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October 27, 2022

Consolidated Financial Results for the Six Months Ended September 30, 2022 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 2317
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 Scheduled date to file quarterly securities report: November 8, 2022
 Scheduled date to commence dividend payments: December 6, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly 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 six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative)

(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	%
Six months ended								
September 30, 2022	35,805	16.0	4,435	14.9	4,497	20.3	3,084	22.5
September 30, 2021	30,876	5.4	3,858	4.8	3,738	0.4	2,518	0.3

Note: Comprehensive income For the six months ended September 30, 2022: ¥3,204 million [27.5%]
 For the six months ended September 30, 2021: ¥2,513 million [1.4%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	7.96	-
September 30, 2021	6.50	-

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
September 30, 2022	44,848	32,065	70.5	81.60
March 31, 2022	43,477	30,173	68.5	76.83

Reference: Equity
 As of September 30, 2022: ¥31,614 million
 As of March 31, 2022: ¥29,762 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.

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	10.00	–	3.50	–
Fiscal year ending March 31, 2023	–	4.00			
Fiscal year ending March 31, 2023 (Forecast)			–	4.00	8.00

Notes: Revisions to the forecast of cash dividends most recently announced: None

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 (the interim dividend of ¥10 per share and year-end dividend of ¥14 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

Note: Revisions to the earnings forecasts most recently announced: None

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) 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

(4) Number of issued shares (common shares)

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

As of September 30, 2022	450,880,000 shares
As of March 31, 2022	450,880,000 shares

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

As of September 30, 2022	63,450,088 shares
As of March 31, 2022	63,483,788 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2022	387,404,850 shares
Six months ended September 30, 2021	387,379,455 shares

- Notes: 1. The Company has introduced a stock compensation plan, and in calculating the number of treasury shares of common 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 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 period ended September 30, 2022 and March 31, 2022 were 1,578,600 shares and 1,612,300 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 six months ended September 30, 2022 and six months ended September 30, 2021 is as follows: the average number of treasury shares of common shares held by the Trust Account for the six months ended September 30, 2022 and six months ended September 30, 2021 were 1,603,662 shares and 1,629,134 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.

* Quarterly financial results reports are exempt from quarterly review 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. Qualitative information on quarterly financial results, (3) Forward-looking forecasts, such as consolidated earnings forecasts” 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 earnings announcement for the six months ended September 30, 2022.

· November 1, 2022 (Tuesday).....Company Information Briefing for Institutional Investors and Analysts

1. Qualitative information on quarterly financial results

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

(1) Operating results for the period under review

During the first half of the fiscal year under review (April 1, 2022 to September 30, 2022), the Japanese economy was on a gradual recovery trend, particularly individual consumption, as the impact of the COVID-19 pandemic has eased and economic and social activities returned to normal. However, uncertainty in the global economy is increasing as inflationary pressures due to high resource and raw material prices persist, and central banks in various countries are raising interest rates sharply despite the risk of economic downturn.

At the same time, the Group further accelerated its business “scrap and build” activities, management’s core policy, and even in growth fields, the Group quickly introduced management resources into markets that can be won by leveraging its strengths.

Furthermore, efforts were made to aggressively move forward with not only reinforcing its own sales capabilities but also alliances formed with sales-capable partners and to strengthen sales of its own products and services. The Group made investments to expand the size of its businesses, including continuing to actively recruit new college graduates and increasing office floor space.

In the Solution Design Business, the Group continued to focus on expansion in the in-vehicle, Internet business, IoT, robotics/AI, and digital transformation (DX) fields, where significant growth is expected. Here, the Group worked to further increase orders and improve profitability by making greater use of 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 increase 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, the Group focused on service businesses, not product-oriented businesses, and strives to further strengthen its recurring revenue businesses, centered on the subscription business and system development and support.

In the Cloud Business, which is responsible for promoting the subscription business model, the Group expanded the functionality of its in-house products Canbus.¹ and Cloudstep¹ and actively promoted sales through web marketing.

As a result of the above, consolidated results for the first half of the fiscal year under review were net sales of ¥35,805 million (up 16.0% year on year), operating profit of ¥4,435 million (up 14.9% year on year), ordinary profit of ¥4,497 million (up 20.3% year on year), and profit attributable to owners of parent of ¥3,084 million (up 22.5% year on year).

