25.1

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
January 31, 2022	54.18	54.00
January 31, 2021	38.85	38.63

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of January 31, 2022	6,718	4,971	74.0	333.46
As of January 31, 2021	6,018	4,289	71.3	288.07

(Reference) Equity: As of January 31, 2022: ¥4,971 million

As of January 31, 2021: ¥4,289 million

* These financial results are outside the scope of audit by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Group and certain premises that the Group deems to be reasonable, and are not guarantees of future performance. Actual results may differ significantly from these forecasts due to a wide range of factors.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

The Japanese economy in the fiscal year ended January 31, 2022 remained in an uncertain situation due to a rebound of COVID-19 cases from January 2022, while economic activities were expected to return to normal following the lifting of the state of emergency and quasi-emergency measures at the end of September 2021 and the progress in vaccine rollout. The ASEAN region, where our subsidiaries operate, continued to face a severe situation as well, due to a rebound of COVID-19 cases.

The IT industry, to which the Group belongs, has seen the spread of unconventional workstyles. For example, businesses are formally instituting and keeping in place remote working arrangements that have been temporarily introduced as measures against COVID-19. Interests in investing in IT to enable efficient and smooth operations in such an environment are expected to remain high.

Under such circumstances, desknet's NEO Schedule App was updated in March 2021. Functions of ChatLuck were extended in May 2021 to establish an environment that ensures secure external communication for local governments, financial institutions, and other organizations working in a network environment separated from the internet for security reasons. In June 2021, we developed and provided ChatLuck SC, a safe, secure, affordable, and simple tool for communication between schools and parents, as a joint project with independent data center provider I-NET CORP. In September 2021, we released desknet's NEO version 6.1, equipped with the new SmartViewer function to achieve paperless meetings and a FAQ system using AI technology. Furthermore, we released ChatLuck version 4.5 in December 2021, further strengthening the cooperation with external systems such as single sign-on and chatbot. In December 2021, we also developed and provided the "Tsukuba City COVID-19 Vaccine Delivery System" and "Vaccine Quantity Management Form" using desknet's NEO and AppSuite to Tsukuba City, Ibaraki Prefecture. In addition, we have started an initiative that allows local governments with similar issues to use the template introduced in Tsukuba City, and to provide it only with the usage fee of the cloud service. We will continue to make efforts so that we can contribute to solving social issues through the business activities of the Group.

In February 2021, we received the Encouragement Award at the 21st Telework Promotion Awards (Telework Promotion Category) from the Japan Telework Association, in recognition of our efforts to go paperless, review the workflow, and use a combination of chat tools to facilitate business process improvement when teleworking. In January 2022, our groupware desknet's NEO was recognized as "Leader" for the 12th consecutive period in the Groupware Category and Workflow Category of the ITreview Grid Award 2022 Winter, organized by IT product comparison and review website ITreview. Our business chat tool ChatLuck was recognized as "High Performer" for the 6th consecutive period in the Business Chat Category.

DELCUI Inc., which was a non-consolidated subsidiary until the previous fiscal year, has been included in the scope of consolidation since the fiscal year under review, due to its increased materiality as it started full-fledged operation. Newly established NEO THAI ASIA Co., Ltd. has also been included in the scope of consolidation since the first quarter of the current fiscal year.

As a result, for the fiscal year ended January 31, 2022, the Company posted net sales of ¥5,920,092 thousand (up 11.2% year on year), operating profit of ¥1,247,411 thousand (up 35.5% year on year), ordinary profit of ¥1,361,107 thousand (up 43.5% year on year), and profit attributable to owners of parent of ¥866,326 thousand (up 27.9% year on year).

Operating results for the fiscal year ended January 31, 2022 by segment are as follows.

(Software business)

Business sector	For the fiscal year ended January 31, 2021		For the fiscal year ended January 31, 2022		
	Net sales (Thousand yen)	Percentage breakdown (%)	Net sales (Thousand yen)	Percentage breakdown (%)	Change (%)
Cloud services	2,095,249	60.5	2,411,545	61.4	15.1
Packaged products	1,301,964	37.6	1,447,844	36.9	11.2
Technological development	65,093	1.9	67,565	1.7	3.8
Total	3,462,307	100.0	3,926,955	100.0	13.4

1) Cloud services

Net sales by principal cloud service are as follows.

