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May 11, 2022

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
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 Scheduled date of annual general meeting of shareholders: June 23, 2022
 Scheduled date to commence dividend payments: June 9, 2022
 Scheduled date to file annual securities report: June 23, 2022
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2022	65,272	7.2	9,106	13.7	8,578	14.3	5,992	20.5
March 31, 2021	60,871	(5.7)	8,006	(1.9)	7,507	(4.6)	4,974	(9.1)

Note: Comprehensive income For the fiscal year ended March 31, 2022: ¥6,089 million [21.3%]
 For the fiscal year ended March 31, 2021: ¥5,018 million [(8.9)%]

	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	%	%	%
March 31, 2022	15.47	—	21.6	20.8	14.0
March 31, 2021	12.84	—	20.6	20.1	13.2

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended March 31, 2022: ¥(144) million
 For the fiscal year ended March 31, 2021: ¥(748) million

Note: The Company implemented a four-for-one common stock split effective December 1, 2021. Basic earnings per share has been calculated assuming the stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2022	43,477	30,173	68.5	76.83
March 31, 2021	38,886	25,996	65.9	66.17

Reference: Equity

As of March 31, 2022: ¥29,762 million

As of March 31, 2021: ¥25,632 million

Note: The Company implemented a four-for-one common stock split effective December 1, 2021. Net assets per share has been calculated assuming the stock split was conducted at the beginning of the previous fiscal year.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2022	5,544	(559)	(1,905)	21,964
March 31, 2021	7,205	(1,562)	(1,983)	18,875

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2021	–	10.00	–	10.00	20.00	1,945	38.9	8.0
Fiscal year ended March 31, 2022	–	10.00	–	3.50	–	2,334	38.8	8.4
Fiscal year ending March 31, 2023 (Forecast)	–	4.00	–	4.00	8.00		44.3	

Note: The Company implemented a four-for-one common stock split effective December 1, 2021. The stated year-end dividend per share for the fiscal year ended March 31, 2022 takes the said stock split into account. The total annual dividend for the fiscal year ended March 31, 2022 is not shown because a simple total cannot be calculated due to the implementation of the stock split. The annual dividend per share for the fiscal year ended March 31, 2022 that does not take the stock split into account is 24 yen (the interim dividend of 10 yen per share and year-end dividend of 14 yen per share).

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2023	71,450	9.5	10,280	12.9	10,280	19.8	7,000	16.8	18.07

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2022	450,880,000 shares
As of March 31, 2021	450,880,000 shares

- (ii) Number of treasury shares at the end of the period

As of March 31, 2022	63,483,788 shares
As of March 31, 2021	63,505,356 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2022	387,386,464 shares
Fiscal year ended March 31, 2021	387,371,768 shares

- Notes: 1. The Company has introduced a stock compensation plan, and in calculating the number of common treasury shares at the end of the period and the average number of shares outstanding during the period, the number of treasury shares includes shares of the Company held by Japan Custody Bank, Ltd. (the Trust Account) as trust assets for the “Trust for Granting Shares to Directors and Executive Officers” and the “Trust for Granting Shares to Executive Officers.” The number of treasury shares held by the Trust Account included in the number of treasury shares at the end of the fiscal years ended March 31, 2022 and March 31, 2021 was 1,612,300 shares and 1,634,000 shares, respectively, and the number of treasury shares held by the Trust Account excluded from the calculation of the average number of shares outstanding during the fiscal years ended March 31, 2022 and March 31, 2021 is as follows: the average number of common treasury shares held by the Trust Account for the years ended March 31, 2022 and March 31, 2021 were 1,622,086 shares and 1,636,938 shares, respectively.
2. The Company implemented a four-for-one common stock split effective December 1, 2021. Number of shares has been calculated assuming the stock split was conducted at the beginning of the previous fiscal year.

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	58,110	6.1	8,500	13.6	8,455	9.7	5,566	23.4
March 31, 2021	54,794	(6.9)	7,483	(4.1)	7,705	(0.4)	4,510	(11.6)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2022	14.37	—
March 31, 2021	11.64	—

Note: The Company implemented a four-for-one common stock split effective December 1, 2021. Basic earnings per share has been calculated assuming the stock split was conducted at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2022	39,797	27,684	69.6	71.46
March 31, 2021	35,891	24,062	67.0	62.12

Reference: Equity

As of March 31, 2022: ¥27,684 million

As of March 31, 2021: ¥24,062 million

Note: The Company implemented a four-for-one common stock split effective December 1, 2021. Net assets per share has been calculated assuming the stock split was conducted at the beginning of the previous fiscal year.

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Forward-looking statements in this material, including earnings forecasts, are based on information currently available to the Company and on certain assumptions deemed reasonable. Actual results may differ significantly due to various factors. For assumptions underlying the forecast and cautions regarding the use of earnings forecasts, please refer to “1. Overview of operating results, etc., (1) Overview of operating results for the period under review, (ii) Forecast for the next fiscal year” on page 6 of the Attached Materials.

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The Company will hold a briefing session for investors as follows. The materials distributed at the briefing will be posted on the Company's website immediately after the briefing.

- May 16, 2022 (Monday): Company Information Briefing for Institutional Investors and Analysts

1. Overview of operating results, etc.

Matters discussed here that are not historical fact reflect judgments made as of the end of the fiscal year under review.

(1) Overview of operating results for the period under review

(i) Operating results for the period under review

During the fiscal year under review (April 1, 2021 to March 31, 2022), the Japanese economy saw exports continue to increase against the backdrop of recovery in overseas economies, but domestic demand was affected by restrictions on economic activities due to the COVID-19 pandemic, with only a moderate recovery mainly in individual consumption. Toward the end of the period, amid rising inflationary pressures worldwide, the high prices of resources and raw materials following Russia's military invasion of Ukraine and the rapid weakening of the yen became further risk factors for the economy.

Amid this environment, the Group continued to promote its business activities, focusing on IT support and software development support through remote sales and teleworking.

With regard to the launch of new projects, the Group pursued aggressive sales development, including development of new clients through inbound sales utilizing web content and gradually increasing face-to-face meetings due to a rise in physical commute ratios among clients.

In the Solution Design Business, the Group focused on expansion in the in-vehicle, Internet business, IoT, robotics/AI, and DX fields, where significant growth is expected. Here, the Group worked to further increase orders and improve profitability by further utilizing near-shore development at regional bases and off-shore development in Vietnam.

In the Framework Design Business, the Group deployed its system development expertise from the financial sector to customers in the public and distribution/services sectors, and worked to expand orders in the business application development and infrastructure (cloud) architecture operations.

In the IT Service Business, the Group grew its customer pool and sales volumes by further strengthening alliances with Group companies and partner companies, as well as by promoting the development of IT service products through the use of inbound sales.

In the Business Solution Business (renamed from the Solution Sales Business), the Group actively pursued orders for projects to respond to the shift to digital technologies, as well as orders for system development and maintenance and operation projects by strengthening cooperation with the DX Promotion Department, which handles robotic process automation (RPA) and data linkage tools integrated at the beginning of the fiscal year under review.

In the Cloud Business, which is responsible for promoting the subscription business model, the Group extended the functionality of its Canbus. and Cloudstep in-house products, actively promoting sales through web marketing. In addition, the Group is developing commercial products with keywords such as IoT, security, and blockchain, and promoting collaboration with subsidiaries and venture companies in Japan and overseas to achieve sales globally.

As a result of the above, consolidated results for the period under review were net sales of ¥65,272 million (up 7.2% year-on-year), operating profit of ¥9,106 million (up 13.7% year-on-year), ordinary profit of ¥8,578 million (up 14.3% year-on-year), and profit attributable to owners of parent of ¥5,992 million (up 20.5% year-on-year).

In the fiscal year under review, the Company reviewed its business management categories and changed the classification of its reportable segments as follows. The business of ProVizion Co., Ltd., which had been classified under the Solution Design Business, was reclassified into the IT Service Business, and the business of IDY Corporation, which had also been classified under the Solution Design Business, was reclassified into the Business Solution Business. In addition, new service areas such as RPA, which had been classified under the Framework Design Business, have been reclassified into the Business Solution Business.

The following describes performance by segment. Note that net sales for each segment include inter-segment sales or transfers.

For comparisons with the previous fiscal year, figures for the previous fiscal year have been reclassified into the new reportable segments.

a. Solution Design Business

The Solution Design Business is divided into five categories: In-Vehicle, Social Infrastructure, Internet Business, Products, and DX Services. Net sales in this business amounted to ¥20,663 million (up 7.8% year-on-year), and operating profit was ¥4,132 million (up 14.0%).

(In-Vehicle)

In the in-vehicle category, featuring development of elements such as Mobility as a Service (MaaS), autonomous driving, in-vehicle infotainment, telematics,¹ and the development of electronic control units (ECUs), the Group achieved significant sales growth in MaaS-related services thanks to differentiation from competitors owing to technological capabilities that leverage the Group's experience in the in-vehicle business and telecommunications business. In particular, there is a rising number of projects seeking commercialization through proof of concept (PoC), and this is expected to grow further. In addition, in-vehicle infotainment and telematics are also on a recovery track, and the Group will continue to take aggressive actions to advance these areas. Furthermore, the Group has positioned these areas as long-term priority focus areas, and through its participation in the MONET Consortium,² the Group will aim to further enhance its business value in the mobility field.

- 1 Telematics is a term created from the combination of “telecommunication” and “informatics.” It is a generic term for the provision of services using mobile communication systems, such as mobile phones, to automobiles and other mobile objects.
- 2 MONET Consortium is a consortium established by MONET Technologies Inc., a joint venture between SoftBank Corp. and Toyota Motor Corporation, to promote next-generation mobility services, solve social issues in mobility, and create new value.

(Social Infrastructure)

In the social infrastructure category, the Group supports the mechanisms of society, including telecommunications infrastructure, payment infrastructure, transportation infrastructure, power grids, and more, and enriches people's lives. Here, sales grew significantly, especially in services related to the development of 5G infrastructure. In addition, with the spread of 5G infrastructure, orders for service development utilizing this network have been brisk. As demand for the development of services utilizing 5G is expected to increase in the future, the Group will closely monitor trends in projects related to 5G infrastructure.

(Internet Business)

In fields related to the Internet Business, such as Internet services and e-commerce, sales remained steady in service development for 5G, cashless payment in e-commerce, and system development and verification related to the utilization of personal data. Orders from companies seeking to further strengthen their cashless payment ecosystems were particularly strong. This area is expected to continue to grow due to rising demand amid the COVID-19 pandemic.

(Products)

In fields related to product development, including smartphones, home appliances, and robotics, development and quality verification associated with smart home appliances experienced steady growth with the keywords “AI” and “IoT,” strengths of the Group. In addition to product development and quality verification, the Group's ability to provide one-stop support throughout the product lifecycle, including environment construction and support, also differentiates the Group from its competitors and has helped it achieve steady results. The Group will continue to expand orders received further by flexibly resolving both emergent and latent issues through its one-stop services.

(DX Services)

In the DX Services field, the Group has received many inquiries thanks to its offerings utilizing in-house services and open source software (OSS) in addition to conventional system development service as demand increases for achieving digital transformation (or DX, the concept of improving all aspects of life and business through permeation of information technologies). The Group will continue to focus on

expanding its in-house services while strengthening its sales capabilities and aggressively developing new clients in this field.

Regarding the status of the Group's response to COVID-19 and its impact on activities within this business, the Group has shifted to telecommuting in many business areas, successfully mitigating risks facing the continuation of business activities.

The Group will continue to promote business by taking rigorous infection control measures.

b. Framework Design Business

In this business, the Group harnessed its track record in application development in the financial sector to expand the scope of its offerings to customers in the public sector, distribution/services, and in social infrastructure, leading to an increase in orders.

In the financial sector, the Group provides core system development services for customers in the banking industry and life and non-life insurance businesses. The Group achieved expanded sales not only in long-term development work in areas such as contract management systems and accounts systems, but also by expanding its scope of services to include Internet banking and new systems such as the construction of data utilization infrastructures.

In the public sector, sales increased due to the expansion of projects related to taxpayer identification numbers (My Number) and education. New projects are being acquired in the areas of system development, infrastructure construction, and operation and maintenance. Going forward, the Group will continue to actively develop these as new pillars of this business.

In addition, for general corporate clients, the Group won commissioned development projects and advanced proposals for business improvement projects using DX solutions. The Group's total system support proposals, from proof of concept support in the system planning stages to operations after system development, have led to an increase in orders.

As a result, net sales in this business amounted to ¥5,143 million (up 14.3% year-on-year) and operating profit was ¥1,014 million (up 31.5% year-on-year).

c. IT Service Business

As more and more companies, regardless of industry, are promoting DX and reforming work styles, there is movement to restructure and optimize existing IT environments, leading to expanding demand for IT outsourcing, including IT support services for companies that are creating new business models.

Under these circumstances, the Group focused its efforts in its core businesses, providing services directly related to accelerating its customers' business growth. These core businesses consist of not only contract IT support and PMO services, including assessment and consulting, leveraging the Group's experience in addressing customer demands by responding to changes in the environment, but also IT solution sales for IT training, security services, and more.

In the software testing services business, the Group worked to expand orders and improve profitability by offering testing services across all processes, from quality control process consulting to debugging, to customers who provide web content/applications in a B2B2C model.

In addition, the Group established a new location to promote engagement of persons with disabilities and actively invested in the hiring and training of talented human resources throughout this business to further expand its business and improve profitability.

With regard to its measures against COVID-19 within this business, the Group continues to shift from a full-time, on-site work style to telecommuting and remote service provision, utilizing inbound sales in its sales activities.

As a result, net sales in this business amounted to ¥15,690 million (up 14.8% year-on-year) and operating profit was ¥2,197 million (up 17.3% year-on-year).

d. Business Solution Business

In this business, where the Group is mainly engaged in B2B sales of IT-related products and system integration services mainly for foreign-affiliated and medium-sized companies, projects addressing the shift to digital technologies began to gradually gain traction in the continuing difficult environment amid the COVID-19 pandemic.