1. Canbus. and Cloudstep are Systema’s original services.

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

(i) 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 ¥10,870 million (up 11.9% year on year), and operating profit was ¥1,705 million (up 6.1% year on year).

(In-Vehicle)

In the in-vehicle category, which primarily involves the development of elements related to mobility as a service (MaaS), autonomous driving, in-vehicle infotainment, telematics,² and electronic control units (ECUs), in addition to the steady performance in the in-vehicle infotainment business, in which the Group excels, including receiving orders for large-scale projects, the Group also won orders for MaaS-related services thanks to differentiation from competitors owing to technological capabilities that leverage the Group’s experience in the telecommunications business. Demand for MaaS is expected to grow stronger and stronger. Furthermore, the Group has positioned these areas as long-term priority focus areas, and through its participation in the MONET Consortium,³ the Group aims to further enhance its business value in the mobility field.

2. 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.
3. 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, which supports the mechanisms of society, including telecommunications infrastructure, payment infrastructure, transportation infrastructure, power grids, and more, and enriches people’s lives, the Group won smart-city related orders by leveraging its experience with MaaS acquired in the in-vehicle field. The Group will also continue to focus on 5G-related projects because there were numerous inquiries regarding service development that makes use of 5G infrastructure.

(Internet Business)

In fields related to the Internet business, such as Internet services and e-commerce, the Group made strong progress with the development of services for 5G Internet services, cashless payments in e-commerce and system, and development and quality verification services related to the utilization of data. Having received numerous inquiries from companies trying to further strengthen their services in response to recent social conditions, the Group will focus on strengthening total solutions that can extend from planning to development, verification, and customer support.

(Products)

In fields related to product development, including smartphones, home appliances, robotics, PCs, payment terminals, and factory automation equipment, we have received recognition for our ability to provide one-stop support throughout the product lifecycle, including not only product development and quality verification, but also environment construction and support that takes advantage of our strengths in AI, IoT, cloud computing, and mobile devices, and orders are expanding. The Group will continue to expand orders received while striving to differentiate itself from its competitors.

(DX Services)

In the DX Services field, as the lifecycle of core systems in companies is changing due to the spread of COVID-19, we are receiving more orders by understanding the lifecycle of these systems and offering solutions to the emergent and latent issues of our customers. In addition, the Group will continue to actively promote the development of its in-house services, such as Remo-oTe, which utilizes the Group’s business experience and total solution strengths cultivated in various fields, TimeTapps, a cloud attendance management system, and Palette.Link, a groupware that enhances the quality of relationships, as they have been receiving many inquiries.

Regarding the status of the Group’s response to COVID-19 and its impact on activities within this business, the Group has been able to successfully mitigate risks so as to ensure the continuation of business by shifting to telecommuting in numerous business areas. The Group will continue to promote business by taking rigorous infection control measures.

(ii) 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 for system development projects.

In the financial sector, the Group provides core system development services for customers in the banking industry and life and non-life insurance industries. In addition to long-term development work in areas such as contract management systems and accounts systems, the Group achieved greater sales by expanding its scope of services to include Internet banking and DX projects such as AI application development.

In the public sector, sales remained steady for projects related to central government ministries and agencies, centering on cloud environment construction projects. New projects are being won in the areas of system development, infrastructure construction, and operation and maintenance. Going forward, the Group will continue to actively introduce this into several government cloud projects and other types of projects and further grow them into new business pillars.

In addition, for general corporate clients, the Group is winning commissioned development projects and is moving forward with 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 ¥2,937 million (up 23.9% year on year) and operating profit was ¥578 million (up 37.3% year on year).

(iii) 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 IT environments, leading to greater demand for IT outsourcing from companies that are creating new business models.

Against this backdrop, the Group focused on providing services more directly linked to our clients' rapid business growth by expanding our IT support services, which provide helpdesk and IT equipment installation, and our PMO services, which provide project management support for the introduction of various tools and smart devices.

In the software testing services business, the Group worked to increase orders and improve profitability by offering testing services across all processes, from upstream quality control process consulting to downstream debugging, to not only customers who provide consumers with web content, apps, and mobile games but also customers who provide business systems to companies.

