February 2, 2023

Consolidated Financial Results for the Nine Months Ended December 31, 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: February 7, 2023
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2022	54,334	15.5	7,013	10.1	7,185	16.3	4,908	17.9
December 31, 2021	47,039	6.0	6,371	10.4	6,179	6.3	4,164	6.8

Note: Comprehensive income For the nine months ended December 31, 2022: ¥4,877 million [15.7%]
For the nine months ended December 31, 2021: ¥4,216 million [9.4%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	12.67	–
December 31, 2021	10.75	–

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
December 31, 2022	44,934	32,188	70.6	81.88
March 31, 2022	43,477	30,173	68.5	76.83

Reference: Equity
As of December 31, 2022: ¥31,723 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 December 31, 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 December 31, 2022	63,439,188 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)

Nine months ended December 31, 2022	387,415,970 shares
Nine months ended December 31, 2021	387,383,550 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 December 31, 2022 and March 31, 2022 were 1,567,700 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 nine months ended December 31, 2022 and nine months ended December 31, 2021 is as follows: the average number of treasury shares of common shares held by the Trust Account for the nine months ended December 31, 2022 and nine months ended December 31, 2021 were 1,592,542 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.

Attached Materials Table of Contents

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 third quarter of the fiscal year under review (April 1, 2022 to December 31, 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 there are concerns about a global recession as central banks in various countries are raising interest rates sharply.

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 strengthens.

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.

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 released new functionality of its in-house products Canbus.[1] and Cloudstep[1] and actively promoted sales through web marketing.

As a result of the above, consolidated results for the third quarter of the fiscal year under review were net sales of ¥54,334 million (up 15.5% year on year), operating profit of ¥7,013 million (up 10.1% year on year), ordinary profit of ¥7,185 million (up 16.3% year on year), and profit attributable to owners of parent of ¥4,908 million (up 17.9% year on year).

1. Canbus. and Cloudstep are Systena’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 ¥16,588 million (up 9.6% year on year), and operating profit was ¥2,765 million (down 4.6% 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 related to MaaS is expected to expand in the future, 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. Furthermore, orders received for IT consulting and IT services remained positive, and the Group will focus on its strengths in total solutions.

(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, we are receiving more orders by understanding the lifecycle of these systems and offering solutions to the emergent and latent issues of our customers. There has also been an increase in inquiries for IT consulting and PMO projects due to human resource shortages, due in part to the impact from the spread of COVID-19. 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 DX projects such as cloud migration for core systems and host migration.

In the public sector, orders were received for new projects, primarily related to central government ministries and agencies. The areas of system development, infrastructure construction, and operation and maintenance remained firm. Going forward, the Group will continue to actively introduce this into 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 ¥4,485 million (up 20.6% year on year) and operating profit was ¥933 million (up 29.2% year on year).

(iii) IT Service Business

In this business, which mainly operates a variety of IT-related outsourcing services, including system operation and maintenance, helpdesk and user support services, and quality evaluation, to respond to IT outsourcing demand from companies that are creating new business models and working on work style reform, in addition to the existing IT business services providing helpdesk and IT asset management support, the Group began focusing on provision of PMO services to provide project management support for implementing a variety of tools and improving business processes.

In the software testing services business, the Group worked to increase orders and improve profitability by building up a record of service in each process, from upstream quality control process consulting to downstream debugging, not only for customers who provide consumers with web content, apps, and mobile games but also customers who provide business systems to companies.

In addition, the engagement of persons with disabilities was enhanced by better grasping the characteristics of each individual, developing skills through training and placing the right person in the right job, leading 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 ¥13,225 million (up 15.5% year on year) and operating profit was ¥1,891 million (up 23.1% 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 eighth wave of COVID-19, delays in delivery of products on account of semiconductor shortages, and high prices of resources and commodities. 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 Group received many inquiries relating to security diagnosis and category-specific security services released this period, and the number of orders received is also gradually increasing.

As a result, net sales in this business amounted to ¥18,826 million (up 19.9% year on year) and operating profit was ¥1,187 million (up 18.4% 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 the release of 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 ¥1,347 million (up 10.6% year on year) and operating profit was ¥259 million (up 4.7% year on year).