	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022	Change (Thousand yen)	Change (%)
	Net sales (Thousand yen)	Net sales (Thousand yen)		
desknet's NEO cloud	1,715,439	2,001,724	286,284	16.7
AppSuite cloud	52,646	92,121	39,475	75.0
ChatLuck cloud	58,404	62,513	4,108	7.0
Other monthly recurring revenue	209,169	195,807	(13,362)	(6.4)
Total monthly recurring revenue	2,035,660	2,352,167	316,507	15.5
Other services, etc.	59,589	59,377	(211)	(0.4)
Cloud services total	2,095,249	2,411,545	316,295	15.1

Net sales of desknet's NEO cloud increased by ¥286,284 thousand year on year to ¥2,001,724 thousand (up 16.7% year on year), as the service maintained a stable number of users. The year-on-year increase in sales of desknet's NEO cloud was 4.3% lower than the previous fiscal year, slightly lower than the previous year's increase. However, it was 16.2% higher than the increase in the fiscal year before the previous year. Since the churn rate (* 1) remains low at 0.34% as well, we recognize that sales of desknet's NEO cloud will remain stable in the future. AppSuite cloud has been increasing the number of its users steadily, and net sales increased by ¥39,475 thousand year on year to ¥92,121 thousand (up 75.0% year on year), while accounting for a relatively small proportion of the overall sales of cloud services. We recognize that there is great growth potential for the number of users of AppSuite cloud as it is about 7% of the number of desknet's NEO cloud users as of the end of the fiscal year under review. Other monthly recurring revenue decreased by ¥13,362 thousand year on year to ¥195,807 thousand (down 6.4% year on year). This was primarily due to a decrease in the sales of individual projects other than principal services, and the performance is by and large in line with the initial forecast. Net sales of other services, etc. were, by and large, about the same level as the previous year at ¥59,377 thousand (down 0.4% year on year).

As a result, the overall net sales of cloud services increased by ¥316,295 thousand year on year to ¥2,411,545 thousand (up 15.1% year on year).

(* 1) The churn rate for desknet's NEO cloud users is calculated by averaging the figures of "amount of MRR (* 2) decreased during a month caused by cancellation of the service ÷ MRR at the end of the previous month" for the fiscal year under review.

(* 2) MRR (Monthly Recurring Revenue) is calculated based on the monthly charge for continuously billed users as of the end of the target month or the total amount of 1/12 of the annual charge.

2) Packaged products

Net sales by principal packaged product are as follows.

	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022	Change (Thousand yen)	Change (%)
	Net sales (Thousand yen)	Net sales (Thousand yen)		
desknet's NEO Enterprise license	162,990	203,200	40,209	24.7
desknet's NEO Small license	59,966	51,912	(8,053)	(13.4)
AppSuite	65,506	60,245	(5,261)	(8.0)
ChatLuck	28,585	48,373	19,788	69.2
Other license sales (*1)	9,978	6,105	(3,873)	(38.8)
Total license sales	327,027	369,837	42,810	13.1
Support	682,265	714,966	32,700	4.8
Customization	150,308	168,615	18,307	12.2
Other services, etc. (*1)	142,363	194,424	52,061	36.6
Packaged products total	1,301,964	1,447,844	145,880	11.2

(*1) From the nine months ended October 31, 2021, the amount of discount is included in other services, etc., instead of other license sales. The figures for the fiscal year ended January 31, 2021 shown above have been restated accordingly.

Net sales of desknet's NEO Enterprise license, which is for large-scale users, saw a year-on-year decrease during the first half of the fiscal year under review but, for the second half of the fiscal year under review, increased by 24.7% to ¥203,200 thousand year on year, significantly exceeding the sales for the previous fiscal year as initially planned. Large-scale user enterprises often have a proper environment, including personnel in charge of operation. In addition, the larger the scale of the user is, the lower the unit cost becomes compared with the cloud version. Demand for desknet's NEO Enterprise license, therefore, is not expected to decrease significantly in the near future. We consider it important to commit to the field as much as we commit to desknet's NEO cloud, since we can leverage the strength of our product.

Net sales of desknet's NEO Small license, which is for small- and medium-scale users, decreased by ¥8,053 thousand year on year to ¥51,912 thousand (down 13.4% year on year), as an increasing number of customers are choosing the cloud service. We recognize the trend of sales decrease as a result of the widespread use of the cloud service.

AppSuite license and ChatLuck license are often purchased simultaneously with desknet's NEO Enterprise license. For the fiscal year ended January 31, 2022, net sales of AppSuite license slightly decreased by ¥5,261 thousand year on year to ¥60,245 thousand (down 8.0% year on year) and net sales of ChatLuck license increased by ¥19,788 thousand year on year to ¥48,373 thousand (up 69.2% year on year), resulting in exceeding the sales for the previous fiscal year.

Net sales of support increased by ¥32,700 thousand year-on-year to ¥714,966 thousand (up 4.8% year on year), mainly because net sales of support for desknet's NEO (including previous products) increased by ¥18,408 thousand year on year to ¥630,112 thousand (up 3.0% year on year), and net sales of support for AppSuite increased by ¥10,988 thousand year on year to ¥28,743 thousand (up 61.9% year on year). Net sales of customization increased by ¥18,307 thousand year on year to ¥168,615 thousand (up 12.2% year on year), mainly because of an increase in orders received for projects of relatively large scale.

As a result, the overall net sales of packaged products increased by ¥145,880 thousand year on year to ¥1,447,844 thousand (up 11.2% year on year).

