

Translation

Notice: This document has been translated from the original Japanese document and is only for reference purposes. In the case of any discrepancies between the two documents, the Japanese one shall prevail.

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Based on Japanese GAAP)

May 10, 2023

Company name: CUBE SYSTEM INC.
 Stock exchange listing: Tokyo
 Stock code: 2335 URL <https://www.cubesystem.co.jp/en/>
 Representative: Representative Director and President Masahiro Nakanishi
 Seniority Corporate Officer,
 Inquiries: President's Office Hirofumi Kitagaki TEL 03-5487-6030
 Scheduled date of annual general meeting of shareholders: June 23, 2023
 Scheduled date to commence dividend payments: June 5, 2023
 Scheduled date to file annual securities report: June 23, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2023	16,325	1.4	1,452	2.4	1,480	3.3	989	4.8
Fiscal year ended March 31, 2022	16,099	8.9	1,417	20.7	1,432	10.6	944	11.9

Note: Comprehensive income For the fiscal year ended March 31, 2023: ¥1,309 million [35.0%]
 For the fiscal year ended March 31, 2022: ¥969 million [(14.3)%]

	Earnings per share	Diluted earnings per share	Return on equity	Return on Assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2023	70.35	–	11.8	13.1	8.9
Fiscal year ended March 31, 2022	69.82	–	13.8	14.7	8.8

Reference: Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended March 31, 2023: ¥– million

For the fiscal year ended March 31, 2022: ¥– million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	12,547	9,616	76.6	634.29
As of March 31, 2022	10,064	7,214	71.2	531.14

Reference: Equity As of March 31, 2023: ¥9,616 million

As of March 31, 2022: ¥7,170 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2023	891	(304)	1,102	6,703
Fiscal year ended March 31, 2022	1,015	(134)	(324)	5,015

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2022	–	8.00	–	15.00	23.00	324	32.9	4.6
Fiscal year ended March 31, 2023	–	23.00	–	27.00	50.00	749	71.1	8.6
Fiscal year ending March 31, 2024 (Forecast)	–	15.00	–	15.00	30.00		42.1	

(Note) Breakdown of interim dividend for the six months ended September 30, 2022:

Ordinary dividend of ¥11.00, and 50th anniversary commemorative dividend of ¥12.00

Breakdown of year-end dividend for the fiscal year ended March 31, 2023:

Ordinary dividend of ¥15.00, and 50th anniversary commemorative dividend of ¥12.00

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2023	8,577	8.7	700	17.0	700	17.7	457	17.7	30.14
Full year	18,000	10.3	1,620	11.5	1,635	10.4	1,080	9.1	71.23

4. Notes

(1) Changes in significant subsidiaries during the fiscal year ended March 31, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation):

No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations:

Yes

Changes in accounting policies due to other reasons:

No

Changes in accounting estimates:

No

Restatement of prior period financial statements:

No

(Note) For details, please see “(5) Notes to consolidated financial statements (Changes in accounting policies)” of “3. Consolidated Financial Statements and Significant Notes Thereto” on page 14 of the attached material.

(3) Number of issued shares (common shares)

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

As of March 31, 2023	15,750,000 shares	As of March 31, 2022	14,500,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2023	588,832 shares	As of March 31, 2022	1,000,392 shares
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Average number of shares during the period

Fiscal year ended March 31, 2023	14,067,944 shares	Fiscal year ended March 31, 2022	13,529,774 shares
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(Note) The total number of issued shares at the end of the period includes the number of the Company’s shares held by the Board Incentive Plan (BIP) trust account (586,100 shares for the fiscal year ended March 31, 2023; 617,700 shares for the fiscal year ended March 31, 2022). The Company’s shares held by the BIP trust account (592,683 shares for the fiscal year ended March 31, 2023; 509,325 shares for the fiscal year ended March 31, 2022) are included in the treasury shares that are excluded from the calculation of the average number of shares during the period.