In addition, with regard to promoting engagement of persons with disabilities, efforts to better grasp the characteristics and abilities of each individual and to improve organizational capabilities by developing skills through training and placing the right person in the right job led to orders for a wide range of service projects, primarily in business process outsourcing (BPO).

With regard to measures against COVID-19 within this business, the Group continues to not only shift from a full-time, on-site work style to telecommuting and remote service provision but also undertake sales activities based on inbound sales.

As a result, net sales in this business amounted to ¥8,755 million (up 17.6% year on year) and operating profit was ¥1,232 million (up 29.3% year on year).

(iv) Business Solution Business

For 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, the outlook is uncertain because of the seventh wave of COVID-19, price increases due to the weak yen, and delays in delivery of products on account of semiconductor shortages. Even so, the number of projects related to new work style reforms to implement a "with corona virus" mindset, and the use of DX to increase productivity, reduce costs, and increase competitiveness are gradually trending upward.

Specifically, the system integration business was able to win a number of orders for various services including lift and shift, which is a type of cloud migration, and server relocations.

In addition, the Group successfully won orders for not only system development but also maintenance and operation projects to digitalize corporations' businesses by making use of RPA and data linkage tools.

Furthermore, the release of remote IT operation and maintenance and security-related services this period has led to an increase in inquiries.

As a result, net sales in this business amounted to ¥12,238 million (up 16.9% year on year) and operating profit was ¥723 million (up 6.0% year on year).

(v) Cloud Business

In this business, where the Group provides cloud solutions and original services to companies and other entities, and which is responsible for promoting the subscription business model, the Group received many inquiries regarding its Canbus. DX platform from companies urgently seeking to implement telecommuting and other types of work style reforms. 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. Taking this into consideration, the Group offered an easy system integration service that combines new functions and the remote outsourcing service Remo-oTe so that even more companies can undertake digital transformations, and this resulted in an increase in inquiries. Going forward, the Group will continue to promote aggressive investment and sales reinforcement in this priority offering area.

In addition, inquiries for the Cloudstep groupware, integrated with Google Workspace and Microsoft 365, have been increasing for rebuilding groupware architecture suited to today's work styles. At the same time, system integration, an area of strength for the Group, differentiates the Group from its competitors and results in orders.

As a result, net sales in this business amounted to ¥1,079 million (up 7.6% year on year) and operating profit was ¥226 million (up 6.8% year on year).

MINGAL, which was established on June 1, 2022, is included in the Cloud Business reporting segment.

(vi) Overseas Business

The Company's U.S. subsidiary received stable orders for system development and verification work from the manufacturing industry, including the automotive industry, as well as repeat orders from Japanese-affiliated firms located in Silicon Valley for proof of concept development and verification, which checks the effectiveness of elemental technologies of Silicon Valley start-up companies. In addition, in subscription services, there were a growing number of cases involving smart factories that employ AI and IoT, and more and more companies are introducing Canbus. In particular, more and more companies are adopting easy system integration combined with Remo-oTe against the backdrop of the continuing rise in labor costs for IT personnel.

Furthermore, ONE Tech, Inc., a U.S. company that the subsidiary has invested in, has formed alliances with several microcontroller unit (MCU) manufacturers and is actively engaged in joint sales to provide its proprietary AI MicroAI™, and is receiving an increasing number of orders from companies around the world.

StrongKey Inc., another U.S.-based company the subsidiary has invested in, is moving forward with sales activities related to Tellaro, its security server, and is focusing on attracting new inquiries and winning ongoing orders from client companies around the world based on its security services with data encryption and strong FIDO authentication.

In this business, which is still in the investment stage, net sales amounted to ¥70 million (down 19.9% year on year), and the operating loss was ¥12 million (versus operating loss of ¥1 million in the previous fiscal year).

(vii) Investment & Incubation Business

GaYa Co., Ltd., operates social games developed in-house and designs and develops business applications for smartphones and tablets. In the first half of the fiscal year under review, the Group released the new horse racing game application Keiba Densetsu PRIDE at the end of June as planned, and the number of downloads reached approximately 200,000 as a result of advertising expenditures and various in-game events. The Group will focus on additional development and operations for further enhancement of this business. Furthermore, there is firm commissioned development from existing customers, and the Group will continue to strive to stabilize the business.