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

(vi) Overseas Business

At present, large-scale layoffs in technology-related industries are a problem in the U.S. However, the Company's U.S. subsidiary enjoys a high level of trust in the quality of engineering in its ongoing projects, and orders received for system development and verification services from manufacturing industry, particularly automotive industry-related, have remained stable. The subsidiary has also received repeat orders from Japanese-affiliated firms located in Silicon Valley for proof of concept development and verification services, which checks the effectiveness of elemental technologies of Silicon Valley start-up companies. In addition, to increase operational efficiency, more and more U.S. companies are introducing Canbus., which has an extensive track record of implementation in Japan.

Furthermore, ONE Tech, Inc., a U.S. company the subsidiary has invested in, focused on sales of its proprietary AI MicroAI™, and orders from manufacturing industry around the world remained steady.

StrongKey, Inc., another U.S.-based company the subsidiary has invested in, is rolling out its security support services based on data encryption and FIDO authentication to major companies around the world and released Public Key Infrastructure (PKI) service for secure internet communications that is compatible with the "Matter" communication standard for smart homes newly established by the Connectivity Standards Alliance (CSA). As a result, there was a rapid increase in inquiries from smart home IoT device companies and other related companies.

In this business, which is still in the investment stage, net sales amounted to ¥103 million (down 22.5% year on year), and the operating loss was ¥21 million (versus operating loss of ¥2 million in the same period of 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 third quarter of the fiscal year under review, the Group focused on running and stable operation of in-game events for Keiba Densetsu PRIDE, a smartphone game application released at the end of June. Furthermore, there is firm commissioned development from existing customers, and the Group will continue to move forward with stabilizing the business.

As a result, net sales in this business amounted to ¥258 million (up 92.4% year on year) and the operating loss was ¥2 million (versus operating loss of ¥35 million in the same period of the previous fiscal year).

(2) Financial position

(Assets)

Total assets at the end of the third quarter of the fiscal year under review amounted to ¥44,934 million (versus ¥43,477 million at the end of the previous fiscal year), an increase of ¥1,457 million from the end of the previous fiscal year. Current assets amounted to ¥38,725 million (versus ¥38,002 million at the end of the previous fiscal year), an increase of ¥723 million from the end of the previous fiscal year. This was mainly due to a ¥572 million increase in merchandise, a ¥295 million increase in cash and deposits, and a ¥182 million decline in notes and accounts receivable - trade, and contract assets. Non-current assets amounted to ¥6,209 million (versus ¥5,475 million at the end of the previous fiscal year), an increase of ¥734 million from the end of the previous fiscal year. Property, plant and equipment amounted to ¥1,568 million (versus ¥1,058 million at the end of the previous fiscal year), an increase of ¥510 million from the end of the previous fiscal year. Intangible assets amounted to ¥330 million (versus ¥278 million at the end of the previous fiscal year), an increase of ¥51 million from the end of the previous fiscal year. Investments and other assets amounted to ¥4,310 million (versus ¥4,138 million at the end of the previous fiscal year), an increase of ¥172 million from the end of the previous fiscal year. This was mainly due to a ¥366 million increase in investment securities and a ¥210 million decrease in deferred tax assets.

(Liabilities)

Total liabilities amounted to ¥12,746 million (versus ¥13,303 million at the end of the previous fiscal year), a decline of ¥556 million from the end of the previous fiscal year. This was mainly due to a ¥737 million decline in income taxes payable, a ¥604 million decline in provision for bonuses, and a ¥658 million increase in accounts payable - other, and accrued expenses.

(Net assets)

Net assets amounted to ¥32,188 million (versus ¥30,173 million at the end of the previous fiscal year), an increase of ¥2,014 million from the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent of ¥4,908 million and dividends of surplus of ¥2,917 million. As a result, the equity-to-asset ratio increased 2.1 percentage points from the end of the previous fiscal year to 70.6%.

(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 December 31, 2022
Assets		
Current assets		
Cash and deposits	21,657	21,952
Notes and accounts receivable - trade, and contract assets	14,323	14,141
Merchandise	1,151	1,724
Work in process	–	1
Other	880	907
Allowance for doubtful accounts	(11)	(2)
Total current assets	38,002	38,725
Non-current assets		
Property, plant and equipment		
Buildings, net	398	665
Tools, furniture and fixtures, net	489	569
Land	97	97
Construction in progress	–	196
Other, net	72	39
Total property, plant and equipment	1,058	1,568
Intangible assets		
Software	270	326
Software in progress	5	2
Other	2	2
Total intangible assets	278	330
Investments and other assets		
Investment securities	1,775	2,142
Long-term loans receivable from subsidiaries and associates	575	561
Leasehold and guarantee deposits	1,513	1,530
Deferred tax assets	817	607
Other	30	29
Allowance for doubtful accounts	(575)	(561)
Total investments and other assets	4,138	4,310
Total non-current assets	5,475	6,209
Total assets	43,477	44,934

