Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

May 11, 2023

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Under Japanese GAAP)

Company name: Systena Corporation
Listing: Tokyo Stock Exchange
Securities code: 2317
URL: https://www.systena.co.jp/
Representative: Kenji Miura, Representative Director and President
Inquiries: Hiroshi Kotani, Director
Telephone: +81-3-6367-3840

Scheduled date of annual general meeting of shareholders: June 21, 2023
Scheduled date to commence dividend payments: June 7, 2023
Scheduled date to file annual securities report: June 21, 2023
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the fiscal year ended March 31, 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	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	74,526	14.2	9,844	8.1	9,955	16.1	7,317	22.1
March 31, 2022	65,272	7.2	9,106	13.7	8,578	14.3	5,992	20.5

Note: Comprehensive income For the fiscal year ended March 31, 2023: ¥7,340 million [20.5%]
For the fiscal year ended March 31, 2022: ¥6,089 million [21.3%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	18.89	–	22.9	21.6	13.2
March 31, 2022	15.47	–	21.6	20.8	14.0

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended March 31, 2023: ¥35 million
For the fiscal year ended March 31, 2022: ¥(144) million

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

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2023	48,879	34,650	69.9	88.19
March 31, 2022	43,477	30,173	68.5	76.83

Reference: Equity
As of March 31, 2023: ¥34,168 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.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	7,648	(2,016)	(2,854)	24,792
March 31, 2022	5,544	(559)	(1,905)	21,964

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2022	–	10.00	–	3.50	–	2,334	38.8	8.4
Fiscal year ended March 31, 2023	–	4.00	–	4.00	8.00	3,112	42.4	9.7
Fiscal year ending March 31, 2024 (Forecast)	–	5.00	–	5.00	10.00		53.6	

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 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		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2024	80,386	7.9	10,610	7.8	10,644	6.9	7,233	(1.1)	18.67

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(3) Number of issued shares (common shares)

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

As of March 31, 2023	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 March 31, 2023	63,439,188 shares
As of March 31, 2022	63,483,788 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023	387,422,095 shares
Fiscal year ended March 31, 2022	387,386,464 shares

Notes: 1. The Company has introduced a stock compensation plan, and in calculating the number of common treasury shares at the end of the period and the average number of shares outstanding during the period, the number of treasury shares includes shares of the Company held by Japan Custody Bank, Ltd. (the Trust Account) as trust assets for the "Trust for Granting Shares to Directors and Executive Officers" and the "Trust for Granting Shares to Executive Officers." The number of treasury shares held by the Trust Account included in the number of treasury shares at the end of the fiscal years ended March 31, 2023 and March 31, 2022 was 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 fiscal years ended March 31, 2023 and March 31, 2022 is as follows: the average number of common treasury shares held by the Trust Account for the years ended March 31, 2023 and March 31, 2022 were 1,586,417 shares and 1,622,086 shares, respectively.

2. The Company implemented a four-for-one common stock split effective December 1, 2021. Number of shares has been calculated assuming the stock split was conducted at the beginning of the previous fiscal year.

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 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	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	65,855	13.3	8,936	5.1	8,979	6.2	6,641	19.3
March 31, 2022	58,110	6.1	8,500	13.6	8,455	9.7	5,566	23.4

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2023	17.14	–
March 31, 2022	14.37	–

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

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2023	44,130	31,362	71.1	80.95
March 31, 2022	39,797	27,684	69.6	71.46

Reference: Equity
As of March 31, 2023: ¥31,362 million
As of March 31, 2022: ¥27,684 million

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

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

* Proper use of earnings forecasts, and other special matters

  Forward-looking statements in this material, including earnings forecasts, are based on information currently available to the Company and on certain assumptions deemed reasonable. Actual results may differ significantly due to various factors. For assumptions underlying the forecast and cautions regarding the use of earnings forecasts, please refer to "1. Overview of operating results, etc., (1) Overview of operating results for the period under review, (ii) Forecast for the next fiscal year" on page 5 of the Attached Materials.

Attached Materials Table of Contents

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

・May 16, 2023 (Tuesday) Company Information Briefing for Institutional Investors and Analysts

1. Overview of operating results, etc.

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

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

(i) Operating results for the period under review

During the fiscal year under review (April 1, 2022 to March 31, 2023), the Japanese economy saw a moderate recovery centered on personal consumption, as economic and social activities normalized after the COVID-19 pandemic. However, rapid interest rate hikes by central banks in various countries in response to global inflation due to high resource and raw material prices have raised concerns about a global economic recession.

At the same time, the Group further accelerated its "scrap and build" business 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.

In addition to strengthening its own sales capabilities, the Group actively promoted alliances with sales-capable partners 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, products, and DX areas, where significant growth is expected. Here, the Group worked to further increase orders and improve profitability.

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 focused on providing PMO services related to the introduction of various tools and business process improvements in response to IT outsourcing demand from companies creating new business models and companies working on reform of work styles.

In the Business Solution Business, the Group focused on service businesses, not product-oriented businesses, and strove 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 period under review were net sales of ¥74,526 million (up 14.2% year-on-year), operating profit of ¥9,844 million (up 8.1% year-on-year), ordinary profit of ¥9,955 million (up 16.1% year-on-year), and profit attributable to owners of parent of ¥7,317 million (up 22.1% 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.

a. Solution Design Business

The Solution Design Business is divided into five categories: in-vehicle, social infrastructure, internet business, products, and DX services. The number of employees in this business as a whole increased during the fiscal year under review due to the hiring of a large number of new graduates. However, the increase in the number of mid-career engineers who retired led to a shortage of profitable new projects launched, and fixed costs increased due to office space expansion. As a result, net sales were ¥22,375 million (up 8.3% year-on-year) and operating profit was ¥3,926 million (down 5.0% 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), performance was steady in the in-vehicle infotainment business, in which the Group excels, including receiving orders for large-scale projects. The Group's track record in large-scale projects in combination with its experience in the telecommunications business resulted in winning further orders. 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.

(Internet Business)

In fields related to the Internet business category, such as Internet services and e-commerce, the Group took advantage of 5G Internet services, and orders were brisk in recognition of its experience and technical capabilities in the telecommunications business, which, including the development of services that handle large volumes of information, is one of the Group's strengths. The Group made strong progress with system development and quality verification services related to cashless payments in e-commerce and 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, the Group received recognition for its 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 its 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, the Group is receiving more orders by understanding the lifecycle of these systems and offering solutions to the emergent and latent issues of its 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 of the COVID-19 pandemic. 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.

b. Framework Design Business

In this business, the Group harnessed its track record in application development in the financial sector to expand the scope of its offerings to businesses 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 increasing inquiries for DX projects such as migration of core systems to the cloud and host migration.

In the public sector, orders were received for new projects, primarily related to central government ministries and agencies. The respective business areas of system development, infrastructure construction, and operation and maintenance remain firm. Moving forward, the Group intends to actively roll-out business to local governments and public organizations and further expand this area as one of the pillars of this business.

In addition, for general corporate clients, the Group is moving forward with proposals for system migration and business improvement projects using DX solutions. The Group's "laboratory system" for 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 ¥6,095 million (up 18.5% year-on-year) and operating profit was ¥1,279 million (up 26.1% year-on-year).

c. 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 IT business services providing helpdesk and IT asset management support, the Group focused 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 based on its service track record 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, regarding the engagement of persons with disabilities, the Group moved forward with placing the right person in the right position to take advantage of their strengths by focusing on building a system and environment that allows them to experience growth. This led to orders for a wide range of service projects, primarily in business process outsourcing (BPO).

As a result, net sales in this business amounted to ¥17,753 million (up 13.1% year-on-year) and operating profit was ¥2,521 million (up 14.7% year-on-year).

d. Business Solution Business

For this business, where the Group is primarily 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 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 since the relaxation of restrictions on movement, and the use of DX to increase productivity, reduce costs, and increase competitiveness are gradually trending upward.