As a result, net sales in this business amounted to ¥177 million (up 103.4% year on year) and the operating loss was ¥19 million (versus operating loss of ¥15 million in the previous fiscal year).

(2) Financial position

(Assets)

Total assets at the end of the second quarter of the fiscal year under review amounted to ¥44,848 million (versus ¥43,477 million at the end of the previous fiscal year), an increase of ¥1,371 million from the end of the previous fiscal year. Current assets amounted to ¥38,823 million (versus ¥38,002 million at the end of the previous fiscal year), an increase of ¥821 million from the end of the previous fiscal year. This was mainly due to a ¥1,642 increase in cash and deposits and a ¥1,247 million decline in notes and accounts receivable - trade, and contract assets. Non-current assets amounted to ¥6,025 million (versus ¥5,475 million at the end of the previous fiscal year), an increase of ¥549 million from the end of the previous fiscal year. Property, plant and equipment amounted to ¥1,441 million (versus ¥1,058 million at the end of the previous fiscal year), an increase of ¥383 million from the end of the previous fiscal year. Intangible assets amounted to ¥337 million (versus ¥278 million at the end of the previous fiscal year), an increase of ¥58 million from the end of the previous fiscal year. Investments and other assets amounted to ¥4,246 million (versus ¥4,138 million at the end of the previous fiscal year), an increase of ¥107 million from the end of the previous fiscal year.

(Liabilities)

Total liabilities amounted to ¥12,782 million (versus ¥13,303 million at the end of the previous fiscal year), a decline of ¥520 million from the end of the previous fiscal year. This was mainly due to a ¥764 million decrease in accounts payable - trade and a ¥387 million increase in accounts payable - other, and accrued expenses.

(Net assets)

Net assets amounted to ¥32,065 million (versus ¥30,173 million at the end of the previous fiscal year), an increase of ¥1,892 million from the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent of ¥3,084 million and dividends of surplus of ¥1,361 million. As a result, the equity-to-asset ratio increased 2.0 percentage points from the end of the previous fiscal year to 70.5%.

(3) Forward-looking forecasts, such as consolidated earnings forecasts

There have been no changes to the earnings forecasts for the full-fiscal year ending March 31, 2023 released on May 11, 2022.

If there are revisions in the future, notification will be promptly made.

2. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	21,657	23,299
Notes and accounts receivable - trade, and contract assets	14,323	13,076
Merchandise	1,151	1,141
Other	880	1,307
Allowance for doubtful accounts	(11)	(2)
Total current assets	38,002	38,823
Non-current assets		
Property, plant and equipment		
Buildings, net	398	671
Tools, furniture and fixtures, net	489	587
Land	97	97
Construction in progress	-	39
Other, net	72	44
Total property, plant and equipment	1,058	1,441
Intangible assets		
Software	270	259
Software in progress	5	75
Other	2	2
Total intangible assets	278	337
Investments and other assets		
Investment securities	1,775	1,882
Long-term loans receivable from subsidiaries and associates	575	622
Leasehold and guarantee deposits	1,513	1,531
Deferred tax assets	817	801
Other	30	30
Allowance for doubtful accounts	(575)	(622)
Total investments and other assets	4,138	4,246
Total non-current assets	5,475	6,025
Total assets	43,477	44,848

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	5,696	4,932
Short-term borrowings	1,550	1,550
Accounts payable - other, and accrued expenses	2,076	2,464
Income taxes payable	1,525	1,565
Provision for bonuses	1,348	1,305
Other	977	830
Total current liabilities	13,175	12,648
Non-current liabilities		
Provision for share-based compensation	97	103
Other	30	30
Total non-current liabilities	128	134
Total liabilities	13,303	12,782
Net assets		
Shareholders' equity		
Share capital	1,513	1,513
Capital surplus	6,025	6,023
Retained earnings	27,309	29,032
Treasury shares	(5,042)	(5,027)
Total shareholders' equity	29,806	31,541
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(25)	(20)
Foreign currency translation adjustment	(18)	92
Total accumulated other comprehensive income	(43)	72
Non-controlling interests	411	451
Total net assets	30,173	32,065
Total liabilities and net assets	43,477	44,848

