



DIGITAL HEARTS HDGS.



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Summary of Business Results for the Fiscal Year Ended March 31, 2022 [Japan GAAP] (Consolidated)

May 12, 2022

Company name: DIGITAL HEARTS HOLDINGS Co., Ltd. Listed on the TSE
 Stock code: 3676 URL: <https://www.digitalhearts-hd.com/>
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 Scheduled date of the ordinary general shareholder meeting : June 28, 2022
 Scheduled commencement of dividend payment : June 10, 2022
 Scheduled date of submission of financial reports : June 29, 2022
 Preparation of supplementary material for fiscal year financial results : Yes
 Holding of financial results meeting : Yes (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen.)

1. Fiscal year ended March 2022 consolidated results (April 1, 2021 – March 31, 2022)

(1) Consolidated business results

(Percentages are changes from the same period of the previous year.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
March 31, 2022	29,178	28.7	2,701	41.5	2,778	40.7	1,780	82.7
March 31, 2021	22,669	7.2	1,908	36.9	1,975	43.9	974	23.0

(Reference) Comprehensive income: Fiscal year ended March 31, 2022: 2,260 million yen (129.8%)
 Fiscal year ended March 31, 2021: 984 million yen (23.2%)

Fiscal year ended	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating margin
March 31, 2022	(Yen) 82.35	(Yen) —	(%) 28.1	(%) 17.4	(%) 9.3
March 31, 2021	45.15	—	18.4	15.8	8.4

(Reference) Equity in earnings of affiliates: Fiscal year ended March 31, 2022: -5 million yen
 Fiscal year ended March 31, 2021: -1 million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of March 31, 2022	(Millions of yen) 17,565	(Millions of yen) 7,576	(%) 39.9	(Yen) 323.81
As of March 31, 2021	14,338	6,314	39.7	263.32

(Reference) Shareholders' equity: 7,004 million yen (As of March 31, 2022) 5,691 million yen (As of March 31, 2021)

(3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year end
March 31, 2022	(Millions of yen) 3,077	(Millions of yen) -2,537	(Millions of yen) -546	(Millions of yen) 5,173
March 31, 2021	1,416	-1,813	1,730	5,041

2. Dividends

	Annual dividends					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	Q1	Q2	Q3	Q4	Full fiscal year			
Fiscal year ended	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	(%)	(%)
March 31, 2021	—	7.00	—	7.00	14.00	302	31.0	5.7
March 31, 2022	—	7.50	—	7.50	15.00	324	18.2	5.1
Fiscal year ending March 31, 2023 (Forecasts)	—	10.50	—	10.50	21.00		20.2	

3. Consolidated earnings forecasts for the fiscal year ending March 2023 (April 1, 2022 - March 31, 2023)

(Percentages are changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Full fiscal year	35,500	21.7	3,290	21.8	3,290	18.4	2,250	26.4	104.02

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): Yes

Newly included: 1 (Company name) identity Inc.

Excluded: -

(2) Changes in accounting policies and accounting estimates and restatement

(a) Changes in accounting policies associated with revision of accounting standards :Yes

(b) Changes in accounting policies other than (a) above :None

(c) Changes in accounting estimates :None

(d) Restatement :None

(3) Shares outstanding (common stock)

(a) Number of issued shares (including treasury stock)	As of March 31, 2022	23,890,800 shares	As of March 31, 2021	23,890,800 shares
(b) Number of treasury stock	As of March 31, 2022	2,260,031 shares	As of March 31, 2021	2,277,431 shares
(c) Average number of shares during the period	Fiscal year ended March 31, 2022	21,624,407 shares	Fiscal year ended March 31, 2021	21,583,000 shares

* The certified public accountant or the audit procedures are not applicable to this financial results report.

* Explanation of the proper use of earnings forecasts and other special notes

- This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed using information available at the time. Accordingly, forecasts may differ from actual results due to a variety of factors.
- A financial results meeting for institutional investors and analysts is scheduled to be held on May 13, 2022. Materials for this meeting will be posted on TD net and the Company's website.

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1. Overview of Business Results etc.

(1) Overview of Company Business Results

	FY2020 (JPY in thousand)	FY2021 (JPY in thousand)	Change (%)
Sales	22,669,577	29,178,789	28.7
Operating income	1,908,694	2,701,031	41.5
Ordinary income	1,975,394	2,778,908	40.7
Net income attributable to owners of the parent	974,492	1,780,699	82.7

Against a backdrop of exponentially increasing use of Internet of Things (IoT) technologies and accelerating digital transformation (DX), the digital markets in which the Group does business are undergoing diversification of content and services at an extremely rapid pace. At the same time, as individual companies are facing chronic shortages in the IT human resources needed to support their development and operation activities, the Group expects continued growth in revenue opportunities from providing services to support clients in areas such as software development, testing, maintenance and operation, and security.