3) Technological development

While our policy is not to actively accept development contracts, net sales of technological development increased by ¥2,472 thousand year on year to ¥67,565 thousand (up 3.8% year on year). This was mainly because of the sales associated with ongoing projects from the past.

As a result, the software business posted net sales of ¥3,926,955 thousand (up 13.4% year on year) and segment profit of ¥1,165,699 thousand (up 51.2% year on year).

(System development service business)

The system development service business consists of businesses operated by our subsidiary, Pro-SPIRE Inc., develops engineers based on the cloud integration and system integration know-how it cultivated over the years, and mainly provides system engineering services that meet new customer needs by taking advantage of cutting-edge technologies.

Net sales for the system development service business exceeded the initial plan despite changes in the business environment, including continued remote working arrangements due to COVID-19. This was made possible by flexible responses to customer needs. Meanwhile, profit decreased year on year, mainly because bonus-related expenses increased by ¥51,704 thousand year on year. This is because the recorded amount of bonuses was smaller for the same period of the previous fiscal year due to a revision of the ratio between summer and winter bonuses. However, profit exceeded the initial plan.

As a result, the system development service business posted net sales of ¥2,024,073 thousand (up 7.4% year on year) and segment profit of ¥126,819 thousand (down 21.7% year on year).

(Overseas business)

The overseas business consists of businesses of three overseas subsidiaries, which include selling desknet's NEO license and providing cloud services to local companies. DELCUI Inc., which was a non-consolidated subsidiary, has been included in the scope of consolidation since the fiscal year under review due to its increased materiality. Newly established NEO THAI ASIA Co., Ltd. has also been included in the scope of consolidation since the first quarter of the current fiscal year.

In the ASEAN region, where the main products sold are desknet's NEO and AppSuite, net sales to outside customers remained lower than the initial plan for the fiscal year ended January 31, 2022. This was primarily because restrictions were imposed on corporate activities due to the spread of COVID-19 and sales activities, especially in Malaysia, did not make progress as planned. In the overseas business, we plan to make upfront investments for the foreseeable future.

As a result, the overseas business posted net sales of ¥25,230 thousand and segment loss of ¥45,306 thousand. The overseas business was added to our reportable segments in the third quarter of the previous fiscal year. As no equivalent reference period is available, comparison with the previous fiscal year has not been made.

(2) Analysis of Financial Position

(Assets)

Total assets as of January 31, 2022 increased by ¥544,451 thousand from the end of the previous fiscal year to ¥7,287,416 thousand. This was mainly due to an increase of ¥633,028 thousand in cash and deposits resulting from profit, despite a decrease of ¥59,702 thousand in accounts receivable - trade.

(Liabilities)

Total liabilities as of January 31, 2022 decreased by ¥189,490 thousand from the end of the previous fiscal year to ¥2,122,367 thousand. This was mainly due to decreases of ¥54,495 thousand in current portion of long-term borrowings and ¥46,434 thousand in long-term borrowings resulting from the prepayment by a domestic subsidiary, and a decrease of ¥174,193 thousand in other under current liabilities resulting mainly from the payment of accounts payable - other from a large-scale event that took place in the fourth quarter of the previous fiscal year, which contributed to a decrease in accounts payable - other, despite an increase of ¥69,990 thousand in unearned revenue due to an increase in users of cloud services, etc.

(Net assets)

Total net assets as of January 31, 2022 increased by ¥733,941 thousand from the end of the previous fiscal year to ¥5,165,048 thousand. This was mainly due to an increase of ¥686,274 thousand in retained earnings resulting from profit attributable to owners of parent of ¥866,326 thousand partially offset by the payment of a dividend of surplus of ¥163,809 thousand.

(3) Analysis of Cash Flows

Cash and cash equivalents (hereinafter referred to as “cash”) as of January 31, 2022 was ¥4,059,387 thousand, an increase of ¥640,774 thousand compared with the end of the previous fiscal year.

(Cash flows from operating activities)

Cash provided by operating activities amounted to ¥1,107,344 thousand (cash inflow of ¥989,864 thousand in the previous fiscal year). The main inflows were an increase of cash resulting from profit before income taxes of ¥1,259,492 thousand, depreciation of ¥234,309 thousand, impairment losses of ¥49,208 thousand, loss on valuation of investment securities of ¥52,499 thousand, decrease in trade receivables of ¥59,707 thousand, despite a decrease of cash resulting from income taxes paid of ¥403,272 thousand and a decrease in accounts payable - other of ¥131,832 thousand.

(Cash flows from investing activities)

Cash used in investing activities amounted to ¥326,334 thousand (cash outflow of ¥227,700 thousand in the previous fiscal year). The main inflows were proceeds from withdrawal of time deposits of ¥80,079 thousand. On the other hand, the main outflows were purchase of investment securities of ¥143,896 thousand resulting from purchasing corporate bonds for the purpose of managing surplus funds and purchase of intangible assets of ¥273,751 thousand due to production of software.