Specifically, the system integration business was able to win a number of orders for virtualized infrastructure replacements with core system functions, server relocations, and lift and shift, a type of cloud migration.

In addition, the Group successfully won orders for system development and maintenance and operation projects responding to the shift to digital technologies by strengthening cooperation with the DX Promotion Department, which handles RPA and data linkage tools integrated at the beginning of the fiscal year under review.

However, due to the continued difficulty in procuring IT equipment such as PCs, servers, storage, and network equipment due to a worldwide shortage of semiconductors in addition to prolonged business negotiations amid the COVID-19 pandemic, hardware sales declined, resulting in net sales of ¥22,290 million (down 0.2% year-on-year) and operating profit of ¥1,436 million (down 4.2% year-on-year) in this business.

e. Cloud Business

In this business, where the Group provides cloud solutions and original services to companies and other entities, the Group received many inquiries for its Canbus.^{3,4} DX platform from companies urgently seeking work style reforms, including telecommuting. In particular, the Group not only sold licenses to companies seeking to shift to data-driven operations, but also received many orders for integration projects, including operational system replacement and system integration. Amid this situation, the Group accelerated its launch of new functions and alliances to help more companies achieve DX. Going forward, the Group will continue to promote aggressive investment and sales reinforcement in this priority offering area.

In addition, inquiries for the Cloudstep³ groupware, integrated with Google Workspace and Microsoft 365, have been very strong for rebuilding groupware architecture suited to work styles amid the COVID-19 pandemic. Amid these circumstances, a factor differentiating the Group from its competitors and generating orders is system integration, an area of strength for the Group.

As a result, net sales in this business amounted to ¥1,804 million (up 21.6% year-on-year) and operating profit was ¥406 million (up 35.3% year-on-year).

3 Canbus. and Cloudstep are original Systema services.

4 “Canbus.” in the Japanese market is pronounced *canbus dot*.

f. Overseas Business

The Company’s U.S. subsidiary enjoyed strong orders for additional development of new DX-based operational improvement application functions, including continuing orders from existing Japanese-affiliated customers in the manufacturing industry, thanks to aggressive sales activities despite the COVID-19 pandemic. AI and IoT projects have also realized operational efficiency improvements at local factories in the United States, etc., and the subsidiary has begun to receive orders under subscription models. The subsidiary has also received repeat orders for proof of concept development and verification where Japanese-affiliated firms check the effectiveness of elemental technologies held by Silicon Valley start-up companies. In addition, Canbus. is earning a track record of implementation thanks to its sales as a DX solution.

Furthermore, ONE Tech, Inc., a U.S. company with capital contribution from the subsidiary has entered into a partnership agreement with Renesas Electronics Corporation and others to provide its MicroAI™ proprietary AI, and has formed alliances with several microcontroller unit (MCU) manufacturers and is actively engaged in joint sales.

StrongKey, Inc., another U.S.-based company the subsidiary has invested in, is promoting sales activities for Tellaro, its enterprise security product, and is focusing on eliciting new inquiries and winning ongoing orders from client companies based on its capabilities in data encryption and strong authentication.

In this business, which is still in the investment stage, net sales amounted to ¥176 million (down 6.5% year-on-year) and operating loss was ¥9 million (versus operating profit of ¥7 million in the previous fiscal year).

g. Investment & Incubation Business

In order to promote sales of U.S.-based ONE Tech, Inc's MicroAI™ IoT edge computing AI technology, ONE Tech Japan, Inc. worked with the U.S. subsidiary to prepare for online rollout of the MicroAI™ SDK.

GaYa Co., Ltd., which provides development and operations for mobile game content, operates social games developed in-house and designs and develops business applications for smartphones and tablets. In the fiscal year under review, development of the new horse racing game application Keiba Densetsu PRIDE proceeded as planned, with a closed beta test conducted in March and development continuing diligently based on the feedback obtained from this test. Commissioned development for business applications has also moved into operation phases, as the organization works to promote horizontal deployment.

As a result, net sales in this business amounted to ¥171 million (down 3.6% year-on-year) and operating loss was ¥72 million (versus operating loss of ¥71 million in the previous fiscal year).

(ii) Forecast for the next fiscal year

The outlook for the next fiscal year by segment is as follows.

Within the Solution Design Business, the Group will focus on the In-Vehicle, Social Infrastructure, Internet Business, Smart Devices/Robotics/AI, and DX Services areas, making greater efforts to promote near-shore development using regional bases and off-shore development in Vietnam and working to further expand orders and improve profitability.

In the In-Vehicle area, in addition to strengthening relationships with automotive-related companies and developing in-vehicle infotainment, telematics, and electronic control units (ECUs), areas of particular strength, the Group will focus on expanding its mobility services business harnessing the strength of its expertise in 5G and artificial intelligence (AI).

In the Internet Business area, the market for telecommunications carrier services, e-commerce, e-books, and other Internet services, as well as cashless payments, is expected to expand as 5G enters a phase of full-scale penetration. Here, as the market expands, the Group is receiving many inquiries not only for technical support services, like development and quality verification, but also for service support such as service direction and operation. Going forward, the Group will actively work not only on development but also on these services overall.

In the Social Infrastructure area, in addition to development and quality verification related to 5G infrastructure equipment, the Group will expand and enhance its services to include maintenance and operation ahead of 5G coverage area expansion. The Group will also actively engage in proof of concept testing for smart cities and other projects by utilizing its expertise in IoT and AI.

In the Smart Devices area, the Group will harness its strong track record in smartphone development services to aggressively develop quality verification services related to 5G, IoT, AI services, and more amid increasing inquiries about web services and IoT-related services, in addition to development and quality verification for various products such as smartphones, game consoles, and payment terminals.

In the Robotics/AI area, the Group will utilize its strong expertise in communication robots to continue to strengthen its sales activities with regard to medical robots, industrial robots, and lifestyle robots associated with long-term care and daily life. In addition, as the spread of COVID-19 changes the way people work, the Group expects demand in the areas of RPA and robotics to increase, and the Group will provide technical and service support in robotics to help grow orders received.

In the DX Services area, enterprises are urgently tasked with improving productivity and operational efficiency, partly due to soaring raw material prices. Amid this increasing demand, the Group will not only promote the application of DX to its clients' B2B systems, but also differentiate itself from competitors by developing a wider range of in-house services and products to address emergent and latent issues faced by clients in order to grow orders received and improve profitability.

Regarding the status of the Group's response to COVID-19 and its impact on activities within this business, the Group has shifted to telecommuting in each business area, successfully mitigating risks so as to ensure the continuation of business. However, on the short term, there is the potential of temporary order postponement in operational support that is more challenging to provide on a telecommuting basis. This is of particular concern for some operations in the In-Vehicle, Social Infrastructure, and Robotics/AI businesses. In addition, the area of business systems is susceptible to customer cost-cutting and investment limitations,

and likewise, there are concerns about order postponement over the short term. On the other hand, inquiries for the Internet Business and 5G-related services remain strong even under today's conditions. Amid these circumstances, this business will engage in selection and concentration, with the goal of shifting to areas where demand is greater.

In the Framework Design Business, the Group is expanding business in the public and corporate sectors by deploying business system development expertise it has cultivated in the financial sector. Going forward, the Group will continue to maximize its current services and aggressively develop business, promoting sales activities and human resource development in line with market trends.

Within the existing system development business, the Group will expand its offerings for business operators in retail, distribution, and Internet services in addition to the ongoing large-scale financial (life and non-life insurance) and public sector projects, aggressively pursuing business development utilizing the Group's development expertise.

In the infrastructure-related business, the Group is expanding its business with a focus on technical support for the introduction of public cloud ecosystems. The Group expects the need for cloud-related technical support to continue, and will continue to actively cultivate personnel for further business expansion.

In the DX-related business, inquiries for operational improvement projects utilizing DX solutions are increasing. The Group will focus on training professional engineers for building system integration infrastructure with DX solutions at its core. In addition, the Group is expanding development projects for core system renewal (mainframe migration) and cloud-native systems (serverless systems), and will continue to aggressively pursue orders for DX-related projects.

As its sales policy, the Group will continue to maximize utilization of online environments to expand proposal opportunities and improve customer response speed, with an eye to maintaining business in the COVID era.

In the IT Service Business, demand is expected to expand for IT support services, software testing services, and other IT outsourcing services as more and more companies, regardless of industry engage in DX promotion and reform of work styles.

Amid these circumstances, the Group leveraged its track record in IT support and deployed its management resources to the growing field of DX. Going forward, the Group will focus on providing services more directly connected to client business growth by evolving its lineup from simple helpdesk and other IT support services to project management office (PMO) and internal IT infrastructure improvement proposals.

In software testing services, the Group has worked to expand orders and improve profitability in testing services provided across all processes, from quality control process consulting to debugging, to customers who provide web/application-related solutions in a B2C model. As the Group expands its business in the B2B2C domain going forward, it will also focus on expanding services by offering its software testing expertise to B2B customers supporting social infrastructure.

With regard to promoting engagement of persons with disabilities, the Group will focus on acquiring a wide range of service projects, primarily in business process outsourcing (BPO), and promote the creation of an environment in which they can engage in higher value-added work by better grasping the characteristics and individual traits of each person.

In addition, the Group will create new IT service solutions and improve profitability by developing new services and expanding the scope of support through alliances with Group companies and partner companies and by strengthening inside sales.

In the Business Solution business, despite a sense of future uncertainty due to a prolonged COVID-19 pandemic, product delays caused by semiconductor supply shortages, and soaring commodity prices due to high resource prices, enterprises are expected to maintain steady investment in IT, tackling new work styles in the COVID era and using DX to improve productivity, cut costs, and build competitiveness.

In this business, the Group will expand its solution services to address these economic issues and those of its customers.

Specifically, the Group will shift its focus from product-oriented businesses to service businesses and

further strengthen its recurring revenue businesses, centered on subscription businesses and support services.

As an area of particular focus, the Group will expand its services and enhance its support structure to ensure security on the whole, not only at endpoints.

In addition, since robust growth is expected in the infrastructure business, the Group will work to provide higher value-added services, such as modernizing legacy infrastructure and providing hybrid environments integrated with the cloud.

The DX Promotion Department (system development division), which handles RPA and data linkage tools integrated in the previous fiscal year, will further promote cloud migration, which saw significant growth in the last fiscal year. It will also provide rapid development services utilizing application restructuring and data linkage tools in addition to conventional system development to further promote expansion.

This will allow the Group to continue to improve the services it offers to customers, transforming it into a system integrator and improving profitability.

In the Cloud Business, the Group is working to strengthen sales of Canbus., a solution realizing data-driven operations by creating databases of various operations, including customer relationship management (CRM), recruitment management, and human and other resource management. This solution is designed to help drive changes in corporate management, who are tasked with transformation amid impact of the spread of COVID-19. In these days of ever-accelerating DX with an eye to the post-COVID world, the Group will continue to make upfront investments to strengthen its services and increase awareness, laying the foundation for business growth and developing new services. The Group will also strengthen its existing Cloudstep service in order to further improve profitability.

In the Overseas Business, the U.S. subsidiary will promote sales to enterprises worldwide through the provision of the MicroAI™ AI solution in cooperation with solution provider ONE Tech, Inc., also based in the United States and a company with capital contribution from the subsidiary. The Group will also aim to expand Canbus., provided by its Cloud Business, to the U.S. market. The Group intends to continue operating in the black thanks to expansion of collaborative projects with these investees and robust demand for technical support from Japanese-affiliated companies in the United States.

In the Investment & Incubation Business, GaYa Co., Ltd. plans to release horse racing game Keiba Densetsu PRIDE in the summer of 2022, a game planning and development project, and will focus on the operation of this title. In non-game application development utilizing game development technology, the Group will promote a full stack of services, from design to development to support.

Based on the above, the Group forecasts consolidated results for the next fiscal year of net sales of ¥71,450 million, operating profit of ¥10,280 million, ordinary profit of ¥10,280 million, and profit attributable to owners of parent of ¥7,000 million.

(2) Overview of financial position for the period under review

(i) Analysis of assets, liabilities and net assets

Total assets at the end of the fiscal year under review amounted to ¥43,477 million (versus ¥38,886 million at the end of the previous fiscal year), an increase of ¥4,590 million from the end of the previous fiscal year.

Current assets amounted to ¥38,002 million (versus ¥33,420 million at the end of the previous fiscal year), an increase of ¥4,581 million from the end of the previous fiscal year. This was mainly due to a ¥2,619 million increase in cash and deposits, a ¥1,497 million increase in notes and accounts receivable - trade, and contract assets (compared to notes and accounts receivable - trade at the end of the previous fiscal year), and a ¥319 million increase in merchandise.

Non-current assets amounted to ¥5,475 million (versus ¥5,465 million at the end of the previous fiscal year), an increase of ¥9 million from the end of the previous fiscal year. Property, plant and equipment amounted to ¥1,058 million (versus ¥917 million at the end of the previous fiscal year), an increase of ¥140 million from the end of the previous fiscal year. Intangible assets amounted to ¥278 million (versus ¥307 million at the end of the previous fiscal year), a decrease of ¥29 million from the end of the previous fiscal year. Investments and other assets amounted to ¥4,138 million (versus ¥4,240 million at the end of the previous fiscal year), a decrease of ¥102 million from the end of the previous fiscal year. This was mainly

due to a ¥498 million increase in allowance for doubtful accounts (the balance of investments and other assets decreased due to the allowance) and a ¥527 million increase in leasehold and guarantee deposits.

Total liabilities amounted to ¥13,303 million (versus ¥12,889 million at the end of the previous fiscal year), an increase of ¥414 million from the end of the previous fiscal year. This was mainly due to a ¥439 million increase in accounts payable - trade, a ¥203 million increase in accounts payable - other, and accrued expenses, and a ¥155 million decrease in income taxes payable.