Under these conditions, in the Enterprise Business, which it considered an important business field, the Group will aim toward continued rapid growth through strengthening the human resources, technologies, and customer base that it has built. During this consolidated fiscal year, thanks to the favorable market conditions, we endeavored to realize potential outsourcing needs for system testing and security services through proactive use of solutions-based sales activities to improve software quality. Thanks to these efforts, we realized new customer development and growth in the scale of transactions with existing customers, and both net sales and operating income grew massively. We also endeavored to enhance competitiveness through expanding the pool of engineering human resources and improving specialization in ERP domains through proactive M&A activities. Furthermore, in order to further accelerate growth in the Enterprise Business, we also resolved on April 1, 2022 to spin out the Enterprise Business Division, which is as one department of a major subsidiary, to form AGESt Inc. ("AGESt") and to implement Group organizational restructuring through consolidating some domestic companies in the Enterprise Business into AGESt on the same day. To this end, beginning in the second half of this consolidated fiscal year we began preparations for the development of an attractive environment for engineers, through means including formulating strategies for establishing new branding practices that differ from those of "Game / Entertainment," as well as pursuing cutting-edge technologies related to quality, in preparation for this organizational restructuring.

At the same time, in our core Entertainment Business the Group secured transactions for several large-scale titles for console games in the domestic debugging service, and improvements in efficiency at test centers, etc. resulted in large-scale growth in both net sales and profit. In global services, which are considered pillars of growth in the Entertainment Business, we also sought to enhance Group-wide coordination to swiftly realize synergies with DIGITAL HEARTS CROSS Marketing and Solutions Limited (formerly Metaps Entertainment Limited, "DIGITAL HEARTS CROSS"), which became a subsidiary through acquisition in March 2021.

As a result, both Enterprise Business and Entertainment Business reached high growth and recorded record-high levels of net sales and operating income, to net sales JPY29,178,789 thousand (up 28.7% from the previous period), operating income JPY2,701,031 thousand (up 41.5% from the previous period), ordinary income JPY2,778,908 thousand (up 40.7% from the previous period), and net income attributable to owners of the parent JPY1,780,699 thousand (up 82.7% from the previous period).

Business results by segment are reviewed below.

	FY2020 (JPY in thousand)	FY2021 (JPY in thousand)	Change (%)
Sales	22,669,577	29,178,789	28.7
Enterprise Business	7,021,610	11,491,525	63.7
Entertainment Business	15,647,967	17,687,264	13.0
Operating income	1,908,694	2,701,031	41.5
Enterprise Business	188,452	649,872	244.8
Entertainment Business	3,077,109	3,668,034	19.2
Adjustment amount	-1,356,867	-1,616,875	-

Net sales of each segment includes internal sales or transfers between segments, and segment information. Net income is based on operating income.

(Enterprise Business)

This segment provides System Testing Services for detecting defects in enterprise computer systems, system development support services, maintenance and operation services, and security services such as security inspection and monitoring services.

Sales by service in the Enterprise Business are reviewed below.

The service categories used in reporting were modified during the first quarter, and comparison and analysis for this consolidated fiscal year is based on the categories after this revision.

	FY2020 (JPY in thousand)	FY2021 (JPY in thousand)	Change (%)
System Testing	3,581,870	4,954,022	38.3
IT Service and Security	3,439,739	6,537,502	90.1
Enterprise Business Total	7,021,610	11,491,525	63.7

(i) System Testing

System Testing services mainly provide services in detecting defects in enterprise systems.

In this consolidated fiscal year, in addition to the conventional strengths of manual testing and vulnerability diagnostics, we also proactively propose total solutions for quality improvement, combining high-value-added services such as test automation. As a result, we were able to develop new customers and increase the scale of transactions with existing customers. In addition, besides continuous investment in increasing the number of engineers, the Group endeavored to enhance its structures for receiving orders through means including coordination within the Group, including the use of engineers and freelance engineers at its Vietnam facility, as well as striving to enhance service recognition and brand-ing, centered on specialist human resources newly hired in sales, marketing, and other areas. Furthermore, U.S. subsidiary LOGIGEAR CORPORATION endeavored to expand the test business in the CRM and ERP domains, through means including expanding transactions with companies that have introduced Oracle products, through means including the acquisition of U.K. subsidiary DEVELOPING WORLD SYSTEMS LIMITED in January 2022.

As a result, net sales of System Testing services in this consolidated fiscal year grew considerably to JPY4,954,022 thousand (up 38.3% from the previous period).

(ii) IT Service and Security

In the IT Service and Security, we provide services such as system development support services and maintenance and operation support services as well as security inspection and monitoring services.

In this consolidated fiscal year, we achieved improvements in earnings across all services, including contracted development services, maintenance and operation, and security services. In particular, in contracted development services, thanks to factors including the contributions of identity Inc., which was made a subsidiary in June 2021, we recorded large-scale growth of more than 2.5 times from the previous period. Furthermore, in March 2022 we made CEGB Co., Ltd., a subsidiary that provides SAP introduction and operation consulting services, a subsidiary, with the aim of developing structures for providing wide-ranging services to SAP-related markets, for which demand is rapidly growing, and we also made progress on efforts toward business growth in the next period and beyond.