(Cash flows from financing activities)

Cash used in financing activities amounted to ¥255,828 thousand (cash outflow of ¥142,615 thousand in the previous fiscal year). This was mainly due to dividends paid of ¥163,709 thousand and repayments of long-term borrowings of ¥100,929 thousand.

(Reference) Trends of cash flow-related indicators

	Fiscal year ended January 31, 2021	Fiscal year ended January 31, 2022
Equity ratio (%)	65.6	70.7
Equity ratio on a market value basis (%)	407.0	209.0
Ratio of interest-bearing liabilities to cash flows (year)	0.1	0.0
Interest coverage ratio (times)	1,567.0	1,508.3

(Notes) 1. The calculation method for each indicator is as follows.

Equity ratio: $\text{equity} \div \text{total assets}$

Equity ratio on a market value basis: $\text{market capitalization} \div \text{total assets}$

Ratio of interest-bearing liabilities to cash flows: $\text{interest-bearing liabilities} \div \text{Cash flows from operating activities}$

Interest coverage ratio: $\text{cash flows from operating activities} \div \text{interest payments}$

2. All indicators are calculated using financial values on a consolidated basis.
3. Market capitalization is calculated by multiplying the closing share price at the end of the fiscal year by the number of issued shares (after deducting treasury shares) at the end of the fiscal year.
4. Cash flows from operating activities use cash flows on the Consolidated Statements of Cash Flows.
5. Interest-bearing liabilities cover all liabilities recorded on the Consolidated Balance Sheets that the Company pays interest. Interest payments use the interest paid on the Consolidated Statement of Cash Flows.

(4) Future Outlook

Although the situation of COVID-19 remains uncertain in the areas where the Group operates, the spread of unconventional workstyles has been seen. For example, businesses are formally instituting and keeping in place remote working arrangements that have been temporarily introduced as measures against COVID-19. Interests in enabling efficient and smooth operations even in such an environment and streamlining operations through digital transformation (DX) are high, and interest in such IT investments is expected to remain high.

Under these circumstances, in the software business, the number of cloud service users is expected to remain stable, and overall cloud service sales are expected to increase by about 15%, as in the previous fiscal year. As for packaged products, a certain amount of demand is expected mainly from government agencies and large-scale users. Therefore, license sales are expected to be at the same level as the previous year. Meanwhile, the sales of the entire packaged products are expected to decrease by approximately 5% because services are expected to decrease in the next fiscal year compared to the fiscal year under review that had many services such as large-scale customization.

In the system development service business, both sales and profit exceeded the initial plan in the fiscal year under review, and we expect increases in sales and profit by several percent in the next fiscal year as well.

In the overseas business, although the impact of COVID-19 is uncertain at the two subsidiaries in the ASEAN region, the goal is to return to profitability on a single month basis during the current fiscal year, with expected sales of approximately ¥46 million.

Gross profit margin on a consolidated basis is expected to improve slightly, but on the other hand, in terms of expenses, personnel expenses are expected to increase by ¥150 million. This is mainly due to the increase in personnel in the software business. Advertising expenses are expected to be about the same level as the fiscal year under review.

Regarding non-operating expenses (income), a decrease in revenue of approximately ¥25 million is expected due to a decrease in surrender value of insurance policies, etc.

Through the above measures, for the fiscal year ending January 31, 2023, net sales of ¥6,271 million, operating profit of ¥1,271 million, ordinary profit of ¥1,359 million and profit attributable to owners of parent of ¥920 million are expected.

2. Basic Policy on Selection of Accounting Standards

The Company plans to prepare its consolidated financial statements in accordance with generally accepted accounting practices in Japan, taking into account the comparability of consolidated financial statements between different accounting periods and against different companies. In adopting the international financial reporting standards (IFRS), the Company will take appropriate action considering the conditions and trends in Japan and abroad.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Thousand yen)

	As of January 31, 2021	As of January 31, 2022
Assets		
Current assets		
Cash and deposits	3,385,232	4,018,261
Accounts receivable - trade	723,064	663,361
Securities	265,221	307,499
Work in process	8,011	5,031
Supplies	3,358	4,822
Other	74,589	89,956
Allowance for doubtful accounts	(2,297)	(2,055)
Total current assets	4,457,180	5,086,876
Non-current assets		
Property, plant and equipment		
Buildings	91,680	92,575
Accumulated depreciation	(52,924)	(57,049)
Buildings, net	38,755	35,526
Vehicles	10,940	21,143
Accumulated depreciation	(6,170)	(8,201)
Vehicles, net	4,769	12,942
Tools, furniture and fixtures	159,257	146,425
Accumulated depreciation	(147,625)	(135,892)
Tools, furniture and fixtures, net	11,631	10,532
Right of use assets	1,345	1,235
Accumulated depreciation	(358)	(1,029)
Right of use assets, net	986	205
Total property, plant and equipment	56,143	59,207
Intangible assets		
Goodwill	119,871	106,039
Software	164,486	223,133
Software in progress	84,121	41,949
Other	677	677
Total intangible assets	369,156	371,800
Investments and other assets		
Investment securities	1,229,383	1,237,460
Shares of subsidiaries and associates	107,885	–
Long-term loans receivable	24,599	9,059
Deferred tax assets	249,375	278,100
Other	249,778	245,262
Allowance for doubtful accounts	(537)	(352)
Total investments and other assets	1,860,484	1,769,531
Total non-current assets	2,285,784	2,200,539
Total assets	6,742,964	7,287,416