Specifically, the Group was able to win a number of orders in the system integration business 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 ¥26,510 million (up 18.9% year-on-year) and operating profit was ¥1,760 million (up 22.5% year-on-year).

e. 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 new function releases and a “DX Design Lab” for easy access to PMO for DX promotion, which tends to be expensive, in order that even more companies can implement DX. This has 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, regarding the Cloudstep groupware, integrated with Google Workspace and Microsoft 365, inquiries 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 ¥2,007 million (up 11.2% year-on-year) and operating profit was ¥386 million (down 4.9% year-on-year).

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

f. Overseas Business

In the U.S., large-scale layoffs and the bankruptcy of Silicon Valley Bank and others has made the environment surrounding technology-related industries more difficult, but the U.S. subsidiary is steadily continuing with existing projects and winning new projects. The Group enjoys a high level of trust from its customers in the quality of its engineering, and orders received for system development and verification services from the manufacturing industry, particularly automotive industry-related, have remained stable. Referrals from existing customers have led to the start of system development transactions with new companies. The subsidiary has 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, an increasing number of U.S. companies are adopting Canbus., which has a proven track record in Japan, to improve operational efficiency.

ONE Tech, Inc., a U.S. company the subsidiary has invested in, focused on sales of its proprietary AI MicroAI™.

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 has released the Public Key Infrastructure (PKI) service for secure internet communications, which is compatible with the new “Matter” communication standard for smart homes. Inquiries from smart home IoT device and other related companies are increasing rapidly.

In this business, which is still in the investment stage, net sales amounted to ¥134 million (down 23.8% year-on-year) and operating loss was ¥29 million (versus operating loss of ¥9 million in the previous fiscal year).

g. Investment & Incubation Business

GaYa Co., Ltd., which operates SNS games developed in-house and designs and develops business applications for smartphones and tablets, released the horse racing game Keiba Densetsu PRIDE at the end of June 2022, after which it held in-game events and conducted additional development. In addition, in the contracted development of business applications, the Company has migrated from the development process to the operation process, and will move forward with horizontal development in the future.

As a result, net sales in this business amounted to ¥309 million (up 80.2% year-on-year) and operating loss was ¥0 million (versus operating loss of ¥72 million in the previous fiscal year).

(ii) Forecast for the next fiscal year

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

Within the Solution Design Business, the Group will focus on the in-vehicle, social infrastructure, internet business, products, and DX services areas, making greater efforts to promote near-shore development using regional bases and off-shore development in Vietnam and working to further expand orders and improve profitability.

In the in-vehicle area, the Group will actively work on accelerating the shift to EVs in the automotive industry focus on expanding its mobility services business by strengthening relationships with automotive-related companies and leveraging its track record in telematics and electronic control units (ECUs) centered on in-vehicle infotainment, an area of particular strength.

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

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

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

In the DX services area, enterprises are urgently tasked with improving productivity and operational efficiency, partly due to soaring raw material prices. In response to this increasing demand, the Group will provide project management and other IT consulting services to major companies advancing with DX by leveraging the experience it has accumulated over the years. Furthermore, by developing a wider range of in-house services and products to address the emergent and latent issues of customers, the Group will achieve differentiation from its competitors, increase orders and improve profitability.

In the Framework Design Business, the Group is expanding business in the public and corporate sectors by deploying business system development expertise it has cultivated in the financial sector. Going forward, the

Group will continue to maximize its current services and aggressively develop business, promoting sales activities and human resource development in line with market trends.

In the System Development business, the Group will expand business targeting retail, distribution, and other general corporate customers, in addition to existing financial (life and non-life insurance) customers and public-sector clients. Combining its development expertise with cutting-edge solutions such as low-code development, the Group will actively advance business operations to strengthen its competitiveness.

In the Infrastructure Business, the Group is expanding business with a focus on technical support for cloud migration and virtual terminal renewals. The Group expects the strong need for cloud-related technical support to continue, and will continue to actively cultivate personnel for further business expansion.

In the IT Services Business, the Group aims to further expand its business field by deploying IT outsourcing services such as IT support operations and software testing services to meet the DX demand of the market.

IT support operations will focus on providing services that are more directly linked to the growth of customers' businesses by developing PMO services for improving operations and implementing cloud solutions for customers who are considering cost optimization. To this end, the Group will enhance client analysis and develop more proposal-based IT support services by understanding client IT investment plans and IT events ahead of time.

With regard to software testing services, the Group expanded orders by offering testing services across all processes, from quality control process consulting to debugging, to customers who provide web/application-related solutions in a B2C model. The Group also worked to expand orders and improve profitability by providing software testing services to customers who provide B2B business system services that support social infrastructure. The Group will continue to provide software testing services to companies offering B2C and B2B services and actively pursue further orders.

With regard to promoting engagement of persons with disabilities, the Group will further expand its solution services to realize the diversity and inclusion required by society by proactively disseminating its internal initiatives and expertise in areas such as environment construction and growth mechanisms.

The Group will also expand its new services and the scope of support through alliances with Group companies and partner companies, and strengthen inside sales to develop new customers that will support continued growth.

In the Business Solution Business, the outlook is uncertain because of the high prices of resources and commodities. Even so, enterprises are expected to maintain steady investment in IT, tackling new work styles in the COVID era after the relaxation of restrictions on movement, and using DX to increase productivity, reduce costs, and increase competitiveness.

In this business, the Group will expand its solution services to solve these customer issues.

Specifically, the Group will shift its focus from product-oriented businesses to service businesses, and further strengthen its recurring revenue businesses, centered on subscription businesses and support services.

As an area of particular focus, the Group will expand the services to ensure total security, not only at endpoints, that it brought in last fiscal year, and enhance its support structure.

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

In addition, the DX Promotion Department (system development division), which handles RPA and data linkage tools, will conduct reconstruction of applications in multi-cloud environments in addition to conventional system development to further promote expansion.

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

In the Cloud Business, the Group is working to strengthen sales of Canbus., a solution realizing data-driven operations by creating databases of various operations, including customer relationship management (CRM), recruitment management, and human and other resource management. This solution is designed to help drive changes in corporate management, in which DX is progressing rapidly. Demand for DX promotion is increasing against a backdrop of higher productivity requirements due to soaring raw material prices, etc. The Group will therefore provide DX consulting and PMO services that combine DX promotion and data management in conjunction with Canbus. In addition, as generative and other forms of AI enter a period of full-scale penetration, the Group will work to strengthen Canbus. services and provide new services with the aim of actively utilizing AI in this business.

In the Overseas Business, the U.S. subsidiary will work to grow its mainstay software development and verification business and expand Canbus. in the cloud business in the U.S. market. In addition, the subsidiary will deepen collaboration on sales with ONE Tech, Inc., and StrongKey, Inc., both U.S.-based companies in which the subsidiary has invested, to promote sales of the main services of both companies and other services to companies around the world. The subsidiary intends to operate in the black thanks to expansion of collaborative projects with these investees and robust demand for technical support from Japanese-affiliated companies.

In the Investment & Incubation Business, GaYa Co., Ltd. is focusing on the stable operation of the horse racing game Keiba Densetsu PRIDE. In non-game application development utilizing game development technology, the Group will promote a full stack of services, from design and development to support.

Based on the above, the Group forecasts consolidated results for the next fiscal year of net sales of ¥80,386 million, operating profit of ¥10,610 million, ordinary profit of ¥10,644 million, and profit attributable to owners of parent of ¥7,233 million.

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

(i) Analysis of assets, liabilities and net assets

Total assets at the end of the fiscal year under review amounted to ¥48,879 million (versus ¥43,477 million at the end of the previous fiscal year), an increase of ¥5,401 million from the end of the previous fiscal year.