As a result, in this consolidated fiscal year net sales grew massively from the previous year to JPY6,537,502 thousand (up 90.1% from the previous period), thanks in part to the effects of M&A activities.

As a result of the above factors, in this consolidated fiscal year net sales continued their growth from the previous period, to JPY11,491,525 thousand (up 63.7% from the previous period), while segment income grew massively, to JPY649,872 thousand (up 244.8% from the previous period).

(Entertainment Business)

This segment mainly consists of domestic debugging services for console games, mobile games, pachinko pachislo software, and similar software, global services such as game localization and LQA* services, 2D/3D graphics production, marketing support, and other services.

* Linguistic quality assurance, through checking the quality of translated text and structures.

Net sales of individual services in the Entertainment Business are reviewed below.

	FY2020 (JPY in thousand)	FY2021 (JPY in thousand)	Change (%)
Domestic Debugging	11,536,375	12,123,492	5.1
Global and others	4,111,592	5,563,771	35.3
Entertainment business total	15,647,967	17,687,264	13.0

(i) Domestic Debugging

Domestic Debugging services mainly involve detection of software defects in domestic console games, mobile games, pachinko pachislo software, and similar software and reporting them to clients.

During this consolidated fiscal year, development of new titles by client companies was active, centered on the console-game market. Under these market conditions, the Group secured transactions for numerous major new titles through providing high-quality services responsive to flexible development schedules. We also endeavored to improve profitability through means including improving the operation of test centers, and promoting unique efficiency improvements in debugging processes.

As a result, net sales of Domestic Debugging services in this consolidated fiscal year totaled JPY12,123,492 thousand (up 5.1% from the previous period).

(ii) Global and others

Global and other services mainly include global services, such as the localization, LQA, and marketing support that is essential to introducing game titles in overseas markets as well as Creative Services including system development support services for game and 2D/3D graphics production, along with Media Services that include operation of the 4Gamer.net game information site.

During this consolidated fiscal year, we realized double-digit growth in sales in all sectors of Global, Creative, and Media services. In global services in particular, thanks to the active global deployment of content, progress on securing localization transactions centered on translation and LQA services from overseas game makers, including those in China, resulted in favorable sales. We also endeavored to secure new transactions through enhancing collaboration with DIGITAL HEARTS CROSS, which became a subsidiary in March 2021, and building a structure for providing one-stop services from translation and LQA to marketing support.

As a result, net sales of global and other services in this consolidated fiscal year totaled JPY5,563,771 thousand (up 35.3% from the previous period), thanks in part to the effects of M&A activities.

This resulted in considerable growth in both net sales and segment income in the Entertainment Business, as its net sales totaled JPY17,687,264 thousand (up 13.0% from the previous period) and its segment income was JPY3,668,034 thousand (up 19.2% from the previous period).

(2) Overview of financial standing in this period

(Assets)

The balance of current assets was JPY10,392,881 thousand, up JPY647,883 thousand from the level of JPY9,744,997 thousand at the end of the previous consolidated fiscal year (up 6.6% from the previous period).

This was due mainly to factors such as increases of JPY132,349 thousand in cash and deposits, JPY313,736 thousand in notes and accounts receivable-trade and contract assets, JPY117,032 thousand in accounts receivable-other, and JPY44,633 thousand in income taxes receivable.

The balance of non-current assets was JPY7,172,479 thousand, up JPY2,578,685 thousand from the level of JPY4,593,794 thousand at the end of the previous consolidated fiscal year (up 56.1% from the previous period).

This was due mainly to factors such as an increase of JPY2,295,533 thousand in goodwill.

(Liabilities)

The balance of current liabilities was JPY9,679,346 thousand, up JPY1,774,843 thousand from the level of JPY7,904,503 thousand at the end of the previous consolidated fiscal year (up 22.5% from the previous period).

This was due mainly to factors such as increases of JPY692,360 thousand in short-term loans payable, JPY312,846 thousand in accounts payable-other, and JPY233,585 thousand in accrued expenses.

The balance of noncurrent liabilities was JPY309,674 thousand, up JPY190,138 thousand from the balance of JPY119,536 thousand in noncurrent liabilities at the end of the previous consolidated fiscal year (up 159.1% from the previous period).

This was due mainly to factors such as an increase of JPY105,780 thousand in long-term loans payable.

(Net assets)

The balance of net assets was JPY7,576,339 thousand, up JPY1,261,586 thousand from the level of JPY6,314,752 thousand in net assets at the end of the previous consolidated fiscal year (up 20.0% from the previous period).

This was due mainly to factors such as recording net income attributable to owners of the parent, despite factors such as decreases in capital surplus and dividends resulting from the acquisition of additional shares in consolidated subsidiary LOGIGEAR CORPORATION.