(Thousand yen)

	As of January 31, 2021	As of January 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	152,324	127,265
Current portion of long-term borrowings	54,495	–
Income taxes payable	235,587	278,483
Provision for bonuses	115,876	77,870
Unearned revenue	570,201	640,191
Lease obligations	1,056	240
Other	591,492	417,299
Total current liabilities	1,721,032	1,541,350
Non-current liabilities		
Long-term borrowings	46,434	–
Retirement benefit liability	313,120	323,004
Lease obligations	–	124
Other	231,271	257,887
Total non-current liabilities	590,825	581,016
Total liabilities	2,311,857	2,122,367
Net assets		
Shareholders' equity		
Share capital	295,303	296,672
Capital surplus	331,587	332,956
Retained earnings	3,763,453	4,449,727
Treasury shares	(384)	(384)
Total shareholders' equity	4,389,960	5,078,973
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32,260	67,958
Foreign currency translation adjustment	(1,962)	4,390
Total accumulated other comprehensive income	30,298	72,349
Non-controlling interests	10,847	13,726
Total net assets	4,431,107	5,165,048
Total liabilities and net assets	6,742,964	7,287,416

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022
Net sales	5,325,021	5,920,092
Cost of sales	2,588,600	2,890,583
Gross profit	2,736,421	3,029,509
Selling, general and administrative expenses	1,815,772	1,782,097
Operating profit	920,649	1,247,411
Non-operating income		
Interest income	20,314	24,723
Gain on sale of securities	1,310	4,550
Surrender value of insurance policies	4,463	62,498
Other	14,451	22,726
Total non-operating income	40,539	114,498
Non-operating expenses		
Organization expenses	–	615
Interest expenses	571	179
Loss on investments in investment partnerships	10,027	–
Foreign exchange losses	1,899	–
Other	59	7
Total non-operating expenses	12,557	802
Ordinary profit	948,630	1,361,107
Extraordinary income		
Gain on sale of non-current assets	–	575
Gain on sale of investment securities	127,676	–
Total extraordinary income	127,676	575
Extraordinary losses		
Loss on retirement of non-current assets	61	0
Impairment losses	–	49,208
Loss on redemption of investment securities	499	482
Loss on valuation of investment securities	105,917	52,499
Total extraordinary losses	106,478	102,190
Profit before income taxes	969,828	1,259,492
Income taxes - current	361,368	442,171
Income taxes - deferred	(64,074)	(44,023)
Total income taxes	297,293	398,147
Profit	672,535	861,344
Profit attributable to non-controlling interests	(4,571)	(4,982)
Profit attributable to owners of parent	677,106	866,326

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022
Profit	672,535	861,344
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,238)	35,697
Foreign currency translation adjustment	(2,803)	6,930
Total other comprehensive income	(8,041)	42,628
Comprehensive income	664,493	903,973
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	669,905	908,377
Comprehensive income attributable to non-controlling interests	(5,412)	(4,404)

(3) Consolidated Statements of Changes in Equity

Fiscal year ended January 31, 2021 (from February 1, 2020 to January 31, 2021)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	291,880	328,164	3,199,020	(151)	3,818,914
Changes during period					
Issuance of new shares (exercise of share acquisition rights)	3,423	3,423			6,846
Dividends of surplus			(111,374)		(111,374)
Profit attributable to owners of parent			677,106		677,106
Purchase of treasury shares				(232)	(232)
Change in scope of consolidation			(1,298)		(1,298)
Net changes in items other than shareholders' equity					
Total changes during period	3,423	3,423	564,433	(232)	571,046
Balance at end of period	295,303	331,587	3,763,453	(384)	4,389,960

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	37,499	–	37,499	–	3,856,413
Changes during period					
Issuance of new shares (exercise of share acquisition rights)					6,846
Dividends of surplus					(111,374)
Profit attributable to owners of parent					677,106
Purchase of treasury shares					(232)
Change in scope of consolidation					(1,298)
Net changes in items other than shareholders' equity	(5,238)	(1,962)	(7,200)	10,847	3,647
Total changes during period	(5,238)	(1,962)	(7,200)	10,847	574,693
Balance at end of period	32,260	(1,962)	30,298	10,847	4,431,107