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2023	15,415	1.3	1,381	4.9	1,407	5.7	953	8.9
Fiscal year ended March 31, 2022	15,210	9.9	1,317	20.3	1,332	9.6	875	10.7

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended March 31, 2023	67.77	–
Fiscal year ended March 31, 2022	64.71	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	11,586	8,871	76.6	585.17
As of March 31, 2022	9,377	6,643	70.8	492.10

Reference: Equity As of March 31, 2023: ¥8,871 million

As of March 31, 2022: ¥6,643 million

* 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

(Cautions regarding forward looking statements and others)

The forward-looking statements, including earnings forecasts, contained in this report are based on the information currently available to the Company and certain assumptions judged to be reasonable by the Company, and are not intended for the Company to guarantee the attainment thereof. Actual results may turn out to be significantly different due to various factors. As for preconditions underlying the performance forecasts and cautions regarding the use of those performance forecasts, please see “(5) Business forecast” of “1. Overview of Operating Results, Etc.” on page 4 of the attached material.

(How to obtain supplementary information on financial results and the contents of the financial results investor meeting)

The Company plans to hold a financial results meeting for investors and analysts on Tuesday, May 16, 2023.

The video and materials for the financial result meeting will be available on the IR Information section of the Company’s website

(<https://www.cubesystem.co.jp/en/ir/library/results/>) promptly after the meeting.

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1. Overview of Operating Results, Etc.

(1) Overview of operating results for the fiscal year under review

During the fiscal year under review, the Japanese economy began to improve, albeit moderately, under the environment of the repeated spread and convergence of COVID-19, as a result of a balance of measures to control infection and measures to stimulate socioeconomic activities. The economic outlook, however, remains uncertain due to the emergence of risks such as rising prices resulting from the global surge in resource and raw material prices and the sharp depreciation of the yen.

Under such circumstances, demand for investments in informatization and IT for digital transformation (business transformation and process transformation) continued to rise, regardless of industry or company size, and informatization and IT investments such as system integration using cloud computing and system operation and maintenance remained solid. On the other hand, in response to significant changes in the economic and business environment, some companies are reviewing their business portfolios while holding back on capital investment.

The Group has therefore worked to optimize resources and secure production systems amid the steady expansion of large-scale projects for which orders were received in the first half of the fiscal year, as well as the increase in new orders in the financial sector. In addition, we strengthened and improved our management foundation by developing human resources in accordance with career fields and investing in informatization and IT for business management as well as working on other measures. These activities together with the efforts aimed at improving profitability, mainly focused on enhancement projects that have been continued since the first half of the fiscal year, obtained a favorable outcome. As a result, the company achieved increased revenue and profits for the fiscal year under review, increasing net sales to ¥16,325 million (a year-on-year increase of 1.4%), operating profit to ¥1,452 million (a year-on-year increase of 2.4%), ordinary profit to ¥1,480 million (a year-on-year increase of 3.3%) and profit attributable to owners of parent to ¥989 million (a year-on-year increase of 4.8%).

Performance results by service segments are as shown below.

System Integration Services

Net sales was to ¥12,068 million (a year-on-year increase of 0.8%) because of the decrease in system development projects for a shipping company, despite the efforts to increase in system development projects for regional and online banks, cooperatives and retailers.

System Outsourcing Services

Net sales decreased to ¥1,743 million (a year-on-year decrease of 4.9%) because of the decrease in system projects for GMS.

Professional Services

Net sales increased to ¥2,513 million (a year-on-year increase of 9.5%) because of the increase in system projects for a postal service company and for the manufacturing industry.

(2) Overview of financial position for the fiscal year under review

Assets

The current assets at the end of the fiscal year under review amounted to ¥9,703 million, an increase of ¥1,897 million compared with the end of the previous fiscal year. This result is mainly attributed to increases of ¥1,690 million in cash and deposits and ¥100 million in securities. The total non-current assets at the end of the fiscal year under review amounted to ¥2,844 million, an increase of ¥585 million compared with the end of the previous fiscal year. This result is mainly attributed to increases of ¥355 million in investment securities and ¥296 million in retirement benefit asset.

Consequently, the total assets amounted to ¥12,547 million, an increase of ¥2,482 million compared with the end of the previous fiscal year.