Net assets amounted to ¥30,173 million (versus ¥25,996 million at the end of the previous fiscal year), an increase of ¥4,176 million from the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent of ¥5,992 million and dividends of surplus of ¥1,945 million.

As a result, the equity-to-asset ratio increased 2.6 percentage points from the end of the previous fiscal year to 68.5%.

(ii) Analysis of cash flows

Cash and cash equivalents (“net cash”) at the end of the fiscal year under review amounted to ¥21,964 million, up ¥3,089 million from the end of the previous fiscal year.

The following outlines the status and underlying change factors of each classification of cash flows for the fiscal year under review.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥5,544 million (versus ¥7,205 million provided in the previous fiscal year). The main inflows were profit before income taxes of ¥8,578 million, an increase in allowance for doubtful accounts of ¥460 million, an increase in trade payables of ¥438 million, and depreciation of ¥429 million. The main outflows were income taxes paid of ¥2,816 million and an increase in trade receivables of ¥1,494 million.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥559 million (versus ¥1,562 million used in the previous fiscal year). The main outflows were ¥17,158 million for purchase of investment securities, ¥545 million for payments of leasehold and guarantee deposits, and ¥519 million for purchase of property, plant and equipment and intangible assets. The main inflows were ¥17,127 million in proceeds from sale of investment securities and ¥374 million in proceeds from withdrawal of time deposits.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥1,905 million (versus ¥1,983 million used in the previous fiscal year). The main outflow was dividends paid of ¥1,938 million.

Trends in the Group’s cash flow indicators are shown below.

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Equity-to-asset ratio (%)	63.0	65.9	68.5
Equity-to-asset ratio on a market value basis (%)	394.8	550.9	384.0
Ratio of interest-bearing debt to cash flows (%)	32.1	21.5	28.0
Interest coverage ratio (times)	663.8	1,022.4	777.6

Equity-to-asset ratio: Shareholders’ equity ÷ Total assets

Equity-to-asset ratio on a market value basis: Market capitalization ÷ Total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt ÷ Cash flows

Interest coverage ratio: Cash flows / Interest payments

- For each indicator, all calculations are based on consolidated financial figures.
- Market capitalization is calculated by multiplying the number of shares outstanding minus the number of treasury shares by the closing stock price, both as of the end of the fiscal year.
- Interest-bearing debt is all debt on the consolidated balance sheet for which interest is paid.
- Cash flows and interest payments refer to “Cash flows from operating activities” and “Interest paid” as reported in the consolidated statement of cash flows.

(3) Basic policy on profit distribution and dividends for the fiscal year under review and the next fiscal year

The Company recognizes that returning profits to shareholders is one of its most important management issues, and its basic policy is to distribute profits in accordance with business performance, with a foundation of ongoing, stable dividends.

The Company will be proactive in targeting a consolidated dividend payout ratio of 40% or more, taking into consideration its business performance and financial position for each fiscal year, as well as the strengthening of its management base and future business development.

The Company will also flexibly implement share repurchases as part of its profit return policy, taking into consideration such factors as its financial condition and stock price trends.

The Company implemented a four-for-one stock split of its common stock, effective December 1, 2021, in order to lower the amount required per investment unit of stock, increase the liquidity of the Company's stock, and further expand its investor base.

For the fiscal year under review, the Company plans to pay an annual dividend of ¥6 per share, calculated on the assumption that the stock split had been conducted at the beginning of the fiscal year. This consists of a year-end dividend of ¥3.5 per share (after stock split) and an interim dividend of ¥10 per share (before stock split).

Retained earnings will be effectively used for investment in business fields where growth is expected, research and development of in-house products, and strengthening of recruitment and training of human resources in line with business expansion.

For the next fiscal year, the Company plans to pay an annual dividend of ¥8 per share (consisting of an interim dividend of ¥4 per share and a year-end dividend of ¥4 per share).

Note that the Company's Articles of Incorporation stipulate that the Company may pay dividends from surplus, etc. by resolution of the Board of Directors pursuant to Article 459, Paragraph 1 of the Companies Act.

(4) Business and other risks

The following is a list of major risk factors that may affect the Group's business development. While it is the Group's policy to recognize the possibility of the occurrence of these risks and to make every effort to avoid their occurrence and to address any that may occur, the Group believes that investment decisions regarding this stock should be made after careful consideration of the following content provided in this section as well as other matters listed.

This section includes forward-looking statements reflecting judgments made as of the end of the fiscal year under review.

(i) Management of confidential information

Since many of the Company's operations require a high degree of confidentiality in terms of both technology and sales strategy and information security is becoming increasingly important, the Company has obtained ISO 27001 certification, the international standard for information security management, and is taking rigorous action to ensure this certification is applied and enforced.

If, despite these actions, information leaks were to occur, the Company could face compensation for damages, decreasing business orders due to loss of trust, and other significant effects on the business, which could affect the Group's performance and financial position.

(ii) Legal regulations

The legal regulations surrounding the Group's business are as follows.

a. Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors

This law specifies the obligation to deliver an order form, to prepare and preserve documents, to specify a due date for payment of subcontract proceeds (the obligation to pay within 60 days after delivery or provision of services), to pay interest on late payment, etc., when a corporation with capital of over ¥300 million subcontracts to a corporation with capital of ¥300 million or less.

The law was amended in June 2003 (effective April 1, 2004) to add subcontracting for the creation of information-based products (programs, broadcast programs, etc.), provision of services, and manufacture of metal dies to the scope of the law. As a result, subcontracting transactions for the creation of information-based products (programs) related to the Group are covered and subject to legal regulations.

b. Act on Securing the Proper Operation of Worker Dispatching Businesses and Protecting Dispatched Workers ("Worker Dispatching Act")

The purpose of this act is “to take measures for securing proper operation of a worker dispatching business for the proper adjustment of labor demand and supply, in conjunction with the Employment Security Act, as well as measures for protecting dispatched workers, and thereby to contribute to the stability of employment and otherwise to the promotion of the welfare of dispatched workers” (Article 1). In accordance with this act, the Group has been licensed for general worker dispatching business. Reasons for disqualification of license for general worker dispatching are stipulated in the items of Article 6 of this act. Furthermore, Article 14 of this act stipulates that if a general worker dispatching business operator (including its officers) falls under any of the items of Article 6 of the act after license registration, the Minister of Health, Labour and Welfare may rescind the license granted to said general worker dispatching business operator. Article 14 also stipulates that, when a general worker dispatching business operator violates the provisions of the act or the Employment Security Act, or any orders or dispositions based on these provisions, the Minister of Health, Labour and Welfare may order the operator to suspend all or part of the relevant worker dispatching business for a designated period of time.

In addition, the Group submits business reports and settlements of accounts associated with worker dispatching to the Minister of Health, Labour and Welfare in accordance with this act.

Since the Group has established a system that complies with laws and regulations, and its officers are also committed to compliance with laws and regulations, there are currently no factors present that could hinder business activities. Although the Group will continue to make every effort to comply with laws and regulations, any violation of laws and regulations may lead to restrictions on its business, which could affect the Group’s performance.

(iii) Impact from the spread of COVID-19

Since February 2020, when the issue of the spread of COVID-19 began to enter the public eye, the Group has been promoting infection control and business continuity measures in preparation for a worst-case scenario. Infection control measures include the installation of alcohol sanitizers for hand disinfection at the entrances to all rooms at not only the head office but all business locations, and mask recommendations have been put in place. In particular, in places where more than a certain number of people gather, companies distributed masks and established maximum possible social distance to prevent infection caused by physical contact and speaking.

Based on guidance from industrial physicians and internal resident nurses, employees are provided with ongoing guidance for health management, including daily body temperature checks. Those employees who are not feeling well are suspended from commuting to work from initial stages so as to ensure clusters do not form within companies. Simultaneously, the Group took action to implement telecommuting, including procurement of laptop computers and other hardware, introduction of web conferencing systems and remote access tools for internal systems. Employees who are able to work from home are gradually transitioning to telecommuting. In addition, the Group is revising various internal rules and regulations and improving the degree of freedom employees have in the work hours in order to achieve a flexible work system in response to government policies and requests. Furthermore, to mitigate information security risks arising from the dispersion of work locations, the Group is strengthening employee training and clarifying guidelines and rules for establishing a telecommuting environment.

In addition, the Group has partnered with a hospital to provide dedicated online medical care for employees, not only to prevent the spread of the virus, but also to create a system that enables early detection and rapid response in the event of an outbreak.

As a result of these measures, the Company is now able to continue business operations equivalent to normal operations.

(5) Issues to be addressed

Impact from COVID-19 is gradually subsiding and the environment is finally becoming conducive to promoting proactive management toward a post-COVID era.

The question of how quickly formerly-stagnant projects can be launched will make the difference between winning and losing in achieving the medium-term plan.

Another important factor in achieving the Group’s goals is to present product alternatives amid a further-disrupted supply chain from the conflict in Ukraine and the resulting shortages of semiconductors and many other kinds of products, and to promote business negotiations in a beneficial manner.

Despite a subsiding pandemic, the remote work-driven changes in business style are expected to largely

remain in the post-COVID era, and the Group sees the key to achieving its medium-term plan as capturing the accelerating trend of promoting digital transformation (DX)* in business scenes, driven by digital technologies like networks and cloud computing.

With regard to recruitment plans, amid a freeze on hiring within the service and air transportation industries, the Group has been able to secure excellent talent with strong service mentalities inherent to these industries, and has been proactively recruiting with the mindset that “tough times bring opportunity,” taking advantage of the strong opportunity to increase hiring rates for women as the Group builds a stronger IT services business.

After the long tunnel of deflation following the collapse of the bubble economy in the early 1990s, the global economy has quickly entered an era of inflation.

Business styles flip entirely between times of deflation and inflation.

While latecomers have the advantage in times of deflation, the Group believes that the strongest strategy for inflation is to be first in line.

However, blindly scrambling for first mover advantage under high-cost inflation can be fatal. Here, the key question is where to break out from the crowd. The Group believes that, now more than ever, it needs to allocate management resources and apply a higher level of selection and concentration in investment areas.

In line with this management strategy, the Group will further accelerate the scrap and build cycle for businesses, part of the Company’s basic management policy, and rapidly allocate management resources to markets within growth areas where the Group can leverage its strengths and win.

In line with this policy, the Group will also change its sales tactics. In addition to strengthening its own traditional sales capabilities, the Group will actively promote alliances with sales-capable partners to strengthen sales of its own products and services.

In human resource development policy, the Group will also shift away from its traditional milestone-based training to an on-the-job style so as to rapidly make its large number of hires a competitive force in the market.

The Group has been working on a project to promote management reform through data management for the past five years. In this project, it worked to build a system using the Group’s Canbus. product. This implementation began in FY2019 and, after a number of revisions during the project, full-scale operations were launched in FY2020.

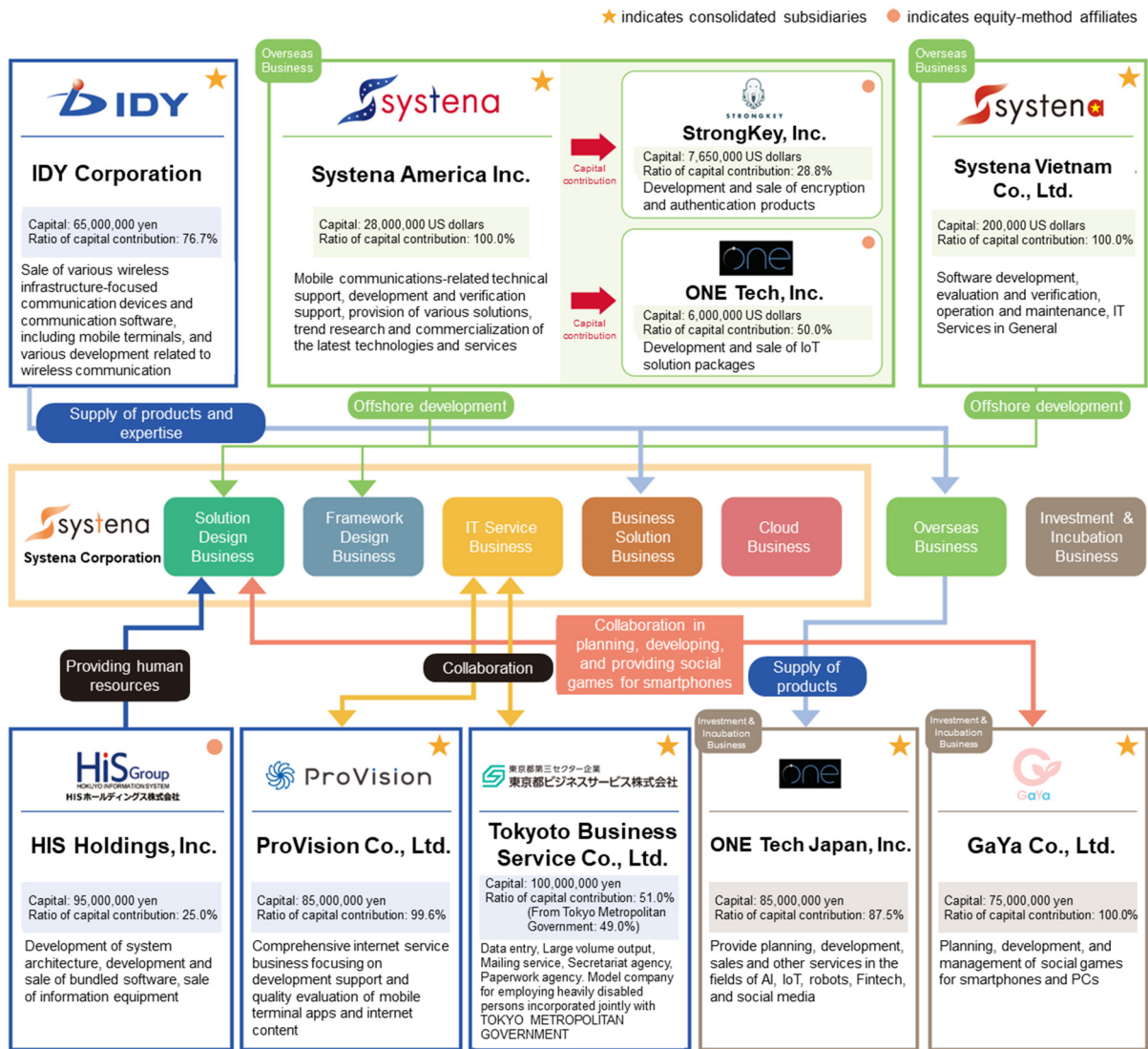
This has fully eliminated the multiple hundreds of millions of yen in annual in-house system operating costs, and has allowed each division free operation and the real-time acquisition of all the data necessary for business management, including utilization data, order management data, profit management data, engineer skill data, customer management data, and per-employee earnings management data. This data has been used in conjunction with graphing and aggregation table creation functions to visually track the Group’s management.