Fiscal year ended January 31, 2022 (from February 1, 2021 to January 31, 2022)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	295,303	331,587	3,763,453	(384)	4,389,960
Changes during period					
Issuance of new shares (exercise of share acquisition rights)	1,369	1,369			2,738
Dividends of surplus			(163,809)		(163,809)
Profit attributable to owners of parent			866,326		866,326
Purchase of treasury shares					-
Change in scope of consolidation			(16,243)		(16,243)
Net changes in items other than shareholders' equity					
Total changes during period	1,369	1,369	686,274	-	689,012
Balance at end of period	296,672	332,956	4,449,727	(384)	5,078,973

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	32,260	(1,962)	30,298	10,847	4,431,107
Changes during period					
Issuance of new shares (exercise of share acquisition rights)					2,738
Dividends of surplus					(163,809)
Profit attributable to owners of parent					866,326
Purchase of treasury shares					-
Change in scope of consolidation					(16,243)
Net changes in items other than shareholders' equity	35,697	6,353	42,050	2,878	44,929
Total changes during period	35,697	6,353	42,050	2,878	733,941
Balance at end of period	67,958	4,390	72,349	13,726	5,165,048

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022
Cash flows from operating activities		
Profit before income taxes	969,828	1,259,492
Depreciation	136,104	234,309
Impairment losses	–	49,208
Amortization of goodwill	13,831	13,831
Increase (decrease) in allowance for doubtful accounts	(43)	(427)
Increase (decrease) in provision for bonuses	36,997	(38,005)
Increase (decrease) in retirement benefit liability	25,009	9,884
Interest and dividend income	(20,314)	(24,723)
Foreign exchange losses (gains)	65	(5,876)
Interest expenses	571	179
Loss (gain) on sale of securities	–	(4,550)
Loss (gain) on investments in investment partnerships	10,027	(4,707)
Loss (gain) on redemption of investment securities	499	482
Loss (gain) on valuation of investment securities	105,917	52,499
Loss (gain) on sale of investment securities	(127,676)	–
Loss (gain) on sale and retirement of non-current assets	61	(575)
Surrender value of insurance policies	(4,463)	(62,498)
Decrease (increase) in trade receivables	(184,771)	59,707
Decrease (increase) in inventories	10,171	1,515
Decrease (increase) in advance payments to suppliers	392	(37)
Decrease (increase) in prepaid expenses	(20,130)	(9,657)
Increase (decrease) in trade payables	(1,781)	(25,058)
Increase (decrease) in accounts payable - other	162,720	(131,832)
Increase (decrease) in accrued expenses	30,389	(20,172)
Increase (decrease) in accrued consumption taxes	34,791	(9,069)
Increase (decrease) in advances received	(9,857)	64
Increase (decrease) in deposits received	23,400	(8,983)
Increase (decrease) in unearned revenue	36,613	69,990
Increase (decrease) in long-term unearned revenue	50,699	26,616
Other, net	15,311	8,566
Subtotal	1,294,367	1,440,172
Interest and dividends received	20,586	24,726
Interest paid	(631)	(73)
Income taxes paid	(324,457)	(403,272)
Insurance premiums refunded cancellation received	–	45,790
Net cash provided by (used in) operating activities	989,864	1,107,344

(Thousand yen)

	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022
Cash flows from investing activities		
Payments into time deposits	(10,817)	(10,503)
Proceeds from withdrawal of time deposits	1,000	80,079
Proceeds from sale of securities	1,310	–
Purchase of property, plant and equipment	(8,724)	(18,152)
Proceeds from sale of property, plant and equipment	–	575
Purchase of intangible assets	(182,802)	(273,751)
Purchase of investment securities	(420,167)	(143,896)
Proceeds from redemption of investment securities	106,530	12,932
Proceeds from sale of investment securities	295,490	–
Proceeds from distributions from investment partnerships	–	4,000
Payments of leasehold and guarantee deposits	(3,081)	(855)
Proceeds from refund of leasehold and guarantee deposits	240	105
Purchase of insurance funds	(17,430)	(16,150)
Proceeds from maturity of insurance funds	9,200	36,090
Other, net	1,552	3,191
Net cash provided by (used in) investing activities	(227,700)	(326,334)
Cash flows from financing activities		
Repayments of long-term borrowings	(53,319)	(100,929)
Proceeds from issuance of shares	6,846	2,738
Dividends paid	(111,240)	(163,709)
Purchase of treasury shares	(232)	–
Proceeds from share issuance to non-controlling shareholders	16,260	7,282
Other, net	(929)	(1,211)
Net cash provided by (used in) financing activities	(142,615)	(255,828)
Effect of exchange rate change on cash and cash equivalents	(5,904)	37,402
Net increase (decrease) in cash and cash equivalents	613,643	562,583
Cash and cash equivalents at beginning of period	2,804,969	3,418,613
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	78,190
Cash and cash equivalents at end of period	3,418,613	4,059,387

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in presentation)

(Consolidated balance sheets)

“Accounts payable - other” under “Current liabilities” presented independently in the previous fiscal year is included in “Other” in the fiscal year under review because it has become insignificant in terms of amount. Consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this changes in presentation.