Current assets amounted to ¥42,275 million (versus ¥38,002 million at the end of the previous fiscal year), an increase of ¥4,273 million from the end of the previous fiscal year. This was mainly due to a ¥3,375 million increase in cash and deposits, a ¥738 million increase in accounts receivable - trade, and a ¥349 million increase in merchandise.

Non-current assets amounted to ¥6,603 million (versus ¥5,475 million at the end of the previous fiscal year), an increase of ¥1,128 million from the end of the previous fiscal year. Property, plant and equipment amounted to ¥1,622 million (versus ¥1,058 million at the end of the previous fiscal year), an increase of ¥563 million from the end of the previous fiscal year. Intangible assets amounted to ¥317 million (versus ¥278 million at the end of the previous fiscal year), an increase of ¥39 million from the end of the previous fiscal year. Investments and other assets amounted to ¥4,663 million (versus ¥4,138 million at the end of the previous fiscal year), an increase of ¥525 million from the end of the previous fiscal year. This was mainly due to a ¥360 million increase in investment securities.

Total liabilities amounted to ¥14,228 million (versus ¥13,303 million at the end of the previous fiscal year), an increase of ¥925 million from the end of the previous fiscal year. This was mainly due to a ¥399 million increase in accounts payable - trade and a ¥382 million increase in accounts payable - other, and accrued expenses.

Net assets amounted to ¥34,650 million (versus ¥30,173 million at the end of the previous fiscal year), an increase of ¥4,476 million from the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent of ¥7,317 million and dividends of surplus of ¥2,917 million.

As a result, the equity-to-asset ratio increased 1.4 percentage points from the end of the previous fiscal year to 69.9%.

(ii) Analysis of cash flows

Cash and cash equivalents ("net cash") at the end of the fiscal year under review amounted to ¥24,792 million, up ¥2,827 million from the end of the previous fiscal year.

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

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥7,648 million (versus ¥5,544 million provided in the previous fiscal year). The main inflows were profit before income taxes of ¥9,955 million, depreciation of ¥478 million, an increase in accounts payable - other, and accrued expenses of ¥418 million, and an increase in trade payables of ¥398 million. The main outflows were income taxes paid of ¥2,683 million and an increase in trade receivables of ¥672 million.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥2,016 million (versus ¥559 million used in the previous fiscal year). The main outflows were ¥19,745 million for purchase of investment securities, ¥1,158 million for purchase of property, plant and equipment and intangible assets, and ¥386 million for payments into time deposits. The main inflows were ¥19,300 million in proceeds from sale of investment securities

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥2,854 million (versus ¥1,905 million used in the previous fiscal year). The main outflow was dividends paid of ¥2,908 million.

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Equity-to-asset ratio (%)	65.9	68.5	69.9
Equity-to-asset ratio on a market value basis (%)	550.9	384.0	229.9
Ratio of interest-bearing debt to cash flows (%)	21.5	28.0	20.3
Interest coverage ratio (times)	1,022.4	777.6	1,077.8

Equity-to-asset ratio: Shareholders’ equity/Total assets
Equity-to-asset ratio on a market value basis: Market capitalization/Total assets
Ratio of interest-bearing debt to cash flows: Interest-bearing debt/Cash flows
Interest coverage ratio: Cash flows/Interest payments

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

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

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

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

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

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

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

For the next fiscal year, the Company plans to pay an annual dividend of ¥10 per share (consisting of an interim dividend of ¥5 per share and a year-end dividend of ¥5 per share).

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

(4) Business and other risks

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

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

(i) Management of confidential information

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

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

(ii) Legal regulations

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

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

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

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

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

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

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

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

(5) Issues to be addressed

Although the COVID-19 pandemic has subsided, the global economy has been drastically altered by the inflation triggered by the containment process.

Initially, the Group had planned aggressive management assuming inflation accompanying strong demand after the pandemic was brought under control. However, due to heightened geopolitical risk and the delay in the end of the epidemic, inflation is in fact clearly taking place amid an economic downturn. Stagflation is finally becoming a reality and having a negative impact on the global economy.

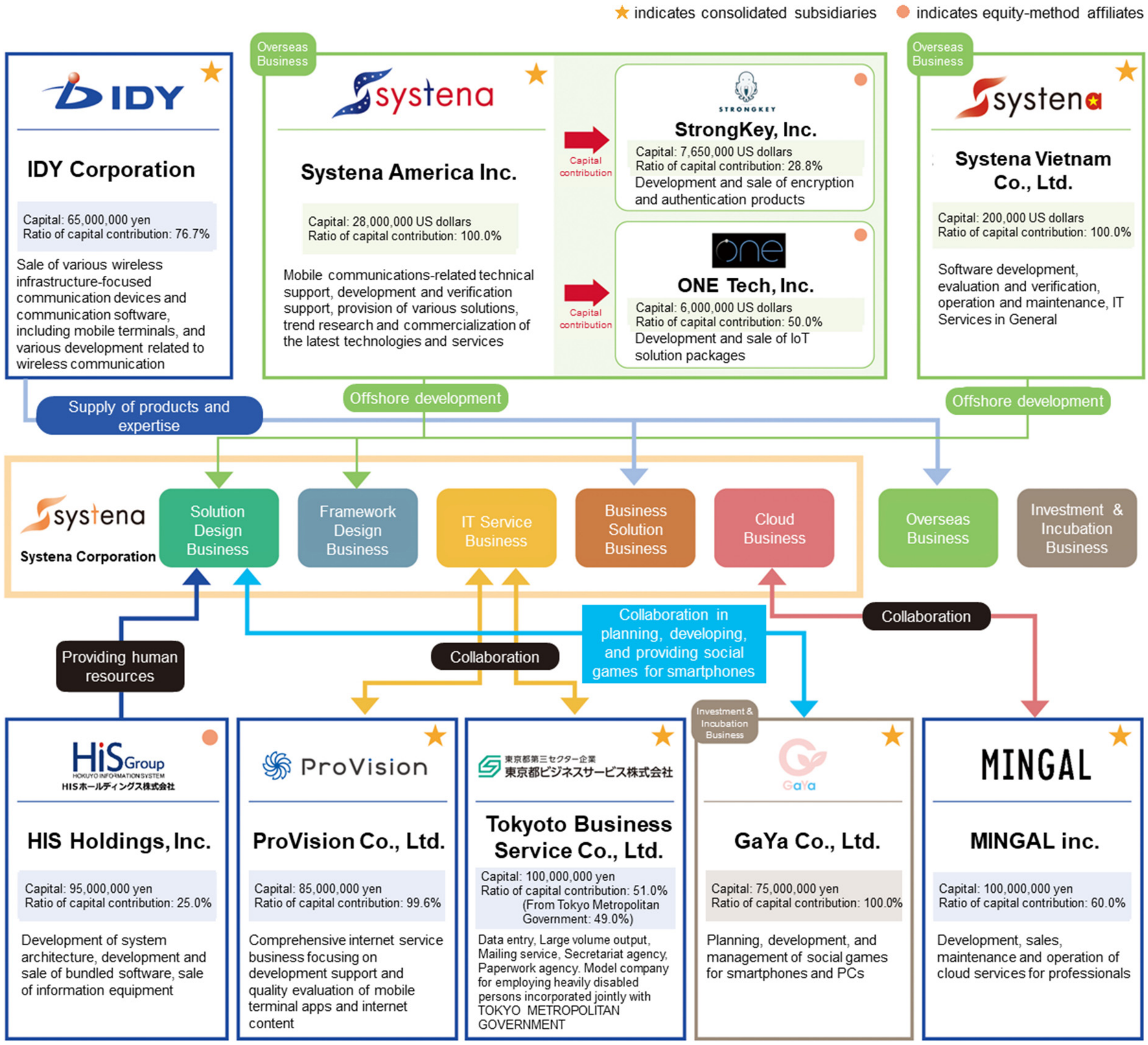
Stagflation means an increase in costs amid declining demand. Under these circumstances, the Group believes improving the productivity of its management resources to be the lifeline for securing earnings, and it has embarked on various measures to this end.