The Solution Design Division, whose main business is design consulting and development of DX systems, achieved a profit margin twice that of five years ago as a result of the introduction of data management systems seeking to improve productivity through reducing wasteful operations, improving order accuracy, and thorough technical management.

The Group will turn inflation into an opportunity to make great leaps forward through decisive strategies capitalizing on first mover advantage and data management in order to achieve its medium-term plan targets of ¥101 billion in net sales and ¥15.2 billion in operating profit for the fiscal year ending March 31, 2025.

* Digital transformation (DX) is the concept of improving all aspects of life and business through permeation of information technologies.

2. Corporate group



3. Basic approach to the selection of accounting standards

Since most of the Group's stakeholders are domestic shareholders, creditors, business partners, etc., and there is little need to raise funds from overseas, the Group applies accounting standards that are generally accepted in Japan (J-GAAP).

4. Consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	19,037	21,657
Notes and accounts receivable - trade	12,826	–
Notes receivable - trade	–	766
Accounts receivable - trade	–	12,861
Contract assets	–	695
Merchandise	831	1,151
Work in process	3	–
Other	722	880
Allowance for doubtful accounts	(1)	(11)
Total current assets	33,420	38,002
Non-current assets		
Property, plant and equipment		
Buildings	614	741
Accumulated depreciation	(312)	(343)
Buildings, net	302	398
Vehicles	61	95
Accumulated depreciation	(33)	(26)
Vehicles, net	28	68
Tools, furniture and fixtures	1,669	1,898
Accumulated depreciation	(1,190)	(1,408)
Tools, furniture and fixtures, net	478	489
Land	97	97
Construction in progress	6	–
Other	11	11
Accumulated depreciation	(6)	(8)
Other, net	4	3
Total property, plant and equipment	917	1,058
Intangible assets		
Software	286	270
Software in progress	18	5
Other	2	2
Total intangible assets	307	278
Investments and other assets		
Investment securities	*1 1,891	*1 1,775
Long-term loans receivable from subsidiaries and associates	698	575
Leasehold and guarantee deposits	986	1,513
Deferred tax assets	710	817
Other	30	30
Allowance for doubtful accounts	(76)	(575)
Total investments and other assets	4,240	4,138
Total non-current assets	5,465	5,475
Total assets	38,886	43,477

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	5,257	5,696
Short-term borrowings	*2 1,550	*2 1,550
Accounts payable - other, and accrued expenses	1,872	2,076
Income taxes payable	1,681	1,525
Accrued consumption taxes	850	791
Provision for bonuses	1,227	1,348
Provision for loss on orders received	0	–
Other	305	186
Total current liabilities	12,746	13,175
Non-current liabilities		
Long-term accounts payable - other	61	16
Provision for share-based compensation	66	97
Other	15	14
Total non-current liabilities	143	128
Total liabilities	12,889	13,303
Net assets		
Shareholders' equity		
Share capital	1,513	1,513
Capital surplus	6,010	6,025
Retained earnings	23,261	27,309
Treasury shares	(5,052)	(5,042)
Total shareholders' equity	25,734	29,806
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(16)	(25)
Foreign currency translation adjustment	(85)	(18)
Total accumulated other comprehensive income	(102)	(43)
Non-controlling interests	364	411
Total net assets	25,996	30,173
Total liabilities and net assets	38,886	43,477

(2) Consolidated statement of income and consolidated statement of comprehensive income**Consolidated statement of income**

(Millions of yen)

	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022
Net sales	60,871	*1	65,272
Cost of sales	*2 46,498		49,144
Gross profit	14,372		16,127
Selling, general and administrative expenses	*3, *4 6,365	*3, *4	7,020
Operating profit	8,006		9,106
Non-operating income			
Interest income	14		15
Dividend income	6		15
Gain on sale of investment securities	262		–
Compensation income for damage	0		–
Subsidy income	23		31
Commission income	1		1
Gain on investments in investment partnerships	–		58
Other	39		21
Total non-operating income	348		145
Non-operating expenses			
Interest expenses	7		7
Loss on sale of investment securities	–		47
Share of loss of entities accounted for using equity method	*5 748	*5	144
Provision of allowance for doubtful accounts	73		450
Foreign exchange losses	4		–
Other	14		23
Total non-operating expenses	847		673
Ordinary profit	7,507		8,578
Profit before income taxes	7,507		8,578
Income taxes - current	2,575		2,650
Income taxes - deferred	(106)		(103)
Total income taxes	2,468		2,547
Profit	5,038		6,030
Profit attributable to non-controlling interests	64		38
Profit attributable to owners of parent	4,974		5,992

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	5,038	6,030
Other comprehensive income		
Valuation difference on available-for-sale securities	(18)	(9)
Foreign currency translation adjustment	19	82
Share of other comprehensive income of entities accounted for using equity method	(20)	(15)
Total other comprehensive income	*1 (20)	*1 58
Comprehensive income	5,018	6,089
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,953	6,050
Comprehensive income attributable to non-controlling interests	64	38

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,513	6,045	20,232	(5,055)	22,736
Changes during period					
Dividends of surplus			(1,945)		(1,945)
Profit attributable to owners of parent			4,974		4,974
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				3	3
Change in ownership interest of parent due to transactions with non-controlling interests		(35)			(35)
Net changes in items other than shareholders' equity					
Total changes during period	–	(35)	3,029	3	2,997
Balance at end of period	1,513	6,010	23,261	(5,052)	25,734

	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	2	(84)	(81)	300	22,955
Changes during period					
Dividends of surplus					(1,945)
Profit attributable to owners of parent					4,974
Purchase of treasury shares					(0)
Disposal of treasury shares					3
Change in ownership interest of parent due to transactions with non-controlling interests					(35)
Net changes in items other than shareholders' equity	(18)	(1)	(20)	64	43
Total changes during period	(18)	(1)	(20)	64	3,041
Balance at end of period	(16)	(85)	(102)	364	25,996

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,513	6,010	23,261	(5,052)	25,734
Changes during period					
Dividends of surplus			(1,945)		(1,945)
Profit attributable to owners of parent			5,992		5,992
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				9	9
Sale of shares of consolidated subsidiaries		15			15
Net changes in items other than shareholders' equity					
Total changes during period	–	15	4,047	9	4,072
Balance at end of period	1,513	6,025	27,309	(5,042)	29,806

	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	(16)	(85)	(102)	364	25,996
Changes during period					
Dividends of surplus					(1,945)
Profit attributable to owners of parent					5,992
Purchase of treasury shares					(0)
Disposal of treasury shares					9
Sale of shares of consolidated subsidiaries					15
Net changes in items other than shareholders' equity	(9)	67	58	46	104
Total changes during period	(9)	67	58	46	4,176
Balance at end of period	(25)	(18)	(43)	411	30,173

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	7,507	8,578
Depreciation	356	429
Increase (decrease) in allowance for doubtful accounts	72	460
Increase (decrease) in provision for bonuses	(11)	120
Increase (decrease) in provision for share-based compensation	35	31
Increase (decrease) in long-term accounts payable - other	(4)	(44)
Interest and dividend income	(20)	(31)
Interest expenses	7	7
Loss (gain) on investments in investment partnerships	(12)	(58)
Loss (gain) on sale of investment securities	(262)	47
Share of loss (profit) of entities accounted for using equity method	748	144
Decrease (increase) in trade receivables	1,147	(1,494)
Decrease (increase) in inventories	292	(315)
Decrease (increase) in advance payments to suppliers	4	(22)
Increase (decrease) in trade payables	(606)	438
Increase (decrease) in accounts payable - other, and accrued expenses	72	141
Increase (decrease) in accrued consumption taxes	109	(58)
Increase (decrease) in advances received	89	(116)
Other, net	(1)	71
Subtotal	9,524	8,328
Interest and dividends received	27	39
Interest paid	(7)	(7)
Income taxes paid	(2,339)	(2,816)
Net cash provided by (used in) operating activities	7,205	5,544
Cash flows from investing activities		
Payments into time deposits	(323)	(0)
Proceeds from withdrawal of time deposits	-	374
Purchase of property, plant and equipment and intangible assets	(442)	(519)
Proceeds from sale of property, plant and equipment and intangible assets	9	26
Loan advances	(0)	(2)
Proceeds from collection of loans receivable	1	0
Purchase of investment securities	(20,839)	(17,158)
Proceeds from sale of investment securities	20,055	17,127
Payments of leasehold and guarantee deposits	(91)	(545)
Proceeds from refund of leasehold and guarantee deposits	45	18
Proceeds from distributions from investment partnerships	23	122
Other payments	(2)	(4)
Other proceeds	3	0
Net cash provided by (used in) investing activities	(1,562)	(559)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from financing activities		
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(35)	–
Proceeds from sale of shares of subsidiaries	–	22
Purchase of treasury shares	(0)	(0)
Proceeds from sale of treasury shares	3	9
Dividends paid	(1,951)	(1,938)
Net cash provided by (used in) financing activities	(1,983)	(1,905)
Effect of exchange rate change on cash and cash equivalents	(5)	11
Net increase (decrease) in cash and cash equivalents	3,653	3,089
Cash and cash equivalents at beginning of period	15,221	18,875
Cash and cash equivalents at end of period	*1 18,875	*1 21,964

(5) Notes to the consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Significant matters that serve as the basis for preparing consolidated financial statements)

1. Matters concerning scope of consolidation

(1) Number of consolidated subsidiaries: 10 companies

Names of consolidated subsidiaries

ProVision Co., Ltd.

Tokyoto Business Service Co., Ltd.

GaYa Co., Ltd.

IDY Corporation

TBSOPERATION CO., LTD.

Systema America Inc.

Systema Vietnam Co., Ltd.

ONE Tech Japan, Inc.

and two other companies

(2) Names of unconsolidated subsidiaries

No items to report.

2. Matters concerning the application of the equity method

(1) Number of associates accounted for by the equity method: 3 companies

HIS Holdings, Inc.

StrongKey, Inc.

ONE Tech, Inc.

(2) Names of significant associates not accounted for by the equity method

No items to report.

(3) Of the companies accounted for by the equity method, three companies (HIS Holdings, Inc., StrongKey, Inc. and ONE Tech, Inc.) have a different account closing date from the consolidated account closing date. The fiscal year end for HIS Holdings, Inc. is August 31, and in preparing the consolidated financial statements, the Company uses financial statements based on a provisional settlement of accounts conducted as of February 28. Necessary adjustments are made for significant transactions that occurred between this date and the consolidated account closing date. The fiscal year end for StrongKey, Inc. and ONE Tech, Inc. is June 30 and December 31, respectively. In preparing the consolidated financial statements, the Company uses financial statements based on a provisional settlement of accounts conducted on the consolidated account closing date.

(4) Treatment of amounts equivalent to goodwill

The amount of goodwill resulting from the application of the equity method for U.S. associates is amortized on a straight-line basis over a period not exceeding 10 years.

3. Matters concerning fiscal year, etc. of consolidated subsidiaries

The account closing date of consolidated subsidiaries is the same as the consolidated account closing date.

4. Matters concerning accounting policies

(1) Valuation standards and valuation methods for significant assets

(i) Securities

Available-for-sale securities

Securities other than stocks and other securities with no market price

Stated at fair value (All valuation differences are processed by the direct net assets method, and selling cost is calculated using the moving average method)

Stocks and other securities with no market price

Stated at cost determined by the moving average method

Investments in limited liability investment partnerships are accounted for based on the most recent financial statements available according to the financial reporting date stipulated in the partnership agreement, and the amount equivalent to the Company's equity interest in the

- partnerships is included at the net amount.
- (ii) Inventories
- Merchandise
Stated at cost determined by the moving average method (Calculated by writing down book values based on decreased profitability)
- Work in process
Stated at cost determined by the specific cost method (Calculated by writing down book values based on decreased profitability)
- (2) Method of depreciation and amortization of significant depreciable assets
- (i) Property, plant and equipment (excluding leased assets)
Declining-balance method (However, the straight-line method is adopted for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016)
The useful lives and residual values of assets are determined based on the standards stipulated in the Corporation Tax Act. Assets with an acquisition cost of ¥100,000 or more but less than ¥200,000 are amortized equally over three years.
- (ii) Intangible assets (excluding leased assets)
Straight-line method
Software for internal use is amortized by the straight-line method over the estimated useful life (5 years). Software intended for market sale is amortized by the larger of amortization based on the estimated sales revenue over the estimated sales period (within 3 years) or equal amortization over the remaining salable period.
- (iii) Long-term prepaid expenses
Amortized based on the straight-line method
- (3) Standards for recognition of significant allowances and provisions
- (i) Allowance for doubtful accounts
The estimated irrecoverable amount based on historical default rates for general receivables and individual assessments of recoverability for doubtful and other specific receivables is posted to provide for losses on default of receivables.
- (ii) Provision for bonuses
To provide for payment of bonuses to employees, an amount is recorded based on the accrued burden for the respective fiscal year in question that is the portion of the estimated amount of bonuses to be paid.
- (iii) Provision for loss on orders received
To prepare for future losses related to order contracts, an estimated loss amount is recorded for contracts where this amount can be reasonably estimated.
- (iv) Provision for share-based compensation
To provide for the future delivery of Company shares to Directors and Executive Officers in accordance with the Company's rules on share delivery, the estimated payment amount is recorded based on the points allotted to Directors and Executive Officers as of the end of the fiscal year under review.
- (4) Standards for recognition of significant revenue and expenses
The following is a description of the major performance obligations related to revenue arising from contracts with customers of the Company and its consolidated subsidiaries in their major businesses, and the normal point in time at which such performance obligations are satisfied (the normal point in time at which revenue is recognized).
- (i) Software and system development and IT services
In the Solution Design Business, Framework Design Business, Overseas Business, and Investment & Incubation Business, the Group mainly provides planning, design, development, and verification support for software and system development.
In the IT Service Business, the Group mainly provides IT outsourcing services such as operation, maintenance, and monitoring of systems and networks, as well as helpdesk services.
Contracts in this business involve transactions under contract or quasi-mandate contract, and performance obligations are recognized as follows depending on the contract.
For transactions entered into under contract, the Company recognizes revenue based on the degree of progress made in satisfying the performance obligation over a specified period of time.