(3) Overview of cash flow during the period

Cash and deposits ("funds" hereinafter) stood at JPY5,173,746 thousand at the end of this consolidated fiscal year, up JPY132,349 thousand from the figure of JPY5,041,396 thousand at the end of the previous consolidated fiscal year.

Cash flow as of this consolidated fiscal year, and major contributing factors, are summarized below.

(Cash flow from operating activities)

Funds from operating activities totaled revenues of JPY3,077,118 thousand (vs. revenues of JPY1,416,917 thousand in the previous consolidated fiscal year).

This was due mainly to the positive contributor of JPY2,749,310 thousand in net income before income taxes and minority interests exceeding negative contributors such as an increase of JPY295,968 thousand in accounts payable-other and an increase of JPY104,956 thousand in accrued expenses.

(Cash flow from investing activities)

Funds expended in investing activities totaled JPY2,537,418 thousand (vs. expenditures of JPY1,813,519 thousand in the previous consolidated fiscal year).

This was due mainly to decreases in funds from causes such as expenditures of JPY1,813,502 thousand on purchase of investments in subsidiaries resulting in changes in the scope of consolidation.

(Cash flow from financing activities)

Funds expended in financing activities totaled JPY546,569 thousand (vs. revenues of JPY1,730,291 thousand in the previous consolidated fiscal year).

This was due mainly to decreases in funds from causes such as expenditures of JPY664,456 thousand on purchase of investments in subsidiaries not involving changes in the scope of consolidation.

(4) Future outlook

We aim to achieve net sales of JPY50 billion in the fiscal year ending March 2024, through rapid growth in the Enterprise Business, which is considered a growth driver, underpinned by the Entertainment Business, our primary business.

In the Enterprise Business, centered on AGEST Inc., which was newly formed, we will aim to evolve into a company capable of providing optimum QA solutions to diversifying customer needs at a high level through enhancing human resources, technologies, and processes. Specifically, we will strive to improve our engineering skills and processes to global standards through means including providing engineering training programs in accordance with the ISTQB Syllabus, which is an international qualification for software testing, and building test processes in accordance with the ISO/IEC/IEEE 29119 international standard for software testing, based on strong relationships with authorities in software testing in Japan and overseas. In addition, the Group will aim to develop solutions suited to the rapidly changing IT industry, through means including research on new test methods using cutting-edge technologies in collaboration with industry and academia, at the newly established AGEST Testing Lab. Furthermore, in addition to continuing growth investment in areas such as enhancing recruitment of engineers, enhancing resources through coordination among Group companies, and building foundations for business and branding, we will accelerate the pace of enhancement of human resources, technologies, and processes, through means including proactive use of new M&A activities.

At the same time, in the Entertainment Business the Group will aim to be a global quality partner that provides [Genuine Quality] in a situation where major changes are taking place in the game industry, such as new entry into the game industry from other industries, including large IT companies, the expansion of cloud gaming, and the fusion of games and businesses such as NFT and Metaverses. In our core domestic debugging services, we will continue to strive to maximize cash-generating capacity through improving profitability through maintaining and expanding overwhelming market share and reviewing operations. In global and other services, as well as through enhancing one-stop services from translation and LQA to marketing, including expanding services through enhancing coordination among Group companies in Japan and overseas, amid the active overseas deployment of game titles, the Group will reliably meet and secure growing demand.

Based on the above efforts, we project the following figures for full-year business results in the next period.

■ Consolidated business performance forecasts

	This period FY2021 (JPY in million)	Next period FY2022 (forecasts) (JPY in million)	Change (%)
Sales	29,178	35,500	21.7
Operating income	2,701	3,290	21.8
Ordinary income	2,778	3,290	18.4
Net income attributable to owners of the parent	1,780	2,250	26.4

2. Basic concept on choice of accounting standards

While the Company prepares consolidated financial statements based on Japanese GAAP, based on the criterion of accurately disclosing the Group's business results and financial standing to shareholders and investors, in choice of accounting standards in the future it has adopted a policy of considering use of accounting standards to contribute to appropriate disclosure of information by the Group, in light of the need for international comparability among accounting figures in response to factors such as trends in the composition of Company shareholders and trends among other companies in Japan.

3. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheet

(Unit: JPY thousand)