Specifically, the Systena Group will make a concerted effort in reforms to move away from business that generates income in proportion to the number of man-hours.

"Scrap and build" is the basic management policy of the Systena Group, and its corporate culture enables it to demonstrate its true value in the face of adversity.

The Company is currently implementing its medium-term management plan (net sales of ¥101.0 billion, operating profit of ¥15.2 billion), which concludes in the fiscal year ending March 31, 2025. The business environment has changed drastically, but the Company will position this period as a year of reforms, aiming for a V-shaped recovery after the reforms without changing its goals, and using the concerted strengths of the Systena Group to contribute to the revitalization of the Japanese economy damaged by COVID-19.

2. Corporate group



3. Basic approach to the selection of accounting standards

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

4. Consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

		As of March 31, 2022		As of March 31, 2023
Assets				
Current assets				
Cash and deposits		21,657		25,033
Notes receivable - trade		766		799
Accounts receivable - trade		12,861		13,600
Contract assets		695		599
Merchandise		1,151		1,501
Other		880		743
Allowance for doubtful accounts		(11)		(2)
Total current assets		38,002		42,275
Non-current assets				
Property, plant and equipment				
Buildings		741		1,143
Accumulated depreciation		(343)		(399)
Buildings, net		398		743
Vehicles		95		67
Accumulated depreciation		(26)		(33)
Vehicles, net		68		33
Tools, furniture and fixtures		1,898		2,416
Accumulated depreciation		(1,408)		(1,671)
Tools, furniture and fixtures, net		489		745
Land		97		97
Other		11		11
Accumulated depreciation		(8)		(9)
Other, net		3		1
Total property, plant and equipment		1,058		1,622
Intangible assets				
Software		270		310
Software in progress		5		4
Other		2		3
Total intangible assets		278		317
Investments and other assets				
Investment securities	*1	1,775	*1	2,136
Long-term loans receivable from subsidiaries and associates		575		538
Leasehold and guarantee deposits		1,513		1,588
Deferred tax assets		817		905
Other		30		33
Allowance for doubtful accounts		(575)		(538)
Total investments and other assets		4,138		4,663
Total non-current assets		5,475		6,603
Total assets		43,477		48,879

(Millions of yen)

		As of March 31, 2022		As of March 31, 2023
Liabilities				
Current liabilities				
Accounts payable - trade		5,696		6,096
Short-term borrowings	*2	1,550	*2	1,550
Accounts payable - other, and accrued expenses		2,076		2,459
Income taxes payable		1,525		1,524
Accrued consumption taxes		791		794
Provision for bonuses		1,348		1,460
Other		186		203
Total current liabilities		13,175		14,088
Non-current liabilities				
Long-term accounts payable - other		16		16
Provision for share-based payments		97		114
Other		14		10
Total non-current liabilities		128		140
Total liabilities		13,303		14,228
Net assets				
Shareholders' equity				
Share capital		1,513		1,513
Capital surplus		6,025		6,023
Retained earnings		27,309		31,709
Treasury shares		(5,042)		(5,022)
Total shareholders' equity		29,806		34,223
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		(25)		(91)
Foreign currency translation adjustment		(18)		36
Total accumulated other comprehensive income		(43)		(54)
Non-controlling interests		411		481
Total net assets		30,173		34,650
Total liabilities and net assets		43,477		48,879

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

Consolidated statement of income

(Millions of yen)

		Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023
Net sales	*1	65,272	*1	74,526
Cost of sales		49,144		56,132
Gross profit		16,127		18,393
Selling, general and administrative expenses	*2, *3	7,020	*2, *3	8,549
Operating profit		9,106		9,844
Non-operating income				
Interest income		15		28
Dividend income		15		5
Gain on sale of investment securities		–		31
Share of profit of entities accounted for using equity method		–		35
Subsidy income		31		35
Gain on investments in investment partnerships		58		–
Other		23		54
Total non-operating income		145		190
Non-operating expenses				
Interest expenses		7		7
Loss on sale of investment securities		47		–
Share of loss of entities accounted for using equity method		144		–
Provision of allowance for doubtful accounts		450		–
Loss on investments in investment partnerships		–		28
Office relocation expenses		–		17
Other		23		27
Total non-operating expenses		673		80
Ordinary profit		8,578		9,955
Profit before income taxes		8,578		9,955
Income taxes - current		2,650		2,661
Income taxes - deferred		(103)		(58)
Total income taxes		2,547		2,603
Profit		6,030		7,351
Profit attributable to non-controlling interests		38		34
Profit attributable to owners of parent		5,992		7,317

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	6,030	7,351
Other comprehensive income		
Valuation difference on available-for-sale securities	(9)	(66)
Foreign currency translation adjustment	82	72
Share of other comprehensive income of entities accounted for using equity method	(15)	(16)
Total other comprehensive income	*1 58	*1 (11)
Comprehensive income	6,089	7,340
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,050	7,306
Comprehensive income attributable to non-controlling interests	38	34

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2022

(Millions of yen)

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

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	(16)	(85)	(102)	364	25,996
Changes during period					
Dividends of surplus					(1,945)
Profit attributable to owners of parent					5,992
Purchase of treasury shares					(0)
Disposal of treasury shares					9
Sale of shares of consolidated subsidiaries					15
Net changes in items other than shareholders' equity	(9)	67	58	46	104
Total changes during period	(9)	67	58	46	4,176
Balance at end of period	(25)	(18)	(43)	411	30,173

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,513	6,025	27,309	(5,042)	29,806
Changes during period					
Dividends of surplus			(2,917)		(2,917)
Profit attributable to owners of parent			7,317		7,317
Disposal of treasury shares				20	20
Change in ownership interest of parent due to transactions with non-controlling interests		(2)			(2)
Net changes in items other than shareholders' equity					
Total changes during period	–	(2)	4,399	20	4,417
Balance at end of period	1,513	6,023	31,709	(5,022)	34,223

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	(25)	(18)	(43)	411	30,173
Changes during period					
Dividends of surplus					(2,917)
Profit attributable to owners of parent					7,317
Disposal of treasury shares					20
Change in ownership interest of parent due to transactions with non-controlling interests					(2)
Net changes in items other than shareholders' equity	(66)	55	(11)	70	59
Total changes during period	(66)	55	(11)	70	4,476
Balance at end of period	(91)	36	(54)	481	34,650