Liabilities

The current liabilities at the end of the fiscal year under review amounted to ¥2,188 million, a decrease of ¥10 million compared with the end of the previous fiscal year. This result is mainly attributed to a decrease of ¥12 million in provision for bonuses. The non-current liabilities at the end of the fiscal year under review amounted to ¥742 million, an increase of ¥91 million compared with the end of the previous fiscal year. This result is mainly attributed to an increase of ¥65 million in deferred tax liabilities.

Consequently, the total liabilities amounted to ¥2,930 million, an increase of ¥80 million compared with the end of the previous fiscal year.

Net assets

The net assets at the end of the fiscal year under review amounted to ¥9,616 million, an increase of ¥2,402 million compared with the end of the previous fiscal year. This result is mainly attributed to an increase of ¥631 million in share capital, an increase of ¥786 million in capital surplus, a decrease of ¥255 million in treasury shares and an increase of ¥452 million in retained earnings.

Consequently, the equity ratio was 76.6% (71.2% at the end of the previous fiscal year).

(3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents (hereafter, “net cash”) at the end of the fiscal year under review increased to ¥6,703 million, an increase of ¥1,687 million compared with the end of the previous fiscal year.

Status and factors for each cash flow category are as follows.

Cash flows from operating activities

Net cash provided from operating activities was ¥891 million (a year-on-year decrease of 12.2%). This result is mainly attributed to a decrease in the amount reported as profit before income taxes of ¥1,480 million and decreases in the net cash of ¥421 million due to income taxes paid and 117 million due to an increase in trade receivables.

Cash flows from investing activities

Net cash used in investing activities was ¥304 million (a year-on-year increase of 126.8%). This result is mainly attributed to the purchase of investment securities of ¥457 million and the proceeds from redemption of securities of ¥100 million.

Cash flows from financing activities

Net cash provided by financing activities was ¥1,102 million (¥324 million used in financing activities in the previous fiscal year). This result is mainly attributed to the proceeds from issuance of shares of ¥1,255 million, the proceeds from sale of treasury shares of ¥383 million and the dividends paid of ¥535 million.

Changes in cash flow metrics for the Group are as shown below.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Equity ratio (%)	71.2	76.6
Market-value-based equity ratio (%)	134.3	143.3
Cash flow to interest-bearing debt ratio (years)	0.2	0.3
Interest coverage ratio (times)	639.4	873.5

* Equity ratio: Equity capital / Total assets

Market-value-based equity ratio: Market capitalization / Total assets

Cash flow to interest-bearing debt ratio: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flow / Interest

(Notes) 1. All the metrics were calculated with consolidated financial statement values.

2. The market capitalization was calculated by multiplying the stock price at the end of the fiscal year under review with the total number of issued shares at the end of the fiscal year under review.

3. The cash flow refers to the cash flow from operating activities.

4. The interest-bearing debt refers to all of the liabilities on the consolidated balance sheet on which interest has been paid. The amount paid as stated on the consolidated statement of cash flows was used as the amount of the interest.

(4) Profit distribution policy and dividends for the fiscal year under review and the next fiscal year

We understand that returning profits to our shareholders is a fundamental responsibility to fulfill as a listed company and overriding management objective. We are determined to improve our business performance in order to maintain stable dividend payments and increase the Company’s aggregate market value and thereby contribute to heightening the value of assets owned by our shareholders.

We make it our basic policy to aim at a consolidated dividend payout ratio of 35%, so we can ensure internal reserves needed for the Company to keep growing while maintaining stable dividend payments.

In light of the aforementioned policy and the Group’s performance results, we are going to pay a year-end dividend of ¥27 per share.

That will make the total dividends for the fiscal year under review to be ¥50 per share (ordinary dividend: ¥26, commemorative dividend: ¥24), which includes the interim dividend of ¥23 per share that was paid out in December 2022.

Furthermore, due to the enhanced capital adequacy, we will partially revise our basic policy on profit distribution and raise the target dividend payout ratio to 40% in order to further return profits to shareholders, taking into consideration future business development and the level of internal reserves. As a result, for the next fiscal year, we are planning to pay dividends of ¥30 per share, which includes an interim dividend of ¥15 and a year-end dividend of ¥15 per share.