For transactions under quasi-mandate contract, the Company recognizes revenue as a prorated portion of the amount promised in the contract with the customer over the period the services are provided, based on the judgment that the performance obligation is satisfied over time, since the Company generally provides a certain level of services over the term of the contract.

The consideration for performance obligations is received primarily within one year after performance obligations are satisfied, and does not include significant financial components.

(ii) Sales of merchandise

In the Business Solution Business, the Group mainly sells servers, computers, peripherals, software, and other IT-related products to enterprises. For these sales of merchandise, revenue is recognized when the merchandise is delivered to the customer or at the time the customer completed inspection.

For sales of merchandise deemed as revenue for which the Group and/or its consolidated subsidiaries are an agent, revenue is recognized at the net amount received in exchange for goods provided by the third party less the amount paid to said third party.

In addition, the consideration for performance obligations is received primarily within one year after performance obligations are satisfied, and does not include significant financial components.

(iii) License sales

In the Cloud Business, the Group mainly sells licenses for its in-house services, Canbus., Cloudstep, and Web Shelter, as well as for cloud-based services such as Google Workspace and Microsoft 365. For sales of licenses for in-house services, the Company recognizes revenue over the license period specified in the contract, based on the judgment that the performance obligation will be satisfied over a certain period of time. For other license sales, revenue is recognized when the license is granted to the customer.

In addition, consideration for performance obligations is received primarily within one year after performance obligations are satisfied, and does not include significant financial components.

(5) Standards for translating significant foreign currency denominated assets or liabilities into Japanese currency

Receivables and payables denominated in foreign currencies are converted into yen at the spot exchange rate on the consolidated account closing date and translation differences are posted as profit or loss. Note that the assets and liabilities of overseas subsidiaries, etc. are converted to yen at the spot exchange rate on the day of the consolidated account closing, while related revenues and expenses are converted to yen at the average rate during the period. These translation differences are posted as foreign currency translation adjustments and non-controlling interests under net assets.

(6) Scope of funds in the consolidated statement of cash flows

Cash and cash equivalents comprise cash on hand and demand deposits, and short-term investments with a maturity of 3 months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.

(Significant accounting estimates)

Progress-based revenue recognition

(1) Amounts recorded in the consolidated financial statements for the fiscal year under review

(Millions of yen)

	Previous fiscal year	Fiscal year under review
Net sales (Portion not completed)	477	632

(2) Details regarding significant accounting estimates for the identified item

(i) Calculation method

For performance obligations within software and system development and IT services to be satisfied over a certain period of time, the Company estimates the degree of progress in satisfying the performance obligation and recognizes revenue over a certain period of time based on this degree of progress in satisfying the performance obligation. The method of estimating the degree of progress in satisfying performance obligations is based on the ratio of the cost incurred (man-hours) to the total project cost (total man-hours) (input method).

(ii) Primary underlying assumptions

Recording sales revenue recognized in accordance with the measured degree of progress in satisfying a performance obligation affects the amount of revenue and profit or loss, depending on

the estimate of the total project cost (total man-hours). The total project cost (total man-hours) is initially estimated in the working budget. When preparing a working budget, the total project cost (total man-hours) is estimated by setting assumptions for specifications and work content based on information available at the time of preparation and by estimating in detail the cost (man-hours) of each process required to complete the development plan. After development has begun, the actual cost incurred is managed for each project, and the total project cost (total man-hours) is reviewed in a timely and appropriate manner for changes in work content due to changes in circumstances, including additional development.

(iii) Impact on the consolidated financial statements for the following fiscal year

If the degree of work progress changes due to the occurrence of costs (man-hours) that were not foreseen in the assumptions used to estimate the total project cost, net sales and cost of sales may change in the consolidated financial statements in the following fiscal year or later.

(Changes in accounting policies)

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

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. Accordingly, mainly for sale of some licenses, while the Company had previously recognized revenue at the time the license was granted to the customer, as of the fiscal year under review, this method was changed to recognize revenue over the license period specified in the contract.

As a result, net sales decreased by ¥146 million, cost of sales decreased by ¥3 million, and operating profit, ordinary profit, and profit before income taxes each decreased by ¥143 million for the fiscal year under review.

With regard to the application of the Accounting Standard for Revenue Recognition and relevant regulations, the new accounting policy was not applied retrospectively to the previous fiscal year, as the transitional treatment stipulated in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition and the method stipulated in Paragraph 86 of the Accounting Standard for Revenue Recognition were applied. For contracts for which revenue was recognized up to the previous fiscal year, nearly all revenues have been recognized. Therefore, there was no adjustment to the beginning balance of retained earnings for the fiscal year under review.

“Notes and accounts receivable - trade,” which were presented in “Current assets” in the consolidated balance sheet in the previous fiscal year, are presented as “Notes receivable - trade,” “Accounts receivable - trade,” and “Contract assets” in the fiscal year under review due to the application of the Accounting Standard for Revenue Recognition and relevant regulations as of the fiscal year under review. “Notes and accounts receivable - trade” in the previous fiscal year is treated in accordance with the transitional treatment provided for in Paragraph 89-2 of the Accounting Standard for Revenue Recognition. Figures have not been restated in the new approach to presentation.

In accordance with transitional treatment provided for in Paragraph 83-3 of the Accounting Standard for Revenue Recognition, notes related to revenue recognition for the previous fiscal year are not presented.

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

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for 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). This change has no impact on the consolidated financial statements.

In addition, in the notes to “Financial instruments,” the Company elected to provide notes on items such as the breakdown of the fair values of financial instruments by level. However, in accordance with the transitional treatment provided for in Paragraph 7-4 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019), notes are not presented for items related to the previous fiscal year.

(Unapplied accounting standards, etc.)

- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021)

(1) Outline

With regard to the June 17, 2021 revision to the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31), as of the ASBJ announcement on July 4, 2019, consideration regarding calculation of fair value of investment trusts was expected to require a certain period of time for discussions with stakeholders, etc., and notes regarding the fair value of investments in partnerships, etc. recorded at the net amount equivalent to equity interest on the balance sheet would also require a certain amount of consideration. Therefore, this implementation guidance that was to take around one year to consider after announcement of the Accounting Standard for Fair Value Measurement was revised and announced accordingly.

(2) Scheduled date of application

Scheduled to be applied from the start of the fiscal year ending March 31, 2023.

(3) Effect of application of the aforementioned accounting standards, etc.

The Company is currently evaluating the effect of applying the Implementation Guidance on Accounting Standard for Fair Value Measurement on its consolidated financial statements.

(Additional information)

Stock compensation plan

The Company has introduced a stock compensation plan for the Company's Directors (excluding Outside Directors) and Executive Officers (hereinafter collectively referred to as "Directors, etc.").

1. Outline of transactions

This is a stock compensation plan under which the Company's shares, acquired by a trust using money contributed by the Company, are delivered to Directors, etc. in accordance with the number of points granted in accordance with rules on share delivery established by the Company.

2. Company shares remaining in trust

Company shares remaining in trust are recorded as treasury shares under net assets at the carrying value in trust (excluding the amount of incidental expenses). The book value and number of these treasury shares amounted to ¥736 million and 1,634,000 shares at the end of the previous fiscal year, and ¥726 million and 1,612,300 shares at the end of the fiscal year under review.

(On the consolidated balance sheet)

1. Items pertaining to subsidiaries and associates are as follows.

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2021)	Fiscal year under review (As of March 31, 2022)
Investment securities (shares)	420	456

2. Overdraft agreement

The Company and its consolidated subsidiaries have overdraft agreements with six transacting banks in order to raise working capital efficiently.

The unused portion of the lines of credit based on these agreements is as follows.

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2021)	Fiscal year under review (As of March 31, 2022)
Maximum amount of overdraft	7,260	8,260
Outstanding balance of overdraft	1,550	1,550
Unused amount	5,710	6,710

(On the consolidated statements of income)

1. Revenue arising from contracts with customers

Net sales are not separately presented for revenue from contracts with customers and other revenue.

The amount of revenue from contracts with customers is presented in “Information on breakdown of revenue from contracts with customers” under the revenue recognition section of notes to the consolidated financial statements.

2. Provision for loss on orders received included in cost of sales

	(Millions of yen)	
	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Fiscal year under review (From April 1, 2021 to March 31, 2022)
	0	-

3. Significant items and amounts of selling, general and administrative expenses are as follows.

	(Millions of yen)	
	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Fiscal year under review (From April 1, 2021 to March 31, 2022)
Payroll and allowances	2,228	2,312
Rent expenses	669	850
Provision for bonuses	120	111
Retirement benefit expenses	190	208
Provision for share-based compensation	39	41

4. Research and development expenses included in general and administrative expenses

	(Millions of yen)	
	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Fiscal year under review (From April 1, 2021 to March 31, 2022)
	67	105

5. Share of loss of entities accounted for using equity method

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

Includes an impairment loss of ¥547 million on shares of StrongKey, Inc., an equity method associate.

Fiscal year under review (From April 1, 2021 to March 31, 2022)

No items to report.

(On the consolidated statement of comprehensive income)

1. Reclassification adjustments and tax effects for other comprehensive income

	(Millions of yen)	
	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Fiscal year under review (From April 1, 2021 to March 31, 2022)
Unrealized gain and loss on available-for-sale securities		
Incurred during the period	235	(60)
Reclassification adjustments	(262)	47
Before tax effect adjustment	(27)	(13)
Tax effect amount	8	4
Unrealized gain and loss on available-for-sale securities	(18)	(9)
Foreign currency translation adjustment		
Incurred during the period	19	82
Foreign currency translation adjustment	19	82
Share of other comprehensive income of entities accounted for using equity method		
Incurred during the period	(20)	(15)
Share of other comprehensive income of entities accounted for using equity method	(20)	(15)
Total other comprehensive income	(20)	58

(On the consolidated statement of changes in equity)

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

1. Type and number of shares issued and treasury shares

(Shares)

	Number of shares at the beginning of the period	Increase in shares during the period	Decrease in shares during the period	Number of shares at the end of the period
Issued shares				
Common shares	112,720,000	–	–	112,720,000
Total	112,720,000	–	–	112,720,000
Treasury shares				
Common shares ^{1,2,3,4}	15,878,211	28	1,900	15,876,339
Total	15,878,211	28	1,900	15,876,339

(Notes) 1. The increase of 28 common shares in treasury shares during the period is due to the purchase of shares less than one unit.

2. The 1,900 common shares in treasury shares decreased in the period were delivered from trust to eligible persons under the stock compensation plan for Executive Officers.

3. The 15,876,339 common shares in treasury shares at the end of the period include 408,500 shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.

4. The Company implemented a four-for-one common stock split effective December 1, 2021, and the above figures represent the number of shares prior to the stock split.

2. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Date of record	Effective date
May 19, 2020 Board of Directors meeting	Common shares	972	10.0	March 31, 2020	June 10, 2020
October 29, 2020 Board of Directors meeting	Common shares	972	10.0	September 30, 2020	December 8, 2020

(Notes) 1. The total dividend amount includes ¥4 million in dividends paid to shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.

2. The Company implemented a four-for-one common stock split effective December 1, 2021, and the dividend per share represents the amount prior to the stock split.

(2) Dividends with a date of record during the previous fiscal year, but an effective date in the following fiscal year

Resolution	Class of shares	Total dividend amount (Millions of yen)	Source of dividend	Dividend per share (Yen)	Date of record	Effective date
May 18, 2021 Board of Directors meeting	Common shares	972	Retained earnings	10.0	March 31, 2021	June 9, 2021

(Notes) 1. The total dividend amount includes ¥4 million in dividends paid to shares of the

Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.

- The Company implemented a four-for-one common stock split effective December 1, 2021, and the dividend per share represents the amount prior to the stock split.

Fiscal year under review (From April 1, 2021 to March 31, 2022)

1. Type and number of shares issued and treasury shares

(Shares)				
	Number of shares at the beginning of the period	Increase in shares during the period	Decrease in shares during the period	Number of shares at the end of the period
Issued shares				
Common shares ¹	112,720,000	338,160,000	–	450,880,000
Total	112,720,000	338,160,000	–	450,880,000
Treasury shares				
Common shares ^{2,3,4}	15,876,339	47,629,149	21,700	63,483,788
Total	15,876,339	47,629,149	21,700	63,483,788

- (Notes) 1. The increase of 338,160,000 issued shares of common stock during the period was due to a four-for-one stock split of common stock, effective December 1, 2021.
2. The increase of 47,629,149 shares in treasury shares in the period was due to an increase of 47,629,017 shares as a result of a four-for-one stock split of common stock, effective December 1, 2021, and an increase of 132 shares as a result of purchase of shares less than one unit.
3. The 21,700 common shares in treasury shares decreased in the period were delivered from trust to eligible persons under the stock compensation plan for Directors and the stock compensation plan for Executive Officers.
4. The 63,483,788 common shares in treasury shares at the end of the period include 1,612,300 shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.

2. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Date of record	Effective date
May 18, 2021 Board of Directors meeting	Common shares	972	10.0	March 31, 2021	June 9, 2021
October 28, 2021 Board of Directors	Common shares	972	10.0	September 30, 2021	December 7, 2021

- (Notes) 1. The total dividend amount includes ¥4 million in dividends paid to shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.
2. The Company implemented a four-for-one common stock split effective December 1, 2021, and the dividend per share represents the amount prior to the stock split.

(2) Dividends with a date of record during the fiscal year under review, but an effective date in the following fiscal year

Resolution	Class of shares	Total dividend amount (Millions of yen)	Source of dividend	Dividend per share (Yen)	Date of record	Effective date
May 18, 2022 Board of Directors meeting	Common shares	1,361	Retained earnings	3.5	March 31, 2022	June 9, 2022

- (Notes) 1. The total dividend amount includes ¥5 million in dividends paid to shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.
2. The Company implemented a four-for-one stock split of common shares, with an effective date of December 1, 2021. The above shows dividend amounts after the stock split.

(On the consolidated statement of cash flows)

1. Relationship between cash and cash equivalents at end of period and the amount of items shown on the consolidated balance sheets

	(Millions of yen)	
	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Fiscal year under review (From April 1, 2021 to March 31, 2022)
Cash and deposits account	19,037	21,657
Time deposits with maturities longer than three months	(438)	(100)
Deposits paid account	275	407
Cash and cash equivalents	18,875	21,964

(Lease transactions)

Previous fiscal year (From April 1, 2020 to March 31, 2021)
Notes are omitted due to immateriality for the period.

Fiscal year under review (From April 1, 2021 to March 31, 2022)
Notes are omitted due to immateriality for the period.

(Financial instruments)

1. Matters concerning status of financial instruments

(1) Policy for financial instrument transactions

The Group raises short-term working capital and capital for equipment, etc. as needed through borrowings from banks. Derivative transactions are strictly managed in accordance with internal management rules governing transactions, and the Company's fundamental policy is not to engage in high-risk speculative transactions.

(2) Nature and extent of risks arising from financial instruments and risk management

Notes and accounts receivable - trade, which are trade receivables, are exposed to credit risk from customers. With respect to this risk, the Company conducts credit checks when beginning transactions with customers, continuously monitors collection status, and periodically reviews credit limits in accordance with the Company's credit management rules. Consolidated subsidiaries conduct similar management as in the Company.

The Company periodically monitors the fair value of investment securities and financial condition of their issuers, etc., and continuously reviews its holdings in consideration of market conditions and other factors.

Short-term borrowings and long-term borrowings are mainly used as funding for working capital and capital investment. Although borrowings with floating interest rates are exposed to interest rate fluctuation risk, the Company is able to respond flexibly to interest rate fluctuations by maintaining short borrowing periods.

(3) Supplementary information on fair value, etc. of financial instruments

The fair value of financial instruments reflects variable factors, and is therefore subject to change depending on different assumptions used.

2. Matters concerning fair value, etc. of financial instruments

The amounts recorded on the consolidated balance sheet, fair values, and the differences between them are shown below.

Previous fiscal year (As of March 31, 2021)

(Millions of yen)

	Amount on the consolidated balance sheet	Fair value	Difference
Investment securities ²	963	963	—
Total assets	963	963	—

(Notes) 1. "Cash and deposits," "Notes and accounts receivable - trade," "Accounts payable - trade," "Short-term borrowings," and "Accounts payable - other, and accrued expenses" are omitted as their fair values approximate their book values. This is due to their nature as cash and as accounts settled over the short term.

2. The following financial instruments are not included in "Investment securities" because they do not have market prices and it is extremely difficult to determine their fair value. The carrying values of these financial instruments on the consolidated balance sheet were as follows.

(Millions of yen)

Classification	Previous fiscal year
Unlisted stocks, etc.	439
Limited liability investment partnerships	487

Fiscal year under review (As of March 31, 2022)

(Millions of yen)

	Amount on the consolidated balance sheet	Fair value	Difference
Investment securities ²	727	727	–
Total assets	727	727	–

(Notes) 1. “Cash and deposits,” “Notes receivable - trade,” “Accounts receivable - trade,” “Accounts payable - trade,” “Short-term borrowings,” and “Accounts payable - other, and accrued expenses” are omitted as their fair values approximate their book values. This is due to their nature as cash and as accounts settled over the short term.

2. Stocks and other securities with no market price are not included in “Investment securities.” The carrying values of these financial instruments on the consolidated balance sheet were as follows.

(Millions of yen)

Classification	Fiscal year under review
Unlisted stocks, etc.	464

3. Investments in partnerships and similar entities recorded at the net amount of equity interest on the consolidated balance sheet are omitted. The amount of these investments on the consolidated balance sheet is ¥584 million.

4. Scheduled amount of redemption of monetary claims due after the consolidated account closing date

Previous fiscal year (As of March 31, 2021)

(Millions of yen)

	Due within 1 year	Due after 1 year, but within 5 years	Due after 5 years, but within 10 years	Due after 10 years
Notes and accounts receivable - trade	12,826	–	–	–

Fiscal year under review (As of March 31, 2022)

(Millions of yen)

	Due within 1 year	Due after 1 years, but within 5 years	Due after 5 years, but within 10 years	Due after 10 years
Notes receivable - trade	766	–	–	–
Accounts receivable - trade	12,861			

5. Scheduled amount of repayment of short-term borrowings and long-term borrowings after the consolidated account closing date

Previous fiscal year (As of March 31, 2021)

(Millions of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Short-term borrowings	1,550	–	–	–	–	–

Fiscal year under review (As of March 31, 2022)

(Millions of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Short-term borrowings	1,550	–	–	–	–	–

3. Matters concerning breakdown per level of fair value, etc. of financial instruments

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated with observable inputs which are quoted prices for identical assets or liabilities for calculation of fair value in active markets.

Level 2 fair value: Fair value calculated with observable inputs other than in Level 1.

Level 3 fair value: Fair value calculated using unobservable inputs.

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is assigned to the level with the lowest applicable priority among the relevant levels.

(1) Financial instruments recorded on the consolidated balance sheet at fair value

Fiscal year under review (As of March 31, 2022)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	67	–	–	67
Other	659	–	–	659
Total assets	727	–	–	727

(2) Financial instruments other than those recorded on the consolidated balance sheet at fair value

Fiscal year under review (As of March 31, 2022)

No items to report.

(Securities)

Previous fiscal year (As of March 31, 2021)

1. Available-for-sale securities

(Millions of yen)

	Type	Carrying value on the consolidated balance sheet	Acquisition cost	Difference
Securities whose carrying values on the consolidated balance sheet exceed acquisition cost	Stocks	101	100	0
	Other	–	–	–
Securities whose carrying values on the consolidated balance sheet do not exceed acquisition cost	Stocks	322	336	(14)
	Other	539	551	(11)
Total		963	989	(25)

(Note) Unlisted stocks, etc. (carrying value of ¥19 million on the consolidated balance sheet) are not included in “Available-for-sale securities” above because they do not have market prices and it is extremely difficult to determine their fair value.

2. Available-for-sale securities sold during the previous fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

Type	Amount of sales	Total gain on sale	Total loss on sale
Stocks	6,910	176	2
Other	13,145	181	93
Total	20,055	358	95

Fiscal year under review (As of March 31, 2022)

1. Available-for-sale securities

(Millions of yen)

	Type	Carrying value on the consolidated balance sheet	Acquisition cost	Difference
Securities whose carrying values on the consolidated balance sheet exceed acquisition cost	Stocks	–	–	–
	Other	–	–	–
Securities whose carrying values on the consolidated balance sheet do not exceed acquisition cost	Stocks	67	69	(1)
	Other	659	697	(38)
Total		727	766	(39)

(Note) Unlisted stocks, etc. (carrying value of ¥7 million on the consolidated balance sheet) are not included in “Available-for-sale securities” above because they are stocks, etc. without market prices.

2. Available-for-sale securities sold during the fiscal year under review (From April 1, 2021 to March 31, 2022)

(Millions of yen)

Type	Amount of sales	Total gain on sale	Total loss on sale
Stocks	7,355	89	64
Other	9,772	0	72
Total	17,127	89	137

(Retirement benefits)

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

1. Outline of retirement benefit plans adopted

The Company and some of its consolidated subsidiaries have both a defined contribution pension plan and a prepaid retirement benefit plan.

2. Matters on retirement benefit obligations

Due to adoption of a defined contribution pension plan, there are no retirement benefit obligations.

3. Matters on retirement benefit expenses

(Millions of yen)

(1) Contributions to defined contribution pension plan 248

(2) Prepaid retirement benefits 929

Retirement benefit expenses 1,177

Fiscal year under review (From April 1, 2021 to March 31, 2022)

1. Outline of retirement benefit plans adopted

The Company and some of its consolidated subsidiaries have both a defined contribution pension plan and a prepaid retirement benefit plan.

2. Matters on retirement benefit obligations

Due to adoption of a defined contribution pension plan, there are no retirement benefit obligations.

3. Matters on retirement benefit expenses

(Millions of yen)

(1) Contributions to defined contribution pension plan 264

(2) Prepaid retirement benefits 1,101

Retirement benefit expenses 1,365

(Tax effect accounting)

1. Deferred tax assets and deferred tax liabilities by major classification

	Previous fiscal year (As of March 31, 2021)	(Millions of yen) Fiscal year under review (As of March 31, 2022)
Deferred tax assets		
Accrued enterprise tax	110	117
Accrued business office tax	14	17
Provision for bonuses	383	420
Provision for share-based compensation	20	29
Loss on valuation of investment securities	2	-
Loss on valuation of membership	24	24
Loss carried forward	347	360
Unrealized gain and loss on available-for-sale securities	7	11
Allowance for doubtful accounts	119	286
Other	26	53
Subtotal of deferred tax assets	1,058	1,321
Valuation allowance	(347)	(503)
Total deferred tax assets	710	817

2. Major components of significant differences arising between the effective statutory tax rate and effective income tax rate after application of tax effect accounting

	Previous fiscal year (As of March 31, 2021)	Fiscal year under review (As of March 31, 2022)
Statutory tax rate	30.6%	
(Adjustments)		
Share of loss of entities accounted for using equity method	3.1%	Notes are omitted because the difference between the statutory tax rate and the effective income tax rate is less than 5% of the statutory tax rate.
Inhabitant tax on per capita basis	0.5%	
Change in valuation allowance	(1.5%)	
Tax credits for salary growth	(0.3%)	
Other	0.5%	
Effective income tax rate after application of tax effect accounting	32.9%	

(Revenue recognition)

1. Information on breakdown of revenue from contracts with customers

Fiscal year under review (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment							Total
	Solution Design Business	Framework Design Business	IT Service Business	Business Solution Business	Cloud Business	Overseas Business	Investment & Incubation Business	
Goods or services transferred over a period of time	20,607	5,143	15,313	608	443	104	98	42,319
Goods or services transferred at a single point in time	–	–	–	21,620	1,331	–	–	22,952
Revenue arising from contracts with customers	20,607	5,143	15,313	22,229	1,775	104	98	65,272
Net sales to external customers	20,607	5,143	15,313	22,229	1,775	104	98	65,272

2. Fundamental explanation of revenue arising from contracts with customers

The fundamental explanation for revenue is as described in “(4) Standards for recognition of significant revenue and expenses” under “4. Consolidated financial statements, 4. Matters concerning accounting policies.”

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from these contracts, and the amount and timing of revenue expected to be recognized in subsequent fiscal years from contracts with customers that exist at the end of the fiscal year under review.

(1) Balance of contract assets and contract liabilities, etc.

(Millions of yen)

	Fiscal year under review
Contract assets (Balance at beginning of period)	524
Contract assets (Balance at end of period)	695
Contract liabilities (Balance at beginning of period)	198
Contract liabilities (Balance at end of period)	81

Contract assets relate to the rights of the Company and its consolidated subsidiaries to consideration not yet billed, though their contractual performance obligations have been satisfied as of the end of the fiscal year. Contract assets are reclassified to receivables arising from contracts with customers when the Company and its consolidated subsidiaries' rights to the consideration are unconditional.

Contract liabilities mainly relate to advance payments for customer order-based contracts and suspense payments for ongoing orders. Contract liabilities are reversed upon recognition of revenue.

(2) Transaction price allocated to remaining performance obligations

The Company and its consolidated subsidiaries apply the practical expedient method in the notes to transaction prices allocated to remaining performance obligations. Contracts with an initial expected contract term of one year or less are not included in these notes.

(Segment information, etc.)

Segment information

1. Overview of reportable segments

The Company's reportable segments are those components of the Group for which separate financial information is available and are subject to periodic review by the Board of Directors to determine the allocation of management resources and evaluate their performance.

The Group has established business divisions by product and service. These divisions formulate comprehensive strategies for their respective products and services and carry out business activities.

Therefore, the Group consists of segments that are separated by products and services based on business divisions, and the business activities of each are as follows.