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	8,578	9,955
Depreciation	429	478
Increase (decrease) in allowance for doubtful accounts	460	(9)
Increase (decrease) in provision for bonuses	120	112
Increase (decrease) in provision for share-based payments	31	16
Increase (decrease) in long-term accounts payable - other	(44)	(0)
Interest and dividend income	(31)	(33)
Interest expenses	7	7
Loss (gain) on investments in investment partnerships	(58)	28
Loss (gain) on sale of investment securities	47	(31)
Share of loss (profit) of entities accounted for using equity method	144	(35)
Decrease (increase) in trade receivables	(1,494)	(672)
Decrease (increase) in inventories	(315)	(349)
Decrease (increase) in advance payments to suppliers	(22)	25
Increase (decrease) in trade payables	438	398
Increase (decrease) in accounts payable - other, and accrued expenses	141	418
Increase (decrease) in accrued consumption taxes	(58)	2
Increase (decrease) in advances received	(116)	1
Other, net	71	(14)
Subtotal	8,328	10,297
Interest and dividends received	39	41
Interest paid	(7)	(7)
Income taxes paid	(2,816)	(2,683)
Net cash provided by (used in) operating activities	5,544	7,648
Cash flows from investing activities		
Payments into time deposits	(0)	(386)
Proceeds from withdrawal of time deposits	374	–
Purchase of property, plant and equipment and intangible assets	(519)	(1,158)
Proceeds from sale of property, plant and equipment and intangible assets	26	27
Loan advances	(2)	(2)
Proceeds from collection of loans receivable	0	1
Purchase of investment securities	(17,158)	(19,745)
Proceeds from sale of investment securities	17,127	19,300
Payments of leasehold and guarantee deposits	(545)	(81)
Proceeds from refund of leasehold and guarantee deposits	18	6
Proceeds from distributions from investment partnerships	122	27
Other payments	(4)	(5)
Other proceeds	0	0
Net cash provided by (used in) investing activities	(559)	(2,016)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Proceeds from sale of shares of subsidiaries	22	–
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	9	20
Dividends paid	(1,938)	(2,908)
Net cash provided by (used in) financing activities	(1,905)	(2,854)
Effect of exchange rate change on cash and cash equivalents	11	49
Net increase (decrease) in cash and cash equivalents	3,089	2,827
Cash and cash equivalents at beginning of period	18,875	21,964
Cash and cash equivalents at end of period	*1 21,964	*1 24,792

(5) Notes to the consolidated financial statements

(Notes on premise of going concern)

No items to report.

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

1. Matters concerning scope of consolidation

(1) Number of consolidated subsidiaries: 11 companies

Names of consolidated subsidiaries

ProVision Co., Ltd.
Tokyoto Business Service Co., Ltd.
GaYa Co., Ltd.
IDY Corporation
TBSOPERATION CO., LTD.
Systena America Inc.
Systena Vietnam Co., Ltd.
MINGAL inc.
and three other companies

MINGAL inc. was newly established on June 1, 2022, and is included in the scope of consolidation as of the fiscal year under review.

(2) Names of unconsolidated subsidiaries

No items to report.

2. Matters concerning the application of the equity method

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

HIS Holdings, Inc.
StrongKey, Inc.
ONE Tech, Inc.

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

No items to report.

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

(4) Treatment of amounts equivalent to goodwill

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

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

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

4. Matters concerning accounting policies

(1) Valuation standards and valuation methods for significant assets

(i) Securities

Available-for-sale securities

Securities other than stocks and other securities with no market price

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

Stocks and other securities with no market price

Stated at cost determined by the moving average method

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

(ii) Inventories

Merchandise

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

Work in process

Stated at cost determined by the specific cost method (Calculated by writing down book values based on decreased profitability)

(2) Method of depreciation and amortization of significant depreciable assets

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

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

The useful lives and residual values of assets are determined based on the standards stipulated in the Corporation Tax Act. Assets with an acquisition cost of ¥100,000 or more but less than ¥200,000 are amortized equally over three years.

(ii) Intangible assets (excluding leased assets)

Straight-line method

Software for internal use is amortized by the straight-line method over the estimated useful life (5 years). Software intended for market sale is amortized by the larger of amortization based on the estimated sales revenue over the estimated sales period (within 3 years) or equal amortization over the remaining salable period.

(iii) Long-term prepaid expenses

Amortized based on the straight-line method

(3) Standards for recognition of significant allowances and provisions

(i) Allowance for doubtful accounts

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

(ii) Provision for bonuses

To provide for payment of bonuses to employees, an amount is recorded based on the accrued burden for the respective fiscal year in question that is the portion of the estimated amount of bonuses to be paid.

(iii) Provision for share-based compensation

To provide for the future delivery of Company shares to Directors and Executive Officers in accordance with the Company's rules on share delivery, the estimated payment amount is recorded based on the points allotted to Directors and Executive Officers as of the end of the fiscal year under review.

(4) Standards for recognition of significant revenue and expenses

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

(i) Software and system development, and IT services

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

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

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

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

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

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

(ii) Sales of merchandise

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

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

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

(iii) License sales

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

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

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

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

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

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

(Significant accounting estimates)

Progress-based revenue recognition

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

(Millions of yen)

	Previous fiscal year	Fiscal year under review
Net sales (Portion not completed)	632	545

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

(i) Calculation method

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

(ii) Primary underlying assumptions

Recording sales revenue recognized in accordance with the measured degree of progress in satisfying a performance obligation affects the amount of revenue and profit or loss, depending on the estimate of the total project cost (total man-hours). The total project cost (total man-hours) is initially estimated in the working budget. When preparing a working budget, the total project cost (total man-hours) is estimated by setting assumptions for specifications and work content based on information available at the time of preparation and by estimating in detail the cost (man-hours) of each process required to complete the development plan. After development has begun, the actual cost incurred is managed for each project, and the total project cost (total man-hours) is reviewed in a timely and appropriate manner for changes in work content due to changes in circumstances, including additional development.

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

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

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

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 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 change has no impact on the consolidated financial statements.

(Additional information)

Stock compensation plan

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

1. Outline of transactions

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

2. Company shares remaining in trust

Company shares remaining in trust are recorded as treasury shares under net assets at the carrying value in trust (excluding the amount of incidental expenses). The book value and number of these treasury shares amounted to ¥726 million and 1,612,300 shares at the end of the previous fiscal year, and ¥706 million and 1,567,700 shares at the end of the fiscal year under review.

(On the consolidated balance sheet)

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

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Investment securities (shares)	456	492

2. Overdraft agreement

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

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

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Maximum amount of overdraft	8,260	8,260
Outstanding balance of overdraft	1,550	1,550
Unused amount	6,710	6,710

(On the consolidated statements of income)

1. Revenue arising from contracts with customers

Net sales are not separately presented for revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is presented in “Information on breakdown of revenue from contracts with customers” under the revenue recognition section of notes to the consolidated financial statements.

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

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Payroll and allowances	2,312	2,775
Rent expenses	850	1,147
Provision for bonuses	111	158
Retirement benefit expenses	208	243
Provision for share-based compensation	41	36

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

(Millions of yen)

Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
105	51

(On the consolidated statement of comprehensive income)

1. Reclassification adjustments and tax effects for other comprehensive income

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Unrealized gain and loss on available-for-sale securities		
Incurred during the period	(60)	(64)
Reclassification adjustments	47	(31)
Before tax effect adjustment	(13)	(95)
Tax effect amount	4	(29)
Unrealized gain and loss on available-for-sale securities	(9)	(66)
Foreign currency translation adjustment		
Incurred during the period	82	72
Foreign currency translation adjustment	82	72
Share of other comprehensive income of entities accounted for using equity method		
Incurred during the period	(15)	(16)
Share of other comprehensive income of entities accounted for using equity method	(15)	(16)
Total other comprehensive income	58	(11)

(On the consolidated statement of changes in equity)

Previous fiscal year (From April 1, 2021 to March 31, 2022)

1. Type and number of shares issued and treasury shares

(Shares)

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

(Notes) 1. The increase of 338,160,000 issued shares of common stock during the period was due to a four-for-one stock split of common stock, effective December 1, 2021.

2. The increase of 47,629,149 shares in treasury shares in the period was due to an increase of 47,629,017 shares as a result of a four-for-one stock split of common stock, effective December 1, 2021, and an increase of 132 shares as a result of purchase of shares less than one unit.

3. The 21,700 common shares in treasury shares decreased in the period were delivered from trust to eligible persons under the stock compensation plan for Directors and the stock compensation plan for Executive Officers.

4. The 63,483,788 common shares in treasury shares at the end of the period include 1,612,300 shares of the Company’s stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.