Internal reserves will be allocated to hiring and training employees, expenses for R&D activities aimed at acquiring new technologies and developing solutions, and the expansion of development bases.

(5) Business forecast

The Company established the “Sustainability Management Basic Policy” in November 2021, and has been carrying out sustainability management to both improve corporate value and resolve social issues. And each and every employee contributes to society through our business activities, aiming to enhance our corporate value.

The Group is currently working under this management policy to develop its business and management foundations to realize its Medium- to Long-Term Management Vision “VISION 2026,” and to achieve exponential business growth under its Second Medium-Term Management Plan from FY 2024 to FY 2026.

The Japanese economy today is showing signs of recovery as the spread of COVID-19 is on the decline and economic and social activities are becoming more active under the situation coexisting with COVID-19. On the other hand, the rise in raw material prices and constraints in the supply of various resources continue, and the risks of fluctuations in financial and capital markets are exposing the direction of the economy to an uncertain situation. In such a business environment, companies are required to respond flexibly to risks, in addition to addressing medium- to long-term challenges.

Against this backdrop, the Company has considered priority issues and measures to be taken and is working to resolve them through the implementation of these measures.

1) Enhancement of business foundation

(i) Growing business scale and increasing profitability

The Company is driving business forward with three main cores, the Digital Business, the SI Business and the Enhance Business toward our “VISION 2026” established based on the expertise and experience we have developed so far. In order to transition to our new business portfolio structure and to achieve sustainable growth, we have been working to identify high-profit areas and concentrate management resources to expand our business and improve profitability.

The Digital Business will make the most of “F@CE DX,” a high-speed development environment for DX realization, as a means to aggressively pursue initiatives for our products and planning and proposal type projects for end users, with the aim of enhancing the value of the Company’s brand.

For the SI Business, we have established a model named Lift&Shift through cloud conversion of the legacy environment (Lift) and the application of new development methodology (Shift). We will work to provide systems based on microservices and promote joint work with cloud vendors to develop specialty technologies and grow end-user business.

For the Enhance Business, we will further accelerate our efforts to achieve high productivity and high profitability through the utilization of the Group’s collaboration model and cooperation with business partners.

In addition, in December 2022, the Group entered into a capital and business alliance with Nomura Research Institute, Ltd. based on the judgment that the two companies share the same basic management philosophy of contributing to society and achieving healthy and sustainable medium- to long-term growth. By taking advantage of this alliance, the two companies will strengthen and expand collaboration while leveraging the uniqueness and strengths of the CUBE SYSTEM Group to enhance services in terms of both quality and quantity to meet customer and market needs, with the aim of further increasing the corporate value of the Company.

(ii) Expansion of development organization and facilities

To strengthen the design, development, maintenance and operation systems in our business and achieve more competitive service offerings in the market, we recognize that it is essential to expand our organization and facilities as required for future development. As a response to this, we will work on improving our working environment based on work style reform activities that match the characteristics of our business and abilities, and collaborate with partner companies to continuously increase our production capacity. We will reinforce and expand our development organization and facilities to strengthen our capacity for both development and production. To enhance our ability to respond to the diverse needs of our customers, we will strengthen our efforts to acquire personnel who can meet those needs and increase the added value of our company.

2) Improvement of management foundation

(i) Enrichment of human capital

Our engineering skills are essential for strengthening our Group's competitiveness and differentiating us in the markets, and the continuous skill improvement of our system engineers is indispensable. However, we recognize that a healthy organization and the health of our employees who support this effort are important management issues for our Company. We believe that through work style reform activities, each employee can enhance their potential abilities and execute or challenge more advanced and difficult businesses, thus materializing their value and contributing to the growth of our businesses and the provision of social value.

As a measure to achieve this, we have defined "Professional IT-related human resources" and "Corporate administration" as career fields that we seek at our Company. Based on these career fields, we create development plans for the career directions and goals of each employee and implement the PDCA cycle to strengthen and promote human resource development. In addition, we create opportunities for employees to take on challenges, and at the same time, we strive to improve the feasibility and effectiveness by enhancing follow-up and support systems, as well as our reward system. Furthermore, we will strengthen our recruitment of new graduates and mid-career workers, and promote the development of a personnel system structure to appropriately treat employees based on their roles and performance under our well-being management, aiming to secure high-value-added human resources that will support our healthy and sustainable growth.