As a result, in the consolidated balance sheets for the previous fiscal year, ¥400,734 thousand formerly presented as “Accounts payable - other” and ¥190,757 thousand as “Other” both under “Current liabilities” are reclassified into “Other” of ¥591,492 thousand.

(Consolidated statements of income)

“Subsidy income” under “Non-operating income” presented independently in the previous fiscal year is included in “Other” in the fiscal year under review because it has become insignificant in terms of amount. Consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation.

As a result, in the consolidated statements of income for the previous fiscal year, ¥12,113 thousand formerly presented as “Subsidy income” and ¥2,337 thousand as “Other” both under “Non-operating income” are reclassified into “Other” of ¥14,451 thousand.

(Consolidated statements of cash flows)

“Subsidy income” under “Cash flows from operating activities” and “Subsidies received” under the subtotal column presented independently in the previous fiscal year are included in “Profit before income taxes” in the fiscal year under review because it has become insignificant in terms of amount. Consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation.

As a result, in the consolidated statements of cash flows for the previous fiscal year, ¥(12,113) thousand formerly presented as “Subsidy income” under “Cash flows from operating activities ” and ¥12,113 thousand as “Subsidies received” under the subtotal column are reclassified into “Profit before income taxes” of ¥969,828 thousand.

(Additional information)

(Accounting estimates associated with the impact of the spread of COVID-19)

COVID-19 has widely impacted the economy and corporate activities both in Japan and abroad, and it is difficult at the moment to reasonably predict when COVID-19 will be contained. The Group believes that the effects of COVID-19 will continue to some extent after the next fiscal year, and the work style that has changed in response to COVID-19 will continue after COVID-19 is contained. We assume that the effects of COVID-19 on the Group’s business performance will be minor because companies are highly motivated to invest in IT in response to such changes. Under such assumptions, the Group has made accounting estimates, including expected sales revenue for market sale software and recoverability of deferred tax assets.

(Segment information, etc.)

[Segment information]

1. Summary of reportable segments

The Group's reportable segments are the units of the Group for which discrete financial information is available and for which the Board of Directors regularly conducts reviews to make decisions on the allocation of management resources and evaluates the segments' performances.

The Company has been conducting performance evaluations for the Company and each consolidated subsidiaries. Therefore, the Company defines each company as constituent units of business segments and designates three reportable segments: "Software business," "System development service business" and "Overseas business".

The "software business" is a business operated by the Company and it mainly provides groupware products through cloud service, having desknet's NEO as the flagship product. The software business also sells licenses as packaged products, provides services related to the above products, and undertakes contract development of products that will lead to future products and services.

The "system development service business" is operated by Pro-SPIRE Inc., develops engineers based on the cloud integration and system integration know-how it cultivated over the years, and mainly provides system engineering services that meet new customer needs by taking advantage of cutting-edge technologies.

The "overseas business" is operated by overseas subsidiaries and sells our products and services mainly in the ASEAN region.

2. Method of calculating the amounts of net sales, profit or loss, assets, liabilities and other accounts by reportable segment

The accounting procedures for reportable business segments use the same principles and procedures of the accounting procedures adopted to prepare the consolidated financial statements. Segment profit consists of figures based on operating profit. Intersegment net sales or transfers are based on prevailing market prices.

Segment assets and liabilities are not disclosed as they are not provided to the Board of Directors on a regular basis and are not subject to examinations for decisions on the allocation of management resources and performance evaluations.

3. Information on the amounts of net sales, profit or loss, assets, liabilities and other items by reportable segment

For the fiscal year ended January 31, 2021 (from February 1, 2020 to January 31, 2021)

(Thousand yen)

	Reportable segment				Adjustment	Amount recorded in consolidated financial statements
	Software business	System development service business	Overseas business	Total		
Net sales						
Net sales to outside customers	3,460,789	1,861,163	3,068	5,325,021	—	5,325,021
Intersegment net sales or transfers	1,517	23,257	1,790	26,566	(26,566)	—
Total	3,462,307	1,884,420	4,859	5,351,587	(26,566)	5,325,021
Segment profit (loss)	771,108	161,957	(12,328)	920,737	(88)	920,649
Other accounts						
Depreciation	128,007	7,062	1,035	136,104	—	136,104
Amortization of goodwill	—	13,831	—	13,831	—	13,831
Impairment losses	—	—	—	—	—	—

- (Notes) 1. The segment profit (loss) adjustment of ¥(88) thousand represents elimination of intersegment transactions.
2. Segment profit (loss) was adjusted based on operating profit reported on the consolidated statements of income.
3. Depreciation includes amortization of long-term prepaid expenses.