2. Matters concerning dividends

(1) Dividends paid

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

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

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

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

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

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

Fiscal year under review (From April 1, 2022 to March 31, 2023)

1. Type and number of shares issued and treasury shares

(Shares)

	Number of shares at the beginning of the period	Increase in shares during the period	Decrease in shares during the period	Number of shares at the end of the period
Issued shares				
Common shares	450,880,000	–	–	450,880,000
Total	450,880,000	–	–	450,880,000
Treasury shares				
Common shares[1, 2]	63,483,788	–	44,600	63,439,188
Total	63,483,788	–	44,600	63,439,188

(Notes) 1. The 44,600 common shares in treasury shares decreased in the period were delivered from trust to eligible persons under the stock compensation plan for Directors and the stock compensation plan for Executive Officers.
2. The 63,439,188 common shares in treasury shares at the end of the period include 1,567,700 shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.

2. Matters concerning dividends

(1)Dividends paid

Resolution	Class of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Date of record	Effective date
May 18, 2022 Board of Directors meeting	Common shares	1,361	3.5	March 31, 2022	June 9, 2022
October 27, 2022 Board of Directors meeting	Common shares	1,556	4.0	September 30, 2022	December 6, 2022

(Notes) 1. The total dividend amount resolved by the Board of Directors meeting on May 18, 2022 includes ¥5 million in dividends paid to shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.
2. The total dividend amount resolved by the Board of Directors meeting on October 27, 2022 includes ¥6 million in dividends paid to shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.

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

Resolution	Class of shares	Total dividend amount (Millions of yen)	Source of dividend	Dividend per share (Yen)	Date of record	Effective date
May 18, 2023 Board of Directors meeting	Common shares	1,556	Retained earnings	4.0	March 31, 2023	June 7, 2023

(Note) The total dividend amount includes ¥6 million in dividends paid to shares of the Company’s stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the Trust for Granting Shares to Directors and Executive Officers and the Trust for Granting Shares to Executive Officers.

(On the consolidated statement of cash flows)

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

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Cash and deposits account	21,657	25,033
Time deposits with maturities longer than three months	(100)	(481)
Deposits paid account	407	240
Cash and cash equivalents	21,964	24,792

(Lease transactions)

Previous fiscal year (From April 1, 2021 to March 31, 2022)

Notes are omitted due to immateriality.

Fiscal year under review (From April 1, 2022 to March 31, 2023)

Notes are omitted due to immateriality.

(Financial instruments)

1. Matters concerning status of financial instruments

(1) Policy for financial instrument transactions

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

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

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

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

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

(3) Supplementary information on fair value, etc. of financial instruments
The fair value of financial instruments reflects variable factors, and is therefore subject to change depending on different assumptions used.

2. Matters concerning fair value, etc. of financial instruments
The amounts recorded on the consolidated balance sheet, fair values, and the differences between them are shown below.

Previous fiscal year (As of March 31, 2022)

(Millions of yen)

	Carrying value on the consolidated balance sheet	Fair value	Difference
Investment securities[2]	727	727	–
Total assets	727	727	–

Fiscal year under review (As of March 31, 2023)

(Millions of yen)

	Carrying value on the consolidated balance sheet	Fair value	Difference
Investment securities[2]	796	796	–
Total assets	796	796	–

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

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

(Millions of yen)

Classification	Previous fiscal year	Fiscal year under review
Unlisted stocks, etc.	464	500

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

(Millions of yen)

	Previous fiscal year	Fiscal year under review
Investment securities	584	840

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

Previous fiscal year (As of March 31, 2022)

(Millions of yen)

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

Fiscal year under review (As of March 31, 2023)

(Millions of yen)

	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Notes receivable - trade	799	–	–	–
Accounts receivable - trade	13,600	–	–	–

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

Previous fiscal year (As of March 31, 2022)

(Millions of yen)

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

Fiscal year under review (As of March 31, 2023)

(Millions of yen)

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

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

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

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

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

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

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

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

Previous fiscal year (As of March 31, 2022)

(Millions of yen)

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

Fiscal year under review (As of March 31, 2023)

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities				
Stocks	208	–	–	208
Other	587	–	–	587
Total assets	796	–	–	796

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

Previous fiscal year (As of March 31, 2022)

No items to report.

Fiscal year under review (As of March 31, 2023)

No items to report.

(Securities)

Previous fiscal year (As of March 31, 2022)

1. Available-for-sale securities

(Millions of yen)

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

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

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

(Millions of yen)

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

Fiscal year under review (As of March 31, 2023)

1. Available-for-sale securities

(Millions of yen)

	Type	Carrying value on the consolidated balance sheet	Acquisition cost	Difference
Securities whose carrying values on the consolidated balance sheet exceed acquisition cost	Stocks	–	–	–
	Other	–	–	–
Securities whose carrying values on the consolidated balance sheet do not exceed acquisition cost	Stocks	208	315	(106)
	Other	587	647	(60)
Total		796	963	(167)

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

2. Available-for-sale securities sold during the fiscal year under review (From April 1, 2022 to March 31, 2023)

(Millions of yen)

Type	Amount of sales	Total gain on sale	Total loss on sale
Stocks	4,613	91	141
Other	14,687	246	165
Total	19,300	338	307

(Retirement benefits)

Previous fiscal year (From April 1, 2021 to March 31, 2022)

1. Outline of retirement benefit plans adopted

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

2. Matters on retirement benefit obligations

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

3. Matters on retirement benefit expenses

	(Millions of yen)
(1) Contributions to defined contribution pension plan	264
(2) Prepaid retirement benefits	1,101
Retirement benefit expenses	1,365

Fiscal year under review (From April 1, 2022 to March 31, 2023)

1. Outline of retirement benefit plans adopted

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

2. Matters on retirement benefit obligations

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

3. Matters on retirement benefit expenses

	(Millions of yen)
(1) Contributions to defined contribution pension plan	269
(2) Prepaid retirement benefits	1,254
Retirement benefit expenses	1,524

(Tax effect accounting)

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

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Deferred tax assets		
Accrued enterprise tax	117	127
Accrued business office tax	17	19
Provision for bonuses	420	457
Provision for share-based compensation	29	34
Loss on valuation of membership	24	24
Unrealized profit	–	10
Loss carried forward	360	362
Unrealized gain and loss on available-for-sale securities	11	40
Allowance for doubtful accounts	286	287
Other	53	46
Subtotal of deferred tax assets	1,321	1,410
Valuation allowance	(503)	(505)
Total deferred tax assets	817	905

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

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Effective statutory tax rate	Notes are omitted because the difference between the effective statutory tax rate and the effective income tax rate is 5% or less of the effective statutory tax rate.	30.6%
(Adjustments)		
Share of loss of entities accounted for using equity method		(0.1%)
Inhabitant tax on per capita basis		0.4%
Change in valuation allowance		(0.2%)
Tax credits for wage increases		(4.9%)
Other		0.4%
Effective income tax rate after application of tax effect accounting		26.2%

(Revenue recognition)

1. Information on breakdown of revenue from contracts with customers

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

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

Fiscal year under review (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment							Total
	Solution Design Business	Framework Design Business	IT Service Business	Business Solution Business	Cloud Business	Overseas Business	Investment & Incubation Business	
Goods or services transferred over a period of time	22,300	6,095	17,357	702	534	71	282	47,345
Goods or services transferred at a single point in time	–	–	–	25,773	1,407	–	–	27,180
Revenue arising from contracts with customers	22,300	6,095	17,357	26,475	1,942	71	282	74,526
Net sales to external customers	22,300	6,095	17,357	26,475	1,942	71	282	74,526

2. Fundamental explanation of revenue arising from contracts with customers

The fundamental explanation for revenue is as described in "(Significant matters that serve as the basis for preparing consolidated financial statements) 4. Matters concerning accounting policies (4) Standards for recognition of significant revenue and expenses"

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

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

(Millions of yen)

	Previous fiscal year	Fiscal year under review
Contract assets (Balance at beginning of period)	524	695
Contract assets (Balance at end of period)	695	599
Contract liabilities (Balance at beginning of period)	198	81
Contract liabilities (Balance at end of period)	81	83

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

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

(2) Transaction price allocated to remaining performance obligations

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

(Segment information, etc.)