(ii) Enhancing quality

In the system development business, which is our main service, there is concern about the risk of declining profitability due to poor customer satisfaction caused by inadequate project management and the occurrence of unexpected unprofitable projects. To avoid this, we have established a System Development Committee, with the Quality Management Department as a secretariat, to identify high-risk and high-priority projects that could affect our client's businesses and our Company's management, and to share project details, progress status, issues and risks throughout the Company. In the System Development Committee, we have established a process to check the status of each phase, not only during proposal and estimation, but also throughout the development process, and control risks of falling into unprofitability by taking timely and appropriate measures for issues and risks through the judgements such as determining whether to proceed to the next phase or not.

We will continue to improve our quality management system to ensure quality, improve customer satisfaction and reduce unprofitable projects.

(iii) Improving corporate governance system

In order to implement the aforementioned high-priority measures, as well as to continue to provide service solutions that meet the needs of the market and customers, we consider corporate governance, which supports fair and efficient management, to be an important issue and are striving to enhance it. The corporate governance structure of the Company not only contributes to supervision, monitoring, and appropriate and flexible decision-making, but also enhances its effectiveness by providing multifaceted advice to ensure the effective and efficient functioning of the Company's management processes. In particular, we are focusing on the management's approach to important issues such as business strategies, personnel strategies, compliance and security, and contributing to the strengthening and optimizing of measures for these issues. In addition, in order to ensure sustainable business operations, we are also going to improve our business continuity plan (BCP) so it will cover a wider range of risks, including pandemics, disasters and geopolitical threats.

3) Implementation of sustainability management

We understand the duties and roles we must fulfill for the development of society based on our management philosophy, and each and every employee aims to realize both the improvement of corporate value and the resolution of social issues through our business, community contributions, and other activities. In addition, we position the practice of compliance, which serves as the foundation, as one of the important management issues, and consider that compliance is not only "simple respect for and observation of laws and regulations" but "responding to the trust of all of our stakeholders."

In accordance with this concept, we will utilize the solid "financial capital" and diverse "non-financial capital" that we have accumulated over the decades, so that we can contribute to sustainable social development through business activities to realize our vision and enhance our corporate value. We call this system a value creation model that cycles and will achieve sustainable growth through this model. For tackling social issues, we aim to practice a well-being management approach in which employees and the company grow together and share the results, based on our basic management policy of "Communication & Mutual Respect." In addition, we will listen to the voices of stakeholders through dialogue and incorporate them into our management to create a value creation model that circulates properly. Moreover, we are committed to contributing to the creation of vibrant and livable communities and the development of local communities, practicing environmentally friendly management, respecting human rights in our corporate activities as well as implementing other initiatives.

We will continue to practice sustainability management through dialogue with stakeholders in the future.

For the fiscal year ending March 31, 2024, the Group aims, by focusing on those matters, to post net sales of ¥18,000 million (a year-on-year increase of 10.3%), operating profit of ¥1,620 million (a year-on-year increase of 11.5%), ordinary profit of ¥1,635 million (a year-on-year increase of 10.4%) and profit attributable to owners of parent of ¥1,080 million (a year-on-year increase of 9.1%). Furthermore, the Group aims to achieve an ROE of 13% or higher.

2. Basic Policy Regarding the Adoption of Accounting Standards

The Group has adopted Japanese GAAP, because its shareholders, creditors, customers and most of its other interested parties reside in Japan and hence because the Group has not had a need to finance outside the country.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheet

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	5,058,095	6,748,203
Accounts receivable - trade	2,497,845	2,533,282
Contract assets	86,510	168,906
Securities	–	100,000
Work in process	16,439	10,764
Other	147,277	141,995
Allowance for doubtful accounts	(667)	–
Total current assets	7,805,500	9,703,153
Non-current assets		
Property, plant and equipment		
Buildings, net	123,399	92,357
Other, net	45,739	32,020
Total property, plant and equipment	169,139	124,378
Intangible assets	4,954	3,330
Investments and other assets		
Investment securities	1,278,721	1,634,179
Retirement benefit asset	194,324	490,358
Deferred tax assets	20,006	8,200
Other	591,884	583,922
Total investments and other assets	2,084,936	2,716,660
Total non-current assets	2,259,029	2,844,369
Total assets	10,064,530	12,547,523
Liabilities		
Current liabilities		
Accounts payable - trade	753,109	796,239
Short-term borrowings	240,000	240,000
Income taxes payable	231,054	313,954
Contract liabilities	1,694	9,652
Provision for bonuses	364,188	351,565
Provision for bonuses for directors (and other officers)	10,200	8,500
Provision for loss on orders received	3,382	2,291
Other	595,788	466,641
Total current liabilities	2,199,418	2,188,844
Non-current liabilities		
Provision for share-based compensation	309,136	332,222
Asset retirement obligations	138,558	139,065
Other	203,097	270,841
Total non-current liabilities	650,792	742,130
Total liabilities	2,850,211	2,930,974

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Net assets		
Shareholders' equity		
Share capital	768,978	1,400,228
Capital surplus	705,435	1,491,474
Retained earnings	6,006,514	6,459,029
Treasury shares	(759,459)	(503,601)
Total shareholders' equity	6,721,467	8,847,130
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	370,912	509,026
Foreign currency translation adjustment	21,851	30,209
Remeasurements of defined benefit plans	55,932	230,182
Total accumulated other comprehensive income	448,696	769,418
Non-controlling interests	44,155	–
Total net assets	7,214,319	9,616,548
Total liabilities and net assets	10,064,530	12,547,523

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

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	16,099,838	16,325,714
Cost of sales	12,649,671	12,755,607
Gross profit	3,450,166	3,570,107
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	197,130	200,880
Provision for bonuses for directors (and other officers)	10,200	8,500
Salaries and allowances	581,224	634,910
Provision for bonuses	73,039	73,664
Retirement benefit expenses	20,115	26,812
Provision for share-based payments	80,625	50,568
Provision of allowance for doubtful accounts	112	–
Rent expenses	198,191	227,483
Commission expenses	277,042	261,980
Other	594,599	632,813
Total selling, general and administrative expenses	2,032,280	2,117,612
Operating profit	1,417,886	1,452,495
Non-operating income		
Interest income	3,228	3,793
Dividend income	14,323	15,627
Gain on sale of investment securities	–	17,873
Consumption tax difference	6,997	5,659
Insurance claim income	5,741	5,519
Other	2,632	5,293
Total non-operating income	32,922	53,766
Non-operating expenses		
Interest expenses	1,659	1,401
Commission expenses	3,102	3,102
Foreign exchange losses	7,963	7,644
Loss on investments in investment partnerships	5,358	6,347
Share issuance costs	–	6,813
Other	0	497
Total non-operating expenses	18,084	25,806
Ordinary profit	1,432,724	1,480,455
Profit before income taxes	1,432,724	1,480,455
Income taxes - current	441,728	496,448
Income taxes - deferred	40,971	(5,666)
Total income taxes	482,699	490,782
Profit	950,025	989,672
Profit attributable to non-controlling interests	5,329	–
Profit attributable to owners of parent	944,696	989,672

(Consolidated statement of comprehensive income)

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	950,025	989,672
Other comprehensive income		
Valuation difference on available-for-sale securities	34,751	138,114
Foreign currency translation adjustment	21,422	8,357
Remeasurements of defined benefit plans, net of tax	(36,403)	173,501
Total other comprehensive income	19,770	319,973
Comprehensive income	969,795	1,309,646
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	964,360	1,309,646
Comprehensive income attributable to non-controlling interests	5,435	–