	Previous consolidated fiscal year (March 31, 2021)	This consolidated fiscal year (March 31, 2022)
Assets		
Current assets		
Cash and deposits	5,076,396	5,208,746
Notes and accounts receivable-trade	4,097,817	-
Notes and accounts receivable-trade and contract assets	-	4,411,554
Short-term investment securities	155,250	34,506
Inventories	44,143	17,367
Income taxes receivable	2,478	47,112
Other	430,074	741,693
Allowance for doubtful accounts	-61,162	-68,099
Total current assets	9,744,997	10,392,881
Noncurrent assets		
Property, plant and equipment		
Buildings	605,431	722,403
Accumulated depreciation	-238,942	-281,667
Buildings, net	366,488	440,736
Vehicles	6,005	5,227
Accumulated depreciation	-4,718	-870
Vehicles, net	1,287	4,357
Tools, furniture and fixtures	728,571	869,126
Accumulated depreciation	-520,078	-639,321
Tools, furniture and fixtures, net	208,492	229,805
Land	17,568	17,568
Lease assets	45,359	31,976
Accumulated depreciation	-40,590	-31,090
Lease assets, net	4,769	886
Total property, plant and equipment	598,606	693,353
Intangible fixed assets		
Goodwill	2,467,888	4,763,421
Other	202,830	331,292
Total intangible fixed assets	2,670,718	5,094,713
Investments and other assets		
Investment securities	191,529	236,595
Long-term loans receivable	30,000	40,000
Deferred tax assets	326,200	305,068
Lease and guarantee deposits	694,359	736,487
Other	92,027	74,441
Allowance for doubtful accounts	-9,648	-8,181
Total investments and other assets	1,324,469	1,384,412
Total noncurrent assets	4,593,794	7,172,479
Total assets	14,338,792	17,565,361

(Unit: JPY thousand)

	Previous consolidated fiscal year (March 31, 2021)	This consolidated fiscal year (March 31, 2022)
Liabilities		
current liabilities		
Short-term loans payable	4,728,935	5,421,296
Lease obligations	4,930	-
Accounts payable-other	1,048,155	1,361,001
Accrued expenses	950,828	1,184,413
Income taxes payable	453,655	511,871
Accrued consumption taxes	396,647	405,580
Provision for bonuses	53,893	100,190
Provision for directors' bonuses	-	39,184
Other	267,457	655,808
Total current liabilities	7,904,503	9,679,346
Noncurrent liabilities		
Long-term loans payable	63,893	169,674
Deferred tax liabilities	-	456
Net defined benefit liability	41,923	45,891
Asset retirement obligations	13,719	90,256
Other	-	3,396
Total noncurrent liabilities	119,536	309,674
Total liabilities	8,024,039	9,989,021
Net assets		
Shareholders' equity		
Capital stock	300,686	300,686
Capital surplus	331,509	-
Retained earnings	7,575,673	9,021,248
Treasury stock	-2,565,164	-2,545,696
Total shareholders' equity	5,642,705	6,776,238
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	581	8,921
Foreign currency translation adjustment	47,983	219,101
Total accumulated other comprehensive income	48,564	228,022
stock acquisition rights	13,363	-
Non-controlling interests	610,119	572,078
Total net assets	6,314,752	7,576,339
Total liabilities and net assets	14,338,792	17,565,361

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

(Unit: JPY thousand)

	Previous consolidated fiscal year (From April 1, 2020) From March 31, 2021)	This consolidated fiscal year (From April 1, 2021) From March 31, 2022)
Sales	22,669,577	29,178,789
Cost of sales	16,235,984	20,787,432
Gross profit	6,433,592	8,391,357
Selling, general, and administrative expenses	4,524,898	5,690,326
Operating income	1,908,694	2,701,031
Non-operating income		
Interest income	2,598	2,520
Foreign exchange gains	-	12,239
Gain on investments in partnership	-	13,212
Subsidy income	62,296	70,107
Other	15,769	14,535
Total non-operating income	80,664	112,615
Non-operating expenses		
Interest expenses	6,212	11,927
Equity in losses of affiliates	1,425	5,395
Foreign exchange losses	2,741	-
Commission fee	252	10,288
Other	3,332	7,127
Total non-operating expenses	13,964	34,739
Ordinary income	1,975,394	2,778,908
Extraordinary income		
Gain on sales of noncurrent assets	-	1,233
Gain on sales of shares of subsidiaries and associates	-	707
Gain on forgiveness of debts	-	67,782
Gain on reversal of subscription rights to shares	-	13,363
Subsidy income	55,196	-
Other	500	-
Total extraordinary income	55,696	83,086
Extraordinary loss		
Loss on retirement of noncurrent assets	18,298	32,270
Loss on sales of investment securities	2,689	-
Impairment loss	395,511	12,156
Head office transfer cost	-	2,454
Office transfer expenses	44,187	12,059
Loss on business withdrawal	10,509	-
Organizational restructuring expenses	-	53,742
Expenses related to infectious diseases	55,509	-
Total extraordinary loss	526,705	112,684
Net income before taxes	1,504,385	2,749,310
Income taxes-current	600,575	729,951
Income taxes-deferred	-70,544	12,435
Total income taxes	530,030	742,386
Current net income	974,355	2,006,923
Net income (loss) attributable to minority interests	-136	226,224
Net income attributable to owners of the parent	974,492	1,780,699

(Consolidated Statement of Comprehensive Income)

(Unit: JPY thousand)

	Previous consolidated fiscal year (From April 1, 2020) From March 31, 2021)	This consolidated fiscal year (From April 1, 2021) From March 31, 2022)
Current net income	974,355	2,006,923
Other comprehensive income		
Valuation difference on available-for-sale securities	413	8,339
Foreign currency translation adjustment	9,300	245,655
Total other comprehensive income	9,713	253,995
Comprehensive income	984,068	2,260,919
(Breakdown)		
Comprehensive income attributable to owners of parent	976,794	1,987,844
Comprehensive income attributable to non-controlling interests	7,274	273,074