Name of business segment	Businesses
Solution Design Business	Planning, design, development, and verification support for autonomous driving and in-vehicle systems, various products, and telecommunications carrier services. Planning, design, development, and verification support for Internet businesses, business applications, web services, social infrastructure-related systems, IoT, artificial intelligence, and robotics-related services.
Framework Design Business	Development of core systems in the areas of finance (non-life insurance, life insurance, and banking), industry, public sector, and others. Development of infrastructure systems.
IT Service Business	Provision of IT outsourcing services such as operation, maintenance, and monitoring of systems and networks, helpdesk services and user support, data entry, and high-volume output.
Business Solution Business	Sale of servers, computers, peripherals, software, and other IT-related products to enterprises. Provision of services related to IT equipment, including building infrastructure and virtualization. Planning, development, and provision of product implementation services such as RPA and business intelligence (BI) tools.
Cloud Business	Provision of in-house services Canbus., Cloudstep, and Web Shelter. Provision and implementation support of cloud-based services such as Google Workspace and Microsoft 365.
Overseas Business	Provision of mobile communications-related technical support, development and verification support, and various solutions; trend research and commercialization of the latest technologies and services.
Investment & Incubation Business	New businesses, and planning, development, and sale of game content for smartphones and tablets by subsidiaries.

2. Calculation method of net sales, profit or loss, assets, and other items by reportable segment

Accounting methods for reported business segments are the same as those described in "Significant matters that serve as the basis for preparing consolidated financial statements."

Profit by reportable segment is based on operating profit.

Inter-segment net sales and transfers are based on prevailing market prices.

3. Information on net sales, profit or loss, assets, and other items by reportable segment
I. Previous fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segment							Adjustment 2,3	Total ¹
	Solution Design Business	Framework Design Business	IT Service Business	Business Solution Business	Cloud Business	Overseas Business	Investment & Incubation Business		
Net sales									
Net sales to external customers	19,131	4,498	13,282	22,310	1,461	95	90	–	60,871
Inter-segment net sales and transfers	32	0	379	32	22	92	87	(647)	–
Total	19,163	4,498	13,662	22,343	1,484	188	178	(647)	60,871
Segment profit (loss)	3,624	772	1,873	1,499	300	7	(71)	–	8,006
Segment assets	5,158	703	4,374	6,095	337	1,187	157	20,872	38,886
Other items									
Depreciation	188	29	103	23	6	4	0	–	356
Increase in property, plant and equipment and intangible assets	44	1	88	23	7	1	–	284	450
Investments in equity method associates	341	–	–	–	–	79	–	–	420

- (Notes) 1. Segment profit (loss) is consistent with operating profit in the consolidated statement of income.
2. The ¥20,872 million adjustment to segment assets consists wholly of corporate assets that do not belong to any reportable segment, and is mainly cash and deposits and investment securities. Depreciation of property, plant and equipment and intangible assets included in corporate assets is allocated to reportable segments.
3. The adjustment of ¥284 million for increase in property, plant and equipment and intangible assets under other items is mainly capital investment in computer equipment for development.
4. The decrease in investments in equity method associates is mainly due to an impairment loss of ¥547 million on shares of StrongKey, Inc., an equity method associate.

II. Fiscal year under review (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment							Adjustment ^{2,3}	Total ¹
	Solution Design Business	Framework Design	IT Service Business	Business Solution Business	Cloud Business	Overseas Business	Investment & Incubation Business		
Net sales									
Net sales to external customers	20,607	5,143	15,313	22,229	1,775	104	98	–	65,272
Inter-segment net sales and transfers	56	–	376	60	29	71	72	(668)	–
Total	20,663	5,143	15,690	22,290	1,804	176	171	(668)	65,272
Segment profit (loss)	4,132	1,014	2,197	1,436	406	(9)	(72)	–	9,106
Segment assets	5,200	841	5,239	7,303	452	632	343	23,463	43,477
Other items									
Depreciation	222	35	128	33	6	3	0	–	429
Increase in property, plant and equipment and intangible assets	208	22	195	14	1	–	–	136	578
Investments in equity method associates	361	–	–	–	–	95	–	–	456

- (Notes) 1. Segment profit (loss) is consistent with operating profit in the consolidated statement of income.
2. The ¥23,463 million adjustment to segment assets consists wholly of corporate assets that do not belong to any reportable segment, and is mainly cash and deposits and investment securities. Depreciation of property, plant and equipment and intangible assets included in corporate assets is allocated to reportable segments.
3. The adjustment of ¥136 million for increase in property, plant and equipment and intangible assets under other items is corporate assets, mainly capital investment for replacement of internal systems and company vehicles.
4. Matters related to changes in reportable segments
- (1) In the fiscal year under review, the Company reviewed its business management categories and changed the classification of its reportable segments as follows. The business of ProVision Co., Ltd., which had been classified under the Solution Design Business, was reclassified into the IT Service Business, and the business of IDY Corporation, which had also been classified under the Solution Design Business, was reclassified into the Business Solution Business. In addition, new service areas such as RPA, which had been classified under the Framework Design Business, have been reclassified into the Business Solution Business. Note that the Business Solution Business is the new name of the Solution Sales Business. Segment information for the previous fiscal year has been retroactively reclassified in accordance with these changes.

- (2) As described in “Changes in accounting policies,” the Company adopted the Accounting Standard for Revenue Recognition and relevant regulations from the beginning of the fiscal year under review, changing its accounting treatment method for revenue recognition. As a result, net sales in the fiscal year under review for Cloud Business decreased by ¥146 million, and segment profit decreased by ¥143 million.

Related information

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

1. Information by product and service

This information is omitted because the same information is disclosed as segment information.

2. Information by geographic area

- (1) Net sales

This information is omitted because net sales to external customers in Japan are in excess of 90% of net sales on the consolidated statement of income.

- (2) Property, plant and equipment

This information is omitted because 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 by major customer

This information is omitted because there are no customers that account for 10% or more of net sales on the consolidated statement of income.

Fiscal year under review (From April 1, 2021 to March 31, 2022)

1. Information about products and services

This information is omitted because the same information is disclosed as segment information.

2. Information by geographic area

- (1) Net sales

This information is omitted because net sales to external customers in Japan are in excess of 90% of net sales on the consolidated statement of income.

- (2) Property, plant and equipment

This information is omitted because 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 by major customer

This information is omitted because there are no customers that account for 10% or more of net sales on the consolidated statement of income.

Information about impairment loss on non-current assets by reportable segment

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

No items to report.

Fiscal year under review (From April 1, 2021 to March 31, 2022)

No items to report.

Information about amortization and unamortized balance of goodwill by reportable segment

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

No items to report.

Fiscal year under review (From April 1, 2021 to March 31, 2022)

No items to report.

Information about gain on bargain purchase by reportable segment

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

No items to report.

Fiscal year under review (From April 1, 2021 to March 31, 2022)

No items to report.

(Information on related parties)

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

1. Transactions with related parties

No items to report.

2. Notes on parent company and significant associates

No items to report.

Fiscal year under review (From April 1, 2021 to March 31, 2022)

1. Transactions with related parties

No items to report.

2. Notes on parent company and significant associates

No items to report.

(Per share information)

(Yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Fiscal year under review (From April 1, 2021 to March 31, 2022)
Net assets per share	66.17	76.83
Basic earnings per share	12.84	15.47

(Notes) 1. Diluted earnings per share is not shown in the above table, as there are no residual shares with dilutive effects.

2. The basis for calculation of basic earnings per share is as follows.

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Fiscal year under review (From April 1, 2021 to March 31, 2022)
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	4,974	5,992
Amount not available to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent available to common shares (Millions of yen)	4,974	5,992
Average number of shares during the period (Shares)	387,371,768	387,386,464

3. The Company has introduced a stock compensation plan, and in calculating the average number of common treasury shares during the period, the number of treasury shares includes shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.

The number of treasury shares held by the trust account included in the number of treasury shares at the end of the fiscal year under review and previous fiscal year was 1,612,300 shares and 1,634,000 shares, respectively. The average number of treasury shares held by the trust account excluded from the calculation of the average number of shares during the

fiscal year under review and previous fiscal year were 1,622,086 shares and 1,636,938 shares, respectively.

4. The Company implemented a four-for-one common stock split effective December 1, 2021. Net assets per share and basic earnings per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(Significant subsequent events)

No items to report.

5. Non-consolidated financial statements

(1) Non-consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	16,482	18,553
Notes receivable - trade	576	765
Accounts receivable - trade	11,526	11,960
Contract assets	–	671
Merchandise	798	1,104
Advance payments to suppliers	0	4
Prepaid expenses	262	295
Short-term loans receivable	0	0
Short-term loans receivable from subsidiaries and associates	6	106
Other	323	438
Allowance for doubtful accounts	–	(9)
Total current assets	29,977	33,890
Non-current assets		
Property, plant and equipment		
Buildings	489	554
Accumulated depreciation	(261)	(283)
Buildings, net	227	271
Structures	0	0
Accumulated depreciation	(0)	(0)
Structures, net	0	0
Vehicles	52	85
Accumulated depreciation	(26)	(16)
Vehicles, net	26	68
Tools, furniture and fixtures	1,319	1,454
Accumulated depreciation	(958)	(1,112)
Tools, furniture and fixtures, net	361	342
Land	92	92
Total property, plant and equipment	707	774
Intangible assets		
Software	282	247
Software in progress	7	2
Other	0	0
Total intangible assets	291	250

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Investments and other assets		
Investment securities	1,470	1,318
Shares of subsidiaries and associates	1,925	1,369
Investments in capital	0	0
Long-term prepaid expenses	9	4
Long-term loans receivable	0	0
Long-term loans receivable from subsidiaries and associates	262	433
Leasehold and guarantee deposits	804	1,297
Deferred tax assets	621	713
Other	0	0
Allowance for doubtful accounts	(178)	(255)
Total investments and other assets	4,915	4,881
Total non-current assets	5,914	5,906
Total assets	35,891	39,797
Liabilities		
Current liabilities		
Accounts payable - trade	5,171	5,554
Short-term borrowings	*1 1,550	*1 1,550
Accounts payable - other	1,460	1,580
Income taxes payable	1,610	1,389
Accrued consumption taxes	677	636
Accrued expenses	24	27
Advances received	176	79
Deposits received	72	76
Provision for bonuses	1,000	1,100
Provision for loss on orders received	0	—
Other	4	8
Total current liabilities	11,750	12,003
Non-current liabilities		
Long-term lease and guarantee deposited	12	12
Provision for share-based compensation	66	97
Total non-current liabilities	78	110
Total liabilities	11,829	12,113

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Net assets		
Shareholders' equity		
Share capital	1,513	1,513
Capital surplus		
Legal capital surplus	1,428	1,428
Other capital surplus	4,623	4,623
Total capital surplus	6,051	6,051
Retained earnings		
Other retained earnings		
General reserve	0	0
Retained earnings brought forward	21,565	25,186
Total retained earnings	21,565	25,186
Treasury shares	(5,052)	(5,042)
Total shareholders' equity	24,078	27,709
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(16)	(25)
Total valuation and translation adjustments	(16)	(25)
Total net assets	24,062	27,684
Total liabilities and net assets	35,891	39,797

(2) Non-consolidated statement of income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales		
Service sales	31,978	34,741
Net sales of goods	22,815	23,368
Total net sales	54,794	58,110
Cost of sales		
Cost of service sales	22,425	24,252
Cost of goods sold		
Beginning merchandise inventory	1,105	798
Cost of purchased goods	19,140	19,887
Total	20,246	20,686
Ending merchandise inventory	798	1,104
Cost of goods sold	19,447	19,582
Total cost of sales	41,873	43,835
Gross profit	12,920	14,275
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	230	308
Payroll and allowances	1,838	1,835
Provision for share-based compensation	39	41
Retirement benefit expenses	153	165
Bonuses	44	65
Provision for bonuses	99	92
Legal welfare expenses	347	360
Travel and transportation expenses	84	85
Recruiting expenses	140	185
Advertising expenses	304	301
Supplies expenses	43	55
Taxes and dues	349	369
Commission expenses	491	403
Rent expenses	605	785
Depreciation	287	325
Research and development expenses	11	1
Provision of allowance for doubtful accounts	-	9
Other	366	383
Total selling, general and administrative expenses	5,437	5,774
Operating profit	7,483	8,500
Non-operating income		
Interest income	2	3
Dividend income	12	24
Commission income	1	1
Gain on sale of investment securities	262	-
Gain on investments in investment partnerships	-	58
Gain on forfeiture of unclaimed dividends	12	4
Compensation income for damage	0	-
Other	20	13
Total non-operating income	313	105
Non-operating expenses		
Interest expenses	7	7
Loss on sale of investment securities	-	47
Provision of allowance for doubtful accounts	*1 69	*1 76
Other	13	19
Total non-operating expenses	90	150
Ordinary profit	7,705	8,455

(Millions of yen)

	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
Extraordinary income				
Gain on sale of shares of subsidiaries		–		22
Total extraordinary income		–		22
Extraordinary losses				
Loss on valuation of shares of subsidiaries and associates	*2	874	*2	555
Total extraordinary losses		874		555
Profit before income taxes		6,831		7,922
Income taxes - current		2,427		2,444
Income taxes - deferred		(107)		(88)
Total income taxes		2,320		2,355
Profit		4,510		5,566

(3) Non-consolidated statement of changes in equity

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward			
Balance at beginning of period	1,513	1,428	4,623	6,051	0	18,999	18,999	(5,055)	21,509
Changes during period									
Dividends of surplus						(1,945)	(1,945)		(1,945)
Profit						4,510	4,510		4,510
Purchase of treasury shares								(0)	(0)
Disposal of treasury shares								3	3
Net changes in items other than shareholders' equity									
Total changes during period	—	—	—	—	—	2,565	2,565	3	2,569
Balance at end of period	1,513	1,428	4,623	6,051	0	21,565	21,565	(5,052)	24,078

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	2	2	21,512
Changes during period			
Dividends of surplus			(1,945)
Profit			4,510
Purchase of treasury shares			(0)
Disposal of treasury shares			3
Net changes in items other than shareholders' equity	(18)	(18)	(18)
Total changes during period	(18)	(18)	2,550
Balance at end of period	(16)	(16)	24,062

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward			
Balance at beginning of period	1,513	1,428	4,623	6,051	0	21,565	21,565	(5,052)	24,078
Changes during period									
Dividends of surplus						(1,945)	(1,945)		(1,945)
Profit						5,566	5,566		5,566
Purchase of treasury shares								(0)	(0)
Disposal of treasury shares								9	9
Net changes in items other than shareholders' equity									
Total changes during period	—	—	—	—	—	3,621	3,621	9	3,630
Balance at end of period	1,513	1,428	4,623	6,051	0	25,186	25,186	(5,042)	27,709

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(16)	(16)	24,062
Changes during period			
Dividends of surplus			(1,945)
Profit			5,566
Purchase of treasury shares			(0)
Disposal of treasury shares			9
Net changes in items other than shareholders' equity	(9)	(9)	(9)
Total changes during period	(9)	(9)	3,621
Balance at end of period	(25)	(25)	27,684

(4) Notes to the non-consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Significant accounting policies)

1. Valuation standards and valuation methods for securities

(1) Shares of subsidiaries and associates

Stated at cost determined by the moving average method

(2) Available-for-sale securities

Securities other than stocks and other securities with no market price

Stated at fair value (All valuation differences are processed by the direct net assets method, and selling cost is calculated by the moving average method)

Stocks and other securities with no market price

Stated at cost determined by the moving average method

Investments in limited liability investment partnerships are accounted for based on the most recent financial statements available according to the financial reporting date stipulated in the partnership agreement, and the amount equivalent to the Company's equity interest in the partnerships is included at the net amount.