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	768,978	826,828	5,649,012	(1,197,851)	6,046,968
Cumulative effects of changes in accounting policies			10,114		10,114
Restated balance	768,978	826,828	5,659,126	(1,197,851)	6,057,082
Changes during period					
Issuance of new shares					–
Dividends of surplus			(280,310)		(280,310)
Gain on disposal of treasury shares		107,145			107,145
Profit attributable to owners of parent			944,696		944,696
Purchase of treasury shares				(263,481)	(263,481)
Disposal of treasury shares				156,335	156,335
Cancellation of treasury shares		(545,537)		545,537	–
Change in ownership interest of parent due to transactions with non-controlling interests					–
Transfer from retained earnings to capital surplus		316,997	(316,997)		–
Net changes in items other than shareholders' equity					–
Total changes during period	–	(121,393)	347,387	438,391	664,385
Balance at end of period	768,978	705,435	6,006,514	(759,459)	6,721,467

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	336,160	428	92,442	429,032	39,319	6,515,320
Cumulative effects of changes in accounting policies						10,114
Restated balance	336,160	428	92,442	429,032	39,319	6,525,434
Changes during period						
Issuance of new shares						–
Dividends of surplus						(280,310)
Gain on disposal of treasury shares						107,145
Profit attributable to owners of parent						944,696
Purchase of treasury shares						(263,481)
Disposal of treasury shares						156,335
Cancellation of treasury shares						–
Change in ownership interest of parent due to transactions with non-controlling interests						–
Transfer from retained earnings to capital surplus						–
Net changes in items other than shareholders' equity	34,751	21,422	(36,510)	19,664	4,835	24,499
Total changes during period	34,751	21,422	(36,510)	19,664	4,835	688,884
Balance at end of period	370,912	21,851	55,932	448,696	44,155	7,214,319

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	768,978	705,435	6,006,514	(759,459)	6,721,467
Cumulative effects of changes in accounting policies					–
Restated balance	768,978	705,435	6,006,514	(759,459)	6,721,467
Changes during period					
Issuance of new shares	631,250	631,250			1,262,500
Dividends of surplus			(537,157)		(537,157)
Gain on disposal of treasury shares		155,382			155,382
Profit attributable to owners of parent			989,672		989,672
Purchase of treasury shares				(42)	(42)
Disposal of treasury shares				255,900	255,900
Cancellation of treasury shares					–
Change in ownership interest of parent due to transactions with non-controlling interests		(592)			(592)
Transfer from retained earnings to capital surplus					–
Net changes in items other than shareholders' equity					–
Total changes during period	631,250	786,039	452,514	255,858	2,125,662
Balance at end of period	1,400,228	1,491,474	6,459,029	(503,601)	8,847,130

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	370,912	21,851	55,932	448,696	44,155	7,214,319
Cumulative effects of changes in accounting policies						–
Restated balance	370,912	21,851	55,932	448,696	44,155	7,214,319
Changes during period						
Issuance of new shares						1,262,500
Dividends of surplus						(537,157)
Gain on disposal of treasury shares						155,382
Profit attributable to owners of parent						989,672
Purchase of treasury shares						(42)
Disposal of treasury shares						255,900
Cancellation of treasury shares						–
Change in ownership interest of parent due to transactions with non-controlling interests						(592)
Transfer from retained earnings to capital surplus						–
Net changes in items other than shareholders' equity	138,114	8,357	174,250	320,721	(44,155)	276,566
Total changes during period	138,114	8,357	174,250	320,721	(44,155)	2,402,228
Balance at end of period	509,026	30,209	230,182	769,418	–	9,616,548