For the fiscal year ended January 31, 2022 (from February 1, 2021 to January 31, 2022)

(Thousand yen)

	Reportable segment				Adjustment	Amount recorded in consolidated financial statements
	Software business	System development service business	Overseas business	Total		
Net sales						
Net sales to outside customers	3,925,031	1,992,061	2,998	5,920,092	—	5,920,092
Intersegment net sales or transfers	1,923	32,011	22,231	56,167	(56,167)	—
Total	3,926,955	2,024,073	25,230	5,976,259	(56,167)	5,920,092
Segment profit (loss)	1,165,699	126,819	(45,306)	1,247,212	198	1,247,411
Other accounts						
Depreciation	226,611	3,767	3,930	234,309	—	234,309
Amortization of goodwill	—	13,831	—	13,831	—	13,831
Impairment losses	41,800	—	7,408	49,208	—	49,208

- (Notes) 1. The segment profit (loss) adjustment of ¥(198) thousand represents elimination of intersegment transactions.
2. Segment profit (loss) was adjusted based on operating profit reported on the consolidated statements of income.
3. Depreciation includes amortization of long-term prepaid expenses.

[Related information]

Fiscal year ended January 31, 2021 (from February 1, 2020 to January 31, 2021)

1. Information on product and service

Description is omitted since similar information is disclosed in the segment information.

2. Information by region

(1) Net sales

Description is omitted as net sales to external customers in Japan exceed 90% of net sales on the consolidated statements of income.

(2) Property, plant and equipment

Description is omitted as the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet.

3. Information on major customer

(Thousand yen)

Customer	Net sales	Relevant segment
DAIWABO INFORMATION SYSTEM CO., LTD.	602,217	Software business

Fiscal year ended January 31, 2022 (from February 1, 2021 to January 31, 2022)

1. Information for each product and service

Description is omitted since similar information is disclosed in the segment information.

2. Information by region

(1) Net sales

Description is omitted as net sales to external customers in Japan exceed 90% of net sales on the consolidated statements of income.

(2) Property, plant and equipment

Description is omitted as the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet.

3. Information on major customer

(Thousand yen)

Customer	Net sales	Relevant segment
DAIWABO INFORMATION SYSTEM CO., LTD.	688,338	Software business

[Information on impairment losses on non-current assets by reportable segment]

For the fiscal year ended January 31, 2021 (from February 1, 2020 to January 31, 2021)

Not applicable.

For the fiscal year ended January 31, 2022 (from February 1, 2021 to January 31, 2022)

(Thousand yen)

	Software business	System development service business	Overseas business	Corporate and elimination	Total
Impairment losses	41,800	–	7,408	–	49,208

[Information on amortization of goodwill and balance of unamortized goodwill by reportable segment]

For the fiscal year ended January 31, 2021 (from February 1, 2020 to January 31, 2021)

(Thousand yen)

	Reportable segment				Corporate and elimination	Total
	Software business	System development service business	Overseas business	Total		
Depreciation for the period under review	–	13,831	–	13,831	–	13,831
Balance at end of period	–	119,871	–	119,871	–	119,871

For the fiscal year ended January 31, 2022 (from February 1, 2021 to January 31, 2022)

(Thousand yen)

	Reportable segment				Corporate and elimination	Total
	Software business	System development service business	Overseas business	Total		
Depreciation for the period under review	–	13,831	–	13,831	–	13,831
Balance at end of period	–	106,039	–	106,039	–	106,039

[Information on gain on negative goodwill by reportable segment]

Not applicable.

(Per share information)

	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022
Net assets per share	¥296.83	¥345.53
Basic earnings per share	¥45.58	¥58.17
Diluted earnings per share	¥45.32	¥57.97

(Notes) 1. The basis for calculating basic earnings per share and diluted earnings per share is as follows:

	For the fiscal year ended January 31, 2021	For the fiscal year ended January 31, 2022
Basic earnings per share		
Profit attributable to owners of parent (thousand yen)	677,106	866,326
Amount not attributable to shareholders of common shares (thousand yen)	–	–
Profit attributable to owners of parent relevant to common shares (thousand yen)	677,106	866,326
Average number of common shares during the period (shares)	14,856,000	14,893,989
Diluted earnings per share		
Adjustment of profit attributable to owners of parent (thousand yen)	–	–
Increase in common shares (shares)	85,478	49,463
(Of which, number of share acquisition rights (shares))	(85,478)	(49,463)
Overview of potential shares that were not included in the calculation of diluted earnings per share due to no diluting effect	–	–

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

	As of January 31, 2021	As of January 31, 2022
Total amount of net assets (thousand yen)	4,431,107	5,165,048
Amount to be deducted from total net assets (thousand yen)	10,847	13,726
Net assets at the end of the period associated with common shares (thousand yen)	4,420,259	5,151,322
Number of common shares at the end of the period used to calculate net assets per share (shares)	14,891,777	14,908,577

(Significant subsequent events)

Not applicable.