(3) Consolidated Statement of Changes to Shareholders' Equity

Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)

(Unit: JPY thousand)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Starting balance	300,686	355,735	6,904,318	-2,662,635	4,898,105
Changes of items during the period					
Dividends of surplus			-302,026		-302,026
Net income attributable to owners of the parent			974,492		974,492
Purchase of treasury stock				-154	-154
Sale of treasury stock		-24,225		97,625	73,399
Sales of shares of consolidated subsidiaries			-1,110		-1,110
Items other than shareholders' equity Changes of items during the period (Net)					
Total changes of items during the period	-	-24,225	671,355	97,470	744,599
Current year-end balance	300,686	331,509	7,575,673	-2,565,164	5,642,705

	Accumulated other comprehensive income			stock acquisition rights	Non-controlling interests	Total net assets
	Available-for-sale securities Valuation difference	Foreign currency translation adjustment	Other comprehensive income Total cumulative amount			
Starting balance	168	24,033	24,202	13,363	502,797	5,438,469
Changes of items during the period						
Dividends of surplus						-302,026
Net income attributable to owners of the parent						974,492
Purchase of treasury stock						-154
Sale of treasury stock						73,399
Sales of shares of consolidated subsidiaries						-1,110
Items other than shareholders' equity Changes of items during the period (Net)	413	23,949	24,362	-	107,321	131,684
Total changes of items during the period	413	23,949	24,362	-	107,321	876,283
Current year-end balance	581	47,983	48,564	13,363	610,119	6,314,752

This consolidated fiscal year (from April 1, 2021 to March 31, 2022)

(Unit: JPY thousand)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Starting balance	300,686	331,509	7,575,673	-2,565,164	5,642,705
Changes of items during the period					
Dividends of surplus			-313,525		-313,525
Net income attributable to owners of the parent			1,780,699		1,780,699
Purchase of treasury stock				-246	-246
Sale of treasury stock		6,680		19,715	26,396
Transfer to capital surplus from retained earnings		23,968	-23,968		-
Changes to interests in parent arising from transactions with non-controlling interests		-362,158			-362,158
Other			2,368		2,368
Items other than shareholders' equity					
Changes of items during the period (Net)					
Total changes of items during the period	-	-331,509	1,445,574	19,468	1,133,533
Current year-end balance	300,686	-	9,021,248	-2,545,696	6,776,238

	Accumulated other comprehensive income			stock acquisition rights	Non-controlling interests	Total net assets
	Available-for-sale securities Valuation difference	Foreign currency translation adjustment	Other comprehensive income Total cumulative amount			
Starting balance	581	47,983	48,564	13,363	610,119	6,314,752
Changes of items during the period						
Dividends of surplus						-313,525
Net income attributable to owners of the parent						1,780,699
Purchase of treasury stock						-246
Sale of treasury stock						26,396
Transfer to capital surplus from retained earnings						-
Changes to interests in parent arising from transactions with non-controlling interests						-362,158
Other						2,368
Items other than shareholders' equity						
Changes of items during the period (Net)	8,339	171,118	179,457	-13,363	-38,040	128,053
Total changes of items during the period	8,339	171,118	179,457	-13,363	-38,040	1,261,586
Current year-end balance	8,921	219,101	228,022	-	572,078	7,576,339

(4) Consolidated Statement of Cash Flows

(Unit: JPY thousand)

	Previous consolidated fiscal year (From April 1, 2020) From March 31, 2021)	This consolidated fiscal year (From April 1, 2021) From March 31, 2022)
Net cash provided by (used in) operating activities		
Net income before taxes	1,504,385	2,749,310
Depreciation and amortization	198,365	257,104
Impairment loss	395,511	12,156
Amortization of goodwill	215,794	470,928
Increase (decrease) in allowance for doubtful accounts	15,292	1,861
Increase (decrease) in provision for bonuses	5,777	29,343
Increase (decrease) in provision for directors' bonuses	-	39,184
Interest and dividends income	-2,612	-2,534
Interest expenses	6,212	11,927
Foreign exchange losses (gains)	2,741	-12,239
Equity in losses (earnings) from investment in affiliates	1,425	5,395
Loss (gain) on investments in partnership	-	-13,212
Loss (gain) on sales of investment securities	2,694	-
Gain on forgiveness of debts	-	-67,782
Share-based compensation expenses	90,014	38,146
Loss on business withdrawal	10,509	-
Head office transfer expenses	-	2,454
Office transfer expenses	44,187	12,059
Decrease (increase) in notes and accounts receivable-trade	-701,207	393,148
Decrease (increase) in inventories	-1,137	27,752
Subsidy income	-55,196	-70,107
Expenses related to infectious diseases	55,509	-
Organizational restructuring expenses	-	53,742
Gain on sales of noncurrent assets	-	-1,233
Loss on retirement of noncurrent assets	18,298	32,270
Loss (gain) on sales of shares of subsidiaries and associates	-	-707
Gain on reversal of subscription rights to shares	-	-13,363
Increase (decrease) in accounts payable-other	173,476	-295,968
Increase (decrease) in accrued expenses	28,756	-104,956
Increase (decrease) in accrued consumption taxes	-52,972	-32,756
Decrease (increase) in other current assets	-69,989	-52,545
Increase (decrease) in other current liabilities	-9,128	280,451
Other	-7,221	-8,880
Subtotal	1,869,486	3,740,949
Interest and dividends income received	26	1,917
Interest expenses paid	-5,672	-8,272
Income taxes paid	-649,797	-704,194
Income taxes refund	214,140	2,478
Payment of head office transfer expenses	-	-2,454
Payment of office transfer expenses	-10,952	-
Subsidies received	55,196	46,695
Payment of expenses related to infectious diseases	-55,509	-
Net cash provided by (used in) operating activities	1,416,917	3,077,118