Segment information

1. Overview of reportable segments

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

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

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

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

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

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

Profit by reportable segment is based on operating profit.

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

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

I. Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

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

(Notes) 1. Segment profit (loss) is consistent with operating profit in the consolidated statement of income.

2. The ¥23,463 million adjustment to segment assets consists wholly of corporate assets that do not belong to any reportable segment, and is mainly cash and deposits and investment securities. Depreciation of property, plant and equipment and intangible assets included in corporate assets is allocated to reportable segments.

3. The adjustment of ¥136 million for increase in property, plant and equipment and intangible assets under other items is corporate assets, mainly capital investment for replacement of internal systems and company vehicles.

II. Fiscal year under review (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment							Adjustment 2, 3	Total[1]
	Solution Design Business	Framework Design Business	IT Service Business	Business Solution Business	Cloud Business	Overseas Business	Investment & Incubation Business		
Net sales									
Net sales to external customers	22,300	6,095	17,357	26,475	1,942	71	282	–	74,526
Inter-segment net sales and transfers	74	–	396	34	65	62	27	(660)	–
Total	22,375	6,095	17,753	26,510	2,007	134	309	(660)	74,526
Segment profit (loss)	3,926	1,279	2,521	1,760	386	(29)	(0)	–	9,844
Segment assets	5,799	908	6,149	7,977	257	677	293	26,815	48,879
Other items									
Depreciation	229	38	161	39	7	1	0	–	478
Increase in property, plant and equipment and intangible assets	187	16	200	105	1	–	–	555	1,067
Investments in equity method associates	387	–	–	–	–	105	–	–	492

(Notes) 1. Segment profit (loss) is consistent with operating profit in the consolidated statement of income.
2. The ¥26,815 million adjustment to segment assets consists wholly of corporate assets that do not belong to any reportable segment, and is mainly cash and deposits and investment securities. Depreciation of property, plant and equipment and intangible assets included in corporate assets is allocated to reportable segments.
3. The adjustment of ¥555 million for increase in property, plant and equipment and intangible assets under other items is mainly capital investment to enlarge Company floor space.

Related information

Previous fiscal year (From April 1, 2021 to March 31, 2022)

1. Information by product and service

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

2. Information by geographic area

(1) Net sales

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

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in

Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

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

Fiscal year under review (From April 1, 2022 to March 31, 2023)

1. Information by product and service

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

2. Information by geographic area

(1) Net sales

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

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

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

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

Previous fiscal year (From April 1, 2021 to March 31, 2022)

No items to report.

Fiscal year under review (From April 1, 2022 to March 31, 2023)

No items to report.

Information about amortization and unamortized balance of goodwill by reportable segment

Previous fiscal year (From April 1, 2021 to March 31, 2022)

No items to report.

Fiscal year under review (From April 1, 2022 to March 31, 2023)

No items to report.

Information about gain on bargain purchase by reportable segment

Previous fiscal year (From April 1, 2021 to March 31, 2022)

No items to report.

Fiscal year under review (From April 1, 2022 to March 31, 2023)

No items to report.

(Information on related parties)

Previous fiscal year (From April 1, 2021 to March 31, 2022)

1. Transactions with related parties

No items to report.

2. Notes on parent company and significant associates

No items to report.

Fiscal year under review (From April 1, 2022 to March 31, 2023)

1. Transactions with related parties

No items to report.

2. Notes on parent company and significant associates

No items to report.

(Per share information)

(Yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Net assets per share	76.83	88.19
Basic earnings per share	15.47	18.89

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

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

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	5,992	7,317
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent available to common shares (Millions of yen)	5,992	7,317
Average number of shares during the period (Shares)	387,386,464	387,422,095

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

The number of treasury shares held by the trust account included in the number of treasury shares at the end of the fiscal year under review and previous fiscal year was 1,567,700 shares and 1,612,300 shares, respectively. The average number of treasury shares held by the trust account excluded from the calculation of the average number of shares during the fiscal year under review and previous fiscal year were 1,586,417 shares and 1,622,086 shares, respectively.

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

(Significant subsequent events)

No items to report.

5. Non-consolidated financial statements

(1) Non-consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	18,553	21,361
Notes receivable - trade	765	798
Accounts receivable - trade	11,960	12,619
Contract assets	671	572
Merchandise	1,104	1,438
Advance payments to suppliers	4	1
Prepaid expenses	295	321
Short-term loans receivable	0	0
Short-term loans receivable from subsidiaries and associates	106	0
Other	438	281
Allowance for doubtful accounts	(9)	–
Total current assets	33,890	37,396
Non-current assets		
Property, plant and equipment		
Buildings	554	872
Accumulated depreciation	(283)	(326)
Buildings, net	271	545
Structures	0	0
Accumulated depreciation	(0)	(0)
Structures, net	0	0
Vehicles	85	60
Accumulated depreciation	(16)	(27)
Vehicles, net	68	33
Tools, furniture and fixtures	1,454	1,884
Accumulated depreciation	(1,112)	(1,314)
Tools, furniture and fixtures, net	342	569
Land	92	92
Total property, plant and equipment	774	1,240
Intangible assets		
Software	247	256
Software in progress	2	4
Other	0	1
Total intangible assets	250	262

(Millions of yen)

		As of March 31, 2022		As of March 31, 2023
Investments and other assets				
Investment securities		1,318		1,535
Shares of subsidiaries and associates		1,369		1,429
Investments in capital		0		0
Long-term prepaid expenses		4		2
Long-term loans receivable		0		0
Long-term loans receivable from subsidiaries and associates		433		432
Leasehold and guarantee deposits		1,297		1,323
Deferred tax assets		713		766
Other		0		0
Allowance for doubtful accounts		(255)		(259)
Total investments and other assets		4,881		5,231
Total non-current assets		5,906		6,733
Total assets		39,797		44,130
Liabilities				
Current liabilities				
Accounts payable - trade		5,554		5,974
Short-term borrowings	*1	1,550	*1	1,550
Accounts payable - other		1,580		1,824
Income taxes payable		1,389		1,326
Accrued consumption taxes		636		619
Accrued expenses		27		32
Advances received		79		52
Deposits received		76		80
Provision for bonuses		1,100		1,169
Other		8		15
Total current liabilities		12,003		12,644
Non-current liabilities				
Long-term lease and guarantee deposited		12		9
Provision for share-based payments		97		114
Total non-current liabilities		110		123
Total liabilities		12,113		12,768

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Net assets		
Shareholders’ equity		
Share capital	1,513	1,513
Capital surplus		
Legal capital surplus	1,428	1,428
Other capital surplus	4,623	4,623
Total capital surplus	6,051	6,051
Retained earnings		
Other retained earnings		
General reserve	0	0
Retained earnings brought forward	25,186	28,910
Total retained earnings	25,186	28,910
Treasury shares	(5,042)	(5,022)
Total shareholders’ equity	27,709	31,454
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(25)	(91)
Total valuation and translation adjustments	(25)	(91)
Total net assets	27,684	31,362
Total liabilities and net assets	39,797	44,130