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	5,696	5,536
Short-term borrowings	1,550	1,550
Accounts payable - other, and accrued expenses	2,076	2,735
Income taxes payable	1,525	787
Provision for bonuses	1,348	743
Other	977	1,259
Total current liabilities	13,175	12,611
Non-current liabilities		
Provision for share-based compensation	97	105
Other	30	29
Total non-current liabilities	128	135
Total liabilities	13,303	12,746
Net assets		
Shareholders' equity		
Share capital	1,513	1,513
Capital surplus	6,025	6,023
Retained earnings	27,309	29,299
Treasury shares	(5,042)	(5,022)
Total shareholders' equity	29,806	31,814
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(25)	(122)
Foreign currency translation adjustment	(18)	32
Total accumulated other comprehensive income	(43)	(90)
Non-controlling interests	411	464
Total net assets	30,173	32,188
Total liabilities and net assets	43,477	44,934

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

Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	47,039	54,334
Cost of sales	35,482	40,941
Gross profit	11,557	13,392
Selling, general and administrative expenses	5,185	6,379
Operating profit	6,371	7,013
Non-operating income		
Interest income	11	16
Dividend income	15	5
Gain on sale of investment securities	–	94
Share of profit of entities accounted for using equity method	–	23
Commission income	1	1
Subsidy income	20	22
Gain on investments in investment partnerships	63	–
Other	13	39
Total non-operating income	125	202
Non-operating expenses		
Interest expenses	5	5
Loss on sale of investment securities	84	–
Share of loss of entities accounted for using equity method	98	–
Provision of allowance for doubtful accounts	114	–
Loss on investments in investment partnerships	–	15
Other	13	9
Total non-operating expenses	317	30
Ordinary profit	6,179	7,185
Profit before income taxes	6,179	7,185
Income taxes - current	1,785	2,007
Income taxes - deferred	218	253
Total income taxes	2,003	2,260
Profit	4,176	4,924
Profit attributable to non-controlling interests	11	16
Profit attributable to owners of parent	4,164	4,908

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	4,176	4,924
Other comprehensive income		
Valuation difference on available-for-sale securities	2	(97)
Foreign currency translation adjustment	41	66
Share of other comprehensive income of entities accounted for using equity method	(3)	(15)
Total other comprehensive income	39	(46)
Comprehensive income	4,216	4,877
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,204	4,861
Comprehensive income attributable to non-controlling interests	11	16

(3) 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 Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 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	15,103	3,720	11,187	15,668	1,214	74	70	–	47,039
Inter-segment net sales and transfers	38	–	265	31	5	59	63	(462)	–
Total	15,142	3,720	11,452	15,699	1,219	133	134	(462)	47,039
Segment profit (loss)	2,900	722	1,536	1,002	247	(2)	(35)	–	6,371

(Note) 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 Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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	16,529	4,485	12,911	18,801	1,313	55	237	–	54,334
Inter-segment net sales and transfers	58	–	314	25	34	47	21	(501)	–
Total	16,588	4,485	13,225	18,826	1,347	103	258	(501)	54,334
Segment profit (loss)	2,765	933	1,891	1,187	259	(21)	(2)	–	7,013

(Note) 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.

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 nine months ended December 31, 2022 are as follows.

Business segment	Production (Millions of yen)	Year-on-year change (%)
Solution Design Business	11,161	109.5
Framework Design Business	3,132	120.2
IT Service Business	9,348	112.8
Business Solution Business	925	157.8
Total	24,568	113.4

(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 nine months ended December 31, 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	15,886	113.3	6,736	120.4
Framework Design Business	4,734	115.8	2,701	108.7
IT Service Business	13,091	115.7	6,162	112.9
Business Solution Business	1,141	124.4	473	121.4
Total	34,853	114.9	16,074	115.4

(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 nine months ended December 31, 2022 are as follows.

Business segment	Net sales (Millions of yen)	Year-on-year change (%)
Solution Design Business	16,529	109.4
Framework Design Business	4,485	120.6
IT Service Business	12,911	115.4
Business Solution Business	18,801	120.0
Cloud Business	1,313	108.2
Overseas Business	55	74.7
Investment & Incubation Business	237	336.8
Total	54,334	115.5

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