2. Valuation standards and methods for inventories

Merchandise

Stated at cost determined by the moving average method (Writing down book values based on decreased profitability)

3. Method of depreciation of non-current assets

(1) Property, plant and equipment (excluding leased assets)

Declining-balance method (However, the straight-line method is adopted for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016)

The useful lives and residual values of assets are determined based on the standards stipulated in the Corporation Tax Act.

Assets with an acquisition cost of ¥100,000 or more but less than ¥200,000 are amortized equally over three years.

(2) Intangible assets (excluding leased assets)

Straight-line method

Software for internal use is amortized using the straight-line method over the estimated internal useful life (5 years).

(3) Long-term prepaid expenses

Amortized based on the straight-line method

4. Standards for recognition of allowances and provisions

(1) Allowance for doubtful accounts

The estimated irrecoverable amount based on historical default rates for general receivables and individual assessments of recoverability for doubtful and other specific receivables is posted to provide for losses on default of receivables.

(2) Provision for bonuses

To provide for the payment of bonuses to employees, the amount accrued for the fiscal year under review is recorded based on the estimated amount of bonus payments.

(3) Provision for loss on orders received

To prepare for future expenses related to order contracts, an estimated loss amount is recorded for contracts where this amount can be reasonably estimated.

(4) Provision for share-based compensation

To provide for the future delivery of Company shares to Directors and Executive Officers in accordance with the Company's rules on share delivery, the estimated payment amount is

recorded based on the points allotted to Directors and Executive Officers as of the end of the fiscal year under review.

5. Standards for recognition of significant revenue and expenses

The following is a description of the major performance obligations related to revenue arising from contracts with the Company in its major businesses, and the normal point in time at which such performance obligations are satisfied (the normal point in time at which revenue is recognized).

(1) Software and system development and IT services

In the Solution Design Business and Framework Design Business, the Group mainly provides planning, design, development, and verification support for software and system development.

In the IT Service Business, the Group mainly provides IT outsourcing services such as operation, maintenance, and monitoring of systems and networks, as well as helpdesk services.

Contracts in this business involve transactions under contract or quasi-mandate contract, and performance obligations are recognized as follows depending on the contract.

For transactions entered into under contract, the Company recognizes revenue based on the degree of progress made in satisfying the performance obligation over a specified period of time.

For transactions under quasi-mandate contract, the Company recognizes revenue as a prorated portion of the amount promised in the contract with the customer over the period the services are provided, based on the judgment that the performance obligation is satisfied over time, since the Company generally provides a certain level of services over the term of the contract.

The consideration for performance obligations is received primarily within one year after performance obligations are satisfied, and does not include significant financial components.

(2) Sales of merchandise

In the Business Solution Business, the Group mainly sells servers, computers, peripherals, software, and other IT-related products to enterprises. For these sales of merchandise, revenue is recognized when the merchandise is delivered to the customer or at the time the customer completed inspection.

For sales of merchandise deemed as revenue for which the Company is an agent, revenue is recognized at the net amount received in exchange for goods provided by the third party less the amount paid to said third party.

In addition, consideration for performance obligations is received primarily within one year after performance obligations are satisfied, and does not include significant financial components.

(3) License sales

In the Cloud Business, the Group mainly sells licenses for its in-house services, Canbus., Cloudstep, and Web Shelter, as well as for cloud-based services such as Google Workspace and Microsoft 365. For sales of licenses for in-house services, the Company recognizes revenue over the license period specified in the contract, based on the judgment that the performance obligation will be satisfied over a certain period of time. For other license sales, revenue is recognized when the license is granted to the customer.

The consideration for performance obligations is received primarily within one year after performance obligations are satisfied, and does not include significant financial components.

6. Standards for translating significant foreign currency denominated assets or liabilities into Japanese currency

Receivables and payables denominated in foreign currencies are converted into yen at the spot exchange rate at the end of the fiscal year and translation differences are posted as profit or loss.

(Significant accounting estimates)

Progress-based revenue recognition

(1) Amounts recorded in the non-consolidated financial statements for the fiscal year under review

(Millions of yen)

	Previous fiscal year	Fiscal year under review
Net sales (Portion not completed)	468	610

(2) Details regarding significant accounting estimates for the identified item

The method of calculating the amounts in (1) is the same as that described in under “Details regarding significant accounting estimates for the identified item” in the progress-based revenue recognition section of notes (significant accounting estimates) to the consolidated financial statements.

(Changes in accounting policies)

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

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. Accordingly, mainly for sale of some licenses, the Company had previously recognized revenue at the time the license was granted to the customer. However, as of the fiscal year under review, this method was changed to recognize revenue over the license period specified in the contract.

As a result, net sales decreased by ¥146 million, cost of sales decreased by ¥3 million, and operating profit, ordinary profit, and profit before income taxes each decreased by ¥143 million for the fiscal year under review.

With regard to the application of the Accounting Standard for Revenue Recognition and relevant regulations, the new accounting policy was not applied retrospectively to the previous fiscal year, as the transitional treatment stipulated in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition and the method stipulated in Paragraph 86 of the Accounting Standard for Revenue Recognition were applied. For contracts for which revenue was recognized up to the previous fiscal year, nearly all revenues have been recognized. Therefore, there was no adjustment to the beginning balance of retained earnings for the fiscal year under review.

“Notes and accounts receivable - trade,” which were presented in “Current assets” in the balance sheet in the previous fiscal year, presented as “Notes receivable - trade,” “Accounts receivable - trade,” and “Contract assets” in the fiscal year under review due to the application of the Accounting Standard for Revenue Recognition and relevant regulations as of this fiscal year. “Notes and accounts receivable - trade” is treated in accordance with the transitional treatment provided for in Paragraph 89-2 of the Accounting Standard for Revenue Recognition. Figures have not been restated in the new approach to presentation.

In accordance with transitional treatment provided for in Paragraph 83-3 of the Accounting Standard for Revenue Recognition, notes related to revenue recognition for the previous fiscal year are not presented.

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

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for 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). This change has no impact on the financial statements.

(Additional information)

Stock compensation plan

The Company has introduced a stock compensation plan for the Company's Directors (excluding Outside Directors) and Executive Officers (hereinafter collectively referred to as "Directors, etc.").

1. Outline of transactions

This is a stock compensation plan under which the Company's shares, acquired by a trust using money contributed by the Company, are delivered to Directors, etc. in accordance with the number of points granted in accordance with rules on share delivery established by the Company.

2. Company shares remaining in trust

Company shares remaining in trust are recorded as treasury shares under net assets at the carrying value in trust (excluding the amount of incidental expenses). The book value and number of these treasury shares amounted to ¥736 million and 1,634,000 shares at the end of the previous fiscal year, and ¥726 million and 1,612,300 shares at the end of the fiscal year under review.

(On the non-consolidated balance sheet)

1. Overdraft agreement

The Company has overdraft agreements with six transacting banks in order to raise working capital efficiently.

The unused portion of the lines of credit based on these agreements is as follows.

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2021)	Fiscal year under review (As of March 31, 2022)
Maximum amount of overdraft	7,100	8,100
Outstanding balance of overdraft	1,550	1,550
Unused amount	5,550	6,550

(On the non-consolidated statements of income)

1. The following items related to transactions with subsidiaries and associates are included.

	(Millions of yen)	
	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Fiscal year under review (From April 1, 2021 to March 31, 2022)
Provision of allowance for doubtful accounts	69	76

The total amount of non-operating income for subsidiaries and associates in the fiscal year under review was ¥11 million, exceeding 10% of the total amount of non-operating income.

2. Loss on valuation of shares of subsidiaries and associates

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

Loss on valuation of shares of subsidiaries and associates is ¥839 million related to shares of Systema America Inc. and ¥35 million related to shares of GaYa Co., Ltd.

Fiscal year under review (From April 1, 2021 to March 31, 2022)

Loss on valuation of shares of subsidiaries and associates is ¥555 million related to shares of Systema America Inc.

(Securities)

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

Shares of subsidiaries and associates (carrying value of ¥1,820 million and ¥105 million on the non-consolidated balance sheet, respectively) have no market prices and it is deemed extremely difficult to determine their fair value. Accordingly, they are omitted.

Fiscal year under review (From April 1, 2021 to March 31, 2022)

Shares of subsidiaries and associates (carrying value of ¥1,263 million and ¥105 million on the non-consolidated balance sheet, respectively) are stocks, etc. with no market prices. Accordingly, they are omitted.

(Tax effect accounting)

1. Deferred tax assets and deferred tax liabilities by major classification

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2021)	Fiscal year under review (As of March 31, 2022)
Deferred tax assets		
Accrued enterprise tax	103	103
Accrued business office tax	11	13
Provision for bonuses	306	337
Allowance for doubtful accounts	120	146
Provision for share-based compensation	20	29
Loss on valuation of investment securities	2	-
Loss on valuation of membership	24	24
Loss on valuation of shares of subsidiaries and associates	699	869
Unrealized gain and loss on available-for-sale securities	7	11
Other	20	42
Subtotal of deferred tax assets	1,317	1,579
Valuation allowance	(695)	(865)
Total deferred tax assets	621	713

2. Major components of significant differences arising between the effective statutory tax rate and effective income tax rate after application of tax effect accounting

	Previous fiscal year (As of March 31, 2021)	Fiscal year under review (As of March 31, 2022)
Statutory tax rate	30.6%	Notes are omitted
(Adjustments)		because the
Change in valuation allowance	2.9%	difference between
Tax credits for salary growth	-	the statutory tax rate
Other	0.4%	and the effective
Effective income tax rate after application of tax effect accounting	34.0%	income tax rate is
		less than 5% of the
		statutory tax rate.

(Revenue recognition)

Notes have been omitted because the fundamental explanation of revenue arising from contracts with customers is identical to “(Revenue recognition)” under “4. Consolidated financial statements and notes, Notes to the consolidated financial statements.”

(Significant subsequent events)

No items to report.

6. Other

Production, orders, and sales results

In the fiscal year under review, the Company reviewed its business management categories and changed the classification of its reportable segments as follows. The business of ProVision Co., Ltd., which had been classified under the Solution Design Business, was reclassified into the IT Service Business, and the business of IDY Corporation, which had also been classified under the Solution Design Business, was reclassified into the Business Solution Business. In addition, new service areas such as RPA, which had been classified under the Framework Design Business, have been reclassified into the Business Solution Business. Note that the Business Solution Business is the new name of the Solution Sales Business.

Calculations of year-on-year change use the new reclassified reportable segments.

(1) Production results

Production results per business segment for the fiscal year under review are as follows.

Name of business segment	Fiscal year under review (From April 1, 2021 to March 31, 2022) (Millions of yen)	Year-on-year change (%)
Solution Design Business	13,720	105.2
Framework Design Business	3,605	112.0
IT Service Business	11,294	112.8
Business Solution Business	800	111.4
Total	29,421	109.0

(Notes) 1. Within the Group, only segments that involve made-to-order activities are shown due to the nature of services.

2. Due to the reclassification of reportable segments, some system development, etc. is conducted in Business Solution Business. The amounts shown above are the production results for such system development, etc.

3. The above amounts are stated at production cost.

(2) Order results

Order results per segment for the fiscal year under review are as follows.

Name of business segment	Order volume (Millions of yen)	Year-on-year change (%)	Order balance (Millions of yen)	Year-on-year change (%)
Solution Design Business	21,308	103.8	7,379	110.5
Framework Design Business	5,478	125.6	2,453	115.8
IT Service Business	15,962	115.7	5,982	112.2
Business Solution Business	1,370	138.3	466	154.8
Total	44,120	111.2	16,281	112.8

(Notes) 1. Within the Group, only segments that involve made-to-order activities are shown due to the nature of services.

2. Due to the reclassification of reportable segments, some system development, etc. is conducted in Business Solution Business. The amounts shown above are the order volumes and order balances for such system development, etc.

(3) Sales results

Sales results per business segment for the fiscal year under review are as follows.

Name of business segment	Fiscal year under review (From April 1, 2021 to March 31, 2022) (Millions of yen)	Year-on-year change (%)
Solution Design Business	20,607	107.7
Framework Design Business	5,143	114.3
IT Service Business	15,313	115.3
Business Solution Business	22,229	99.6
Cloud Business	1,775	121.4
Overseas Business	104	108.9
Investment & Incubation Business	98	109.5
Total	65,272	107.2

(Notes) 1. Inter-segment transactions are offset and eliminated.

2. Sales results by major customer and the ratio of such sales results to total sales results for the previous fiscal year and the fiscal year under review are omitted because there is no customer whose sales results meets or exceeds 10% of total sales results.