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income**Quarterly consolidated statement of income (cumulative)**

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	30,876	35,805
Cost of sales	23,458	27,013
Gross profit	7,417	8,792
Selling, general and administrative expenses	3,558	4,357
Operating profit	3,858	4,435
Non-operating income		
Interest income	7	10
Dividend income	8	2
Gain on sale of investment securities	–	15
Share of profit of entities accounted for using equity method	–	13
Subsidy income	13	13
Commission income	0	0
Gain on investments in investment partnerships	55	–
Other	10	28
Total non-operating income	97	84
Non-operating expenses		
Interest expenses	3	3
Loss on sale of investment securities	58	–
Share of loss of entities accounted for using equity method	69	–
Provision of allowance for doubtful accounts	75	–
Loss on investments in investment partnerships	–	15
Other	10	2
Total non-operating expenses	217	21
Ordinary profit	3,738	4,497
Profit before income taxes	3,738	4,497
Income taxes - current	1,202	1,394
Income taxes - deferred	14	14
Total income taxes	1,217	1,408
Profit	2,520	3,088
Profit attributable to non-controlling interests	1	4
Profit attributable to owners of parent	2,518	3,084

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	2,520	3,088
Other comprehensive income		
Valuation difference on available-for-sale securities	(16)	4
Foreign currency translation adjustment	11	145
Share of other comprehensive income of entities accounted for using equity method	(1)	(33)
Total other comprehensive income	(7)	116
Comprehensive income	2,513	3,204
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,511	3,200
Comprehensive income attributable to non-controlling interests	1	4

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	3,738	4,497
Depreciation	180	204
Share of loss (profit) of entities accounted for using equity method	69	(13)
Increase (decrease) in allowance for doubtful accounts	75	(9)
Increase (decrease) in provision for bonuses	(25)	(42)
Increase (decrease) in provision for share-based compensation	13	6
Increase (decrease) in long-term accounts payable - other	(44)	-
Interest and dividend income	(16)	(12)
Interest expenses	3	3
Loss (gain) on sale of investment securities	58	(15)
Loss (gain) on investments in investment partnerships	(55)	15
Decrease (increase) in trade receivables	1,076	1,252
Decrease (increase) in inventories	174	10
Decrease (increase) in accounts receivable - other	9	(13)
Increase (decrease) in trade payables	(1,156)	(764)
Increase (decrease) in accounts payable - other, and accrued expenses	228	291
Increase (decrease) in accrued consumption taxes	(266)	(172)
Increase (decrease) in advances received	(147)	8
Other, net	(62)	(81)
Subtotal	3,852	5,164
Interest and dividends received	16	12
Interest paid	(3)	(3)
Income taxes paid	(1,532)	(1,362)
Net cash provided by (used in) operating activities	2,332	3,811
Cash flows from investing activities		
Net decrease (increase) in time deposits	(0)	(348)
Purchase of property, plant and equipment and intangible assets	(342)	(803)
Proceeds from sale of property, plant and equipment and intangible assets	20	25
Purchase of investment securities	(11,321)	(11,178)
Proceeds from sale of investment securities	11,304	11,221
Proceeds from distributions from investment partnerships	77	9
Payments of leasehold and guarantee deposits	(494)	(20)
Proceeds from refund of leasehold and guarantee deposits	4	3
Other payments	(2)	(0)
Other proceeds	0	-
Net cash provided by (used in) investing activities	(752)	(1,092)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from financing activities		
Proceeds from share issuance to non-controlling shareholders	–	40
Purchase of treasury shares of subsidiaries	–	(5)
Purchase of treasury shares	(0)	–
Proceeds from sale of treasury shares	7	15
Dividends paid	(970)	(1,360)
Net cash provided by (used in) financing activities	(963)	(1,311)
Effect of exchange rate change on cash and cash equivalents	1	60
Net increase (decrease) in cash and cash equivalents	617	1,467
Cash and cash equivalents at beginning of period	18,875	21,964
Cash and cash equivalents at end of period	19,492	23,432

(4) Notes to the quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Notes on substantial changes in amount of shareholder's equity)

No items to report.