(Unit: JPY thousand)

	Previous consolidated fiscal year (From April 1, 2020) From March 31, 2021)	This consolidated fiscal year (From April 1, 2021) From March 31, 2022)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-99,495	-186,762
Proceeds from sales of property, plant and equipment	-	2,270
Purchase of intangible assets	-220,988	-192,709
Purchase of investment securities	-	-83,060
Proceeds from sales of investment securities	2,749	54,962
Proceeds from distribution of investment in partnerships	-	13,212
Proceeds from transfer of business	500	-
Payments for transfer of business	-65,868	-148,883
Payments for lease and guarantee deposits	-44,920	-129,330
Proceeds from collection of lease and guarantee deposits	30,890	9,849
Decrease (increase) in short-term loans receivable	-2,042	2,728
Payments of long-term loans receivable	-30,000	-10,000
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-1,309,417	-1,813,502
Payment on conditional acquisition of shares of subsidiaries	-18,666	-56,193
Expenditures on performance of asset retirement obligations	-55,015	-
Other	-1,245	-
Net cash provided by (used in) investing activities	-1,813,519	-2,537,418
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans payable	2,026,750	620,989
Proceeds from long-term loans payable	66,510	-
Repayment of long-term loans payable	-49,001	-168,393
Purchase of treasury stock	-154	-246
Cash dividends paid	-302,026	-314,428
Payment of dividends to non-controlling interests	-10,017	-20,034
Expenditure on purchase of investments in subsidiaries not resulting in change in scope of consolidation	-	-664,456
Repayments of lease obligations	-1,768	-
Net cash provided by (used in) financing activities	1,730,291	-546,569
Effect of exchange rate change on cash and cash equivalents	7,378	139,218
Increase (decrease) in cash and cash equivalents	1,341,068	132,349
Starting balance of cash and cash equivalents	3,704,104	5,041,396
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-3,776	-
Balance of cash and cash equivalents at end of period	5,041,396	5,173,746

(5) Notes to the Consolidated Financial Statements

(Notes Concerning the Going-Concern Assumption)

Not applicable

(Changes to Accounting Policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; "Revenue Recognition Accounting Standard" hereinafter) and other standards have been applied since the beginning of this consolidated fiscal year. As a result, revenue is recognized in the amount expected to be received in exchange for the good or service at the point in time when control of a promised good or service is transferred to the customer.

As a result, although previously revenues were recognized at the point in time at which contracted work was completed for contracts received for which the obligation of performance covers a certain period, following the application of this standard revenues are recognized in accordance with fulfillment of performance obligations, except in the cases of contracts received for which the subject periods are very short.

In applying the Accounting Standard for Revenue Recognition and related standards, the Company is employing the provisional handling described in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition, by adjusting the amount of the cumulative effects of retroactively applying the new accounting standard prior to the start of this consolidated fiscal year by retained earnings at the start of this consolidated fiscal year and applying the new accounting standard beginning with the resulting balance at the start of the period. However, the new accounting standard is not applied retroactively to contracts for which nearly the entire amount of revenues has been recognized in accordance with the previous handling prior to the start of this consolidated fiscal year, through application of the method described in Paragraph 86 of the Accounting Standard for Revenue Recognition. In addition, for contractual amendments conducted prior to the start of this consolidated fiscal year to which the method described in Proviso (1) of Paragraph 86 of the Accounting Standard for Revenue Recognition applies, account processing is conducted based on contractual conditions after reflection of all contractual amendments, and the cumulative amount of these effects is adjusted by retained earnings at the start of this consolidated fiscal year.

The resulting impacts on profit, loss, retained earnings, and starting balances in this consolidated fiscal year were minor.

Due to the application of the Accounting Standard for Revenue Recognition and related standards, [Notes and accounts receivable-trade], which had been indicated under [Current assets] on the Consolidated Balance Sheet for the previous consolidated fiscal year, has been indicated as [Notes and accounts receivable-trade and contract assets] starting with this consolidated fiscal year. Pursuant to the provisional handling described in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous consolidated fiscal year have not been converted to the new method of indication.