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	1,432,724	1,480,455
Depreciation	60,230	51,113
Increase (decrease) in provisions	83,575	34,260
Increase (decrease) in assets and liabilities related to retirement benefits	(83,932)	(45,428)
Interest and dividend income	(17,552)	(19,421)
Interest expenses	1,659	1,401
Share issuance costs	–	6,813
Loss (gain) on investments in investment partnerships	5,358	6,347
Loss (gain) on sale of investment securities	–	(17,873)
Insurance claim income	(5,741)	(5,519)
Decrease (increase) in trade receivables	3,049	(117,258)
Decrease (increase) in inventories	67,842	6,080
Increase (decrease) in trade payables	(22,850)	42,858
Increase (decrease) in accrued consumption taxes	(1,419)	(51,310)
Increase (decrease) in accounts payable - other	10,434	(71,406)
Increase (decrease) in accrued expenses	10,395	(16,477)
Other, net	34,619	7,327
Subtotal	1,578,395	1,291,961
Interest and dividends received	18,536	21,052
Interest paid	(1,588)	(1,021)
Income taxes paid	(579,539)	(421,119)
Income taxes refund	–	1,086
Net cash provided by (used in) operating activities	1,015,804	891,958
Cash flows from investing activities		
Proceeds from redemption of securities	–	100,000
Purchase of property, plant and equipment	(43,991)	(12,563)
Purchase of investment securities	(76,925)	(457,889)
Proceeds from sale of investment securities	12,897	58,259
Purchase of membership	(5,000)	–
Other, net	(21,325)	7,479
Net cash provided by (used in) investing activities	(134,344)	(304,715)
Cash flows from financing activities		
Repayments of short-term borrowings	(40,000)	–
Proceeds from issuance of shares	–	1,255,686
Decrease (increase) in treasury shares	–	383,757
Dividends paid	(282,665)	(535,583)
Dividends paid to non-controlling interests	(600)	(700)
Repayments of lease liabilities	(839)	(839)
Net cash provided by (used in) financing activities	(324,105)	1,102,321
Effect of exchange rate change on cash and cash equivalents	10,831	(1,935)
Net increase (decrease) in cash and cash equivalents	568,185	1,687,629
Cash and cash equivalents at beginning of period	4,447,541	5,015,727
Cash and cash equivalents at end of period	5,015,727	6,703,356

(5) Notes to consolidated financial statements

(Notes regarding going concern)

Not applicable.

(Changes in accounting policies)

Application of implementation guidance on accounting standard for fair value measurement

Since the beginning of the fiscal year under review, the Group has adopted “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021), and applied the new accounting policies prescribed in the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There has been no influence on the consolidated financial statements.

(Segment information)

Previous Fiscal Year (April 1, 2021 to March 31, 2022) and the Fiscal Year Under Review (April 1, 2022 to March 31, 2023)

The information is omitted, as the Group has no segment other than the System Solution Service Business.

(Information per share)

(Yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share	531.14	634.29
Earnings per share	69.82	70.35

(Notes) 1. Diluted earnings per share is not presented, because there are no dilutive shares.

2. The bases of the calculated earnings per share are as shown below.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Earnings per share		
Profit attributable to owners of parent (thousand yen)	944,696	989,672
Amount not attributable to common shareholders (thousand yen)	–	–
Profit attributable to owners of parent pertaining to common shares (thousand yen)	944,696	989,672
Average number of common shares during the period (thousand shares)	13,529	14,067

(Note) 3. The bases of the calculated net assets per share are as shown below.

	As of March 31, 2022	As of March 31, 2023
Total net assets (thousand yen)	7,214,319	9,616,548
Amount deducted from total net assets (thousand yen)	44,155	–
[Of which non-controlling interests (thousand yen)]	[44,155]	[–]
Net assets attributable to common shares at the end of the period (thousand yen)	7,170,164	9,616,548
Number of common shares at the end of the period used in calculation of net assets per share (thousand shares)	13,499	15,161

(Note) 4. The Company’s shares held by the BIP trust account (617,700 shares for the previous fiscal year; 586,100 shares for the fiscal year under review) are included in the treasury shares which are deducted from the year-end total number of issued shares when the “net assets per share” is calculated. The Company’s shares held by the BIP trust account (509,325 shares for the previous fiscal year; 592,683 shares for the fiscal year under review) are included in the treasury shares that are excluded from the calculation of the average number of shares during the period.

(Material subsequent events)

Not applicable.

4. Changes in Officers

(i) Changes in Representative Directors

Not applicable.

(ii) Changes in Other Officers

Candidate for Director

Independent Director Takaaki Saito

Retiring Directors

Director Toshio Uchida

Independent Director Hiroki Sekibata

Candidates for Audit & Supervisory Board Member

(Full-time) Audit & Supervisory Board Member Toshio Uchida

(Part-time) Outside Audit & Supervisory Board Member Yukako Miida

Retiring Audit & Supervisory Board Member

(Full-time) Outside Audit & Supervisory Board Member Takashi Tomita

(iii) Date of appointment and retirement

June 23, 2023