(Changes in accounting policies)

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

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) (hereinafter, "Fair Value Measurement Accounting Standard Implementation Guidance") from the beginning of the first quarter of the fiscal year under review, and it will apply new accounting policies provided for by the Fair Value Measurement Accounting Standard Implementation Guidance prospectively in accordance with transitional measures provided for in paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance. This had no impact on the quarterly consolidated financial statement.

(Segment information, etc.)

Segment information

I Six months ended September 30, 2021

1. Information on net sales and profit or loss by reportable segment

(Millions of yen)

	Solution Design Business	Framework Design Business	IT Service Business	Business Solution Business	Cloud Business	Overseas Business	Investment & Incubation Business	Adjustment	Amount on quarterly consolidated statement of income (see Notes)
Net sales									
Net sales to external customers	9,693	2,370	7,270	10,452	998	46	43	–	30,876
Inter-segment net sales and transfers	24	–	172	19	4	41	43	(306)	–
Total	9,718	2,370	7,443	10,472	1,003	88	87	(306)	30,876
Segment profit (loss)	1,606	421	952	682	212	(1)	(15)	–	3,858

- (Notes)
1. Segment profit (loss) is consistent with operating profit in the quarterly consolidated statement of income.
 2. Information about impairment loss or goodwill for non-current assets by reporting segment
No items to report.

II Six months ended September 30, 2022

1. Information on net sales and profit or loss by reportable segment

(Millions of yen)

	Solution Design Business	Framework Design Business	IT Service Business	Business Solution Business	Cloud Business	Overseas Business	Investment & Incubation Business	Adjustment	Amount on quarterly consolidated statement of income (see Notes)
Net sales									
Net sales to external customers	10,835	2,937	8,530	12,225	1,076	38	162	–	35,805
Inter-segment net sales and transfers	34	–	224	13	2	32	15	(323)	–
Total	10,870	2,937	8,755	12,238	1,079	70	177	(323)	35,805
Segment profit (loss)	1,705	578	1,232	723	226	(12)	(19)	–	4,435

- (Notes)
1. Segment profit (loss) is consistent with operating profit in the quarterly consolidated statement of income.
 2. Matters related to changes in reportable segments
MINGAL, which was established on June 1, 2022, is included in the Cloud Business reporting segment.
 3. Information about impairment loss or goodwill for non-current assets by reporting segment
No items to report.

(Significant subsequent events)

No items to report.

3. Supplementary information

Production, order, and sales

MINGAL, which was established on June 1, 2022, is included in the Cloud Business reporting segment.

(1) Production results

Production results per business segment for the six months ended September 30, 2022 are as follows.

Business segment	Production (Millions of yen)	Year-on-year change (%)
Solution Design Business	7,274	109.6
Framework Design Business	2,071	124.1
IT Service Business	6,236	115.0
Business Solution Business	614	153.0
Total	16,196	114.6

- (Notes)
1. Within the Group, only segments that involve made-to-order activities are shown due to the nature of services.
 2. The above amounts are stated at production cost.

(2) Order results

Order results per segment for the six months ended September 30, 2022 are as follows.

Business segment	Order value (Millions of yen)	Year-on-year change (%)	Backlog of orders (Millions of yen)	Year-on-year change (%)
Solution Design Business	11,156	106.6	7,700	103.4
Framework Design Business	3,327	129.5	2,843	122.7
IT Service Business	8,634	118.2	6,086	113.4
Business Solution Business	752	131.6	486	129.0
Total	23,870	114.2	17,117	110.4

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

(3) Sales results

Sales results per business segment for the six months ended September 30, 2022 are as follows.

Business segment	Net sales (Millions of yen)	Year-on-year change (%)
Solution Design Business	10,835	111.8
Framework Design Business	2,937	123.9
IT Service Business	8,530	117.3
Business Solution Business	12,225	117.0
Cloud Business	1,076	107.8
Overseas Business	38	82.1
Investment & Incubation Business	162	369.6
Total	35,805	116.0

- (Note) Inter-segment transactions are offset and eliminated.