(Application of the Accounting Standard for Fair Value Measurement etc.)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019). The Accounting Standard for Fair Value Measurement and related standards have been applied since the start of this consolidated fiscal year. Pursuant to the provisional handling described in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policies provided for in the Accounting Standard for Fair Value Measurement and related standards have been applied to future accounts. This change has had no effect on the consolidated financial statements.

(Segment Information etc.)

[Segment information]

1. Summary of reporting segments

The Group's reporting segments are constituent units of the Group for which separate financial information can be obtained. They are subject to review at regular intervals by the Board of Directors to make decisions on allocation of corporate resources and to assess business performance.

The Group aggregates business segments with consideration for their details and economic properties, and employs the two reporting segments of the Enterprise Business and the Entertainment Business.

The Enterprise Business segment mainly provides IT support, security, and other services for enterprise systems, including System Testing, contracted development services for IT software, and helpdesk services.

The Entertainment Business segment provides services such as debugging, contracted development services for game, and promotional support, mainly for console games, mobile games, and pachinko pachislo software.

2. Methods of calculating amounts of net sales, profit or loss, assets, liabilities, and other items by reporting segment

The account processing methods of reporting segments largely are the same as those described under "Important Matters Serving as Bases for Preparation of the Consolidated Financial Statements."

Figures for segment profit or loss are based on operating income or operating losses. Internal sales or transfers between segments are based on actual market prices and other considerations.

3. Information on net sales, profit or loss, assets, liabilities, and other items by reporting segment

Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)

(Unit: JPY thousand)

	Reporting segment			Total	Adjustment amount (Note 1)	Amounts on consolidated financial statements (Note 2)
	Enterprise Business	Entertainment Business	Total			
Sales						
Net sales to external customers	7,021,610	15,647,967	22,669,577	22,669,577	-	22,669,577
Internal sales or transfers between segments	-	-	-	-	-	-
Total	7,021,610	15,647,967	22,669,577	22,669,577	-	22,669,577
Segment profit	188,452	3,077,109	3,265,562	3,265,562	-1,356,867	1,908,694

(Note 1) The adjustment amount to segment profit of JPY-1,356,867 thousand consists mainly of Companywide costs such as general administrative expenses not attributable to specific reporting segments.

(Note 2) Segment profits were adjusted against operating income on the Consolidated Income Statement.

This consolidated fiscal year (from April 1, 2021 to March 31, 2022)

(Unit: JPY thousand)

	Reporting segment			Total	Adjustment amount (Note 1)	Amounts on consolidated financial statements (Note 2)
	Enterprise Business	Entertainment Business	Total			
Sales						
Net sales to external customers	11,491,525	17,687,264	29,178,789	29,178,789	-	29,178,789
Internal sales or transfers between segments	-	-	-	-	-	-
Total	11,491,525	17,687,264	29,178,789	29,178,789	-	29,178,789
Segment profit	649,872	3,668,034	4,317,906	4,317,906	-1,616,875	2,701,031

(Note 1) The adjustment amount to segment profit of JPY-1,616,875 thousand consists mainly of Companywide costs such as general administrative expenses not attributable to specific reporting segments.

(Note 2) Segment profits were adjusted against operating income on the Consolidated Income Statement.

(Per-share Information)

	Previous consolidated fiscal year (From April 1, 2020) From March 31, 2021)	This consolidated fiscal year (From April 1, 2021) From March 31, 2022)
Net assets per share	263.32 yen	323.81 yen
Net income per share	45.15 yen	82.35 yen

(Note 1) Diluted net income per share is not indicated because there are no potential shares with dilutive effects.

(Note 2) The bases of calculation of net income per share are shown below.

	Previous consolidated fiscal year (From April 1, 2020) From March 31, 2021)	This consolidated fiscal year (From April 1, 2021) From March 31, 2022)
net income per share		
Net income attributable to owners of the parent (JPY in thousand)	974,492	1,780,699
Amount not attributable to common stock (JPY in thousand)	-	-
Net income attributable to owners of the parent on common stock (JPY in thousand)	974,492	1,780,699
Average shares of common stock during the period (shares)	21,583,000	21,624,407
Overview of potential shares not included in calculation of diluted net income per share because they have no dilutive effects	<p>Stock acquisition rights IV based on May 16, 2018 board of directors resolution Number of stock acquisition rights 20,000 stock acquisition rights (on 2,000,000 shares of common stock)</p> <p>Stock acquisition rights V based on May 16, 2018 board of directors resolution Number of stock acquisition rights 14,000 stock acquisition rights (on 1,400,000 shares of common stock)</p> <p>Stock acquisition rights VI based on May 16, 2018 board of directors resolution Number of stock acquisition rights 6,800 stock acquisition rights (on 680,000 shares of common stock)</p>	-

(Important developments arising after the end of the fiscal year)

Not applicable