(2) Non-consolidated statement of income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales		
Service sales	34,741	38,518
Net sales of goods	23,368	27,336
Total net sales	58,110	65,855
Cost of sales		
Cost of service sales	24,252	26,844
Cost of goods sold		
Beginning merchandise inventory	798	1,104
Cost of purchased goods	19,887	23,450
Total	20,686	24,554
Ending merchandise inventory	1,104	1,438
Cost of goods sold	19,582	23,115
Total cost of sales	43,835	49,959
Gross profit	14,275	15,895
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	308	323
Payroll and allowances	1,835	2,158
Provision for share-based payments	41	36
Retirement benefit expenses	165	196
Bonuses	65	56
Provision for bonuses	92	124
Legal welfare expenses	360	389
Travel and transportation expenses	85	107
Recruiting expenses	185	150
Advertising expenses	301	266
Supplies expenses	55	35
Taxes and dues	369	399
Commission expenses	403	870
Rent expenses	785	1,057
Depreciation	325	361
Research and development expenses	1	22
Provision of allowance for doubtful accounts	9	(9)
Other	383	413
Total selling, general and administrative expenses	5,774	6,959
Operating profit	8,500	8,936

(Millions of yen)

		Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023
Non-operating income				
Interest income		3		4
Dividend income		24		13
Gain on sale of investment securities		–		31
Gain on investments in investment partnerships		58		–
Compensation income for damage		–		16
Other		19		31
Total non-operating income	*1	105	*1	96
Non-operating expenses				
Interest expenses		7		7
Loss on sale of investment securities		47		–
Loss on investments in investment partnerships		–		16
Provision of allowance for doubtful accounts	*1	76	*1	4
Consumption tax difference		7		8
Office relocation expenses		–		11
Other		11		6
Total non-operating expenses		150		53
Ordinary profit		8,455		8,979
Extraordinary income				
Gain on sale of shares of subsidiaries		22		–
Total extraordinary income		22		–
Extraordinary losses				
Loss on valuation of shares of subsidiaries and associates	*2	555		–
Total extraordinary losses		555		–
Profit before income taxes		7,922		8,979
Income taxes - current		2,444		2,361
Income taxes - deferred		(88)		(23)
Total income taxes		2,355		2,337
Profit		5,566		6,641

(3) Non-consolidated statement of changes in equity

Fiscal year ended March 31, 2022

(Millions of yen)

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

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

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward			
Balance at beginning of period	1,513	1,428	4,623	6,051	0	25,186	25,186	(5,042)	27,709
Changes during period									
Dividends of surplus						(2,917)	(2,917)		(2,917)
Profit						6,641	6,641		6,641
Disposal of treasury shares								20	20
Net changes in items other than shareholders' equity									
Total changes during period	–	–	–	–	–	3,724	3,724	20	3,744
Balance at end of period	1,513	1,428	4,623	6,051	0	28,910	28,910	(5,022)	31,454

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(25)	(25)	27,684
Changes during period			
Dividends of surplus			(2,917)
Profit			6,641
Disposal of treasury shares			20
Net changes in items other than shareholders' equity	(66)	(66)	(66)
Total changes during period	(66)	(66)	3,678
Balance at end of period	(91)	(91)	31,362

(4) Notes to the non-consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Significant accounting policies)

1. Valuation standards and valuation methods for securities

(1) Shares of subsidiaries and associates

Stated at cost determined by the moving average method

(2) Available-for-sale securities

Securities other than stocks and other securities with no market price

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

Stocks and other securities with no market price

Stated at cost determined by the moving average method

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

2. Valuation standards and methods for inventories

Merchandise

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

3. Method of depreciation of non-current assets

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

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

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

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

(2) Intangible assets (excluding leased assets)

Straight-line method

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

(3) Long-term prepaid expenses

Amortized based on the straight-line method

4. Standards for recognition of allowances and provisions

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

(3) Provision for share-based compensation

To provide for the future delivery of Company shares to Directors and Executive Officers in accordance with the Company's rules on share delivery, the estimated payment amount is recorded based on the points allotted to Directors and Executive Officers as of the end of the fiscal year under review.

5. Standards for recognition of revenue and expenses

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

(1)Software and system development, and IT services

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

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

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

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

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

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

(2) Sales of merchandise

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

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

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

(3) License sales

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

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

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

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

(Significant accounting estimates)

Progress-based revenue recognition

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

(Millions of yen)

	Previous fiscal year	Fiscal year under review
Net sales (Portion not completed)	610	520

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

The method of calculating the amounts in (1) is the same as that described in under "(2) Details regarding significant accounting estimates for the identified item" in the progress-based revenue recognition section of notes (significant accounting estimates) to the consolidated financial statements.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

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 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 change has no impact on the financial statements.

(Additional information)

Stock compensation plan

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

1. Outline of transactions

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

2. Company shares remaining in trust

Company shares remaining in trust are recorded as treasury shares under net assets at the carrying value in trust (excluding the amount of incidental expenses). The book value and number of these treasury shares amounted to ¥726 million and 1,612,300 shares at the end of the previous fiscal year, and ¥706 million and 1,567,700 shares at the end of the fiscal year under review.

(On the non-consolidated balance sheet)

1. Overdraft agreement

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

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

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Maximum amount of overdraft	8,100	8,100
Outstanding balance of overdraft	1,550	1,550
Unused amount	6,550	6,550

(On the non-consolidated statements of income)

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

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Provision of allowance for doubtful accounts	76	4

The total amount of non-operating income for subsidiaries and associates was ¥11 million for the previous fiscal year and ¥12 million for the fiscal year under review, exceeding 10% of the total amount of non-operating income.

2. Loss on valuation of shares of subsidiaries and associates

Previous fiscal year (From April 1, 2021 to March 31, 2022)

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

Fiscal year under review (From April 1, 2022 to March 31, 2023)

No items to report.

(Securities)

Previous fiscal year (From April 1, 2021 to March 31, 2022)

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

Fiscal year under review (From April 1, 2022 to March 31, 2023)

Shares of subsidiaries and associates (carrying value of ¥1,323 million and ¥105 million on the non-consolidated balance sheet, respectively) are stocks, etc. with no market prices. Accordingly, they are omitted.

(Tax effect accounting)

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

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Deferred tax assets		
Accrued enterprise tax	103	108
Accrued business office tax	13	14
Provision for bonuses	337	358
Allowance for doubtful accounts	146	144
Provision for share-based compensation	29	34
Loss on valuation of membership	24	24
Loss on valuation of shares of subsidiaries and associates	869	869
Unrealized gain and loss on available-for-sale securities	11	40
Other	42	36
Subtotal of deferred tax assets	1,579	1,632
Valuation allowance	(865)	(865)
Total deferred tax assets	713	766

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

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Effective statutory tax rate	Notes are omitted because the difference between the effective statutory tax rate and the effective income tax rate is 5% or less of the effective statutory tax rate.	30.6%
(Adjustments)		
Tax credits for wage increases		(5.0%)
Other		0.4%
Effective income tax rate after application of tax effect accounting		26.0%

(Revenue recognition)

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

(Significant subsequent events)

No items to report.

6. Other

Production, orders, and sales results
MINGAL inc., 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 fiscal year under review are as follows.

Business segment	Fiscal year under review (From April 1, 2022 to March 31, 2023) (Millions of yen)	Year-on-year change (%)
Solution Design Business	15,004	109.4
Framework Design Business	4,236	117.5
IT Service Business	12,479	110.5
Business Solution Business	1,248	156.0
Total	32,968	112.1

(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 fiscal year under review 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	22,770	106.9	7,849	106.4
Framework Design Business	6,755	123.3	3,113	126.9
IT Service Business	17,900	112.1	6,525	109.1
Business Solution Business	1,581	115.4	504	108.1
Total	49,009	111.1	17,992	110.5

(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 fiscal year under review are as follows.

Business segment	Fiscal year under review (From April 1, 2022 to March 31, 2023) (Millions of yen)	Year-on-year change (%)
Solution Design Business	22,300	108.2
Framework Design Business	6,095	118.5
IT Service Business	17,357	113.3
Business Solution Business	26,475	119.1
Cloud Business	1,942	109.4
Overseas Business	71	69.0
Investment & Incubation Business	282	285.7
Total	74,526	114.2

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